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Securities Code: 4540

June 6, 2019

To Our Shareholders:

Terukazu Kato
President and Representative Director
TSUMURA & CO.
17-11 Akasaka 2-chome, Minato-ku, Tokyo

Notice of the 83rd Ordinary General Meeting of Shareholders

You are cordially invited to attend the 83rd Ordinary General Meeting of Shareholders of TSUMURA & CO. (the “Company”), which will be held as indicated below.

If you are unable to attend the meeting in person, you may exercise your voting rights either of the following ways. Please review the attached Reference Documents for General Meeting of Shareholders, and exercise your voting rights by 5:45 p.m. on Wednesday, June 26, 2019 (JST).

Exercise of voting rights in writing

Please indicate your approval or disapproval to each proposal on the enclosed voting card, and return it so that it will be received by us no later than the above date and time.

Exercise of voting rights via the Internet

Please access the website for exercising voting rights (<https://evote.tr.mufg.jp/>), follow the directions on the screen, and indicate your approval or disapproval to each proposal no later than the above date and time.

Internet Disclosure

Pursuant to the relevant laws and regulations and the Company’s Articles of Incorporation, the following items of information are posted on the Company’s website instead of being included in the Reference Documents for General Meeting of Shareholders.

- i) “Consolidated Statement of Changes in Equity” and “Notes to Consolidated Financial Statements” sections of Consolidated Financial Statements
- ii) “Non-consolidated Statement of Changes in Equity” and “Notes to Non-consolidated Financial Statements” sections of Non-consolidated Financial Statements

https://www.tsumura.co.jp/zaimu/meeting/general/pdf/internet_083.pdf

(in Japanese only)

The Consolidated Financial Statements and the Non-consolidated Financial Statements audited by the Audit and Supervisory Committee and the Accounting Auditor include the documents attached to this notice and the Consolidated Statement of Changes in Equity, the Notes to Consolidated Financial Statements, the Non-consolidated Statement of Changes in Equity and the Notes to Non-consolidated Financial Statements posted on the Company’s website.

1. **Date and Time:** Thursday, June 27, 2019, at 10:00 a.m.
2. **Venue:** “Ho’oh,” 1st floor, THE CAPITOL HOTEL TOKYU
10-3 Nagatacho 2-chome, Chiyoda-ku, Tokyo

3. **Purpose of the Meeting**

Matters to be reported

1. Business Report and Consolidated Financial Statements for the 83rd fiscal year (from April 1, 2018 to March 31, 2019), and results of audits of the Consolidated Financial Statements by the Accounting Auditor and the Audit and Supervisory Committee
2. Non-consolidated Financial Statements for the 83rd fiscal year (from April 1, 2018 to March 31, 2019)

Matters to be resolved

- Proposal No. 1:** Appropriation of Surplus
- Proposal No. 2:** Election of Six (6) Directors (excluding Directors who are Audit and Supervisory Committee Members)
- Proposal No. 3:** Election of Three (3) Directors who are Audit and Supervisory Committee Members
- Proposal No. 4:** Election of One (1) Substitute Director who is Audit and Supervisory Committee Member
- Proposal No. 5:** Revision of Performance-Linked Stock Compensation Plan (Performance Share Unit) for Directors (excluding Directors who are Audit and Supervisory Committee Members and Non-executive Directors) and Executive Officers Who Have Entered Into a Service Agreement with the Company

Other Matters Regarding the Exercise of Voting Rights

- If a voting card is received without giving any indication of approval or disapproval of any or all of the proposals, it will be counted as a vote for the proposal concerned.
- If you vote multiple times via the Internet indicating different positions on the same proposal in each voting exercise, only your most recent vote will count as valid.
- If you exercise your voting rights both in writing and via the Internet, only the vote placed via the Internet will be treated as valid.
- If you are unable to attend the general meeting of shareholders in person, you may appoint another shareholder with voting rights in the Company to attend as your proxy. Please note, however, that it is necessary to submit a document evidencing the authority of proxy.

If any changes are made to the Reference Documents for General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements or the Non-consolidated Financial Statements, such changes will be posted on the Company’s website.

<https://www.tsumura.co.jp/>

Reference Documents for General Meeting of Shareholders

■ Proposal No. 1

Proposal No. 1: Appropriation of Surplus

The Company regards the return of profit to shareholders as its important policy. We will aim to achieve sustained growth going forward while maintaining a policy to pay stable dividends, taking into consideration such matters as medium- and long-term levels of earnings and cash flows.

The Company will allocate funds from internal reserves for investment in the areas such as capital expenditure and research and development that are deemed to boost the future corporate value of the Company.

In line with the aforementioned policy, the Company proposes to pay year-end dividends for the current fiscal year as follows:

■ Year-end dividends

1) Type of dividend property

Cash

2) Allotment of dividend property and their aggregate amount

The Company proposes to pay a dividend of ¥32 per common share of the Company.

The total dividends will be ¥2,446,647,392.

3) Effective date of payment of dividends of surplus

June 28, 2019

Proposal No. 2

Proposal No. 2: Election of Six (6) Directors (excluding Directors who are Audit and Supervisory Committee Members)

The terms of office of all six (6) Directors (excluding Directors who are Audit and Supervisory Committee Members) will expire at the conclusion of this general meeting. Accordingly, the Company proposes to elect six (6) Directors (excluding Directors who are Audit and Supervisory Committee Members).

Following discussions by the Audit and Supervisory Committee based on deliberations of the Nomination/Remuneration Advisory Committee attended by one (1) Audit and Supervisory Committee Member, the Audit and Supervisory Committee believes that the nominating procedure was properly followed and all candidates are adequate to serve as Directors of the Company.

The candidates for Directors (excluding Directors who are Audit and Supervisory Committee Members) are as follows:

Candidate No.	Name	Current Position in the Company			
1	Terukazu Kato	President and Representative Director	Reelection		
2	Susumu Adachi	Director and Managing Executive Officer	Reelection		
3	Muneki Handa	Advisor	New Election		
4	Shigeru Sugimoto	Outside Director	Reelection	Outside	Independent
5	Kenichi Matsui	Outside Director	Reelection	Outside	Independent
6	Hiroshi Miyake	Outside Director	Reelection	Outside	Independent

1	Terukazu Kato	(Age 55)	Current Position in the Company
	Date of Birth August 26, 1963		President and Representative Director

Reelection

To our shareholders

The Tsumura Group is aiming to realize the Long-term business vision “Vision for 2021,” which is based on the theme of “aiming to be a value-creation company that contributes to people’s health through its Kampo business” which reflects our corporate philosophy and corporate mission, which make up our basic philosophy. Through working to achieve the strategic challenges of our third medium-term management plan, we will contribute to the health and medical care of the people while promoting awareness of the value of Tsumura’s Kampo formulations.

Striving to create new value based on our basic direction of “Tradition and Innovation,” we will devote our utmost energies in improving the corporate value in order to meet the expectations of our Shareholders through taking appropriate business risks, such as new business ventures in China, while implementing effective corporate governance.

