

May 9, 2017

Company name: Lion Corporation

Representative: Itsuo Hama, Representative
Director, President Executive
Officer

Security code: 4912; the First Section of the
Tokyo Stock Exchange

Notice Concerning the Disposal of Treasury Stock through Third-Party Allotment

Lion Corporation (hereinafter “Lion” or “the Company”) hereby announces a resolution made at a meeting of its Board of Directors on May 9, 2017 to execute the disposal of treasury stock (hereinafter the “disposal of treasury stock” or the “disposal”) through third-party allotment. Details follow.

1. Outline of the Disposal of Treasury Stock

(1) Date of disposal	June 5, 2017
(2) The number of shares to be disposed of	502,200
(3) Disposal value	¥2,130 per share
(4) Amount of funds to be raised	¥1,069,686,000
(5) Disposal method	Disposal by way of third-party allotment
(6) Disposal recipient	The Master Trust Bank of Japan, Ltd. (Executive Compensation BIP Trust Account)
(7) Other	The disposal of treasury stock is premised on the effect of the filing of the Company’s application in accordance with Japan’s Financial Instruments and Exchange Act.

2. Purposes of and Reasons for the Disposal

Based on a resolution passed at the aforementioned meeting of its Board of Directors, the Company decided to adopt a new compensation system employing the “Executive Compensation BIP Trust,” with the aim of ensuring a closer link between compensation paid to its directors (excluding external directors; the same applies hereinafter) and executive officers (hereinafter collectively “directors and executive officers”) and its

share value. The Company thus intends to better motivate these individuals to pursue improvements in corporate performance and corporate value from a medium- to long-term perspective.

For details regarding the BIP trust, please refer to “Notice Concerning the Adoption of a New Performance-Linked Stock-Based Compensation System,” announced on February 10, 2017.

In conjunction with the adoption of the BIP trust, the Company and Mitsubishi UFJ Trust and Banking Corporation will sign an Executive Compensation BIP Trust agreement (hereinafter the “trust agreement”; the trust being established based on this agreement shall be referred to as “the trust”) that designates The Master Trust Bank of Japan, Ltd. (Executive Compensation BIP Trust Account) as a co-trustee. Therefore, the disposal of treasury stock will be executed through third-party allotment to The Master Trust Bank of Japan, Ltd.

3. Amount of Funds to Be Raised, Usage of Funds and Scheduled Date of Expenditure

(1) Amount of funds to be raised

Total payment amount:	¥1,069,686,000
Estimated expenses related to share issuance:	¥ --
Estimated net proceeds:	¥1,069,686,000

(2) Usage of Funds

The full amount of estimated net proceeds totaling ¥1,069,686,000 will be appropriated to working capital for the payment of various expenses incurred on or after June 5, 2017. In addition, the funds will be managed under the Company’s deposit account until any expenditure is executed.

4. The Company’s Stance on the Reasonableness of the Usage of Funds

The Company considers that the usage of these funds is reasonable as it contributes to the Company’s business operations.

5. The Company’s Stance on the Reasonableness of Terms and Conditions for the Disposal

(1) Basis for and Details of the Calculation of Disposal Value

To eliminate arbitrariness in determining disposal value, the Company has taken recent trends in its stock price into consideration and has set the disposal value at ¥2,130 per share, the closing price announced at Tokyo Stock Exchange, Inc. (hereinafter the “Tokyo Stock Exchange”) on May 8, 2017, the business day immediately prior to the date on which the resolution with regard to the disposal of

treasury stock was passed by the Board of Directors. The Company's reason for adopting the closing price announced on that date is that the market price announced immediately prior to the Board of Directors' decision serves as an objective and reasonable indicator that provides a fair basis for the calculation of disposal value.

Regarding the rate of deviation of the aforementioned disposal value from the average stock price, said disposal value represents a deviation of 6.02% from a value of ¥2,009 (figures less than one yen are rounded down; the same shall apply hereafter), the average of closing prices announced at the Tokyo Stock Exchange over a one-month period (spanning from April 10 to May 8, 2017) immediately prior to the date of the Board of Directors' resolution. Similarly, said value represents deviation of 6.18% from the value of ¥2,006, the average of closing prices announced over a three-month period (spanning from February 9 to May 8, 2017) immediately prior to the date of the Board of Directors' resolution, while it represents deviation of 9.06% from the value of ¥1,953, the average of closing prices announced over a six-month period (spanning from November 9, 2016 to May 8, 2017) immediately prior to the date of said resolution. As such, the Company considers that said disposal value is in compliance with the "Guidelines Concerning the Handling of Capital Increase by Third Party Allotment" issued by the Japan Securities Dealers Association and, therefore, does not constitute a value arbitrarily determined in favor of the Company.

