

February 12, 2021

Company name: Lion Corporation  
Representative: Masazumi Kikukawa,  
Representative Director,  
President and Executive Officer  
Code: 4912  
Tokyo Stock Exchange

## **Notice Concerning the Continuation of the Performance-Linked Stock-Based Compensation System and the Partial Revision of the System's Content**

Lion Corporation herein announces the decision reached at today's Board of Directors meeting to continue its performance-linked stock-based compensation system (hereinafter the "System"), which was introduced in 2017 and partially revised in 2018 to reward directors (excluding external directors, the same applies hereinafter) and executive officers. Based on the aforementioned resolution, the Board of Directors simultaneously decided to partially revise the System's content and submit proposals to the 160th Annual Meeting of Shareholders (hereinafter the "Shareholders' Meeting"), scheduled for March 30, 2021, regarding the amount of compensation for directors and the revised conditions to be applied to the payment of said compensation under the System. Details are as follows.

### **1. Continuation of the System**

- (1) Lion intends to continue the System to better motivate directors and executive officers to contribute to the Company's performance and increase corporate value over the medium- to long-term.
- (2) The continuation of the System is contingent on approval by the Shareholders' Meeting of the proposal concerning the continuation of the System for directors and executive officers.
- (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 (hereinafter collectively referred to as "Company 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.

#### Note:

The Compensation Advisory Committee, an advisory body to the Board of Directors comprising external directors and external corporate auditors, is considering the continuation of the System and the partial revision of its content.

## **2. Partial Revision of the System**

Lion has formulated "Vision 2030," a long-term strategic framework designed to help realize its management vision of "Becoming an advanced daily healthcare company."

Under this framework, with the aim of raising the awareness of directors and executive officers with regard to contributing to the medium- to long-term improvement of the Company's performance and corporate value, and to respond to such factors as changes in rank, the Company intends to alter the maximum amount of funds to be contributed to the Trust while changing the upper limit on the number of shares that may be granted.

Having already partially revised the system in 2018, Lion will not further revise its content, with the exception of the matters described below.

### **(1) Overview of the System**

The System covers three fiscal years corresponding to the period of the Company's prevailing medium-term management plan ("the Covered Period") and grants Company 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 System to be implemented from 2021 will comprise a total of four fiscal years, consisting of the fiscal year ending December 31, 2021, in which the Company will execute a single-year plan, and the period of the next medium-term management plan (the fiscal year ending December 31, 2022 through the fiscal year ending December 31, 2024).

In addition, if the period of said medium-term management plan is revised going forward in light of changes in the external environment or other factors, the Covered Period of the System will be realigned with the revised period for said plan.

Compensation under the System takes the form of a number of points awarded each year and is composed of a fixed portion and a performance-linked portion. The fixed portion is a set number of Company shares, etc., to be awarded each fiscal year, and the performance-linked portion is the number of Company shares, etc., to be awarded based on the extent to which performance targets for each fiscal year have been met during the Covered Period. The fixed portion is intended to align the interests of directors and executive officers with those of 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 Continuation 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 Company 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 Trust 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, Company shares, etc., in amounts corresponding to their accumulated number of points 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 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 Company shares, etc., while in office.

### (4) Trust Period

#### a. Extended Trust Period

The trust period will be approximately four years, from June 1, 2021 (tentative), to May 31, 2025 (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. For each such extension of the trust period, the Company will make additional contributions to the Trust. The Company will continue to award points to directors and executive officers during such extensions of the trust period.

In addition, if the Trust retains a portion of shares to be awarded to directors (excluding shares that correspond to points granted to directors but have yet to be delivered to them) and cash (hereinafter collectively referred to as "remaining shares, etc.") as trust assets at the end of the trust period prior to additional contributions, the sum of the amount of remaining shares, etc., to be awarded to directors and the amount of trust money to be additionally contributed by the Company shall be within the maximum amount approved by Shareholders' Meeting regarding funds to be contributed to the Trust.

#### 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 Company shares, etc., is complete.

(5) Maximum Amount of Trust Money to Be Contributed to the Trust for the Acquisition of Shares for Grant to Directors and the Upper Limit on the Number of Company Shares, Etc., to Be Awarded to Directors  
The maximum amount of trust money to be contributed by the Company to the Trust during the Covered Period for the acquisition of shares for grant to directors and the upper limit on the number of Company shares, etc., to be awarded to directors, are as described below, but are contingent on approval by resolution of Shareholders' Meeting. In addition, the Company sets aside funds it has contributed to the Trust for the acquisition of shares to be awarded to executive officers from trust money discussed above, to this end managing a separate account within the Trust for this purpose.

Maximum amount of trust money for the acquisition of shares for grant to directors: ¥800 million<sup>\*1\*2</sup>

\*1 If the Trust is extended in accordance with (4) b., above, the maximum amount of funds to be contributed during the Covered Period shall be determined by multiplying ¥200 million, which constitutes the annual upper limit, by the total number of fiscal years comprising the Covered Period.

\*2 The maximum amount of trust money is calculated by adding trust fees and trust expenses to funds for the acquisition of shares and determined in a way that gives due consideration to the current level of director compensation.

Upper limit on the total number of Company shares, etc., to be awarded to directors during the trust period: 480,000 shares<sup>\*3\*4</sup>

\*3 Based on the maximum amount of trust money presented above, the upper limit on the total number of the Company's shares, etc., to be awarded to directors is set with reference to the historical share prices and other factors.

\*4 If the Trust is extended in accordance with (4) b., above, the upper limit on the total number of shares to be acquired during the Covered Period shall be determined by multiplying 120,000 shares, which constitute the annual upper limit, by the total number of fiscal years comprising the Covered Period.

(6) Confiscation of Beneficiary Rights Arising from Shares Earmarked for Grant and the Company's Claim for Shares That Have Been Already Delivered

If any of the aforementioned directors or executive officers is found to engage in illicit behavior, a compliance violation or other grave misconduct, the Company may confiscate beneficiary rights arising from shares earmarked for grant to such individual under the System or exercise its claim for shares that have been already delivered and demand the restitution of funds equivalent to the amount of such shares.

Reference: Outline of the Trust after the Extension of the Trust Period

- |                                   |  |
|-----------------------------------|--|
| 1. Trust type                     | An individually operated designated trust of cash other than 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<br>(Co-trustee: The Master Trust Bank of Japan, Ltd.)   |
| 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 (plans call for making alterations on May 28, 2021)   |
| 8. Trust period                   | May 31, 2017 to May 31, 2025 (tentative)<br>(Plans call for extending the period to May 31, 2025 via the alteration of the trust agreement on May 28, 2021)  |
| 9. Exercise of voting rights      | Voting rights will not be exercised  |
| 10. Type of shares to be acquired | Common stock of Lion Corporation   |
| 11. Upper limit of trust money    | For directors: ¥800 million (tentative) (includes trust fees and trust expenses)<br>For executive officers: ¥600 million (tentative) (includes trust fees and trust expenses)                                    |
| 12. Rights holder                 | Lion Corporation   |
| 13. 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.