

Corporate Governance

Messages from External Directors



Kazunari Uchida
External Director

Discussions and effectiveness of the Board of Directors

As can be seen in the informal way we address one another, the open atmosphere at Board of Directors meetings ensures we can discuss matters freely, regardless of rank or role within the Company. Further, the corporate culture is such that consideration is given to all opinions, whether from inside or outside the Company, and good ideas are adopted. As external directors, therefore, we can speak openly about topics that are uncomfortable for the Company and receive the understanding of other board members. I therefore believe that external director-driven governance is functioning very effectively.

On the other hand, strong assertions and passionate discourse are rare in board meetings. It concerns me that meetings tend to simply proceed in a predictable fashion. Every once in a while, we could do with a heated discussion among internal directors or between internal and external directors.

Expectations and challenges for Lion as it works to sustainably enhance its corporate value

As the domestic market matures, there is a limit to how far Lion can develop on its own through organic growth, an approach it has excelled in thus far. To develop further, Lion must transition from product-based to service-based businesses in its existing operations, enter new markets through M&A and other means, and reinforce its Overseas Business.

However, Lion's track record and speed in such areas is somewhat lacking. It will be difficult to succeed following the same approach as in the past. The Company must develop its outstanding younger employees, acquire excellent personnel from outside the Company, and take risks without fear of failure. But simply having management call on employees to take risks will not be enough. I expect the Company to take bold steps, such as demonstrating its support for risk-takers by promoting them and placing them in important roles, even if the risks they took were not successful.



Takako Sugaya
External Director

Discussions and effectiveness of the Board of Directors

Board meetings are open. Opportunities are provided for advance explanations, and the meeting format enables directors to discuss matters freely. Regarding the board's effectiveness, accurate information is provided and there is honest exchange of opinions and ideas. These are important factors. Moreover, any issues identified for improvement in the annual assessment of Board of Director effectiveness are quickly acted on. For example in addition to providing detailed materials for advance explanations, the board addressed the issue of how information is disclosed. More recently, directors have also been convening informal meetings to ensure thorough discussion of medium- to long-term strategies and other matters. Overall, I think the effectiveness of the board is increasing.

Expectations and challenges for Lion as it works to sustainably enhance its corporate value

By putting its purpose—Make a difference in everyday lives by redesigning habits: ReDesign—into practice, Lion can help make people healthy and happy in this era of 100-year lifespans. I look forward to Lion's continuing enhancement of its corporate value as a company that is both needed and admired by society. To continue making sound contributions to consumers' lives, it is important that Lion improve its ability to communicate and enhance recognition of the reliable products and services, as well as the initiatives, that it has developed over many years. It must also enhance its sensitivity to dizzying changes in the management environment, environmental issues that require quick countermeasures and likely geopolitical risks, and it must respond with speed and flexibility. In the Overseas Businesses, Lion must utilize the trust it has fostered and its strong presence to boldly take on the challenge of tuning its approach to address the characteristics and needs of each country and region where it does business.



Takashi Shiraishi
External Director

Discussions and effectiveness of the Board of Directors

The atmosphere is exceptionally good. Internal directors respond honestly to all questions and clarify their position and their reasoning when there are any differences in opinion. Further, they report on matters under their jurisdiction in a timely manner, so it is easy to understand not only current circumstances but also the basic approach they will take in addressing matters. Further, in addition to myself, the external directors on the board have wide-ranging backgrounds. There is a lawyer, a company CEO and an expert in business management. This ensures relevant comments and questions from diverse perspectives on any issue, and there are many things to learn from diverse viewpoints. Rather than being a formality, board meetings are venues of substantive discussion.

Expectations and challenges for Lion as it works to sustainably enhance its corporate value

As set out in Vision2030, Lion has positioned Asia, particularly China, Southeast Asia and South Asia, as its main growth driver. Considering the potential for growth and wage increases in Asia's developing and emerging countries, this strategy makes sense. At the same time, however, income gaps between formal and informal sectors have grown in many of these countries and regions as they emerge from the pandemic. Moreover, although significant growth can be expected in China, increasing political risk cannot be ignored. It is therefore important to ensure that information on Asia's markets, politics and economies is shared across the Company, and that its domestic and overseas operations are integrated.



Reiko Yasue
External Director

Discussions and effectiveness of the Board of Directors

As meeting agendas are clearly explained to external directors in advance, I believe the board engages in substantive, effective discussions. There are also opportunities for us to deliberate on a wide range of other themes. There are four external directors in total, and as we all have diverse backgrounds, we can actively offer our opinions utilizing our fields of expertise. Overall, the board is highly conscious of the importance of discussions that incorporate diverse viewpoints.

Expectations and challenges for Lion as it works to sustainably enhance its corporate value

Over more than 130 years, Lion has established the habit of tooth brushing among people in Japan and elsewhere in Asia, and has helped create a culture that goes beyond the goal of keeping teeth healthy to include the goal of making teeth more beautiful. While the Company continues to provide social value in that sense, my hope is that it continues to support people's lifestyles through environmentally friendly manufacturing. If consumers intuitively recognize Lion as a company whose products are all environmentally friendly—not just its toothbrushes and toothpastes—its corporate value will increase even further.

