

# Lion Corporation Basic Corporate Governance Policy

## Section 1. General Rules

### 1. Purpose (2.1, 3.1.i)

Based on its corporate philosophy, laid out below, Lion Corporation (“Lion,” “the Company”) has established this Basic Corporate Governance Policy (“the Basic Policy”) to enhance the corporate value of the Company and its affiliated companies (collectively the “Lion Group”).

#### **PURPOSE**

Make a difference in everyday lives by redesigning habits: ReDesign

#### **BELIEFS**

The customer determines the value  
Believe in yourself and be proactive  
Speed makes the difference  
Interact and inspire to create  
Change moves us forward

#### **DNA**

Fulfilling a Spirit of Love

### 2. Basic Approach to Corporate Governance (3.1.ii)

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

The numbers in parentheses at the start of each section of this Basic Policy indicate the related sections of Tokyo Stock Exchange, Inc.’s Corporate Governance Code.
---

## **Section 2. System of Corporate Governance**

### **1. Organizational Structure (4, 4.2, 4.10)**

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. (Reference 1)

### **2. Board of Directors**

#### **(1) Roles and Responsibilities of the Board of Directors (4.1, 4.1.1)**

The Board of Directors carries out the duties specified by law and the Articles of Incorporation, decides important matters related to the Group's business execution, and oversees the execution of the duties of directors and executive officers.

Such important matters as Group-wide management policy and strategy are considered by the Executive Management Board, which determines their general outline, before being taken up by the Board of Directors for a final decision. Important matters related to business execution by individual departments are delegated to the Executive Management Board and the Executive Committee for more nimble decision making.

To clarify responsibility and authority for decision making, Lion has established standards of authority that lay out which items are decided by the Board of Directors, the Executive Management Board and the Executive Committee.

#### **(2) Board of Directors Composition and Appointment Standards (3.1.iv-v, 4.3.1, 4.6, 4.8, 4.11, 4.11.1)**

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

To ensure a good balance of candidates for directors and Audit & Supervisory Board members who possess the diverse knowledge, experience and abilities needed to increase Lion's corporate value, Lion has established Director/Audit & Supervisory Board Member Candidate Selection Standards (Reference 2) as well as Standards Regarding the Independence of External Directors/Audit & Supervisory Board Members (Reference 3).

The Board of Directors selects candidates who meet the criteria of the above standards and consults with the Nomination Advisory Committee on these candidates. Based on the committee's response, the board selects candidates to propose for appointment to the Shareholders Meeting. Reasons for candidate selection are provided in the convening notice of each Shareholders Meeting as part of the appointment proposal. In addition, diversity in terms of gender, age, nationality and other factors will be considered.

#### **(3) Operation and Chairperson of the Board of Directors (4.12, 4.12.1.i-v, 4.13.2)**

The Board of Directors is convened and chaired by a representative director predetermined by the Board of Directors.

The chairperson of the Board of Directors operates the board in a way that ensures that directors (including external directors) and Audit & Supervisory Board members (including external

Audit & Supervisory Board members) have ample opportunity to express their opinions and that facilitates open, lively, constructive discussion.

The Board of Directors meets once a month, with additional meetings as necessary. The board takes steps to promote vigorous discussion at its meetings. These include setting out the board's annual schedule prior to the commencement of each fiscal year, conducting detailed scrutiny of proposals to be considered, distributing related materials before meetings, and providing prior explanations of proposals to external directors.

Directors may seek the advice of consultants or other outside experts at the expense of Lion as required to execute their duties.

#### (4) Corporate Officer Compensation (3.1.iii, 4.2.1)

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

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

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

The compensation of each director (excluding external directors) comprises approximately 50% fixed compensation and 50% performance-linked compensation (30% bonus and 20% stock-based compensation). The proportion of performance-linked compensation is increased in step with the individual's rank and revised as needed.

Once per year, fixed monthly compensation is raised or lowered following an appraisal of the director's job execution performance, management supervision performance, and contribution to addressing the Sustainability Material Issues. Performance-linked compensation is calculated based on the degree to which performance targets are met in each fiscal year and paid out individually in a designated period after the end of the relevant fiscal year.

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

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

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

already granted.

