

News Release
February 10, 2017
Lion Corporation
President: Itsuo Hama
(Code 4912)

Notice Concerning the Adoption of a New Performance-Linked Stock-Based Compensation System

At the meeting of the Board of Directors of Lion Corporation (“the Company”) held on February 10, 2017, the board resolved to adopt a new stock-based compensation system (“the System”) covering directors (excluding external directors; the same applies hereinafter) and executive officers (collectively “directors and executive officers” or “directors or executive officers”). Accordingly, a proposal concerning the adoption of the System to cover directors will be considered at the Annual Meeting of Shareholders scheduled for March 30, 2017 (“the Shareholders’ Meeting”). Details are as follows.

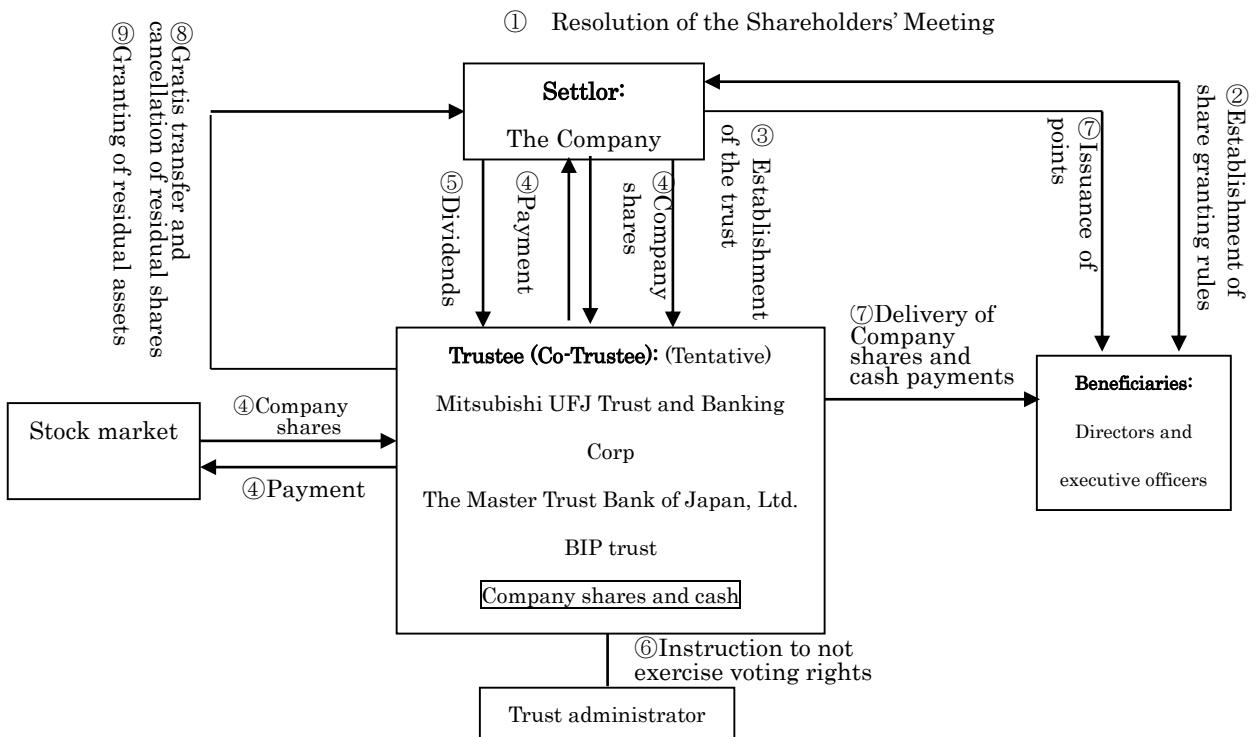
1. Adoption of the System

- (1) Lion’s adoption of the System would better motivate directors and executive officers to contribute to the Company’s performance and increase corporate value over the medium- to long-term. (Note 1)
- (2) The adoption of the System is contingent on approval by the Shareholders’ Meeting of the proposal concerning the adoption of the System for directors (note 2).
- (3) The System employs a compensation structure referred to as a board incentive plan trust (“BIP trust”). A BIP trust is an executive incentive plan based on performance share plans and restricted stock plans widely used in the United States. This BIP trust would grant shares of the Company acquired by the BIP trust and cash in the amount of the converted value of such shares (“the Company’s shares, etc.”) to directors and executive officers after their retirement according to their degree of achievement of performance targets and other factors.
- (4) Upon the expiry of the period of the BIP trust (“the Trust”) set up for the System, the Company would set up a new Trust or continue the existing Trust for which the trust period has expired by making alterations and additional contributions to said existing Trust, thus ensuring the continuity of the System.

Notes:

1. The Compensation Advisory Committee, an advisory body to the Board of Directors comprising external directors and external corporate auditors, is considering the adoption of the System.
2. Upon the adoption of the System, the current stock option system would be discontinued and new stock options no longer granted. As a result, directors' compensation after the adoption of the System would consist of fixed compensation, bonuses and performance-linked stock-based compensation. Note that the compensation of external directors, who are independent of executive functions, consists only of fixed compensation.

2. Framework of the System



- (a) With respect to the adoption of the System for directors, the Company will obtain approval of director compensation by resolution of the Shareholders' Meeting.
- (b) The Company will establish share granting rules with respect to the System by resolution of the Board of Directors.
