



# Organizational Governance

## Basic Approach

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 systems, Lion aims to increase its corporate value.

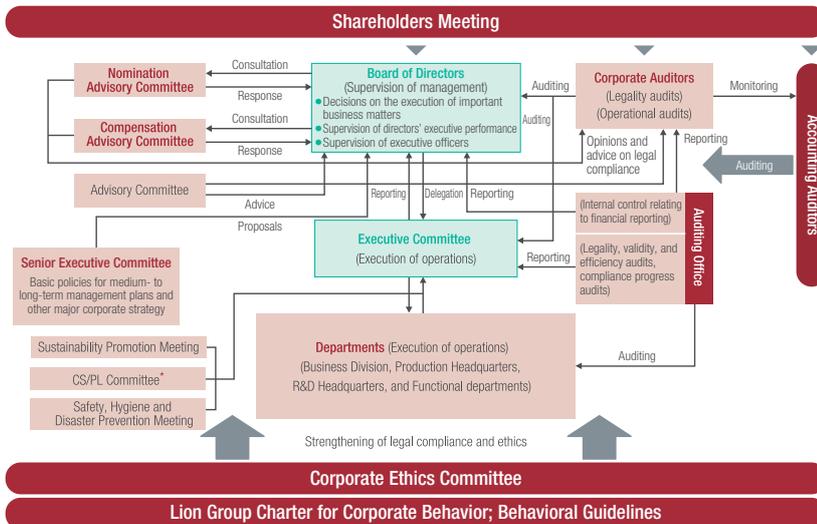
## Corporate Governance System

At Lion, oversight of management is governed under board of corporate auditor's system. In March 2004, Lion adopted the Executive Officer System and classified the functions that the Board of Directors had previously carried out as follows: The Board of Directors is responsible for "decision making and oversight functions of management" and the Executive Committee is for "business execution functions".

The membership of the Board of Directors was reduced (from 19 before the adoption of the Executive Officer System to 9 members currently) to ensure more substantial discussions and faster decision making. A Nomination Advisory Committee and

Compensation Advisory Committee were established to increase management transparency and further enhance corporate governance. Membership of these committees is comprised mainly of 5 external officers(3 external directors and 2 external corporate auditors), who are all qualified as independent directors. The representative directors and all external officers exchange information regularly (once a month, as a rule) and strive to enhance oversight and monitoring functions of management. In addition, in order to reflect the opinions and advice of third parties on legal compliance and management policies, we have set up an "Advisory Committee" consisting of external experts.

### Corporate Governance System (as of April 1, 2019)



\*CS/PL Committee:  
CS: Customer Satisfaction  
PL: Product Liability  
Cross-departmental committee to promote quality assurance activities.

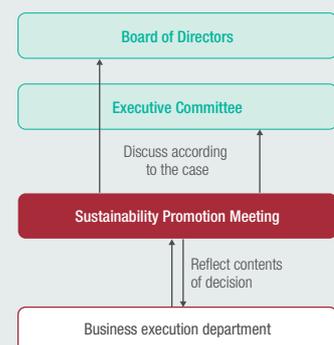
[www Report on Corporate Governance \(Japanese\)](https://www.lion.co.jp/ja/company/about/pdf/abo_gov.pdf)  
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## Sustainability Promotion Meeting

We believe that growing our business while reducing the burden on the global planet contributes to a sustainable society.

From January 2019, the former "CSV Management Meetings" and the "Environmental Conservation Committee" have been integrated in the newly established "Sustainability Promotion Meeting". A member consisting of all executive directors including the President and related departments, they will deliberate on the company's "CSV strategy", "Sustainability Material Issues" and "Correspondence to environmental issues" and will monitor the status of their execution.

The contents decided at the "Sustainability Promotion Meeting" is discussed at the Board of Directors and Executive Committee as necessary, then reflected in the business activities of each business execution department.



## Promoting Risk Management

In order to continue providing our customers with safe and reliable products, we have appointed a Director Responsible for Risk Management who exhaustively controls and supervises the risk of the whole Lion Group. Regarding risks related to the environment, quality assurance, accidents and disasters, we examine countermeasures through various conference bodies, deliberate in the Executive Committee as necessary, and conduct risk management. Each plant is certified with ISO14001 and eagerly working on quality management and environmental conservation. In cases of physical emergencies, such as natural disasters and accidents, we are reporting the facts of the event to the President and the Corporate Auditors, and others, while reporting the status of our response to the Executive Committee and the Board of Directors in accordance with the Emergency Response System.

