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Securities Code: 4540

June 8, 2017

To Our Shareholders:

Terukazu Kato
President & Representative Director
TSUMURA & CO.

17-11 Akasaka 2-chome, Minato-ku, Tokyo

Notice of the 81st Ordinary General Meeting of Shareholders

You are cordially invited to attend the 81st Ordinary General Meeting of Shareholders of TSUMURA & CO. (the “Company”), which will be held as indicated below.

If you are unable to attend the meeting in person, you may exercise your voting rights either of the following ways. Please review the attached Reference Documents for General Meeting of Shareholders, and exercise your voting rights by 5:45 p.m. on Wednesday, June 28, 2017 (JST).

Exercise of voting rights in writing

Please indicate your approval or disapproval to each proposal on the enclosed voting card, and return it so that it will be received by us no later than the above date and time.

Exercise of voting rights via the Internet

Please access the website for exercising voting rights (<http://www.evote.jp/>), follow the directions on the screen, and indicate your approval or disapproval to each proposal no later than the above date and time.

Internet Disclosure

Pursuant to the relevant laws and regulations and the Company’s Articles of Incorporation, the following items of information are posted on the Company’s website instead of being included in the Reference Documents for General Meeting of Shareholders.

- i) “Consolidated Statement of Changes in Equity” and “Notes to Consolidated Financial Statements” sections of Consolidated Financial Statements
- ii) “Non-consolidated Statement of Changes in Equity” and “Notes to Non-consolidated Financial Statements” sections of Non-consolidated Financial Statements

<http://www.tsumura.co.jp/zaimu/meeting/general/index.html>

(in Japanese only)

The Consolidated Financial Statements and the Non-consolidated Financial Statements audited by the Audit & Supervisory Board Members and the Accounting Auditor include the documents attached to this notice and the Consolidated Statement of Changes in Equity, the Notes to Consolidated Financial Statements, the Non-consolidated Statement of Changes in Equity and the Notes to Non-consolidated Financial Statements posted on the Company’s website.

1. **Date and Time:** Thursday, June 29, 2017, at 10:00 a.m.
2. **Venue:** “Ho’oh,” 1st floor, THE CAPITOL HOTEL TOKYU
10-3 Nagatacho 2-chome, Chiyoda-ku, Tokyo

3. **Purpose of the Meeting**

Matters to be reported

1. Business Report and Consolidated Financial Statements for the 81st fiscal year (from April 1, 2016 to March 31, 2017), and results of audits of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board
2. Non-consolidated Financial Statements for the 81st fiscal year (from April 1, 2016 to March 31, 2017)

Matters to be resolved

- Proposal No. 1:** Appropriation of Surplus
- Proposal No. 2:** Partial Amendments to the Articles of Incorporation
- Proposal No. 3:** Election of Six (6) Directors (excluding Directors who are Audit and Supervisory Committee Members)
- Proposal No. 4:** Election of Three (3) Directors who are Audit and Supervisory Committee Members
- Proposal No. 5:** Election of One (1) Substitute Director who is Audit and Supervisory Committee Member
- Proposal No. 6:** Determination of Amounts of Compensation, etc. for Directors (Excluding Directors who are Audit and Supervisory Committee Members)
- Proposal No. 7:** Determination of Amounts of Compensation, etc. for Directors who are Audit and Supervisory Committee Members
- Proposal No. 8:** Determination of Amount and Other Details of Performance-Linked Stock Compensation Plan for Directors (excluding Directors who are Audit and Supervisory Committee Members and Non-executive Directors) and Executive Officers Who Have Entered Into a Service Agreement with the Company

Other Matters Regarding the Exercise of Voting Rights

- If a voting card is received without giving any indication of approval or disapproval of any or all of the proposals, it will be counted as a vote for the proposal concerned.
- If you vote multiple times via the Internet indicating different positions on the same proposal in each voting exercise, only your most recent vote will count as valid.
- If you exercise your voting rights both in writing and via the Internet, only the vote placed via the Internet will be treated as valid.
- If you are unable to attend the general meeting of shareholders in person, you may appoint another shareholder with voting rights in the Company to attend as your proxy. Please note, however, that it is necessary to submit a document evidencing the authority of proxy.
- If any changes are made to the Reference Documents for General Meeting of Shareholders, the Business Report, the Non-consolidated Financial Statements or the Consolidated Financial Statements, such changes will be posted on the Company’s website.

<http://www.tsumura.co.jp/>

Reference Documents for General Meeting of Shareholders

Proposal No. 1

Proposal No. 1: Appropriation of Surplus

The Company regards the return of profit to shareholders as its important policy. We will aim to achieve sustained growth going forward while maintaining a policy to pay stable dividends, taking into consideration such matters as medium- and long-term levels of earnings and cash flows.

The Company will allocate funds from internal reserves for investment in the areas such as capital expenditure and research and development that are deemed to boost the future corporate value of the Company.

In line with the aforementioned policy, the Company proposes to pay year-end dividends for the current fiscal year as follows:

■ Year-end dividends

1) Type of dividend property

Cash

2) Allotment of dividend property and their aggregate amount

The Company proposes to pay a dividend of ¥32 per common share of the Company.

The total dividends will be ¥2,201,036,160.

3) Effective date of payment of dividends of surplus

June 30, 2017

Proposal No. 2

Proposal No. 2: Partial Amendments to the Articles of Incorporation

1. Reason for the amendments

The Company proposes to make a transition to a Company with an Audit and Supervisory Committee, which has been established pursuant to the Act for Partial Revision of the Companies Act (Act No. 90 of 2014), aiming to further enhance management transparency and accelerate decision-making by strengthening the supervisory functions of the Board of Directors and corporate governance system. In association with this transformation, the Company makes the necessary changes to the Company's Articles of Incorporation, including the establishment of provisions for the Audit and Supervisory Committee and the Audit and Supervisory Committee Members, and the deletion of provisions for the Audit & Supervisory Board and the Audit & Supervisory Board Members.

In addition, the Company proposes to add new provisions (Article 32 in the Proposed Changes) to the effect that, pursuant to the provisions of Article 426 of the Companies Act, the Directors may be granted an exemption from part of their liabilities by a resolution of the Board of Directors within the scope of the legal limit allowed by the applicable laws and regulations with the aim of ensuring that the Directors can fully demonstrate their capabilities as expected in their roles. In addition, we propose to make the necessary amendments (Article 33 in the Proposed Changes) to any provisions regarding Directors (excluding Executive Directors, etc.) in order for the Company to enter into limited liability agreements with the Directors in accordance with the provisions of Article 427 of the Companies Act.

With the above changes, we will renumber certain articles and make other necessary changes as well as partial amendments (Article 18 in the Proposed Changes) pursuant to the provisions of the Companies Act for the prompt finalization of the minutes of the General Meeting of Shareholders.

Consent has been obtained from each Audit & Supervisory Board Member for the establishment of Article 32 (Directors' Exemption from Liability) and the amendment of Article 33 (Limited Liability Agreement for Non-executive Directors) in the Proposed Changes.

2. Details of the proposed amendments

Details of the amendments are as follows:

This proposal shall take effect at the conclusion of this General Meeting of Shareholders.

