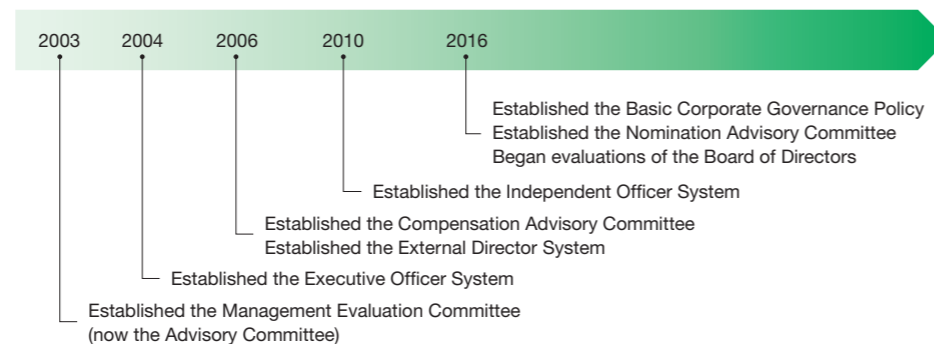


# Corporate Governance

## Basic Approach

The Lion Group'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.

## Initiatives to Enhance Management Auditing and Supervision



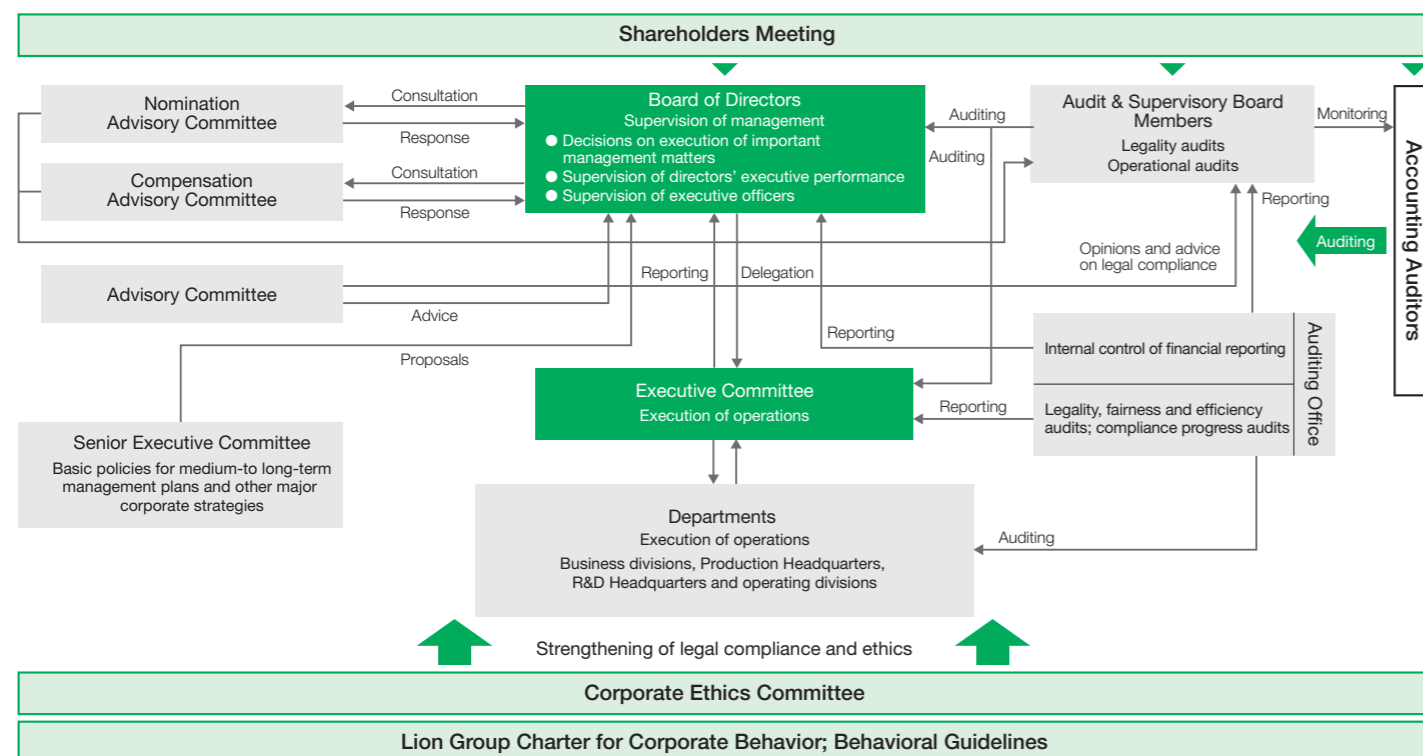
## Corporate Governance System

### Organizational Structure

Lion is a company with an Audit & Supervisory Board as defined in the Companies Act, with a system of corporate governance in which the Board of Directors provides adequate oversight of management while independently operating Audit & Supervisory Board members provide appropriate auditing. To reinforce the Board of Directors' management oversight function and speed decision making, Lion has adopted an executive officer system. In addition, to increase management transparency and further

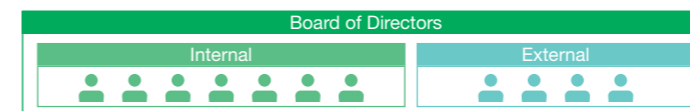
enhance corporate governance, Lion has established a Nomination Advisory Committee and Compensation Advisory Committee comprising mainly external directors and external Audit & Supervisory Board members.

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.



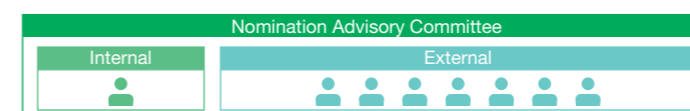
### Directors, Board of Directors and Executive Committee, etc.

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. Also, in addition to at 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 job execution that directly impact businesses.