- (c) The Company will contribute funds for the compensation of directors within limits approved by resolution of the Shareholders' Meeting referred to in (a) as well as funds for the compensation of executive officers, entrusting these funds to Mitsubishi UFJ Trust and Banking Corporation (the trustee), thereby establishing the Trust with directors and executive officers who meet the beneficiary requirements as its beneficiary.
- (d) Following the instructions of the trust administrator, the Trust will acquire the Company's shares either from the Company (constituting a disposal of treasury stock on the part of the Company) or the stock market using the contributed funds described in (c). The number of shares acquired for grant to directors shall be within limits approved by resolution of the Shareholders' Meeting referred to in (a). The shares of the Company held by the Trust will be managed separately in amounts calculated based on the volume of funds provided for

- the compensation of directors and that provided for the compensation of executive officers.
- (e) Dividends on the shares of the Company held by the Trust will be paid in the same manner as those on other shares of the Company.
 - (f) The voting rights of shares of the Company in the Trust will not be exercised during the trust period.
 - (g) Every fiscal year during the trust period, a number of points (determined as described in (5), below) to be awarded to each director and executive officer is awarded based on individual rank, the degree of achievement of performance targets for the fiscal year and other factors. These points are cumulative over the trust period. When directors or executive officers who meet certain beneficiary requirements retire, they are granted the Company's shares, etc., in proportion to their accumulated points.
 - (h) If there are residual shares at the expiry of the trust period due to the underachievement of performance targets or other factors, the Company will either continue the Trust for use in the System or for another incentive plan similar to the System by making amendments to the trust agreement and additional contributions to the Trust, or the residual shares will be transferred from the Trust to the Company without compensation and then canceled by resolution of the Board of Directors.
 - (i) Upon the termination of the Trust, residual assets remaining after all distributions to beneficiaries will revert to the Company within the amount of the trust expense reserve, calculated by deducting share acquisition funds from the trust money. Any portion in excess of the trust expense reserve will be donated to organizations having no relationship of interest with the Company, directors or executive officers.

Note: If the Trust's holdings of the Company's shares are exhausted due to the granting of the Company's shares, etc., to directors and executive officers who meet the beneficiary requirements, the Trust will be terminated prior to the expiry of the trust period. However, to circumvent such termination, within the limits approved by resolution of the Shareholders' Meeting, the Company may entrust additional funds to the Trust to be used for the further acquisition of shares of the Company for grant to directors.