Also, among the various risks that may arise while doing business, the following five points are listed as the main items that may particularly have a significant impact on investor judgment and are disclosed in the Company's Securities Report.

1. Product quality evaluation
2. Raw material price fluctuations
3. Exchange rate fluctuations
4. Major lawsuits, etc.
5. Earthquakes, other natural disasters

## Preparation of Internal Control Systems

We have put systems in place to ensure the appropriateness of the Lion Group's operations in accordance with Japan's Companies Act and the Ordinance for Enforcement of the Companies Act. With regard to the systems for evaluating and auditing internal control with respect to financial reporting, as prescribed in Japan's Financial Instruments and Exchange Act, we have been establishing controls at the company-wide and business process levels. Evaluations of the effectiveness of our internal control are made by the Auditing Office, which reports its findings to the President and corporate auditors. It also reports to the Board of Directors on a regular basis. As a result of these evaluations, we have determined that Lion's internal control with respect to financial reporting in 2018 was effective, and we submitted our Internal Control Report along with our Securities Report to the Prime Minister in March 2019.

[www Securities Report \(Japanese\)](https://www.lion.co.jp/ja/ir/library/yuhou/)  
https://www.lion.co.jp/ja/ir/library/yuhou/

### UN Global Compact

The UN Global Compact (UNGC), in which Lion has participated since 2009, is a voluntary initiative of companies and organizations aiming to realize ten principles in the areas of "Human rights", "Labor", "Environment" and "Anti-Corruption". Lion is also a member of the Global Compact Network Japan (GCNJ), and participates regularly in subcommittee activities for the purpose of promoting member companies' CSR activities.

### • Business Continuity Plan (BCP)

Lion is pressing forward with the creation of systems to minimize damage and to ensure continue business operations so that we can provide products to customers even in cases of big earthquake, spread of infectious disease (pandemic), or other such contingencies. In cases of earthquake disaster, we will follow the "Manual on Countermeasures for Earthquake Disaster", and if a pandemic due to a novel influenza virus or other infectious disease is foreseen, we will follow the "Manual on Countermeasures against Novel Influenza and Other Infectious Diseases" and our company will set up a task force accordingly, and response to it. We will judge whether or not to activate BCP according to the scale of the disaster and the disaster situation. However, if the BCP is activated, our system is designed to give top priority to businesses that supply consumer products. For risks that may have a serious impact on our business, we organize the countermeasures and report it to the Executive Committee annually.

### • Internal Audits

The Auditing Office implement audits on the operating status of our various business units in terms of their legality, validity, efficiency, and risk management in order to establish a foundation for healthy business activities. Audit coverage was expanded to include overseas Group companies from 2018 onwards. It is a distinguishing characteristic of our company that information exchange is carried out very closely with corporate auditors and that audits are conducted jointly. We will further deepen this collaboration. Audit results and the status of improvements are reported to the President after each audit. The corporate audit results are summarized and reported to the Board of Directors twice a year, thus serving as PDCA management of our audit operations. Reports are also provided to the Executive Committee, allowing information to be shared with the operating departments.

[www UN Global Compact](https://www.unglobalcompact.org/)  
https://www.unglobalcompact.org/  
[Global Compact Network Japan \(Japanese\)](http://ungcnj.org/)  
http://ungcnj.org/



## Embedding Compliance

The Corporate Ethics Committee, chaired by the Director Responsible for Corporate Ethics, works proactively to foster compliance awareness within the Lion Group. The basis for compliance is the "Lion Group Charter for Corporate Behavior (p. 3)" which is distributed in pamphlet form to all employees and is publicly available on Lion's website.

In addition, taking the movements of strengthening legal regulations toward acts of bribery and corruption in each countries into consideration, we established the "LION Anti-Bribery Principles" in January 2019.

