

**The corporate governance of Lion Corporation is described below.**

**Lion Corporation**  
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Securities Code: 4912  
<https://www.lion.co.jp/en/>

## I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

### 1. Basic Views

Lion's top priorities for corporate governance are to increase management transparency, strengthen supervisory functions, accelerate decision making and ensure compliance. By strengthening and enhancing its corporate governance system, Lion aims to increase its corporate value.

\*Please refer to the Lion Corporation Basic Corporate Governance Policy, which sets forth the Company's basic approach to corporate governance and its basic policies, posted on Lion's website.

[https://www.lion.co.jp/en/company/pdf/cg\\_policy\\_e.pdf](https://www.lion.co.jp/en/company/pdf/cg_policy_e.pdf)

### **[Reasons for Non-compliance with the Principles of the Corporate Governance Code]**

The Company complies with all the principles of the Corporate Governance Code.

### **[Disclosure Based on the Principles of the Corporate Governance Code] Updated**

(Principle 1.4 Cross-Shareholdings)

Lion may maintain cross-shareholdings with other companies only when it has judged that they are strategically important for such purposes as maintaining and strengthening trade relationships. The Board of Directors examines the economic rationality of cross-shareholdings on an annual basis, checking the investment profitability, capital cost and other factors for each stockholding. Based on the results of these examinations and such factors as the importance of the relevant trade relationships, shareholdings determined to be unnecessary are then sold as appropriate, reducing Lion's cross-shareholdings.

The voting rights associated with strategically held shares may be exercised based on comprehensive consideration that includes the improvement of Lion's corporate value over the medium to long term and the common interest of Lion's fellow shareholders.

(Principle 1.7 Related Party Transactions)

When a director engages in a transaction on behalf of himself or a third party with Lion that presents a potential conflict of interest, the transaction must be approved by the Board of Directors, in accordance with the Companies Act and the rules of the board. Furthermore, transactions between Lion and directors, major shareholders or other related parties are disclosed in line with the Companies Act, the Financial Instruments and Exchange Act and the Tokyo Stock Exchange's timely disclosure rules.

(Supplementary Principle 2.4.1 Ensuring Diversity in the Promotion of Core Human Resources)

Please refer to "III Implementation of Measures for Shareholders and Other Stakeholders: 3. Measures to Ensure Due Respect for Stakeholders: Other."

(Principle 2.6 Role of Corporate Pension Fund as Asset Owner)

To ensure the payment of pension payments and lump-sum payments into the future, Lion's corporate pension fund manages its pension assets with the aim of securing the necessary total returns over the long-term. To ensure the sound management of the pension fund, Lion assigns personnel from accounting, finance and other relevant divisions who have the appropriate qualities to manage corporate pensions to monitor the entrusted assets.

Furthermore, the membership of the board of representatives that serves as the decision-making body for the corporate pension fund is divided equally between Company appointees and representatives of the corporate pension fund beneficiaries elected from among themselves, thereby creating a framework for appropriately managing any conflict of interest that may arise between the corporate pension fund beneficiaries and the Company.

(Principle 3.1 Full Disclosure)

(1) Corporate Philosophy, Management Strategy and Management Plan

Lion will strive to disclose the progress of its management vision, basic strategies and medium-term management plan in an easy-to-understand manner to all stakeholders, including shareholders and investors.

Vision2030 Long-Term Strategic Framework

◇Management Vision

Becoming an advanced daily healthcare company

We will realize healthy minds and bodies for all by creating new customer experiences to make everyday habits more natural, easy and enjoyable.

By further evolving and developing its efforts to redesign habits— a form of healthcare Lion is uniquely positioned to address—Lion aims to contribute to the realization of a sustainable society and enhance its corporate value.

◇Three Growth Strategies

(1) Accelerate Growth in Four Fields of Value Creation

The Lion Group will offer healthcare that it is uniquely positioned to provide to more consumers, mainly in Asia. By doing so, the Group aims to make a difference in diverse aspects of daily living and, as a result, accelerate its business growth and enhance its presence in Asia.

○ The Lion Group's Growth Drivers: Four Fields of Value Creation

- Oral Health  
Promoting oral healthcare that supports overall health and QOL from the mouth outward.
- Infection Control  
Becoming a hygiene solution provider by addressing all kinds of risk related to infectious disease.
- Smart Housework  
Creating new housework habits for diverse lifestyles.
- Well-Being  
Becoming a total healthcare servicer for the mind and body.

(2) Transform Our Business Foundations for Growth

We will promote business foundation transformation that will spur growth by continuing and reinforcing strategic investment.

- Digital transformation (DX)
- Reinforce business infrastructure

(3) Generate Dynamism to Realize Innovative Change

We aim to transform to realize sustainable growth.

- Corporate branding
- Professional fulfillment reforms
- Diversity & inclusion

◇Reinforce Initiatives to Address the Sustainability Material Issues

With creating healthy living habits and promoting environmental initiatives for a sustainable planet as our top-priority material issues, we will reinforce sustainability initiatives that realize synergies with our growth strategies.

(1) Creating Healthy Living Habits

Through inclusive oral care\*<sup>1</sup> and other approaches, we will contribute to health, comfort and cleanliness in everyday living and longer healthy life expectancy.

\*1. Activities aimed at reducing health disparities through oral care.

(2) Promoting Environmental Initiatives for a Sustainable Planet

To address global-scale environmental problems, we will work with all stakeholders as we accelerate initiatives aimed at the realization of a decarbonized, resource-circulating society.

◇Envisioned Financial Performance in 2030

•Consolidated net sales	Approx. ¥600 billion (Approx. 50% from the Overseas Business)
•Core operating income* <sup>2</sup>	Approx. ¥50 billion
•EBITDA* <sup>3</sup>	Approx. ¥80 billion
•Return on invested capital (ROIC)* <sup>4</sup>	8–12%
•Return on equity (ROE)	10–14%

\*2. Core operating income is an earnings indicator the Company uses to measure regular business performance by subtracting selling, general and administrative expenses from gross profit.

\*3. EBITDA is an indicator of profitability on a cash basis that the Company uses to measure regular business performance, calculated as the sum of core operating income (net sales minus selling, general and administrative expenses) and depreciation and amortization (excluding that of right-of-use assets as of 2022).

\*4. ROIC is an indicator calculated as net operating profit after tax (NOPAT) divided by the average invested capital (total equity plus interest bearing liabilities) during the period. ROIC measures the efficiency and profitability of the invested capital.

## Vision2030 1st STAGE Medium-Term Management Plan

Working toward the achievement of Vision2030, Lion plans to establish three consecutive three-year medium-term management plans, advancing strategy adapted to changes in the management environment.

Theme: Shift gears toward accelerated growth

1. Implement growth strategies and transform the management base to grow while accelerating transformation.
  - Seek returns from up-front investment
  - Reinvest in future growth
2. Reinforce ROIC management to enhance management control

### 1st STAGE initiatives

#### ◇ Advance growth strategies

##### (1) Accelerate growth in four fields of value creation

- Secure profit opportunities by evolving existing businesses and creating new businesses in the four fields of value creation
- Maintain rapid growth in China and enter two or more new countries or areas
- Expand social contribution by promoting environmentally friendly habits

##### (2) Transform our business foundations for growth

- Reinforce business foundation and systems infrastructure, and accelerate DX to streamline operations
- Enhance the sophistication of business management
- Develop a sustainable SCM platform and accelerate the implementation of sustainability strategy

##### (3) Generate dynamism to realize innovative change

- Improve employee engagement through the Lion Professional Fulfillment Reforms and other initiatives
- Expand investment in personnel development and human capital (DX/Global/New businesses)

#### ◇ Initiatives to Address the Sustainability Material Issues

##### (1) Creating healthy living habits

Through inclusive oral care and other approaches, we will contribute to health, comfort and cleanliness in everyday living and longer healthy life expectancy.

##### (2) Promoting environmental initiatives for a sustainable planet

- We will contribute to the realization of a decarbonized, resource-circulating society by promoting the formation of environmentally friendly habits together with consumers.
- We will work with other industry actors and companies to develop water-saving habits, power-saving habits, refill habits and waste-free habits\*<sup>5</sup> that reduce environmental impact in the home, both in Japan and the rest of Asia.

\*5. Creating habits to realize resource recycling through advanced recycling initiatives (infrastructure development, recycling technology, etc.)

#### ◇ Cash Allocation

We expect to obtain more than ¥120 billion in cash over the three years of the plan, of which more than ¥80 billion will be used for future strategic investment and more than ¥30 billion will be returned to shareholders through dividends and the acquisition of treasury stock.

#### ◇ Consolidated Performance Targets

• Net sales	¥420 billion
• Core operating income	¥32 billion
• EBITDA	¥52 billion
• Operating profit	¥32 billion
• Return on invested capital (ROIC)	Approx. 7.5%
• Return on equity (ROE)	Approx. 9.0%

#### ◇ Shareholder Returns

- We aim to maintain a consolidated payout ratio of approximately 30% and to increase dividends annually over the three years of the plan.
- Treasury stock acquisition will be carried out flexibly.

Corporate slogan: “life.love.”

### (2) Basic Stance and Basic Policy on Corporate Governance

Please refer to "1. Basic Views" above.

### (3) Policies and Procedures for Determining Corporate Officer Compensation

The Company maintains a corporate officer compensation system designed to provide the sound and appropriate incentives necessary to retain outstanding management talent in order to realize the Company's management policies and continuously increase its corporate value over the medium and long term.

For details, please refer to "1. Organizational Composition and Operation" and "Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods" in "II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Business Execution and Management Oversight.”

#### (4) Composition of the Board of Directors, Policies and Procedures for Nominating Candidates for Director and Audit & Supervisory Board

To ensure speedy decision making, the Articles of Incorporation specify that the Board of Directors shall comprise no more than 11 members. To improve the effectiveness of the board's oversight function, at least one third of its members are external directors.

To ensure a good balance of candidates for directors and Audit & Supervisory Board members who possess the diverse knowledge, experience and abilities needed to increase Lion's corporate value, Lion has established Director/Audit & Supervisory Board Member Candidate Selection Standards\*<sup>1</sup> as well as Standards Regarding the Independence of External Directors/Audit & Supervisory Board Members.\*<sup>1</sup> The Board of Directors selects candidates who meet the criteria of the above standards and consults with the Nomination Advisory Committee\*<sup>2</sup> on these candidates. Based on the committee's response, the board selects candidates to propose for appointment to the Shareholders Meeting.

\*1. Please refer to the Lion Corporation Basic Corporate Governance Policy (Reference 2 and Reference 3).

[https://www.lion.co.jp/en/company/pdf/cg\\_policy\\_e.pdf](https://www.lion.co.jp/en/company/pdf/cg_policy_e.pdf)

\*2. The Board of Directors consults the Nomination Advisory Committee regarding the necessary qualities, reasons for selection or dismissal and related processes for nominating directors, Audit & Supervisory Board members and executive officers as well as hiring individuals who have previously served in these roles as consultants. The committee considers the matters in question and provides a response to the Board of Directors (or, for matters regarding Audit & Supervisory Board members, to the Audit & Supervisory Board). The committee also exchanges opinions on the development of future Group presidents. The committee consists of Representative Directors predetermined by the Chairman of the Board of Directors and external officers. The committee's chairperson is elected from among the external officers within the committee.

#### (5) Reasons for Selection of Candidates for Directors and Audit & Supervisory Board Members

Based on the deliberations of the Nomination Advisory Committee, which consists mainly of external directors and external Audit & Supervisory Board members, and the resolutions of the Board of Directors, the reasons for each director or Audit & Supervisory Board member candidate's selection are provided in the convocation notice of each Shareholders Meeting and discussed at the Annual Meeting of Shareholders.

#### (Supplementary Principle 3.1.3 Initiatives on Sustainability and Investments in Human Capital and Intellectual Properties)

##### (1) Initiatives on Sustainability

In line with the Vision2030 long-term strategic framework, Lion strives for a sustainable society and its business growth via the synergetic promotion of its Sustainability Material Issues and growth strategies.

Please refer to the "Sustainability" section of the *Integrated Report* for details of Lion's sustainability initiatives.

[https://www.lion.co.jp/en/ir/pdf/ar/ir2022\\_A3.pdf](https://www.lion.co.jp/en/ir/pdf/ar/ir2022_A3.pdf)

##### (2) Investments in Human Capital

As part of growth strategies under Vision2030, Lion aims to "generate dynamism to realize innovative change" and, to this end, strives to empower all employees to inspire one another in the course of pursuing personal growth and to realize their full potential as autonomous individuals so that they together act as a dynamic transformative force throughout the Company's organization. Accordingly, Lion works to ensure professional fulfillment for every employee as well as a comfortable working environment. From the perspective of human resource development, this approach applies equally to recruitment and training in addition to the determination of wages, encouragement of healthy living habits and other human resource management practices. Lion believes that, by doing so, the Company will be better positioned to increase productivity and create new value. In July 2019, Lion announced the Lion Professional Fulfillment Reforms, which comprise four initiatives: 1. Work management, 2. Work styles, 3. Strengthen relationships and, as the foundation supporting the first three, 4. Lion-style health support, "GENKI" Action."