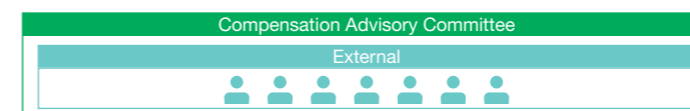
### Nomination Advisory Committee

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 for 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 comprises external directors and external Audit & Supervisory Board members as well as a representative director designated by the chairman of the Board of Directors. The members of the committee select from among themselves the committee chairperson, who must be an external director or external Audit & Supervisory Board member.



### Compensation Advisory Committee

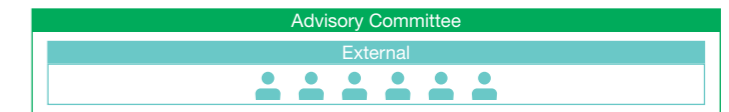
The Board of Directors consults the Compensation Advisory Committee regarding such matters as the compensation system, compensation levels and bonus calculation methods for directors and Audit & Supervisory Board members. The committee considers the matters in question and provides a response to the Board of Directors (or, for matters regarding Audit & Supervisory Board members, to the Audit & Supervisory Board). The committee comprises external directors and external Audit & Supervisory Board members. The members of the committee select from among themselves the committee chairperson.



### Advisory Committee

The Advisory Committee comprises outside experts other than the external directors and external Audit & Supervisory Board members who possess extensive knowledge and insight. The

committee considers the appropriateness and other aspects of Lion's management policies and measures. The committee serves to reflect objective opinions from a wide range of perspectives in management. In principle, the committee meets twice a year. The chairperson of the Board of Directors reports a summary of the committee's advice to the Board of Directors.



### 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. Two of the external Audit & Supervisory Board members and one of the standing Audit & Supervisory Board members possesses knowledge regarding finance and accounting. In addition, one dedicated staff person is designated to assist the Audit & Supervisory Board members. The Audit & Supervisory Board regularly meets once every two months and holds extraordinary meetings as necessary.

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 exchanges information, opinions and views from a risk approach standpoint and facilitates coordination upon receiving audit reports from accounting auditors and from the Auditing Office, which is the Company's internal auditing division. Moreover, regular meetings to exchange information, opinions and views are conducted with the representative directors three 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.

### Internal Audits

The Auditing Office implements audits across the Lion Group, examining operations from the perspectives of legality, fairness, efficiency and risk management in order to establish a foundation for sound business activities. The Auditing Office exchanges information closely with the Audit & Supervisory Board Members, striving to reinforce coordination. Audit results and the status of improvements are regularly reported to the President, directors with related responsibilities and the Executive Committee. A summary of the audit results is reported to the Board of Directors twice a year.

# Corporate Governance

## Evaluations of the Board of Directors

To ensure its effectiveness, every fiscal year the directors evaluate the operating methods of the Board of Directors and the content and status of the proposals it considers, among other factors. This evaluation includes examinations of each director. A summary of the results of the evaluation is disclosed in the Corporate Governance Report.

| Fiscal 2020 Evaluation Results Summary  |
|---|
| <ul style="list-style-type: none"> <li>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, capabilities and diversity necessary to enhance corporate value.</li> <li>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</li> </ul> |

Accordingly, the effectiveness of Lion's Board of Directors was deemed sufficient.

To date, evaluations of the board's effectiveness have uncovered certain issues. While Lion has achieved a measure of success with initiatives aimed at addressing each of these issues, as described below, the Company recognizes that there is still room for improvement. Looking ahead, Lion will continue to implement necessary measures and make efforts to further enhance the effectiveness of the Board of Directors.

| Issues Identified and Initiatives to Address Them |  |
|---|--|
| <b>Issues</b>                                     | <ul style="list-style-type: none"> <li>External directors and Audit &amp; Supervisory Board members should be provided with more extensive information regarding the background and context of important agenda items.</li> <li>Discussions of management strategy should be enhanced to further increase corporate value.</li> </ul>  |
| <b>Initiatives</b>                                | <ul style="list-style-type: none"> <li>We are taking steps to enhance the information provided and facilitate understanding regarding such matters as the background, objective and content of agenda items. These steps include having officers from the divisions that propose such items participate, as needed, in pre-meeting briefings for external directors and Audit &amp; Supervisory Board members conducted by the secretariat of the Board of Directors.</li> <li>We provide opportunities to discuss Lion's purpose, management vision, medium- to long-term strategy and important agenda items prior to meetings of the Board of Directors.</li> </ul> |

## Reasons for Appointment of External Directors and External Audit & Supervisory Board Members

|  | Name              | Reasons for Appointment  | Fiscal 2020 Meeting Attendance |                           |
|--|-------------------|--|--------------------------------|---------------------------|
|  |                   |  | Board of Directors             | Audit & Supervisory Board |
| External Directors                         | Kazunari Uchida   | Kazunari Uchida possesses experience as the Japan representative of an international management consulting group in addition to experience at other companies both as an external director and an external Audit & Supervisory Board member. 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 judges that his sophisticated understanding of management decision making is necessary to enhance the transparency of management and strengthen the oversight of the Board of Directors.   | 17 of 17                       | —                         |
|  | Takashi Shiraishi | 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 judges that his sophisticated understanding of management decision making is necessary to enhance the transparency of management and strengthen the oversight of the Board of Directors. | 17 of 17                       | —                         |
|  | Takako Sugaya     | Takako Sugaya is not involved in corporate management outside the roles of external director and external Audit & 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 & Supervisory Board member at other companies. She has suitably carried out her role as an external director of the Company, including supervising business execution. The Company judges that her sophisticated understanding of governance and compliance issues is necessary to enhance the transparency of management and strengthen the oversight of the Board of Directors.  | 17 of 17                       | —                         |
|  | Reiko Yasue       | In addition to having corporate management experience as the CEO of an IT company in Japan, Reiko Yasue possesses a wealth of knowledge and experience in international business as well as experience serving as an external director at another company. The Company judges that her sophisticated insight into the field of IT is necessary to enhance the transparency of management and strengthen the oversight of the Board of Directors.   | —                              | —                         |
| External Audit & Supervisory Board Members | Takao Yamaguchi   | Takao Yamaguchi is not involved in corporate management outside the roles of external director and external Audit & Supervisory Board member. However, he has cultivated a knowledge of accounting and taxes over his many years as a certified public accountant and certified tax accountant and has experience working as an external Audit & Supervisory Board member at other companies. The Company judges that his insight is necessary to enhance the efficacy of its auditing.  | 16 of 17                       | 15 of 15                  |
|  | Setsuko Takemoto  | Setsuko Takemoto is not involved in corporate management either as a director or Audit & Supervisory Board member. However, she has cultivated a knowledge of accounting and taxes over her many years as a certified tax accountant and has experience working in key positions in a government agency. The Company judges that her insight is necessary to enhance the efficacy of its auditing.   | 17 of 17                       | 15 of 15                  |
|  | Atsuko Suzuki     | 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 as well as 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 enhance the efficacy of its auditing.  | —                              | —                         |