(1) Overview of the System

The System covers three fiscal years corresponding to the period of the Company's medium-term management plan ("the Covered Period") and grants the Company's shares, etc., to directors and executive officers at the time of their retirement, according to their individual rank, the degree of achievement of annual performance targets and other factors. However, the Covered Period of the Trust to be established in 2017 will comprise a total of four fiscal years, consisting of the remainder of the period of the current medium-term management plan (the fiscal year ending December 31, 2017) and the period of the next medium-term management plan (from the fiscal year ending December 31, 2018 to the fiscal year ending December 31, 2020).

Compensation under the System is takes the form of a number of points awarded each

year composed of a fixed portion and a performance-linked portion. The fixed portion is a set number of the Company's shares, etc., to be awarded each fiscal year, and the performance-linked portion is a number of the Company's shares, etc., to be awarded based on the degree of achievement of performance targets for each fiscal year under the medium-term management plan. The fixed portion is intended to align the interests of directors and executive officers with those of other shareholders of the Company, and the performance-linked portion is intended to provide incentive to contribute to the Company's performance and increase corporate value over the medium- to long-term. Fixed compensation and performance-linked compensation will each be equal to half of the rank-specific stock-based compensation base amount described in (5), below.

(2) Resolution of the Shareholders' Meeting Regarding the Adoption of the System

The maximum amount of funds to be contributed to the Trust for the acquisition of shares of the Company for grant to directors, the maximum annual amount of the Company's shares, etc., for grant to directors, and other necessary matters will be decided by resolution of the Shareholders' Meeting.

Note that if the trust period is extended as described in (4), b., below, the amendment of the trust agreement and additional contributions to the Trust at the expiry of the trust period with regard to the compensation of directors will be decided, within the limits approved by resolution of the Shareholders' Meeting, by resolution of the Board of Directors.

Necessary matters concerning compensation for executive officers through the System will be decided by resolution of the Board of Directors.

(3) Eligibility under the System (Beneficiary Requirements)

Upon their retirement (including effective retirement as a result of death and the retirement of executive officers who become directors; the same applies hereinafter), directors and executive officers will be granted, by the Trust, the Company's shares, etc., in amounts corresponding to their accumulated number of points (determined as described in (5) below) after the prescribed beneficiary determination procedures, on the condition that they meet the beneficiary requirements.

The beneficiary requirements are as follows.

- a. The beneficiary served as a director or executive officer during the Covered Period (including persons who became a director or executive officer during the Covered Period)
- b. The beneficiary has retired from a position at the Company as a director or executive officer*
- c. The beneficiary has not resigned for personal reasons, been fired, engaged in certain types of illegal conduct while in office or taken a position with another company in one of the industries the Company operates in without the Company's permission
- d. The beneficiary's number of points (determined as described in (5), below) has been

- determined
- e. Any other requirements considered necessary to fulfill the purpose of the System as a performance-linked stock-based compensation scheme

* If the trust period is extended as described in (4), c., below, and persons covered by the System are still in office as directors or executive officers when the period of extension expires, the trust will terminate, and said directors or executive officers will be granted the Company's shares, etc., while in office.

(4) Trust Period

a. Initial Trust Period

The trust period will be approximately four years, from May 31, 2017 (tentative), to May 31, 2021 (tentative).

b. Extension of the Trust

At the expiry of the period of the Trust, the Company may continue the Trust by amending the trust agreement and making additional contributions to the Trust. In such cases, the trust period will be extended three years. For each such extension of the trust period, the Company will make additional contributions to the Trust. The Company will continue to award points (determined as described in (5), below) to directors and executive officers during such extensions of the trust period.

c. Treatment at the Expiry of the Trust Period (Extension of the Trust Period Without Additional Contributions)

If amendments to the trust agreement and additional contributions are not made at the expiry of the trust period, the Company shall thereafter cease to award points to directors and executive officers. However, if directors or executive officers who may meet the beneficiary requirements remain in office at said time, the trust period of the Trust may be extended until said directors or executive officers retire and the grant of the Company's shares, etc. is complete.