Furthermore, Lion takes a proactive approach to assisting employees in the development of their diverse abilities. Lion's initiatives to this end include promoting workforce diversity and inclusion, encouraging respect for diverse value systems and ways of thinking and implementing various measures aimed at supporting women's career success. Lion has also introduced a number of systems designed to help employees embrace a habit of self-motivated learning while encouraging them to utilize such systems. Annual human resource development expenses recorded by Lion in 2022 amounted to ¥94,800 per employee, with annual per-capita hours of employee training totaling 58.1 hours.

##### (3) Investments in Intellectual Properties

Lion's basic policy regarding intellectual property is set forth in its Behavioral Guidelines. These stipulate that the Company will strive to create, properly protect and actively utilize intellectual property, and that it will respect the intellectual property of others and not seek to improperly acquire or use it. Moreover, Lion has established a dedicated intellectual property department to coordinate investment in intellectual property with its management strategy under the supervision of the Board of Directors and ensure the proper use of intellectual property rights. Since its founding, Lion has pioneered marketing focused on sound as a form of branding that is memorable to customers. Today, Lion boasts the most sound trademarks of any company in Japan. This level of organizational effectiveness is what enables the Company to contribute to the creation of better living habits.

\*Please refer to the Company’s website for details about the Company’s initiatives related to intellectual property.  
<https://www.lion.co.jp/en/company/governance/ip/>

#### (4) Disclosure Based on the TCFD Framework

From October 2019 to January 2020, Lion took part in the Ministry of the Environment’s Project to Analyze Scenarios of Climate Risks and Opportunities in Accordance with TCFD, evaluating the financial impact on its operations of climate-related risks and opportunities. In 2022, Lion expanded the scope of its analyses to encompass businesses, communities, product categories and supply chains, developing them into full-scenario analyses.

#### < Analysis Results >

##### 4.0°C Scenario

- The increased cost of fossil fuel-derived raw materials is a major risk. Lion is already advancing efforts to replace such raw materials with plant-based materials and reinforcing other efforts aimed at decarbonization.
- To address rising physical risks, such as those of floods and water stress, we are advancing such efforts as reinforcing business continuity planning and supply chain data coordination.
- In terms of opportunities, the markets in such areas as products related to infection prevention and laundry are expected to grow, so we are working to develop related products and reinforce related services.

Lion will continue to explore growth opportunities in the fields of inclusive oral care and infection control—areas of strength for Lion—to address the increase in the risk of the spread of infectious disease.

##### 1.5°C Scenario

- The increased cost of plastic-, aluminum- and palm oil-derived raw materials and packaging is a major risk. Lion is already advancing initiatives to reduce such risk, including reducing the use of petroleum-derived plastic and procuring RSPO-certified palm oil and palm kernel oil derivatives.
- In terms of opportunities, we expect substantial expansion in demand for environmentally friendly products, presenting the potential for business expansion by increasing offerings of products that meet the Lion eco-standard. In addition to these efforts, we are exploring other ways of securing opportunities for further growth. These include the development of technologies suited to the growth of sustainable fashion and other lifestyle changes as well as expanding the supply of electro-conductive carbon, which will be necessary for the development of decarbonized transportation, including the spread of electric vehicles.

The Lion Group has been advancing its responses to each scenario, but will continue to focus its management efforts on further strengthening its resilience to change.

\*Please see “The Lion Group’s Response to the TCFD” section on the Company’s website for further details.  
[https://www.lion.co.jp/en/sustainability/env/ecovision2020/#tcfd\\_response](https://www.lion.co.jp/en/sustainability/env/ecovision2020/#tcfd_response)

#### (Supplementary Principle 4.1.1 Overview of the Scope of Delegation to Management)

The Board of Directors carries out the duties specified by law and the Articles of Incorporation, decides important matters related to the Group’s business execution and oversees the execution of the duties of directors and executive officers. Such important matters as Group-wide management policy and strategy are considered by the Senior Executive Committee, which determines their general outline, before being taken up by the Board of Directors for a final decision. Important matters related to business execution by individual departments are delegated to the Executive Committee for more speedy decision making. To clarify responsibility and authority for decision making, Lion has established standards of authority that lay out which items are decided by the Board of Directors and which are decided by the Executive Committee.

#### (Principle 4.9 Independence Requirements for Independent External Directors)

In order to further enhance management supervision and oversight functions, increase transparency and strengthen and enhance its system of corporate governance, Lion has established Standards Regarding the Independence of External Directors/Audit & Supervisory Board Members. In combination with the stipulations of the Companies Act, these standards are used to ensure that external directors and external Audit & Supervisory Board members have no special interest in the Group and are independent.

\* Please refer to the Lion Corporation Basic Corporate Governance Policy (Reference 3).

[https://www.lion.co.jp/en/company/pdf/cg\\_policy\\_e.pdf](https://www.lion.co.jp/en/company/pdf/cg_policy_e.pdf)

#### (Supplementary Principle 4.10.1 Views on the Independence of the Members of Nominating and Compensation Committees)

Please refer to “// Business Management Organization and Other Corporate Governance Systems Regarding Decision-making, Business Execution and Management Oversight: 1. Organizational Composition and Operation: Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee: Committee’s Name, Composition, and Attributes of Chairperson” and “Supplementary Explanation.”

#### (Supplementary Principle 4.11.1 Views on the Balance of Knowledge, Experience, and Ability, Diversity, and Size of the Board of Directors as a Whole and the Combination of Skills Possessed by Directors)

Please refer to “(Principle 3.1 Full Disclosure) (4) Composition of the Board of Directors, Policies and Procedures for Nominating Candidates for Director and Audit & Supervisory Board” above. Also, please refer to Lion’s website for the Company’s views on skills that must be possessed by its Board of Directors as a whole in order to secure candidates equipped with diverse knowledge, experience and abilities in a balanced manner.

<https://www.lion.co.jp/en/company/officer/>

(Supplementary Principle 4.11.2 Status of Concurrent Positions Held by External Directors and External Audit & Supervisory Board Members at Other Listed Companies)

Any concurrent positions held at other listed companies by an external director or external Audit & Supervisory Board member are stated in the reference documents for the Annual Meeting of Shareholders and the Business Report.

(Supplementary Principle 4.11.3 Evaluations of the Board of Directors)

In accordance with the Lion Corporation Basic Corporate Governance Policy, the Company strives to ensure the effectiveness of the Board of Directors. Every fiscal year, the board conducts evaluations related to such areas as the board's operating methods and the content and status of the proposals it considers. These evaluations include examinations of each director. A summary of the results of these evaluations is disclosed in the Corporate Governance Report.

An anonymous self-assessment survey regarding the Board of Directors was conducted among all directors and Audit & Supervisory Board members as well as executive officers who regularly attended Board of Directors meetings held in 2022. The following is a summary of their assessment of the effectiveness of the Board of Directors.

< Evaluation Results >

1. The number of persons on Lion's Board of Directors, including the number and proportion of external directors, is sufficient for deliberations. Board members have the knowledge, experience, ability and diversity necessary to enhance corporate value.
2. The meeting frequency as well as the number of agenda items considered and amount of time allowed for deliberation by the Board of Directors are appropriate. The deliberations comprise open, constructive debate that does not hinder risk taking.

As described above, the composition and operation of the Board of Directors of the Company are appropriate, decisions on important matters concerning business execution and supervision of the execution of duties are adequately made, and the effectiveness of the Board of Directors of the Company is sufficient.

The Board of Directors has established informal prior meetings to provide a forum for the exchange of opinions on important management matters, such as corporate philosophy, thereby deepening and enhancing the discussions and deliberations of the Board. The Company will continue to implement necessary measures as appropriate to further enhance the effectiveness of the Board of Directors, such as improving executive agility by reviewing which matters are delegated to directors or executive officers, thereby enhancing supervision and deliberation at Board meetings.

(Supplementary Principle 4.14.2 Training Policy for Directors and Audit & Supervisory Board Members)

After directors and Audit & Supervisory Board members are appointed, Lion provides them with information and opportunities for training and learning in such areas as law, business, finance and company organization as necessary to sustainably carry out the roles and responsibilities expected of them. If this includes participation in external seminars, Lion covers related costs.

Lion conducts ongoing compliance education, which serves to both confirm the status of compliance with the Lion Group Charter for Corporate Behavior and renew participants' commitment to the charter. In addition, Lion invites outside instructors to provide training related to corporate governance as needed.

When external directors and external Audit & Supervisory Board members take office, Lion sets up opportunities to explain such matters as its corporate motto, corporate philosophy, business content, organizational structure and system of corporate governance, and these learning opportunities are made continually available thereafter.

(Principle 5.1 Policy for Constructive Dialogue with Shareholders)

Recognizing its shareholders and investors as important stakeholders, Lion strives to foster constructive dialogue in order to improve corporate value. Lion has designated the IR and SR Office within the Corporate Planning Department as responsible for shareholder relations and works to enhance the Shareholders Meeting. In addition, the officer responsible for the Corporate Planning Department holds meetings with domestic and overseas institutional investors, among other activities. The General Affairs Department and Investor Relations Office of the Corporate Planning Department are each managed by a designated responsible director and coordinate as needed with other related divisions, including those of other departments. Input garnered from dialogue with shareholders and investors is organized and reported to Lion's president as needed.

Lion actively implements investor relations activities. These include providing opportunities for meetings with institutional and individual investors attended by the president and directors, including the director responsible for the Corporate Planning Department, as well as external directors, in addition to Audit & Supervisory Board members. Regarding the management of insider information in dialogue with shareholders and investors, Lion maintains strictly appropriate, timely disclosure in line with its IR Information Disclosure Policy.\*

Lion works to understand the composition of its shareholders by implementing annual identification surveys of the beneficial shareholders who cannot be identified by the names listed in the shareholder registry, such as institutional investors that hold shares under the name of a trust bank. In the event that such institutional investors or other beneficial shareholders request to exercise their voting rights at a Shareholders Meeting, Lion considers its response utilizing such resources as the Zenkabukon's Guideline on Attendance at the General Shareholders Meetings of Japanese Listed Companies by Global Institutional Investors.

\*Please refer to the Lion Corporation Basic Corporate Governance Policy (Reference 5).

[https://www.lion.co.jp/en/company/pdf/cg\\_policy\\_e.pdf](https://www.lion.co.jp/en/company/pdf/cg_policy_e.pdf)

## 2. Capital Structure

Foreign Shareholding Ratio	From 20% to less than 30%
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[Status of Major Shareholders] Updated

Name/Company Name	Number of shares owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	34,838,000	12.22
Custody Bank of Japan, Ltd. (Trust Account)	23,389,600	8.20
Custody Bank of Japan, Ltd. As trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	8,282,000	2.90
STATE STREET BANK AND TRUST COMPANY 505223	7,514,311	2.63
MUFG Bank, Ltd.	7,076,844	2.48
Tokio Marine & Nichido Fire Insurance Co., Ltd.	4,450,659	1.56
SMBC Nikko Securities Inc.	4,395,900	1.54
Meiji Yasuda Life Insurance Company	4,100,558	1.43
TOYOTA TSUSHO CORPORATION	3,506,000	1.23
Mitsubishi UFJ Trust and Banking Corporation	3,500,000	1.22

Controlling Shareholder (except for Parent Company)	-----
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Parent Company	None
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Supplementary Explanation

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## 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	December
Type of Business	Chemicals
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1,000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

## 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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## 5. Other Special Circumstances That May Have Material Impact on Corporate Governance

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## II. Business Management Organization and Other Corporate Governance Systems Regarding Decision-making, Business Execution and Management Oversight

### 1. Organizational Composition and Operation

Organization Form	Company with Audit & Supervisory Board
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#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	11
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Chairman of the Board (except when concurrently serving as president)
Number of Directors	11
Appointment of External Directors	Appointed
Number of External Directors	4
Number of External Directors That Are Independent Directors	4

#### External Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k		
Kazunari Uchida	Scholar													
Takashi Shiraishi	Scholar													
Takako Sugaya	Attorney													
Reiko Yasue	From another company								○					

\* Categories for "Relationship with the Company"

\* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

\* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the Company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/Audit & Supervisory Board member (*kansayaku*)

g. Major shareholder of the Company (or an executive of said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (other than d, e or f above), but not including close relatives (only the director himself/herself)

i. Executive of a company with external directors/Audit & Supervisory Board member (*kansayaku*) that are mutually appointed at the Company as well (only the director himself/herself)

j. Executive of a company or organization that receives a donation from the Company (only the director himself/herself)

k. Others



Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment and Designation as External Director
Kazunari Uchida	○	-----	<p>Kazunari Uchida possesses experience as the Japan representative of an international management consulting group and also has experience at other companies both as an external director and an external corporate auditor. He has actively participated in meetings of the Board of Directors and suitably carried out his role as an external director for the Company, including supervising business execution. The Company expects that he will continue to fulfill the roles above and judges that his sophisticated understanding of management decision making is necessary to enhance the transparency of management and further strengthen the oversight of the Board of Directors.</p> <p>[Designation as External Director] The Company has determined that he meets the requirements set forth in the “Lion Corporation Standards Regarding the Independence of External Directors/Audit &amp; Supervisory Board Members” as well as the requirements for independent directors set forth by the Tokyo Stock Exchange. He is, therefore, deemed sufficiently independent from management and has been duly appointed as an independent external director.</p>
Takashi Shiraishi	○	-----	<p>Takashi Shiraishi has managerial experience as the president of a national university, has served as the president of the Japan External Trade Organization’s Institute of Developing Economies and possesses broad-ranging expert knowledge in such areas as Asian politics, economics and social issues. He has actively participated in meetings of the Board of Directors and suitably carried out his role as an external director of the Company, including supervising business execution. The Company expects that he will continue to fulfill the roles above and judges that his sophisticated understanding of management decision making is necessary to enhance the transparency of management and further strengthen the oversight of the Board of Directors.</p> <p>[Designation as External Director] The Company has determined that he meets the requirements set forth in the “Lion Corporation Standards Regarding the Independence of External Directors/Audit &amp; Supervisory Board Members” as well as the requirements for independent directors set forth by the Tokyo Stock Exchange. He is, therefore, deemed sufficiently independent from management and has been duly appointed as an independent external director.</p>

Takako Sugaya	○	-----	<p>Takako Sugaya is not involved in corporate management outside the roles of external director and external Audit &amp; Supervisory Board member, but she possesses a wealth of knowledge and experience as an attorney, mainly in corporate legal work, as well as experience as an external director and external Audit &amp; Supervisory Board member at other companies. She has actively participated in meetings of the Board of Directors and suitably carried out her role as an external director of the Company, including supervising business execution. The Company expects that she will continue to fulfill the roles above and judges that her sophisticated understanding of governance and compliance issues is necessary to enhance the transparency of management and further strengthen the oversight of the Board of Directors.</p> <p>[Designation as External Director] The Company has determined that she meets the requirements set forth in the “Lion Corporation Standards Regarding the Independence of External Directors/Audit &amp; Supervisory Board Members” as well as the requirements for independent directors set forth by the Tokyo Stock Exchange. She is, therefore, deemed sufficiently independent from management and has been duly appointed as an independent external director.</p>
Reiko Yasue	○	<p>Ms. Reiko Yasue is the president and executive officer of Cybernet Systems Co. Ltd. Lion conducts transactions related to software maintenance with Cybernet Systems, and the amount of such transactions is less than 0.1% of the Company's consolidated net sales for the most recent fiscal year.</p>	<p>In addition to having corporate management experience as the CEO of an IT company in Japan, Reiko Yasue has a wealth of knowledge and experience in international business and also has experience serving as an external director at another company. She has actively participated in meetings of the Board of Directors and suitably carried out her role as an external director of the Company, including supervising business execution. The Company expects that she will continue to fulfill the roles above and judges that her sophisticated insight into the field of IT is necessary to enhance the transparency of management and further strengthen the oversight of the Board of Directors.</p> <p>[Designation as External Director] The Company has determined that she meets the requirements set forth in the “Lion Corporation Standards Regarding the Independence of External Directors/Audit &amp; Supervisory Board Members” as well as the requirements for independent directors set forth by the Tokyo Stock Exchange. She is, therefore, deemed sufficiently independent from management and has been duly appointed as an independent external director.</p>

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee

Established

Committee's Name, Composition, and Attributes of Chairperson

	Committee's Name	All Committee Members	Full-time Members	Internal Directors	External Directors	External Experts	Other	Chairperson
Committee Corresponding to Nomination Committee	Nomination Advisory Committee	8	0	1	4	0	3	External director
Committee Corresponding to Remuneration Committee	Compensation Advisory Committee	7	0	0	4	0	3	External director

Supplementary Explanation Updated

The three members in the “Other” category of both committees are external Audit & Supervisory Board members.

[Nomination Advisory Committee]

On June 30, 2016, the Company established the Nomination Advisory Committee, which consists of external directors and representative directors determined in advance by the Chairman of the Board of Directors, in order to enhance objectivity and transparency in the selection process of the Company's directors, Audit & Supervisory Board members, executive officers and advisors who have previously served in these roles.

The Board of Directors consults the Nomination Advisory Committee, which deliberates on inquiries from the Board of Directors regarding the necessary qualities, reasons for selection or dismissal and related processes for nominating directors, executive officers and advisors. For Audit & Supervisory Board member inquiries, the committee consults with the Audit & Supervisory Board. The committee also exchanges opinions on the development of future Group presidents.

The committee consists of 8 members: external directors Mr. Takashi Shiraishi (committee chairman), Mr. Kazunari Uchida, Ms. Takako Sugaya and Ms. Reiko Yasue; as well as external Audit & Supervisory Board members Ms. Atsuko Suzuki, Mr. Masatoshi Matsuzaki and Ms. Akemi Sunaga; in addition to Mr. Masazumi Kikukawa, Chairman of the Board of Directors.

[Compensation Advisory Committee]

On December 27, 2006, the Company established the Compensation Advisory Committee, which consists solely of external directors and external Audit & Supervisory Board members who qualify as independent, in order to increase the objectivity and transparency of director, Audit & Supervisory Board member, executive officer and advisor compensation.

The committee deliberates on the compensation system, standards and bonus assessment methods for directors, Audit & Supervisory Board members, executive officers and advisors upon consultation from the Board of Directors, and reports to the Board of Directors (or to the Audit & Supervisory Board regarding Audit & Supervisory Board member compensation). Based on the committee's report, the compensation system for directors, Audit & Supervisory Board members, executive officers and advisors was revised in the fiscal year ended December 31, 2017, following a resolution at the 156th Annual Meeting of Shareholders held on March 30, 2017. In addition, the Compensation Advisory Committee met in December 2020 and deliberated on the renewal of stock-based compensation and the revision of the Basic Policy on Corporate Officer Compensation in consultation with the Board of Directors, and submitted its report to the Board of Directors.

For director, Audit & Supervisory Board member, executive officer and advisor compensation in 2022, a resolution was made at the Board of Directors meeting held in March 2022 based on the report of the Compensation Advisory Committee meeting held in February 2022 regarding fixed monthly compensation. A resolution regarding performance-linked compensation was adopted at the Board of Directors meeting held in March 2023 based on the report of the Compensation Advisory Committee meeting held in February 2023.

The committee consists of 7 members: external directors Mr. Kazunari Uchida (committee chairman), Mr. Takashi Shiraishi, Ms. Takako Sugaya and Ms. Reiko Yasue; as well as external Audit & Supervisory Board members Ms. Atsuko Suzuki, Mr. Masatoshi Matsuzaki and Ms. Akemi Sunaga.

#### [Audit & Supervisory Board Members]

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	5
Number of Audit & Supervisory Board Members	5

The Audit & Supervisory Board members receive reports from Ernst & Young ShinNihon LLC on each of the following matters, and engage in question-and-answer sessions and exchange opinions from a risk management perspective in order to collaborate effectively.

1. Status of systems to ensure that accounting auditors perform their duties properly, audit plan and audit system based on the Companies Act and the Financial Instruments and Exchange Act
2. Auditor compensation
3. Quarterly review results
4. Accounting audit results (including internal controls implemented as part of the accounting audit process)
5. Results of audits of the Securities Report and report on internal control over financial reporting

The Audit & Supervisory Board members exchange information and collaborate with the Auditing Office, which is the Company's internal auditing division, on each of the following matters from a risk management perspective.

1. Respective audit plans of the Auditing Office and the Audit & Supervisory Board members
2. Results of legality, validity, and efficiency audits conducted by the Auditing Office on business execution status in each department and affiliated company regarding internal controls, and audit results on status of compliance promotion
3. Status and results of assessment conducted by the Auditing Office of internal control over financial reporting based on the Financial Instruments and Exchange Act
4. Results of audits conducted by Audit & Supervisory Board members as part of their operational audits of directors' performance of duties related to the establishment and operation of internal control over financial reporting

In addition, the Company strives to enhance audit effectiveness by regularly holding audit liaison meetings, composed of the Audit & Supervisory Board, internal auditing division and the accounting auditors. These meetings promote information sharing.

Appointment of External Audit & Supervisory Board Members	Appointed
Number of External Audit & Supervisory Board Members	3
Number of External Audit & Supervisory Board Members Who Are Independent Audit & Supervisory Board Members	3

Name	Attribute	Relationship with the Company*													
		a	b	c	d	e	f	g	h	i	j	k	l	m	
Atsuko Suzuki	From another company												△		
Masatoshi Matsuzaki	From another company														
Akemi Sunaga	Certified public accountant, certified tax accountant														

\* Categories for "Relationship with the Company"

\* "○" when the member presently falls or has recently fallen under the category;

"△" when the member fell under the category in the past

\* "●" when a close relative of the member presently falls or has recently fallen under the category;

"▲" when a close relative of the member fell under the category in the past

a. Executive of the Company or its subsidiary

b. Non-executive director or accounting advisor of the Company or its subsidiaries

c. Non-executive director or executive of a parent company of the Company

d. Audit & Supervisory Board member (*kansayaku*) of a parent company of the Company

e. Executive of a fellow subsidiary company of the Company

f. A party whose major client or supplier is the Company or an executive thereof

g. Major client or supplier of the Company or an executive thereof

h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an Audit & Supervisory Board member (*kansayaku*)

i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

j. Executive of a client or supplier company of the Company (other than f, g, or h), but not including close relatives (only himself/herself)

k. Executive of a company with external directors/Audit & Supervisory Board members (*kansayaku*) that are mutually appointed at the Company as well (only himself/herself)

l. Executive of a company or organization that receives a donation from the Company (only himself/herself)

m. Others

Name	Designation as Independent Audit & Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons for Appointment and Designation as Independent
Atsuko Suzuki	○	Atsuko Suzuki was an executive officer of Panasonic Corporation until December 2014. The Company has transactions with Panasonic Corporation related to sales promotion activities, and the amount of such transactions accounted for less than 0.1% of the Company's consolidated net sales for the most recent fiscal year.	Atsuko Suzuki is not involved in corporate management outside the role of external director and external Audit & Supervisory Board member, but she possesses experience as external director at other companies and she has many years of experience in preparing corporate governance frameworks and drafting and promoting strategies for sustainability. The Company judges that her understanding of these areas is necessary to achieve effective auditing of the Company. [Designation as Independent Audit & Supervisory Board Member] The Company has determined that she meets the requirements set forth in the "Lion Corporation Standards Regarding the Independence of External Directors/Audit & Supervisory Board Members" as well as the requirements

			for independent Audit & Supervisory Board members set forth by the Tokyo Stock Exchange. She is, therefore, deemed sufficiently independent from management and has been duly appointed as an independent external director.
Masatoshi Matsuzaki	○	-----	<p>, In addition to corporate experience as president, representative executive officer of a listed company that has expanded business globally, Masatoshi Matsuzaki possesses advanced expert knowledge related to corporate governance as well as experience as an external director at other companies. The Company judges that his understanding of these areas is necessary to achieve effective auditing of the Company.</p> <p>[Designation as Independent Audit &amp; Supervisory Board Member]</p> <p>The Company has determined that he meets the requirements set forth in the “Lion Corporation Standards Regarding the Independence of External Directors/Audit &amp; Supervisory Board Members” as well as the requirements for independent Audit &amp; Supervisory Board members set forth by the Tokyo Stock Exchange. He is, therefore, deemed sufficiently independent from management and has been duly appointed as an independent external director.</p>
Akemi Sunaga	○	-----	<p>In addition to corporate experience as representative of a consulting company, Akemi Sunaga possesses a wealth of knowledge and experience related to accounting and taxes cultivated over many years as a certified public accountant and a tax accountant as well as experience as an external Audit &amp; Supervisory Board member at other companies. The Company judges that her understanding of these areas is necessary to achieve effective auditing of the Company.</p> <p>[Designation as Independent Audit &amp; Supervisory Board Member]</p> <p>The Company has determined that she meets the requirements set forth in the “Lion Corporation Standards Regarding the Independence of External Directors/Audit &amp; Supervisory Board Members” as well as the requirements for independent Audit &amp; Supervisory Board members set forth by the Tokyo Stock Exchange. She is, therefore, deemed sufficiently independent from management and has been duly appointed as an independent external director.</p>

## [Independent Directors/Audit & Supervisory Board Members]

Number of Independent Directors/Audit & Supervisory Board Members

7

Matters relating to Independent Directors/Audit & Supervisory Board Members

The Company has designated as independent its four external directors and three external Audit & Supervisory Board members as they meet the qualifications for independent directors.

## [Incentives]

Incentive Policies for Directors

Performance-Linked Compensation, Stock Options

Supplementary Explanation

The supplementary explanation is described in the following “Director Remuneration” section.