\* Because Reiko Yasue and Atsuko Suzuki were newly appointed in March 2021, their meeting attendance in fiscal 2020 is omitted.

## Messages from the Newly Appointed External Director and Audit & Supervisory Board Member

External Director

Reiko Yasue

I worked for many years in software development and communications, and am now representative director of a company that provides simulation software. Besides Japan, my career has taken me to many countries, and I am currently based in the United States.



Lion's growth over the past decade has been extraordinary. I feel that this is the result of its implementing management strategy in line with changing needs while, throughout its 130-year history, holding steadfast to its corporate motto—"Lion Corporation positions 'Fulfilling a Spirit of Love' as fundamental to its management, and thus contributes to the enrichment of the happiness and lives of people." The way that Lion has clearly laid out its management vision for 2030, "Becoming an advanced daily healthcare company," also sends the strong message that Lion will provide cutting-edge products to bring love to consumers' lives by understanding evolving needs as the world works toward greater sustainability.

I will leverage my three decades of experience in the ICT field to contribute to Lion's growth, particularly in the areas of overseas businesses and digital transformation (DX)—as significant a task for companies going forward as sustainability.

External Audit & Supervisory Board Member

Atsuko Suzuki

As an Audit & Supervisory Board member, I will do my utmost to coordinate effectively with the other board members, the Auditing Office and the accounting auditors to ensure sound management. In particular, I see applying an outside perspective to comprehending changes in the broader social environment and reflecting them in auditing in a timely manner as an important aspect of my role.










For example, in recent years, proactively incorporating environmental, social and governance (ESG) considerations into business activities and making sustainability a management value in order to realize medium- to long-term business growth and better enhance corporate value has become a pressing concern. I hope to provide new perspectives, both on risks and opportunities, to facilitate the smooth creation of new value in such areas.

In addition, it is vital to remember that Lion has a clearly defined purpose, which is a great strength: "Make a difference in everyday lives by redesigning habits: Redesign." This is significant and laudable in that it promotes a shared understanding of the Company's purpose in society among all employees, thereby supporting Lion's stance of always striving to provide high-quality, safe and reliable products while creating corporate value over the long term. I will do my part to ensure that Lion can continue to live up to society's expectations.

## Directors, Audit & Supervisory Board Members and Executive Officers (As of April 1, 2021)

Note: Notification of the appointment of Mr. Kazunari Uchida, Mr. Takashi Shiraiishi, Ms. Takako Sugaya, Ms. Reiko Yasue, Mr. Takao Yamaguchi, Ms. Setsuko Takemoto and Ms. Atsuko Suzuki as independent directors and Audit & Supervisory Board members has been sent to the Tokyo Stock Exchange.