Corporate Governance

Basic Approach

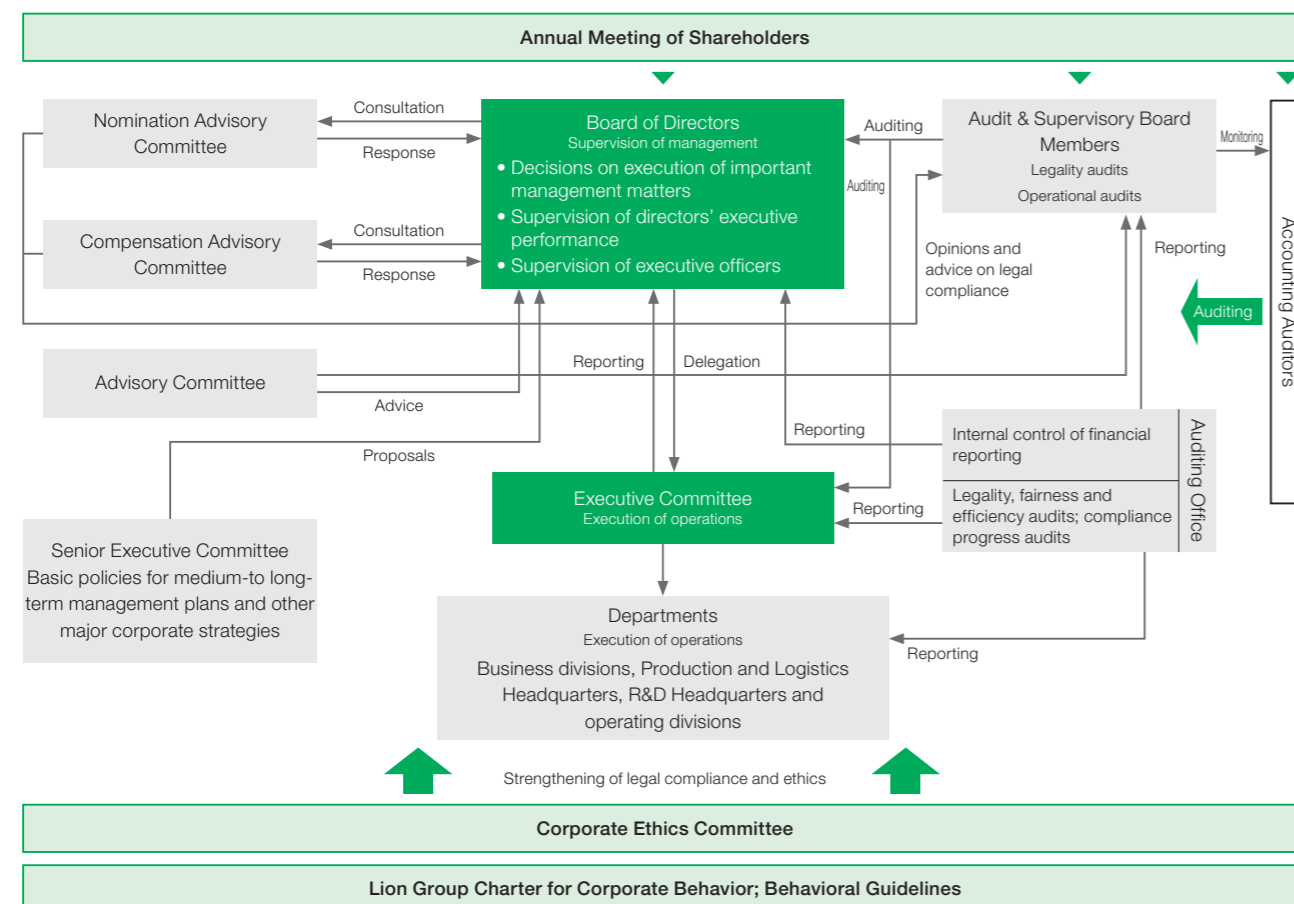
The Lion Group's top priorities for corporate governance are to increase management transparency, strengthen supervisory functions, accelerate decision-making and ensure compliance. By strengthening and enhancing its corporate governance system, Lion aims to increase its corporate value.

WEB Basic Approach to Corporate Governance
<https://www.lion.co.jp/en/company/governance/approach.php>

