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NEWS RELEASE

Name of Listed Company: TSUMURA & CO.
Listing: TSE Prime Market
Securities code: 4540
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Notice regarding partial revision of the Performance-Based Stock Compensation System

TSUMURA & CO. (the “Company”) today announces that, at a meeting of the Board of Directors held on May 12, 2025, the Company resolved a resolution to continue and partially revise the performance-based stock compensation System (hereinafter referred to as the “System”) for the Company’s directors (excluding directors who are audit and supervisory committee members and non-executive directors) and executive officers who have entered into delegation agreements with the Company (hereinafter referred to as the “Directors, etc.”), and decided to submit a proposal regarding the System to the 89th Ordinary General Meeting of Shareholders (hereinafter “the General Meeting of Shareholders”) to be held on June 27, 2025 .

1. Purpose of the System and Main Points of Revision, etc.

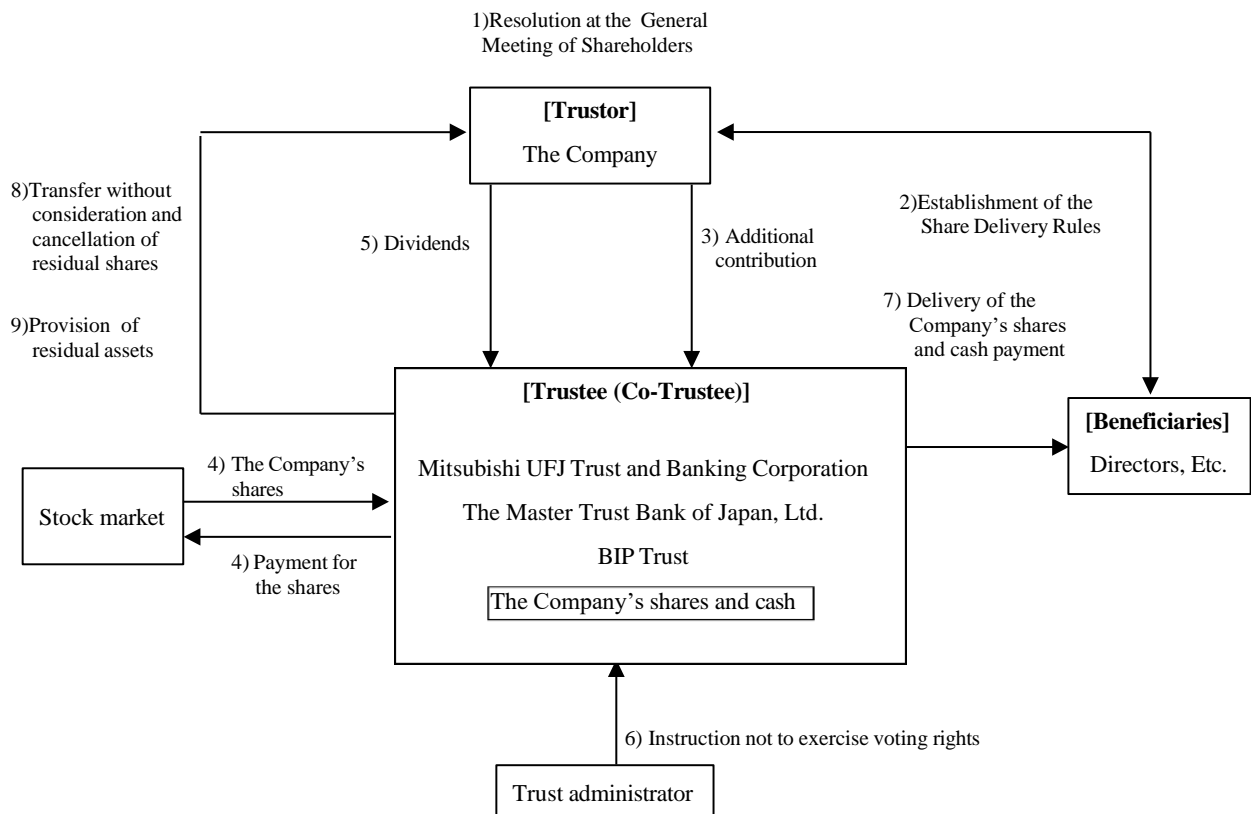
- (1) The Company established its Sustainability Vision and Long-term Management Vision TSUMURA VISION “Cho-WA” 2031 (hereinafter collectively “the Long-term Vision”) in 2022 Through backcasting from its Corporate Purpose “Lively Living for Everyone,” based on its philosophy and vision management for upholding this purpose. The Company set out a Medium-term Management Plan as a milestone for achieving this Long-term Vision and aims to create new markets and increase people’s happiness in anticipation of a long-term future.
Based on the basic philosophy of Pay-for-Purpose, we have decided to revise the System to increase performance-based stock compensation for Directors and increase the ratio of stock compensation in executive compensation, with the aim of clarifying the link between the compensation of Directors and the corporate value of the Company, promoting the challenge of realizing our long-term vision, and further raising awareness of contributing to sustainable growth and improving corporate value over the medium to long term.
- (2) The System employs a framework called Board Incentive Plan trust (hereinafter “the BIP Trust”). As with Performance Shares and Restricted Stock in Europe and North America, a BIP Trust is a system whereby shares in the Company and cash equivalent to the conversion amount of the Company’s shares (hereinafter “the Company’s shares, etc.”) will be delivered or provided (hereinafter “delivered, etc.,” “deliver, etc.,” “delivering, etc.,” “delivery, etc.”) to Directors, etc. in accordance with rank, degree of achievement of targets under management plans and other factors.
- (3) Revision of the System is conditional upon obtaining approval at the General Meeting of Shareholders.