|  |   |  |  |   |  |
|--|---|--|--|---|--|
|  <p><b>Representative Director,<br/>Chairman of the<br/>Board of Directors</b><br/><b>ITSUO HAMA</b><br/>Chief Executive Officer</p> <p>April 1977 Joined Lion Fat &amp; Oil Co., Ltd. (now Lion Corporation)<br/>         January 2008 Executive Officer<br/>         March 2008 Director<br/>         January 2012 Representative Director, President,<br/>         January 2019 Representative Director, Chairman of the Board of Directors</p>  |  <p><b>Representative Director,<br/>President and<br/>Executive Officer</b><br/><b>MASAZUMI KIKUKAWA</b><br/>Chief Operating Officer</p> <p>April 1984 Joined Lion Corporation<br/>         January 2010 Executive Officer<br/>         March 2012 Director<br/>         March 2018 Representative Director<br/>         January 2019 Representative Director, President and Executive Officer</p> |  <p><b>External Director</b><br/><b>KAZUNARI UCHIDA</b><br/>University professor</p> <p>January 1985 Joined Boston Consulting Group<br/>         June 2000 Representative for Japan, Boston Consulting Group<br/>         March 2006 External Auditor, Suntory Limited (now Suntory Holdings Limited)<br/>         April 2006 Professor, Faculty of Commerce, Waseda University (current position)<br/>         February 2012 External Auditor, Kewpie Corporation<br/>         June 2012 External Director, Lifenet Insurance Company<br/>         External Director, Mitsui-Soko Holdings Co., Ltd.<br/>         August 2012 External Director, Japan ERI Co., Ltd. (now ERI Holdings Co., Ltd.)<br/>         March 2016 External Director, Lion Corporation (current position)</p> |  <p><b>External Director</b><br/><b>TAKASHI SHIRAIISHI</b><br/>University professor</p> <p>June 1979 Assistant Professor, International Relations, Department of Humanities and Social Science, College of Arts and Sciences, University of Tokyo<br/>         January 1996 Professor, Department of Asian Studies and Department of History, College of Arts and Sciences, Cornell University<br/>         July 1996 Professor, Center for Southeast Asian Studies, Kyoto University<br/>         April 2005 Professor and Vice President, National Graduate Institute for Policy Studies<br/>         May 2007 President, Institute of Developing Economies, Japan External Trade Organization<br/>         January 2009 Councilor, Council for Science, Technology and Innovation, Cabinet Office<br/>         April 2011 President, National Graduate Institute for Policy Studies<br/>         January 2013 Member, Management Evaluation Committee (now the Advisory Committee), Lion Corporation<br/>         March 2017 External Director, Lion Corporation (current position)<br/>         April 2017 Special Visiting Professor, Ritsumeikan University<br/>         May 2017 Professor Emeritus, National Graduate Institute for Policy Studies (current position)<br/>         April 2018 Chancellor, Prefectural University of Kumamoto (current position)</p> |  <p><b>External Director</b><br/><b>TAKAKO SUGAYA</b><br/>Attorney at Law</p> <p>October 2002 Registered as an attorney at law (Daini Tokyo Bar Association)<br/>         Joined Yamada Hideo Law Office (now the Yamada Ozaki Law Office) (current position)<br/>         June 2018 External Director, Haruyama Holdings, Inc.<br/>         March 2019 External Director, Lion Corporation (current position)</p>   |  |
|  <p><b>Director<br/>Senior Executive Officer</b><br/><b>KENJIRO KOBAYASHI</b></p> <p>April 1987 Joined Lion Corporation<br/>         January 2009 Executive Officer<br/>         January 2010 Senior Executive Officer<br/>         March 2012 Director</p> <p>Responsible for Corporate Ethics, Human Resources Development Center, General Affairs Department, Secretary Department, Sustainability Promotion Department, System Department and Business Process Re-engineering Department</p>   |  <p><b>Director<br/>Senior Executive Officer</b><br/><b>TAKEO SAKAKIBARA</b></p> <p>April 1983 Joined Lion Corporation<br/>         January 2010 Executive Officer<br/>         March 2016 Director</p> <p>Responsible for Risk Management, Corporate Planning Department, Finance Department, Consumer Services Center, Reliability Assurance Department and Legal Department</p>                |  <p><b>Director<br/>Senior Executive Officer</b><br/><b>YUGO KUME</b></p> <p>April 1984 Joined Lion Corporation<br/>         January 2016 Executive Officer<br/>         March 2018 Director</p> <p>Responsible for Business Development Center, Health &amp; Home Care Products Division, Gift and Channel-Specific Products Division, Direct Marketing Division and Corporate Communication Center</p>   |  <p><b>External Director</b><br/><b>REIKO YASUE</b></p> <p>April 1991 Joined Nagoya Research Institute, Panasonic Information Systems Co., Ltd. (now Panasonic Advanced Technology Development Co., Ltd.)<br/>         December 1999 Joined Motorola, Inc.<br/>         June 2004 Joined SEVEN Networks, Inc.<br/>         September 2005 Joined Qualcomm, Inc.<br/>         July 2009 Joined FUJISOFT Inc.<br/>         April 2015 Managing Executive Officer, FUJISOFT Inc.<br/>         January 2018 Joined Cybernet Systems Co., Ltd., Executive Vice President<br/>         March 2018 Representative Director, Executive Vice President, Cybernet Systems Co., Ltd.<br/>         March 2019 Representative Director, President &amp; CEO, Cybernet Systems Co., Ltd.<br/>         January 2020 Representative Director, President and Executive Officer, Cybernet Systems Co., Ltd. (current position)<br/>         March 2021 External Director, Lion Corporation (current position)</p>  |  <p><b>Audit &amp; Supervisory Board Member</b><br/><b>TOSHIYUKI NIKKAWA</b></p> <p>April 1984 Joined Lion Corporation<br/>         March 2019 Audit &amp; Supervisory Board Member (current position)</p>  |  <p><b>Audit &amp; Supervisory Board Member</b><br/><b>YOSHIAKI KAMA</b></p> <p>April 1985 Joined Lion Corporation<br/>         March 2019 Audit &amp; Supervisory Board Member (current position)</p> |
|  <p><b>Director<br/>Executive Officer</b><br/><b>FUMITOMO NORITAKE</b></p> <p>April 1988 Joined Lion Corporation<br/>         January 2016 Executive Officer<br/>         March 2019 Director</p> <p>Responsible for Supply Chain Management Headquarters, Production Engineering Research Headquarters, Purchasing Headquarters, Research and Development Headquarters, Production Headquarters, Overall Chemicals Businesses, DX Promotion Department, Intellectual Property Department and Safety and Disaster Prevention Department</p> |  <p><b>Director<br/>Executive Officer</b><br/><b>HITOSHI SUZUKI</b></p> <p>April 1985 Joined Lion Corporation<br/>         January 2016 Executive Officer<br/>         March 2019 Senior Executive Officer<br/>         March 2021 Director</p> <p>Responsible for International Division</p>  |  <p><b>External Audit &amp; Supervisory Board Member</b><br/><b>TAKAO YAMAGUCHI</b><br/>Certified Public Accountant,<br/>Certified Tax Accountant</p> <p>October 1981 Joined Chuo Accounting Office Auditing Corporation<br/>         February 1985 Acquired Japanese CPA certification<br/>         September 1987 Entered Yamaguchi Accounting Office<br/>         December 1987 Acquired Japanese tax accountant certification<br/>         January 1996 Director, Yamaguchi Accounting Office (current position)<br/>         March 2015 Alternate External Audit &amp; Supervisory Board Member, Lion Corporation<br/>         March 2019 External Audit &amp; Supervisory Board Member, Lion Corporation (current position)</p>   |  <p><b>External Audit &amp; Supervisory Board Member</b><br/><b>SETSUKO TAKEMOTO</b><br/>Certified Tax Accountant</p> <p>April 1969 Joined the Ministry of Finance<br/>         July 2009 Director, Ogikubo Tax Agency<br/>         July 2011 Retired from the National Tax Agency<br/>         August 2011 Acquired Japanese tax accountant certification<br/>         September 2011 Established Takemoto Setsuko Tax Accounting Office (now the Kuchitani General Accounting Office) as partner (current position)<br/>         March 2019 External Audit &amp; Supervisory Board Member, Lion Corporation (current position)</p>  |  <p><b>External Audit &amp; Supervisory Board Member</b><br/><b>ATSUKO SUZUKI</b></p> <p>April 1986 Joined Matsushita Electric Industrial Co., Ltd. (now Panasonic Corporation)<br/>         April 2008 Director and Manager of the CSR Office, Matsushita Electric Industrial Co., Ltd. (resigned in December 2014)<br/>         April 2010 External Director and Auditor, Nara Women's University (resigned in December 2012)<br/>         January 2015 Joined Asahi Breweries, Ltd.<br/>         April 2015 Manager of the Social Environment Department, Asahi Breweries, Ltd.<br/>         October 2015 Manager of the Sustainability Promotion Section, Olympic/Paralympic Promotion Headquarters (concurrently held), Asahi Breweries, Ltd.<br/>         April 2017 Director and General Manager of the CSR Division of Asahi Group Holdings, Ltd.<br/>         May 2019 Resigned from Asahi Breweries, Ltd.<br/>         March 2021 External Audit &amp; Supervisory Board Member, Lion Corporation (current position)</p> |  |