<ul style="list-style-type: none"> ■ Career summary, position and responsibility in the Company, and major positions held outside the Company <p>Apr. 1986 Joined the Company</p> <p>Aug. 2001 President and Representative Director, TSUMURA USA, INC.</p> <p>Jan. 2006 Head of Public Relations Department, TSUMURA & CO.</p> <p>Apr. 2007 General Manager, Head of Corporate Communications Department, TSUMURA & CO.</p> <p>Jun. 2011 Director and Executive Officer, Head of Corporate Communications Department, TSUMURA & CO.</p> <p>Jun. 2012 President and Representative Director, TSUMURA & CO.</p> <p>Jun. 2015 President and Representative Director and President and Executive Officer, TSUMURA & CO. (incumbent)</p>	<ul style="list-style-type: none"> ■ Number of the Company’s Shares Owned 19,500 Shares ■ Status of attendance to Board of Directors meeting: 17/17 (100%) ■ Material relationship with the Company <p style="text-align: center;">None</p>
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● Reasons for nominating Mr. Terukazu Kato as a candidate for Director

Since Mr. Terukazu Kato was appointed as President and Representative Director in 2012, he has provided appropriate explanations of matters to be resolved and reported at the Board of Directors meetings and successfully carried out his responsibilities in making important management decisions and supervising the execution of business as a chairman of the Board of Directors. In addition, he has continuously led in further enhancing corporate governance system.

In order for the Company to further pursue the aim of achieving sustainable growth and enhancing its corporate value while maintaining the philosophy-based management approach, realizing the Long-term business vision and achieving the medium-term management plan, the Board of Directors believes that he is one of the most well-qualified candidates, and thus recommends his re-election.

If his election as a Director is approved, Mr. Kato will assume the position of President, Representative Director and CEO of the Company.

2	Susumu Adachi	(Age 56)	Current Position in the Company
	Date of Birth February 3, 1963		Director and Managing Executive Officer

Reelection

To our shareholders

The Tsumura Group has formulated “Creating New Value through Innovations in Kampo - Next Stage -,” the three-year medium-term management plan commencing in fiscal 2019. The main themes of our plan are the sustainable expansion of the Kampo market in Japan and the establishment of its presence and construction of a business foundation in China where we have only just begun expansion.

I am confident that through achieving this plan, the Tsumura Group will be more certain to achieve growth in future years and a foundation will be put in place that will enable further gigantic leaps in growth. By devoting our utmost energies to achieving this plan, we are set to improve the corporate value of the Tsumura Group and meet the expectations of our shareholders.

<ul style="list-style-type: none"> ■ Career summary, position and responsibility in the Company, and major positions held outside the Company <p>Apr. 1987 Joined the Company</p> <p>Apr. 2013 Head of Corporate Planning Department, TSUMURA & CO.</p> <p>Apr. 2015 General Manager, Head of Corporate Planning Department, TSUMURA & CO.</p> <p>Apr. 2016 Executive Officer, Head of Corporate Planning Department, TSUMURA & CO.</p> <p>Apr. 2018 Managing Executive Officer, Head of Corporate Planning Department, TSUMURA & CO.</p> <p>Jun. 2018 Director and Managing Executive Officer, Head of Corporate Planning Department, TSUMURA & CO. (incumbent)</p>	<ul style="list-style-type: none"> ■ Number of the Company's Shares Owned 6,100 Shares ■ Status of attendance to Board of Directors meeting: 13/13 (100%) ■ Material relationship with in the Company <p style="text-align: center;">None</p>
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- Reasons for nominating Mr. Susumu Adachi as a candidate for Director

Mr. Susumu Adachi has experience as a member of senior management in our group company in China and extensive experience and insight as an executive officer in charge of corporate planning, finance/accounting, public relation/IR, information technology and product strategy at the Company. The Board of Directors has full confidence in his ability to carry out his responsibilities including making important management decisions at the Board of Directors meetings and supervising the execution of business. Therefore, the Board of Directors recommends his re-election as a Director.

If his election as a Director is approved, Mr. Adachi will assume the position of Director, Managing Executive Officer and COO of the Company.

3	Muneki Handa	(Age 56)	Current Position in the Company
	Date of Birth July 7, 1962		Advisor

New Election

To our shareholders

Kampo medicines are pharmaceuticals prescribed based on the practice of Kampo medicine, a form of Japanese unique traditional medicine. Today, our Japanese society faces challenges – i.e., addressing aging society issues, achieving a society in which all 100 million Japanese people can play active roles on the premise of further women’s empowerment, and development of treatments for cancer, which is the most common cause of death in Japan. The Company will contribute to solving all these challenges by establishing the scientific evidence of Kampo medicine. Moreover, such social issues as aging population are challenges not specific to Japan. Therefore, I will devote myself to fulfilling expectations of all of our shareholders and the other stakeholders by helping the Company to be further accepted and needed by society through the expansion of such activities currently carried out in Japan on a global scale.

<p>■ Career summary, position and responsibility in the Company, and major positions held outside the Company</p> <p>Apr. 1985 Joined The Mitsubishi Bank, Limited (currently MUFG Bank, Ltd.)</p> <p>Jun. 2015 Deputy President, Mitsubishi UFJ Capital Co., Ltd.</p> <p>Jun. 2016 President, Mitsubishi UFJ Capital Co., Ltd. (incumbent) (scheduled to retire on June 18, 2019)</p> <p>May 2019 Advisor, TSUMURA & CO. (incumbent)</p>	<p>■ Number of the Company’s Shares Owned 0 Shares</p>
	<p>■ Status of attendance to Board of Directors meeting: -</p>
	<p>■ Material relationship with in the Company</p>
	<p>None</p>

● Reasons for nominating Mr. Muneki Handa as a candidate for Director

Mr. Muneki Handa has years of experience working at the financial institutions and extensive experience and insight as a corporate manager at a venture capital firm. The Board of Directors has full confidence in his ability to carry out his responsibilities including making important management decisions at the Board of Directors meetings and supervising the execution of business. Therefore, the Board of Directors recommends his election.

If his election as a Director is approved, Mr. Handa will assume the position of Director, Managing Executive Officer and CFO of the Company.

4	Shigeru Sugimoto	(Age 60)	Current Position in the Company
	Date of Birth	October 12, 1958	Outside Director

Reelection Outside Independent

To our shareholders

The Company has been not only striving to further cement its position in the Japanese market but also making unflinching efforts to expand its business to global markets based on its corporate philosophy, “The Best of Nature and Science.” While being rooted in the tradition of Kampo medicine, our business is to contribute primarily to advanced medical care, which is of great social significance. I believe that my role is to point out issues to be addressed in the early stages of business strategy development and contribute to decision-making on what risks we can take. To this end, I will do my best to advise on and supervise the execution of business as an Outside Director from the viewpoint of stakeholders including shareholders, utilizing expertise as a certified public accountant, etc. and management experience, so as to contribute to the Company’s sustainable growth.

