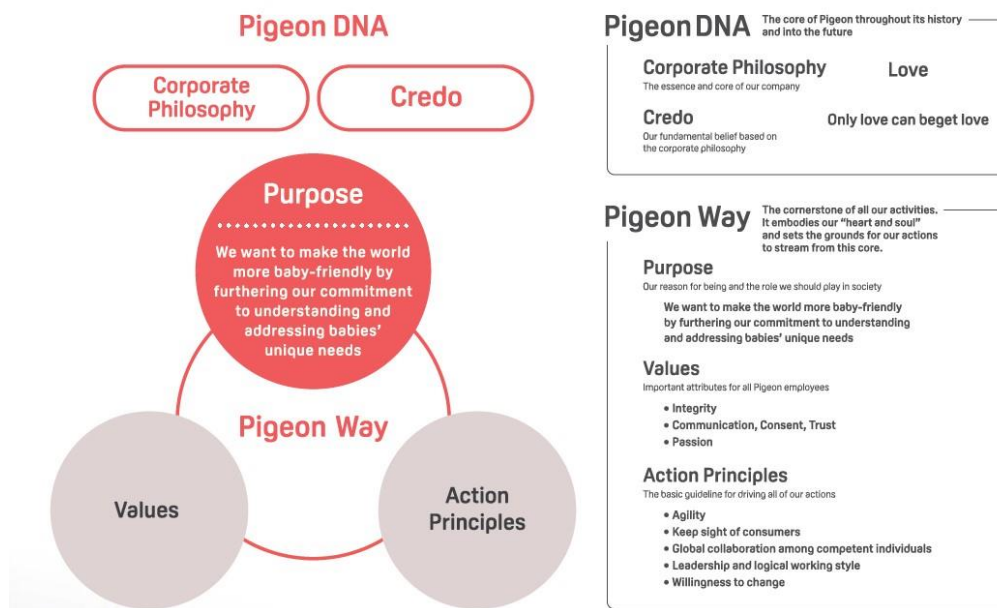


Executive remuneration policy

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. Basic policy on executive remuneration

The Company’s basic policy on remuneration for Directors (hereinafter referred to as “executive remuneration”) shall be as follows, in accordance with the aforementioned “The Pigeon DNA and the Pigeon Way, Key Issues, and the basic policy of corporate governance”:

- (i) It should contribute to “management that improves the corporate value” of the Group over the medium- to long-term;
- (ii) It should contribute to the hiring of talented managers toward solving the Key Issues based on the “Pigeon DNA” and the “Pigeon Way”; and
- (iii) 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 compensation levels in its peer group of companies in the same industry (manufacturing) and of the same size, through external databases, etc.

Remuneration levels for each position are listed as below (with president as 100%)

Position	Remuneration Level
President	100%
vice president	80%
Senior managing executive officer	60%
Managing executive officer	50%
Director	40%

4. Remuneration mix

The remuneration for the Company’s Directors (excluding Independent Outside Directors) 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 Independent Outside Directors and Audit & Supervisory Board Members consists of “basic remuneration” only.

(Note) “Bonuses” and “stock remuneration is applicable to performance-based remuneration etc., “stock remuneration” is applicable to non-monetary remuneration listed in Article 98, paragraph (5) of the Regulation for Enforcement of the Companies Act.

(i) Overview of remuneration types

<Basic remuneration>

Positions are determined in accordance with roles and responsibilities of each Director in the Company’s four business departments. Monetary amounts are decided by position and paid as monthly remuneration every month.

<Bonuses>

Bonuses are paid in March every year for the purpose of granting incentives to improve the Group’s consolidated performance and to solve the Key Issues.

In principle, the amount will vary within a range from 0 to 150%, in accordance with the achievement level of targeted indicators related to consolidated performance (net sales, operating income and PVA (Pigeon Value Added, the Company’s original performance indicator)) and indicators related to the Key Issues (enhancing business competitiveness and resilience and establishing solid management foundations), based on the base amount of the bonus determined for each position. Indicators related to consolidated performance are used to drive the expansion of the scale and earnings of our main business and the creation of corporate value that exceeds the cost of capital. With regard to the indicators related to the Key Issues, in order to make the world more baby-friendly, we aim to be a company essential to society by expanding our corporate value over the medium- to long-term by

building a solid system that can “create,” “produce,” and “deliver” and by working to strengthen the GHO/4SBU system and enhance corporate governance that enable employees to take on aggressive and bold challenges. We will also actively engage with shareholders and investors to ensure that they share and support these ideas, thereby building a solid management base to continue to be close to babies. To calculate the targets, we use the performance forecasts published in the summary of financial results at the beginning of each period for net sales and operating income, and in the initial fiscal-year plan for PVA and indicators related to the Key Issues (enhancing business competitiveness and resilience and establishing solid management foundations).

For Executive Directors in charge of department(s), bonuses will vary within a range from 0 to 150%, in accordance with the achievement level of targets, with consolidated performance and the Key Issues accounting for 70%, and the performance of the Directors’ respective departments (net sales, operating income, and PVA) accounting for 30%.

The valuation ratio for each indicator is as follows:

Indicator		Valuation Ratio
Consolidated performance	Net sales	40%
	Operating income	30%
	PVA	20%
Key Issues	Enhancing Business Competitiveness and Resilience	10%
	Establishing Solid Management Foundations	

<Stock remuneration>

Stock remuneration is paid at the time of retirement for the purpose of granting an incentive to improve the Group’s medium- to long-term company performance and corporate value, and to place Directors in the “same boat” as the shareholders (thus, giving Directors and shareholders a shared interest).