\* Responsibilities listed above are as of April 1, 2021.

Senior Executive Officer  
**Masaharu Mikuni**  
 Executive General Manager of Health and Home Care Products Sales Division;  
 Responsible for Distribution Policy Department

Executive Officer  
**Tomomichi Okano**  
 President of Lion Chemical Corporation

Executive Officer  
**Hiroyuki Chiba**  
 Executive General Manager of Purchasing Headquarters

Executive Officer  
**Shinichiro Hiraoka**  
 Executive General Manager of Supply Chain Management Headquarters

Executive Officer  
**Jiro Nagasawa**  
 Executive General Manager of Gift and Channel-Specific Products Division

Executive Officer  
**Kengo Fukuda**  
 President of Lion Hygiene Co. Ltd.

Executive Officer  
**Yasutsugu Shimizu**  
 Executive General Manager of Production Headquarters

Executive Officer  
**Takashi Nagai**  
 Executive General Manager of Direct Marketing Division

Executive Officer  
**Yoko Koike**  
 Director of Human Resources Development Center

Executive Officer  
**Kosuke Tanaka**  
 Executive General Manager of Research and Development Headquarters

Executive Officer  
**Masayuki Takemori**  
 Executive General Manager of Health and Home Care Products Division

Executive Officer  
**Annette Ling**  
 Executive General Manager of International Division

## Corporate Officer Compensation

### 1. Determination and Details of Policy on Corporate Officer Compensation

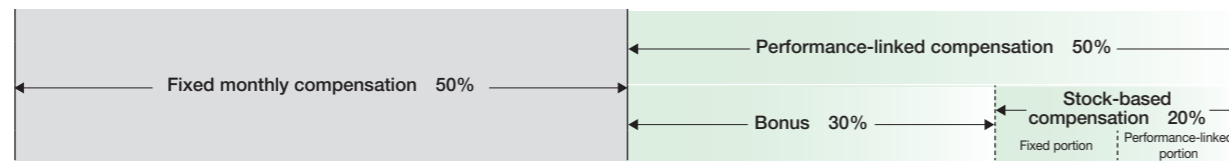
#### Determination of Policy

To increase the objectivity and transparency of compensation for directors and Audit & Supervisory Board members (corporate officers), policies regarding the compensation of directors and Audit & Supervisory Board members are decided, respectively, by the Board of Directors and Audit & Supervisory Board while adhering as closely as possible to the reports of the Compensation Advisory Committee. The Compensation Advisory Committee consists of four external directors and three external Audit & Supervisory Board members.

#### Details of Policy

The compensation of executive corporate officers (excluding external directors and Audit & Supervisory Board members) consists of fixed monthly compensation and performance-linked compensation (bonuses and stock-based compensation). The compensation of non-executive corporate officers (external directors and Audit & Supervisory Board members) consists entirely of fixed monthly compensation determined using a flat-rate system. Fixed monthly compensation levels are set taking into consideration similar levels at other companies.

Approximate Composition of Compensation of Executive Corporate Officers (Excluding External Directors and Audit & Supervisory Board Members)



| Eligible Individuals           | Executive Corporate Officers (Excluding External Directors and Audit & Supervisory Board Members)   |   |   |
|--------------------------------|---|---|---|
| Type                           | Fixed monthly compensation  | Bonuses   | Performance-linked stock-based compensation   |
| System                         | Paid in fixed monthly amounts.  | Bonuses are calculated using the formula below and paid after the end of the fiscal year.   | The number of points (number of shares) to be granted to directors per fiscal year is determined each year. In principle, shares are issued to directors upon retirement from office in a number equivalent to the number of points they have accumulated.  |
| Formula                        | Fixed monthly compensation levels are set taking into consideration similar levels at other companies. In addition, once per year, each director's fixed monthly compensation is raised or lowered following an appraisal of how well said director has executed their management supervision and other duties. | Total bonus payment amount: 50% of 0.5% of core operating income + 50% of 0.75% of profit for the period attributable to owners of the parent<br>* Rounded down to the nearest ¥10,000; to an upper limit of ¥250 million. If core operating income or profit attributable to owners of the parent are negative (a loss), the value assigned to that item for use in the formula will be zero.<br>Individual bonus payment amounts = Rank-based points × payment per point<br>Payment per point = Total bonus payment amount / Rank-based points × number of officers | Stock-based compensation = Fixed portion + Performance-linked portion<br>(The fixed portion and performance-linked portion form equal halves of the amount for each rank)<br>Number of points = (① Fixed base amount + ② Performance-linked base amount × ③ Performance coefficient) ÷ ④ Per-share acquisition cost<br>* Truncated at the decimal point and capped at 120,000.  |
| Benchmarks Used in Calculation | —   | Points Assigned According to Director Rank<br>Chairman/President and Executive Officer: 3.000<br>Vice President and Executive Officer: 1.800<br>Senior Managing Executive Officer: 1.500<br>Managing Executive Officer: 1.200<br>Senior Executive Officer: 1.000<br>Executive Officer: 0.900  | ① Fixed base amount<br>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).<br><u>Director Rank Coefficients</u><br>Chairman/President and Executive Officer: 3.625<br>Vice President and Executive Officer: 2.000<br>Senior Managing Executive Officer: 1.625<br>Managing Executive Officer: 1.375<br>Senior Executive Officer: 1.250<br>Executive Officer: 1.000<br>② Performance-linked base amount<br>The performance-linked base amount is equivalent to the above fixed base amount.<br>③ Performance coefficient<br>Performance coefficient = Performance coefficient for core operating income × 50% + Performance coefficient for profit attributable to owners of parent × 50%<br>④ Per-share acquisition cost<br>The per-share acquisition cost is the share acquisition cost for the trust used by this system (¥2,130 per share).<br>* When a director transfers residency outside of Japan during his or her 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 a number of shares equivalent to his or her accumulated points.<br>* If a director commits serious misconduct, Lion may revoke said director's right to receive shares scheduled to be granted under the system and require said director to return shares or cash in an amount equivalent to any shares already granted. |