2. Details of the Revision of the System

Subject to approval at this General Meeting of Shareholders, the following changes will be made to the current system.

Project	Before revision	Revised version of this system (The underlined parts are the main revisions.)
Maximum amount of contribution by the Company	The upper limit per fiscal year is 290 million yen multiplied by the number of years corresponding to the target period, and the upper limit for the initial target period, which is the three fiscal years from the fiscal year ending March 31, 2023 to the fiscal year ending March 31, 2025, is 870 million yen.	The upper limit per fiscal year is 350 million yen multiplied by the number of years corresponding to the target period, the upper limit for the revised target period, which is the three fiscal years from the fiscal year ending March 31, 2026 to the fiscal year ending March 31, 2028, is 1.05 billion yen.
Maximum number of Company shares, etc. to be granted to Directors, etc.	The upper limit of the number of points that can be granted to Directors, etc. per fiscal year is 100,000 points, and the maximum number of points that can be granted to Directors, etc. for the initial target period of three fiscal years is 300,000 points (Directors, etc. will be granted one share of the Company's stock, etc. per point).	The upper limit of the number of points that can be granted to Directors, etc. per fiscal year is 120,000 points , and the upper limit of the number of points that can be granted to Directors, etc. over the revised target period of three fiscal years is 360,000 points (Directors, etc. will be granted one share of the Company's stock, etc. per point).

3. Structure of the System



- 1) The Company will obtain a resolution approving officers' compensation with respect to revision of the System at the General Meeting of Shareholders.
- 2) The Company will revise Share Delivery Rules as compensation rules concerning the System at a meeting of the Board of Directors.
- 3) The Company will make additional cash contributions to the BIP Trust (the Trust), which has appointed Directors, etc. who meet the beneficiary requirements as its beneficiaries. Within the scope of the approval resolution of the General Meeting of Shareholders in (i) above.
- 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. The number of shares to be acquired by the Trust will be within the range of the resolution approved by the General Meeting of Shareholders in 1).
- 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) During the trust period, Directors, Etc. who satisfy the beneficiary requirements will be granted a certain number of points and will then receive delivery of the Company's shares equivalent to 50% of such points (fractional shares will be discarded) and cash equivalent to the conversion amount of the Company's shares corresponding to the remaining points, after conversion into cash within the Trust, in accordance with 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 stock compensation system. If the Trust is not continued and is terminated, the Trust will transfer such residual shares to the Company without consideration and the Company will cancel these based on a resolution of the Board of Directors, 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, a possibility arises that the number of shares in the Trust will fall short of the number of shares corresponding to the number of points stipulated for Directors, Etc., or a possibility arises that the amount of cash in the trust assets will fall short of payments of trust fees and trust expenses, the Company may entrust additional cash to the Trust. Within the scope of the approval resolution of the General Meeting of Shareholders in (i) above. for additional acquisition of the Company's shares by the Trust.

