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To whom it may concern

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Establishment of Recurrence Prevention Measures and Reduction of Director's Remuneration

As we disclosed a corporate release titled "Suspected Improper Transactions by Former Employee of a Group Subsidiary" on August 14, 2024, various investigations by internal and external experts have revealed that a former employee of a group subsidiary had conducted inappropriate transactions such as fictitious orders and resales (hereinafter "the Incident"). We take the outcome of the investigation seriously and have been studying recurrence prevention measures through analysis of the causes of the Incident.

We also announce that we take seriously the fact that we were unable to prevent the occurrence of this incident and have decided to reduce the director's remuneration to clarify management responsibility.

We will appropriately implement recurrence prevention measures and strive to restore the trust of our shareholders, investors, and all other stakeholders.

1. Results of the investigation and analysis of the cause of this case

As a result of the investigation, this case was identified as an isolated fraud by a former employee, and no systematic fraud or cover-up was confirmed. However, since no signs of fraud were detected from 2019 to 2024, we determined that there were certain deficiencies in our measures to prevent fraud and monitoring system, and that we were unable to prevent the occurrence of this case due to the following reasons.

- (1) Inadequate workflow: There were cases of inadequate cross-checking between purchase orders and contracts at the order placement stage, inadequate processes for verifying payment applications with evidenced document at the payment stage, and insufficient management of approval seals used for payment approvals. In addition, the department to which the former employee who committed a fraud belonged was required to have expertise considering the nature of the work, and there were few opportunities for other departments to become involved in the workflow, so the check-and-balance function was not sufficiently fulfilled.
- (2) Inadequacies in the selection and management of suppliers and other subcontractors: Inadequacies in the supplier selection process, such as insufficient confirmation of the existence of conflicts of interest, and the lack of thorough subcontractor management, made it possible former employee to collude with suppliers and commit a fraud by exploiting gaps in internal controls.
- (3) Weakness of internal control: The division of duties for acceptance inspection was not thorough, so the check-and-balance function within the division was not fulfilled, and the lack of monitoring of the business

process from other divisions and the inadequate management system for molds and products allowed the former employee to conduct business in violation of the business flow and to engage in other acts that were not in accordance with the business flow, which were considered to be fraudulent.

- (4) Lack of compliance awareness: The former employee who committed a fraud had a blunted will to comply with workflow and other internal rules.

2. Outline of measures to prevent recurrence

(1) Review of workflow for ordering and payment process

In order to realize an organizational structure that can adequately fulfill the check-and-balance function, we will widely inform our group subsidiaries of the results of the investigation into this matter and the measures taken to prevent recurrence of such an incident and strengthen the check-and-balance management function by assigning appropriate personnel capable of exercising check-and-balance within the organization. In addition, we will appoint personnel with sufficient knowledge of check-and-balance to optimize the operational system and strive to strengthen check-and-balance by detecting signs and suspicions of wrongdoing from vouchers and other evidence.

In particular, although the person in charge of placing the order has been conducting the acceptance inspection by himself, in order to enable a third party to confirm the actual status of the transaction, we will review the acceptance inspection flow to prevent arbitrary delivery and acceptance inspection by having a department staff member other than the person in charge of placing the order or an officer or employee outside the department attend the acceptance inspection, and will ensure that each approver scrutinizes the contract and vouchers during the payment approval process as well. By March 2025, we will reflect the updated acceptance inspection flow and payment approval process in the rules of segregation of duties and authority, etc.

- (2) Strengthen check-and-balance on the supplier selection process from outside the department and prevention of collusion.

We will strengthen check-and-balance from outside the departments to eradicate opportunities for misconduct. Considering the gaps in internal control functions caused by collusion with suppliers, we will strive to prevent collusion with specific suppliers, check conflicts of interest, and properly manage suppliers by having them obtain quotations in a timely and appropriate manner, and having our group subsidiaries and their controlling departments conduct regular credit checks and capability evaluations once a year. In addition, to ensure transparency and fairness in subcontracting projects, we have established evaluation criteria and decision makers for supplier selection in the rules of segregation of duties and authority, etc., to eliminate arbitrary selection of suppliers.

Specifically, we plan to begin new operations for the selection of new suppliers by the end of 2024, and for the periodic evaluation of existing suppliers, we plan to begin the same operations by the end of March 2025. In addition, from the viewpoint of early detection of fraud and prevention of collusion, suppliers that fall below the evaluation criteria for selection will be reviewed. In addition, we have already terminated the business with suppliers identified as being involved in the incident from the perspective of preventing recidivism.

- (3) Strengthening the Group's internal control function

As part of internal control, it is a matter of course to promptly initiate an investigation to uncover the full

extent of any irregularities that may have been discovered, we will make it clear as an internal rule that we will always investigate and take appropriate measures, and make it known to our company and our group subsidiaries by the end of March 2025. In order to raise awareness of the importance of the Group's internal control, the annual compliance training, which previously included only general and abstract warnings about fraud, will be expanded to include specific cases that have occurred in the Group in the past and will be explained in as much detail as possible from 2025 onward. In addition, we will also provide guidance on the economic damage to the Group as well as the decline in the Group's social reputation and value, in addition to the disadvantages to individuals caused by misconduct, to ensure that the rules are widely understood by the Group's officers and employees, even if we are sometimes accused of overreacting. We will continue to make unceasing efforts to ensure that the existence of fraudulent acts will not be tolerated, even if we are sometimes accused of overreacting.

In addition, to strengthen the Group's self-cleansing function, we encourage active and proactive reporting through annual compliance training, which includes informing employees about the use of the whistleblower system, and we strive to promptly detect and timely and appropriately investigate misconduct through the whistleblower contact point established within the Group. We will endeavor to promptly detect misconduct and investigate it in a timely and appropriate manner.

(4) Cultivate compliance awareness and provide guidance through training and other means

Although we have been conducting compliance training once a year to instill compliance awareness within the Group for some time, we regret that we were unable to prevent the occurrence of the incident in question. In addition, we will provide specific guidance to officers and employees to deter fraud and detect fraud at an early stage to further instill a sense of compliance.

3. Reduction of Director's Remuneration

We take this incident very seriously and have decided to reduce the remuneration of our directors and corporate auditors to clarify management responsibility for the delay in the announcement of financial results and other matters related to this incident, as well as to thoroughly prevent any recurrence in the future.

President and CEO	10% reduction in monthly remuneration (One month)
Director in charge	10% reduction in monthly remuneration (One month)

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