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

(5) Advisory Committees (3.1, 4.1.3, 4.3.1-3, 4.8.1-2, 4.10, 4.10.1)

Lion has established the Nomination Advisory Committee and Compensation Advisory Committee, comprising mainly external directors and external Audit & Supervisory Board members, as advisory bodies to the Board of Directors. These committees help improve management objectivity and transparency. In addition, to further enhance corporate governance, Lion maintains an Advisory Committee composed of outside experts other than external directors and external Audit & Supervisory Board members.

a. Nomination Advisory Committee

The Board of Directors consults the Nomination Advisory Committee regarding the necessary qualities (the expertise and experience possessed by each candidate shall be summarized in a skill matrix as exemplified in reference 2), reasons for selection or dismissal and related processes for nominating directors, Audit & Supervisory Board members and executive officers as well as hiring individuals who have previously served in these roles as consultants. The committee considers the matters in question and provides a response to the Board of Directors (or, for matters regarding Audit & Supervisory Board members, to the Audit & Supervisory Board). The committee also exchanges opinions on the development of future Group presidents.

The Nomination Advisory Committee comprises external directors and external Audit & Supervisory Board members as well as a representative director predetermined 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.

b. 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 Compensation Advisory Committee comprises external directors and external Audit & Supervisory Board members. The members of the committee select from among themselves the committee chairperson.

c. 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.

(6) Ensuring Effectiveness (4.3, 4.3.2, 4.3.4, 4.11.3, 4.13.3)

a. Internal Control

The Board of Directors determines basic policies for the system of internal control to ensure that directors and their staff comply with relevant laws and the Articles of Incorporation in the course of their duties.

To strengthen the Group's legal compliance and ethics awareness, Lion has established the Lion Group Charter for Corporate Behavior (Reference 4) and Behavioral Guidelines, and manages the spread and establishment of corporate ethics awareness through the Corporate Ethics Committee, which is chaired by the corporate ethics manager.

In terms of risk management, Lion appoints an officer responsible for comprehensive risk management. This officer comprehensively manages Groupwide risk and reports to the Board of Directors on the status of related initiatives every fiscal year.

Furthermore, to ensure the reliability of financial reporting, Lion has established the Internal Control Policies Regarding Financial Results Reporting. The status of systems and operations in this area is evaluated and reported to the Board of Directors.

In addition, the status of internal control systems and their operations is subject to periodic operational audits undertaken by the Internal Audit Department and reported to the Board of Directors each fiscal year.

b. Evaluations of the Board of Directors

Striving to ensure the effectiveness of the Board of the Directors, every fiscal year, the board conducts evaluations related to such areas as the board's operating methods and the content and status of the proposals it considers. These evaluations include examinations of each director. A summary of the results of these evaluations is disclosed in the Corporate Governance Report.

3. Audit & Supervisory Board

(1) Roles and Responsibilities of the Audit & Supervisory Board (4.4)

The Audit & Supervisory Board provides oversight to ensure that the directors are executing their duties in accordance with the law and the Articles of Incorporation. The board also exercises appropriate authority over such matters as the selection, dismissal and compensation of accounting auditors.

The Audit & Supervisory Board determines audit standards, policies and plans for the Audit & Supervisory Board members. The Audit & Supervisory Board members attend important meetings, including those of the Board of Directors, conduct hearings on the status of the execution of the directors' duties, implement on-site audits at Lion's headquarters and other important operating sites, and investigate Lion subsidiaries.

(2) Audit & Supervisory Board Composition and Appointment Standards (3.1.iv-v, 4.11, 4.11.2)

The Articles of Incorporation specify that the Audit & Supervisory Board shall comprise no more than five members, at least half of whom must be external Audit & Supervisory Board members.

The Board of Directors selects candidates who meet the criteria of the Director/Audit & Supervisory Board Member Candidate Selection Standards (Reference 2) and Standards Regarding the Independence of External Directors/Audit & Supervisory Board Members (Reference 3) established by the Board of Directors and submits them for consideration by the Nomination Advisory Committee. Based on the results of this consideration and approval by the Audit & Supervisory Board, the Board of Directors selects candidates to propose for appointment to the

Shareholders Meeting. Reasons for the selection of candidates are provided in the convening notice of each Shareholders Meeting as part of the appointment proposal.

At least one candidate must have considerable knowledge of finance and accounting.