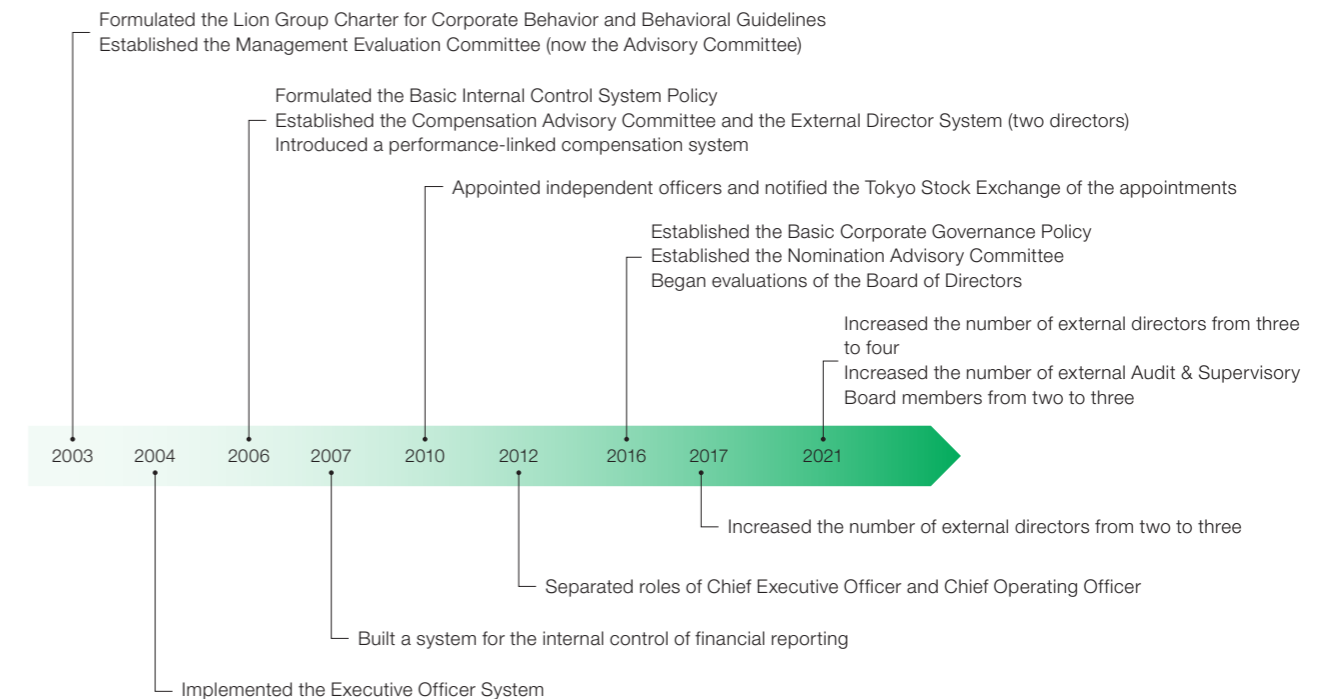
Corporate Governance System

Organizational Structure Overview

- **Has adopted the company with an Audit & Supervisory Board system**
 To ensure that the Board of Directors can fulfill its management supervisory function, and to enable independent Audit & Supervisory Board members to appropriately fulfill their auditing function
- **Has adopted an executive officer system**
 To reinforce the Board of Directors' management supervisory function and accelerate decision-making
- **Has established a voluntary advisory body**
 To enhance management transparency and further improve corporate governance
- **Has established an Advisory Committee consisting of external experts**
 To reflect the opinions and advice of third parties with regard to legal compliance and management policies



Initiatives to Enhance Management Auditing and Supervision



Measures to Enhance Business Execution and Supervisory Functions

Establishment of the Compensation Advisory Committee (2006)

Lion has established a Compensation Advisory Committee comprising external directors and external Audit & Supervisory Board members. Because of their independence, they enhance objectivity and transparency in matters related to director compensation. The Board of Directors consults the Compensation Advisory Committee regarding such matters as the compensation system, compensation levels and methods for calculating director and Audit & Supervisory Board member bonuses. 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). (Chairperson: External Director Kazunari Uchida)

Establishment of the Nomination Advisory Committee (2016)

Lion has established a Nomination Advisory Committee comprising external directors and a representative director designated in advance by the chairman of the Board of Directors. The committee enhances objectivity and transparency in the process for nominating Company directors, Audit & Supervisory Board members and executive officers. The Board of Directors consults the Nomination Advisory Committee regarding the necessary qualities of directors and other officers, reasons for their selection or dismissal, and related processes, and 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. (Chairperson: External Director Takashi Shiraishi)

Establishment of the Advisory Committee (2003)

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 and serves to reflect objective opinions from a wide range of perspectives in management. In principle, the committee meets twice a year. The chairman of the Board of Directors reports a summary of the committee's advice to the Board of Directors.

Main Themes

- Direction of medium- to long-term management strategies
- Vision for the corporate governance system
- Direction of sustainability strategies
- Direction of human resource strategies
- Other matters related to management

Skills and Expertise and Meeting Attendance of Directors and Audit & Supervisory Board Members

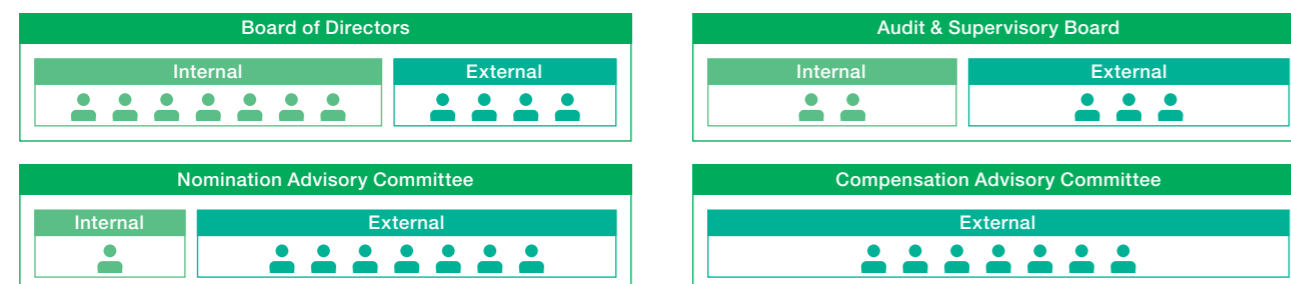
To increase corporate value, the Lion Group has selected directors and Audit & Supervisory Board members with diverse knowledge, experience and capabilities to provide oversight of decision-making and management from the viewpoints of various stakeholders.

