

February 9, 2018

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 Continuation of Countermeasures against Large-Scale Purchase of Lion's Shares (Anti-Takeover Measures)**

At a meeting held on February 10, 2015, Lion Corporation's Board of Directors passed a resolution for the continuation of the Countermeasures against Large-Scale Purchase of Lion's Shares (hereinafter referred to as "the Current Plan") in accordance with Company's Basic Policy regarding Persons Who Control the Company's Decision Making on Financial Matters and Business Policies (stipulated in article 118-3 of the Enforcement Regulations of the Corporation Law; hereinafter referred to as "the Basic Policy"), and contingent on shareholder approval at the Company's regular shareholders' meeting on March 27, 2015. The Current Plan was intended as a means of preventing inappropriate parties from controlling the Company's decision making on financial matters and business policies. Its continuation was then approved at the abovementioned Shareholder's Meeting.

The effective period of the Current Plan extends through the end of the regular shareholders' meeting scheduled to be held on March 29, 2018 (the "Regular Shareholder Meeting"). The purpose of the Current Plan is to ensure that shareholders have sufficient time to properly determine the necessary response, if any, to a large-scale purchase offer for the Company's shares from a Purchaser or an offer from Lion's Board of Directors. In addition, at the regular shareholders' meeting held in March 2009, approval was granted for a resolution that would change the Articles of Incorporation regarding the institution, amendment and continuation of countermeasures against the large-scale purchase of Lion's shares. Given changes in economic conditions, the Company has been carefully examining whether and in what manner the Current Plan should be continued.

As a result of said examination, at a meeting held on February 9, 2018, the Board of Directors resolved to approve the partial amendment of the Current Plan to secure the Company's corporate value and shareholders' common interest and to ensure greater objectivity and appropriateness while removing any room for the Board of Directors to make arbitrary decisions. The Board also resolved to extend the Plan's effective period through the end of the regular shareholders' meeting scheduled to be held in March 2021, contingent on approval by the Regular Shareholders' Meeting (the plan after re-approval will hereinafter be referred to as "the Plan").

The major changes to the Plan are as follows.

- ① After the intent of a large-scale purchase has been made clear, the maximum period for the Purchaser to provide requested information is set at 60 days. (See section 3. (2) (iii) below.)
- ② Some types of purchase offers that are considered to be potentially seriously damaging to the Company's corporate value and the common interests of its shareholders have been deleted. The requirements necessary to trigger the anti-takeover measures have been limited to five types of purchase offers: namely, the four types designated by the Tokyo High Court as well as high-handed two-stage acquisitions. (See section 3. (2) (v) (b) below.)
- ③ It has been made clear that Ineligible Parties are not to be issued common shares nor provided any money or economic benefit as consideration. (See section 3. (3) 8. below.)

### **1. Basic Policy regarding Persons Who Control Lion's Decision Making on Financial Matters and Business Policies**

Lion believes that persons who control the Company's decision making on financial matters and business policies should fully understand Lion's management philosophy, sources of corporate value and the

relationship 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.

At the same time, Lion considers final decisions concerning any proposal of acquisition that would involve a transfer of control of the Company must ultimately be based on the collective will of its shareholders. This is not meant to imply opposition to a large-scale acquisition of Lion's shares if such acquisition is to be to the benefit of corporate value and the common interests of shareholders.

Nevertheless, in some cases large-scale acquisitions are undertaken clearly for the purpose of undermining Lion's corporate value and the common interests of shareholders; for forcing shareholders to sell their shares; or are pushed forward without provisions of sufficient time and/or information to Lion's Board of Directors and shareholders so that they may examine suggestions regarding the acquisition proposal and alternatives. Thus, such cases can impair Lion's corporate value and the common interests of shareholders.

Lion believes that a party that pursues such a large-scale acquisition that does not benefit the Company's corporate value and the common interests of shareholders should be ineligible to control its decision making on finances and business policies. Thus, Lion is taking necessary and appropriate measures against any large-scale acquisition by such parties in order to secure its corporate value and the common interests of its shareholders.

## **2. Approach to Implementing the Basic Policy**

### **(1) Lion's Corporate Philosophy**

Since its founding in 1891, Lion has been contributing to society while offering quality products to ensure people's healthy, clean and comfortable lifestyles. On the product development front, Lion has introduced many of Japan's original, epoch-making technologies and products, such as a detergent exclusively for dishes and vegetables that contributes to public health, toothpaste in laminated tubes and fluoridated toothpaste, thanks to its steady pursuit of technological innovation. By doing so, Lion has consistently placed importance on customer satisfaction in each era of its operations.

Lion's environmental protection activities represent the history of its technological innovation in the detergent business. Considering taking an environment-friendly approach through its business as an important part of its mission, Lion has continuously engaged in such activities as water quality improvement for rivers, lakes and other waterfront, to this end developing Japan's first high-performance phosphorus-free detergents, while working to reduce CO<sub>2</sub> emissions by developing detergent containing washing components derived from plant-based materials.

Furthermore, Lion proactively contributes to society based on its company motto of "Fulfilling a spirit of love," which reflects the Company's aim to enhance the happiness and lifestyles of each and every customer. In 1900, not long after its inauguration, Lion released toothpastes accompanied by charity coupons that enabled a number of orphanages to be built thanks to the donations resulting from the toothpaste sales. During the Taisho era, Lion officially commenced Japan's first oral hygiene promotion activities. This spirit of social contribution has continued uninterrupted to this day and enhances Lion's social contribution activities in various fields.

With a pattern of consistent business activity based on the corporate philosophy, Lion's businesses encompass various the fields of household products, including toothpastes, toothbrushes, laundry detergents, and hand soaps as well as such over-the-counter (OTC) drugs as analgesics and eye drops, which are all necessary for people's daily lives. Supported by these diverse businesses, the Company's operational area has expanded into major Asian countries. Lion products enjoy an excellent reputation among customers in a variety of categories and countries, and overseas sales have become a source of corporate value.

### **(2) Efforts to Enhance Corporate Value**

Lion has been implementing its management vision, Vision2020, under which it has executed the V-1 Plan (Vision2020 Part 1) and V-2 Plan (Vision2020 Part 2) medium-term management plans.

