

Executive nomination policy

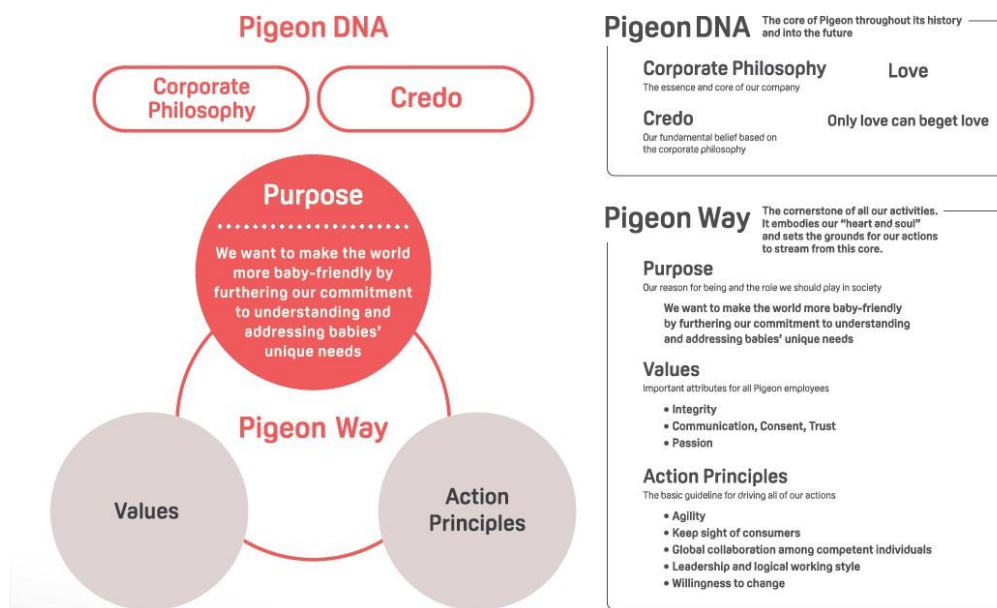
1. The Pigeon DNA and the Pigeon Way, Key Issues, and the basic policy of corporate governance

■ The Pigeon DNA and the Pigeon Way

Our corporate philosophy “Love” and the credo “Only love can beget love” are the core of Pigeon. These are the unchanging spirit that each and every Pigeon employee and executive will uphold into the future as the Pigeon DNA, as long as Pigeon continues to exist as an essential part of society.

Our Purpose “We want to make the world more baby-friendly by furthering our commitment to understanding and addressing babies’ unique needs” and Values and Action Principles that employees and executives should cherish to realize the Purpose are collectively called the Pigeon Way, the cornerstone of all our activities. The Pigeon Way embodies our “heart and soul” and sets the grounds for our actions to stream from this core.

We have reclassified our corporate philosophy and the credo as the Pigeon DNA, the underlying concept of the Pigeon Way. We will continue to drive our business activities toward the realization of the Purpose, positioning it as the core of the Pigeon Way. The Pigeon DNA and the Pigeon Way are defined as follows.



■ Establishment of Key Issues

Pigeon’s Purpose “We want to make the world more baby-friendly by furthering our commitment to understanding and addressing babies’ unique needs” cannot be achieved solely through the efforts of Pigeon Group employees and executives, but through collaboration with external stakeholders, including customers, business partners, shareholders, and local communities. We believe that by realizing our “Purpose,” we can not only continue to be recognized as an essential part of society, but also contribute to the creation or realization of a sustainable society that is the basis for coexistence with our stakeholders. In this sense, our underlying Pigeon DNA and the Pigeon Way, the social and environmental challenges we must address, and the future vision we should aim for by addressing

the challenges must be shared not only with Pigeon Group employees and executives, but also with our customers, business partners, shareholders, local communities, and other external stakeholders. Therefore, the Company established the following five (5) Key Issues to be addressed and realized in the process of achieving Pigeon’s Purpose “We want to make the world more baby-friendly by furthering our commitment to understanding and addressing babies’ unique needs” so that we can share the same mindset with all stakeholders.



Enhancing Business
Competitiveness and
Resilience



Reducing our
Environmental Impact



Contributing to
the Resolution of
Social Issues



Managing Talent and
Cultivating the Right
Culture for our Purpose



Establishing Solid
Management
Foundations

■ Pigeon's Basic Policy of Corporate Governance

Our corporate governance must be based on the Pigeon DNA and the Pigeon Way, be directed toward solving and realizing the Key Issues, contribute to the creation and realization of a sustainable society, and ultimately realizing the Purpose “We want to make the world more baby-friendly by furthering our commitment to understanding and addressing babies’ unique needs.”