(3) Operation and Chairperson of the Audit & Supervisory Board (4.4.1, 4.13, 4.13.1-3)

The chairperson of the Audit & Supervisory Board is selected by resolution of the board from among its members.

The chairperson of the Audit & Supervisory Board carries out duties delegated by the board. The chairperson cannot interfere with the exercise of authority by the other Audit & Supervisory Board members.

The Audit & Supervisory Board strives to actively express opinions to the Board of Directors and individual directors from an independent, objective standpoint.

Audit & Supervisory Board members may seek the advice of consultants or other outside experts at the expense of Lion as required to execute their duties.

The Audit & Supervisory Board maintains systems to ensure the effectiveness of each Audit & Supervisory Board member's audits. In addition, the board strives to cooperate as needed with the Internal Audit Department, representative directors and external directors through such means as exchanging information.

(4) Coordination with the Accounting Auditor and Internal Audit Department (3.2.1.i-ii, 3.2.2i-iv)

The Audit & Supervisory Board strives to maintain a system that enables appropriate auditing and to maintain adequate coordination with the accounting auditor and Internal Audit Department. The board also secures adequate coordination with the representative directors and external directors when responding to requests from the accounting auditor or when otherwise necessary.

The Audit & Supervisory Board determines standards for evaluating the accounting auditor and evaluates the execution of the accounting auditor's duties in terms of audit quality, independence, expertise and other factors. Furthermore, the board requests explanations from the accounting auditor about compliance with quality management standards in order to ensure that the accounting auditor carries out audits correctly.

If the accounting auditor discovers wrongdoing and requests an appropriate response or points out an inadequacy or problem, the Audit & Supervisory Board quickly investigates and addresses the issue appropriately.

4. Accounting Auditor (3.2)

Lion regards the accounting auditor as responsible for guaranteeing the trustworthiness of the information Lion discloses to shareholders and investors, and ensures a framework that allows the accounting auditor to audit correctly.

5. Directors and Audit & Supervisory Board Members

(1) Directors (4.5, 4.7.i-iv, 4.11.2)

Directors, being fully aware of their fiduciary responsibility to shareholders, must work to increase the corporate value of the Lion Group and contribute to the common interests of shareholders.

Directors must endeavor to actively contribute to Board of Directors meetings, engage in constructive discussion, and gather the information and obtain the knowledge and training necessary to carry out their duties.

External directors must oversee management from an independent perspective and work to

provide management advice, monitor conflicts of interest, and actively reflect the opinions of stakeholders at meetings of the Board of Directors.

Any significant concurrent positions held by external directors are listed in the reference materials for the Shareholders Meeting and in business reporting materials.

(2) Audit & Supervisory Board Members (4.5, 4.11.2)

As independently operating authorities, Audit & Supervisory Board members oversee the execution of the duties of the directors. Fully aware of their fiduciary responsibility to shareholders, Audit & Supervisory Board members work to assure the soundness of efforts to improve corporate value and contribute to the common interests of shareholders.

Audit & Supervisory Board members must endeavor to secure the transparency and fairness of the Company's decision making, actively express their opinions at Board of Directors meetings, and gather the information and obtain the knowledge and training necessary to carry out their duties.

Audit & Supervisory Board members must oversee and verify the construction and operation of the system of internal control. Standing Audit & Supervisory Board members must strive to share the information they obtain in the course of their duties with the other Audit & Supervisory Board members.

Any significant concurrent positions held by external Audit & Supervisory Board members are listed in the reference materials for the Shareholders Meeting and in business reporting materials.

(3) Independence Requirements for External Directors and External Audit & Supervisory Board Members (4.9)

In order to further enhance management supervision and oversight functions, increase transparency and strengthen and enhance its system of corporate governance, Lion has established Standards Regarding the Independence of External Directors/Audit & Supervisory Board Members (Reference 3). In combination with the stipulations of the Companies Act, these standards are used to ensure that external directors and external Audit & Supervisory Board members have no special interest in the Group and are independent.

(4) Director and Audit & Supervisory Board Member Training (4.14, 4.14.1-2)

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

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

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

### **Section 3. Securing the Rights and Equal Treatment of Shareholders and Dialogue with Shareholders**

#### **1. Securing the Rights of Shareholders (1, 1.1., 1.1.1, 1.1.3)**

Lion recognizes the importance of shareholder rights and strives to maintain appropriate systems to effectively secure the rights and equal treatment of all shareholders, including minority and foreign shareholders.