<ul style="list-style-type: none"> ■ Career summary, position and responsibility in the Company, and major positions held outside the Company Apr. 1982 Joined Housing and Urban Development Corporation (currently Urban Renaissance Agency (Incorporated Administrative Agency)) Oct. 1985 Joined Ohta Showa Audit Firm (currently Ernst & Young ShinNihon LLC) Jun. 1987 Registered as a real estate appraiser Jul. 1988 Representative, Sakura Horwath & Co. (currently Sakura & Co.) (incumbent) Feb. 1989 Registered as a certified public accountant Mar. 1992 Registered as a certified tax accountant Dec. 1995 Representative, Sakura Horwath LLC (currently Sakura Horwath Audit Corporation) (incumbent) Jun. 2012 Outside Director, TSUMURA & CO. (incumbent) Nov. 2013 Supervisory Officer, Hulic Reit, Inc. (incumbent) ■ Tenure as an Outside Director At the conclusion of this general meeting, Mr. Sugimoto will have served in the position for seven (7) years. 	<ul style="list-style-type: none"> ■ Number of the Company’s Shares Owned 6,300 Shares ■ Status of attendance to Board of Directors meeting: 17/17 (100%) ■ Material relationship with in the Company
	None

● Reasons for nominating Mr. Shigeru Sugimoto as a candidate for Outside Director

Mr. Shigeru Sugimoto has extensive experience and insight as a certified public accountant, a real estate appraiser, and a certified tax accountant. The Board of Directors has full confidence in his ability to carry out his responsibilities including making important management decisions and supervising the execution of business for the Company. Therefore, the Board of Directors recommends his reelection as an Outside Director.

● Degree of independence

Mr. Shigeru Sugimoto concurrently serves as Representative of Sakura & Co., Representative of Sakura Horwath Audit Corporation, and a supervisory officer of Hulic Reit, Inc. In view of the fact that there is no business relationship between the Company and any of these corporations, and Mr. Shigeru Sugimoto satisfies the standards for determination of independence of Outside Directors, the Board of Directors believes Mr. Shigeru Sugimoto has a high degree of independence.

The Company has submitted notification to Tokyo Stock Exchange, Inc. that Mr. Shigeru Sugimoto has been appointed as an independent officer as provided for in Article 436-2 of the Securities Listing Regulations of the aforementioned exchange.

● Summary of limited liability agreement with Mr. Shigeru Sugimoto

Pursuant to Article 427, paragraph 1 of the Companies Act and the Company’s Articles of Incorporation, the Company has entered into an agreement with candidate for Outside Director Mr. Shigeru Sugimoto to limit his liability for damages arising from neglecting his liability. The limit under the agreement is the amount provided for by the applicable laws and regulations. If Mr. Shigeru Sugimoto is reelected, the Company plans to renew the aforementioned limited liability agreement.

5	Kenichi Matsui	(Age 69)	Current Position in the Company
	Date of Birth July 5, 1949		Outside Director

Reelection Outside Independent

To our shareholders

During my four years of service as an Outside Director, I have been committed to achieving the Long-term business vision “Vision for 2021” from longer and more objective points of view with a focus on my motto, “human-oriented business management,” while learning a lot from the Company’s employees. Despite difficult circumstances, the Company has steadily been establishing a foundation of sustainable growth through initiatives such as growth expansion of the Kampo business and full-scale launch of the Chinese business, as well as building a clear, trusted governance system. I will engage in setting new long-term goals and targets while supervising the realization of the “Vision for 2021.” What is important is to identify changes in the uncertain environment caused by a variety of technological innovations from a broad perspective and flexibly and promptly reflect such changes in the business besides the cultivation of Tsumura’s human resources. To this end, I will make my best effort to establish a trusted management system.

<p>■ Career summary, position and responsibility in the Company, and major positions held outside the Company</p> <p>Apr. 1972 Joined Idemitsu Kosan Co., Ltd.</p> <p>Jun. 2001 General Manager of Accounting Department, Idemitsu Kosan Co., Ltd.</p> <p>Apr. 2003 Executive Officer, General Manager of Accounting Department, Idemitsu Kosan Co., Ltd.</p> <p>Jun. 2004 Managing Executive Officer, General Manager of Accounting Department, Idemitsu Kosan Co., Ltd.</p> <p>Jun. 2005 Managing Director, Idemitsu Kosan Co., Ltd.</p> <p>Jun. 2010 Executive Vice President, Representative Director, Idemitsu Kosan Co., Ltd.</p> <p>Jun. 2014 Outside Director, The Mie Bank, Ltd.</p> <p>Jun. 2015 Outside Director, TSUMURA & CO. (incumbent)</p> <p>Apr. 2018 Outside Director (Audit and Supervisory Committee Member), The Mie Bank, Ltd. (incumbent)</p> <p>■ Tenure as an Outside Director</p> <p>At the conclusion of this general meeting, Mr. Matsui will have served in the position for four (4) years.</p>	<p>■ Number of the Company’s Shares Owned 2,600 Shares</p> <p>■ Status of attendance to Board of Directors meeting: 16/17 (94.1%)</p> <p>■ Material relationship with in the Company</p> <p>None</p>
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- Reasons for nominating Mr. Kenichi Matsui as a candidate for Outside Director
Mr. Kenichi Matsui has extensive experience and insight as a corporate manager, developed over many years. The Board of Directors has full confidence in his ability to carry out his responsibilities including making important management decisions and supervising the execution of business for the Company. Therefore, the Board of Directors recommends his reelection as an Outside Director.
- Degree of independence
Mr. Kenichi Matsui concurrently serves as an Outside Director (Audit and Supervisory Committee Member) of The Mie Bank, Ltd. In view of the fact that there is no business relationship between the Company and the bank, and Mr. Kenichi Matsui satisfies the standards for determination of independence of Outside Directors, the Board of Directors believes Mr. Kenichi Matsui has a high degree of independence.
The Company has submitted notification to Tokyo Stock Exchange, Inc. that Mr. Kenichi Matsui has been appointed as an independent officer as provided for in Article 436-2 of the Securities Listing Regulations of the aforementioned exchange.
- Summary of limited liability agreement with Mr. Kenichi Matsui
Pursuant to Article 427, paragraph 1 of the Companies Act and the Company’s Articles of Incorporation, the Company has entered into an agreement with candidate for Outside Director Mr. Kenichi Matsui to limit his liability for damages arising from neglecting his liability. The limit under the agreement is the amount provided for by the applicable laws and regulations. If Mr. Kenichi Matsui is reelected, the Company plans to renew the aforementioned limited liability agreement.