Based on this approach, we define the Company’s corporate governance as follows: 1) Offensive governance: a mechanism for transparent, fair, prompt and decisive decision-making to enhance Pigeon Group’s sustainable growth and medium- to long-term corporate value (societal value and economic value), for the resolution and realization of the Key Issues, and ultimately the realization of the “Purpose”; and 2) Defensive governance: a mechanism for risk control through timely collection and sharing and review and verification of information aimed at prevention and prompt elimination of factors that could hamper Pigeon Group’s sustainable growth and damage its corporate value, or impede the resolution and realization of the Key Issues and the realization of the “Purpose.”

By continuously strengthening these mechanisms, we aim to further enhance corporate governance, increase our corporate value, and ultimately contribute to the creation and realization of a sustainable society, as well as realizing the “Purpose.”

2. Human resource requirements of the Chief Executive Officer (CEO)

The ideal human qualities necessary for the role of Chief Executive Officer (CEO) of the Company are human qualities that can enhance resourcefulness and continuously increase the Company’s corporate value (social and economic value), based on the values of the “Pigeon DNA” and the “Pigeon Way.” The human resource requirements of the CEO (responsibilities and authority, main duties and expected results, and required competencies (behavioral characteristics, personality characteristics, experience and achievements, and knowledge and skills)) are determined based on “The Pigeon DNA and the Pigeon Way, Key Issues, and the basic policy of corporate governance,” above.

(i) Responsibilities and authority

The responsibilities and authority of the CEO are determined based on “1. The Pigeon DNA and the Pigeon Way, Key Issues, and the basic policy of corporate governance,” above.

Responsibilities: Is responsible for processes and results that increase corporate value (social and economic value) based on the values of the “Pigeon DNA” and the “Pigeon Way”, in order to contribute to the improvement of social sustainability.

Authority: Has the authority to make final decisions regarding the optimal allocation of management resources, in order to improve corporate value (social and economic value).

(ii) Main duties and expected results

The main duties and expected results of the CEO are determined based on “Responsibilities and authority,” above.

Key Issues	Main duties	Expected results
Enhancing Business Competitiveness and Resilience	Build a business model and strategy to become essential to society.	Establishes a business model that achieves sustainable growth and improves corporate value over the medium- to long-term.
Reducing our Environmental Impact	Build frameworks that promote the sustainable reduction of environmental impact to leave the Earth favorable for the future of babies born tomorrow.	Sets numerical targets for each separate challenge, and executes measures to achieve these targets.
Contributing to the Resolution of Social Issues	Build a mechanism to encourage the development of next-generation businesses and products to resolve social issues that affect babies and families.	Carries out the development of next-generation businesses and products that help solve social issues, with consideration for the entire value chain.
Managing Talent and Cultivating the Right Culture for our Purpose	Cultivating the right culture in which diverse human resources are motivated to take on challenges and grow to be themselves to make the world more baby-friendly.	Promotes diversity and work-life balance, and carries out initiatives toward diverse work styles. Ensures that there are future CEO candidates for the next and following generations.
Establishing Solid Management Foundations	Build a management base that enables employees to take on challenges in order to increase corporate value over the medium to long term.	Carries out both proactive and reactive measures to strengthen the management base. Meticulously provides information to stakeholders, engages in two-way communication with them, and gets them on board with the Company’s plans and actions.

(iii) Required competencies

Item	Details
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Behavioral characteristics	Innovative leadership	Has foresight and leads reform personally, without being hindered by past success or common knowledge.
	Develops and spreads our vision and corporate culture	Promotes the wide adoption of the “Pigeon DNA” and the “Pigeon Way” as well as a healthy corporate culture through strategic engagement with stakeholders.
	Envisioning, planning, and execution of strategies	Proposes management strategies and a grand design that reflects our corporate culture, and allocates management resources in an optimal manner.
	Development of human resources and the organization	Develops successors to the CEO and other management positions, and develops an organization that is accepting of diversity, in order to ensure sustainable growth over the medium- to long-term.
	Building corporate governance	Increases the quality and speed of management by building a proactive and reactive governance system.
Personality characteristics	Interest and curiosity	Has a strong interest in and diverse perspectives regarding the Company’s products and services, and displays an attitude of learning through a cycle of “creating, making, and delivery.”
	Passion and romanticism	Has the courage to pursue dreams and take on challenges, and a strong commitment and passion to persevere until success is achieved.
	Sensitivity and empathy	Carries out two-way communication with stakeholders, displays sensitivity, and focuses energy on having empathy.
	Sensibility and ingenuity	Continually develops sensibility, and devises ways to carefully consider, and carry out what is not being done by others.
	Sincerity and trustworthiness	Is sincere, achieves missions in the proper way, and is trusted by employees.
Experience and achievements		Has a record of contributing to the improvement of corporate value (social and economic value) in the top management of Group subsidiaries.
		Has created new value by inventing new businesses, products, and services.
		Has managed multiple functions, regions, or locations.
		Has experience conducting management under chaotic conditions, including startups, reorganization, rehabilitation, and restructuring.
Knowledge and skills		Has knowledge of all businesses, customers, and market trends.