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

### 2. Total Compensation for Directors and Audit & Supervisory Board Members (Fiscal 2020)

|  | Number of Corporate Officers | Fixed Compensation (Millions of yen) | Performance-Linked Compensation |  | Total (Millions of yen) |
|--|------------------------------|--------------------------------------|---------------------------------|--|-------------------------|
|  |                              |                                      | Bonuses (Millions of yen)       | Stock-Based Compensation (Millions of yen) |                         |
| Directors (External Directors)   | 9<br>(3)                     | 257<br>(36)                          | 201<br>—                        | 110<br>—                                   | 569<br>(36)             |
| Audit & Supervisory Board Members (External Audit & Supervisory Board Members) | 4<br>(2)                     | 84<br>(24)                           | —<br>—                          | —<br>—                                     | 84<br>(24)              |
| Total (External Officers)  | 13<br>(5)                    | 341<br>(60)                          | 201<br>—                        | 110<br>—                                   | 653<br>(60)             |

- Note: 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. By resolution of the 156th Annual Meeting of Shareholders held on March 30, 2017, an aggregate upper limit was set at ¥600 million on the amount of contributions to stock-based compensation for the four fiscal years from January 1, 2017 to December 31, 2020, with an upper limit on the total number of shares set at 360,000 shares (90,000 shares per fiscal year) for the same period.  
 5. Within performance-linked compensation, bonuses are amounts calculated and determined on the basis of the core operating income and the profit for the period attributable to the owners of the parent for each fiscal year, in accordance with the methods described above. Stock-based compensation is the amount obtained by converting the share granting points awarded to persons eligible under the system, depending on his or her business attainment level for the relevant fiscal year.  
 6. The amounts shown are rounded down to the nearest million yen

### 3. Total Consolidated Compensation by Officer (Fiscal 2020)

| Name              | Corporate Officer Classification | Total Amount by Type of Compensation (Millions of yen) |         |   |                     | Total Compensation (Millions of yen) |
|-------------------|----------------------------------|--|---------|---|---------------------|--------------------------------------|
|                   |                                  | Basic Compensation                                     | Bonuses | Performance-Linked Stock-Based Compensation | Retirement Benefits |                                      |
| Itsuo Hama        | Director                         | 63   | 61      | 34  | —                   | 159                                  |
| Masazumi Kikukawa | Director                         | 63   | 61      | 34  | —                   | 159                                  |

## Internal Control Systems

The Lion Group Charter for Corporate Behavior and Behavioral Guidelines form the foundation of the Lion Group's compliance framework. The President consistently communicates the spirit of the Lion Group Charter for Corporate Behavior to management and employees to foster awareness of corporate

ethics throughout the Group and ensure that all corporate activities are predicated on compliance.

**WEB** Internal Control System  
<https://www.lion.co.jp/en/company/governance/system.php>

## Spreading and Strengthening Compliance Awareness

Lion proactively works to spread and strengthen compliance awareness. These efforts are led by the Corporate Ethics Committee, which is chaired by the director responsible for corporate ethics. The Lion Group Charter for Corporate Behavior and Behavioral Guidelines are distributed in pamphlet form to all employees and publicly available on Lion's website.

### e-Learning Training

Lion conducts periodic e-learning. Topics covered in the mandatory Lion Career Village (LCV) e-learning curriculum in 2020 included a declaration of commitment to the Lion Group Charter for Corporate Behavior and other aspects of compliance (including harassment prevention), Lion's conceptual approach to quality, social media-related risks, information management, basic knowledge of insider trading regulations, human rights, bribery and safety (including occupational accidents).

### Compliance Awareness Survey

Every year, the Corporate Ethics Committee conducts the Compliance Awareness Survey,\* which covers all domestic Lion Group employees (including part-time employees). This survey provides an assessment of compliance awareness at the individual employee level and a periodic evaluation of the effectiveness of compliance systems.

In 2020, the survey was conducted for the 17th time. Approximately 91.8% of the targeted 4,334 employees responded. Matters identified as requiring a response through the opinions and other results gathered via the survey are dealt with promptly, and the survey results are reported to management, which then provides feedback to individual divisions.



\* Compliance Awareness Survey  
 Anonymous questionnaire survey covering such topics as compliance with the Lion Group Charter for Corporate Behavior, whether there was feedback from the results of the previous Compliance Awareness Survey, and awareness of the AL Heart Hotline.

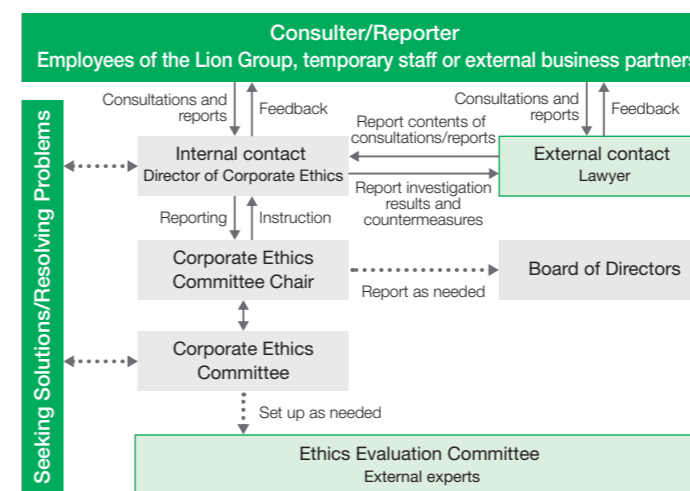
### Raising Awareness of the Hotline

Lion has set up an internal and external whistle-blowing system, the AL (All Lion) Heart Hotline, and is taking steps to raise awareness of said system among all employees, including temporary staff. Employees can use this hotline when they learn of compliance violations that are inappropriate or impossible to report through their normal workplace channels. The annual Compliance Awareness Survey measures employees' awareness of the AL Heart Hotline and is accompanied by explanations of the hotline. The rate of recognition of the hotline among employees was 99.5% in 2020.

