



## NEWS RELEASE

July 26, 2019

Name of Listed Company:	<b>TSUMURA &amp; CO.</b>	Exchange:	Tokyo Stock Exchange
Code:	4540	URL:	<a href="https://www.tsumura.co.jp">https://www.tsumura.co.jp</a>
Representative:	President, Representative Director and CEO	Name:	Terukazu Kato
Contact:	Head of Corporate Communications Dept.	Name:	Yosuke Tsuchiya
	Telephone: 81-3-6361-7100		

### Tsumura Announces Disposition of Treasury Shares for Performance-Based Stock Compensation

TSUMURA & CO. today announces that at a meeting of the Board of Directors held on July 26, 2019, the Company resolved to dispose of treasury shares for performance-based stock compensation (hereinafter “the Disposition of Treasury Shares”). Details are as follows.

#### 1. Outline of the disposition

(1) Date of disposition	August 20, 2019
(2) Class and number of shares to be disposed	Common stock of the Company: 50,900 shares
(3) Disposal value	2,987 Yen per share
(4) Total disposal value	152,038,300 Yen
(5) Persons to receive shares	<ul style="list-style-type: none"> <li>• Two Directors (who are not Audit and Supervisory Committee Members or Non-executive Directors): 16,600 shares</li> <li>• Two Directors (who are not Audit and Supervisory Committee Members or Non-executive Directors and who have resigned as a Director; they are employees of the Company): 10,200 shares</li> <li>• Seven Executive Officers who have entered into an engagement agreement with the Company: 21,500 shares</li> <li>• Two Executive Officers who have entered into an engagement agreement with the Company (who have resigned as an Executive Officer; one is an employee of the Company and the other has left the Company): 2,600 shares</li> </ul>
(6) Other	The Disposition of Treasury Shares is conditional on the entry into force of the Securities Registration Statement set out in the Financial Instruments and Exchange Act.

#### 2. Purpose and reason of the disposition

The Disposition of Treasury Shares is intended to grant monetary compensation receivable as performance-based stock compensation to the Directors of the Company (excluding the Directors who are also Audit and Supervisory Committee Members and the Non-executive Directors) and the Executive Officers who have entered into an engagement agreement with the Company (hereinafter “the Directors Etc.”). The treasury shares are also provided to the former Directors Etc. who resigned as Directors Etc. or left the Company on or after March 31, 2019, based on performance during their service.

The Company has introduced a performance-based stock compensation system (hereinafter “the System”) under a resolution adopted at the 80th ordinary general meeting of shareholders held on June 29, 2016, and a resolution adopted at the 81st ordinary general meeting of shareholders held on June 29, 2017, in association with the Company becoming a company with an audit and supervisory committee. The purpose of the System is to clarify the linkage between the remuneration of the Directors Etc. and the Company’s results, and the value of its stock as well as to raise their awareness of their contribution to the Company’s sustainable growth and increase in its corporate value through medium- to long-term increases in results under the Company’s medium-term management plan. The common shares of the Company will be provided to the Directors Etc. under a resolution adopted at a meeting of the Board of Directors held on July 26, 2019.

### 3. Description of the System

#### (1) Outline of the System

The System is an incentive plan for the Directors Etc. using treasury shares. It is a performance-based stock compensation system where common shares in the Company will be provided to the Directors Etc. according to their roles, duties and positions and the level of achievement of the Company’s performance indicators. Common shares in the Company will be provided to the Directors Etc. in the applicable period specified in (3) below. Common shares will also be provided to the Directors Etc. that have resigned as Directors Etc. or have left the Company on or after March 31, 2019, according to the Company’s performance during their service.

#### (2) Mechanism of the System

The applicable period of the System is the three fiscal years described in (3) below. The Company will provide common shares in the Company according to the roles, duties and positions of the Directors Etc. and the level of achievement of the Company’s numerical targets in the final year of the three fiscal years. The Company will issue shares or will dispose of treasury shares to provide common shares. The Directors Etc. to whom common shares of the Company will be provided and the number of shares to be provided will be determined at a meeting of the Board of Directors to be held after the end of the applicable period. The Company will grant monetary compensation receivable to the Directors Etc., who will acquire common shares in the Company by tendering monetary compensation receivable contributed in kind when the shares are issued or when the treasury shares are disposed of. The total amount of monetary compensation receivable will be a 300 million yen maximum (under a resolution adopted at the 81st ordinary general meeting of shareholders held on June 29, 2017) and will be determined by the Board of Directors within a range where the amount will not be particularly favorable to the Directors Etc. who will accept the common shares in the Company.

#### (3) Applicable period of the System

The applicable period of the System is the three fiscal years covered by the Second Medium-Term Management Plan, from the fiscal year ended March 31, 2017 to the fiscal year ended March 31, 2019.