Reflecting medium- to long-term changes in the external environment, Lion has formulated a new management vision for 2030 aimed at accelerating future-oriented transformations: "Becoming an advanced daily healthcare company." Aiming to achieve this management vision, we will implement a medium-term management plan, the LION Value Evolution Plan (LIVE Plan), over the three-year period of 2018 to 2020.

Under the theme of evolving into a leading advanced daily healthcare company, we will advance long-term, future-oriented growth initiatives and framework-building efforts in and outside Japan while further accelerating improvements to management efficiency to reinforce the earnings structure.

◇Strategic Framework for Realizing the Vision

1. Expand and Evolve our Business Domains through New Value Creation

Creating new combinations of various technologies and services, we will create new business value that realizes "healthy minds and bodies for all".

2. Accelerate Growth in Overseas Businesses through Glocalization

Focusing on growing markets in Asia, we will integrate globalization and localization approaches to create unique competitive advantages and thereby expand the scale of our businesses and the areas in which we operate.

3. Reinforce Our Management Base through Business Structure Reform

By improving management infrastructure and revising the business portfolio to stay ahead of changes in the environment, we will reinforce our management base to enable sustainable business growth.

4. Create Dynamism to Foster Innovative Change

We aim to foster corporate strength that will win out over global competition by promoting diversity and openness in our human resources, organizations and corporate culture.

Lion will steadily implement the strategies of the LIVE Plan outlined above to improve corporate value.

(3) Corporate Governance

To achieve true corporate governance, Lion places the highest priority on enhancing management transparency, ensuring prompt decision-making, maintaining effective supervision and securing compliance.

With the aim of further enhancing its corporate governance system, the Company hired one more external director in March 2017. The Company's Board of Directors now has nine directors including three external directors. The Company introduced an executive officer system, separating the executive and supervisory functions. Under the new system, the Board of Directors is responsible for decision making and management supervision, while the Executive Committee is responsible for job execution. The term of office for both directors and executive officers is one year. Among its corporate auditors, Lion has appointed two standing auditors and two external corporate auditors. Corporate auditors attend the Board of Directors' meetings and other important meetings to audit directors' job execution status while maintaining close liaisons with persons in charge of internal audits as well as accounting auditors to facilitate the exchange of information, realize established partnerships and enhance audit effectiveness and efficiency. The Board of Directors shall consult its Nomination Advisory Committee and Compensation Advisory Committee about the policy regarding the nomination of and compensation for directors, corporate auditors and executive officers. The two committees comprise external directors and external corporate auditors to ensure objectivity and transparency, and their advice is assigned maximum value. In addition, Lion established an Advisory Committee comprising knowledgeable people from outside of the Company to evaluate its business operations from a social standpoint.

**3. Content of the Plan (Approach to Prevent Inappropriate Parties from Controlling Lion's Finances and Business Policies in Accordance with the Basic Policy)**

(1) Objectives of the Plan

The Plan was introduced for the purposes of clarifying rules to be followed by parties who propose large-scale acquisitions of Lion's shares and to secure necessary and sufficient information and time for shareholders and investors so that they may make appropriate decisions on such large-scale acquisitions as well as to allow for opportunities to negotiate with such parties.

The Plan shall, as described below, establish rules to be complied with by any party that proposes a large-scale acquisition of Lion's shares, and clearly state that such a party may be impaired by Lion's taking countermeasures against their offer in certain cases. By appropriately disclosing such information, Lion shall give warning to parties who propose such large-scale acquisitions of Lion's shares in a manner that does not result in a benefit to Lion's corporate value and the common interests of its shareholders.

Upon the execution of countermeasures, the Plan stipulates that Lion shall assign maximum value to the advice of its corporate governance committee (the "Corporate Governance Committee"), comprising persons selected and appointed from external directors and external auditors by the Company's Board of Directors in accordance with the Corporate Governance Committee Rules (see Reference 1 for details), in order to eliminate any occurrence of arbitrary judgment on the part of the Board of Directors. Together with this, the Plan clearly states that Lion shall disclose relevant information to shareholders and investors in a timely manner to secure management transparency. Members of the Corporate Governance Committee upon the continuation of the Plan will be external directors Hideo Yamada, Kazunari Uchida and Takashi Shiraishi as well as external auditors Noboru Kojima and Hideo Higashi (refer to Reference 2 for career histories), all of whom serve Lion as either external directors or auditors.

Lion's principal shareholders as of December 31, 2017 are listed in Reference 3. "Share Ownership of Principal Shareholders." As of February 9, 2018, Lion has not received any proposal for the large-scale acquisition of its shares.

## (2) Processes in the Plan

### (i) Large-Scale Acquisitions Subject to the Plan

The Plan shall cover any large-scale acquisition of Lion's shares corresponding to (a) or (b) below or any actions similar to said acquisition (excluding those approved by Lion's Board of Directors; hereinafter referred to as the "Purchase"). Parties who offer or intend to propose such Purchase ("Purchaser") shall comply with procedures stipulated in the Plan.

- (a) A purchase of shares<sup>1</sup> issued by Lion that results in the holders<sup>2</sup> shareholding ratio<sup>3</sup> exceeding 20%
- (b) A public tender offer<sup>4</sup> of shares<sup>5</sup> issued by Lion that results in the total shareholding ratio<sup>6</sup> of the purchasers of such public tender offer and specially related parties<sup>7</sup> exceeding 20%

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<sup>1</sup> As defined in Article 27-23, Paragraph 1 of the Financial Products Exchange Law. This definition shall be applied throughout this document unless otherwise specified. In case of the changes in laws and regulations quoted in the Plan (including changes in the name of laws and regulations as well as the establishment of new laws and regulations that take over contents of old laws and regulations), each Article of laws and regulations quoted in the Plan shall be replaced to the revised contents that practically succeed the contents of old laws and regulations unless otherwise defined by the Company's Board of Directors.

<sup>2</sup> As defined in Article 27-23, Paragraph 1 of the Financial Products Exchange Law including parties corresponding hereto in accordance with the Paragraph 3 of the said Article.

<sup>3</sup> As defined in Article 27-23, Paragraph 4 of the Financial Products Exchange Law. This definition shall be applied throughout this document.

<sup>4</sup> As defined in Article 27-2, Paragraph 6 of the Financial Products Exchange Law. This definition shall be applied throughout this document.

<sup>5</sup> As defined in Article 27-2, Paragraph 1 of the Financial Products Exchange Law. This definition shall be applied to the following (ii).