6	Hiroshi Miyake	(Age 69)	Current Position in the Company
	Date of Birth August 4, 1949		Outside Director

Reelection Outside Independent

To our shareholders

Even in the new imperial era of Reiwa, I will strive to increase the corporate value based on our corporate philosophy, “The Best of Nature and Science,” and actively perform my duties of supervision, check and suggestion to management to earn trust from all the stakeholders. More specifically, I believe that achieving the medium-term management plan, cultivating the next generation of corporate managers, and succeeding in the development of the Chinese business are the most crucial tasks. Therefore, I will work hard to contribute to achieving the goals and targets by drawing on my knowledge cultivated in the past and enhancing the effectiveness of the Board of Directors as an Outside Director.

<ul style="list-style-type: none"> ■ Career summary, position and responsibility in the Company, and major positions held outside the Company Apr. 1973 Joined Mitsubishi Corporation Oct. 2000 General Manager, Paper & Packaging Raw Materials Division, Mitsubishi Corporation Apr. 2001 Deputy Division COO, General Merchandise Division, Mitsubishi Corporation Apr. 2003 Deputy General Manager, Kansai Branch, Mitsubishi Corporation Apr. 2005 Senior Vice President, Mitsubishi Corporation President, Mitsubishi International GmbH, and Deputy Regional CEO for Europe May 2009 Advisor, Tokai Pulp & Paper Co., Ltd. Jun. 2009 Managing Executive Officer, Tokushu Tokai Holdings Co., Ltd. Jun. 2010 Senior Managing Executive Officer, Tokushu Tokai Paper Co., Ltd. Jun. 2014 Director, Executive Vice President, Tokushu Tokai Paper Co., Ltd. Jun. 2015 Representative Director, Executive Vice President, Tokushu Tokai Paper Co., Ltd. Jun. 2016 Advisor, Tokushu Tokai Paper Co., Ltd. Oct. 2016 Advisor, Nippon Tokai Industrial Paper Supply Co., Ltd. Jun. 2018 Outside Director, TSUMURA & CO. (incumbent) ■ Tenure as an Outside Director At the conclusion of this general meeting, Mr. Miyake will have served in the position for one (1) year. 	<ul style="list-style-type: none"> ■ Number of the Company’s Shares Owned 300 Shares ■ Status of attendance to Board of Directors meeting: 13/13 (100%) ■ Material relationship with in the Company <p style="text-align: center;">None</p>
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● Reasons for nominating Mr. Hiroshi Miyake as a candidate for Outside Director

Mr. Hiroshi Miyake has extensive experience and insight as a corporate manager developed over many years and transactional experience in and outside Japan. The Board of Directors has full confidence in his ability to carry out his responsibilities including making important management decisions and supervising the execution of business for the Company. Therefore, the Board of Directors recommends his re-election as an Outside Director.

● Degree of independence

Since Mr. Hiroshi Miyake satisfies the standards for determination of independence of Outside Directors, the Board of Directors believes Mr. Hiroshi Miyake has a high degree of independence.

The Company has submitted notification to Tokyo Stock Exchange, Inc. that Mr. Hiroshi Miyake has been appointed as an independent officer as provided for in Article 436-2 of the Securities Listing Regulations of the aforementioned exchange.

● Summary of limited liability agreement with Mr. Hiroshi Miyake

Pursuant to Article 427, paragraph 1 of the Companies Act and the Company’s Articles of Incorporation, the Company has entered into an agreement with candidate for Outside Director Mr. Hiroshi Miyake to limit his liability for damages arising from neglecting his liability. The limit under the agreement is the amount provided for by the applicable laws and regulations. If Mr. Hiroshi Miyake is reelected, the Company plans to renew the aforementioned limited liability agreement.

(Note 1) The respective ages stated for each candidate are current as of June 27, 2019.

(Note 2) The status of attendance to the Board of Directors meeting stated for each candidate is based on data for fiscal 2019 (from April 1, 2018 to March 31, 2019). Since Mr. Susumu Adachi and Mr. Hiroshi Miyake assumed the position of Director following the 82nd Ordinary General Meeting of Shareholders held on June 28, 2018, their status of attendance to the Board of Directors meeting are based on data from June 28, 2018 to March 31, 2019.

Proposal No. 3

Proposal No. 3: Election of Three (3) Directors who are Audit and Supervisory Committee Members

The terms of office of all three (3) Directors who are Audit and Supervisory Committee Members will expire at the conclusion of this general meeting. Accordingly, the Company proposes to elect three (3) Directors who are Audit and Supervisory Committee Members.

Prior to this proposal, the Company has already obtained the consent of the Audit and Supervisory Committee.

The candidates for Directors who are Audit and Supervisory Committee Members are as follows:

Candidate No.	Name	Current Position in the Company			
1	Kimikazu Okochi	Director (Full-time Audit and Supervisory Committee Member)	Reelection		
2	Mitsutoshi Matsushita	Outside Director (Audit and Supervisory Committee Member)	Reelection	Outside	Independent
3	Akemi Mochizuki		New Election	Outside	Independent

1	Kimikazu Okochi	(Age 60)	Current Position in the Company
	Date of Birth	October 8, 1958	Director (Full-time Audit and Supervisory Committee Member)

Reelection

To our shareholders

The Group aims to further enhance the corporate value, bearing in mind its corporate mission, “To contribute to the unparalleled medical therapeutic power of the combination of Kampo medicine and Western medicine.” I believe that there is no difference in roles between Audit and Supervisory Committee Members and Executive Directors in that both “assume the responsibility of sustainably enhancing the corporate value.”

Amid the trend of tighter corporate governance, roles and responsibilities of Audit and Supervisory Committee Members have become more important than ever. Therefore, I will perform my duties as a Full-time Audit and Supervisory Committee Member with a sense of ethics and conviction to judge through “society’s eyes” as well as strive to gather information and develop the audit environment by communicating with the internal auditing division and the Accounting Auditor.

<ul style="list-style-type: none"> ■ Career summary, position and responsibility in the Company, and major positions held outside the Company Apr. 1981 Joined the Company Apr. 2010 Head of Accounting Department, TSUMURA & CO. Apr. 2014 General Manager, Head of Accounting Department, TSUMURA & CO. Apr. 2017 General Manager, Audit & Supervisory Board Office, TSUMURA & CO. Jun. 2017 Director (Full-time Audit and Supervisory Committee Member), TSUMURA & CO. (incumbent) 	<ul style="list-style-type: none"> ■ Number of the Company’s Shares Owned 5,300 Shares ■ Status of attendance to Board of Directors meeting: 17/17 (100%) ■ Status of attendance to the Audit and Supervisory Committee: 21/21 (100%) ■ Material relationship with the Company
	None

- Reasons for nominating Mr. Kimikazu Okochi as a candidate for Director who is Audit and Supervisory Committee Member

Mr. Kimikazu Okochi has extensive business experience primarily in the fields of finance and accounting, including his work experience in China as a member of the Company. Since he assumed the position of Director who is Audit and Supervisory Committee Member in 2017, he has appropriately supervised the execution of business of the Company as a Full-time Audit and Supervisory Committee Member. The Board of Directors has full confidence in his ability to appropriately execute his duties and recommends his reelection to ensure the soundness and appropriateness of decision making associated with the Company’s management as well as enhancing its transparency.