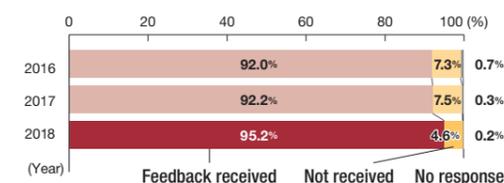
### • e-Learning Training

Lion conducts e-learning and other training periodically once every half-year. In 2018, in addition to reading through and committing to the "Lion Group Charter for Corporate Behavior", our e-learning provided the training regarding the Lion conceptual approach to quality, the basics of labor management, workplace harassment (incl new content of LGBT matters since 2018), information security, our information management system, risks of social media and basic knowledge on insider trading regulations. Since 2019, we offered lesson about "LION Human Rights Policy" and "LION Anti-Bribery Principles"

### • Compliance Awareness Survey

All domestic employees of Lion Group (incl. part-time workers) are asked annually to complete the "Compliance Awareness Survey". In 2018, the survey was conducted for the fifteenth time (approximately 95% of the target 4,373 employees responded). The survey results are reported to management and feedback is provided to individual divisions in order to help maintain and strengthen our compliance systems. Every year, opinions such as problems in their workplace environment are solicited to the survey, and each of them leads to improvement.

### Percentage of Employees Who received Feedback from the Survey Results



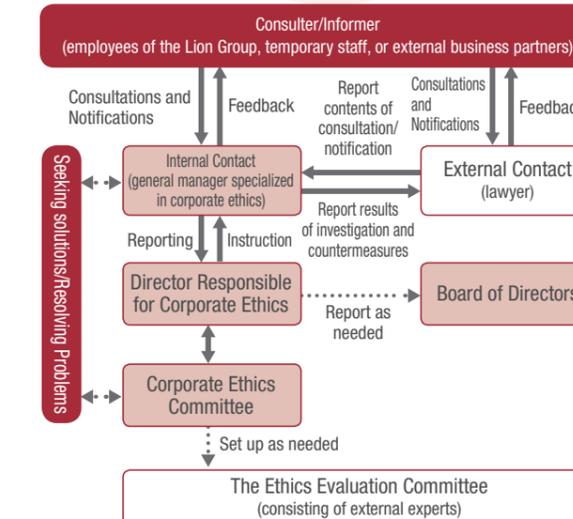
### \* Compliance Awareness Survey

Questionnaire survey in which respondents anonymously answer about, such as compliance status toward the Lion Group Charter for Corporate Behavior, whether there was feedback from the results of the previous Compliance Awareness Survey, and awareness of the Heart Hotline.

### • Raising Awareness of the Hotline

Lion has set up the internal and external whistle-blowing system "AL (All Lion) Heart Hotline" and we are taking steps to raise awareness of it among all employees, including temporary staff. Its recognition rate among employees was 98.5% in 2018.

### The Systems of the AL Heart Hotline



### Changes in AL Heart Hotline internal recognition rate

Year	Internal recognition rate (%)
2016	95.3%
2017	95.8%
2018	98.5%

### AL Heart Hotline Consultations and Notifications

In 2018, as the hotline has been recognized in the company and the environment made it easy to consult, there were 23 cases of consultation and notifications. Although, there were no cases to be judged as serious misconduct, and all the cases were appropriately addressed and resolved.

Content of Consultations and Notifications Made	2016	2017	2018
Harassment behavior	3 cases	9 cases	15 cases
Personnel and labor management issues	9 cases	5 cases	6 cases
Others	4 cases	4 cases	2 cases

[www AL Heart Hotline \(Japanese\)](https://www.lion.co.jp/ja/company/compliance/index.php)  
https://www.lion.co.jp/ja/company/compliance/index.php (in Japanese)

### Initiatives for Compliance in Overseas Group Companies

Aiming to embed compliance throughout the entire Group, our overseas Group companies are also promoting compliance initiatives. We are introducing a part of our overseas initiatives such as familiarizing employees with the "Lion Group Charter for Corporate Behavior" through offices, employee handbooks and the intranet, and strengthening efforts to prevent corruption based on the "LION Anti-Bribery Principles".

[www Sustainability Management \(Japanese\)](https://www.lion.co.jp/ja/csr/management/)  
https://www.lion.co.jp/ja/csr/management/  
[Embedding Compliance \(Japanese\)](https://www.lion.co.jp/ja/csr/management/compliance/)  
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