<sup>6</sup> As defined in Article 27-2, Paragraph 8 of the Financial Products Exchange Law. This definition shall be applied throughout this document.

<sup>7</sup> As defined in 27-2, Paragraph 7 of the Financial Products Exchange Law. Parties as stipulated in Article 3, Paragraph 2 of the Cabinet Office Ordinance concerning the disclosure of public tender offer by parties other than the issuer of shares shall be excluded from parties mentioned in the Item 1 of the said Paragraph.

(ii) Prior Submission of Request to Lion

Prior to the offer of purchase, the Purchaser shall submit their pledge to comply with procedures stipulated in the Plan to Lion's Board of Directors in a written form ("Request") according to the format set by the Company.

The following items shall be covered in this document:

(a) Basic information about the purchaser

- a. Name of person or company and address
- b. Name and status of the representative
- c. Objectives of business and principal activities
- d. Major shareholders or large-scale investors (top 10 parties based on number of shares held or shareholding ratio)
- e. Contact information in Japan
- f. Laws under which the Purchaser's business was established

(b) Current number of shares owned by the Purchaser and the Purchaser's share trading status in the last 60 days before the submission of the request

(c) Overview of the purchase offer by the Purchaser Type and number of the Company's shares planned to be acquired by the Purchaser through the Purchase and the purpose of the Purchase (In instances where the Purchaser's purposes include: the acquisition of control over the Company's business operations or of rights to management participation; net investment or politically motivated investment; the transfer of the Company's shares to a third party(ies) after the Purchase; or such other purpose as gaining influence over<sup>8</sup> the Company, the Purchaser must write down details of such purposes. If the Purchaser has more than one motivation for the Purchase, all purposes must be mentioned in the form).

(iii) Provision of Information

After submitting the Request as described the above (ii), the Purchaser shall follow the procedure below to provide necessary and sufficient information (the "Information") to Lion for the appropriate judgment of the Company's shareholders and investors.

First, Lion will send a request for information list (the "List") to the Purchaser's address as provided in the abovementioned (ii) (a) e within 10 working days<sup>9</sup> (excluding the date the Request was received) by post. The Purchaser shall provide sufficient information to the Company in accordance with the List.

In instances where the information provided by the Purchaser is in accordance with the List but upon rational examination is considered insufficient by Lion's Board of Directors with regard to the details and conditions of the Purchase, the Purchaser shall provide additional information upon the request of the Company's Board of Directors for the judgment of shareholders and investors as well as for the evaluation and deliberation of the Company's Board of Directors.

In an effort to swiftly and appropriately implement the Plan, the Board of Directors has set a maximum limit of 60 days (the "Information Provision Period") for the Purchaser to respond, beginning from the day after the List is sent. In the event that not all the information required has been provided by the time the Information Provision Period has lapsed, all interactions with the Purchaser related to information provision will be halted. Using the information provided, the Board of Directors will then conduct an evaluation and deliberations (see section (iv) below).

No matter what the details and conditions of a given Purchase are, information stipulated in the following items shall be included in the List in principle:

(a) Details of the Purchaser and/or group to which the Purchaser belongs (including

<sup>8</sup> As defined in Article 27-26, Paragraph 1 of the Financial Products Exchange Law, Article 14-8-2, Paragraph 1 of Financial Products Exchange Law Enforcement Order as well as Article 16 of the Cabinet Office Ordinance concerning the disclosure of the status of substantial shareholding

<sup>9</sup> "Working days" are days excluding those defined in Article 1, Paragraph 1 of the Law Concerning Holidays of Administrative Agency.

co-holders,<sup>10</sup> specially related parties, and partners and members in cases where the Purchaser is a fund), such as its corporate history, name of group (if any), capital composition, principal businesses, financial condition and the names and career histories of its directors

- (b) Purposes (details pertaining to purposes listed in the submitted Request), method and details (the Purchaser's intentions regarding participation in the Company's management; type and amount of consideration to be paid for the Purchase; the timing of the Purchase and how related transactions are to be executed; the number of shares to be purchased and the intended shareholding ratio after the purchase; and the legality of the purchasing method) of the Purchase
- (c) Calculation basis for the Purchase's consideration (facts and assumptions for calculation; calculation method; numerical information and expected synergies emerging from the series of transactions involved in the Purchase; the names of third parties in the event such parties are asked to consult on such calculation; the details of such opinions and the process of calculating the purchase amount based on such consultation)
- (d) Supporting documents explaining the source of funds for the Purchase (names of financial supporters (including actual providers of such funds), fund procurement method and details of related transactions)
- (e) Possibility of contact with third parties with regard to the Purchase or details of communications and information regarding such third parties
- (f) Type of purchase contract, counterparties of such contract, and detailed information about such contract, including the number of shares designated as hypothecated in case the Purchaser already holds a lease contract, hypothecated assets, and the possession of sell-back, sales reservation or other contracts with regard to Lion shares held by the Purchaser (the "Hypothecated holdings")
- (g) Type of agreement, counterparts of such agreement, the number of shares to be transferred in accordance with such agreement and other detailed information regarding such agreement in case the Purchaser plans to use Lion's shares for hypothecation or other contracts with third parties subsequent to the Purchase
- (h) Lion and its Group companies' management policies, business plans, capitalization policy and dividend policy after the Purchase
- (i) Correspondence with and handling of the Company's employees, labor union, suppliers, customers, local community and other relevant parties after the Purchase
- (j) Specific measures to avoid conflicts of interest with other shareholders of the Company

The Company's Board of Directors will disclose such information as the fact that the Purchaser made a Purchase offer, an overview of the Purchase offer, an overview of the Information and other information provided in a timely and appropriate manner when it deems it necessary to be submitted to the shareholders and investors' judgment.

When the Board of Directors considers that the Purchaser's provision of Information is sufficient, it will send a notification to the Purchaser (the "Notification concerning the Completion of Information Provision"), while disclosing said fact in a timely manner.

The Information Provision Period will end on the day that the Notification concerning the Completion of Information Provision is sent or on the day that the maximum limit for the Information Provision Period is reached, whichever occurs sooner.