- Summary of limited liability agreement with Mr. Kimikazu Okochi

Pursuant to Article 427, paragraph 1 of the Companies Act and the Company’s Articles of Incorporation, the Company has entered into an agreement with Director who is Audit and Supervisory Committee Member Mr. Kimikazu Okochi to limit his liability for damages arising from neglecting his liability. The limit under the agreement is the amount provided for by the applicable laws and regulations. If Mr. Kimikazu Okochi is reelected, the Company plans to renew the aforementioned limited liability agreement.

2	Mitsutoshi Matsushita	(Age 48)	Current Position in the Company
	Date of Birth October 3, 1970		Outside Director (Audit and Supervisory Committee Member)

Reelection Outside Independent

To our shareholders

This year marks the first year of the third medium-term management plan, the final step of the medium-term plan toward the Company's "Vision for 2021." The environment surrounding the pharmaceutical industry has grown more severe. In order to expand the Chinese business while strengthening the domestic business foundation and achieve the goals and targets of the medium-term management plan amid such circumstances, the Company is required to have a swift, valiant, and agile management system. On the other hand, it is also important to manage risks associated with challenges in an appropriate way.

As an Outside Director and Audit and Supervisory Committee Member, I will do my best to establish a management system balanced between challenges and risk management, utilizing my experience in engaging in corporate legal affairs as a lawyer.

<ul style="list-style-type: none"> ■ Career summary, position and responsibility in the Company, and major positions held outside the Company <ul style="list-style-type: none"> Apr. 1997 Registered as an attorney at law Joined Kajitani Law Offices (incumbent) Jun. 2016 Outside Audit & Supervisory Board Member, PACIFIC SYSTEMS CORPORATION (incumbent) Jun. 2017 Outside Director (Audit and Supervisory Committee Member), TSUMURA & CO. (incumbent) ■ Tenure as an Outside Director <ul style="list-style-type: none"> At the conclusion of this general meeting, Mr. Matsushita will have served in the position for two (2) years. 	<ul style="list-style-type: none"> ■ Number of the Company's Shares Owned 500 Shares ■ Status of attendance to Board of Directors meeting: 17/17 (100%) ■ Status of attendance to the Audit and Supervisory Committee: 21/21 (100%) ■ Material relationship with the Company None
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● Reasons for nominating Mr. Mitsutoshi Matsushita as a candidate for Outside Director who is Audit and Supervisory Committee Member

Mr. Mitsutoshi Matsushita has extensive experience and excellent insights as an attorney at law that is well versed in corporate legal affairs, is involved in the company management and has sufficient knowledge to oversee management. Thus, the Board of Directors has full confidence in his ability to appropriately execute his duties as an Outside Director who is Audit and Supervisory Committee Member of the Company, and recommends his reelection to ensure the soundness and appropriateness of decision making associated with the Company's management as well as enhancing its transparency.

● Degree of independence

Mr. Mitsutoshi Matsushita concurrently serves as an Outside Audit & Supervisory Board Member of PACIFIC SYSTEMS CORPORATION. In view of the fact that there is no trading relationship between the Company and the corporation, the Board of Directors believes Mr. Mitsutoshi Matsushita has a high degree of independence.

The Company has submitted notification to Tokyo Stock Exchange, Inc. that Mr. Mitsutoshi Matsushita has been appointed as an independent officer as provided for in Article 436-2 of the Securities Listing Regulations of the aforementioned exchange.

● Summary of limited liability agreement with Mr. Mitsutoshi Matsushita

Pursuant to Article 427, paragraph 1 of the Companies Act and the Company's Articles of Incorporation, the Company has entered into an agreement with Director who is Audit and Supervisory Committee Member Mr. Mitsutoshi Matsushita to limit his liability for damages arising from neglecting his liability. The limit under the agreement is the amount provided for by the applicable laws and regulations. If Mr. Mitsutoshi Matsushita is reelected, the Company plans to renew the aforementioned limited liability agreement.

3	Akemi Mochizuki	(Age 65)	Current Position in the Company
	Date of Birth	June 10, 1954	

New Election Outside Independent

To our shareholders

Amid the recent revival of attention to long-established Kampo, the Tsumura Group contributes to people's health through its Kampo and crude drug business and engages in the business that can be said to be one of a kind in the world based on its mission to contribute to the unparalleled medical therapeutic power of the combination of Kampo medicine and Western medicine. It is crucially important for society that the Group sustainably develops its business and continues to contribute to people's health and society. Moreover, in order to continue to deliver value to society, it is vital for the Group to remain what a business entity should be. I will do my best to play a role in the Group's governance as an Outside Director so that it can continue to deliver value that society needs.

<ul style="list-style-type: none"> ■ Career summary, position and responsibility in the Company, and major positions held outside the Company <p>Oct. 1984 Joined Aoyama Audit Corporation</p> <p>Mar. 1988 Registered as a certified public accountant</p> <p>Aug. 1996 Joined Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC)</p> <p>Jun. 2001 Partner, Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC)</p> <p>Jul. 2018 Independent Director, Audit Committee Member, NSK Ltd. (incumbent)</p> <p>Jul. 2018 Partner, AKAHOSHI AUDIT CORPORATION (incumbent)</p>	<ul style="list-style-type: none"> ■ Number of the Company's Shares Owned 0 Shares ■ Status of attendance to Board of Directors meeting: - ■ Status of attendance to the Audit and Supervisory Committee: - ■ Material relationship with the Company <p style="text-align: center;">None</p>
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● Reasons for nominating Ms. Akemi Mochizuki as a candidate for Outside Director who is Audit and Supervisory Committee Member

Ms. Akemi Mochizuki has extensive experience and excellent insights as a certified public accountant that is well versed in finance and accounting, is involved in the company management and has sufficient knowledge to oversee management. Thus, the Board of Directors has full confidence in her ability to appropriately execute her duties as an Outside Director who is Audit and Supervisory Committee Member of the Company, and recommends her election to ensure the soundness and appropriateness of decision making associated with the Company's management as well as enhancing its transparency.

● Degree of independence

Ms. Akemi Mochizuki concurrently serves as an Independent Director, Audit Committee Member of NSK Ltd. and Partner of AKAHOSHI AUDIT CORPORATION. In view of the fact that there is no trading relationship between the Company and the corporations, the Board of Directors believes Ms. Akemi Mochizuki has a high degree of independence.

The Company plans to submit notification to Tokyo Stock Exchange, Inc. that Ms. Akemi Mochizuki has been appointed as an independent officer as provided for in Article 436-2 of the Securities Listing Regulations of the aforementioned exchange.

● Summary of limited liability agreement with Ms. Akemi Mochizuki

Conditional upon the approval and adoption of this proposal and pursuant to Article 427, paragraph 1 of the Companies Act and the Company's Articles of Incorporation, the Company plans to enter into an agreement with Ms. Akemi Mochizuki to limit her liability for damages under Article 423, paragraph 1 of the Companies Act. The limit of liability for damages under this agreement is the minimum liability amount provided for under the relevant laws and regulations.