The Board of Directors periodically reviews the results of votes held on proposals at the Shareholders Meeting. In particular, when a considerable number of votes have been cast against a proposal, the board takes the result seriously, analyzes the factors that led to the votes against it and then considers the need for shareholder dialogue and other measures.

#### **2. Shareholders Meeting (1.1.2, 1.2, 1.2.1-4, 3.1.2)**

Lion regards the Shareholders Meeting as an opportunity for constructive dialogue with shareholders. To allow the maximum number of shareholders to attend, Lion secures a large-scale, convenient venue. Furthermore, Lion maintains online systems to enable voting by shareholders who cannot attend.

To secure adequate time for consideration of the proposals to be decided at the Shareholders Meeting, Lion posts convening notices on its website and the website of Tokyo Stock Exchange approximately four weeks before the meeting. Written notices are also promptly sent out. Lion improves convenience for and secures equal treatment of institutional and overseas investors through such measures as using the Electronic Voting Platform and providing English translations of convening notices.

Lion proposes to shareholders that certain powers of the Shareholders Meeting be delegated to the Board of Directors only after thorough consideration of such factors as the assurance of agility in the Company's system of corporate governance and management decision making.

#### **3. Capital Policy (1.3, 1.6)**

Lion works to maintain a financial base that will enable sustainable growth and seeks to improve capital efficiency and profitability. While maintaining an appropriate balance of investment in growth, shareholder returns and internal reserves, over the medium to long term, Lion strives to enhance shareholders' equity and aims for a return on equity (ROE) of approximately 10–14% and return on invested capital (ROIC) of approximately 8–10%.

Lion aims for a 30% consolidated dividend payout ratio in the policy of progressive dividends. In some cases, Lion may acquire treasury stock. Through such means, Lion strives to enhance shareholder returns.

When implementing capital measures that result in a change in control of the Company or significant dilution, the Board of Directors reaches a resolution based on careful examination of the necessity and rationale of the measures in question in order to avoid unfairly harming existing shareholders' interests. Furthermore, the Board of Directors explains its resolution to shareholders and investors in line with rules regarding timely disclosure and other relevant guidelines.

#### **4. Cross-Shareholdings (1.4, 1.4.1-2)**

Lion may maintain cross-shareholdings with other companies only when it has judged that they are strategically important for such purposes as maintaining and strengthening trade relationships. The Board of Directors examines the economic rationality of cross-shareholdings on an annual



basis, checking the investment profitability, capital cost and other factors for each stockholding. Based on the results of these examinations and such factors as the importance of the relevant trade relationships, shareholdings determined to be unnecessary are then sold as appropriate, reducing Lion's cross-shareholdings.

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

#### 5. Acquisition Response Policy (1.5, 1.5.1)

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

The Company resolved not to continue the anti-takeover measures against large-scale purchases of the Company's shares (anti-takeover measures) at the Board of Directors held on January 29, 2021. However, in the event of the emergence of a large-scale purchaser who may damage the corporate value or the common interests of shareholders, the Company will consult with the Corporate Governance Committee, which is composed solely of external directors and external Audit & Supervisory Board members, in order to enhance the objectivity and rationality of the Board of Directors. The Board of Directors will respect the recommendations of the Committee to the maximum extent possible and, after thorough deliberation, will take necessary and appropriate measures in accordance with the Companies Act, Financial Instruments and Exchange Act, and other relevant laws and regulations.

If a decision by the shareholders is necessary to ensure the corporate value of the Company and the common interests of the shareholders, the Company will hold a Shareholders Meeting as soon as possible.

#### 6. Related Party Transactions (1.7)

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

#### 7. Constructive Dialogue with Shareholders (1.2.5, 5, 5.1, 5.1.1, 5.1.2.i-v, 5.1.3)

Recognizing its shareholders and investors as important stakeholders, Lion strives to foster constructive dialogue in order to improve corporate value.

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

Lion actively implements investor relations activities. These include providing opportunities for meetings with institutional and individual investors attended by the president and directors, including the director responsible for the Corporate Strategy Headquarters, as well as external directors, in addition to Audit & Supervisory Board members.