(iv) Setup of the Board of Directors' Deliberation Period

On the day after the Information Provision Period has ended, the Company's Board of Directors

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<sup>10</sup> As defined in Article 27-23, Paragraph 5 of the Financial Products Exchange Law including those who were regarded as co-holders by the Company's Board of Directors in accordance with the Paragraph 6 of the said Article. This definition shall be applied throughout this document.

shall set up a deliberation period, as stipulated either in (i) or (ii) (excluding the date the Notification concerning the Completion of Information Provision is issued) as follows (the "Board of Directors' Deliberation Period") to evaluate the offer, negotiate with the Purchaser, exchange opinions among themselves and draft substitute plans. Such period is determined based on the level of difficulty in the deliberation of the Purchase.

- (a) Up to 60 days in cases where the Purchase will be made via a public tender offer of all Lion shares and the consideration to be paid only in cash (Japanese yen)
- (b) Up to 90 days in other cases

However, both (i) and (ii) can be extended when the Company's Board of Directors considers it necessary. In such cases, the Company will notify the Purchaser of the extended period of deliberation and reason, while disclosing such information to shareholders and investors. The extended period of deliberation shall be up to 30 days.

While receiving advices from external specialists upon necessity, the Company's Board of Directors shall sufficiently evaluate the Information provided by the Purchaser within the Board of Directors' Deliberation Period, and screen the details of the Purchase offered by the Purchaser from a perspective of securing and enhancing Lion's corporate value and the common interests of its shareholders. In the course of their evaluation, members of the Board of Directors shall carefully weigh opinions regarding the Purchase and notify the Purchaser of the results of such evaluation while disclosing relevant information to shareholders and investors in a timely and appropriate manner. In addition, the Board of Directors shall negotiate with the Purchaser with regard to the conditions and methods of the Purchase as necessary. Furthermore, the Board of Directors may suggest substitute plans to shareholders and investors.

(v) Corporate Governance Committee's Recommendations regarding the Exercise of Countermeasures

Upon the introduction of the Plan, the Company established the Corporate Governance Committee. This move was made to eliminate any possibility of the Board of Directors' making an arbitrary decision regarding the exercise of countermeasures against the Purchase as well as to secure objectivity and reasonability with regard to judgments and responses on the part of the Board of Directors.

The Corporate Governance Committee shall advise Lion's Board of Directors of the pros and cons of the exercise of countermeasures. In this regard, the Corporate Governance Committee may, at Lion's expense, solicit the advice of outside specialists (investment banks, securities companies, lawyers and other specialists) who are independent from Lion's top management and who are involved in the Company's business operations in order to secure such specialists' judgment as to whether the proposed purchase will contribute to the securement and improvement of corporate value and the common interests of shareholders. If the Corporate Governance Committee provides the Company's Board of Directors with a recommendation whose contents are as described in the following (a) through (c), the Board of Directors will promptly disclose information regarding the receipt of the recommendation, an overview of such recommendation and other items that the Board of Directors deems appropriate for disclosure.

(a) When the Purchaser does not follow the procedure stipulated in the Plan

Should the Purchaser fail to follow the procedure stipulated in the Plan, the Corporate Governance Committee shall basically recommend that the Company's Board of Directors exercise countermeasures against the Purchase.

(b) When the Purchase to be carried out by the Purchaser is considered to be potentially seriously damaging to the Company's corporate value and the common interests of its shareholders

Even if the Purchaser follows the procedure stipulated in the Plan, the Corporate Governance Committee may recommend that the Board of Directors exercise countermeasures against the Purchase during the Deliberation Period should such Purchase by the Purchaser be determined to be one of the below-listed types of purchase. Such purchases are potentially damaging to Lion's corporate value and the common interests of shareholders.

In such a case, the Board of Directors shall adhere to procedures described in the following section (vi) to confirm shareholders' willingness regarding pros and cons of the countermeasures' details and exercise of it.

When such offer of the Purchase is considered to fail in any category stipulated as follows, such Purchase shall be deemed to be potentially seriously damaging to Lion's corporate value and the common interests of shareholders.

#### Types of Purchase Deemed to Pose Danger of Causing Substantial Damage to Lion's Corporate Value and the Common Interests of Shareholders

1. In cases where the Purchaser is regarded as a "greenmailer," a party that acquires or intends to acquire a Company's shares not with the intention of participating in the Company's management, but for the purpose of raising share prices and then requiring the Company or parties related to the Company to buy such shares back at an inflated price.
  2. In cases where the Purchaser acquires the Company's shares for the purpose of temporarily gaining control of Lion's business management in order to transfer the assets of the Company and its Group companies—such as intellectual property rights, management know-how, confidential information, and major suppliers and customers, all of which are necessary for the Company and Group companies' continued business operations—to the Purchaser itself or its group companies.
  3. In cases where the Purchaser is seen as acquiring the Company's shares for the purpose of diverting the assets of the Company and its Group companies toward use as security for or sources for the reimbursement of the debts of Purchaser or its group companies once control over Lion's business management is gained.
  4. In cases where the Purchaser acquires the Company's shares for the purpose of forcing the Company to sell valuable assets—including real estate not currently used by the Company or its Group companies as well as marketable securities—by temporarily gaining control of the Company's business management. Such a move temporarily raises dividends (by bringing in disposal profit), and the Purchaser seeks to benefit either through the reaping of high dividends or by selling the stock at the highest possible price.
  5. In cases where the purchase method proposed by the Purchaser is a so-called high-handed two-stage acquisition (a type of share acquisition conducted by public tender offer in which the seller does not offer to purchase all the shares of a Company at the first stage and subsequently brings disadvantage to the Company to drive down the price for the second stage of the purchase or does not clarify the terms and conditions of the second stage of the purchase) that places limitations on shareholders' ability to judge the situation, and thus may force shareholders to sell their shares.
- (c) When the Purchase to be carried out by the Purchaser is not considered to be potentially seriously damaging to the Company's corporate value and the common interests of shareholders

With the exceptions of the situations stipulated in (a) and (b) above, the Corporate

Governance Committee shall recommend that the Board of Directors not exercise countermeasures against the Purchase.

(vi) Confirmation of Shareholders' Willingness

Should the Corporate Governance Committee recommend the exercise of countermeasures against the Purchase in accordance with the above (v) (b), the Board of Directors shall hold a shareholders' meeting to confirm shareholders' willingness regarding the exercise of such countermeasures.

In this instance, the Board of Directors shall hold a shareholders' meeting as promptly as possible so that it may submit a report delineating the pros and cons of the exercise of countermeasures.