	Has management knowledge (marketing, accounting, management strategy, finance, human resource and organizational strategy, governance, business management, etc.)
	Has the English-language ability to converse directly with global stakeholders.

3. Standards for appointment and dismissal

The policy for appointing senior management shall be to make appointments from an objective perspective, based on “Human resource requirements of the Chief Executive Officer (CEO),” above, and with reference to external assessments and other information. The appointment is referred to the Board of Directors to be decided, after deliberation by the committee.

The appointment of Directors and the CEO is referred to the Board of Directors to be decided, after deliberation by the Voluntary Nominating Committee, based on “Human resource requirements of the Chief Executive Officer (CEO),” above.

If a Director or the CEO meets the criteria for dismissal defined below, or there is a concern that they have taken actions that meet these criteria, the Voluntary Nominating Committee shall swiftly seek advice from the Board of Directors, and deliberate based thereupon.

- a) Suspected misconduct, inappropriate actions, or disloyalty
- b) Recognized illegal or otherwise disqualifying actions
- c) It has been determined that the process or results of carrying out duties are inadequate, and it is no longer appropriate for the individual to continue his or her current duties
- d) ROE is below 5% for three consecutive fiscal years (CEO only)

4. Successor plans

Successor plans for the CEO are deliberated by the Voluntary Nominating Committee, in accordance with “Human resource requirements of the Chief Executive Officer (CEO),” above. Namely, the results and content of outside assessments of training for the development and selection of the next generation of management human resources for CEO candidates, evaluation regarding personnel, and career planning are deliberated. The Board of Directors oversees successor plans to verify that they are conducted appropriately, based on reports on deliberations by the Voluntary Nominating Committee.

5. Term of office

The term of office of Directors (including Independent Outside Directors) shall be one year.

6. Governance

In order to increase the independence, objectivity, and transparency of the determination process for appointment, dismissal, and nomination of Directors, a Voluntary Nominating Committee has been established as an advisory panel to the Board of Directors, chaired by and with a majority consisting of Independent Outside Directors. In principle, the Voluntary Nominating Committee shall meet at least four times per year, deliberate on issues including the standards for appointment and dismissal

of Directors as well as CEO successor plans, and provide advice and proposals to the Board of Directors. The Board of Directors, in turn follows such advice and proposals to the greatest extent possible in its decision-making.

In order to introduce an objective perspective from outside of the Company, as well as expertise on nominations, the Company employs an outside consultant (Human Resources Governance Leaders Co., Ltd.), with whose support it considers the details of the standards for appointment and dismissal of Directors as well as CEO successor plans and other issues, taking into account matters such as external data, the economic environment, industry trends, and management conditions. In addition, to enhance the effectiveness of the Board of Directors, we are working to coordinate the Voluntary Nominating Committee and Remuneration Committee on activities related to Director nomination and remuneration. We also evaluate the effectiveness of the Voluntary Nominating Committee in evaluating the effectiveness of the Board of Directors.

<Main agenda of the Nominating Committee>

- Executive nomination policy
- Roles of the Chairman of the Board
- Skill matrix of the Board of Directors
- Personnel requirements for CEO
- Succession planning for CEO and management
- Candidates for Directors
- Standards for the appointment and dismissal of Directors
- Term of office and tenure for Directors
- Succession planning for Independent Outside Directors
- Improving the effectiveness of the Voluntary Nominating Committee

7. Policy on information disclosure, etc.

The Company swiftly and actively discloses information such as the details of the standards for appointing and dismissing Directors as well as CEO successor plans, based on its Disclosure Policy, through the annual securities reports, Reference Documents for the General Meeting of Shareholders, business reports, Corporate Governance Reports, Integrated Reports, websites, and other materials created and disclosed in accordance with statutory and other obligations.

The Company, led by the CEO and the Directors (including Independent Outside Directors), also actively engages with shareholders and investors. The Company positions engagement with stakeholders including customers, business partners, shareholders, local communities and other stakeholders who understand the Pigeon DNA and the Pigeon Way as a core value. It shares the views of stakeholders gained through engagement with the Board of Directors and at other meetings, and uses these views to increase its corporate value (social and economic value).