Regarding the management of insider information in dialogue with shareholders and investors, Lion maintains strictly appropriate, timely disclosure in line with its IR Information Disclosure Policy (Reference 5).

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

## **Section 4. Relationships with Stakeholders Other than Shareholders**

### **1. Appropriate Cooperation with Stakeholders (2, 2.2, 2.2.1)**

Lion maintains the Lion Group Charter for Corporate Behavior (Reference 4) and Behavioral Guidelines, established by resolution of the Board of Directors, to ensure that all Lion Group executives and employees are broadly useful to society, respect human rights, adhere to the letter and spirit of all applicable laws and international rules, maintain the appropriate social conscientiousness to avoid harming the public welfare, and are active in the creation of a sustainable society.

To promote the permeation of corporate ethics awareness, the Group implements compliance training for executives and all employees via e-learning and other channels at least once a year. This training serves to both confirm the status of compliance with the Lion Group Charter for Corporate Behavior and renew participants' commitment to the charter.

The Lion Group strives to maintain appropriate cooperation with customers, trading partners, local communities and other stakeholders while increasing corporate value.

### **2. Sustainability (2.3, 2.3.1, 3.1.3, 4.2.2)**

Building on its founding spirit, "benefitting society through business activities," Lion takes a constant approach to addressing issues confronting the global environment and society over the long term through its business. In doing so, Lion not only pursues economic development but also gives due consideration to the environmental and social impact of its operations.

Aiming to realize its management vision for 2030 of "Becoming an advanced daily healthcare company," Lion tackles key management issues to reduce risks and practices purpose-driven management centered on efforts to "make a difference in everyday lives by redesigning habits (ReDesign)" in line with its purpose. In these ways, Lion aims to contribute to the creation of a sustainable society and achieve business growth.

To secure a framework for promoting sustainability-oriented management, Lion has established the Sustainability Promotion Council while appointing an executive officer responsible for the promotion of measures aimed at addressing the Sustainability Material Issues. Lion also strives to clearly disclose annual progress in the above endeavors to the best possible extent.

### **3. Diversity (2.4, 2.4.1)**

Based on the Lion Group Charter for Corporate Behavior and the Behavioral Guidelines, Lion endeavors to improve every employee's sense of job fulfillment while empowering them to pursue their ambitions and remain highly motivated in order to increase productivity and create new value. Furthermore, through the promotion of Lion Professional Fulfillment Reforms, Lion strives to reach a new growth stage and, to this end, works to create a stronger company that ensures mutual understanding and respect between individual employees and is supported by an inclusive organizational culture.

The Lion Group respects the nationality, gender, and value systems of each of its employees, striving proactively to create workplaces where diverse human resources are promoted so that they can succeed. At the same time, based on the concept of work-life enrichment (mutually improving the quality of both work and home life), the Group emphasizes both work life and private life, and provides support for lifestyle and life planning, through the adoption of flexible work systems, childcare and nursing care support systems and financial planning education. Through such efforts, the Group aims to provide workplaces that allow all employees to work while maintaining their health and vigor.

#### 4. Internal Reporting (2.5, 2.5.1)

The Lion Group maintains the “Heart Hotline” internal reporting system for information related to legal violations or other compliance matters. In addition, the Group maintains the “Quality Information Hotline” internal reporting system, which can be used by personnel responsible for product development to report any doubts that arise regarding product quality.

To protect the anonymity of users, the reporting systems include contact points both inside the Group and through external corporate lawyers. The Group also maintains safeguards to ensure that users of the reporting systems and those who cooperate in investigations do not suffer any disadvantage as a result of said reporting or cooperation.

#### 5. Role of Corporate Pension Fund as Asset Owner (2.6)

To ensure the payment of pension payments and lump-sum payments into the future, Lion’s corporate pension fund manages its pension assets with the aim of securing the necessary total returns over the long-term.

To ensure the sound management of the pension fund, Lion assigns personnel from accounting, finance and other relevant divisions who have the appropriate qualities to manage corporate pensions to monitor the entrusted assets.