Furthermore, the Board of Directors shall promptly disclose information, including an overview of the resolution reached by the shareholders' meeting regarding the pros and cons of the exercise of countermeasures and other items that the Board of Directors deems appropriate to disclose.

(vii) Board of Directors' Resolution

Lion's Board of Directors shall assign maximum value to the recommendations of the Corporate Governance Committee described in (v) above. When a shareholders' meeting is held in accordance with (vi) above, the Board of Directors shall promptly exercise countermeasures or resolve not to exercise countermeasures based on the decision made at the said shareholders' meeting for the purpose of securing and improving corporate value and the common interests of shareholders.

Should the Board of Directors issue the abovementioned resolution, it will promptly disclose information regarding the overview of the shareholders' meeting's resolution and other items that the Board of Directors deems appropriate to disclose.

(viii) Cancellation or Cessation of the Exercise of Countermeasures

When the Board of Directors resolves to exercise countermeasures or subsequent to exercising countermeasures in accordance with the procedure in the above (vii), the Board of Directors shall cancel or cease the exercise of countermeasures regardless of the Corporate Governance Committee's recommendation if (a) the Purchaser has cancelled its Purchase or (b) the Board of Directors faces a situation in which the facts underlying the assessment of the pros and cons of the exercise of countermeasures have changed and thus the Board of Directors considers the exercise of countermeasures to be inappropriate in light of the need to secure and improve Lion's corporate value and the common interests of shareholders.

Should the Board of Directors decide upon the abovementioned resolution, it shall immediately disclose information regarding the overview of the resolution and other items that the Board of Directors deems appropriate to disclose.

(ix) Commencement of Purchase

The Purchaser shall comply with the procedure stipulated in the Plan, and cannot move forward with the Purchase unless the Board of Directors reaches resolution on whether countermeasures should be exercised or not.

(3) Details of Countermeasures in the Plan

Among the countermeasures that may be exercised in accordance with the Board of Directors' resolutions stipulated in the above (2) (vii), is the gratis issue of subscription rights (the "Subscription Rights").

The overview of the gratis issue of Subscription Rights shall be described in the following

## **“Overview of the Gratis Issue of Subscription Rights.”**

The Board of Directors may cancel or cease the exercise of countermeasures as described in the above (2) (viii) even if they have already resolved or commenced the exercise of said countermeasures. For example, the Company may cease the exercise of countermeasures should the Purchaser cancel the Purchase and the Board of Directors responds by passing a resolution as stipulated in the above (2) (viii) by (a) cancelling the gratis issue of Subscription Rights up to the day before the date set for cancellation of rights in connection with the scheduled gratis issue of Subscription Rights; or (b) having Lion itself receive such Subscription Rights in gratis from the effective date of the gratis issue of Subscription Rights to the date before the commencement of the exercise of such Subscription Rights.

### **Overview of the Gratis Issue of Subscription Rights**

#### **1. Total Number of Subscription Rights to Be Allocated**

The total number of Subscription Rights to be allocated shall be up to twice the final number of the Company's shares issued and outstanding (not including the number of shares held by the Company itself) as of the date specified by the Board of Directors ("Date of Allotment") at the Board of Directors' meeting regarding the gratis issue of Subscription Rights ("Resolution for Gratis Issue of Subscription Rights").

#### **2. Shareholders Eligible for the Allocation**

The Company shall issue Subscription Rights to shareholders listed on the final shareholders' register as of the Date of Allotment in the proportion determined by the Board of Directors' Resolution for Gratis Issue of Subscription Rights of up to two Subscription Rights per common share (not including those held by the Company itself).

#### **3. Effective Date of the Gratis Issue of Subscription Rights**

The date shall be specified in the Resolution for the Gratis Issue of Subscription Rights.

#### **4. Type and Number of Shares Entitled to Subscription Rights**

The type of shares entitled to Subscription Rights shall be the Company's common shares, and the number of shares per Subscription Right ("Applicable Share Number") shall be no more than one and determined by the Resolution for the Gratis Issue of Subscription Rights. If the Company splits up or splits down its shares, however, such number shall be adjusted accordingly.

#### **5. Type and Amount of Assets Invested upon the Exercise of Subscription Rights**

The object of investment in the exercise of Subscription Rights shall be monetary, and the amount of assets invested in the exercise of Subscription Rights per each of Lion's common shares shall be more than one yen and determined by the Resolution for Gratis Issue of Subscription Rights.

#### **6. Transfer Restrictions on Subscription Rights**

The Transfer of Subscription Rights shall require an approval from the Company's Board of Directors.

#### **7. Conditions Applicable to the Exercise of Subscription Rights**

The following parties ("Ineligible Parties") shall not be able to exercise Subscription Rights: (1) specified large shareholders,<sup>11</sup> (2) co-holders of the specified large shareholders, (3) specified

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<sup>11</sup> Parties who own shares issued by the Company and are acknowledged by the Company's Board of Directors as having shareholding ratios of more than 20% of the corresponding shares, as well as parties the Company's Board of Directors deems to correspond thereto. However, this shall not be applied to such parties for whom the Company's Board of Directors deems the

large purchasers,<sup>12</sup> (4) specially related parties of specified large purchasers, (5) parties who received or had Subscription Rights transferred to them by parties corresponding to the above (1) to (4) without the approval of the Company's Board of Directors, or (6) relevant parties<sup>13</sup> related to the above (1) to (5). Details of conditions applicable to the exercise of Subscription Rights shall be defined in the Resolution for the Gratis Issue of Subscription Rights.

8. Subscription Rights Acquisition by the Company

The Company can acquire Subscription Rights on a date separately set up by the Company's Board of Directors, and issue the Applicable Share Number of common shares per Subscription Right in exchange. However, Ineligible Parties are not to be issued common shares nor provided any money or economic benefit as consideration. Details of conditions for the acquisition of Subscription Rights shall be separately determined by the Resolution for Gratis Issue of Subscription Rights.

9. Gratis Issue of Subscription Rights with Regard to the Exercise of Countermeasures

In cases where the Company's Board of Directors ceases the exercise of countermeasures and other instances determined by the Resolution for the Gratis Issue of Subscription Rights, the Company can acquire all of the Subscription Rights in gratis.

10. Exercise Period of Subscription Rights and Other Matters

The exercise period and other necessary matters pertaining to Subscription Rights shall be determined separately by the Company's Board of Directors' Resolution for the Gratis Issue of Subscription Rights.