(Reference 1)

Details of the trust agreement

- | | |
|-----------------------------------|--|
| 1) Type of trust | Trust of cash other than individually operated cash trust (third-party benefit trust) |
| 2) Purpose of the trust | To provide incentive to Directors, Etc. |
| 3) Trustor | The Company |
| 4) Trustee | Mitsubishi UFJ Trust and Banking Corporation
(Co-trustee: The Master Trust Bank of Japan, Ltd.) |
| 5) Beneficiaries | Directors, Etc. who satisfy the beneficiary requirements |
| 6) Trust administrator | Third party with no special interests with the Company (Certified Public Accountant) |
| 7) Date of trust agreement | August 4, 2022 (Plan to conclude amendment agreement to extend trust period) |
| 8) Period of trust | August 4, 2022 to August 31, 2025 (Due to changes to the trust agreement, the trust period is scheduled to be extended until August 31, 2028.) |
| 9) Exercise of voting rights | None |
| 10) Type of shares to be acquired | Common shares of the Company |
| 11) Amount of trust money | To be determined (will be announced as soon as it is determined) |
| 12) Method of share acquisition | Acquisition in the stock market |
| 13) Timing of share acquisition | To be determined (will be announced as soon as it is determined) |
| 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. |

The above scheduled dates may be changed at an appropriate time considering applicable laws and regulations.

(Reference 2)

Details of the System

(1) Overview of the System

The Trust is a stock compensation system for making delivery, etc. of the Company's shares, etc., to the Directors, Etc. through the Trust for the fiscal years covered by the Company's Medium-term Management Plan (hereinafter "the Applicable Period"). The initial Applicable Period after revision will be the three fiscal years from the fiscal year ending March 31, 2026 to the fiscal year ending March 31, 2028.

Compensation under the System is composed of "LTI-I" and "LTI-II." "LTI-I" is for the delivery, etc. of the Company's shares, etc. to Directors, Etc. according to their rank, duties, etc. mainly based on the degree of achievement of performance targets under the Medium-term Management Plan. "LTI-II" is for the delivery, etc. of the Company's shares, etc. to Directors, Etc. according to their rank, duties, etc. mainly based on the degree of realization of the Long-term Vision. In this system, the composition ratio of "LTI-I" and "LTI-II" is approximately 70% "LTI-I" and approximately 30% "LTI-II".

(2) Resolution of the General Meeting of Shareholders for introduction of the System

The General Meeting of Shareholders will resolve the upper limit on the trust money to be contributed to the Trust, the upper limit on the total number of points to be granted to Directors, Etc., and other important matters.

(3) Eligibility under the System (beneficiary requirements)

Directors, Etc. will, contingent upon satisfying the following beneficiary requirements and after completion of the prescribed beneficiary vesting procedure, receive delivery, etc. of the Company's shares, etc. in a number corresponding to the number of points from the Trust.

- 1) The beneficiary is a Director, Etc. (including persons who became a Director, Etc. after revision of the System) during the Applicable Period.
- 2) The beneficiary has not resigned (excludes resignation due to injury, illness or other unavoidable circumstances) or has not resigned or been dismissed on grounds such as having committed certain unlawful acts or major infractions of duties or company rules during the term of office.
- 3) The beneficiary has otherwise satisfied requirements deemed necessary for achieving the aims of the stock compensation system.

(*) Non-residents in Japan are also eligible under the System. However, if eligibility under the System poses difficulties under the legislation of the country of residence, the Company may pay cash equivalent to the delivery, etc. of shares in place of the System.

(4) Trust period

1) Extended trusted period

The initial trust period will be approximately three years from September 1, 2025 (plan) to August 31, 2028 (plan).

2) Continuation of the Trust

When the trust period expires, the Company may continue the Trust by amending the trust agreement and making additional contributions. In this case, a number of years corresponding to the medium-term management plan formulated by the Company at that time will be the new Applicable Period, the trust period of the Trust will be extended by the same length of period as the new Applicable Period and, for each extended Applicable Period, the Company will make additional contributions of trust money within the range of the upper limit on trust money, as approved by resolution at the General Meeting of Shareholders, and continue granting points and delivering, etc. the Company's shares, etc. to Directors, Etc. for the extended Applicable Periods. However, when making such additional contributions, if there are shares in the Company (excluding shares in the Company corresponding to points granted to Directors, Etc., whose delivery, etc. is incomplete) and cash remaining in the trust assets on the final day of the trust period prior to extension (hereinafter "Residual Shares, Etc."), the total amount of the amount of the Residual Shares, Etc., and any trust money additionally contributed will be within the range of the upper limit on trust money, as approved by resolution at the General Meeting of Shareholders.

Such extensions of the trust period shall not be limited to one time only, and the trust period may subsequently be similarly reextended.