(Note 1) The respective ages stated for each candidate are current as of June 27, 2019.

(Note 2) The status of attendance to the Board of Directors meeting and that to Audit and Supervisory Committee meeting stated for each candidate are based on data for fiscal 2019 (from April 1, 2018 to March 31, 2019).

Proposal No. 4

Proposal No. 4: Election of One (1) Substitute Director who is Audit and Supervisory Committee Member

The effective term of substitute Director who is Audit and Supervisory Committee Member Ms. Seiko Noda, who was elected at the 81st Ordinary General Meeting of Shareholders held on June 29, 2017, will expire at the beginning of this General Meeting of Shareholders. In preparation for lacking the number of Directors who are Audit and Supervisory Committee Members stipulated by laws and regulations, the Company proposes to elect one (1) substitute Director who is Audit and Supervisory Committee Member.

Note that the effectiveness of election of the substitute Director who is Audit and Supervisory Committee Member may be rescinded by a resolution of the Board of Directors if the consent of the Audit and Supervisory Committee has been obtained, only before the assumption of office.

Prior to this proposal, the Company has already obtained the consent of the Audit and Supervisory Committee.

The candidate for substitute Director who is Audit and Supervisory Committee Member is as follows:

Seiko Noda	(Age 55)	Current Position in the Company
Date of Birth	February 17, 1964	
<ul style="list-style-type: none"> ■ Career summary, position and responsibility in the Company, and major positions held outside the Company Apr. 1986 Joined The Awa Bank, Ltd. Apr. 1999 Registered as an attorney at law Joined NAGASAWA LAW OFFICES (incumbent) Jun. 2007 Outside Audit & Supervisory Board Member, TSUMURA & CO. 		<ul style="list-style-type: none"> ■ Number of the Company's Shares Owned 2,700 Shares ■ Status of attendance to Board of Directors meeting: - ■ Status of attendance to the Audit and Supervisory Committee: - ■ Material relationship with the Company
		None

● Reasons for nominating Ms. Seiko Noda as a candidate for substitute Director who is Audit and Supervisory Committee Member

Ms. Seiko Noda is well versed in corporate legal affairs as an attorney at law, has sufficient knowledge to oversee corporate management, and used to be involved in the management as an Outside Audit & Supervisory Board Member of the Company. Therefore, the Board of Directors has full confidence in her ability to appropriately execute her duties as a Director who is Audit and Supervisory Committee Member of the Company, and recommends her reelection.

● Summary of limited liability agreement with Ms. Seiko Noda

If this proposal is approved and adopted, and if Ms. Seiko Noda assumes the office of Director who is Audit and Supervisory Committee Member, pursuant to Article 427, paragraph 1 of the Companies Act and the Company's Articles of Incorporation, the Company plans to enter into an agreement with her to limit her liability for damages under Article 423, paragraph 1 of the Companies Act. The limit of liability for damages under this agreement is the minimum liability amount provided for under the relevant laws and regulations.

(Note 1) The age stated for the candidate is current as of June 27, 2019.

(Note 2) The status of attendance to the Board of Directors meeting and that to Audit and Supervisory Committee meeting stated for each candidate are based on data for fiscal 2019 (from April 1, 2018 to March 31, 2019).

(Reference)

Standards for Determination of Independence of Outside Directors

Of the Company's Outside Directors, outside officers who do not fall under any of the following items shall be determined to have independence.

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1. Person who is or was in the past ten (10) years an Executive Director, Executive Officer (*Shikkoyaku*), Executive Officer (*Shikkoyakuin*), Manager, General Manager, employee, etc. (hereinafter referred to as "executives") of the Company or its consolidated subsidiaries

 2. Person or executives of a legal entity holding, whether directly or indirectly, 10% or more of the total number of voting rights of the Company

 3. Party for whom the Company or its consolidated subsidiaries ^(*1) is a major business partner or executives of such party
 - *1. Party is defined as a "party for whom the Company or its consolidated subsidiaries is a major business partner" if payment from the Company or its consolidated subsidiaries which such party receives is 2% or more of its annual transaction value (non-consolidated) in the most recent fiscal year, or if monetary finance from the Company or its consolidated subsidiaries which such party is receiving is 2% or more of its consolidated total assets in the most recent fiscal year.

 4. Major business partner of the Company or its consolidated subsidiaries ^(*2) or the executives of such business partner
 - *2. Business partner is defined as a "major business partner of the Company or its consolidated subsidiaries" if payment from such business partner which the Company or its consolidated subsidiaries receives is 2% or more of its annual consolidated transaction value in the most recent fiscal year, or if monetary finance from such business partner which the Company or its consolidated subsidiaries is receiving is 2% or more of the Company's consolidated total assets in the most recent fiscal year.

 5. Audit corporation that serves as Accounting Auditor of the Company or its consolidated subsidiaries, or partners and others of the audit corporation

 6. Consultant, attorney, certified public accountant and others who provide professional services and obtain monetary and other financial benefits exceeding a cumulative amount of ¥10 million in the most recent fiscal year from the Company, excluding officer compensation (if such financial benefits are obtained by an organization including a legal entity and a partnership, etc. this shall apply to the person belonging to such organization.)

 7. Person or executives of a legal entity receiving donations, grants and others in the amount exceeding ¥10 million from the Company or its consolidated subsidiaries in the most recent fiscal year

 8. Person to whom items 2 through 7 apply during the past three (3) years

 9. Person who is or was recently a spouse or within a second degree of consanguinity of executives in an important position of the Company or its consolidated subsidiaries (hereinafter referred to as "close relative")

 10. Close relative of a person to whom any of the items 2 through 7 apply (excluding people who are not in an important position)
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Proposal No. 5

Proposal No. 5: Revision of Performance-Linked Stock Compensation Plan (Performance Share Unit) for Directors (excluding Directors who are Audit and Supervisory Committee Members and Non-executive Directors) and Executive Officers who have entered into a Service Agreement with the Company

In the 81st Ordinary General Meeting of Shareholders held on June 29, 2017, the Company was given approval of the performance-linked stock compensation plan (Performance Share Unit) for Directors (excluding Directors who are Audit and Supervisory Committee Members and non-executive Directors) and Executive Officers (*Shikkoyakuin*) who have entered into a service agreement with the Company (hereinafter collectively referred to as “Directors, etc.”) upon the transition to a company with an Audit and Supervisory Committee.

The Company seeks approval for changing its performance-based compensation in association with the stock compensation plan from the actual grant of the Company’s common shares to the actual grant of the Company’s common shares and the payment of cash (hereinafter referred to as the “Plan”).