(Changes are underlined)

Current Articles of Incorporation	Proposed Changes
<p>Chapter 1 General Provisions</p> <p>Article 1 – Article 3 (Provisions omitted)</p> <p>(Organs)</p> <p>Article 4 The Company shall have the following organs in addition to the General Meeting of Shareholders and the Board of Directors.</p> <p>i) Board of Directors</p> <p>ii) <u>Audit & Supervisory Board Members</u></p> <p>iii) <u>Audit & Supervisory Board</u></p> <p>iv) Accounting Auditor</p> <p>Article 5 (Provisions omitted)</p>	<p>Chapter 1 General Provisions</p> <p>Article 1 – Article 3 (No change)</p> <p>(Organs)</p> <p>Article 4 The Company shall have the following organs in addition to the General Meeting of Shareholders and the Board of Directors.</p> <p>i) Board of Directors</p> <p>ii) <u>Audit and Supervisory Committee</u></p> <p>(Deleted)</p> <p>iii) Accounting Auditor</p> <p>Article 5 (No change)</p>

Current Articles of Incorporation	Proposed Changes
<p>Chapter 2 Shares</p> <p>Article 6 – Article 12 (Provisions omitted)</p> <p>Chapter 3 General Meeting of Shareholders</p> <p>Article 13 – Article 17 (Provisions omitted)</p> <p>(Minutes)</p> <p>Article 18 A record of proceedings and the outcome of the General Meeting of Shareholders and other matters stipulated by laws and regulations shall be entered or recorded in the minutes <u>and affixed with the name and seal of or electronically signed by the Chairperson and attending Directors.</u></p> <p>Chapter 4 Directors and the Board of Directors</p> <p>(Number of Directors)</p> <p>Article 19 The Company shall have no less than <u>three (3)</u> Directors.</p> <p>(Election of Directors)</p> <p>Article 20</p> <ol style="list-style-type: none"> 1) Directors shall be elected <u>by the resolution of</u> the General Meeting of Shareholders. 2) A resolution for electing Directors shall be adopted by the majority vote at a session where shareholders holding at least one-third of the voting rights exercisable by shareholders are attending. 3) A resolution for electing Directors shall not be adopted by cumulative vote. <p>(Newly established)</p>	<p>Chapter 2 Shares</p> <p>Article 6 – Article 12 (No change)</p> <p>Chapter 3 General Meeting of Shareholders</p> <p>Article 13 – Article 17 (No change)</p> <p>(Minutes)</p> <p>Article 18 A record of proceedings and the outcome of the General Meeting of Shareholders and other matters stipulated by laws and regulations shall be entered or recorded in the minutes.</p> <p>Chapter 4 Directors and the Board of Directors</p> <p>(Number of Directors)</p> <p>Article 19 The Company shall have no less than <u>four (4)</u> Directors.</p> <p>(Election of Directors)</p> <p>Article 20</p> <ol style="list-style-type: none"> 1) Directors shall be elected <u>at</u> the General Meeting of Shareholders, <u>with Audit and Supervisory Committee Members and other Directors distinguished.</u> 2) (No change) 3) (No change) 4) <u>The Company may elect substitute Audit and Supervisory Committee Members in preparation for lacking the number of Audit and Supervisory Committee Members stipulated by laws and regulations pursuant to Article 329, paragraph 3 of the Companies Act.</u>

Current Articles of Incorporation	Proposed Changes
<p>(Directors' Terms of Office)</p> <p>Article 21 Directors' terms of office shall be until the conclusion of the Ordinary General Meeting of Shareholders related to the last fiscal year ending within one (1) year of their election.</p> <p>(Newly established)</p> <p>(Newly established)</p> <p>(Newly established)</p> <p>(Election of Representative Directors)</p> <p>Article 22 The Board of Directors shall resolve to elect Representative Directors.</p> <p>(Election of Directors with Positions)</p> <p>Article 23 The Board of Directors shall resolve to elect one (1) President and Director, and may elect one (1) Chairperson and Director, and a few Vice Presidents and Directors, Senior Managing Directors, and Managing Directors.</p> <p>(Authority of Board of Directors, etc.)</p> <p>Article 24</p> <ol style="list-style-type: none"> 1) The Board of Directors is composed of Directors. 2) The Board of Directors shall decide on particular matters stipulated by laws and regulations, those stipulated by the Articles of Incorporation, and those concerning business execution. 	<p>(Directors' Terms of Office)</p> <p>Article 21</p> <ol style="list-style-type: none"> 1) Directors' <u>(excluding those who are Audit and Supervisory Committee Members)</u> terms of office shall be until the conclusion of the Ordinary General Meeting of Shareholders related to the last fiscal year ending within one (1) year of their election. 2) <u>Audit and Supervisory Committee Members' terms of office shall be until the conclusion of the Ordinary General Meeting of Shareholders related to the last fiscal year ending within two (2) years of their election.</u> 3) <u>The terms of office of Audit and Supervisory Committee Member who is elected as a substitute for the Audit and Supervisory Committee Member who has resigned before the expiration of the terms of office shall be until the expiration of the terms of office of the Audit and Supervisory Committee Member who resigned.</u> 4) <u>The effective period of the resolution for electing a substitute Audit and Supervisory Committee Member shall be until the commencement of the Ordinary General Meeting of Shareholders related to the last fiscal year ending within two (2) years of his/her election.</u> <p>(Election of Representative Directors)</p> <p>Article 22 The Board of Directors shall resolve to elect Representative Directors <u>among Directors (excluding those who are Audit and Supervisory Committee Members).</u></p> <p>(Election of Directors with Positions)</p> <p>Article 23 The Board of Directors shall resolve to elect one (1) President and Director <u>among Directors (excluding those who are Audit and Supervisory Committee Members),</u> and may elect one (1) Chairperson and Director, and a few Vice Presidents and Directors, Senior Managing Directors, and Managing Directors.</p> <p>(Authority of Board of Directors, etc.)</p> <p>Article 24</p> <ol style="list-style-type: none"> 1) (No change) 2) (No change)

Current Articles of Incorporation	Proposed Changes
<p>(Convener and Chairperson of Board of Directors) Article 25</p> <ol style="list-style-type: none"> 1) The President and Director shall convene the meeting of Board of Directors and serve as its chairperson unless otherwise stipulated by laws and regulations. 2) When the President and Director is unable to attend to his/her duties, other Directors in the order decided in advance by the Board of Directors shall convene the meeting of Board of Directors and serve as its chairperson. <p>(Newly established)</p> <p>(Convocation Notice of Board of Directors Meeting) Article 26</p> <ol style="list-style-type: none"> 1) The convocation notice of the Board of Directors meeting shall be sent to each Director <u>and each Audit and Supervisory Board Member</u> by three (3) days prior to the meeting date; provided, however, that the period may be shortened in case of emergency. 2) The meeting of Board of Directors may be held without the convocation procedure if all Directors <u>and Audit & Supervisory Board Members</u> give their consent. <p>(Resolution of Board of Directors) Article 27</p> <ol style="list-style-type: none"> 1) A resolution of the Board of Directors shall be adopted by the majority vote at a session with the attendance of the majority of Directors eligible for voting. 2) The Company shall deem that there is a Board of Directors resolution to the effect of approving the said proposal if all Directors give their consent, in writing or electronic or magnetic document, to the matter for a Board of Directors resolution proposed by a Director; <u>provided, however, that this shall not apply if an Audit & Supervisory Board Member expresses his/her objection to the said proposal.</u> <p>(Newly established)</p>	<p>(Convener and Chairperson of Board of Directors) Article 25</p> <ol style="list-style-type: none"> 1) (No change) 2) (No change) 3) <u>Notwithstanding the preceding two paragraphs Audit and Supervisory Committee Members elected by the Audit and Supervisory Committee may convene the meeting of Board of Directors.</u> <p>(Convocation Notice of Board of Directors Meeting) Article 26</p> <ol style="list-style-type: none"> 1) The convocation notice of the Board of Directors meeting shall be sent to each Director by three (3) days prior to the meeting date; provided, however, that the period may be shortened in case of emergency. 2) The meeting of Board of Directors may be held without the convocation procedure if all Directors give their consent. <p>(Resolution of Board of Directors) Article 27</p> <ol style="list-style-type: none"> 1) (No change) 2) The Company shall deem that there is a Board of Directors resolution to the effect of approving the said proposal if all Directors give their consent, in writing or electronic or magnetic document, to the matter for a Board of Directors resolution proposed by a Director. <p><u>(Delegation of Decisions on the Execution of Important Business)</u> Article 28 <u>The Company may delegate all or part of decisions on the execution of important business (excluding matters listed in items of the same Article, paragraph 5) by the resolution of Board of Directors, pursuant to Article 399-13, paragraph 6 of the Companies Act.</u></p>