#### (4) Number of shares in the Company to be provided to the Directors Etc. in the System

The Company will calculate the number of shares to be provided by multiplying the base number of shares to be provided (determined in accordance with a compensation standard based on the role, duties and position of each of the Directors Etc.) by the sum of achievement ratios, which will be multiplied by assigned weights, for the numerical targets for consolidated net sales, consolidated operating profit, and consolidated ROE publicly announced in the Second Medium-Term Management Plan. The number of shares equivalent to less than one unit will be disregarded.

#### (Formulas)

Standard number of shares to be provided =

Amount of money determined according to a compensation standard based on the role, duties and position of each of the Directors Etc. / Standard stock price\* × 3 (number of fiscal years)

Standard stock price\* = Closing price in regular transactions of the stock of the Company on March 31, 2016

Number of shares to be provided to each of the Directors Etc.

= Standard number of shares to be provided × Sum of the achievement ratios for the numerical targets for the Second Medium-Term Management Plan (final fiscal year), each achievement ratio multiplied by a weight assigned to each numerical target

- The numerical target achievement ratio is 100% if it is equal to the numerical target. The achievement ratio will be determined in a range between 0% and 120%.
- The numerical targets in the fiscal year ended March 31, 2019, in the Company's Medium-Term Management Plan are as follows.
  - Net sales: 120 billion yen
  - Operating profit: 14 billion yen
  - ROE: 6%
- The number of common shares in the Company to be provided to the Directors Etc. during the applicable period will be 60,000 maximum (under a resolution adopted in the 81st ordinary meeting of shareholders held on June 29, 2017). If the Company's number of shares issued changes due to the consolidation of shares, the splitting of shares, the free allotment of shares, etc., the number of common shares to be provided to the Directors Etc. and the maximum number of common shares to be provided to the Directors Etc. will be changed in a rational manner according to ratios for the consolidation, splitting and free allotment.

#### (5) Requirements for the provision of shares in the System

In the System, common shares in the Company will be provided to the Directors Etc. after the end of the applicable period and if the following requirements for the provision of shares are met:

- The Directors Etc. were Directors Etc. during the applicable period.
- The Directors Etc. did not violate any laws.
- Other requirements that are considered necessary to achieve the goal of a stock compensation system.

(Note 1) If any of the Directors Etc. resigns during the applicable period, common shares in the Company will be provided to them, pro rata, according to their years of service in their position prior to the resignation.

(Note 2) If any of the Directors Etc. takes office during the applicable period, common shares in the Company will be provided to them, pro rata, according to their years of service in their position.

(Note 3) If any of the Directors Etc. passes away during the applicable period, the amount of money calculated by multiplying the base number of shares to be provided, which is calculated pro rata according to their years of service in their position, by the market value of the stock of the Company when they pass away will be provided to their successor regardless of numerical target achievement ratios.

#### 4. Outline of a person to receive shares

The Company has checked whether a person to receive shares who has left the Company has conducted any transactions or has had any other relationships with antisocial forces. We have determined that he/she does not have any relationships with antisocial forces. The Company has submitted to the Tokyo Stock Exchange a confirmation letter stating that he/she does not have any relationships with antisocial forces.

#### 5. Basis of calculation of the amount to be paid

The Company calculates the number of shares to be provided as described in "3. Description of the System." It has decided to make the closing price of the Company's common stock on the First Section of the Tokyo Stock Exchange on July 25, 2019 (the business day immediately preceding the day of the resolution of the Board of Directors), 2,987 yen, the stock price to be used in the calculation of the number of shares to avoid arbitrariness. The price is the market price immediately prior to the day of the resolution of the Board of Directors, and we have determined that the decision is reasonable.

The rate of deviation of the price from the simple average of the closing prices of the Company common stock on the First Section of the Tokyo Stock Exchange for a month (from June 26, 2019 to July 25, 2019), 3,034 yen (rounded down to the nearest yen; the same applies hereinafter for the simple average of closing prices), is 1.55% (rounded off to the second decimal place; the same applies hereinafter for the calculation of deviation rates). The rate of deviation from the simple average of the closing prices for three months (from April 26, 2019 to July 25, 2019), 3,080 yen, is 3.02%. The rate of deviation from the simple average of the closing prices for six months (from January 28, 2019 to July 25, 2019), 3,233 yen, is 7.61%. We do not think that the price is particularly favorable to the Directors Etc. The Disposition of Treasury Shares involves a person who has left the Company and therefore is a private placement. The disposal value above is compliant with the Guidelines on the Handling of Capital Increases through Private Placements of the Japan Securities Dealers Association. The Audit and Supervisory Committee (3 (number) Directors who are Audit and Supervisory Committee Members (including 2 (number) Outside Directors)) has expressed the opinion stating that the disposal value above is not a disposal value that is particularly favorable to the Directors Etc. and is legitimate.