In addition, all of the four corporate auditors serving the Company, two of whom are external corporate auditors, concluded that said disposal value was reasonably calculated and does not constitute a value arbitrarily determined in favor of the Company.

(2) Basis for the Company's Belief that the Number of Shares to Be Disposed of and the Resulting Dilution of Shares, Are Reasonable

The number of shares to be disposed of is based on the estimated number of shares to be granted to the Company's directors and executive officers during the trust period in accordance with its share granting rules. The ratio of the resulting dilution of shares against the total number of shares outstanding will amount to 0.17% (this figure is rounded up to the second decimal place; similarly, the ratio of the resulting dilution against the number of voting rights, totaling 288,684 as of December 31, 2016, will amount to 0.17%). The Company therefore considers the resulting dilution of shares to be minor.

In accordance with its share granting rules, Company shares allotted to a third party through the disposal of treasury stock will be granted to its directors and

executive officers. Accordingly, an immediate influx of all of these shares to the stock market is not expected. Having thus concluded that the impact of the aforementioned disposal of treasury stock on the trading market is insignificant, the Company believes that the number of shares to be disposed of and the resulting dilution of shares are reasonable.

6. Reasons for Selecting the Disposal Recipient

(1) Outline of the Disposal Recipient

- ① Name: The Master Trust Bank of Japan, Ltd.
(Executive Compensation BIP Trust Account)
- ② Main content of the trust agreement
- | | |
|--|---|
| Type of trust | Trust of funds other than directed money trust for separate investment (third-party benefit trust) |
| Purpose of trust | To provide directors and executive officers with incentives |
| Trustor | Lion Corporation |
| Trustees | Mitsubishi UFJ Trust and Banking Corporation
(Co-trustee: The Master Trust Bank of Japan, Ltd.) |
| Beneficiaries | Directors and executive officers who meet requirements for beneficiaries |
| Custodians | Third parties who have no interests in the Company |
| Date of the trust agreement | May 31, 2017 (scheduled) |
| Trust period | May 31, 2017 to May 31, 2021 (scheduled) |
| Initiation of the compensation system | June 1, 2017 (scheduled) |
| Exercise of voting rights | Voting rights associated with shares to be disposed of will not be exercised. |
| The initial value of funds to be entrusted | ¥1.08 billion (including trust fees and expenses)
Of this, funds for acquiring shares to be granted to directors: ¥0.59 billion
Funds for acquiring shares to be granted to executive officers: ¥0.48 billion |

Reference: Outline of the Disposal Recipient

(1) Name	The Master Trust Bank of Japan, Ltd. (Executive Compensation BIP Trust Account)
(2) Location	2-11-3 Hamamatsucho, Minato-ku, Tokyo

(3) Name and title of representative	Kaoru Wachi, Representative Director, President
(4) Business content	Management of marketable securities and administration and settlements associated with asset management
(5) Capital	¥10,000 million
(6) Establishment	May 9, 2000
(7) Total number of shares outstanding	Common stock: 120,000
(8) Closing date	March 31
(9) Number of employees	784 (as of September 30, 2016)
(10) Main trading partners	Business corporations and financial institutions
(11) Main bank	—
(12) Major shareholders and ratios of their shareholdings	Mitsubishi UFJ Trust and Banking Corporation: 46.5% Nippon Life Insurance Company: 33.5% Meiji Yasuda Life Insurance Company: 10.0% The Norinchukin Trust and Banking Co., Ltd.: 10.0%
(13) Relationship with the Company	
Capital relationship	Not applicable. However, Mitsubishi UFJ Trust and Banking Corporation, one of major shareholders of the disposal recipient, holds the Company's common stock totaling 5,000,000 shares.
Personnel relationship	Not applicable.
Transactional relationship	Not applicable. However, Mitsubishi UFJ Trust and Banking Corporation, one of major shareholders of the disposal recipient, maintains transactions through trust banking with the Company.
Circumstances that would cause the disposal recipient to	Not applicable.

