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NEWS RELEASE

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Tsumura Announces Introduction of Performance-Linked Stock Compensation Plan

Tsumura & Co. (hereinafter, “Tsumura”) announces that at the extraordinary meeting of the Board of Directors held on May 12, 2016, it resolved to submit a proposal concerning a performance-linked stock compensation plan (hereinafter, “the Plan”) to the 80th Ordinary General Meeting of Shareholders to be held on June 29, 2016 (hereinafter, “the Meeting of Shareholders”) as described below. The proposal is intended to introduce the Plan, which covers directors, except non-executive directors, and executive officers who have signed a delegation agreement with Tsumura (hereinafter, “a director, etc.” or “directors, etc.”)

1. Purpose

The introduction of the Plan aims to make clearer the link between the compensation for directors, etc. and Tsumura’s performance and its stock value, enhancing awareness among the directors, etc. towards contributing to Tsumura’s sustained growth through improvement of its medium- to long-term performance in accordance with the medium-term management plan, and the increase of its corporate value.

2. Details

(1). Overview

The Plan will be a stock-based incentive plan for directors, etc. In this performance-linked stock compensation, directors, etc. are granted Tsumura’s common shares, depending on their degree of achievement of the set targets as measured by the designated performance index based on their roles, duties, and positions, after the end of the period described in section (4) below.

After the introduction of the Plan, the structure of the compensation paid to directors, etc. will consist of the conventional base pay package* and the performance-linked stock compensation set forth in the Plan. The proposal to the Meeting of Shareholders will stipulate that the amount of stock compensation offered by the Plan shall be separate from the upper limit of compensation paid to directors (50 million yen per month) resolved at the 70th General Meeting of Shareholders, while it shall be within a certain percentage of the base

pay as a general rule. As a result, the performance-linked proportion will increase in the total compensation structure.

* At the time of the annual revision, a certain percentage of the cash-based base pay conventionally reflects the achievement level of each director, etc. mainly based on the business results in a previous fiscal year.

(2) Scheme

The Plan will be carried out in accordance with the following specific procedures.

(i) Tsumura will obtain approval for the introduction of the Plan, concerning the compensation paid to directors, etc., at the Meeting of Shareholders.

(ii) Upon the approval in (i), the stock compensation rules for directors, etc. enacted by the Board of Directors under the Plan will be in effect. Given the nature of the Plan where actual granting or lack thereof is contingent upon the degree of achievement of the set targets as measured by the designated performance index, Tsumura is unable to determine in advance whether actual granting of its shares will take place or the names of the recipients and number of shares granted, if any, to each recipient.

(iii) The Plan is intended to cover three fiscal years in the medium-term management plan. Tsumura will grant directors, etc. its common shares in accordance with the degree of achievement of the numerical business targets in the final fiscal year based on their roles, duties, and positions.

(iv) Granting of Tsumura's common shares, if any, shall be made by way of issuance of shares or disposal of treasury shares by Tsumura, and specific directors, etc. to whom its common shares are granted and the number of shares to be granted will be determined by the Board at a meeting to be held after the expiry of the end of the period covered by the Plan (hereinafter, "the Period"). In this case, Tsumura will grant directors, etc. monetary compensation claims, will receive its common shares by making an in-kind contribution of the monetary compensation claims at the time of its 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 its common shares.

(3) Resolutions of the Meeting of Shareholders

During the Period, the upper limit of the total amount of monetary compensation claims shall be 300 million yen and the total number of its common shares granted to directors, etc. shall be 60,000 units (see section (5) below for details). The proposal made to the Meeting of Shareholders will also include other necessary matters for the introduction of the Plan.

(4) Period

The Period shall be the three fiscal years, from the fiscal year ending on March 31, 2017 to the fiscal year ending on March 31, 2019. In addition, after the end of the initial Period, continuation of the Plan in the next three-year medium-term management plan may be approved by the Board, within the scope approved by the

Meeting of Shareholders.

(5) Number of common shares

Tsumura calculates the number of shares to be delivered to individual directors, etc., by multiplying the number of reference deliverable shares (determined according to the criteria of compensation based on roles, duties and positions of individual directors, etc.) by the achievement ratios of each of the consolidated net sales, consolidated operating income and consolidated ROE that are the numerical targets for the final year of the medium-term management plan, which were announced in the release of the plan, multiplied by each applicable numerical target allocation ratio. It should be noted that if the number of deliverable shares thus calculated has shares less than one unit, those fractional shares will be discarded.

[Calculation Formula]

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 31, 2016

Number of shares to be delivered to individual directors, etc.

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

*“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%.

The upper limit of the total number of common shares Tsumura will grant to directors, etc. shall be the number equivalent to 60,000 shares during the Period; provided, however, that, if the total number of issued shares of Tsumura increases or decreases as a result of stock consolidations, stock splits, gratis allotments of shares, etc., such maximum number and the number of its shares to be granted to directors, etc. shall be reasonably adjusted according to the consolidation ratio, split ratio, allotment ratio, etc. pertaining to its shares.

(6) Requirements

Under the Plan, after the termination of the Period and on condition that the requirements described below are satisfied, Tsumura shall grant its common shares to directors, etc.

1. The person was in office as a Director, etc. during the Plan Period.
2. The person has committed neither wrongful nor illegal conduct.
3. The person meets other conditions set by the Company that are deemed consistent with the purposes of the Plan.

*1 Directors, etc. who retire from office during the Period will receive its common shares prorated to the number of years they have held office up to the time of retirement.

*2 Directors, etc. who are newly appointed during the Period will receive its common shares prorated to the number of years in office.

*3 If a director, etc. retires from office due to death during the Period, successor of the director, etc. will receive the amount of money obtained by multiplying the market price of its common shares at the point of the retirement from office 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.