Name	Current Position	External/Independent	Principal Skills and Areas of Expertise						Principal Skills and Areas of Expertise				FY2021 Board of Directors Attendance	Nomination Advisory Committee	Compensation Advisory Committee	
			Corporate management	Global business	Finance/Accounting	Legal/Risk management	Human resource/HR development	Sustainability	IT/DX	Sales/Marketing	R&D/Production					
Itsuo Hama	Representative Director, Chairman of the Board of Directors		●					●				●	●	17/17 meetings (100%)	●	
Masazumi Kikukawa	Representative Director, President and Executive Officer		●	●								●	●	17/17 meetings (100%)		
Kenjiro Kobayashi	Director, Senior Executive Officer			●				●	●	●		●		17/17 meetings (100%)		
Yugo Kume	Director, Senior Executive Officer		●		●		●					●		17/17 meetings (100%)		
Fumitomo Noritake	Director, Executive Officer									●		●	●	17/17 meetings (100%)		
Hitoshi Suzuki	Director, Executive Officer		●	●								●		13/13 meetings (100%)		
Kengo Fukuda	Director, Executive Officer		●		●		●	●				●		—		
Kazunari Uchida	External Director	External Independent	●	●	●							●	●	17/17 meetings (100%)	●	●
Takashi Shiraishi	External Director	External Independent		●				●	●				●	17/17 meetings (100%)	●	●
Takako Sugaya	External Director	External Independent					●	●						17/17 meetings (100%)	●	●
Reiko Yasue	External Director	External Independent	●	●								●	●	13/13 meetings (100%)	●	●

Name	Current Position	External/Independent	Principal Skills and Areas of Expertise						Principal Skills and Areas of Expertise				FY2021 Board of Directors Attendance	Nomination Advisory Committee	Compensation Advisory Committee	
			Corporate management	Global business	Finance/Accounting	Legal/Risk management	Human resource/HR development	Sustainability	IT/DX	Sales/Marketing	R&D/Production					
Toshiyuki Nikkawa	Audit & Supervisory Board Member		●		●		●							15/15 meetings (100%)		
Yoshiaki Kamao	Audit & Supervisory Board Member				●									15/15 meetings (100%)		
Takao Yamaguchi	External Audit & Supervisory Board Member	External Independent			●									15/15 meetings (100%)	●	●
Setsuko Takemoto	External Audit & Supervisory Board Member	External Independent			●									15/15 meetings (100%)	●	●
Atsuko Suzuki	External Audit & Supervisory Board Member	External Independent		●					●					11/11 meetings (100%)	●	●

Note: 1. For Mr. Suzuki, Ms. Yasue and Ms. Suzuki, attendance shown is the number of times they attended following their appointment at the 160th Annual Meeting of Shareholders held on March 30, 2021.
2. Attendance for Mr. Fukuda is not shown as he was appointed at the 161st Annual Meeting of Shareholders held on March 30, 2022.

Ratio of External Directors and External Audit & Supervisory Board Members



Director/Audit & Supervisory Board Member Candidate Selection Standards

- Candidates must understand Lion's management philosophy and always comply with the Lion Group Charter for Corporate Behavior and Behavioral Guidelines.
- Candidates must demonstrate excellent leadership as the heads of management.
- Candidates for director must possess expertise and a strong track record in such fields as research and development, manufacturing, marketing, sales and corporate management as well as the necessary qualities to carry out their duties and provide management oversight.
- Candidates for Audit & Supervisory Board member must possess considerable knowledge and insight in such areas as finance and accounting, corporate governance and risk management as well as the necessary qualities to contribute to fair and transparent decision-making in the Company.
- Candidates for director must possess the qualities necessary to appropriately fulfill their duty of care as good managers and duty of loyalty. Candidates for Audit & Supervisory Board member must possess the qualities necessary to appropriately carry out their duty of care as good managers.
- Candidates must not be hindered from performing their duties by health-related or other factors not specified in the Companies Act as reasons for disqualification as director or Audit & Supervisory Board member.

Board of Directors

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 of Directors determines important matters related to the business execution of the Company and supervises the business execution of directors and executive officers. Resolutions of the Board of Directors may be made at the regular Board of Directors meetings, as well as 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.

Evaluation of Board of Directors Effectiveness

To ensure the effectiveness of the Board of Directors, every year the directors evaluate the board's operating methods 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.

Evaluation Process



2021 Evaluation Results and Future Initiatives

2021 Evaluation Results Summary
<ul style="list-style-type: none"> 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. 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.

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	
Issues	<ul style="list-style-type: none"> External directors and Audit & Supervisory Board members should be provided with more extensive information regarding the background and context of important agenda items. Discussions of management strategy should be enhanced to further increase corporate value.
Initiatives	<ul style="list-style-type: none"> 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 & Supervisory Board members conducted by the secretariat of the Board of Directors. In 2021 we set up informal meetings for directors to exchange opinions on and discuss resolutions in advance of Board of Directors meetings. As a result, we have secured the time necessary for deliberating on important matters related to the corporate philosophy and medium- to long-term strategies.