Recipients of Stock Options

Internal Directors, Employees

Supplementary Explanation

Lion previously used a stock option scheme for its stock-linked compensation plan, but it was replaced with the performance-linked stock-based compensation system at the 156th Annual Meeting of Shareholders held on March 30, 2017. Therefore, the only recipients are those who qualified for the scheme in prior years when it was implemented.

## [Director Remuneration]

Disclosure of Individual Directors’ Remuneration

Individual compensation not disclosed

Supplementary Explanation **Updated**

Total Compensation for Director and Audit & Supervisory Board Members

Total compensation of directors (excluding external directors): ¥490 million (fixed compensation of ¥239 million, bonuses of ¥141 million, stock-based compensation of ¥109 million), 8 recipients

Total compensation of Audit & Supervisory Board members (excluding external Audit & Supervisory Board members): ¥60 million (fixed compensation of ¥60 million), 2 recipients

Total amount of external director and Audit & Supervisory Board member compensation: ¥84 million (fixed compensation of ¥84 million), 7 recipients

(Notes)

1. There are no individuals serving concurrently as employees and corporate officers.
2. An upper limit on directors’ fixed compensation of ¥300 million per fiscal year was set by resolution of the 156th Annual Meeting of Shareholders held on March 30, 2017.
3. An upper limit on Audit & Supervisory Board members’ fixed compensation was set at ¥110 million per fiscal year by resolution of the 156th Annual Meeting of Shareholders held on March 30, 2017.
4. Within performance-linked compensation, bonuses are amounts calculated and determined on the basis of the core operating income and the profit attributable to the owners of parent for each fiscal year, in accordance with the methods described below. By resolution of the 156th Annual Meeting of Shareholders held on March 30, 2017, an upper limit for bonuses was set at ¥250 million per fiscal year.
5. Within performance-linked compensation, stock-based compensation is the amount obtained by converting the share granting points awarded to persons eligible under the system at the acquisition price, depending on the Group’s business attainment level for the period under review. By resolution of the 160th Annual Meeting of Shareholders held on March 30, 2021, an upper limit was set at ¥200 million on the amount of contributions for stock-based compensation per fiscal year, with an upper limit on the total number of shares set at 120,000 shares per fiscal year.
6. The amounts shown are rounded down to the nearest million yen.

The policy and details of the compensation of directors and Audit & Supervisory Board members for the fiscal year under review are as follows.

#### 1. Basic Policy on Compensation of Directors and Audit & Supervisory Board Members

Director compensation is decided by the Board of Directors, and Audit & Supervisory Board member compensation is decided by the Audit & Supervisory Board, based on the results of consultation with the Compensation Advisory Committee. Compensation is set within the limits decided by resolution of the Shareholders Meeting.

Compensation for directors (excluding external directors) consists of fixed monthly compensation and performance-linked compensation (bonuses and stock-based compensation). Compensation for external directors and Audit & Supervisory Board members consists only of fixed monthly compensation. Total compensation is determined for directors and Audit & Supervisory Board members based on their individual roles and responsibilities using survey data from specialized external institutions as an objective benchmark.

The compensation of each director (excluding external directors) comprises approximately 50% fixed compensation and 50% performance-linked compensation (30% bonus and 20% stock-based compensation). The proportion of performance-linked compensation is increased in step with the individual's rank and revised as needed. Once per year, fixed monthly compensation is raised or lowered following an appraisal of how well the director has executed their duties and supervised management. Performance-linked compensation is calculated based on the degree to which performance targets are met in each fiscal year and paid out individually in a designated period after the end of the relevant fiscal year.

Within performance-linked compensation, the total amount of bonuses allocated to directors (rounded down to the nearest ¥10,000) is the sum of 50% of 0.5% of core operating income and 50% of 0.75% of profit attributable to owners of parent for the relevant fiscal year. The upper limit on this total is ¥250 million. However, if core operating income or profit attributable to owners of parent are negative (a loss), the value for that item used in the formula will be zero.

Performance-linked stock-based compensation consists of a fixed portion granted each fiscal year and a performance-linked portion granted based on the degree to which earnings targets outlined in the medium-term management plan have been achieved for each fiscal year during the period of said plan. The fixed portion and the performance-linked portion form equal halves of the stock-based compensation base amount specified for each rank.

With regard to stock-based compensation, in the event that a director commits a serious breach of duty or violation of internal regulations, the Company may seize share granting points already granted or require the return of cash in an amount equivalent to the value of the Company's shares, etc., already granted.

The above basic policy on director and Audit & Supervisory Board member compensation and a summary of its contents are approved by the Board of Directors following consultation with the Compensation Advisory Committee and disclosed in the Company's Business Report and Securities Report.

#### [Indicators Used to Calculate Performance-Linked Compensation]

Performance-linked compensation, which comprises bonuses and performance-linked stock-based compensation, is calculated using two indicators. The first is core operating income, which the Company uses to measure regular business performance and is one of the most highly prioritized income indicators under the medium-term management plan. The second is profit for the period attributable to owners of the parent, which is the final result of business activities and is directly linked to shareholder value.

#### [Calculation method of bonuses to corporate officers for the fiscal year ending December 31, 2023]

Bonuses to corporate officers will be paid in an amount calculated and determined based on the following method.

##### (1) Corporate officers eligible for payment

Only those directors that are "Executive Officers" as defined by the Corporation Tax Act Article 34 Section 1 No. 3 are eligible. Bonuses are not paid to external directors or Audit & Supervisory Board members.

##### (2) Total payment amount

The total payment amount (rounded down to the nearest ¥10,000) is the sum of 50% of 0.5% of core operating income and 50% of 0.75% of profit attributable to owners of parent for the relevant fiscal year. The upper limit is ¥250 million. However, if core operating income or profit attributable to owners of parent are negative (a loss), the value for that item used in the formula will be zero.

##### (3) Individual payments

The payment per point is calculated by dividing the total payment amount determined by (2) above by a total number of points comprising the sum of all points awarded to directors. The determination of total points assigned to each rank of directors is determined by multiplying the number of directors in office in said rank as of the end of the relevant fiscal year



by the number of points specified for that rank, as set out in the table below. Individual payments to each director are then calculated by multiplying the points specified for that director's rank by the payment per point as calculated above (rounded down to the nearest ¥10,000).

Points Assigned According to Director Rank

<i>Rank</i>	<i>Points</i>	<i>Number of Officers</i>	<i>Total Points</i>
Chairman/President and Executive Officer	3.000	2	6.000
Vice President and Executive Officer	1.800	1	1.800
Senior Managing Executive Officer	1.500	0	0.000
Managing Executive Officer	1.200	0	0.000
Senior Executive Officer	1.000	4	4.000
Executive Officer	0.900	0	0.000
		<u>7</u>	<u>11.800</u>
		Total Officers: 7	Total Points: 11.800

The above was calculated based on the number of directors following the 162nd Annual Meeting of Shareholders held on March 30, 2023.

[Calculation of Performance-Linked Stock-Based Compensation]

By resolution of the 156th Annual Meeting of Shareholders held on March 30, 2017, a performance-linked stock-based compensation system was introduced for directors (excluding external directors), and a partial resolution of the amounts and content of compensation was approved at the 160th Annual Meeting of Shareholders held on March 30, 2021. In this system, the number of points (number of shares) to be granted to directors per fiscal year is determined via a calculation made by the method below. In principle, shares are issued to directors upon retirement from office in a number equivalent to the number of points they have accumulated.

(1) Corporate officers eligible for payment

Those directors that are "Executive Officers" as defined by the Corporation Tax Act Article 34 Section 1 No. 3 are eligible. Performance-linked stock-based compensation shall not be paid to external directors or Audit & Supervisory Board members.

(2) Total payment level

The upper limit for the total number of points granted to corporate officers eligible for payment per fiscal year is 120,000 points (one share of Lion stock per point).

(3) Calculation method and individual payment levels

The number of points for each corporate officer eligible for payment is determined individually using the following formula.

[Point formula]

Number of points\* = (① Fixed base amount + ② Performance-linked base amount × ③ Performance-linked coefficient) ÷ ④ Average per-share acquisition cost

\*Truncated at the decimal point

① Fixed base amount

The fixed base amount for each rank is calculated by multiplying the following rank coefficients by ¥4 million, the value of the fixed base amount for directors with the rank of executive officer (for whom the rank coefficient is 1).

Coefficient per Director Rank

<i>Rank</i>	<i>Coefficient</i>
Chairman/President and Executive Officer	3.625
Vice President and Executive Officer	2.000
Senior Managing Executive Officer	1.625
Managing Executive Officer	1.375
Senior Executive Officer	1.250
Executive Officer	1.000

② Performance-linked base amount

The performance-linked base amount is equivalent to the above fixed base amount.

③ Performance-linked coefficient

The performance-linked coefficient is calculated in accordance with the following formula.

[Formula]

Performance-linked coefficient\*<sup>1</sup> = Performance-linked coefficient for core operating income\*<sup>2</sup> × 50% + Performance-linked coefficient for profit attributable to owners of parent\*<sup>3</sup> × 50%

\*1. Truncated after the second decimal place

\*2. Core operating income: An earnings indicator the Company uses to measure regular business performance by subtracting selling, general and administrative expenses from gross revenues.

\*3. An IFRS-based earnings indicator.

The performance-linked coefficients for each indicator will be determined in accordance with the degree to which the targets\*<sup>4</sup> for the indicators for the fiscal year ending December 31, 2023 are achieved.\*<sup>5</sup>

\*4. The targets are core operating income of ¥25,000 million and profit for the period attributable to owners of the parent of ¥17,500 million. These are as listed in the “Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2023 (January 1, 2023–December 31, 2023)” disclosed in the Summary of Consolidated Financial Statements released on February 13, 2023.

\*5. Target Achievement Rate\*<sup>6</sup> and Performance-linked Coefficients for Each Indicator

Under 100%:	0
100% to under 140%:	(target achievement rate) × 2.5 - 1.5* <sup>7</sup>
140% or above:	2.00

\*6. In the case of 100% or above, the rate is rounded to the first decimal place

\*7. Truncated after the third decimal place

④ Per-share acquisition cost

The per-share acquisition cost is the share acquisition cost for the trust used by this system (¥2,078 per share\*<sup>8</sup>).

\*8. Calculated as the weighted average of the total acquisition price of the Company's shares acquired by the trust after the trust period extension and the total amount of shares remaining in the trust before the extension. The calculation formula is as follows.

Per-share acquisition cost = 
$$\frac{\text{Per-share acquisition cost before extension (¥2,130)} \times \text{Number of remaining shares (242,459)} + \text{Per-share acquisition cost after extension (¥2,039)} \times \text{Number of additional shares to be acquired (309,200)}}{\text{Number of remaining shares (242,459)} + \text{Number of additional shares to be acquired (309,200)}}$$

When a director transfers residency outside of Japan during their eligibility for this system, their accumulated points shall be voided and the director shall be paid separately at the time of retirement in a cash amount determined by multiplying the share price at the time of retirement by the number of shares equivalent to their accumulated points.

#### [Support System for External Directors and/or Audit & Supervisory Board Members]

The Corporate Planning Department, which is the administrative office of the Board of Directors, explains the agenda items to the external directors in advance of meetings. In addition, the standing corporate auditor explains the agenda items to the external Audit & Supervisory Board members and reports their questions and opinions to the external directors in advance.

#### [Status of Persons who have Retired from the Company as Representative Director and President, etc.]

Name of Consultants, Advisors, etc. who have retired from the Company as Representative Director and President, etc. **Updated**

Name	Title/ Position	Description of Tasks	Form and Conditions of Services (Full-time, Part-time, Paid or Unpaid, etc.)	Date of Retirement from the Company	Term
Sadayoshi Fujishige	Senior General Consultant	Industry organization board member, chairman of a public interest incorporated foundation, etc. (not involved in management)	Part-time/Paid	March 30, 2016	Ending March 29, 2026
Itsuo Hama	Executive Advisor	Industry organization board member, chairman of a public interest incorporated foundation, etc. (not involved in management)	Full-time/Paid	March 30, 2023	Ending March 29, 2028

Total number of Consultants, Advisors, etc. who have retired from the Company as Representative Director and President, etc.

2 **Updated**

Others

The consultant and advisor, who previously served such roles as president, are engaged in the activities of industry organizations, among others, utilizing their experience and knowledge of the Company's management over many years, but are not involved in any part of the Company's decision-making process or management. The Nomination Advisory Committee, which consists of all external directors, all external Audit & Supervisory Board members and one Representative Director, was consulted in their appointment to ensure transparency and objectivity.

#### 2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) **Updated**

The Company supervises management under the Audit & Supervisory Board system. Lion adopted its executive officer system in March 2004 to separate the functions that the Board of Directors previously performed. The Board of Directors is responsible for management decision making and supervision, and the Executive Committee is responsible for business execution.

To reinforce the Board of Directors' management oversight function and speedy decision making, the number of directors has been reduced (from 19 before the executive officer system to 11 currently). There are also seven external directors (four external directors and three external Audit & Supervisory Board members) who meet the requirements for independent directors. The Company strives to increase management transparency and further enhance corporate governance through regular (in principle, once a month) information exchanges between Representative Directors and all external directors.