be recognized as a related party			
(14) Three-Year Summary of Management Performance and Financial Status			
Fiscal year ended March 31,	2014	2015	2016
Net assets (millions of yen)	20,829	21,233	21,812
Total assets (millions of yen)	602,241	1,450,058	6,217,917
Net assets per share (yen)	173,581.48	176,948.03	181,771.23
Ordinary revenue (millions of yen)	23,258	21,913	22,338
Ordinary income (millions of yen)	1,044	863	1,096
Net income (millions of yen)	626	522	717
Net income per share (yen)	5,221.55	4,355.17	5,975.76
Cash dividends per share (yen)	1,305.00	1,088.00	1,493.00

Note: Based on its own research into publically known information regarding the aforementioned disposal recipient, including information available via corporate websites and disclosure materials, the Company concluded that the disposal recipient, its directors and executive officers, and its major shareholders (major investors) have no relationships of any kind with anti-social forces. Accordingly, the Company has filed with the Tokyo Stock Exchange a statement to that effect.

(2) Reasons for Selecting the Disposal Recipient

Based on a resolution passed at its Board of Directors' meeting, the Company decided to adopt the compensation system employing the trust, with the aim of ensuring a closer link between compensation paid to directors and executive officers and the value of Company shares. In this way, the Company aims to better motivate these individuals to pursue improvements in corporate performance and corporate value from a medium- to long-term perspective.

To adopt the compensation system based on the trust, the Company decided to enter into the trust agreement with Mitsubishi UFJ Trust and Banking Corporation. With that firm having submitted a preliminary proposal regarding the agreement and prior to making its final decision, the Company performed a comprehensive review, examining transactional relationships where Mitsubishi UFJ Trust Banking Corporation has served as a transfer agent as well as the cost of undertaking relevant procedures while making

comparisons with estimates furnished by other firms.

Based on the aforementioned agreement, The Master Trust Bank of Japan, Ltd. will serve as a co-trustee that engages in the management of the trust and the maintenance and settlement of trust assets. Therefore, The Master Trust Bank of Japan, Ltd. (Executive Compensation BIP Trust Account) will be selected as the disposal recipient.

(3) The Disposal Recipient's Policies on Asset Holdings

As the disposal recipient, The Master Trust Bank of Japan, Ltd. (Executive Compensation BIP Trust Account) will, in accordance with the Company's share granting rules, grant Company shares to directors and executive officers who meet requirements for beneficiaries of the trust. These rules also allow the provision of cash equivalent to the value of such Company shares to these individuals.

In addition, the number of Company shares recognized as trust assets as well as the status of such assets will be regularly confirmed by the Company based on monthly reporting by Mitsubishi UFJ Trust Banking Corporation, which serves as a trustee, throughout the trust period.

The Company also obtained preliminary approval of The Master Trust Bank of Japan, Ltd. (Executive Compensation BIP Trust Account) with regard to the signing of an agreement aimed at ensuring that whenever the latter firm transfers part or all of Company shares kept under its management, it shall swiftly report details of such transfer. More specifically, during a two-year period after the allotment of Company shares, under this agreement The Master Trust Bank of Japan, Ltd. will be obliged to inform the Company of the name and address of the transferee, the number of shares transferred, the date of such transfer, the price of shares transferred, reasons for executing such transfer, methods used for transfer and other details immediately after such transfer. In addition, the agreement stipulates that content of such report shall be forwarded to the Tokyo Stock Exchange while being made available to the general public.

(4) Confirmed Facts regarding the Existence of Assets Necessary for Payment by the Disposal Recipient

Based on the provisions of the trust agreement, which will be signed on May 31, 2017 to govern the Executive Compensation BIP Trust, the Company confirmed that once it has completed the contribution of initial funds to the trust to enable the payment associated with the disposal, these funds will be recognized as trust assets held by The Master Trust Bank of Japan, Ltd. (Executive Compensation BIP Trust Account), which serves as the disposal recipient, at the date of such disposal.

7. Major Shareholders and Ratios of Their Shareholdings after the Disposal

Before the disposal (As of December 31, 2016)		After the disposal	
Japan Trustee Services Bank, Ltd.(Trust Account)	8.36%	Japan Trustee Services Bank, Ltd.(Trust Account)	8.36%
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	5.44%	Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	5.44%
STATE STREET BANK AND TRUST COMPANY	3.62%	STATE STREET BANK AND TRUST COMPANY	3.62%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3.37%	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3.37%
The Master Trust Bank of Japan, Ltd. (Trust Account)	1.99%	The Master Trust Bank of Japan, Ltd. (Trust Account)	1.99%
Mitsubishi UFJ Trust and Banking Corporation	1.67%	Mitsubishi UFJ Trust and Banking Corporation	1.67%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	1.48%	Tokio Marine & Nichido Fire Insurance Co., Ltd.	1.48%
JP MORGAN CHASE BANK 380055	1.38%	JP MORGAN CHASE BANK 380055	1.38%
Meiji Yasuda Life Insurance Company	1.37%	Meiji Yasuda Life Insurance Company	1.37%
Toyota Tsusho Corporation	1.17%	Toyota Tsusho Corporation	1.17%

