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NEWS RELEASE

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Listing: TSE Prime Market
Securities code: 4540
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Tsumura Announces Introduction of Trust-type Stock Delivery System for Employees

TSUMURA & CO. today announces that, at an executive committee meeting held on March 23, 2023, it was resolved that a trust-type stock delivery system (hereinafter the “System”) for its employees (excluding fixed-term employees)(hereinafter the “Eligible Employees”) would be introduced. Details are as follows.

1. Purpose of introducing the System

(1) In April 2022, based on its Principle, the Spirit of Obeying the Heavens, which is the doctrine and ethics of Tsumura’s business and the laws of nature, we established our business purpose, Lively Living for Everyone, which expresses the company’s desires at the time of its foundation and the ideal to be achieved. This purpose is important because it links our founding spirit to the future 50 and 100 years from now. At the same time it announced the Principle and Purpose, the Company also announced two new visions, the Tsumura Group Sustainability Vision and the Long-term Management Vision TSUMURA VISION Cho-WA 2031. The Long-term Management Vision for corporate growth has been formulated decade by decade, and the Sustainability Vision for corporate continuity has been formulated with milestones in each decade toward the achievement of carbon neutrality in 2050. To realize these two new visions, we must continue to create new value for society and the Group by leveraging and maximizing our organizational capital and human capital, while maintaining the harmony between the Group’s businesses, society and the global environment. The Company has positioned human capital, which is the capabilities of people, and organizational capital which is the power of the team as the basis of its corporate management, and it promotes the improvement of work environments so that individuals with diverse values are able to increase their capabilities as human resources, demonstrate their strengths for the realization of the two visions and achieve things working in harmony as a team.

Now, we introduce the System to increase the awareness of every employee and enable them to leverage their strengths for the realization of the Purpose and these two new visions and to cultivate their desire to contribute more.

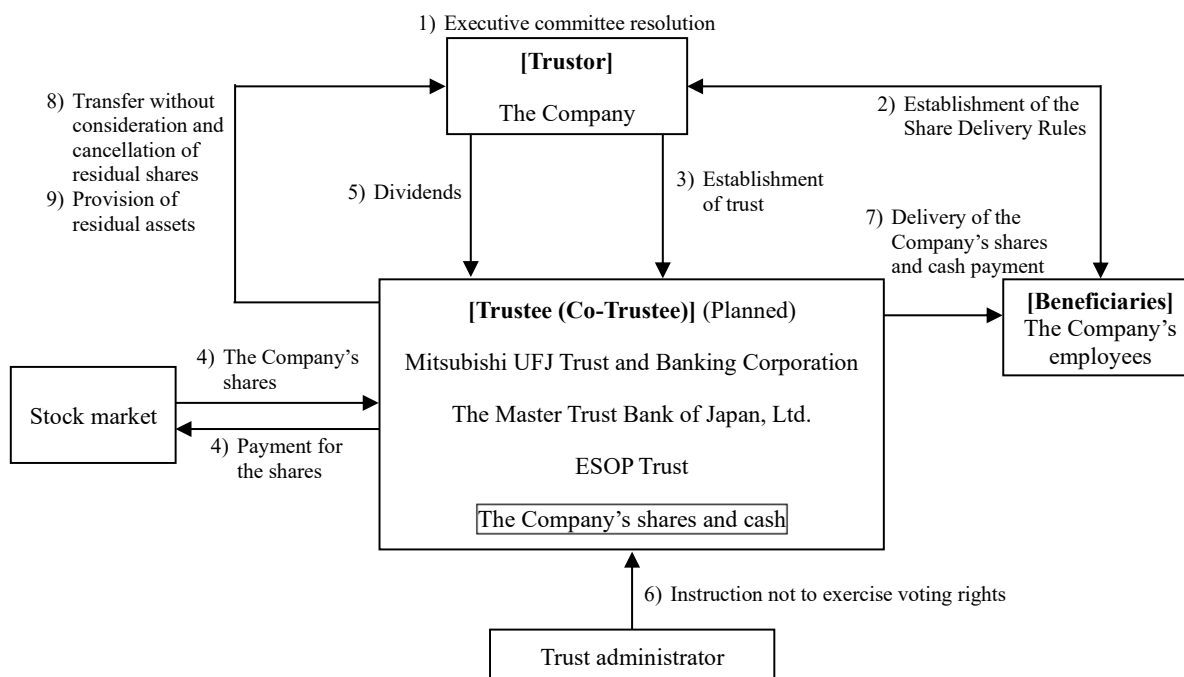
(2) The System will be in place during the period of the Medium-term Management Plan (hereinafter the “Applicable Period,” and the initial Applicable Period shall be from the fiscal year ending March 31, 2024 to the fiscal year ending March 31, 2025), whereby shares in the Company and the cash equivalent to the conversion amount of the Company’s shares will be delivered or provided (hereinafter “Delivery of the Company’s Shares, etc.”) in accordance with degree of achievement of progress targets¹ for the achievement of the two new visions. Employees who are not residents of Japan are also eligible under the System. However, if eligibility under the System is difficult due the laws of the country of residence, the Company may pay a cash equivalent to the Delivery of the Company’s Shares etc. in lieu of the System.