In addition, to reflect the opinions and advice of third parties with regard to legal compliance and management policies, we have set up an Advisory Committee consisting of external experts.

< Directors, Board of Directors and Executive Committee, etc. >

The Board of Directors is composed of 11 directors. The Board of Directors regularly meets once a month and holds extraordinary meetings as necessary. In addition to matters stipulated by laws and regulations or the Articles of Incorporation, the board determines important matters related to the business execution of the Company and supervises the business execution of directors and executive officers. In addition to the regular Board of Directors meetings, resolutions of the Board of Directors may be made in writing in accordance with laws and regulations. For important corporate strategies such as the basic policies of medium- to long-term management plans, a system is established that enables the Board of Directors to make appropriate decisions upon deliberation by the Senior Executive Committee. Additionally, the Executive Committee has a system in place to discuss and examine, from various angles, measures related to the execution of duties that directly impact business.

Please refer to pages 5–19 of the notice titled "Announcing the Convocation of the Annual Meeting of Shareholders for the Year Ended December 31, 2022 for the status of attendance at meetings of the Board of Directors in 2022.

[https://www.lion.co.jp/en/ir/pdf/meeting/ams\\_fy22.pdf](https://www.lion.co.jp/en/ir/pdf/meeting/ams_fy22.pdf)

< Nomination Advisory Committee >

Please refer to "Committee's Name, Composition, and Attributes of Chairperson" in 1. Organizational Composition and Operation.

< Compensation Advisory Committee >

Please refer to "Committee's Name, Composition, and Attributes of Chairperson" in 1. Organizational Composition and Operation.

In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act and the Articles of Incorporation, the Company has entered into an agreement limiting liability with each external director and external Audit & Supervisory Board member to limit their liabilities under Article 423, Paragraph 1 of the Companies Act to the amount of ¥10 million or the amount stipulated by law, whichever is higher.

< Advisory Committee >

An Advisory Committee comprising knowledgeable people from outside of the Company is held twice a year to reflect in management the opinions of the committee members on general management issues, such as the corporate governance system, the direction of business and product development, and approaches to sustainability. The committee currently has six members.

< Audit & Supervisory Board Members and Audit & Supervisory Board >

There are five Audit & Supervisory Board members, three of whom are external Audit & Supervisory Board members (independent Audit & Supervisory Board members) and two of whom are standing Audit & Supervisory Board members from within the Company. One of the external Audit & Supervisory Board members and one of the standing Audit & Supervisory Board members possesses knowledge regarding finance and accounting. In addition, two dedicated staff members are designated to assist the Audit & Supervisory Board members.

Each Audit & Supervisory Board member attends meetings of the Board of Directors and other important meetings, conducts interviews with directors regarding the status of the execution of their duties (including the status of the execution of the duties of directors pertaining to the development and operation of internal control over financial reporting), performs site visits to Lion's headquarters and major offices and plants, and conducts audits of subsidiaries in accordance with the Audit & Supervisory Board members' standards, audit policy, audit plans and other stipulations of the Audit & Supervisory Board.

The Audit & Supervisory Board regularly meets once every two months and holds extraordinary meetings as necessary. During the fiscal year ended December 31, 2022, the Audit & Supervisory Board met a total of 18 times, deliberating over 19 matters to be resolved and 30 matters to be discussed, including the audit policy and audit plan, preparation of audit report, evaluation related to dismissal or non-reappointment of accounting auditors, compensation for accounting auditors and closing of accounts. The Company and its consolidated subsidiaries coordinate with each other by exchanging information, opinions and views from a risk management perspective and facilitates coordination upon receiving audit reports (including internal controls implemented as part of the accounting audit process) from accounting auditors and audit reports (including the status of development and operation of internal controls related to financial reporting based on the Financial Instruments and Exchange Act and evaluation results) from the Auditing Office, which is the Company's internal auditing division. Furthermore, the opinions of external directors are used to inform the opinions of Audit & Supervisory Board members as they relate to each proposal from the Board of Directors. Moreover, meetings to exchange information, opinions and views are conducted with the representative directors four times a year.

< Accounting Audits >

Lion has formed an audit agreement with Ernst & Young ShinNihon LLC, based on which the latter provides accounting

audits as well as audits of Lion's internal control reports based on the Companies Act and Financial Instruments and Exchange Act.

The certified public accountants who performed these duties during the fiscal year ended December 31, 2022 were Hirokazu Tanaka and Masayuki Tada, with the support of 13 certified public accountants and 28 other assistants involved in the audit work. The compensation to the certified public accountants, etc. was ¥149 million for auditing services and ¥0 million for non-auditing services related to the Group (amounts are rounded down to the nearest million yen).

#### < Internal Audits >

The Auditing Office (currently consisting of 14 members) reports directly to the president and audits the status of business execution by each department and affiliated companies. It conducts these audits based on the annual internal audit plan, including audits related to internal controls from the perspectives of legality, appropriateness, and efficiency, as well as its current compliance status. The results of internal audits are reported to the president, directors with related responsibilities, the Board of Directors and the Executive Committee, as well as to Audit & Supervisory Board members. In addition, the Company monitors and evaluates the status of development and operation of internal control over financial reporting based on the Financial Instruments and Exchange Act, and reports to the president and the Audit & Supervisory Board.

### 3. Reasons for Adoption of Current Corporate Governance System

The following measures have been taken under the current system, and the Company believes that the supervision and monitoring functions of the directors and Audit & Supervisory Board members have been enhanced.

1. Enhancement of supervisory functions by appointing four external directors (independent directors)
2. Enhancement of oversight functions by appointing three external Audit & Supervisory Board members (independent directors) and two standing corporate auditors
3. Understanding of management stance and improvement of effectiveness of supervision and monitoring functions through regular exchange of information between independent directors and president
4. Separation of supervisory and executive functions through the executive officer system
5. Improvement of the effectiveness of audits through coordination between the Audit & Supervisory Board, the internal auditing division and accounting auditors
6. Improvement of the effectiveness of oversight functions through regular exchange of opinions between the Audit & Supervisory Board and the Representative Director
7. Utilization of opinions of external directors to inform the opinions of Audit & Supervisory Board members as they relate to each proposal from the Board of Directors
8. Supervision of management from the perspective of generally accepted social mores by an Advisory Committee consisting of external experts

### III Implementation of Measures for Shareholders and Other Stakeholders Updated

#### 1. Measures to Vitalize the General Shareholder Meetings and Smooth the Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The convocation notice for the 162nd Annual Meeting of Shareholders (held on March 30, 2023) was sent on March 1, 2023.
Scheduling AGMs to Avoid the Peak Day	The Shareholders Meeting is held near the end of March in order to ensure ample time for the Board of Directors' closing of accounts meeting, auditing, and smooth preparation for the Shareholders Meeting.
Allowing Electronic Exercise of Voting Rights	The Shareholders Meeting convocation notice informs shareholders that they can exercise their voting rights electronically. Shareholders can do so by reading a QR code on the voting form or through the voting website ( <a href="https://evote.tr.mufg.jp/">https://evote.tr.mufg.jp/</a> ).
Participation in Electronic Voting Platform and Other Efforts to Improve Exercise of Voting Rights by Institutional Investors	The Company participates in the platform for exercising voting rights operated by ICJ, Inc.
Providing Convocation Notice in English	The English and Japanese version of the convocation notice are released simultaneously on the Lion website.

#### 2. IR Activities Updated

	Supplementary Explanations	Explanation by Representative
Preparation and Publication of Disclosure Policy	<p>The Company has established the following basic policy, disclosure standards and other IR information disclosure policies.</p> <p>1. Basic Policy Based on the Lion Group Charter for Corporate Behavior, Lion actively works to disclose corporate information such as that concerning business strategy and the Company's financial status in a fair, accurate and timely manner in order to secure the trust and understanding of shareholders, investors and all other stakeholders.</p> <p>2. Information Disclosure Standards Lion discloses information in line with the timely disclosure rules of the Tokyo Stock Exchange (TSE), on which the Company's shares are listed. In addition, Lion proactively discloses information that, although not specified by the TSE's rules of timely disclosure, it believes may be of relevance to the investment decisions of shareholders and investors.</p> <p>3. Method of Disclosure In accordance with the above information disclosure standards, Lion discloses information via the Timely Disclosure Network (TDnet) provided by the TSE while actively employing its corporate website to promote the fair and timely disclosure of such information. Furthermore, Lion releases news and updates its website to disclose other information in a fair and timely manner.</p> <p>4. Forward-Looking Statements In addition to the results forecasts that Lion provides to the TSE, Lion provides forward-looking information in such forms as business plans and strategies through results briefings and other IR activities. Forward-looking information reflects</p>	

	<p>judgments made based on the information available at the time of compilation, and actual results may differ significantly due to a number of factors.</p> <p>5. Period of Silence</p> <p>To prevent leaks of information concerning business results and to ensure fairness, Lion maintains a period of silence from the day following the closing of accounts for each fiscal period, including for each fiscal quarter, until that period's results briefing. During this period, the Company does not, in principle, disclose information about or answer questions pertaining to its business results.</p> <p>The above information is also posted on Lion's website:  <a href="https://www.lion.co.jp/en/ir/policy/">https://www.lion.co.jp/en/ir/policy/</a></p>	
Regular Investor Briefings for Individual Investors	In 2022, the Company did not hold any briefing sessions due to the COVID-19 pandemic and other factors, and instead made efforts to enhance information disclosure on its website.	
Holding Regular Briefings for Analysts and Institutional Investors	After the announcement of the financial results for the full fiscal year and the second quarter, the Company holds a financial results briefing for analysts and institutional investors. For the first and third quarters, the Company holds briefings via conference call.	YES
Posting Investor Relations Materials on the Company Website	<p>The Company has established an IR Information Corner (<a href="https://www.lion.co.jp/en/ir/">https://www.lion.co.jp/en/ir/</a>) on its website. This section includes financial information (including the Summary of Consolidated Financial Statements), non-financial timely disclosure materials, securities reports (in Japanese) and semi-annual reports, convocation notices for Shareholders Meetings, business reports, integrated reports, and presentation materials.</p> <p>The Company also provides an IR email service that sends notifications of updates to this section and IR-related press release information with titles and links.</p>	
Establishment of Department and/or Manager in Charge of IR	The IR and SR Office of the Corporate Planning Department has been established with Director Kengo Fukuda serving as the responsible executive director.	
Other	At occasional intervals, the Company holds briefings for individual investors, individual business-related briefings and factory tours for analysts and institutional investors as well as briefings for overseas investors.	

### 3. Measures to Ensure Due Respect for Stakeholders Updated

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Company has established an IR information disclosure policy.
Implementation of Environmental Activities, CSR Activities etc.	The Company prepares an integrated report and publishes it on its website.
Development of Policies on Information Provision to Stakeholders	The Company has established an IR information disclosure policy.

Lion respects the nationalities, genders, value systems and other attributes of Group employees and aims to empower them to earn success in a way that takes full advantage of their diverse personalities and abilities. With this in mind, Lion promotes such initiatives as the development of an inclusive workplace environment and the education of management-level employees. Lion also takes a proactive and constant approach to hiring and promoting diverse human resources, including women, foreign nationals and mid-career hires with diverse professional experience. Through these efforts, Lion seeks to be informed by diverse opinions while acquiring multifaceted perspectives and input to improve the quality of its management decision making.

#### Recruitment and Promotion of Women

Lion considers the empowerment of women to be essential to achieving further improvement in corporate value. Accordingly, Lion takes proactive measures to support women's career success. To empower female employees to develop successful careers over the long term at the Company, Lion strives to help employees strike a balance between work and private life by, for example, enhancing childcare-related programs, introducing a work-from-home system and otherwise assisting them in their efforts to play an essential part in both work duties and childcare. By doing so, Lion creates a workplace in which employees can work vibrantly while staying healthy.

Thanks to a variety of initiatives discussed above, the ratio of women in Lion's managerial positions stood at 12.8% at the end of 2022. As a 2030 target, Lion aims to raise this ratio to 30% or more on a consolidated basis and 35% or more on a non-consolidated basis.

#### Recruitment and Promotion of Foreign National Employees

Lion pays close attention to needs among people of Asia and aims to promote better living habits. In line with this aim, Lion seeks to promote foreign national employees to empower them to act as a key part of its workforce.

At the end of 2022, the ratio of foreign nationals to the total number of Group employees amounted to 41.1%, with foreign national managers accounting for 26.1% of overall managerial positions. Lion mainly promotes locally hired individuals to officer positions at overseas Group companies to develop their operations. Also, on a non-consolidated basis, the ratio of foreign nationals to the total number of Lion employees amounted to 1.5%, while foreign national managers accounted for 0.4% of overall managerial positions. Lion aims to increase the ratio of foreign national managers so that they make up a proportion on par with the ratio of foreign nationals to overall employees by 2030.