3) Handling at the time of termination of the Trust (Extension of trust period not accompanied by additional contributions)

If the Company does not amend the trust agreement and make additional contributions on expiry of the trust period, no more points will be granted to Directors, Etc. from that point onwards. However, if Directors, Etc. who may satisfy the beneficiary requirements are in office at the expiry of the trust period, the Trust will not be terminated immediately, and the trust period of the Trust may be extended until such Directors, Etc. have retired from office and delivery, etc. of the Company's shares, etc. is complete, up to a limit of 10 years.

(5) Number of the Company's shares, etc. to be delivered, etc. to Directors, Etc.

The Company's shares, etc. will be delivered, etc. to Directors, Etc. after the end of the Applicable Period in the case of "LTI-I" (or after retirement if they resign during the applicable period due to the expiration of their term, etc.) and after retirement from office in the case of "LTI-II" in accordance with (6) below.

Directors, Etc. will be granted share delivery points (LTI-I and LTI-II), as defined in 1) and 2) below, on the assumption of delivery, etc. of the Company's shares, etc. One (1) share in the Company will be delivered, etc. for every one (1) share delivery point (LTI-I and LTI-II), with fractions of less than one point discarded. If a share split, share consolidation, etc., of the Company's shares is conducted during the trust period, the number of points and the upper limit on the total number of points to be granted to Directors, Etc. in (7) below will be adjusted in accordance with the split ratio, consolidation ratio, etc.

1) Share delivery points (LTI-I)

Share delivery points (LTI-I) granted to Directors, Etc. will be calculated by multiplying cumulative total base points (*1) awarded for each fiscal year in the Applicable Period by a performance-based coefficient (LTI-I) (*2) after the end of the Applicable Period.

2) Share delivery points (LTI-II)

Share delivery points (LTI-II) granted to Directors, Etc. will be total performance-based points calculated by multiplying cumulative total base points (*1) awarded for each fiscal year in the Applicable Period by a performance-based coefficient (LTI-II) (*3) after the end of the Applicable Period.

(*1) Base points are calculated by dividing an amount set according to compensation benchmarks based on the role, duties, etc. of Directors, Etc. by the benchmark stock price (average closing price of the Company's shares in ordinary trading on the Tokyo Stock Exchange during March directly preceding the start of the Applicable Period (with any fractions less than one discarded)).

(*2) Performance-based coefficient (LTI-I) will be set within the range of 15-150% mainly according to the degree of achievement of performance targets under the Medium-term Management Plan. The indicators used to evaluate the degree of achievement of performance targets include consolidated net sales, consolidated operating profit, consolidated ROE (Applicable Period average) as well as degree of achievement of individually set performance targets.

(*3) Performance-based coefficient (LTI-II) will be set within the range of 0-150% mainly according to the degree of achievement of progress targets towards realization of the Long-term Vision which will be set for each Applicable Period (However, from 0 to 100% during the period up to March 31, 2028). Indicators used to evaluate degree of achievement of progress targets will be non-financial targets such as corporate value (relative TSR; TSR: Total Shareholder Returns), sustainability, corporate governance, and business value (ratio of net sales from overseas business).

(6) Method and timing of delivery, etc. of the Company's shares, etc.

1) LTI-I

The Company's shares, etc. for LTI-I will be delivered, etc. after the end of the Applicable Period. (or after retirement if they resign during the applicable period due to the expiration of their term, etc.)

Directors, Etc. who satisfy the beneficiary requirements will receive delivery of the Company's shares corresponding to 50% of the number of share delivery points (LTI-I) (with fractional shares discarded), and will receive cash equivalent to the conversion amount of the Company's shares corresponding to the remaining number of share delivery points (LTI-I), after conversion into cash within the Trust.

If a Director, Etc. passes away before the end of the Applicable Period, a number of share delivery points (LTI-I) will be calculated according to the degree of progress of the Medium-term Management Plan at such point in time, and the heir of such Director, Etc. will receive a provision of cash equivalent to the number of the Company's shares corresponding to such points, after conversion into cash within the Trust.

2)LTI-II

The Company's shares, etc. for LTI-II will be delivered, etc. after retirement from office of a Director, Etc. Directors, Etc. who satisfy the beneficiary requirements will receive delivery of the Company's shares corresponding to 50% of the number of share delivery points (LTI-II) calculated upon retirement from office (with fractional shares discarded), and will receive cash equivalent to the conversion amount of the Company's shares corresponding to the remaining number of share delivery points (LTI-II), after conversion into cash within the Trust.