(4) Effective Period, Abolishment and Revision of the Plan

The effective period of the Plan shall extend through the end of the regular shareholders' meeting planned to be held in March 2021 should the Regular Shareholder Meeting grant approval of the matter.

If it is resolved to revise or abolish the Plan at the Company's shareholders' meeting prior to the expiration of such effective period, however, the Plan shall be revised or abolished at that point in accordance with the relevant resolution. In addition, if the Company's Board of Directors appointed by a shareholders' meeting resolves to abolish the Plan, the Plan shall be abolished at that point (see the following 4. (6)).

Furthermore, with the Corporate Governance Committee's approval, the Board of Directors may revise the Plan within the scope deemed rationally necessary due to possible revisions in the Corporation Law, Financial Products Exchange Law, other laws and regulations and/or stock market rules, changes in the interpretation and application of those laws and rules, and/or changes in taxation

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acquisition or holding of the Company's shares does not run counter to the Company's corporate value and the common interests of its shareholders and who are otherwise so specified by the Company's Board of Directors in the Resolution for the Gratis Issue of Subscription Rights.

<sup>12</sup> Parties who make a public announcement to the effect that they will purchase (as defined in Article 27-2, Paragraph 1 of the Financial Products Exchange Law; this definition shall be applied to the following) shares (as defined in Article 27-2, Paragraph 1 of the Financial Products Exchange Law; this definition shall be applied to the following) issued by the Company through public tender offer, where the possession (including cases specified in Article 7, Paragraph 1 of the Financial Products Exchange Law Enforcement Order pursuant to this) of such shares by said party following such purchase would, combined with the shareholding of specially related parties, total to a shareholding ratio of over 20%, as well as parties the Company's Board of Directors deems to correspond thereto. However, this shall not be applied to such parties for whom the Company's Board of Directors deems the acquisition or holding of the Company's shares does not run counter to the Company's corporate value and the common interests of its shareholders, and who are otherwise so specified by the Company's Board of Directors in the Resolution for the Gratis Issue of Subscription Rights.

<sup>13</sup> Related parties are those who exert practical control over a given party, who are controlled by said party, who are together with said party controlled by another (including parties the Company's Board of Directors deems to correspond thereto), or who the Company's Board of Directors deems to effectively act in concert with said party. "Control" means "control of decisions related to the financial and business policies" of another company (defined in Article 3, Paragraph 3 of the Financial Products Exchange Law Enforcement Order).

systems and judicial rulings.

With regard to the abolishment or revision of the Plan (if any), the Company will disclose information regarding relevant facts pertaining to the abolishment or revision (not including such minor revisions as word changes due to the amendment of laws), details of such revision and other items that the Board of Directors deems appropriate to disclose.

#### **4. Reasonability of the Plan**

##### **(1) Fulfillment of the Requirements set out in the Guidelines regarding the Anti-Takeover Measures**

The Plan fulfills the three principles (namely, ensuring and/or increasing corporate value and stakeholder profits; practicing prior disclosure and seeking stakeholders consent; and ensuring necessity and suitability) of the “Ensuring and/or Increasing Corporate Value and Stakeholder Profits: Takeover Defense Guidelines” jointly announced by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005. The Plan is also based on the “Takeover Defense Measures in Light of Recent Environmental Changes” announced on June 30, 2008, by the Corporate Value Study Group.

##### **(2) Being Introduced with the Purpose of Securing and Improving Corporate Value and the Common Interests of Shareholders**

As described in 3. (1) above, the Plan shall be introduced for the purpose of securing and improving corporate value and the common interests of shareholders. This shall be carried out in a manner that enables the Company to negotiate with the Purchaser on behalf of shareholders by ensuring that the necessary information is provided and an adequate amount of time allowed for shareholders to come to a decision about whether the Company should accept or reject the Purchase or for the Board of Directors to offer a substitute plan for such Purchase to the Purchaser.

##### **(3) Respecting Shareholders' Wishes**

The Plan requires direct confirmation of the shareholders' position for or against the exercise of countermeasures against the Purchase except in cases where the Purchaser conducts the Purchase without following the procedures stipulated in the Plan and the Corporate Governance Committee has recommended the exercise or nonexercise of countermeasures.

The Company resolved at its Board of Directors' meeting that decisions regarding the Plan must also be approved at the Regular Shareholders' Meeting. As mentioned in 3. (4) above, should any resolution be passed regarding the revision or abolishment of the Plan by the Company's shareholders' meeting even after the approval at the Regular Shareholders' Meeting, the Plan shall be revised or abolished accordingly. In this light, shareholders' wishes will be fully reflected with regard to the introduction and abolishment of the Plan.

##### **(4) Respecting Decisions of the Independent Committee and Information Disclosure**

Upon the introduction of the Plan, the Company established the Corporate Governance Committee. This move was made to eliminate any possibility of the Board of Directors' making an arbitrary decision regarding the exercise of countermeasures against the Purchase as well as to secure objectivity and reasonability with regard to judgments and responses on the part of the Board of Directors.

Appointed by the Company's Board of Directors, the Corporate Governance Committee shall consist of members chosen from among the Company's external corporate directors and external corporate auditors, who are independent from the Company's top management.

In addition, the Company shall disclose information as required to shareholders and investors regarding the overview of the Corporate Governance Committee's judgment. By doing so, the Company will ensure operational transparency with regard to the application of the Plan to the benefit of Lion's corporate value and the common interests of shareholders.

(5) Ensuring the Rational and Objective Execution of the Plan

As described in 3. (2) above, the Plan ensures the prevention of the Company's Board of Directors arbitrarily exercising the Plan and thus will not be exercised unless rational and objective conditions have been met.

(6) No Dead-Hand or Slow-Hand Features among the Anti-Takeover Measures

As described in 3. (4) above, the Plan may be abolished at any time by the Board of Directors whose members were appointed by the Company's shareholders' meeting. Therefore, the Plan is not a measure against takeover where the triggering of the anti-takeover measures cannot be stopped even if the majority of the Board of Directors is replaced.

In addition, the term of office for directors is currently one year. Thus, the Plan is not a slow-hand measure against takeover (where it takes time to stop the triggering of anti-takeover measures and the Board of Directors' members cannot be replaced during that time).

## 5. Impact on Shareholders and Investors

(1) Impact on Shareholders and Investors upon the Continuation of the Plan

Subscription Rights will not be issued upon the continuation of the Plan. Therefore, the Plan will not exert a directly specific impact on the legal rights and economic benefits related to the Company's shares held by shareholders when continued.