Current Articles of Incorporation	Proposed Changes
<p>(Minutes of Board of Directors Meeting) Article <u>28</u> A record of proceedings and the outcome of the Board of Directors meeting and other matters stipulated by laws and regulations shall be entered or recorded in the minutes and affixed with the name and seal of or electronically signed by the attending Directors <u>and Audit & Supervisory Board Members</u></p>	<p>(Minutes of Board of Directors Meeting) Article <u>29</u> A record of proceedings and the outcome of the Board of Directors meeting and other matters stipulated by laws and regulations shall be entered or recorded in the minutes and affixed with the name and seal of or electronically signed by the attending Directors.</p>
<p>(Board of Directors Rules) Article <u>29</u> Matters related to Board of Directors shall be subject to Board of Directors rules decided by the Board of Directors in addition to laws and regulations, and the Articles of Incorporation.</p>	<p>(Board of Directors Rules) Article <u>30</u> (No change)</p>
<p>(Directors' Compensation, etc.) Article <u>30</u> Directors' compensation and other economic benefits received from the Company as consideration for the execution of duties (<u>hereinafter referred to as the "Compensation, etc."</u>) shall be decided by the resolution of the General Meeting of Shareholders.</p>	<p>(Directors' Compensation, etc.) Article <u>31</u> Directors' compensation and other economic benefits received from the Company as consideration for the execution of duties shall be decided by the resolution of the General Meeting of Shareholders, <u>with Audit and Supervisory Committee Members and other Directors distinguished.</u></p>
<p>(Newly established)</p> <p>(Limited Liability Agreement with <u>Outside</u> Directors) Article <u>31</u> Pursuant to Article 427, paragraph 1 of the Companies Act, the Company may conclude a limited liability agreement with <u>Outside</u> Directors, <u>limiting the liability for damages under Article 423, paragraph 1 of the said Act to the minimum liability amount provided for under relevant laws and regulations.</u></p>	<p>(Directors' Exemption from Liability) Article <u>32</u> <u>The Company may exempt Directors (including those who used to be Directors) by the resolution of the Board of Directors from the liability for damages due to the negligence of duties within the limit of laws and regulations in accordance with Article 426, paragraph 1 of the Companies Act.</u></p> <p>(Limited Liability Agreement for <u>Non-executive</u> Directors) Article <u>33</u> Pursuant to Article 427, paragraph 1 of the Companies Act, the Company may conclude a limited liability agreement with <u>Directors</u> (excluding those who are Executive Directors, etc. stipulated under Article 2, item 15 a of the Companies Act) <u>limiting the liability for damages due to the negligence of duties; provided, however, that the maximum liability for damages under the said agreement shall be the amount provided for under relevant laws and regulations.</u></p>
<p>(Advisors and Consultants) Article <u>32</u> The Company may have advisors and consultants by the resolution of the Board of Directors.</p>	<p>(Advisors and Consultants) Article <u>34</u> (No change)</p>
<p>Chapter 5 <u>Audit & Supervisory Board Members and Audit & Supervisory Board</u></p> <p>(Number of Audit & Supervisory Board Members) Article <u>33</u> <u>The Company shall have not less than three (3) Audit & Supervisory Board Members.</u></p>	<p>Chapter 5 <u>Audit and Supervisory Committee</u></p> <p>(Deleted)</p>

Current Articles of Incorporation	Proposed Changes
<p><u>(Election of Substitute Audit & Supervisory Board Members)</u> <u>Article 36</u></p> <ol style="list-style-type: none"> 1) <u>The Company may elect in advance substitute Audit & Supervisory Board Members in preparation for lacking the number of Audit & Supervisory Board Members at the General Meeting of Shareholders pursuant to Article 329, paragraph 2 of the Companies Act.</u> 2) <u>A resolution for electing substitute Audit & Supervisory Board Members shall be adopted by the majority vote at a session where shareholders holding at least one-third of the voting rights exercisable by shareholders are attending.</u> 3) <u>The effective period of the resolution for electing a substitute Audit & Supervisory Board Member shall be until the commencement of the Ordinary General Meeting of Shareholders related to the last fiscal year ending within four (4) years of his/her election.</u> 4) <u>If the substitute Audit & Supervisory Board Member under paragraph 1 assumes the office of Audit & Supervisory Board Member, the term of office shall be until the expiration of the term of office of the Audit & Supervisory Board Member who resigned.</u> 5) <u>By a resolution of the Board of Directors, the Company may rescind the resolution of election for the substitute Audit & Supervisory Board Member elected in accordance with provisions of paragraph 1 before the assumption of office. In such a case, the consent of the Audit & Supervisory Board shall be obtained to submit a proposal to the Board of Directors to rescind the resolution of election for the substitute Audit & Supervisory Board Member.</u> 	<p>(Deleted)</p>
<p><u>(Full-time Audit & Supervisory Board Members)</u> <u>Article 37</u> The <u>Audit & Supervisory Board</u> shall resolve to select full-time <u>Audit & Supervisory Board Members</u> among <u>Audit & Supervisory Board Members</u>.</p>	<p><u>(Full-time Audit and Supervisory Committee Members)</u> <u>Article 35</u> The <u>Audit and Supervisory Committee</u> may resolve to select full-time <u>Audit and Supervisory Committee Members</u> among <u>Audit and Supervisory Committee Members</u>.</p>
<p><u>(Authority, etc. of Audit & Supervisory Board)</u> <u>Article 38</u></p> <ol style="list-style-type: none"> 1) <u>Audit & Supervisory Board Members shall organize the Audit & Supervisory Board.</u> 2) <u>The Audit & Supervisory Board shall have the authority stipulated by laws and regulations, and may resolve to decide matters for the execution of duties of Audit & Supervisory Board Members; provided, however, that it may not prevent the exercise of the authority of Audit & Supervisory Board Members.</u> 	<p>(Deleted)</p>

Current Articles of Incorporation	Proposed Changes
<p>(Convocation Notice of <u>Audit & Supervisory Board Meeting</u>) Article <u>39</u></p> <ol style="list-style-type: none"> 1) The convocation notice of the <u>Audit & Supervisory Board</u> meeting shall be sent to each <u>Audit & Supervisory Board Member</u> by three (3) days prior to the meeting date; provided, however, that <u>it</u> may be shortened in case of emergency. 2) <u>An Audit & Supervisory Board meeting</u> may be held without the convocation procedure if all <u>Audit & Supervisory Board Members</u> give their consent. <p>(Resolution of <u>Audit & Supervisory Board</u>) Article <u>40</u> A resolution of the <u>Audit & Supervisory Board</u> shall be adopted by the majority vote of <u>Audit & Supervisory Board Members</u> <u>unless otherwise stipulated by laws and regulations.</u></p> <p>(Minutes of <u>Audit & Supervisory Board Meeting</u>) Article <u>41</u> A record of proceedings and the outcome of the <u>Audit & Supervisory Board meeting</u> and other matters stipulated by laws and regulations shall be entered or recorded in the minutes and affixed with the name and seal of or electronically signed by the attending <u>Audit & Supervisory Board Members.</u></p> <p>(<u>Audit & Supervisory Board Rules</u>) Article <u>42</u> Matters related to the <u>Audit & Supervisory Board</u> shall be subject to the <u>Audit & Supervisory Board</u> rules decided by <u>the Audit & Supervisory Board</u> in addition to laws and regulations, and the Articles of Incorporation.</p> <p>(Audit & Supervisory Board Members' Compensation, etc.) Article <u>43</u> <u>Audit & Supervisory Board Members' compensation, etc. shall be decided by the resolution of the General Meeting of Shareholders.</u></p> <p>(Limited Liability Agreement with Outside Audit & Supervisory Board Members) Article <u>44</u> Pursuant to Article 427, paragraph 1 of the Companies Act, the Company may conclude a <u>limited liability agreement with Outside Audit & Supervisory Board Members, limiting the liability for damages under Article 423, paragraph 1 of the said Act to the minimum liability amount provided for under relevant laws and regulations.</u></p>	<p>(Convocation Notice of <u>Audit and Supervisory Committee Meeting</u>) Article 36</p> <ol style="list-style-type: none"> 1) The convocation notice of the Audit and Supervisory Committee meeting shall be sent to each Audit and Supervisory Committee Member by three (3) days prior to the meeting date; provided, however, that this period may be shortened in case of emergency. 2) An Audit and Supervisory Committee meeting may be held without the convocation procedure if all Audit and Supervisory Committee Members give their consent. <p>(Resolution of <u>Audit and Supervisory Committee</u>) Article <u>37</u> A resolution of the <u>Audit and Supervisory Committee</u> shall be adopted by the majority vote <u>at a session with the attendance of the majority of Audit and Supervisory Committee Members eligible for voting; provided, however, that if stipulated otherwise by laws and regulations, such stipulation shall prevail.</u></p> <p>(Minutes of <u>Audit and Supervisory Committee Meeting</u>) Article <u>38</u> A record of proceedings and the outcome of the <u>Audit and Supervisory Committee meeting</u> and other matters stipulated by laws and regulations shall be entered or recorded in the minutes and affixed with the name and seal of or electronically signed by the attending <u>Audit and Supervisory Committee Members.</u></p> <p>(<u>Audit and Supervisory Committee Rules</u>) Article <u>39</u> Matters related to the Audit and Supervisory Committee shall be subject to the <u>Audit and Supervisory Committee</u> rules decided by the <u>Audit and Supervisory Committee</u> in addition to laws and regulations, and the Articles of Incorporation.</p> <p>(Deleted)</p> <p>(Deleted)</p>