#### Recruitment and Promotion of Mid-Career Hires

As Lion strives to proactively develop new businesses along with further developing its existing businesses, the Company is pushing ahead with the recruitment and promotion of mid-career hires equipped with experience, skill and specialist expertise that cannot be obtained within the scope of operations conventionally handled by the Lion Group.

As a result of recruitment activities under a medium-term recruitment plan, including the recruitment of new graduates and mid-career hires, the ratio of mid-career hires to the number of employees hired over the latest three-year period (January 2020 to December 2022) stood at 33.9%.<sup>\*3</sup> In addition, Lion proactively rehires individuals who once resigned from the Company due to such reasons as the pursuit of personal career development and family responsibilities.

As of December 31, 2022, mid-career hires accounted for 27.6% of employees, while mid-career hires accounted for 11.5% of overall managerial positions. Lion strives to raise the ratio of mid-career hires in managerial positions so that they make up a proportion on par with the ratio of mid-career hires to overall employees by 2030.

\* 3 Employees hired by Lion (excluding temporary employees)

## IV Matters Related to the Internal Control System

### 1. Basic Views on Internal Control System and the Progress of System Development Updated

< Basic Internal Control System Policy >

1. Structure to Ensure that the Execution of Duties of the Lion Group's Directors and Employees Complies with Legal Requirements and the Company's Articles of Incorporation

#### (1) Basic Stance

- a. The Lion Group Charter for Corporate Behavior and Behavioral Guidelines shall provide the platform for the Company's compliance structure.
- b. The president shall provide constant reinforcement regarding the basic spirit and essence of the Lion Group Charter for Corporate Behavior among directors, executive officers, Audit & Supervisory Board members and employees with the aim of increasing awareness and understanding of corporate ethics. Each and every member of the Lion Group shall adopt and pursue the credo that compliance underpins every facet of the Group's business activities.

#### (2) Compliance Structure

- a. The Company shall maintain a Corporate Ethics Committee chaired by the director responsible for corporate ethics, an appointee from the Board of Directors. Covering the entire Group, this committee shall formulate and implement specific initiatives to ensure greater awareness of and compliance with corporate ethics. In the event of a violation of the Lion Group Charter for Corporate Behavior or Behavioral Guidelines, if deemed necessary by the Corporate Ethics Committee, an Ethics Investigation Committee shall be established to work toward the resolution of the issue. The Ethics Evaluation Committee shall comprise specialists from outside the Group, including lawyers and certified public accountants.
- b. The Group shall designate a general manager responsible for corporate ethics who reports to the board director responsible for corporate ethics. The director of corporate ethics shall enhance and maintain the Group's compliance structure and identify and implement necessary education and training for each Group department. Complementing these measures, the Human Resources Development Center shall conduct necessary education and training as part of level-specific education. Each department shall also formulate its own standards and manuals in line with relevant laws and regulations and operate in accordance with said rules and manuals.
- c. In an effort to reinforce the supervisory function of Lion's Board of Directors, external directors who do not engage in any executive function within the Group shall be appointed to the board.
- d. The Group shall maintain an Advisory Committee, comprising outside experts, to provide third-party opinions and advice on matters relating to legal compliance and management policy.
- e. The Group shall maintain an Auditing Office as its internal auditing division.
- f. Lion's Auditing Office shall conduct internal audits of Group companies.
- g. Lion shall dispatch Audit & Supervisory Board members to Group companies. Audit & Supervisory Board members shall conduct audits in accordance with regulatory requirements.
- h. Members of the Auditing Office, the general manager responsible for corporate ethics, members of the Corporate Planning Department and the Legal Department, and the Audit & Supervisory Board members shall maintain close communications with each other. In this manner, Lion shall promptly identify issues and problems relating to compliance and the compliance structure.
- i. Lion shall refer to its work regulations to determine the course of action in the event an employee contravenes any law or the Company's Articles of Incorporation. The Corporate Ethics Committee shall prepare and submit its final decision to the Board of Directors in the event a director contravenes any law or the Company's Articles of Incorporation.
- j. Besides items (2) a. through i. above, the AL Heart Hotline has been established to provide direct contact with the general manager responsible for corporate ethics and external lawyers. This hotline forms a part of the Group's internal communications system designed to address any legal breach or matter concerning compliance. In addition, the Quality Information Hotline has been established. In cases of doubt about product quality, personnel responsible for product development may utilize this internal communications system to report directly to the general manager of the Reliability Assurance Department. These hotlines shall be managed based on separately prepared guidelines.
- k. In the event Audit & Supervisory Board members uncover an issue relating to the Group's compliance structure or the management of its internal communications system (identified in item (2) j. above), a report shall be presented to the board director responsible for corporate ethics and the necessary corrective measures formulated.

#### (3) Response in the Event of Emergency

- a. The Emergency Response System shall apply to any emergency relating to legal requirements and corporate social responsibility (CSR). Under the system, the general manager of the General Affairs Department shall report any such incident to the president, the director responsible for corporate ethics and the Audit & Supervisory Board members. The director of the relevant department or the Emergency Response Committee, chaired by the president, shall implement appropriate measures to resolve the situation, formulate measures to prevent recurrences and submit a report to the Executive Committee and the Board of Directors.
- b. The procedures outlined above in item (3) a. shall be adopted in the event a director or employee of a Group company uncovers a serious breach of any legal requirement or any significant matter relating to compliance by a Group company.
- c. In the event that Group companies recognize that management guidelines or instructions from Lion contravene the law or raise issues relating to compliance, the matter shall be immediately reported to the Company's president, the board director responsible for corporate ethics, and Audit & Supervisory Board members. The board director responsible for corporate ethics, in collaboration with the Audit & Supervisory Board members, shall resolve the situation and formulate measures to prevent recurrences.

2. Management Structure for Maintenance and Storage of Information Concerning the Execution of the Duties of Lion's



## Directors

- a. Representative directors and executive directors shall report on the status of their own executive duties to the Board of Directors in accordance with legal requirements.
- b. The representative director shall formulate information preparation, maintenance and storage rules relating to the execution of directors' duties as a part of the Company's Information Management Regulations.
- c. Directors shall maintain and store information pertaining to the execution of their duties in accordance with the Information Management Regulations.
- d. Directors and Audit & Supervisory Board members may view and copy this information at any time.

### 3. The Lion Group's Rules and Other Structures Relating to the Management of Risk

#### (1) Response under Normal Conditions

- a. The director responsible for the Corporate Planning Department shall have overall responsibility for risk management for the Group. The Corporate Planning Department shall exhaustively and comprehensively manage the Group's risk.
- b. The Auditing Office shall audit the status of risk management for each department within the Group and report its findings to the Executive Committee and the Board of Directors.
- c. Under normal conditions, each department shall strive to identify its own risks and implement appropriate risk reduction measures. For management risks with the potential to significantly impact business activities, the board director responsible for the relevant department shall consider appropriate risk management measures, which will be deliberated on by the Senior Executive Committee and Executive Committee for implementation.
- d. To control risks associated with the environment, quality assurance, accidents and disasters, appropriate countermeasures shall be formulated in advance by the Sustainability Promotion Council, Customer Satisfaction/Product Liability Committee, and Safety, Hygiene and Disaster Prevention Meeting, and, when necessary, deliberated by the Executive Committee.
- e. Each plant shall acquire ISO 14001 accreditation and actively pursue measures that promote quality assurance and environmental protection.

#### (2) Response in the Event of Emergency

- a. In the event of an incident occurring due to a natural disaster or accident, in accordance with the Emergency Response System (the respective manuals for countermeasures against earthquakes or influenza and other infectious diseases), details of said incident shall be reported to the president and Audit & Supervisory Board members. At the same time, the director of the relevant department shall collect all relevant information, formulate response measures, clarify causes and determine countermeasures, submitting a report on these actions to the Executive Committee and the Board of Directors.

### 4. Structure to Ensure that Directors' Duties are Executed Efficiently

The following business management system shall be used to improve the efficiency of the execution of directors' duties.

#### (1) Decision-making Rules

- a. Board of Directors meetings shall be held regularly once a month, with extraordinary meetings convened when necessary, as the foundation for ensuring the efficient execution of directors' duties. With the exception of the regular Board of Directors meetings, the written approval of each director shall be deemed to constitute a resolution of the Board of Directors, pursuant to regulatory requirements.
- b. Executive Committee meetings shall be held once a month. At each meeting the Executive Committee shall make decisions on fundamental and other important matters in an agile manner. Through these means, Lion shall strive to promote speedy operations and strengthen the Board of Directors' functions.
- c. Matters of importance relating to the management policies and strategies of the overall Group shall be deliberated on in advance by the Senior Executive Committee. Thereafter, recommendations shall be ratified by the Board of Directors.
- d. The autonomy of each company within the Group shall be respected; however, each Group company shall regularly report on its business activities to Lion and discuss important matters with Lion before taking action. In addition, matters of significance that may substantially impact the assets and earnings of Group companies are subject to approval by Lion's Board of Directors or Executive Committee.

#### (2) The Board of Directors

- a. The Board of Directors shall determine Companywide objectives and targets common to all directors and employees and promote understanding and awareness of and formulate management plans based on said objectives and targets.
- b. In order to make management plans more concrete, the Board of Directors shall establish business plans and set operating budgets on the basis of said management plans. Investments for marketing, research and development, capital expenditure and new businesses are also allocated on the basis of management plans.
- c. The Board of Directors shall determine the delegation of authority regarding important matters to organizations, executive general managers and directors of each division or department.
- d. The Board of Directors shall review monthly business results. In the event of a discrepancy between established targets and actual performance, the director responsible for each division shall provide an analysis of the discrepancy and recommend measures to reduce or eliminate negative factors to the Board of Directors. When necessary, targets may be revised.

#### (3) Business Operation Structure

- a. The directors responsible for each department shall establish efficient business operation structures for their

departments, including concrete measures to be implemented.

- b. Monthly business results shall be collated for management accounting purposes in a timely fashion utilizing the Group's IT systems and submitted to the director responsible for the relevant department and the Board of Directors.
- c. Subject to item (2) d. above, each director responsible for a department shall implement improvements to increase the efficiency of the department's business operation structure as needed.

5. Matters Relating to Employees Assigned to Support Audit & Supervisory Board Members and the Independence of Such Employees from Directors in the Case that Audit & Supervisory Board Members Request Such Employees (Including Items Related to Ensuring the Effectiveness of Audit & Supervisory Board Members' Directions)

- a. At least two employees shall be allocated to the Auditing Office to support the duties and functions of the Audit & Supervisory Board.
- b. Employees allocated for this purpose to the Auditing Office are subject to the instructions of the Audit & Supervisory Board and not to the instructions of board directors or the director of the Auditing Office.
- c. The aforementioned employees are independent of board directors. The personnel evaluation, transfer and disciplining of these employees are determined after agreement by the Audit & Supervisory Board.

6. Structure for Reporting to Audit & Supervisory Board Members by Directors and Employees and Other Matters Relating to Procedures for Reporting to Audit & Supervisory Board Members as well as Structure for Ensuring that Such Reporting Will Not Result in Disadvantage to the Reporter

(1) Lion Group directors and employees shall quickly report to the Audit & Supervisory Board any matters that may significantly impact the Group as well as any significant violations of legal statutes or the Articles of Incorporation. In addition, the directors shall report the following matters to the Audit & Supervisory Board.

- a. Significant breaches of the law and other important compliance matters.
- b. Emergencies relating to natural disasters or accidents as well as emergencies concerning legal requirements or corporate social responsibility.
- c. The implementation status of Group internal audits.
- d. The status and details of communications reported through the Group's internal reporting hotline.
- e. Matters determined by the Executive Committee and the Product Planning Executive Committee.
- f. Matters determined by directors and executive officers based on designated delegated authorities.
- g. The status of Group company activities, as well as activities by their Audit & Supervisory Board members.
- h. The details and impact of any change in important accounting policies or standards adopted by the Company and its Group companies.

(2) The reporting methods for the matters described above in (1) a. through h. (the reporter, recipient, timing and other matters) are determined through deliberations involving directors and the Audit & Supervisory Board members.

(3) Notwithstanding item 6. (1) above, Audit & Supervisory Board members may request information from directors and employees as and when necessary.

(4) The Lion Group shall establish Behavioral Guidelines to protect those who report matters of concern to the Audit & Supervisory Board members from suffering any disadvantage as a result of making such a report, and organizationally ensure that this is enforced Groupwide.

7. Procedure for Pre-Payment and Reimbursement of Costs Arising in the Execution of the Official Duties of Audit & Supervisory Board Members and Policy for Processing Other Costs or Liabilities Arising from the Execution of Such Duties

(1) Costs and liabilities necessary for the execution of Audit & Supervisory Board members' duties shall be promptly paid or otherwise processed in accordance with the request of the Audit & Supervisory Board member.

(2) In addition, Audit & Supervisory Board members may receive the advice of outside experts as required to execute their duties. Related payments or other processing shall be handled in accordance with 7. (1), above.