As described in 3. (2) above, the Company's response to the relevant Purchase may vary depending on whether or not the Purchaser complies with the Plan's stipulations. Accordingly, the Company would like shareholders and investors to closely monitor any potential Purchaser's actions. If the Company sees the Purchaser taking any action that would impact shareholders and investors, the Company shall immediately disclose such information.

(2) Impact on Shareholders and Investors upon the Gratis Issue of Subscription Rights

If the Board of Directors decides to exercise countermeasures and implements a gratis issue of Subscription Rights, shareholders who are listed on the Company's shareholders' register as of the allocation date separately set up, shall receive up to two Subscription Rights per share held in gratis. The Company does not assume that legal rights and economic benefits related to the Company's shares held by shareholders will not be impacted in case of the gratis issue of Subscription Rights; given the system's characteristics, the entire economic value of the Company's shares will be diluted despite the per-share economic value of the Company's shares owned by shareholders.

Nevertheless, the Purchaser's legal rights or economic benefits may be impacted by the exercise of such countermeasures.

If the Board of Directors decides to cancel countermeasures or cease the exercise of countermeasures in accordance with 3. (2) (viii) above even after its decision to issue Subscription Rights in gratis, the Company's share prices might be affected. For instance, if the Company ceases the exercise of countermeasures and does not issue new shares through Subscription Rights in gratis after confirming which shareholders will receive gratis Subscription Rights, the per-share economic value of the Company's shares owned by shareholders will not be diluted. Therefore, please note that shareholders and investors who sell and purchase on the assumption of the possible occurrence of dilution in per-share economic value may be impacted by stock price fluctuations.

Furthermore, the Purchaser's legal rights and economic benefits may be impacted upon the exercise or acquisition of Subscription Rights when conditions change. Even in such cases, the Company does not assume that legal rights and economic benefits related to shares held by shareholders other than the Purchaser will be directly impacted.

(3) Procedure for the Gratis Allocation of Subscription Rights to Shareholders

Shareholders who are listed on the latest shareholders' register as of the date of gratis allocation of

Subscription Rights are not required to go through any procedure to apply for Subscription Rights as they will be automatically eligible for such Subscription Rights on the effective date of the gratis allocation of relevant Subscription Rights.

When shareholders other than the Purchaser go through procedures in accordance with conditions that the Company has applied for the acquisition of Subscription Rights, they are not required to pay the exercise costs for Subscription Rights as they shall receive Company shares in compensation for the Company's acquisition of subscription rights.

Other details, including procedural methods for the allocation and exercise of Subscription Rights as well as for the acquisition of Subscription Rights by the Company, shall be disclosed by Lion in an appropriate and timely manner once a resolution is passed at the board of Directors' meeting regarding the gratis issue of Subscription Rights. Please note the relevant disclosure or announcement that will be released in accordance with relevant laws as well as stock market rules.

## Reference 1

### Overview of the Corporate Governance Committee Rules

1. The Corporate Governance Committee shall be established by a resolution of Lion's Board of Directors for the purpose of eliminating the ability of Board of Directors' for arbitrary decision making regarding the exercise of countermeasures against large-scale acquisitions of the Company's shares while ensuring the objectivity and reasonability of the Board of Directors' decisions and responses.
2. The Corporate Governance Committee shall comprise more than three members selected and appointed from among the Company's external corporate directors and external corporate auditors based on a resolution passed by the Board of Directors.
3. The Corporate Governance Committee members' term of office shall be equal to that of relevant directors and corporate auditors.
4. A Corporate Governance Committee meeting shall be convened by the Chair of the Board of Directors in accordance with a resolution passed by the Board of Directors. The Chair of the Corporate Governance Committee shall be appointed through mutual voting among Corporate Governance Committee members.
5. Resolutions made at Corporate Governance Committee meetings shall be passed by majority votes involving the majority of members.
6. Corporate Governance Committee shall pass resolutions on the following items after deliberation and furnish recommendations backed by reasoned details of such resolutions to the Board of Directors.
  - (1) Pros and cons of the exercise of countermeasures related to the Plan
  - (2) Cancellation of countermeasures related to the Plan or cessation of the exercise of countermeasures
  - (3) Revisions to the Plan
  - (4) Other matters regarding the Plan upon which the Board of Directors requests the Corporate Governance Committee to provide advice

With regard to its deliberations and resolutions on each item above, the Corporate Governance Committee shall carefully collect information and documents about the Purchaser and details of the purchase offer and cautiously examine the matter from a neutral and fair viewpoint.

7. With regard to the collection of information and documents about the Purchaser and details of purchase offer, the Corporate Governance Committee can request the Company president to collect the information and documents required and to forward them to the Corporate Governance Committee. The Company president shall make every effort to cooperate with the Corporate Governance Committee for the collection of information and documents.
8. The Corporate Governance Committee may consult with investment banks, securities companies, lawyers and other outside specialists at the Company's expenses.

## Reference 2

### Career History of the Corporate Governance Committee Candidates

#### Hideo Yamada

April 1984	Registered as an attorney at law
April 1992	Established Hideo Yamada Law Office (now Yamada & Ozaki Law Office) (current office)
April 2001	Vice Chairman, Daini Tokyo Bar Association
June 2004	External Director, SATO CORPORATION (now SATO HOLDINGS CORPORATION)
March 2006	External Director, Lion Corporation (current position)
June 2007	External Auditor, MIKUNI CORPORATION
	External Auditor, IshiiFood Corporation
March 2011	External Auditor, Seibu Lions Co., Ltd.
April 2014	Chairman, Daini Tokyo Bar Association; Vice President, Japan Federation of Bar Associations

#### Kazunari Uchida

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

#### Takashi Shiraishi

June 1979	Assistant Professor, International Relations, Department of Humanities and Social Sciences, College of Arts and Sciences, University of Tokyo
June 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
May 2007	President, Institute of Developing Economies-Japan External Trade Organization (current position)
January 2009	Councilor, Council for Science, Technology and Innovation, Japanese 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	Visiting Professor, Ritsumeikan University (current position)
May 2017	Professor Emeritus, National Graduate Institute for Policy Studies (current position)