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

Audit & Supervisory Board

The Audit & Supervisory Board comprises five Audit & Supervisory Board members. It holds regular meetings once every two months and extraordinary meetings and liaison meetings, as necessary. In accordance with the Audit & Supervisory Board's standards, audit policy, audit plans and other stipulations of the Audit & Supervisory Board, each Audit & Supervisory Board member audits the reasonableness of Board of Director resolutions, as well as the lawfulness, appropriateness and efficiency of directors' execution of duties. Specifically, Audit & Supervisory Board members attend meetings of the Board of Directors and other important meetings, conduct interviews with directors regarding the status of the execution of their duties (regular meetings three times a year with representative directors to exchange information, opinions and views, and including the status of the execution of directors' duties pertaining to the development and operation of internal control of financial reporting), perform site visits to Lion's headquarters and major offices and plants, and conduct audits of subsidiaries. Further, the Audit & Supervisory Board, the internal auditing division (the Auditing Office) and the accounting auditors regularly hold audit liaison meetings, as well as comprehensive themed audits of response to important management issues, with the aim of improving audit effectiveness.

Corporate Officer Compensation

Overview and Details of Basic Policy Regarding Compensation for Directors and Audit & Supervisory Board Members

Overview of Basic Policy

Lion has designed a corporate officer compensation system to provide sound and appropriate incentives necessary for retaining outstanding management talent that will achieve the Company's management policies and continuously increase its corporate value over the medium to long term. Director and Audit & Supervisory Board member compensation is decided by the Board of Directors and the Audit & Supervisory Board, respectively, based on consultations with the Compensation Advisory Committee. Compensation is set within the limits decided by resolution of the General Meeting of Shareholders.

Policy Details

Compensation for directors (excluding external directors) consists of fixed monthly compensation and performance-linked compensation (bonuses and stock-based compensation). It is made up of approximately 50% fixed compensation and 50% performance-linked compensation (30% of which is bonus and 20% stock-based compensation), according to the director's rank. The proportion of performance-linked compensation increases according to rank and is revised as needed. Fixed monthly compensation is raised or lowered once per year following an appraisal of how well the director has executed duties and supervised management. Performance-linked compensation is calculated based on the degree to which performance targets have been met in each year and is paid individually at a designated time after the end of the relevant year.

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



Performance-Linked Compensation System

Type	Performance-Linked Bonus	Performance-Linked Stock-Based Compensation
Indicators	Core operating income An earnings indicator used to measure regular business performance, calculated by subtracting selling, general and administrative expenses from gross profit (one of the most emphasized indicators under the medium-term management plan) Profit for the period attributable to owners of the parent An earnings indicator that expresses final business results and is directly linked to increases and decreases in shareholder value	
Total payment amount	Total payment amount: Sum of (1) and (2) below (1) 50% of 0.5% of core operating income for the relevant year (2) 50% of 0.75% of profit for the period attributable to owners of the parent Note: Rounded down to the nearest ¥10,000. If the result of either calculation is negative, its value is set at 0.	Total number of points (number of shares) assigned The upper limit per year is 120,000 points (one share of Company stock per point) The upper limit per year is ¥200 million
Individual payment amount	(1) Calculation of payment per point Total payment amount ÷ (Points assigned according to rank × Number of officers) (2) Individual payment amount Payment per point × Points assigned according to rank (3) Points assigned according to rank From 3,000 points for Chairman and President and Executive Officer to 0.900 points for Executive Officer	(1) Calculation of number of points (Fixed base amount + Performance-linked base amount × Performance-linked coefficient) ÷ Per-share acquisition cost <ul style="list-style-type: none"> Fixed base amount and performance-linked base amount: ¥4 million each (multiplied by 1.0–3.625, depending on rank) Performance-linked coefficient: 0–2.0, depending on achievement rate for each indicator Per-share acquisition cost: ¥2,078
Time of payment	End of March of each year	In principle, shares are issued to directors upon retirement in a number equivalent to the total number of points they have been assigned
Upper limit	¥250 million per year	¥800 million (per four years) Total number of shares: 480,000 (per four years)
Clawback clause	No	Yes*

* In the event of a serious violation of internal rules or professional duties, forfeiture of points already granted or return of the amount equivalent to the shares already received

Fixed Monthly Compensation

	Determining Policy	Upper Limit
Overview	<ul style="list-style-type: none"> Flat-rate system Compensation levels are set taking into consideration similar levels at other companies, and once per year fixed monthly compensation is raised or lowered following an appraisal of how well execution of duties and supervision of management have been performed. 	¥300 million (per year)

Achievement of Performance-Linked Compensation Indicators (2021)

Achievement of targets for core operating income and profit for the period attributable to owners of the parent are as below.

Indicator	Target	Achievement	Achievement rate
Core operating income	¥30,000 million	¥30,923 million	103%
Profit for the period attributable to owners of the parent	¥21,000 million	¥23,759 million	113%

Compensation System for External Directors and Audit & Supervisory Board Members

Compensation for external directors and Audit & Supervisory Board members consists solely of fixed monthly compensation. Compensation levels are set taking into consideration similar levels at other companies and are based on individual roles and responsibilities.