Current Articles of Incorporation	Proposed Changes
<p style="text-align: center;">Chapter 6 Calculation</p> <p>Article <u>45</u> – Article <u>48</u> (Provisions omitted) (Newly established)</p>	<p style="text-align: center;">Chapter 6 Calculation</p> <p>Article <u>40</u> – Article <u>43</u> (No change) <u>Supplementary Provision</u> <u>(Transitional Measures for Limited Liability Agreements of</u> <u>Outside Audit & Supervisory Board Members)</u> <u>Regarding the agreement limiting the liability</u> <u>for damages under Article 423, paragraph 1 of</u> <u>the Companies Act concerning an act of</u> <u>Outside Audit & Supervisory Board Members</u> <u>before the conclusion of the 81st Ordinary</u> <u>General Meeting of Shareholders, the</u> <u>provisions of Article 44 of the Articles of</u> <u>Incorporation before the change made by the</u> <u>resolution of the said Ordinary General</u> <u>Meeting of Shareholders shall continue to</u> <u>prevail.</u></p>

(For Reference Purposes Only)

Common reference matters for Proposal No. 2 through Proposal No. 8

Proposal No. 2 through Proposal No. 8, entered in pages 4 through 31 of this Reference Documents for General Meeting of Shareholders are all related to the transition to a Company with an Audit and Supervisory Committee, so in submitting the proposals we state the reasons we decided to make this transition and the characteristics of a Company with an Audit and Supervisory Committee.

◆ Reasons for the transition to a Company with an Audit and Supervisory Committee

The Company has been seeking to enhance its corporate governance system by taking measures to strengthen the supervisory function of the Board of Directors and by establishing Executive Officers in order to clarify the functions of officers for executing business. This time, we believe that we can strengthen the supervisory function of the Board of Directors where the Audit and Supervisory Committee Members who are Outside Directors holding voting rights on the Board of Directors and further increase management soundness and transparency through the transition to a company with an Audit and Supervisory Committee. Moreover, by further separating business execution functions from the Board of Directors and accelerating operational decision making, we will establish a structure that enables the swift and decisive decision-making required to cope with the management environment surrounding the Company. After the conclusion of this General Meeting of Shareholders, we will also establish the Nomination/Remuneration Advisory Committee, a non-mandatory advisory body of the Board of Directors. Independent Outside Directors, as members of the Committee, will provide appropriate advice and assistance regarding the nomination and compensations of Directors, Executive Officers, etc. for the purpose of enhancing the independence and objectivity of the functions of the Board of Directors and its accountability.

◆ A Company with an Audit and Supervisory Committee

A company with an Audit and Supervisory Committee does not have Audit & Supervisory Board Members or the Audit & Supervisory Board. Instead, an Audit and Supervisory Committee is established which is comprised of three (3) or more Directors, of which a majority are Outside Directors. A Director who is an Audit and Supervisory Committee Member differs from an Audit & Supervisory Board Member in having the voting right as a Director on the Board of Directors meeting as well as the mandate to state opinions on the election/dismissal and compensation of Directors (excluding Directors who are Audit and Supervisory Committee Members) at the General Meeting of Shareholders. In these respects, the supervisory functions of the Audit and Supervisory Committee Members and the Audit and Supervisory Committee are expected to be strengthened. In a Company with an Audit and Supervisory Committee, moreover, it is possible to delegate certain decision-making authority to Directors by the resolution of the Board of Directors pursuant to provisions of the Articles of Incorporation. As a result of this, we believe that the Company will be able to improve the effectiveness of supervision through the separation of execution and supervision, and also make rapid decision-making.

Proposal No. 3

Proposal No. 3: Election of Six (6) Directors (excluding Directors who are Audit and Supervisory Committee Members)

Subject to the approval and adoption of Proposal No. 2 “Partial Amendments to the Articles of Incorporation,” the Company will make the transition to a company with Audit and Supervisory Committee. The terms of office of all six (6) Directors will expire at the conclusion of this meeting. Accordingly, the Company proposes to elect six (6) Directors (excluding Directors who are Audit and Supervisory Committee Members).

This proposal may only take effect on the condition that Proposal No. 2 “Partial Amendments to the Articles of Incorporation” becomes effective.

The candidates for Directors (excluding Directors who are Audit and Supervisory Committee Members) are as follows:

Candidate No.	Name	Current Position in the Company			
1	Terukazu Kato	President and Representative Director	Reelection		
2	Toru Sugita	Director and Senior Managing Executive Officer	Reelection		
3	Yasunori Fuji	Director and Senior Executive Officer	Reelection		
4	Shigeru Sugimoto	Outside Director	Reelection	Outside	Independent
5	Kenichi Matsui	Outside Director	Reelection	Outside	Independent
6	Yayoi Masuda	Outside Director	Reelection	Outside	Independent

1	Terukazu Kato (Age 53)	Current Position in the Company	
	Date of Birth August 26, 1963	President and Representative Director	
Reelection	■ Career summary, position and responsibility in the Company, and major positions held outside the Company Apr. 1986 Joined the Company Aug. 2001 President and Representative Director, TSUMURA USA, INC. Jan. 2006 Head of Public Relations Department, TSUMURA & CO. Apr. 2007 General Manager, Head of Corporate Communications Department, TSUMURA & CO. Jun. 2011 Director and Executive Officer, Head of Corporate Communications Department, TSUMURA & CO. Jun. 2012 President and Representative Director, TSUMURA & CO. Jun. 2015 President and Representative Director and President and Executive Officer, TSUMURA & CO. (incumbent)		■ Number of the Company's Shares Owned 14,700 Shares ■ Status of attendance to Board of Directors meeting: 19/19 (100%)
			■ Material relationship with the Company
			None

● Reasons for nominating Mr. Terukazu Kato as a candidate for Director

Since Mr. Terukazu Kato was appointed as a President and Representative Director in 2012, he has led the management and successfully carried out his responsibilities in making important management decisions at the Board of Directors meetings and supervising the execution of business. In addition, he has worked to further enhance the effectiveness of corporate governance as a chairman of the Board of Directors.

In order for the Company to further pursue the aim of achieving sustainable growth and enhance its corporate value through its mainstay businesses in the field of Japanese traditional medicine including Kampo and crude drugs, while maintaining the mission/vision-based management approach, the Board of Directors believes that Mr. Kato is one of the most well-qualified candidates, and thus recommends his re-election. Pursuant to his election as a Director, Mr. Kato will assume the position as a President and Representative Director of the Company.