(5) Amount of the Company's Shares, etc., for Grant to Directors and Executive Officers

At a specified time after the end of each fiscal year during the trust period (beginning with the year ending December 31, 2017), the Company will award a number of points calculated using the formula below to directors and executive officers who were in office as of the last day of said fiscal year (including those retired as of the end of that fiscal year). These points are cumulative. When a director or executive officer retires, the Company's shares, etc. will be granted to said director or executive officer in proportion to their accumulated number of points.

The number of points awarded to each director and executive officer is calculated by adding the fixed portion, equivalent to half their rank-specific stock-based compensation base amount ("fixed base amount") to the performance-linked portion, equivalent to the remaining half their rank-specific stock-based compensation base amount ("performance-linked base

amount") multiplied by the performance coefficient,* and dividing this sum by the average per-share acquisition cost of the shares of the Company acquired by the Trust ("average per-share acquisition cost").

Point formula

(Fixed base amount + Performance-linked base amount × Performance coefficient*) ÷
Average per-share acquisition cost

*The performance coefficient varies based on the degree to which targets for ordinary income and profit attributable to owners of parent have been achieved each fiscal year. If these targets are met 100% or more, the performance coefficient is set at between 1.00 and 2.00, depending on the degree of achievement (the value of the coefficient is truncated after the second decimal place); if the targets are less than 100% met, the performance-linked coefficient is 0.

One point is equivalent to one share of the Company; fractional points will be truncated when awarded each year. If, however, during the trust period, the Company's stock is subject to a share split or share consolidation, or other events arise that justify adjustments in the value of points, the Company will adjust the number of the Company's shares delivered for each point in accordance with the ratio of such split, consolidation or other such factor.

(6) Upper limits on funds to be contributed to the Trust for the acquisition of the Company's shares for grant to directors and on the number of the Company's shares, etc., for grant to directors

Contingent on approval by resolution of the Shareholders' Meeting, the upper limits on the funds to be contributed by the Company to the Trust during the Covered Period for the acquisition of the Company's shares for grant to directors and on the number of the Company's shares, etc., for grant to directors during the Covered Period will be as follows.

Initial upper limit on funds to be contributed to the Trust for the acquisition of the Company's shares for grant to directors: ¥600 million (note 1, note 2)

Notes:

1. If the Trust is extended as described in (4) b., above, the upper limit on additional contributions to the Trust upon such extension will be ¥450 million.
2. The upper limit on the trust money is calculated by adding the funds for the acquisition of the Company's shares, trust fees and trust expenses, with consideration given to the current level of director compensation.

Upper limit on the total number of the Company's shares, etc., for grant to directors per fiscal year: 90,000 shares (note 3, note 4)

Notes:

3. The upper limit on the total number of the Company's shares, etc., for grant to directors per fiscal year is determined based on the above upper limit on the trust money, with consideration given to historical stock prices and other factors.
4. The upper limit on the number of the shares acquired by the Trust for grant to directors during the initial Covered Period (the "number of shares to be acquired") is 360,000 shares, calculated as the upper limit on the total number of the Company's shares, etc., for grant to directors per fiscal year multiplied by 4, the number of years of the trust period. However, if the Trust is extended as described in (4) b., above, the upper limit on the number of shares to be acquired during the Covered Period will be 270,000 shares, calculated as the upper limit on the total number of points issued to directors per fiscal year multiplied by 3, the number of years of the trust period extension.

Reference:

In addition to the above amounts, the Company will entrust funds for the acquisition of the Company's shares for grant to executive officers, and this money will be accounted for separately in the Trust. For the initial Covered Period, the planned upper limit on funds to be contributed to the Trust for the acquisition of the Company's shares for grant to executive officers is ¥480 million, and the planned upper limit on the total number of the Company's shares, etc., for grant to executive officers is 288,000.