¹ Indicators for evaluating the degree of achievement of progress targets are set for employees and for some executive-level employees, respectively. At the same time, targets for the Sustainability Vision are set related to sustainability, governance and productivity.

Employees	Targets for the Sustainability Vision of the organization the employee belongs to, etc.
Some executive-level employees	Entire company’s performance targets for consolidated net sales, consolidated operating profit and consolidated ROE (average in the Applicable Period) and individually set targets concerning the Medium-term Management Plan and the Sustainability Vision, etc.

(3) This program adopts the system called the Employee Stock Ownership Plan Trust (hereinafter “ESOP Trust”). The ESOP Trust is an employee incentive plan inspired by the U.S. ESOP system, under which shares bought back by the ESOP Trust are issued to eligible employees who have met the requirements prescribed in the Share Delivery Rules established in advance.

2. Structure of the System



- 1) To introduce the System, the Company will execute the necessary procedures including a resolution of the executive committee.
- 2) The Company will establish Share Delivery Rules approved by the executive committee, etc. to be the internal rules for the System.
- 3) The Company will contribute cash to establish an ESOP Trust (the “Trust”) for the employees who satisfy the beneficiary requirements.
- 4) The Trust will acquire the Company’s shares from the stock market with cash entrusted in 3) as the source of funds, in accordance with the instructions of the trust administrator.
- 5) Dividends on the Company’s shares held by the Trust will be paid in the same manner as for the other Company’s shares.
- 6) Voting rights of the Company’s shares held by the Trust will not be exercised throughout the trust period.
- 7) After the expiration of the Applicable Period, Delivery of the Company’s Shares, etc. will be implemented in accordance with the points calculated by the degree of achievement of progress targets etc. for the achievement of the two new visions pursuant to the Company’s Share Delivery Rules.
- 8) If residual shares occur upon expiration of the trust period, the Company may, by amending the trust agreement and making additional contribution to the Trust, continue to use the Trust as part of the System as it is, or as a similar trust-type stock delivery system. If the Trust is not continued and is terminated, the Trust will transfer any residual shares to the Company without consideration and the Company will cancel these based on a resolution of the executive committee, as a way of providing returns to shareholders.
- 9) Any residual dividends pertaining to the Company’s shares in the Trust when the trust period expires will be utilized as acquisition funds for shares if the Trust continues to be used, but if the Trust is terminated upon expiry of the trust period, the portion in excess of the trust expense reserve will be donated to organizations that have no interest in the Company and the Directors, Etc.

(Note) If, during the trust period, it becomes possible that the number of the Company’s shares in the Trust will fall short of the necessary number of shares, or that the amount of cash in the Trust’s assets will fall short of the payments necessary for trust fees and expenses, the Company may entrust additional cash to the Trust for the additional acquisition of the Company’s shares by the Trust.

(Reference 1)

[Details of the trust agreement]

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|-------------------------|---|
| 1) Type of trust | Trust of cash other than individually operated cash trust (third-party benefit trust) |
| 2) Purpose of the trust | Grant of incentives to the employees |
| 3) Trustor | The Company |
| 4) Trustee | Mitsubishi UFJ Trust and Banking Corporation (planned)
Co-trustee: The Master Trust Bank of Japan, Ltd.) |
| 5) Beneficiaries | Employees that meet the beneficiary requirements |
| 6) Trust administrator | Third party with no special interests with the Company (Certified Public Accountant) |

7) Date of trust agreement	May 10, 2023 (planned)
8) Period of trust	May 10, 2023 (planned) to August 31, 2025 (planned)
9) Exercise of voting rights	None
10) Type of shares to be acquired	Common shares of the Company
11) Amount of trust money	1.3 billion yen (planned) (including trust fees and trust expenses)
12) Method of share acquisition	Acquisition in the stock market
13) Timing of share acquisition	May 17, 2023 (planned) to June 9, 2023 (planned)
14) Rights holder	The Company
15) Residual assets	Residual assets that may be received by the Company, the rights holder, shall be within the range of trust expense reserve after deducting share acquisition funds from the trust money.