2	Toru Sugita	(Age 61)	Current Position in the Company	
	Date of Birth	November 16, 1955	Director and Senior Managing Executive Officer	
Reelection	■ Career summary, position and responsibility in the Company, and major positions held outside the Company		■ Number of the Company's Shares Owned 17,800 Shares	
	Apr. 1980	Joined the Company		
	May 1992	Head of Shizuoka Plant Manufacturing Department, Pharmaceuticals Division, TSUMURA & CO.	■ Status of attendance to Board of Directors meeting: 19/19 (100%)	
	Apr. 2000	General Manager, Head of Production Coordination Department, Production Division, TSUMURA & CO.		
	Jun. 2003	Executive Officer, Deputy Head of Production Division, TSUMURA & CO.		
	Jun. 2007	Director and Executive Officer, Head of Production Division, TSUMURA & CO.		
	Jun. 2010	Managing Director and Executive Officer, Head of Production Division, TSUMURA & CO.	■ Material relationship with in the Company	
	Apr. 2014	Managing Director and Executive Officer, TSUMURA & CO.		
	Jun. 2014	Senior Managing Director and Executive Officer, TSUMURA & CO.		
	Jun. 2015	Director and Senior Managing Executive Officer, TSUMURA & CO. (incumbent)	None	
● Reasons for nominating Mr. Toru Sugita as a candidate for Director				
Since Mr. Toru Sugita was appointed as a Director in 2007, based on his experience in the fields of production, technology, logistics and China business, he has successfully carried out his responsibilities in making important management decisions at the Board of Directors meetings and supervising the execution of business.				
In order for the Company to further pursue the aim of achieving sustainable growth and enhance its corporate value through its mainstay businesses in the field of Japanese traditional medicine including Kampo and crude drugs, while maintaining the mission/vision-based management approach, the Board of Directors believes that Mr. Sugita is one of the most well-qualified candidates, and thus recommends his re-election.				

3	Yasunori Fuji	(Age 60)	Current Position in the Company	
	Date of Birth	January 8, 1957	Director and Senior Executive Officer	
Reelection	■ Career summary, position and responsibility in the Company, and major positions held outside the Company		■ Number of the Company's Shares Owned 20,600 Shares	
	Apr. 1979	Joined The Mitsubishi Bank, Limited (currently The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	■ Status of attendance to Board of Directors meeting: 19/19 (100%)	
	Nov. 2008	Advisor, TSUMURA & CO.		
	Apr. 2009	Executive Officer, Head of CSR Advancement Department, TSUMURA & CO.		
	Jun. 2011	Director and Executive Officer, Head of CSR Advancement Department, TSUMURA & CO.	■ Material relationship with the Company	
	Apr. 2013	Director and Executive Officer, Head of Internal Control Department, TSUMURA & CO.		
	Jun. 2015	Director and Senior Executive Officer, Head of the Compliance Control Department, TSUMURA & CO. (incumbent)		
		None		
● Reasons for nominating Mr. Yasunori Fuji as a candidate for Director				
Mr. Yasunori Fuji was appointed as a Director in 2011. Based on his experience mainly in the fields of finance and accounting and knowledge as an officer in charge of compliance, he has successfully carried out his responsibilities in making important management decisions at the Board of Directors meetings and supervising the execution of business.				
In order for the Company to further pursue the aim of achieving sustainable growth and enhance its corporate value through its mainstay businesses in the field of Japanese traditional medicine including Kampo and crude drugs, while maintaining the mission/vision-based management approach, the Board of Directors believes that Mr. Fuji is one of the most well-qualified candidates, and thus recommends his re-election.				

4	Shigeru Sugimoto (Age 58)		Current Position in the Company	
	Date of Birth October 12, 1958		Outside Director	
<div>Reelection</div> <div>Outside</div> <div>Independent</div>	<div>■ Career summary, position and responsibility in the Company, and major positions held outside the Company</div> <div>Apr. 1982 Joined Housing and Urban Development Corporation (currently Urban Renaissance Agency (Incorporated Administrative Agency))</div> <div>Oct. 1985 Joined Ohta Showa Audit Firm (currently Ernst & Young ShinNihon LLC)</div> <div>Jun. 1987 Registered as a real estate appraiser</div> <div>Jul. 1988 Representative, Sakura Horwath & Co. (incumbent)</div> <div>Feb. 1989 Registered as a certified public accountant</div> <div>Mar. 1992 Registered as a certified tax accountant</div> <div>Dec. 1995 Representative, Sakura Horwath LLC (currently Sakura Horwath Audit Corporation) (incumbent)</div> <div>Jun. 2012 Outside Director, TSUMURA & CO. (incumbent)</div> <div>Nov. 2013 Supervisory Officer, Hulic Reit, Inc. (incumbent)</div> <div>■ Tenure as an Outside Director</div> <div>At the conclusion of this general meeting, Mr. Sugimoto will have served in the position for five (5) years.</div>		<div>■ Number of the Company's Shares Owned</div> <div>3,200 Shares</div> <div>■ Status of attendance to Board of Directors meeting:</div> <div>18/19 (94.7%)</div> <div>■ Material relationship with the Company</div> <div>None</div>	
	<div>● The Company has submitted notification to Tokyo Stock Exchange, Inc. that Mr. Shigeru Sugimoto has been appointed as an independent officer as provided for in Article 436-2 of the Securities Listing Regulations of the aforementioned exchange.</div> <div>● Reasons for nominating Mr. Shigeru Sugimoto as a candidate for Outside Director</div> <div>Mr. Shigeru Sugimoto concurrently serves as a Representative of Sakura Horwath & Co., a Representative of Sakura Horwath Audit Corporation, and a supervisory officer of Hulic Reit, Inc. In view of the fact that there is no trading relationship between the Company and any of these corporations, the Board of Directors believes Mr. Shigeru Sugimoto has a high degree of independence and therefore nominates him as a candidate for Outside Director.</div> <div>● Reasons for the positive assessment of Mr. Shigeru Sugimoto's ability to appropriately carry out his duties as an Outside Director</div> <div>Mr. Shigeru Sugimoto has extensive experience and insight as a certified public accountant, a real estate appraiser, and a certified tax accountant. The Board of Directors has full confidence in his ability to carry out his responsibilities including making important management decisions and supervising the execution of business for the Company. Therefore, the Board of Directors recommends his election as an Outside Director.</div> <div>● Summary of limited liability agreement with Mr. Shigeru Sugimoto</div> <div>Pursuant to Article 427, paragraph 1 of the Companies Act and the Company's Articles of Incorporation, the Company has entered into an agreement with Mr. Shigeru Sugimoto to limit his liability for damages under Article 423, paragraph 1 of the Companies Act. The maximum amount of liability for damages assumed by Mr. Sugimoto under this agreement is the minimum liability amount provided for under the relevant laws and regulations. If Mr. Shigeru Sugimoto is reelected, the Company plans to renew the aforementioned limited liability agreement.</div>			

5	Kenichi Matsui		(Age 67)		Current Position in the Company	
	Date of Birth		July 5, 1949		Outside Director	
<div>Reelection</div> <div>Outside</div> <div>Independent</div>	■ Career summary, position and responsibility in the Company, and major positions held outside the Company				■ Number of the Company's Shares Owned 1,300 Shares	
	Apr. 1972		Joined Idemitsu Kosan Co., Ltd.			■ Status of attendance to Board of Directors meeting: 18/19 (94.7%)
	Jun. 2001		General Manager of Accounting Department, Idemitsu Kosan Co., Ltd.			
	Apr. 2003		Executive Officer, General Manager of Accounting Department, Idemitsu Kosan Co., Ltd.			
	Jun. 2004		Managing Executive Officer, General Manager of Accounting Department, Idemitsu Kosan Co., Ltd.			
	Jun. 2005		Managing Director, Idemitsu Kosan Co., Ltd.			■ Material relationship with the Company
	Jun. 2010		Executive Vice President, Representative Director, Idemitsu Kosan Co., Ltd.			
	Jun. 2014		Outside Director, The Mie Bank, Ltd. (incumbent)			
	Jun. 2015		Outside Director, TSUMURA & CO. (incumbent)			
	■ Tenure as an Outside Director					
At the conclusion of this general meeting, Mr. Matsui will have served in the position for two (2) years.				None		