8. Structure to Ensure Effective Auditing by Lion's Audit & Supervisory Board Members

(1) At the request of the Audit & Supervisory Board, the Board of Directors shall ensure that the Audit & Supervisory Board is able to appoint legal, accounting or taxation specialists to receive advice relating to audit activities.

(2) Audit & Supervisory Board members may attend management meetings and discussions of the Company and Group companies as necessary.

(3) Audit & Supervisory Board members may review and copy important information concerning Group companies as necessary.

(4) Audit & Supervisory Board members may conduct individual interviews with the directors responsible for business execution and important employees regarding the status of the execution of their duties in accordance with audit plans formulated by the Audit & Supervisory Board.

(5) Audit & Supervisory Board shall periodically convene meetings with the representative directors and accounting auditors to promote the exchange of information, opinions and views.

9. Structure to Ensure the Reliability and Appropriateness of Financial Reporting

(1) For the purpose of ensuring the reliability of the financial reporting of Lion, its subsidiaries and affiliated companies that forms the Group's consolidated financial statements, the president shall develop, operate and evaluate internal control regarding financial reporting based on the "Internal Control Policies Regarding Financial Reporting" set forth by the Board of Directors. The president shall also report the status of internal control and submit an internal control report to the Board of Directors on a regular basis.

(2) The Auditing Office shall, through its internal auditing, understand and evaluate the status of the development and operation of the Company's internal control system (including any problems and the status of improvements made to address problems)

regarding the financial reporting and report its findings to the president and Audit & Supervisory Board members.

(3) As a part of their performance audits, Audit & Supervisory Board members shall audit the execution of directors' duties related to the development and operation of internal control regarding financial reporting. In addition, Audit & Supervisory Board members shall audit the status of development and operation of internal control regarding financial reporting through audits of the appropriateness of the methods and results of accounting audits conducted by accounting auditors.

#### < Development Status of the Internal Control System >

Lion has established the Lion Group Charter for Corporate Behavior and Behavioral Guidelines, centered on the reinforcement of legal compliance and corporate ethics. To ensure strict compliance with the charter and guidelines on the part of all directors, Audit & Supervisory Board members and employees, the Group has established a Corporate Ethics Committee chaired by the board director responsible for corporate ethics. The committee promotes concrete initiatives to ensure the penetration and entrenchment of corporate ethics awareness. In the event of a violation of the Lion Group Charter for Corporate Behavior or Behavioral Guidelines, the committee develops proposals to resolve the issue and prevent recurrences. The committee also works to strengthen the Group's compliance systems, including the internal reporting systems. In addition, the Group maintains various rules and procedures to ensure the efficiency and effectiveness of operations, including standards for delegating decision-making authority to the president or the responsible executive, operating processes for each stage of product development, and product management systems that specify quality assurance procedures.

The Audit & Supervisory Board members and Auditing Office conduct regular audits to monitor whether these systems are functioning appropriately.

Regarding the timely disclosure of corporate information, Lion seeks out the opinions of the standing Audit & Supervisory Board members regarding the necessity of disclosure, endeavoring to ensure appropriate disclosure.

With regard to the development status of internal control related to financial reporting, Lion has established the "Internal Control Policies Regarding Financial Reporting" and standards for determining the scope of evaluation and targets of evaluations. Furthermore, the Group has assigned responsible staff to take charge of each operational process.

#### < Operational Status of the Internal Control System >

The Board of Directors examines the operation of the internal control system as necessary. An outline of the operational status for each year is given in that year's annual Business Report.

## **2. Basic Views on Eliminating Anti-Social Forces**

#### < Basic Approach >

In accordance with the Lion Group Charter for Corporate Behavior, the Company shall maintain a stance of staunch opposition to any antisocial forces that pose a threat to public order and safety.

#### < Status of Related Efforts >

Having positioned its General Affairs Department as its office for handling issues relating to antisocial forces, Lion has appointed a person responsible for the prevention of undue claims against the Company and strives to coordinate efforts between each operational site of the Group as well as external institutions. To facilitate coordination with the police and relevant authorities, Lion participates in and shares information through specialized outside institutions, such as public-private partnerships for the prevention of undue claims.

To define and ensure compliance with procedures for handling antisocial forces, Lion has established an Undue Claim Prevention Manual.

The person responsible for the prevention of undue claims implements the necessary training at each operating site of the Group. The person responsible for the prevention of undue claims and the persons in charge of the prevention of undue claims at each operating site shall execute their duties in accordance with the Undue Claim Prevention Manual.

## Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures

Not Adopted

#### Supplementary Explanation

< Outline of the Basic Policy Concerning Control over the Company and Details of Special Initiatives to Contribute to Its Implementation >

Lion believes that persons who control the Company's decision making over financial matters and business policies should fully understand Lion's corporate philosophy, sources of corporate value and the relationship of trust it has with stakeholders who support the Company in order to secure and improve corporate value and to act in the common interests of shareholders in a continuous and sustainable manner.

At the same time, Lion holds that final decisions concerning any proposal of acquisition that would involve a transfer of control of the Company must ultimately be based on the collective will of its shareholders. This is not meant to imply opposition to a large-scale acquisition of Lion's shares if such acquisition is to be to the benefit of corporate value and the common interests of shareholders.

Nevertheless, in some cases large-scale acquisitions are undertaken clearly for the purpose of undermining Lion's corporate value and the common interests of shareholders; are intended to force shareholders to sell their shares; or are pushed forward without provision of sufficient time and/or information to Lion's Board of Directors and shareholders so that they may examine suggestions regarding the acquisition proposal and alternatives. Thus, such cases can impair Lion's corporate value and the common interests of shareholders.

The Company resolved not to continue the anti-takeover measures against large-scale purchases of the Company's shares (anti-takeover measures) at the Board of Directors held on January 29, 2021. However, in the event of the emergence of a large-scale purchaser who may damage the corporate value or the common interests of shareholders, the Company will consult with the Corporate Governance Committee, which is composed solely of external directors and external Audit & Supervisory Board members, in order to enhance the objectivity and rationality of the Board of Directors. The Board of Directors will respect the recommendations of the Committee to the maximum extent possible and, after thorough deliberation, will take necessary and appropriate measures in accordance with the Companies Act, Financial Instruments and Exchange Act, and other relevant laws and regulations. If a decision by the shareholders is necessary to ensure the corporate value of the Company and the common interests of the shareholders, the Company will hold a Shareholders Meeting as soon as possible. In order to contribute to the realization of the above basic policy, the Company will vigorously promote the strategies to realize the management vision described in "I Current Conditions of the Lion Group 5. Management Issues" in the Business Report and work to enhance the Company's corporate value and the common interests of shareholders.

### 2. Other Matters Related to the Corporate Governance System Updated

The status of the Company's internal system for timely disclosure of corporate information is as follows.

In accordance with the rules on timely disclosure in the marketable securities listing regulations (timely disclosure rules), the Company's basic policy is to proactively disclose information on the Company's operations, management, or business performance that may have a material impact on investment decisions in a timely and appropriate manner.

In order to realize this basic policy, the Company is implementing the following systems.

#### 1. Decisions Reached and Information on Financial Results Pertaining to the Company (see Reference 1)

1. Since these are matters to be resolved by the Board of Directors, the Corporate Planning Department will confirm whether or not each agenda item falls under the category of "corporate information requiring disclosure" as stipulated in the timely disclosure rules prior to the Board of Directors meeting (hereinafter referred to as a "disclosure requirement").
2. The Corporate Communications Center (hereinafter referred to as the "CC Center"), which is responsible for managing the timely disclosure rules, will also confirm whether or not there is a disclosure requirement.
3. In the event that the perceived necessity of a disclosure requirement differs between the two sections, the Company will disclose the information.
4. The director in charge of the Corporate Planning Department will report the progress and results of the decision on the need for disclosure to the director in charge of the CC Center, the Chairman of the Board of Directors, and the President and Representative Director.
5. The director in charge of the Corporate Planning Department will report whether there is a disclosure requirement for the relevant matter to the Board of Directors upon its resolution. The Board of Directors will ask the opinion of the Audit & Supervisory Board members on the results determining whether there is a disclosure requirement and confirm the appropriateness of the results.

#### 2. Information on Decisions Reached by Subsidiaries (see Reference 2)

1. Matters resolved by a subsidiary's board of directors will be reported to Lion's Corporate Planning Department, which is responsible for the overall management of affiliated companies.
2. The Corporate Planning Department will confirm whether or not there is a disclosure requirement.
3. The CC Center, which is responsible for managing the timely disclosure rules, will also confirm whether or not there is

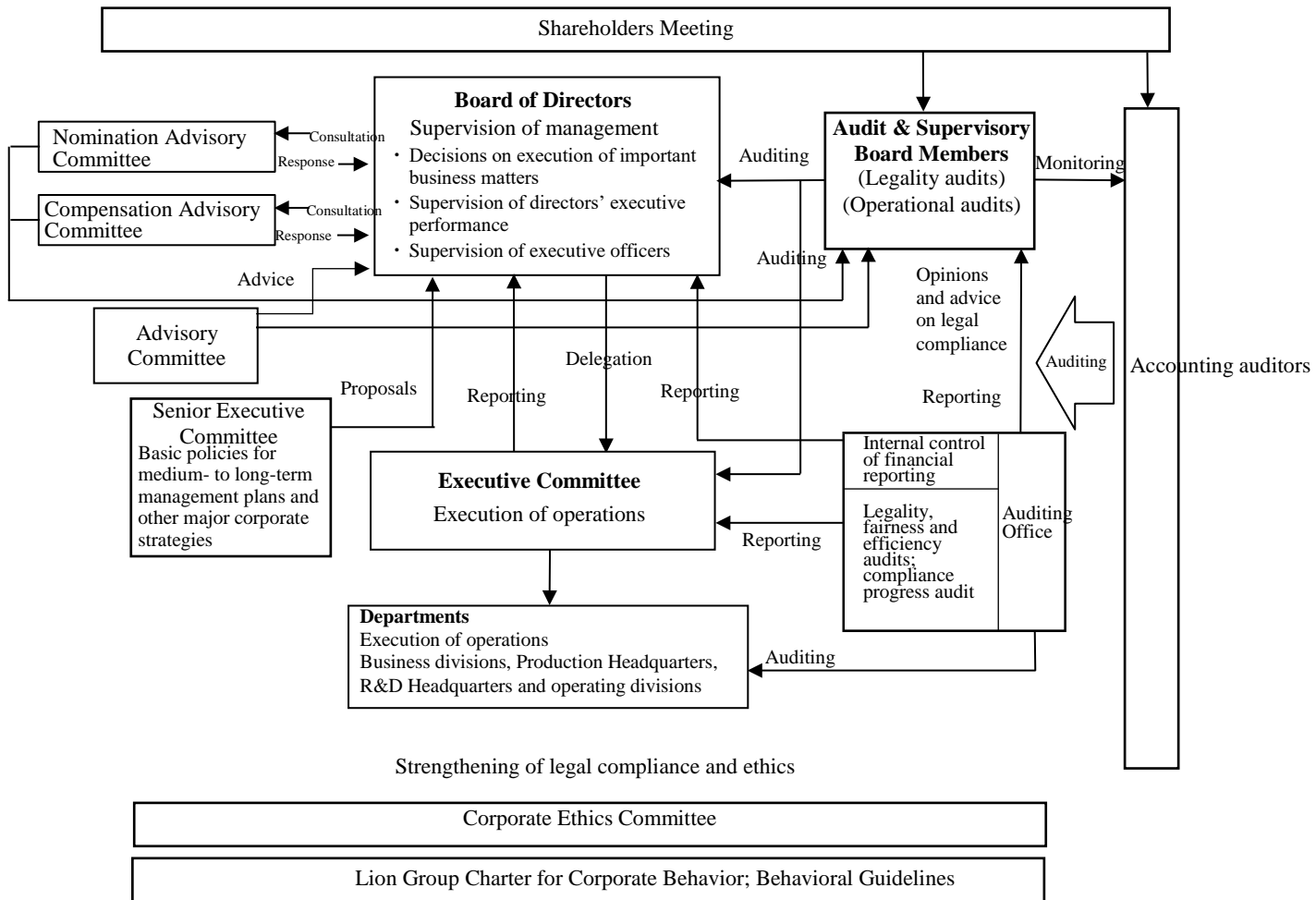
a disclosure requirement.

4. In the event that the perceived necessity for a disclosure requirement differs between the two sections, the Company will disclose the information.
5. The director in charge of the Corporate Planning Department will report to the director in charge of the CC Center, the Chairman of the Board of Directors and the president on the progress and results of determining the disclosure requirement. In addition, the director in charge of the Corporate Planning Department will ask the opinion of the Audit & Supervisory Board members on the results determining whether there is a disclosure requirement and confirm the appropriateness of the results.