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

## **Section 5. Appropriate Information Disclosure**

### **1. Standards of Disclosure (3)**

Lion has established an IR Information Disclosure Policy (Reference 5) based on the Lion Group Charter for Corporate Behavior (Reference 4). This policy specifies that the Group shall actively disclose management strategies, financial information and other corporate information, giving due care to ensure that such disclosure is fair, accurate and timely, in order to deepen understanding of and trust in the Group among shareholders, investors and all other stakeholders. In line with this policy, the Group strives to ensure appropriate information disclosure.

### **2. Full Information Disclosure (3.1.i, 3.1.1, 3.1.2, 3.1.3, 4.1.2, 5.2, 5.2.1)**

Lion strives to clearly disclose, to the best possible extent, corporate information regarding such matters as its management vision, basic strategies, business portfolio management, sustainability initiatives, and investment in human capital and intellectual properties to shareholders, investors and all other stakeholders, in both Japanese and English.

#### **<Establishment and Abolishment of the Basic Policy>**

Establishment, revision, or abolition of this policy shall be made by resolution of the Board of Directors.

Established June 30, 2016

Amended February 9, 2018

Amended October 31, 2018

Amended February 12, 2021

Amended December 27, 2021

Amended February 28, 2022

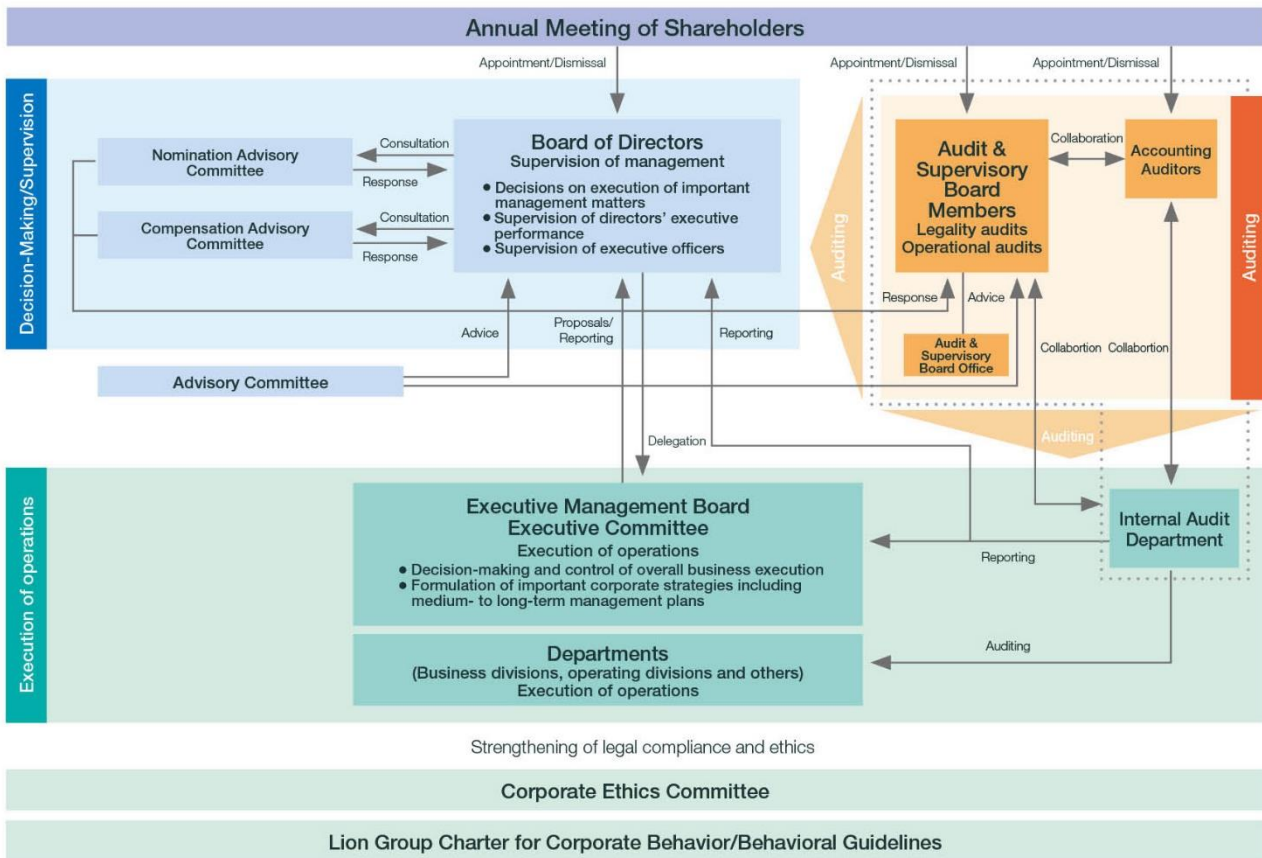
Amended March 30, 2023

Amended April 1, 2024

Amended January 1, 2025

## Reference 2

### Lion's Corporate Governance System



## **Reference 2**

### **Director/Audit & Supervisory Board Member Candidate Selection Standards**

1. Candidates must understand Lion's corporate philosophy and always maintain compliance with the Lion Group Charter for Corporate Behavior and Behavioral Guidelines.
2. Candidates must demonstrate excellent leadership as the heads of management.
3. 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.
4. 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.
5. 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.
6. 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.

#### **Example Skill Matrix Featuring Expertise and Experience Possessed by Candidates**

	Name	Position	Corporate management	Global business	Finance/ accounting	Legal/risk management	Human resource/HR development	Sustainability	IT/DX	Sales/ marketing	R&D/ production
Directors		President									
		Directors									
		External directors									
Audit & Supervisory Board members		Full-time members									
		External members									

## **Reference 3**

### **Lion Corporation Standards Regarding the Independence of External Directors/Audit & Supervisory Board Members**

1. Lion Corporation's external directors and external Audit & Supervisory Board members must not have fallen into any of the following categories within 10 years (including the current fiscal year) before their appointment.
  - (1) An individual who has served as a Lion Group executive,\*<sup>1</sup> non-executive director or accounting advisor (or a person who conducts related work for a corporation that acts as an accounting advisor to the Lion Group)
  - (2) A party for whom the Group is a principal business partner\*<sup>2</sup> or executive for such a party, or a principal business partner of the Group or executive of such party