If a Director, Etc. passes away whilst in office, a number of share delivery points (LTI-II) will be calculated according to the degree of progress made towards realization of the Long-term Vision at such point in time, and the heir of such Director, Etc. will receive a provision of cash equivalent to the number of the Company's shares corresponding to such points, after conversion into cash within the Trust.

Directors, Etc. will continue to hold the Company's shares delivered through the System until one year has elapsed after their retirement from office.

In addition, if Directors, etc. commits a serious breach of his/her duties, the rights of both LTI-I and LTI-II to acquire the Company's shares, etc. may be confiscated.

- (7) Upper limit on the trust money to be contributed to the Trust and upper limit on the total number of points to be granted to Directors, Etc. from the Trust

The total amount of trust money to be contributed to the Trust during the trust period and the total number of points to be granted to Directors, Etc., in the Trust are subject to the upper limits below, pursuant to the resolution of the General Meeting of Shareholders. Trust money includes trust fees and trust expenses in addition to funds for the acquisition of shares by the Trust.

- 1) Upper limit on the total amount of trust money to be contributed to the Trust: 350 million yen per fiscal year × number of years in the Applicable Period (*4)
- 2) Upper limit on the total number of points to be granted to Directors, Etc. per fiscal year: 120,000 points (*5)

(*4) If the Trust is continued in accordance with (4) 2) above, the Company will make contributions to the Trust, with 350 million yen multiplied by the number of years in the new Applicable Period as the upper limit.

(*5) If the Trust is continued in accordance with (4) 2) above, the upper limit on the total number of points to be granted to Directors, Etc. each extended Applicable Period will be 120,000 points multiplied by the number of years in the new Applicable Period. This upper limit on the total number of points will be set based on the above upper limit of trust money, taking into consideration the most recent stock price and other factors.

(8) Method of acquisition of the Company's shares by the Trust

The Company intends for the Trust to acquire the Company's shares from the stock market, within the range of the funds for the acquisition of shares and the number of the Company's shares to be delivered described in (7) above.

(9) Exercise of voting rights of the Company's shares in the Trust

In order to ensure neutrality toward management, voting rights of the Company's shares in the Trust will not be exercised during the trust period.

(10) Treatment of dividends from surplus pertaining to the Company's shares in the Trust

Dividends pertaining to the Company's shares in the Trust will be received by the Trust and used for the trust fees and trust expenses of the Trust.

(11) Treatment of residual shares at the expiry of the trust period

Any residual shares at the time of expiry of the trust period will be used for delivery, etc. to Directors, Etc. if the Company continues to use the Trust as part of the System as it is, or as a similar stock compensation system. If the Trust is terminated on expiry of the trust period, the Trust will transfer such residual shares to the Company without consideration and the Company will cancel these based on a resolution of the Board of Directors, as a way of providing returns to shareholders.

In addition, 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 Directors, Etc.

(Reference 3)

Policy for determining the details of remuneration for directors (excluding directors who are audit and supervisory committee members and non-executive directors) (excerpt of changes only)

4. Composition of compensation

The Company adopts the following compensation composition ratios for Directors, to promote the Company's sustainable growth and improvement in its corporate value, with reference to trends at other companies in the same industry and other companies of a similar scale based on the research data of an outside specialist company.

The composition ratio is a model assuming that the target achievement rate for the President and Representative Director's variable remuneration is 100%, and the higher the position, the higher the variable remuneration ratio is set.

■ If LTI-II is provided

Fixed portion	Short-term performance-based portion Short-term incentive	LTI- I Medium-term incentive	LTI- II Long-term incentive
[44%]	[29%]	[19%]	[8%]
Basic compensation (cash)		Performance-based stock compensation (non-cash)	
Fixed		Variable	

* Composition ratios are ratios of compensation base amount according to role, duties, etc.

* The model assumes 100% achievement of targets for variable compensation.

■ If LTI-II is not paid

Fixed portion	Short-term performance-based portion Short-term incentive	LTI- I Medium-term incentive
[48%]	[31%]	[21%]
Basic compensation (cash)		Performance-based stock compensation (non-cash)
Fixed		Variable

For other details of the policy regarding the determination of the content of remuneration for Directors (excluding Directors who are Audit and Supervisory Committee Members and Non-executive Directors), please refer to the "Tsumura Announces Revision of Performance-Based Stock Compensation System" published on May 10, 2022.