The AL Heart Hotline Employee Recognition Rate

|      |       |
|------|-------|
| 2018 | 98.5% |
| 2020 | 99.5% |

## The AL Heart Hotline System



### AL Heart Hotline Consultations and Reports

In 2020, the hotline received 73 consultations and reports. However, none of the cases were judged to constitute serious misconduct, and all were appropriately addressed and resolved.

| Content of consultations and reports made | 2018 | 2019 | 2020 |
|---|------|------|------|
| Harassment                                | 15   | 11   | 8    |
| Personnel and labor management issues     | 6    | 11   | 7    |
| Others                                    | 2    | 3    | 58   |

## Anti-Bribery Principles

The Lion Group has established the LION Anti-Bribery Principles in light of developments around the world related to the strengthening of legal regulations against acts of bribery and corruption and has reinforced its Company-wide systems for ensuring compliance related to bribery prevention.

### Compliance Initiatives at Overseas Group Companies

The Lion Group implements initiatives at overseas Group companies aimed at spreading and strengthening compliance awareness Group-wide. In 2019, employees from compliance-related departments visited overseas Group companies (Lion Corporation (Singapore) Pte Ltd, Lion Daily Necessities Chemicals (Qingdao) Co., Ltd. and Lion Home Products (Taiwan) Co., Ltd.), and in 2020, online meetings were held with Lion Corporation (Korea) and Lion Corporation (Hong Kong) Ltd. to promote awareness of compliance-related efforts, such as the LION Human Rights Policy, LION Anti-Bribery Principles and AL Heart Hotline, as well as related initiatives.

**WEB** Compliance  
<https://www.lion.co.jp/en/csr/management/compliance/>

## Fundamental Stance towards Eliminating Antisocial Forces and Status of Related Measures

Based on the Lion Group Charter for Corporate Behavior, Lion maintains a confrontational stance towards any antisocial forces threatening the order and security of civil society. The General Affairs Department serves as the supervisory department for handling antisocial forces. This department includes one person responsible for preventing unreasonable demands and cooperates with Lion Group operating sites and external organizations.

For more information about Lion's corporate governance, please visit our website.

**WEB** Basic Corporate Governance Policy  
[https://www.lion.co.jp/en/company/pdf/cg\\_policy\\_e.pdf](https://www.lion.co.jp/en/company/pdf/cg_policy_e.pdf)

**WEB** Corporate Governance Report (Japanese)  
[https://www.lion.co.jp/ja/company/about/pdf/abo\\_gov.pdf](https://www.lion.co.jp/ja/company/about/pdf/abo_gov.pdf)

## Risk Management

Lion's business activities entail a wide range of risks. To avoid and minimize losses caused by the actualization of risks, we have appointed a Director Responsible for Risk Management (the director responsible for the Corporate Planning Department) who comprehensively controls and supervises risk for the whole Lion Group.

### 1. Basic Policy for Risk Management

- (1) Management and employees strive to prevent the actualization of risks that could harm Group business operations as part of their normal duties based on Lion's basic policy for internal control systems.
- (2) In the event that a risk actualizes, we strive to minimize losses and harm to employees, shareholders, customers, local communities and other stakeholders.
- (3) We report actualized risks to top management immediately and promptly take steps to understand the situation, elucidate the events and factors that led to it, and develop measures for improvement in order to prevent recurrences.

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

#### 1. Response under Normal Conditions

- (1) The director responsible for the Corporate Planning Department has overall responsibility for the risk management of the Group. The Corporate Planning Department comprehensively manages the Group's risk.
- (2) The Auditing Office audits the status of risk management for each department within the Group and reports its findings to the Executive Committee and the Board of Directors.
- (3) Each department periodically identifies its own risks and implements appropriate risk management measures (encompassing avoidance, transfer, reduction and acceptance). For management risks with the potential to significantly impact business activities, the director of the Board responsible for the relevant department considers appropriate risk management measures, which are then deliberated on by the Senior Executive Committee and Executive Committee for implementation.
- (4) For the management of risk related to the environment, quality assurance, and accidents and disasters, the administrative offices for the deliberative bodies with responsibility for the respective areas (the Sustainability Promotion Council, CS/PL Committee,\* Safety, Hygiene and Disaster Prevention Meeting, etc.) are designated as the departments with responsibility for risk. These departments consider preventive countermeasures, with deliberation by the Executive Committee when necessary, and implement risk management. Furthermore, the Group Risk Officer (Director of the Corporate Planning Department for Special Mission) participates in the meetings of the deliberative bodies to confirm from an objective, overarching perspective that they are advancing appropriate, timely measures.

\* CS/PL Committee

A cross-departmental committee focused on customer satisfaction (CS) and product liability (PL) to promote quality assurance activities

### 2. Response in the Event of Emergency

In the case of a physical emergency, such as a natural disaster or accident, in accordance with the Emergency Response System (a system of manuals outlining countermeasures against earthquakes or influenza and other infectious diseases), the relevant facts are reported to the president and Audit & Supervisory Board members. At the same time, the directors of relevant departments collect all pertinent information, formulate response measures, clarify causes, determine countermeasures and submit reports on these actions to the Executive Committee and the Board of Directors.