  - (3) A large shareholder of the Company who directly or indirectly holds 10% or more of the total voting rights of the Company or an executive of such a shareholder
  - (4) An executive of a party in which the Group directly or indirectly holds 10% or more of the total voting rights
  - (5) A consultant, a certified public accountant or other accounting professional, or an attorney-at-law or other legal professional who has received a significant amount of money or other remuneration\*<sup>3</sup> from the Group, other than that as compensation for acting in the capacity of director or Audit & Supervisory Board member (in cases where the recipient of such compensation is a corporation, partnership or any other business entity, this item refers to a person who belongs to said entity)
  - (6) The spouse of any of the Group's important executives;\*<sup>4</sup> a relative of any such executive within the second degree of kinship; a relative who cohabits with such an executive or anyone who otherwise depends on such an executive for his/her livelihood
  - (7) A person serving in or a person who has served in a listed company with which the Group is engaged through the cross-appointment of external directors/Audit & Supervisory Board members\*<sup>5</sup>
  - (8) An entity to which the Group has donated a significant amount of money or other remuneration\*<sup>3</sup> or an executive of such entity.
2. External directors and external Audit & Supervisory Board members must not be subject to any other circumstances that could be reasonably deemed to render them unqualified to perform the duties of an external director or external Audit & Supervisory Board member.

\*1. Executives include: executive directors, executive officers and corporate officers of stock companies (*Kabushiki-Gaisha*); employees of membership companies (*Mochibun-Gaisha*) who hold executive positions (if such an employee is a corporation, this refers to persons who carry out the duties of said corporation set forth in Article 598-1 of the Companies Act or other equivalent persons); executives of a corporation or entity other than a company; and employees working for a corporation or other entity.

\*2. Principal business partner refers to a party that undertakes business transactions with the Group such that the annual transaction amount exceeds 2% of annual consolidated sales.

\*3. Significant amount of money or other remuneration/compensation refers to cases where, if the recipient is a person, said compensation totals ¥10 million or more per fiscal year; or if the recipient is a business entity, said compensation exceeds 2% of the annual consolidated sales or total income of such entity.



### **Reference 3**

- \*4. Important executives include: directors (excluding external directors); executive officers; corporate officers; and employees in senior management positions who hold ranks no lower than general manager.
- \*5. Cross-appointment of external directors/Audit & Supervisory Board members refers to a reciprocal relationship wherein the Company offers a post as an external director/Audit & Supervisory Board member to a person who is serving or has served in another listed company and a person who is serving or has served the Group takes a post as an external director/Audit & Supervisory Board member in said listed company.