In principle, the remuneration will vary within a range from 0 to 150%, in accordance with the achievement level of targeted financial indicators related to consolidated performance set out in the Medium-Term Business Plan (EPS (Earnings Per Share), growth rate, TSR (Total Shareholder Return) and ROIC) and indicators related to the Key Issues (reducing our environmental impact, contributing to the resolution of social issues, and managing talent and cultivating the right culture for our Purpose), based on the base amount of the stock remuneration determined for each position. Financial indicators related to consolidated performance are used to further improve business profitability and efficiency, as well as to increase our corporate value over the medium- to long-term. With regard to indicators related to the Key Issues, we will work to contribute to social issues surrounding babies, their mothers and their families, as well as reduce factors that lead to environmental load in all countries and regions in which the Group operates, by fostering a corporate culture that allows diverse human resources to take on challenges and grow to be themselves, with the aim of making the world more baby-friendly. If there is a significant change in the targets set out in the Medium-Term Business Plan, the Board of Directors determines the appropriateness of the target values for stock remuneration, after deliberation at the Voluntary Remuneration Committee.

The valuation ratio for each indicator is as follows:

Indicator		Valuation Ratio
Consolidated performance	EPS growth rate	30%
	TSR (relative comparison)	30%
	ROIC	20%
Key Issues	Reducing our Environmental Impact	20%
	Contributing to the Resolution of Social Issues	
	Managing Talent and Cultivating the Right Culture for our Purpose	

The Company recommends that in principle, Directors (excluding Independent Outside Directors) hold at least one year's worth of basic remuneration in Company shares.

Stock remuneration is allocated through a trust-based stock remuneration system. This system grants units (points) to the trustees each year, and issues shares in the Company corresponding to the number of units (points) from the trust at the time of retirement. From the same-boat perspective, the determined number of units (points) is disclosed in the Reference Documents for the General Meeting of Shareholders. Management of Company shares is entrusted to Mitsubishi UFJ Trust and Banking Corporation.

(ii) Standard model for the composition of Director (excluding Independent Outside Directors) remuneration (if the achievement level of each indicator is 100%)

Type of remuneration	Composition Percentage
Basic remuneration	60%
Bonuses	20%
Stock remuneration	20%

5. Governance

In order to increase the independence, objectivity, and transparency of the details of the executive remuneration system, a Voluntary Remuneration 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 Remuneration Committee shall meet at least four times per year, deliberate primarily on the following main agenda items regarding executive remuneration amounts, calculation methods, and policy for deciding the content of remuneration per individual, 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. Please note that executive remuneration will be paid within the limit of remuneration adopted at the General Meeting of Shareholders.

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 consultant (Human Resources Governance Leaders Co., Ltd.), 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, management conditions, employee remuneration amount, and dividend amount.

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 Remuneration Committee in evaluating the effectiveness of the Board of Directors.

<Main agenda items of the Voluntary Remuneration Committee>

- Governance of executive remuneration
- Whether it is necessary to revise the executive remuneration policy
- Remuneration levels of individual executives (base amount by position)
- Performance targets and evaluation table for bonuses and stock remuneration
- Performance evaluations and individual payment amounts, etc. for bonuses in the previous fiscal year
- Performance evaluations and individual payment amounts, etc. for stock remuneration in the previous fiscal year
- Status of initiatives of the Medium-Term Business Plan and the Key Issues
- Level, composition, indicators, etc. of executive remuneration using external data, etc.
- The necessity of response to executive remuneration due to changes in the external environment and business environment
- Improving the effectiveness of the Voluntary Remuneration Committee

<Remuneration limits>

Date of Resolution of the General Meeting of Shareholders	Resolution Details	Number of members on the day of resolution at the General Meeting of Shareholders*
62 nd Ordinary General Meeting of Shareholders held on April 25, 2019	Monetary remuneration Under ¥800 million per year (Under ¥100 million for Outside Directors, not including salary as an employee for Directors that are also employees)	10 (of which three are Outside Directors)
66 th Ordinary General Meeting of Shareholders held on March 30, 2023	Share remuneration Eligible parties : Directors (excluding Outside Directors) Payment limits : ¥200 million for one fiscal year Limit on shares : 65,000 points for one fiscal year (equivalent to 65,000 shares)	4

*The number of members as of March 30, 2023, was 9 (of which five are Outside Directors) .

6. Forfeiture and return of remuneration

If the Board of Directors resolves to correct its financial statements after the disclosure, due to major accounting errors or fraud, or if the Board of Directors, etc. determines that a Director (excluding

Independent Outside Directors) has violated his or her duty of care as a prudent manager or duty of loyalty, or committed other serious violations of his or her legal or contractual obligations during his or her term of office, the Voluntary Remuneration Committee, in consultation with the Board of Directors, deliberates on whether to seek forfeiture of the right to receive some or all bonuses and stock remuneration, or to seek the return of some or all bonuses and stock remuneration which have already been paid, and also provides advice and proposals to the Board of Directors regarding the results of its deliberations.

The Board of Directors shall resolve on whether to demand from the Director in question the forfeiture of the right to receive some or all bonuses and stock remuneration, or the return of some or all bonuses and stock remuneration which have already been paid, while following the advice and proposals of the Remuneration Committee to the greatest extent possible.

7. Policy on information disclosure, etc.

The Company swiftly and actively discloses the details of the executive remuneration system, 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).