If Proposal No. 2: “Election of Six (6) Directors (excluding Directors who are Audit and Supervisory Committee Members)” is adopted as originally proposed at this General Meeting of Shareholders, the number of Directors, etc. who are eligible for the Plan will be a total of 11, comprising three (3) Directors (excluding Directors who are Audit and Supervisory Committee Members and non-executive Directors) and eight (8) Executive Officers (*Shikkoyakuin*); provided, however, the number of eligible persons for the Plan may vary depending on their appointment and retirement from office as Directors, etc. during the Plan period.

Amount and other details of the compensation, etc. of the Plan

(1) Outline of the Plan

The Plan shall be a performance-linked stock compensation plan by which the Company’s common shares will be granted and cash will be paid to Directors, etc., based on their roles, duties and positions and according to the achievement ratio of the Company’s numerical performance targets of the medium-term management plan which covers the Plan period, which is three years from the fiscal year ending March 31, 2020 to the fiscal year ending March 31, 2022 (from April 1, 2019 to March 31, 2022). The actual grant of the Company’s common shares and the payment of cash will be made to Directors, etc. after the Plan period has terminated. Also, the Company’s Board of Directors has formulated, in association with the Plan, the Stock Compensation Rules for Directors, etc. Given the nature of the Plan where the action of actual granting of the Company’s common shares and payment of cash is contingent upon the degree of achievement of the set targets, the Company is unable to determine in advance whether actual grant of its shares and payment of cash will take place or the names of the recipient Directors, etc., number of shares and amount of cash to be delivered, if any. In addition, after the termination of the initial Plan period above, the Board of Directors of the Company may approve, within the scope approved by this General Meeting of Shareholders, the continuation of the Plan in the three consecutive fiscal years, starting from the next fiscal year of the final fiscal year of the previous Plan period, after respective numerical targets and other items are updated every time a medium-term management plan is developed.

(2) Maximum amount of compensation, etc.

The Company will provide Directors, etc. with monetary compensation claims, based on their roles, duties and positions and according to the achievement ratio of the Company’s final-year numerical performance targets of the medium-term management plan. Meanwhile, Directors, etc. will receive the Company’s common shares, the number of which will be determined by (3) and (4) below, by making an in-kind contribution of the relevant monetary compensation claims at the time of the Company’s issuance of shares or disposal of treasury shares. The amount of the monetary compensation claims will be determined by the Board of Directors to the extent that it is not unduly favorable to Directors, etc. who subscribe for the Company’s common shares. The Company will also pay Directors, etc. cash which will be determined by (3) and (4) below, taking into account the amount of income taxes to be borne by Directors, etc. when they receive the Company’s common shares. The maximum total amount

of monetary compensation claims and cash provided to Directors, etc. based on the Plan will be set at ¥450 million for each Plan period linked with the medium-term management plan. The table below shows the maximum amount of the monetary compensation claims and cash provided to individual Directors, etc. based on their roles, duties and positions.

Class	Maximum amount of monetary compensation claims and cash to be provided
Representative Director	¥72 million
Executive Director	¥60 million
Senior Executive Officer	¥48 million
Executive Officer	¥24 million

(3) Calculation method and maximum limit of the number of the Company's shares to be granted and the amount of cash to be paid to Directors, etc.

Based on the following “formulas for calculating the number of shares to be granted and the amount of cash to be paid,” the Company calculates the number of shares to be granted, and the amount of cash to be paid, to individual Directors, etc. Specifically, the number of shares to be granted to individual Directors, etc. is determined by multiplying the number of reference deliverable shares (determined according to the compensation standards based on roles, duties and positions of individual Directors, etc.); the achievement ratios for the consolidated net sales, consolidated operating profit and consolidated ROE that are the numerical targets for the final year of the Plan period announced in the medium-term management plan; and the allocation ratios corresponding to the numerical targets above. The amount of cash to be paid to individual Director, etc. shall be determined by multiplying the number of shares to be granted as calculated above and the share price at time of grant. It should be noted that if the number of shares to be granted thus calculated has fractional shares less than one unit, those fractional shares will be discarded, and that if the amount of cash to be paid has values in the hundreds place and less, those values will be rounded down to the thousand.

[Formulas for calculating the number of shares to be granted and the amount of cash to be paid]

◎ Reference deliverable shares

= Amount determined according to compensation criteria based on roles, duties and positions for individual Directors, etc. / Reference share price* × 3 (fiscal years)

*Reference share price = Closing price of ordinary transactions of common shares of the Company on March 29, 2019 (= ¥3,365)

◎ Methods for calculating the number of shares to be granted and the amount of cash to be paid to each Director, etc.

The number of shares to be granted and the amount of cash to be paid to each Director, etc. shall be determined by the following methods:

(i) Number of shares to be granted

= Reference deliverable shares × (Sum of (Each achievement ratio of respective numerical targets for the final year of the Plan period in the medium-term management plan × Applicable numerical target allocation ratio)) × 50%

*“Achievement ratio of numerical target” is determined depending on the achieved degree, within the range of 0% to 120%, with the level corresponding to the numerical target set at 100%. If figures in the financial statements for the final year of the Plan period are below zero, the achievement ratio of the numerical target shall be 0%.

Achievement ratio of the numerical target

= Figures in the financial statements for the final year of the Plan period / Numerical targets for the final year of the Plan period in the medium-term management plan

*The table below shows respective numerical targets for the final year of the Plan period in the medium-term management plan and allocation ratios.

Item	Numerical target	Allocation ratio
Consolidated net sales	¥135 billion	40%
Consolidated operating profit	¥19 billion	30%
Consolidated ROE	6 %	30%

(ii) Amount of cash to be paid

= Number of shares to be granted calculated in (i) above × Share price at time of grant*

*Closing price of the Company's shares at Tokyo Stock Exchange, Inc. on the business day immediately prior to the date of the relevant resolution made at a meeting of the Company's Board of Directors to be held within two months after the close of the first Ordinary General Meeting of Shareholders after the termination of the Plan period (In case of no trading on the business day, the closing price shall be the price on the most recent trading day prior to the business day).

The maximum number of the total of the Company's common shares to be granted to Directors, etc. shall be the number equivalent to 60,000 shares during the Plan period. The table below shows the maximum number of the Company's common shares to be granted to individual Directors, etc. based on their roles, duties and positions.

Class	Maximum number of shares
Representative Director	6,000 shares
Executive Director	5,000 shares
Senior Executive Officer	4,000 shares
Executive Officer	2,000 shares

Provided, however, that, if the total number of issued shares of the Company increases or decreases as a result of stock consolidations, stock splits, gratis allotments of shares, etc., such maximum number and the number of the Company's shares to be granted to Directors, etc. shall be reasonably adjusted according to the consolidation ratio, split ratio, allotment ratio, etc. pertaining to the Company's shares.

Furthermore, if there arises a likelihood that the number of the Company's common shares to be granted or the amount of cash to be paid as specified in (3) above will exceed the total of the maximum number of shares or the maximum amount of monetary compensation claims and cash specified in (2) above, the number of shares to be granted and the amount of cash to be paid to individual Directors, etc. will be reduced proportionally or by other reasonable methods within the extent capped by such maximum amount or number.

