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## NEWS RELEASE

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Listing: TSE Prime Market  
Securities code: 4540  
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### 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 June 29, 2022, the Company resolved to dispose of treasury shares for performance-based stock compensation (hereinafter “the Disposition of Treasury Shares” or “Disposition”). Details are as follows.

#### 1. Outline of the disposition

(1) Date of disposition	July 22, 2022
(2) Class and number of shares to be disposed	Common stock of the Company: 22,400 shares
(3) Disposal value	3,020 yen per share
(4) Total disposal value	67,648,000 yen
(5) Persons to receive shares	Three Directors (who are not Audit and Supervisory Committee Members or Non-executive Directors): 7,900 shares Eight Executive Officers who have entered into an engagement agreement with the Company: 11,200 shares Four Executive Officers who have entered into an engagement agreement with the Company (who have resigned as Executive Officers; two are employees of the Company and the two have left the Company): 3,300 shares
(6) Other	For the Disposition of Treasury Shares, the Company submits the securities registration statement under the Financial Instruments and Exchange Act.

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

The Company has resolved to introduce a performance-based stock compensation system (hereinafter the “System”), to clarify the linkage between the Company’s operating results, the value of its stock and the remuneration of the Directors of the Company (excluding Directors who are also Audit and Supervisory Committee Members and Non-executive Directors) and Executive Officers who have entered into an engagement agreement with the Company (hereinafter “Directors, Etc.”), to increase their awareness of their contribution to the Company’s sustainable growth and the increase of its corporate value over the medium and long term. Approval was obtained for the partial amendment of the compensation plan at the 80th and 83rd ordinary general meetings of shareholders held on June 29, 2016 and June 27, 2019, respectively.

The Disposal of Treasury Stock shall be implemented through the payment in kind of monetary compensation receivable granted to Directors, Etc. as performance-based compensation.

Regarding the Disposal of Treasury Stock, the Company determined at a meeting of the Board of Director to grant Directors Etc. monetary compensation receivable totaling 67,648,000 yen according to the degree of achievement of

evaluation indicators during an evaluation period, and Directors, Etc. will acquire 22,400 common shares in the Company by tendering monetary compensation receivable contributed in kind.

In addition, the Company also resolved at the meeting that a total of 67,648,000 yen in cash will be provided to 15 Directors, Etc. based on the System.

### 3. Description of the System

#### (1) Outline of the System

The System is an incentive plan for Directors, Etc. that uses treasury shares. It is a performance-based stock compensation system where common shares in the Company and cash 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 or cash will also be provided to the Directors Etc. that have resigned as Directors Etc. or have left the Company on or after March 31, 2022, 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 or cash 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. When the Company provides common shares or cash, it will do so through issuing shares or disposing of treasury 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 450 million yen maximum (under a resolution adopted at the 83rd ordinary general meeting of shareholders held on June 27, 2019) 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. The upper limits of monetary compensation receivable and cash to be delivered to the Directors, Etc. according to their roles, duties and positions are as follows.

Classification	Upper limits of monetary compensation receivables and cash to be delivered
Representative Director	72 million yen
Executive Directors	60 million yen
Executive Officers with special title	48 million yen
Executive Officers	24 million yen

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

The applicable period of the System is the three fiscal years covered by the Third Medium-Term Management Plan, from the fiscal year ended March 31, 2020 to the fiscal year ended March 31, 2022.

#### (4) Method for calculating and upper limits for the number of shares and amounts of cash to be delivered to the Directors, Etc. based on 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 Third Medium-Term Management Plan. The amounts of cash shall be calculated by multiplying the number of shares obtained as a result of the above calculation by the share price at the time of delivery. The number of shares equivalent to less than one unit and fractions of less than one thousand yen in amounts of cash to be delivered shall be discarded.

## Calculation formula for number of shares to be provided and amount of cash to be paid

➤ 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 29, 2019

➤ Method of calculating the number of shares to be provided and the amount of cash to be paid to each of the Directors, Etc.

Following calculation using the method below, the number of shares to be provided and amount of cash to be paid shall be determined.

(i) Standard number of shares to be provided × Sum of the achievement ratios for the numerical targets for the final year of the applicable period stated Medium-Term Management Plan, each achievement ratio multiplied by a weight assigned to each numerical target × 50%

\* 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%. If figures in results of final year of applicable period are zero or less, the numerical target achievement ratio shall be 0%.

The achievement ratios for the numerical targets = Figures in results of final year of the applicable period (on a pre-revenue recognition basis) / Numerical target for the final year of the applicable period stated in the Medium-Term Management Plan

\* Each numerical target (Numerical target for the final year of the applicable period stated in the Medium-Term Management Plan) and allocation ratio is as follows.

Category	Target	Allocation ratio
Consolidated net sales	135.0 billion yen	40%
Consolidated operating profit	19.0 billion yen	30%
Consolidated ROE	6%	30%

(Note) The above indicates planned values prior to revenue recognition, approved at the 83rd ordinary general meeting of shareholders held on June 27, 2019.

(ii) Amount of cash to be paid = Number of shares to be provided based on calculation under (i) × Share price at the time of provision\*

\* The share price shall be the closing price of the Company's stock on Tokyo Stock Exchange on the business day immediately preceding the day of the resolution of the Board of Directors at a meeting to be held within 2 months of the conclusion of the first ordinary general meeting of shareholders following the expiry of the applicable period (if there is no closing price on this date, the closing price of the closest preceding day).

The maximum total number of shares of the Company's common stock to be provided to the Directors, Etc. shall be 60,000 shares. In addition, the maximum number of shares to be provided to each of the Directors, Etc. according to their role, duties and position shall be as follows.

Classification	Maximum number of shares
Representative Director	6,000
Executive Directors	5,000
Executive Officers with special title	4,000
Executive Officers	2,000

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. Moreover, if the maximum limit of monetary compensation receivable or total number of shares to be provided stipulated in (2) above are likely to be exceeded due to the provision of the Company's common stock and cash in the number and amount stipulated in (4) above, the number of shares to be delivered and the amount of cash to be paid to each of the

Directors, Etc. shall be decreased by reasonable methods such as proportional distribution, within the scope not exceeding the upper limits.

(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. 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 Prime Market of the Tokyo Stock Exchange on June 28, 2022 (the business day immediately preceding the day of the resolution of the Board of Directors), 3,020 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 Prime Market of the Tokyo Stock Exchange for a month (from May 30, 2022 to June 28, 2022), 2,920 yen (rounded down to the nearest yen; the same applies hereinafter for the simple average of closing prices), is 3.42% (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 March 29, 2022 to June 28, 2022), 3,062 yen, is (1.37)%. The rate of deviation from the simple average of the closing prices for six months (from December 29, 2021 to June 28, 2022), 3,173 yen, is (4.82)%. We do not think that the price is particularly favorable to the Directors Etc. 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 Directors who are Audit and Supervisory Committee Members (including 2 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.