Necessary matters related to the compensation of executive officers will be decided by resolution of the Company's Board of Directors.

(7) Method of acquisition of the Company's shares by the Trust

The initial shares of the Company acquired by the Trust will be acquired from the Company (constituting a disposal of treasury stock on the part of the Company) or from the stock market. The details of the acquisition method will be decided and disclosed by the Company following the resolution of the Shareholders' Meeting.

(8) Method of Grant of the Company's shares, etc., to directors and executive officers

The Trust will grant directors and executive officers who meet the beneficiary requirements a number of shares corresponding to 70% of their cumulative points (fractional units will be truncated). The number of shares corresponding to the remaining 30% of the points will be converted to cash within the Trust, and said cash will be paid by the Trust to the beneficiary. However, in the event of the death of a director or executive officer who meets the beneficiary requirements, a number of the Company's shares corresponding to 100% of the director or executive officer's points will be converted to cash within the Trust, and the resulting amount of cash will be paid by the Trust to said director or executive officer's heirs.

(9) Exercise of voting rights for the Company's shares held in the Trust

To ensure their neutrality toward corporate management, no voting rights shall be exercised for

the Company's shares held in the Trust during the trust period.

(10) Handling of dividends paid to the Company's shares held in the Trust

Dividends on the Company's shares held in the Trust shall be received by the Trust and applied to trust fees and trust expenses. In the event that, after such application to trust fees and expenses, residual assets remain at the expiry of the Trust, such assets will be donated to organizations having no relationship of interest with the Company, directors or executive officers. In the event that the Company continues to use the Trust, such residual assets will be applied to the acquisition of shares.

(11) Handling at the expiry of the Trust

In the event that residual shares remain in the Trust at the expiry of the Trust (or, if the trust period is extended as described in (4), c., above, at the expiry of the extended trust period) due to the underachievement of performance targets or other factors, said residual shares will be transferred from the Trust to the Company without compensation, and the Company will then cancel said shares by resolution of the Board of Directors as a way to return value to shareholders.

Reference: Details of the Trust Contract

1. Trust type	An individually operated designated trust of cash other than a cash trust (third-party benefit trust)
2. Trust purpose	To provide incentives to directors and executive officers
3. Settlor	Lion Corporation
4. Trustee	Mitsubishi UFJ Trust and Banking Corporation (tentative) (Co-trustee: The Master Trust Bank of Japan, Ltd. (tentative))
5. Beneficiaries	Directors and executive officers who meet the beneficiary requirements
6. Trust administrator	A third party with no relationship of interest with the Company
7. Trust agreement date	May 31, 2017 (tentative)
8. Trust period	May 31, 2017 (tentative) to May 31, 2021 (tentative)
9. Commencement of the System	June 1, 2017 (tentative)
10. Exercise of voting rights	Voting rights will not be exercised
11. Type of shares to be acquired	Common stock of Lion Corporation
12. Upper limit of trust money	For directors: ¥600 million (tentative) (includes trust fees and trust expenses) For executive officers: ¥480 million (tentative) (includes trust fees and trust expenses)
13. Rights holder	Lion Corporation
14. Residual assets	Residual property that can be received by Lion Corporation, the rights holder, shall be within the amount of the trust expense reserve, calculated by deducting the share acquisition funds from the trust money

Note: The tentative dates given above are subject to change as necessary in light of applicable laws and regulations.

Administrative duties related to the trust and shares

Trust-related administration	Mitsubishi UFJ Trust and Banking Corporation and The Master Trust Bank of Japan, Ltd. will be the trustees of the Trust and will carry out trust-related administrative duties. Based on a commission agreement, Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. will carry out administrative duties related to the delivery of the Company's shares to
Share-related administration	

beneficiaries.