## **Reference 4**

### **Lion Group Charter for Corporate Behavior**

We, the Lion Group, shall, in addition to being an economic entity designated to pursue profits through fair competition, act as a social entity that contributes to society at large. We shall respect human rights and conduct ourselves with initiative in a socially responsible manner toward the creation of a sustainable society, observing both the spirit as well as the letter of all applicable laws and international rules and not harming the public interest, both in Japan and abroad, in accordance with the following 10 principles.

#### **1. Principal Mission**

We shall earn the confidence and satisfaction of customers (consumers and users) by providing excellent, safe goods and services useful for their daily lives.

#### **2. Compliance with Public Rules**

We shall observe all relevant laws and regulations and engage in fair, transparent and free competition and proper transactions. We shall maintain sound and proper relationships with governmental and political bodies.

#### **3. Disclosure**

We, as a socially open company, shall actively engage in communication not only with our shareholders but also with members of society at large and disclose information generally regarding Company management in an appropriate and timely manner.

#### **4. Environmental Issues**

We shall play a positive and active role in creating a sustainable society that harmonizes economic development and environmental protection.

#### **5. Improvement of Working Environments**

We shall promote fair treatment and respect the diversity, individuality and personalities of our employees. We shall ensure a safe and comfortable workplace to realize the mental and physical well-being of our employees.

#### **6. Contribution to Society**

We shall actively contribute to society as good cooperate citizens.

#### **7. Opposition to Antisocial Forces**

We shall firmly oppose antisocial entities and organizations threatening the order and security of civil society.

#### **8. Contribution in Foreign Countries**

In our overseas operations, we shall not only observe international rules and the laws of relevant foreign countries, but also respect local cultures and customs and contribute to the development of local communities with sincerity and mutual trust.

#### 9. Practice of Corporate Ethics

Top management shall assume responsibility for implementing the spirit of this Charter and shall take the initiative to set a good example and fully inform Lion Group employees of the Charter. Top management shall strive to take in internal and external opinions continuously to promote mutual understanding and the development and implementation of effective internal control systems while enforcing thorough compliance with corporate ethics.

#### 10. Resolution of Problems

Should an incident contrary to the principles of this Charter occur, top management shall publicly clarify its position, taking responsibility to resolve the problem on its own initiative, and strive to investigate the facts, identify the causes of the incident and prevent recurrences. Top management shall fulfill its responsibility to disclose accurate information promptly and explain the situation, and shall resolve the problem in a manner fully understandable to society. After clarifying authority and responsibility for said problem, top management shall impose strict and impartial disciplinary actions upon any liable persons, including the highest level of management.

## **Reference 5**

### **IR Information Disclosure Policy**

#### **Basic Policy**

Based on the Lion Group Charter for Corporate Behavior, Lion actively works to disclose corporate information such as that concerning business strategy and the Company's financial status in a fair, accurate and timely manner in order to secure the trust and understanding of shareholders, investors and all other stakeholders.

#### **Information Disclosure Standards**

Lion discloses information in line with the timely disclosure rules of the Tokyo Stock Exchange (TSE), on which the Company's shares are listed. In addition, Lion proactively discloses information that, although not specified by the TSE's rules of timely disclosure, it believes may be of relevance to the investment decisions of shareholders and investors.

#### **Method of Disclosure**

In accordance with the above information disclosure standards, Lion discloses information via the Timely Disclosure Network (TDnet) provided by the TSE while actively employing its corporate website to promote the fair and timely disclosure of such information. Furthermore, Lion releases news and updates its website to disclose other information in a fair and timely manner.

#### **Forward-Looking Statements**

In addition to the results forecasts that Lion provides to the TSE, Lion provides forward-looking information in such forms as business plans and strategies through results briefings and other IR activities. Forward-looking information reflects judgments made based on the information available at the time of compilation, and actual results may differ significantly due to a number of factors.

#### **Period of Silence**

To prevent leaks of information concerning business results and to ensure fairness, Lion maintains a period of silence from the day following the closing of accounts for each fiscal period, including for each fiscal quarter, until that period's results briefing. During this period, the Company does not, in principle, disclose information about or answer questions pertaining to its business results.