- The Company has submitted notification to Tokyo Stock Exchange, Inc. that Mr. Kenichi Matsui has been appointed as an independent officer as provided for in Article 436-2 of the Securities Listing Regulations of the aforementioned exchange.
- Reasons for nominating Mr. Kenichi Matsui as a candidate for Outside Director
Mr. Kenichi Matsui concurrently serves as an Outside Director of The Mie Bank, Ltd. In view of the fact that there is no trading relationship between the Company and the bank, the Board of Directors believes Mr. Kenichi Matsui has a high degree of independence and therefore nominates him as a candidate for Outside Director.
- Reasons for the positive assessment of Mr. Kenichi Matsui's ability to appropriately carry out his duties as an Outside Director
Mr. Kenichi Matsui has extensive experience and insight as a corporate manager, developed over many years. The Board of Directors has full confidence in his ability to carry out his responsibilities including making important management decisions and supervising the execution of business for the Company. Therefore, the Board of Directors recommends his election as an Outside Director.
- Summary of limited liability agreement with Mr. Kenichi Matsui
Pursuant to Article 427, paragraph 1 of the Companies Act and the Company's Articles of Incorporation, the Company has entered into an agreement with Mr. Kenichi Matsui to limit his liability for damages under Article 423, paragraph 1 of the Companies Act. The maximum amount of liability for damages assumed by Mr. Matsui under this agreement is the minimum liability amount provided for under the relevant laws and regulations. If Mr. Kenichi Matsui is reelected, the Company plans to renew the aforementioned limited liability agreement.

6	Yayoi Masuda (Age 60)		Current Position in the Company
	Date of Birth	March 18, 1957	Outside Director
<div>Reelection</div> <div>Outside</div> <div>Independent</div>	■ Career summary, position and responsibility in the Company, and major positions held outside the Company Apr. 1979 Joined Ricoh Company, Ltd. Jan. 1992 General Manager, OD & HRD, Levi Strauss Japan K.K. Apr. 1995 Director, Global Leadership Planning and Development, Levi Strauss & Co. Oct. 1998 Talent Director, Asia Pacific Division, Levi Strauss & Co. Dec. 1999 Director, Human Resources Division, Levi Strauss Japan K.K. Apr. 2004 Head of Human Resources, Asia Pacific Region, Nike Inc. Feb. 2012 President and Representative Director, Yayoi Japan Co., Ltd. (incumbent) Jun. 2015 Outside Director, TSUMURA & CO. (incumbent)		■ Number of the Company's Shares Owned 600 Shares ■ Status of attendance to Board of Directors meeting: 18/19 (94.7%)
	■ Tenure as an Outside Director At the conclusion of this general meeting, she will have served in the position for two (2) years.		■ Material relationship with the Company
			None

- The Company has submitted notification to Tokyo Stock Exchange, Inc. that Ms. Yayoi Masuda has been appointed as an independent officer as provided for in Article 436-2 of the Securities Listing Regulations of the aforementioned exchange.
- Reasons for nominating Ms. Yayoi Masuda as a candidate for Outside Director
Ms. Yayoi Masuda concurrently serves as a President and Representative Director of Yayoi Japan Co., Ltd. In view of the fact that there is no trading relationship between the Company and the corporation, the Board of Directors believes Ms. Yayoi Masuda has a high degree of independence and therefore nominates her as a candidate for Outside Director.
- Reasons for the positive assessment of Ms. Yayoi Masuda's ability to appropriately carry out her duties as an Outside Director
Ms. Yayoi Masuda has extensive experience and insight, developed over many years working at international corporations. The Board of Directors has full confidence in her ability to carry out her responsibilities including making important management decisions and supervising the execution of business for the Company. Therefore, the Board of Directors recommends her election as an Outside Director.
- Summary of details of limited liability agreement with Ms. Yayoi Masuda
Pursuant to Article 427, paragraph 1 of the Companies Act and the Company's Articles of Incorporation, the Company has entered into an agreement with Ms. Yayoi Masuda to limit her liability for damages under Article 423, paragraph 1 of the Companies Act. The maximum amount of liability for damages assumed by Ms. Masuda under this agreement is the minimum liability amount provided for under the relevant laws and regulations. If Ms. Yayoi Masuda is reelected, the Company plans to renew the aforementioned limited liability agreement.

(Note) The respective ages stated for each candidate are current as of June 29, 2017.

Proposal No. 4

Proposal No. 4: Election of Three (3) Directors who are Audit and Supervisory Committee Members

Subject to the approval and adoption of Proposal No. 2 “Partial Amendments to the Articles of Incorporation,” the Company will make the transition to a company with Audit and Supervisory Committee. Accordingly, the Company proposes to elect three (3) Directors who are Audit and Supervisory Committee Members.

Prior to this proposal, the Company has already obtained the consent of the Audit & Supervisory Board.

This proposal may only take effect on the condition that Proposal No. 2 “Partial Amendments to the Articles of Incorporation” becomes effective.

The candidates for Directors who are Audit and Supervisory Committee Members are as follows:

Candidate No.	Name	Current Position in the Company			
1	Kimikazu Okochi	New election			
2	Kiyomi Haneishi	Outside Audit & Supervisory Board Member	New election	Outside	Independent
3	Mitsutoshi Matsushita	New election Outside Independent			

1	Kimikazu Okochi	(Age 58)	Current Position in the Company		
	Date of Birth	October 8, 1958			
New election	<div>■ Career summary, position and responsibility in the Company, and major positions held outside the Company</div> <div>Apr. 1981 Joined the Company</div> <div>Apr. 2010 Head of Accounting Department, TSUMURA & CO.</div> <div>Apr. 2014 General Manager, Head of Accounting Department, TSUMURA & CO.</div> <div>Apr. 2017 General Manager, Audit & Supervisory Board Office, TSUMURA & CO. (incumbent)</div>			■ Number of the Company's Shares Owned	0 Shares
				■ Status of attendance to Board of Directors meeting: -	
				■ Status of attendance to Audit & Supervisory Board meeting: -	
				■ Material relationship with the Company	
				None	
<div>● Reasons for nominating Mr. Kimikazu Okochi as a candidate for Director who is Audit and Supervisory Committee Member</div> <div>Mr. Kimikazu Okochi has extensive business experience primarily in the fields of finance and accounting, including his work experience in China as a member of the Company. The Board of Directors has full confidence in his ability to appropriately execute his duties and recommends his election to ensure the soundness and appropriateness of decision making associated with the Company's management as well as enhancing its transparency.</div>					

2	Kiyomi Haneishi (Age 54)		Current Position in the Company
	Date of Birth February 22, 1963		Outside Audit & Supervisory Board Member
<div>New election</div> <div>Outside</div> <div>Independent</div>	■ Career summary, position and responsibility in the Company, and major positions held outside the Company		■ Number of the Company's Shares Owned 600 Shares
	Dec. 1993	Joined Ota Showa Ernst & Young Co., Ltd. (currently Ernst & Young Tax Co.)	■ Status of attendance to Board of Directors meeting: 19/19 (100%)
	Jan. 1997	Joined Sakura Horwath & Co. Joined Sakura Horwath LLC (currently Sakura Horwath Audit Corporation)	
	Apr. 2000	Registered as a certified public accountant	
	Nov. 2000	Joined Asahi & Co. (currently KPMG AZSA LLC)	■ Status of attendance to Audit & Supervisory Board meeting: 23/23 (100%)
	Oct. 2005	Joined Ministry of Agriculture, Forestry and Fisheries (Officials with Fixed Term of Office)	
	Oct. 2009	Joined KPMG AZSA LLC	
	Mar. 2012	Joined Consumer Agency (Officials with Fixed Term of Office)	■ Material relationship with the Company
	Sep. 2013	Director, Kiyomi Haneishi Accounting Firm (currently Director, Kiyomi Haneishi Accounting and tax accounting Firm) (incumbent)	
	Nov. 2013	Registered as a certified tax accountant	
	Jun. 2015	Outside Audit & Supervisory Board Member, TSUMURA & CO. (incumbent)	None
	May 2016	Outside Director, MAXVALU CHUBU CO., LTD. (incumbent)	