### 3. Business Continuity Plan (BCP)

Lion works to build and maintain systems to minimize damage and to ensure the continuation of business operations so that it can provide products to customers even in the event of a major earthquake, storm or flood damage, an outbreak of infectious disease (pandemic) or other such contingency. We will set up a task force and respond according to the "Manual on Countermeasures for Earthquake Disasters" when a major earthquake occurs and according to the "Manual on Countermeasures against Novel Influenza and Other Infectious Diseases" if a pandemic due to a novel influenza virus or other infectious disease is foreseen.

Basic Policy (1) Secure the safety of employees and their families  
 (2) Continue priority businesses and key operations to minimize business damage  
 (3) Carry out corporate social responsibilities and contribute to local communities

Key Guidelines We clearly define priority businesses (the Consumer Products Business), priority operations (receiving orders, sending shipments, production, IT, accounting and other operations necessary to continue supplying products) as well as target time frames for restoring operations and organizational chains of command.

### 4. Implementing Risk Management

In light of the mounting risks posed by various environmental changes and other factors, we believe that reexamining risks from diverse perspectives and further enhancing countermeasures is crucial. Accordingly, from 2021, we have identified 13 Company-wide risks, which we are working to manage and minimize (see table on page 70).

To address these risks, twice per fiscal year, we draw up a list of possible risk events. The Board of Directors and other bodies use this list to discuss and confirm response measures.

## Business Risks

The Lion Group has identified 13 risks that may seriously impact Group management in terms of its ability to carry out its corporate social responsibilities, including achieving sustainable growth and supplying products to customers. We are focusing particular efforts on managing these risks.

| Risk   | Description   | Main Initiatives   |
|--|---|--|
| (1) Risks related to market and consumer change          | Risks of being unable to supply superior products and services useful for everyday living due to delays in responding to changes in markets, distribution or consumers  | We analyze changes in markets and consumer lifestyles on an ongoing basis and develop products that offer new living habits.   |
| (2) Product quality risks                                | Risks of problems with products, such as unforeseen product-related accidents, due to unforeseen product defects or mistaken use by customers   | We ensure compliance with related laws and regulations and implement product development and other processes in line with our Product Management System based on the JIS Q 9000 family of standards.   |
| (3) Raw material procurement risks                       | Risks of purchase price increases and supply-chain delays or breaks due to intensifying competition in procurement  | We ensure stable raw material procurement through the use of interchangeable materials, purchasing from multiple sources and practicing global procurement and furthermore implement responsible procurement activities based on our Procurement Principles.   |
| (4) Overseas business risks                              | Risks of incurring costs associated with response measures or limitations on business activities arising from political and economic developments or changes in or the tightening of laws and regulations in the countries and regions where we do business | We closely monitor developments related to political and economic conditions as well as laws and regulations in the counties and regions where we do business, continually gathering information and preparing for changes.  |
| (5) Human resource risks                                 | Risks of stagnation in corporate growth due to difficulty in securing and developing necessary human resources according to plans as a result of such factors as the decreasing working population and changes in the employment environment                | We practice year-round hiring and are expanding our ranks of specialized human resources while implementing the Lion Professional Fulfillment Reforms.   |
| (6) Information management risks                         | Risks of information leaks, system paralysis or other incidents due to such unforeseen events as computer virus infections or improper system access  | We have designated countermeasures to system problems in the Information Security Regulations, which are updated as needed, and implement thorough information management, including that of business secrets, based on the Basic Policy on Information Management.  |
| (7) Compliance risks                                     | Risks of serious legal or regulatory violations due to the unforeseen establishment or abolition of relevant laws or significant regulatory changes or tightening   | We have established the Lion Group Charter for Corporate Behavior and Behavioral Guidelines, which serve as a code of conduct, regarding which we implement periodic education for all employees.  |
| (8) Reputation risks                                     | Risks of inappropriate comments or messages on social networking services (SNSs) or other platforms quickly spreading and generating controversy or backlash  | We have established the Lion Group Social Media Policy, implement education for all employees and strive to quickly detect inappropriate information through the ongoing monitoring of SNSs and other platforms.   |
| (9) Exchange rate risks                                  | Risks of yen conversions upon the preparation of consolidated financial statements affecting Group management performance and financial status  | We carefully monitor the exchange rates of key currencies and strive to reduce risks presented by exchange rate fluctuations through hedging and other means.  |
| (10) Major lawsuit risk                                  | Risks of major lawsuits resulting in unfavorable decisions for the Group  | We ensure thorough legal compliance, clearly explain and discuss contract terms before forming agreements, appropriately manage intellectual property and take other steps to prevent lawsuits.  |
| (11) Novel influenza and other infectious disease risk   | Risks of the emergence and prolongation of epidemics of novel strains of influenza or other infectious diseases resulting in restrictions on the movement of people and things  | We implement thorough infection prevention measures under normal conditions and have designated epidemic response measures in the "Manual on Countermeasures against Novel Influenza and Other Infectious Diseases" in addition to creating a system to enable quick and appropriate action in the event of an outbreak.   |
| (12) Major earthquake and other natural disaster risk    | Risks of human damage, such as the death or injury of employees, as well as physical damage, such as damage to manufacturing facilities or warehouses, caused by a major earthquake, major typhoon or other natural disaster                                | We have prepared a system for implementing organizational responses based on the "Manual on Countermeasures for Earthquake Disasters," conduct periodic drills, and have established a Business Continuity Plan (BCP) Framework to ensure business continuity and rapid recovery in the event of a disaster in order to fulfill our product supply responsibilities. |
| (13) Climate change and other environmental change risks | Risks related to responding to tightening regulations, rising raw material costs, other cost increases and reputational damage due to delays in responding arising from global temperature increases caused by climate change                               | Working to realize a sustainable society, we have established the LION Eco Challenge 2050, a new set of environmental objectives for 2050, and are ambitiously working to realize a decarbonized, resource-circulating society.  |

\* For more information on the 13 risks and Lion's main initiatives to address them, please refer to Lion's Securities Report for fiscal 2020 (Japanese).

Securities Report (Japanese)  
<https://www.lion.co.jp/ja/ir/library/yuhou/>