Noboru Kojima

May 1981	Acquired Japanese tax accountant certification
March 1982	Acquired Japanese CPA certification
January 1986	Established Noboru Kojima Certified Public Accountant Office
July 1998	Chief executive, Japanese Institute of Certified Public Accountants
July 1999	Specialist member, the taxation subcommittee of the Tax Commission of the Japanese Cabinet Office
December 2001	Senior partner, Chiyoda CPA (current position)
May 2011	External auditor, The Daiei, Inc.
December 2013	Senior partner, Chiyoda Tax Accountants (current position)
March 2014	Alternative corporate auditor, Lion Corporation
March 2015	External Auditor, Lion Corporation (current position)

Hideo Higashi

April 1971	Kumamoto Regional Taxation Bureau, National Tax Agency, Ministry of Finance
July 2010	Director, Narita Tax Agency
July 2012	Manager, Fourth Survey Division, Tokyo Regional Taxation Bureau
July 2013	Retired from National Tax Agency, Ministry of Finance
August 2013	Acquired Japanese tax accountant certification
	Established Higashi Hideo Tax Accountant Office (current position)
March 2015	External Auditor, Lion Corporation (current position)
June 2015	External Auditor, Koei Chemical Co., Ltd.

\*There is no special interest between Lion Corporation and the abovementioned five persons.

Reference 3

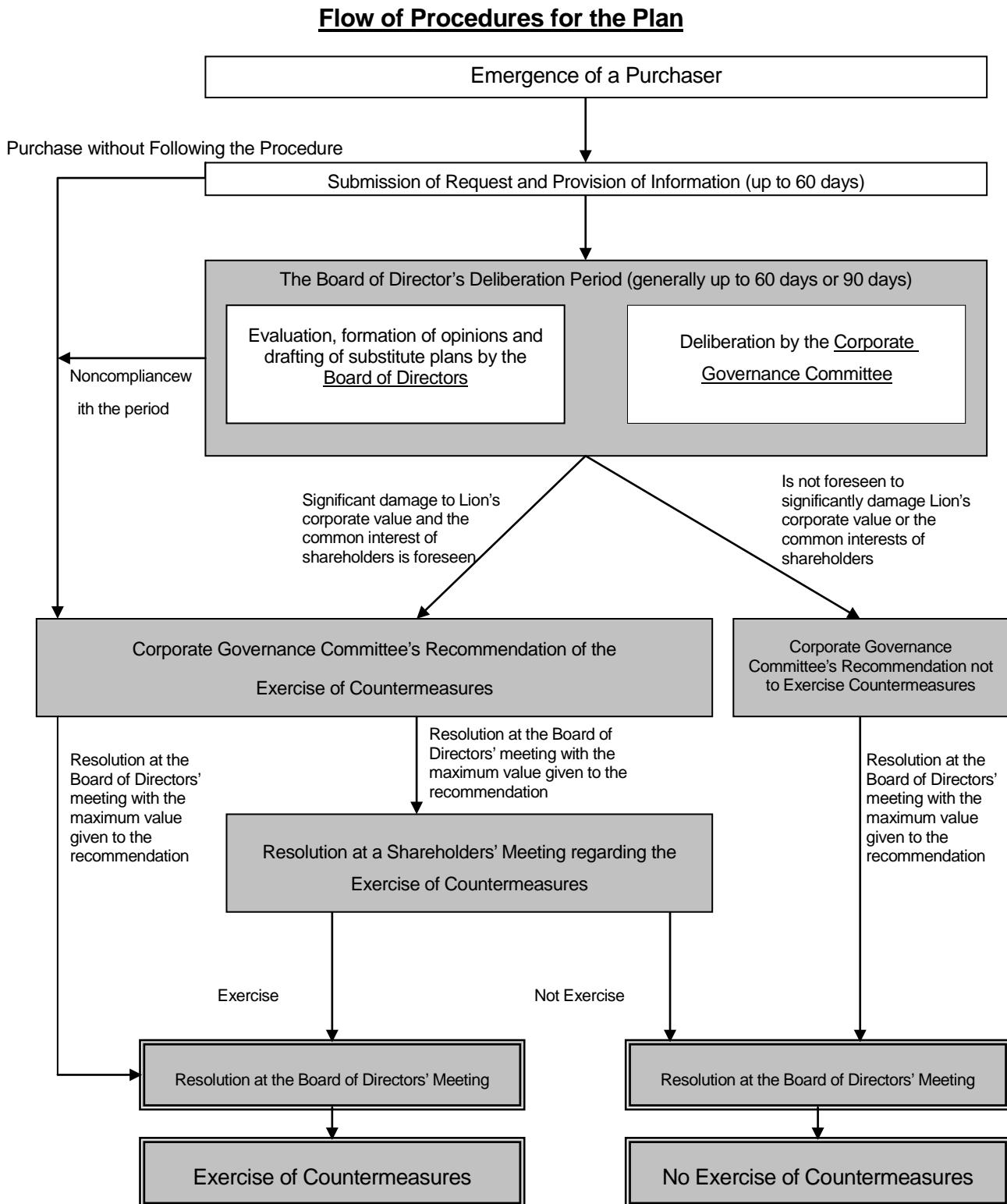
**Share Ownership of Principal Shareholders (As of December 31, 2017)**

Shareholder	Shares Owned (Thousands of shares)	Shareholding Ratio (%)
Japan Trustee Services Bank, Ltd.(Trust Account)	24,860	8.54
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	16,282	5.59
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	10,109	3.47
The Master Trust Bank of Japan, Ltd. (Trust Account)	9,028	3.10
State Street Bank and Trust Company	8,386	2.88
Japan Trustee Services Bank, Ltd.(Trust Account 5)	5,311	1.82
Mitsubishi UFJ Trust and Banking Corporation	5,000	1.71
JP Morgan Chase Bank 380055	4,640	1.59
Tokio Marine & Nichido Fire Insurance Co., Ltd.	4,450	1.52
Japan Trustee Services Bank, Ltd.(Trust Account 7)	4,327	1.48

Notes:

1. In addition to the above, the Company holds 8,033,433 shares of treasury stock.
2. For the number of shares owned, odd lot certificates have been rounded off.
3. The shareholding ratio was calculated based on the total number of shares issued and outstanding, less the number of treasury stock (291,081,913 shares), and rounded off to two decimal places.

Reference 4



\* This chart is intended to provide an easy-to-understand overview of the Plan. Please refer to the main text for details.