- Ms. Kiyomi Haneishi is a candidate for Outside Director who is Audit and Supervisory Committee Member.
- The Company has submitted notification to Tokyo Stock Exchange, Inc. that Ms. Kiyomi Haneishi has been appointed as an independent officer as provided for in Article 436-2 of the Securities Listing Regulations of the aforementioned exchange. If the election of Ms. Kiyomi Haneishi is approved, the Company plans to submit notification to the aforementioned exchange for another term.
- Reasons for nominating Ms. Kiyomi Haneishi as a candidate for Outside Director who is Audit and Supervisory Committee Member
Ms. Kiyomi Haneishi concurrently serves as an Outside Director of MAXVALU CHUBU CO., LTD. In view of the fact that there is no trading relationship between the Company and the corporation, the Board of Directors believes Ms. Kiyomi Haneishi has a high degree of independence and therefore nominates her as a candidate for Outside Director who is Audit and Supervisory Committee Member.
- Reasons for the positive assessment of Ms. Kiyomi Haneishi's ability to appropriately carry out her duties as an Outside Director who is Audit and Supervisory Committee Member
Ms. Kiyomi Haneishi is well versed in financial affairs and accounting as a certified public accountant and a certified tax accountant, has extensive experience and excellent insights, is involved in the company management and has sufficient knowledge to oversee management. Thus, the Board of Directors has full confidence in her ability to appropriately execute her duties as an Outside Director who is Audit and Supervisory Committee Member of the Company, and nominates her to ensure the soundness and appropriateness of decision making associated with the Company's management as well as enhancing its transparency. Ms. Kiyomi Haneishi is currently an Outside Audit & Supervisory Board Member of the Company, and at the conclusion of this meeting, her tenure as an Outside Audit & Supervisory Board Member will have been two (2) years.
- Summary of limited liability agreement with Ms. Kiyomi Haneishi
Pursuant to Article 427, paragraph 1 of the Companies Act and the Company's Articles of Incorporation, the Company has entered into an agreement with Ms. Kiyomi Haneishi to limit her liability for damages under Article 423, paragraph 1 of the Companies Act. The maximum amount of liability for damages assumed by Ms. Kiyomi Haneishi under this agreement is the minimum liability amount provided for under the relevant laws and regulations. If the election of Ms. Kiyomi Haneishi is approved, the Company plans to conclude a new agreement with her that is equivalent in content to the aforementioned agreement.

3	Mitsutoshi Matsushita (Age 46)	Current Position in the Company	
	Date of Birth October 3, 1970		
<div>New election</div> <div>Outside</div> <div>Independent</div>	<p>■ Career summary, position and responsibility in the Company, and major positions held outside the Company</p> <p>Apr. 1997 Registered as an attorney at law Joined Kajitani Law Offices (incumbent)</p> <p>Jun. 2016 Outside Audit & Supervisory Board Member, PACIFIC SYSTEMS CORPORATION (incumbent)</p>		<p>■ Number of the Company's Shares Owned 0 Shares</p>
			<p>■ Status of attendance to Board of Directors meeting: -</p>
			<p>■ Status of attendance to Audit & Supervisory Board meeting: -</p>
			<p>■ Material relationship with the Company</p>
			None

- Mr. Mitsutoshi Matsushita is a candidate for Outside Director who is Audit and Supervisory Committee Member.
- The Company plans to submit notification to Tokyo Stock Exchange, Inc. that Mr. Mitsutoshi Matsushita has been appointed as an independent officer as provided for in Article 436-2 of the Securities Listing Regulations of the aforementioned exchange.
- Reasons for nominating Mr. Mitsutoshi Matsushita as a candidate for Outside Director who is Audit and Supervisory Committee Member
Mr. Mitsutoshi Matsushita concurrently serves as an Outside Audit & Supervisory Board Member of PACIFIC SYSTEMS CORPORATION. In view of the fact that there is no trading relationship between the Company and the corporation, the Board of Directors believes Mr. Mitsutoshi Matsushita has a high degree of independence and therefore nominates him as a candidate for Outside Director who is Audit and Supervisory Committee Member.
- Reasons for the positive assessment of Mr. Mitsutoshi Matsushita's ability to appropriately carry out his duties as an Outside Director who is Audit and Supervisory Committee Member
Mr. Mitsutoshi Matsushita has extensive experience and excellent insights as an attorney at law that is well versed in corporate legal affairs, is involved in the company management and has sufficient knowledge to oversee management. Thus, the Board of Directors has full confidence in his ability to appropriately execute his duties as an Outside Director who is Audit and Supervisory Committee Member of the Company, and nominates him to ensure the soundness and appropriateness of decision making associated with the Company's management as well as enhancing its transparency.
- Summary of limited liability agreement with Mr. Mitsutoshi Matsushita
Conditional upon the approval and adoption of Proposal No. 4 and pursuant to Article 427, paragraph 1 of the Companies Act and the Company's Articles of Incorporation, the Company plans to enter into an agreement with Mr. Mitsutoshi Matsushita to limit his liability for damages under Article 423, paragraph 1 of the Companies Act. The maximum amount of liability for damages assumed by Mr. Mitsutoshi Matsushita under this agreement is the minimum liability amount provided for under the relevant laws and regulations.

(Note) The respective ages stated for each candidate are current as of June 29, 2017.

Proposal No. 5

Proposal No. 5: Election of One (1) Substitute Director who is Audit and Supervisory Committee Member

Subject to the approval and adoption of Proposal No. 2 “Partial Amendments to the Articles of Incorporation,” the Company will make the transition to a company with Audit and Supervisory Committee. In preparation for lacking the number of Directors who are Audit and Supervisory Committee Members stipulated by laws and regulations, we propose the election of one (1) substitute Director who is Audit and Supervisory Committee Member in advance.

Note that the effectiveness of election of the substitute Director who is Audit and Supervisory Committee Member may be rescinded by a resolution of the Board of Directors only before the assumption of office.

Prior to this proposal, the Company has already obtained the consent of the Audit & Supervisory Board.

This proposal may only take effect on the condition that Proposal No. 2 “Partial Amendments to the Articles of Incorporation” becomes effective.

The candidate for substitute Director who is Audit and Supervisory Committee Member is as follows:

Seiko Noda		Current Position in the Company	
(Age 53)			
Date of Birth February 17, 1964			
New election	■ Career summary, position and responsibility in the Company, and major positions held outside the Company Apr. 1986 Joined The Awa Bank, Ltd. Apr. 1999 Registered as an attorney at law Joined NAGASAWA LAW OFFICES (incumbent) Jun. 2007 Outside Audit & Supervisory Board Member, TSUMURA & CO.		■ Number of the Company's Shares Owned 2,700 Shares
			■ Status of attendance to Board of Directors meeting: -
			■ Status of attendance to Audit & Supervisory Board meeting: -
			■ Material relationship with the Company
			None

- Ms. Seiko Noda is a candidate for substitute Director who is Audit and Supervisory Committee Member (Outside Director).
- Reasons for nominating Ms. Seiko Noda as a candidate for substitute Director who is Audit and Supervisory Committee Member (Outside Director)
Ms. Seiko Noda has qualifications as an attorney at law and the Board of Directors wishes to utilize her extensive expertise and experience in managing the Company. Thus, the Board of Directors recommends her election as a candidate for substitute Director who is Audit and Supervisory Committee Member (Outside Director).
- Reasons for the positive assessment of Ms. Seiko Noda's ability to appropriately carry out her duties as a substitute Director who is Audit and Supervisory Committee Member (Outside Director)
Ms. Seiko Noda is well versed in corporate legal affairs as an attorney at law, has sufficient knowledge to oversee corporate management, and used to be involved in the management as an Outside Audit & Supervisory Board Member of the Company. Therefore, the Board of Directors has full confidence in her ability to appropriately execute her duties as an Outside Director who is Audit and Supervisory Committee Member of the Company.
- Summary of limited liability agreement with Ms. Seiko Noda
If Ms. Seiko Noda assumes the office of Director who is Audit and Supervisory Committee Member, pursuant to Article 427, paragraph 1 of the Companies Act and the Company's Articles of Incorporation, the Company plans to enter into an agreement with her to limit her liability for damages under Article 423, paragraph 1 of the Companies Act. The maximum amount of liability for damages assumed by Ms. Seiko Noda under this agreement is the minimum liability amount provided for under the relevant laws and regulations.