(4) Requirements for granting the Company's shares and paying cash to Directors, etc.

Under the Plan, after the termination of the Plan period and on condition that the requirements described below are satisfied, the Company shall grant its common shares and pay cash to Directors, etc. Grant of the Company's common shares shall be made by way of issuance of new shares or disposal of treasury shares by the Company. In addition, specific Directors, etc. to whom the Company's common shares are granted, the number of shares to be granted and the amount of cash to be paid will be determined by the Board of Directors at a meeting to be held after the expiration of the Plan period.

(i) The person was in office as a Director, etc. during the Plan period.

(ii) The person has committed neither wrongful nor illegal conduct.

(iii) The person meets other conditions set by the Company that are deemed consistent with the purposes of the Plan.

Directors, etc. who retire from office during the Plan period will receive the Company's common shares and cash whose number and amount are prorated to the number of years they have held office up to the time of retirement from office. In addition, Directors, etc. who are newly appointed during the Plan period will receive the Company's common shares and cash whose number and amount are prorated to the number of years in office. It should be noted that in cases where a Director, etc. retires from office due to death during the Plan period or where certain reorganization and other changes within the Company are approved at the Company's General Meeting of Shareholders or other meetings, a successor of the Director, etc. or the Director, etc. will receive the amount of cash

obtained by multiplying the market price of the Company's common shares at the point of the retirement from office or at the point of the approval by the number of reference deliverable shares prorated to the number of years in office, regardless of the achievement ratio of numerical targets of the Director, etc.

(Reference)

Subject to approval of this proposal, the officer compensation system will be implemented as follows:

1) Basic idea behind the officer compensation system

The Company's basic policy is to pay compensation to officers that will contribute to their motivation to pursue the sustained growth of the Company and enhanced corporate value over the medium to long term through the improvement of performance. The compensation standards and composition of compensation paid are designed to ensure an appropriate level of compensation given the roles, duties and positions of each officer. Based on the compensation standards of roles, duties and positions, compensation for Representative Director and other Executive Directors among Directors (excluding Directors who are Audit and Supervisory Committee Members) is comprised of (i) basic compensation reflecting short-term performance such as the Company's business results for each fiscal year (the achievement ratios of respective actual consolidated net sales and consolidated operating profit to those forecast in the section of projections of consolidated business results in the summary of consolidated financial statements) and the degree of achievement of performance goals set by each of Executive Directors for each year and (ii) the performance-linked stock compensation reflecting the medium- to long-term performance. Employee salaries paid to Directors who also serve as employees of the Company are determined considering the salary levels of the Company's employees. Outside Directors and other non-executive Directors among Directors (excluding Directors who are Audit and Supervisory Committee Members) receive only a fixed amount of basic compensation in view of their roles of supervising operational execution. Directors who are Audit and Supervisory Committee Members receive only a fixed amount of basic compensation in consideration of their roles and duties.

2) Compensation level

Given the business environment surrounding the Company, the Company makes a comparison of compensation levels between the Company and industry peers or other companies of the same size as that of the Company in an objective manner by utilizing survey data from third-party specialists and considering the salary levels of the Company's employees, and sets compensation levels consistent with their roles, duties and positions.

3) Process for determining compensation

The Nomination/Remuneration Advisory Committee has been established to improve the transparency and impartiality of decisions related to compensation or the like by involving Outside Directors who have been designated as independent directors and incorporating their input. The Company's officer compensation is determined by the Board of Directors based on deliberations in and reports from the Nomination/Remuneration Advisory Committee. The introduction of the Plan is placed on the agenda for this General Meeting of Shareholders after being deliberated in the Nomination/Remuneration Advisory Committee.

In addition, compensation for Directors who are Audit and Supervisory Committee Members is determined based on mutual discussion by Directors who are Audit and Supervisory Committee Members.

4) Composition of compensation

Composition of compensation is as follows:

- Representative Director and other Executive Directors among Directors (excluding Directors who are Audit and Supervisory Committee Members)

Fixed portion [60%]	Portion linked to short-term performance [30%]	Portion linked to medium- to long-term performance [10%]
Basic compensation (cash)		Stock compensation

* The proportion of composition follows the standard amount of compensation based on their roles, duties and positions.

* Allocation ratios of each of the performance-linked proportions are as follows:

· Proportion linked to short-term performance

Item	Allocation ratio
Consolidated net sales	20%
Consolidated operating profit	20%
Degree of achievement of performance goals set by each of Executive Directors	60%

· Proportion linked to medium- to long-term performance

Item	Allocation ratio
Consolidated net sales	40%
Consolidated operating profit	30%
Consolidated ROE	30%

* Compensation for Executive Officers (*Shikkoyakuin*) who have entered into a service agreement with the Company is the same as compensation for Representative Director and other Executive Directors in terms of the basic idea behind officer compensation, compensation levels, the process for determining compensation and the composition of compensation.

◎ Outside Directors and other non-executive Directors (excluding Directors who are Audit and Supervisory Committee Members)

◎ Directors who are Audit and Supervisory Committee Members

Basic compensation (fixed amount and cash) [100%]
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5) Officer compensation framework (after the introduction of the Plan)

[Basic compensation (monetary compensation)]

· Directors (excluding Directors who are Audit and Supervisory Committee Members)

Not more than ¥600 million per annum

(Based on the resolution of the 81st Ordinary General Meeting of Shareholders held on June 29, 2017. The above amount includes the amount of compensation for Outside Director; provided, however, that does not include employee salaries.)

· Directors who are Audit and Supervisory Committee Members

Not more than ¥72 million per annum

(Based on the resolution of the 81st Ordinary General Meeting of Shareholders held on June 29, 2017.)

[Stock compensation (subject to approval of this proposal)]

· Monetary compensation claims and cash to be provided to Directors, etc.

¥450 million during the Plan period

The table below shows the maximum amount of monetary compensation claims and cash to be provided to individual Directors, etc. based on their roles, duties and positions.

Class	Maximum amount of monetary compensation claims and cash to be provided
Representative Director	¥72 million
Executive Director	¥60 million
Senior Executive Officer	¥48 million
Executive Officer	¥24 million

· Total number of the Company's common shares to be granted to Directors, etc.

The upper limit is equivalent to 60,000 shares during the Plan period.

The table below shows the maximum number of the Company's common shares granted to individual Directors, etc. based on their roles, duties and positions.

Class	Maximum number of shares
Representative Director	6,000 shares
Executive Director	5,000 shares
Senior Executive Officer	4,000 shares
Executive Officer	2,000 shares

* Directors, etc. refer to Directors (excluding Directors who are Audit and Supervisory Committee Members and non-executive Directors) and Executive Officers (*Shikkoyakuin*) who have entered into a service agreement with the Company.

* The Plan period refers to the period from the fiscal year ending March 31, 2020 to the fiscal year ending March 31, 2022 (from April 1, 2019 to March 31, 2022).