Total Compensation for Directors and Audit & Supervisory Board Members (2021)

	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)	11 (4)	299 (45)	166 (-)	113 (-)	580 (45)
Audit & Supervisory Board Members (External Audit & Supervisory Board Members)	5 (3)	93 (33)	- (-)	- (-)	93 (33)
Total (External Officers)	16 (7)	392 (78)	166 (-)	113 (-)	673 (78)

- There are no individuals serving concurrently as employees and corporate officers.
- An upper limit on directors' fixed compensation of ¥300 million per year was set by resolution of the 156th Annual Meeting of Shareholders held on March 30, 2017. There were nine directors at the closing of this meeting.
- An upper limit on Audit & Supervisory Board members' fixed compensation of ¥110 million per year was set by resolution of the 156th Annual Meeting of Shareholders held on March 30, 2017. There were four Audit & Supervisory Board members at the closing of this meeting.
- Within performance-linked compensation, bonus amounts are calculated and determined based on the core operating income and the profit attributable to the owners of the parent for each year, in accordance with the methods described above. An upper limit for bonuses of ¥250 million per year was set by resolution of the 156th Annual Meeting of Shareholders held on March 30, 2017. There were six directors (excluding external directors) at the closing of this meeting.
- Within performance-linked compensation, stock-based compensation is the amount obtained by using the share acquisition price to convert the number of points (shares) granted to eligible individuals under the system, depending on the degree of achievement of the Group's business targets for the year. An upper limit of ¥200 million on the contribution amount of stock-based compensation per year and an upper limit of 120,000 shares on the total number of shares granted per year were set by resolution of the 160th Annual Meeting of Shareholders held on March 30, 2021. There were seven directors (excluding external directors) at the closing of this meeting.
- The amounts shown are rounded down to the nearest million yen.

Total Consolidated Compensation by Corporate Officer (2021)

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	68	46	31	-	146
Masazumi Kikukawa	Director	68	46	31	-	146

Note: Only individuals receiving total consolidated compensation of more than ¥100 million are listed here.

Compliance

The Lion Group's strong reputation for trustworthiness has been built through decades of hard work by its employees. The trust the Group enjoys has been a key driver of its growth and development.

Ethics guide individuals along the correct path. We regard ethics as meaning, broadly, doing what is right. In concrete terms, we see this as rooted in being honest, observing social mores, not antagonizing others, and thinking of others as we think of ourselves.

Based on this understanding, we formulated the Lion Group Charter for Corporate Behavior as a code of conduct, and updated it to more clearly define our stance with regard to providing safe, secure products and services, addressing environmental issues and other topics through a set of Behavioral Guidelines. In addition to strict compliance with the Lion Group Charter for Corporate Behavior, the Lion Group is committed to being useful and valuable to society.

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

Internal and External Whistle-Blowing System: All Lion (AL) Heart Hotline

The Lion Group has set up an internal and external whistle-blowing system, the AL (All Lion) Heart Hotline, as a set of contacts for consultations for use when an employee learns of a compliance violation within the workplace that is impossible to report or cannot be handled appropriately through normal workplace channels. The system features an internal and an external reporting hotline, and users are encouraged to use the supplied reporting form to report their findings in writing or via email to ensure accurate understanding of the nature of the report or consultation. Once the details of said report and the response desired by the reporter are confirmed, the Director of Corporate Ethics promptly investigates and confirms the relevant facts.

In 2021, the hotlines received 19 consultations and reports. However, none of the cases were judged to constitute serious misconduct, and each is being appropriately addressed.

AL Heart Hotline Consultations and Reports

Subject of consultations and reports received	2019	2020	2021
Harassment	11	8	12
Personnel and labor management issues	11	7	5
Other	3	58	2

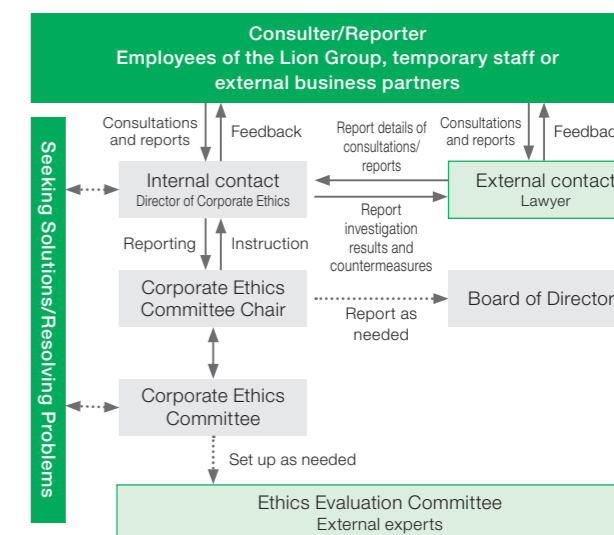
To enhance awareness of compliance among corporate officers and employees, the Group promotes measures led by the Corporate Ethics Committee, which is chaired by the director responsible for corporate ethics.

Every year in March, the Group conducts a Compliance Awareness Survey for all domestic Group employees (including part-time employees). In 2021, approximately 88% of all employees responded.

The Group also holds regular annual compliance training sessions using e-learning platforms. Compliance content is also available on the Lion Career Village (LCV) on-demand media platform as a mandatory part of the curriculum, allowing employees to study in their own time.

There were eight items in the 2021 curriculum. Among them were "compliance (including harassment issues)," "Lion's approach to quality" and "social media-related risks."

The AL Heart Hotline System



In-House Recognition of the AL Heart Hotline

2019	2020	2021
98.6%	99.5%	99.0%

Compliance
<https://www.lion.co.jp/en/company/governance/compliance/>

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.