Notes:

1. Based on the shareholder registry as of December 31, 2016.
2. The ratio of shareholdings is stated by rounding down the figure to the second decimal place.
3. Aside from shares held by the above-stated shareholders, treasury stock totaling 8,551,212 shares (representing a shareholding ratio of 2.85%), currently held by the Company, will decrease to 8,049,012 shares (representing a shareholding ratio of 2.69%) after the disposal. In addition, these shares do not include shares to be disposed of from January 1, 2017 onward in relation to the exercise of subscription rights, fractional unit shares subject to buyback or those fractional unit shares to be additionally sold to shareholders.

8. Matters Regarding Transactions with Controlling Shareholders

The transactions accompanying the disposal do not represent transactions with controlling shareholders.

9. Future Outlook

The Company's operating results for the fiscal years ending December 31, 2017 and beyond, will be unaffected.

10. Procedures under the Code of Corporate Conduct

The disposal of treasury stock will result in only a minor dilution of shares, which falls well below the prescribed level of 25%, while producing no changes in the holdings of controlling shareholders. Therefore, third-party opinions and the confirmation of shareholders' consensus, which would otherwise be mandated based on Article 432 of the Tokyo Stock Exchange's Securities Listing Regulations, are not required.

11. Three-Year Summary of Corporate Performance and Equity Finance

(1) Consolidated Operating Results for the Most Recent Three Fiscal Years

Fiscal years ended December 31,	2014	2015	2016
Consolidated net sales (millions of yen)	367,396	378,659	395,606
Consolidated operating income (millions of yen)	12,406	16,374	24,502
Consolidated ordinary income (millions of yen)	14,059	18,099	26,290
Profit attributable to owners of parent (millions of yen)	7,368	10,680	15,951
Profit per share (yen)	27.47	39.35	55.13
Cash dividends per share (yen)	10	10	13
Consolidated net assets per share (yen)	449.94	469.05	513.76

(2) The Current Status of the Number of Shares Outstanding and Potential Shares (as of December 31, 2016)

	The number of shares	Ratio of shares to the total number of shares outstanding
The total number of shares outstanding	299,115,346	100.0%
The number of potential shares determined based on current conversion value (value of shares acquired through the exercise of subscription rights)	—	— %
The number of potential shares	—	— %

determined based on minimal conversion value		
The number of potential shares determined based on maximum conversion value	—	— %

(3) Recent Trends in the Company's Stock Price

① Three-Year Summary

Fiscal years ended December 31,	2014	2015	2016
Opening price (yen)	586	630	1,125
Highest price (yen)	675	1,294	1,963
Lowest price (yen)	506	600	956
Closing price (yen)	630	1,144	1,920

② Summary of the Most Recent Six Months

	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
Opening price (yen)	1,702	1,882	1,930	1,970	1,958	2,030
Highest price (yen)	1,963	1,934	1,979	2,101	2,122	2,105
Lowest price (yen)	1,624	1,740	1,841	1,863	1,939	1,931
Closing price (yen)	1,860	1,920	1,961	1,940	2,002	2,012

③ Stock Prices on the Business Day prior to the Board of Directors' Resolution with Regard to the Disposal

	May 8, 2017
Opening price (yen)	2,080
Highest price (yen)	2,130
Lowest price (yen)	2,071
Closing price (yen)	2,130

(4) The Status of Equity Finance in the Most Recent Three Fiscal Years Not applicable.

12. Outline of the Disposal

(1) The number of shares to be disposed of: 502,200

(2) Disposal value: ¥2,130 per share

(3) The total value of shares to be disposed of: ¥1,069,686,000

(4) Disposal method:

The shares will be transferred to The Master Trust Bank of Japan, Ltd. (Executive Compensation BIP Trust Account)

(5) The date of the payment: June 5, 2017

(6) The number of treasury stock after the disposal: 8,049,012

Note: the number of treasury stock after the disposal as stated in the above (6) does not include shares to be disposed of from January 1, 2017 onward in relation to the exercise of subscription rights, fractional unit shares subject to buyback or those fractional unit shares to be additionally sold to shareholders.