3. Information Regarding the Occurrence of Material Incidents Pertaining to the Group (see Reference 3)

1. The Group has established the Emergency Response System to prepare for emergencies related to major laws and regulations, the Group's social responsibility, and physical emergencies caused by natural disasters and accidents.
2. Based on this system, in the event of an emergency, all information will be centralized in the General Affairs Department, which will immediately report to the director in charge of the General Affairs Department, the Chairman of the Board of Directors, the president and the standing Audit & Supervisory Board members, and discuss the response.
3. The Corporate Planning Department and the CC Center will confirm whether or not there is a disclosure requirement regarding the incident concurrently with the discussion on the response.
4. In the event that the perceived necessity for a disclosure requirement differs between the two sections, the Company will disclose the information
5. The director in charge of the Corporate Planning Department will report to the director in charge of the General Affairs Department, the director in charge of the CC Center, the Chairman of the Board of Directors and the president on the progress and results of the disclosure requirement. In addition, the director in charge of the Corporate Planning Department will ask the opinion of the Audit & Supervisory Board members on the results determining whether there is a disclosure requirement and confirm the appropriateness of the results.

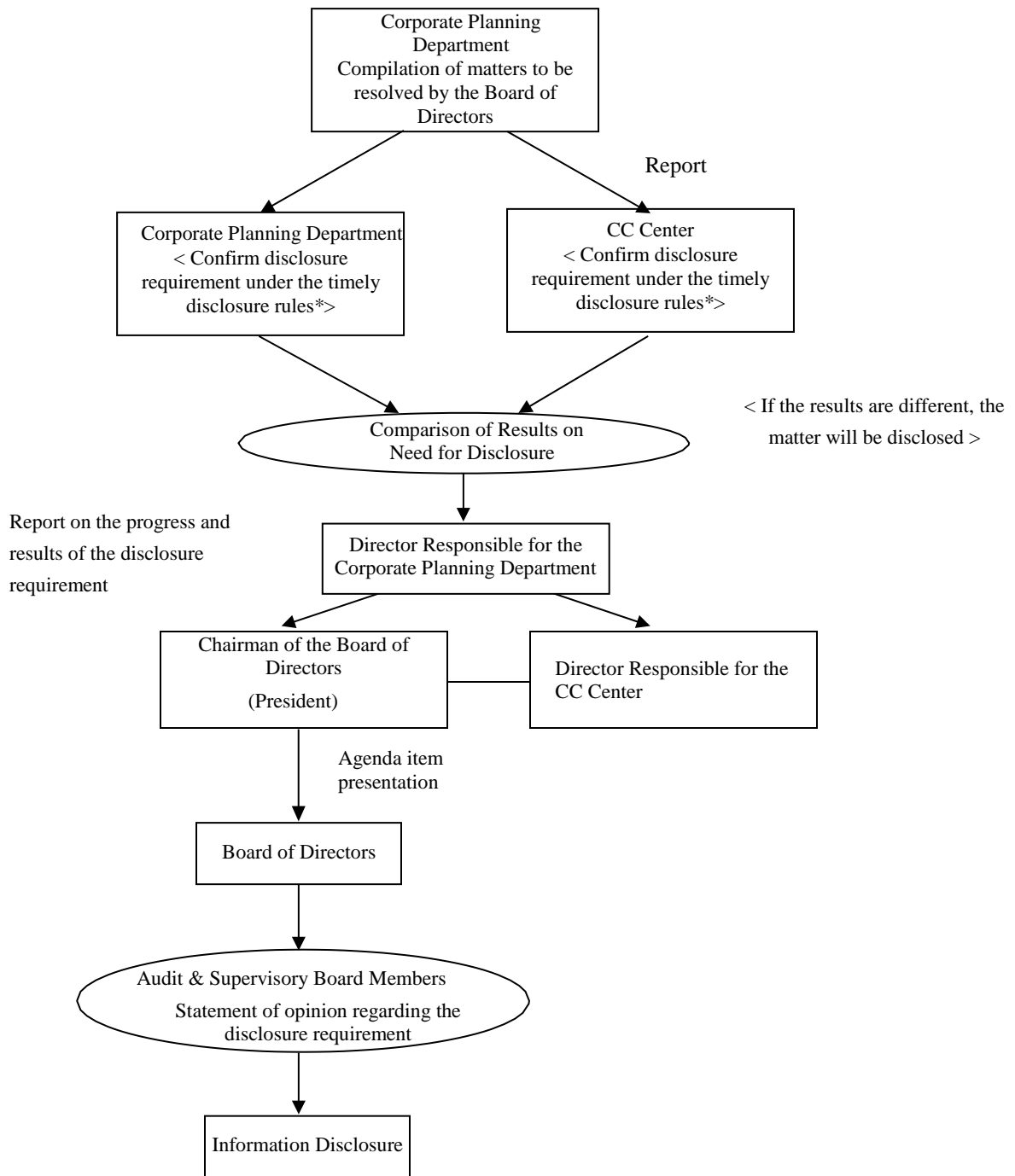
Lion's Corporate Governance System



Diagrams of the Company's Timely Disclosure System

Reference 1

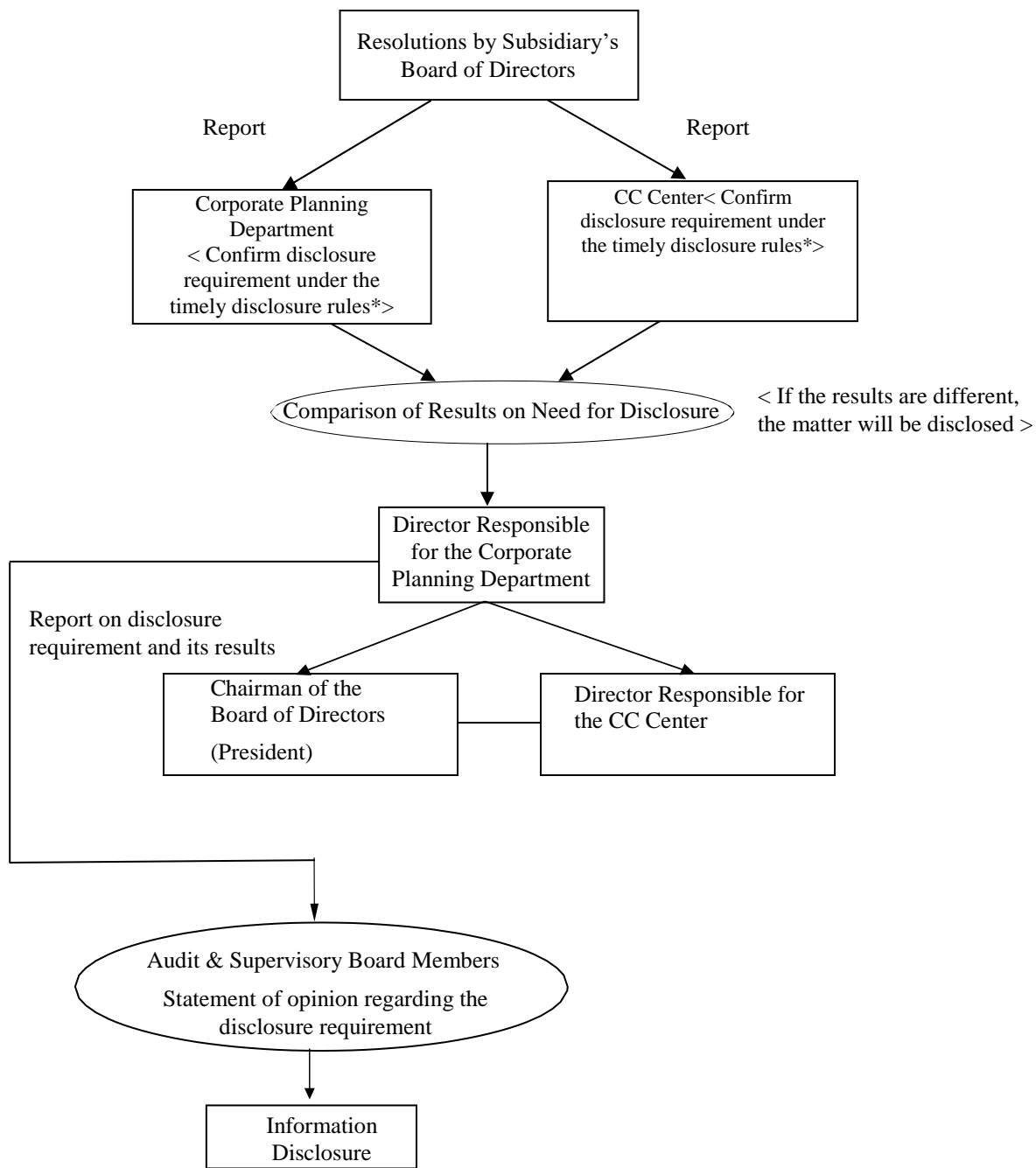
Decisions Reached and Information on Financial Results Pertaining to the Company



\*Disclosure requirement: confirmation of whether an item falls under the category of "corporate information requiring disclosure" as stipulated in the timely disclosure rules

Reference 2

Information on Decisions Reached by Subsidiaries

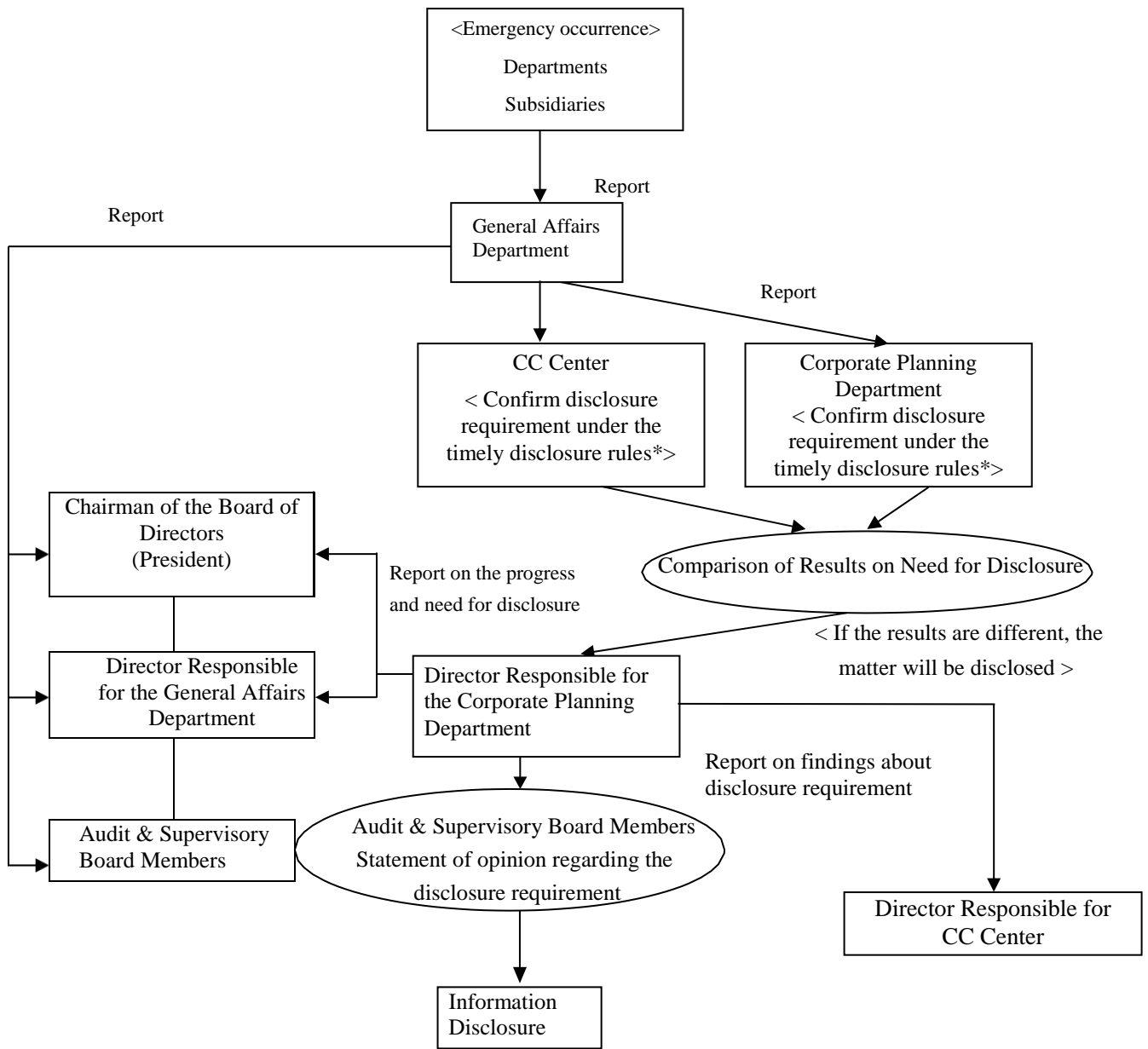


\*Disclosure requirement: confirmation of whether an item falls under the category of "corporate information requiring disclosure" as stipulated in the timely disclosure rules



Reference 3

Information Regarding the Occurrence of Material Incidents Pertaining to the Group



\*Disclosure requirement: confirmation of whether an item falls under the category of "corporate information required to be disclosed" as stipulated in the timely disclosure rules