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 Internal Control System Policy.
- (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, develop measures for improvement and strive to prevent recurrences.

Rules and Other Structures Relating to the Management of Risk

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 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

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 heads 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.

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 epidemic, an outbreak of infectious disease (pandemic) or other such contingency. In the event of an emergency, we will discuss how to set in motion business continuity plans based on the Emergency Response System.

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 Points of Plan

- (1) Priority business: Consumer Products Business
- (2) Priority operations: Operations necessary for continuation of product supply
- (3) Target timeframes for restoring operations and organizational chains of command

Implementing Risk Management

The Lion Group has positioned the 13 risks outlined on the next page as shared risks to be managed Group-wide because they have the potential to significantly impact the Group's management performance and financial status. Other risks have been defined as departmental risks to be dealt with by each department, mainly by officers. The status of risk response is assessed twice yearly by each department. The Corporate Planning Department compiles the results and reports them to the Board of Directors and Executive Committee. The status of each department's risk management is further assessed by the Auditing Office via business operations audits.

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, wholesalers, retailers 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. We have also acquired ISO 9001 certification and are working to reinforce our organizational management system for quality.
(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 shrinking labor force 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 media 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 social media 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. We are also compiling a Social Media Risk Response Manual.
(10) Major lawsuit risks	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 risks	Risks of the emergence and prolongation 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 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 risks	Risks of death or injury of employees or others, 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 (including remotely) 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 set of long-term environmental objectives for 2050, and are ambitiously working to realize a decarbonized, resource-circulating society.

* More information on the 13 risks and Lion's main initiatives to address them can be found in Lion's Securities Report for 2021 (Japanese only).

Directors, Audit & Supervisory Board Members and Executive Officers (As of April 1, 2022)




Representative Director,
Chairman of the
Board of Directors
ITSUO HAMA

April 1977 Joined Lion Fat & Oil Co., Ltd. (now Lion Corporation)
January 2008 Executive Officer
March 2008 Director
January 2012 Representative Director, President, Executive Officer, Chief Operating Officer
January 2014 Representative Director, President and CEO, Executive Officer
March 2016 Representative Director, President and CEO, Chairman of the Board of Directors, Executive Officer
March 2017 Representative Director, President and Executive Officer, Chairman of the Board of Directors, Chief Executive Officer
January 2019 Representative Director, Chairman of the Board of Directors, Chief Executive Officer
March 2022 Representative Director, Chairman of the Board of Directors (current position)



Representative Director,
President and Executive Officer
MASAZUMI KIKUKAWA
Chief Executive Officer

April 1984 Joined Lion Corporation
January 2010 Executive Officer
March 2012 Director
March 2018 Representative Director, Senior Managing Executive Officer
January 2019 Representative Director, President and Executive Officer, Chief Operating Officer
March 2022 Representative Director, President and Executive Officer, Chief Executive Officer (current position)



External Director
KAZUNARI UCHIDA

January 1985 Joined Boston Consulting Group
June 2000 Representative for Japan, Boston Consulting Group
March 2006 External Auditor, Suntory Limited (now Suntory Holdings Limited)
April 2006 Professor, Faculty of Commerce, Waseda University
February 2012 External Auditor, Kewpie Corporation
June 2012 External Director, Lifenet Insurance Company
August 2012 External Director, Mitsui-Soko Holdings Co., Ltd. (now ERI Holdings Co., Ltd.)
February 2015 External Director, Kewpie Corporation
March 2016 External Director, Lion Corporation (current position)



External Director
TAKASHI SHIRAISHI

June 1979 Assistant Professor, International Relations, Department of Humanities and Social Science, College of Arts and Sciences, University of Tokyo
January 1996 Professor, Department of Asian Studies and Department of History, College of Arts and Sciences, Cornell University
July 1996 Professor, Center for Southeast Asian Studies, Kyoto University
April 2005 Professor and Vice President, National Graduate Institute for Policy Studies
May 2007 President, Institute of Developing Economies, Japan External Trade Organization
January 2009 Councilor, Council for Science, Technology and Innovation, Cabinet Office
April 2011 President, National Graduate Institute for Policy Studies
January 2013 Member, Management Evaluation Committee (now the Advisory Committee), Lion Corporation
March 2017 External Director, Lion Corporation (current position)
April 2017 Special Visiting Professor, Ritsumeikan University
May 2017 Professor Emeritus, National Graduate Institute for Policy Studies (current position)
April 2018 Chancellor, Prefectural University of Kumamoto (current position)



External Director
TAKAKO SUGAYA

October 2002 Registered as an attorney at law (Daini Tokyo Bar Association)
Joined Yamada Hideo Law Office (now the Yamada Ozaki Law Office) (current position)
April 2010 Associate Professor, Toin University of Yokohama Graduate School of Laws
June 2018 External Director, Haruyama Holdings, Inc.
March 2019 External Director, Lion Corporation (current position)



Director
Senior Executive Officer
KENJIRO KOBAYASHI

April 1987 Joined Lion Corporation
January 2009 Executive Officer
January 2010 Senior Executive Officer
March 2012 Director
March 2017 Director, Senior Executive Officer
Responsible for Corporate Ethics, Human Resources Development Center, General Affairs Department, Management Support Department, Sustainability Promotion Department, System Department and Business Process Re-engineering Department (current position)