(Reference 2)

○ Positioning of the System in the Company's story of value creation based on seven types of capital

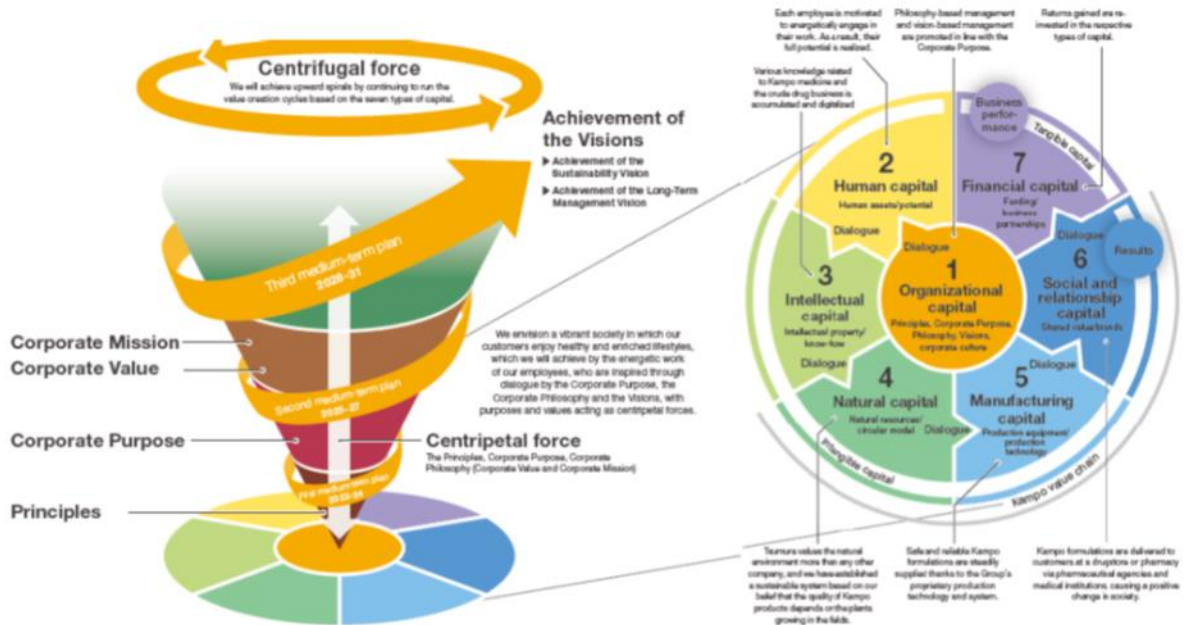
Through realizing our visions, we strive to enhance our corporate value in a sustainable manner by harnessing its organization capital as a centripetal force and its value creation cycle built on the seven types of capital as a centrifugal force.

The Company has positioned its human capital, which is the capabilities of individuals, and its organizational capital, which is the power of the team, as the basis of its corporate management. Therefore, since FY2020, it has continued initiatives to enable its employees to exercise their abilities through dialogues focusing on the Purpose and Value in philosophy dissemination meetings and coaching meetings held many times for all employees as well as continued to promote team building and enhance team capabilities to create an organization that continues to grow.

In April 2022, the two new visions were announced and the Company's management team heavily discussed how to enhance its human and organizational capital for the realization of these two visions. As a result, it was decided that the System would be introduced as an incentive to promote steady progress toward the achievement of the two new visions in addition to the conventional initiatives.

With the introduction of the System, we plan to increase the awareness of all employees' and enable them to use their capabilities to achieve the Purpose and these two new visions, and cultivate their desire to contribute more. The goal of the System is to accelerate the value creation cycle by leveraging and maximizing the human capital and organizational capital which are the sources of corporate value creation.

A continuing cycle of value creation



○ Basic policy concerning the System

The Company determined the details of the System in accordance with the following policy based on the Pay-for-Purpose model.

- 1) The Company will reward contributions toward the realization of the TSUMURA Group's vision, which stems from the Principle and Purpose that are the foundation of the Group's Philosophy-Based Management.
- 2) The Company will reward contributions toward the earning of stakeholders' trust and the sustainable growth of the TSUMURA Group through initiatives addressing sustainability, governance, social issues and other issues.
- 3) The Company will increase the awareness of each employee and their willingness to contribute to the realization of the Purpose and the two new visions.
 - The Company will set evaluation indicators that reflect each employee's efforts toward ambitious goals to reward their efforts.