Director
Senior Executive Officer
YUGO KUME

April 1984 Joined Lion Corporation
January 2016 Executive Officer
March 2018 Director
January 2021 Director, Senior Executive Officer
Responsible for Business Development Center, Health & Home Care Products Division, Gift and Channel-Specific Products Division, Direct Marketing Division and Corporate Communication Center (current position)



External Director
REIKO YASUE

April 1991 Joined Nagoya Research Institute, Panasonic Information Systems Co., Ltd. (now Panasonic Advanced Technology Development Co., Ltd.)
December 1999 Joined Motorola, Inc.
June 2004 Joined SEVEN Networks, Inc.
September 2005 Joined Qualcomm, Inc.
July 2009 Joined FUJISOFT Inc.
April 2015 Managing Executive Officer, FUJISOFT Inc.
January 2018 Joined Cybernet Systems Co., Ltd., Executive Vice President
March 2018 Representative Director, Executive Vice President, Cybernet Systems Co., Ltd.
March 2019 Representative Director, President & CEO, Cybernet Systems Co., Ltd.
January 2020 Representative Director, President and Executive Officer, Cybernet Systems Co., Ltd. (current position)
March 2021 External Director, Lion Corporation (current position)



Audit & Supervisory Board Member
TOSHIYUKI NIKKAWA

April 1984 Joined Lion Corporation
March 2019 Audit & Supervisory Board Member (current position)



Audit & Supervisory Board Member
YOSHIAKI KAMAO

April 1985 Joined Lion Corporation
March 2019 Audit & Supervisory Board Member (current position)




Director
Executive Officer
FUMITOMO NORITAKE

April 1988 Joined Lion Corporation
January 2016 Executive Officer
March 2019 Director, Executive Officer
Responsible for Supply Chain Management Headquarters, Manufacturing Innovation Headquarters, Purchasing Headquarters, Research and Development Headquarters, Production and Logistics Headquarters, Overall Chemicals Businesses, DX Promotion Department, Intellectual Property Department and Safety and Disaster Prevention Promotion Department (current position)




Director
Executive Officer
HITOSHI SUZUKI

April 1985 Joined Lion Corporation
January 2016 Executive Officer
March 2019 Senior Executive Officer
March 2021 Director, Executive Officer
Responsible for International Division (current position)




Director
Executive Officer
KENGO FUKUDA

April 1987 Joined Lion Corporation
January 2017 Executive Officer
January 2022 Senior Executive Officer
April 2022 Director, Executive Officer
Responsible for Risk Management, Corporate Planning Department, Finance Department, Consumer Service Center, Reliability Assurance Department and Legal Department (current position)



External Audit & Supervisory Board Member
TAKAO YAMAGUCHI

October 1981 Joined Chuo Accounting Office Auditing Corporation
February 1985 Acquired Japanese CPA certification
September 1987 Entered Yamaguchi Accounting Office
December 1987 Acquired Japanese tax accountant certification
January 1996 Director, Yamaguchi Accounting Office (current position)
March 2015 Alternate External Audit & Supervisory Board Member, Lion Corporation
March 2019 External Audit & Supervisory Board Member, Lion Corporation (current position)



External Audit & Supervisory Board Member
SETSUKO TAKEMOTO

April 1969 Joined the Ministry of Finance
July 2009 Director, Ogikubo Tax Agency
July 2011 Retired from the National Tax Agency
August 2011 Acquired Japanese tax accountant certification
September 2011 Established Takemoto Setsuko Tax Accounting Office (now the Kuchitani General Accounting Office) as partner (current position)
March 2019 External Audit & Supervisory Board Member, Lion Corporation (current position)



External Audit & Supervisory Board Member
ATSUKO SUZUKI

April 1986 Joined Matsushita Electric Industrial Co., Ltd. (now Panasonic Corporation)
April 2008 Director and Manager of the CSR Office, Matsushita Electric Industrial Co., Ltd. (resigned in December 2014)
April 2010 External Director and Auditor, Nara Women's University (resigned in December 2012)
January 2015 Joined Asahi Breweries, Ltd.
April 2015 Manager of the Social Environment Department, Asahi Breweries, Ltd.
October 2015 Manager of the Sustainability Promotion Section, Olympic/Paralympic Promotion Headquarters (concurrently held), Asahi Breweries, Ltd.
April 2017 Director and General Manager of the CSR Division of Asahi Group Holdings, Ltd.
March 2021 External Audit & Supervisory Board Member, Lion Corporation (current position)

Note: Notification of the appointment of Mr. Uchida, Mr. Shiraishi, Ms. Sugaya and Ms. Yasue as independent directors, and Mr. Yamaguchi, Ms. Takemoto and Ms. Suzuki as Audit & Supervisory Board members has been sent to the Tokyo Stock Exchange.

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

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

Executive Officer
Tomomichi Okano
President of Lion Chemical Corporation

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

Executive Officer
Annette Ling
Executive General Manager of International Division

Executive Officer
Kei Minamikawa
Executive General Manager of Supply Chain Planning Headquarters, Director of Administration Department

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

Executive Officer
Yasutsugu Shimizu
Executive General Manager of Production and Logistics Headquarters

Executive Officer
Yoko Koike
Director of Human Resources Development Center