(Note) The age shown for the candidate is current as of June 29, 2017.

(For Reference Purposes Only)

Standards for Determination of Independence of Outside Directors

Of the Company's Outside Directors, outside officers who do not fall under any of the following items shall be determined to have independence.

1. Person who is or was in the past ten (10) years an Executive Director, Executive Officer (*Shikkoyaku*), Executive Officer (*Shikkoyakuin*), Manager, General Manager, employee, etc. (hereinafter referred to as "executives") of the Company or its consolidated subsidiaries

2. Person or executives of a legal entity holding, whether directly or indirectly, 10% or more of the total number of voting rights of the Company

3. Party for whom the Company or its consolidated subsidiaries ^{(*)1} is a major business partner or executives of such party

*1. Party is defined as a "party for whom the Company or its consolidated subsidiaries is a major business partner" if payment from the Company or its consolidated subsidiaries which such party receives is 2% or more of its annual transaction value (non-consolidated) in the most recent fiscal year, or if monetary finance from the Company or its consolidated subsidiaries which such party is receiving is 2% or more of its consolidated total assets in the most recent fiscal year.

4. Major business partner of the Company or its consolidated subsidiaries ^{(*)2} or the executives of such business partner

*2. Business partner is defined as a "major business partner of the Company or its consolidated subsidiaries" if payment from such business partner which the Company or its consolidated subsidiaries receives is 2% or more of its annual consolidated transaction value in the most recent fiscal year, or if monetary finance from such business partner which the Company or its consolidated subsidiaries is receiving is 2% or more of the Company's consolidated total assets in the most recent fiscal year.

5. Audit corporation that serves as Accounting Auditor of the Company or its consolidated subsidiaries, or partners of the audit corporation and others

6. Consultant, attorney, certified public accountant and others who provide professional services and obtain monetary and other financial benefits exceeding a cumulative amount of ¥10 million in the most recent fiscal year from the Company, excluding officer compensation (if such financial benefits are obtained by a legal entity, organizations including partnerships, etc. this shall apply to the person belonging to such organization.)

7. Person or executive of a legal entity receiving donations, grants and others in the amount exceeding ¥10 million from the Company or its consolidated subsidiaries in the most recent fiscal year

8. Person to whom items 2 through 7 apply during the past three (3) years

9. Person who is or has recently been a spouse or within a second degree of consanguinity of executives in an important position of the Company or its consolidated subsidiaries (hereinafter referred to as "close relative")

10. Close relative of a person to whom any of the items 2 through 7 above apply (excluding persons who are not in an important position)

Proposal No. 6

Proposal No. 6: Determination of Amounts of Compensation, etc. for Directors (Excluding Directors who are Audit and Supervisory Committee Members)

The Company will make the transition to a company with an Audit and Supervisory Committee subject to the approval and adoption of Proposal 2 “Partial Amendments to the Articles of Incorporation,” while the amount of monetary compensation for Directors of the Company was decided to be not more than 50 million yen per month (not including employee salaries) by the resolution of the 70th Ordinary General Meeting of Shareholders held on June 29, 2006, and has remained the same to this day. Accordingly, the Company proposes to abolish the current decision concerning the amount of monetary compensation for Directors and revise the monetary compensation to be an annual amount. Furthermore, the Company decided that the amount of monetary compensation for Directors (excluding Directors who are Audit and Supervisory Committee Members) will not be more than 600 million yen per annum (twelve times the monthly amount of 50 million yen, including portion for Outside Directors), taking into account the Company’s earnings and their forecasts, and various circumstances such as economic situations. The Company proposes that the compensation for Directors (excluding Directors who are Audit and Supervisory Committee Members) will not include employee salaries paid to persons who are concurrently Directors and employees. Moreover, it will be established separately from the compensation which is proposed for approval under Proposal No. 8 “Determination of Amount and Other Details of Performance-Linked Stock Compensation Plan for Directors (excluding Directors who are Audit and Supervisory Committee Members and Non-executive Directors) and Executive Officers Who Have Entered Into a Service Agreement with the Company.” If Proposal No. 2 “Partial Amendments to the Articles of Incorporation” and Proposal No. 3 “Election of Six (6) Directors (excluding Directors who are Audit and Supervisory Committee Members)” are approved as originally proposed, there will be six (6) Directors (excluding Directors who are Audit and Supervisory Committee Members, including three (3) Outside Directors).

This proposal may only take effect on the condition that Proposal No. 2 “Partial Amendments to the Articles of Incorporation” becomes effective.

Proposal No. 7

Proposal No. 7: Determination of Amounts of Compensation, etc. for Directors who are Audit and Supervisory Committee Members

Subject to the approval and adoption of Proposal No. 2 “Partial Amendments to the Articles of Incorporation,” the Company will make the transition to a company with Audit and Supervisory Committee. Accordingly, the Company proposes to decide the amount of monetary compensation for Directors who are Audit and Supervisory Committee Members to be not more than 72 million yen per annum, taking into consideration duties and responsibilities of Directors who are Audit and Supervisory Committee Members. If Proposal No. 2 “Partial Amendments to the Articles of Incorporation” and Proposal No. 4 “Election of Three (3) Directors who are Audit and Supervisory Committee Members” are approved as originally proposed, there will be three (3) Directors who are Audit and Supervisory Committee Members.

This proposal may only take effect on the condition that Proposal No. 2 “Partial Amendments to the Articles of Incorporation” becomes effective.

Proposal No. 8

Proposal No. 8: Determination of Amount and Other Details of Performance-Linked Stock Compensation Plan for Directors (excluding Directors who are Audit and Supervisory Committee Members and Non-executive Directors) and Executive Officers Who Have Entered Into a Service Agreement with the Company

Regarding the performance-linked stock compensation plan approved at the 80th Ordinary General Meeting of Shareholders held on June 29, 2016, this proposal is required, upon the transition to a company with an Audit and Supervisory Committee, for the procedures to change the target for the said remuneration to Directors (excluding Directors who are Audit and Supervisory Committee Members and Non-executive Directors) and Executive Officers who have entered into a service agreement with the Company.

1. Reason for the proposal and the reason such compensation is considered appropriate

At the 80th Ordinary General Meeting of Shareholders, the Company was given approval to introduce a performance-linked stock compensation plan (hereinafter referred to as the “Plan”) for Directors (excluding Non-executive Directors) of the Company and Executive Officers who have entered into a service agreement with the Company. Upon the transition to a company with an Audit and Supervisory Committee subject to the approval and adoption of Proposal 2 “Partial Amendments to the Articles of Incorporation,” the Company requests a new approval for the compensation under the Plan for Directors (excluding Directors who are an Audit and Supervisory Committee Member and Non-executive Directors) and Executive Officers who have entered into a service agreement with the Company (hereinafter collectively referred to as “Directors, etc.”) in place of the compensation under the Plan which is currently covering Directors (excluding Non-executive Directors) of the Company and Executive Officers who have entered into a service agreement with the Company. This will be established separately from the compensation requested for approval under Proposal No. 6 “Determination of Amounts of Compensation, etc. for Directors (Excluding Directors who are Audit and Supervisory Committee Members).”

Since the content of compensation requested for approval under this Proposal is substantially the same as the one approved at the 80th Ordinary General Meeting of Shareholders, the Company regards it as reasonable.

This proposal may only take effect on the condition that Proposal No. 2 “Partial Amendments to the Articles of Incorporation” becomes effective.

2. Amount and other details of the compensation, etc. of the Plan

(1) Outline of the Plan

The Plan shall be a performance-linked stock compensation plan by which Directors, etc. will be granted the Company’s common shares, based on their roles, duties and positions and according to the achievement ratio of the Company’s numerical performance targets of a medium-term management plan which covers the three-year Plan Period (initially, from the fiscal year ended March 31, 2017 to the fiscal year ending March 31, 2019). The actual delivery of the Company’s common shares will be made to Directors, etc. after the Plan Period has terminated. Also, the Company’s Board of Directors will formulate, in association with the Plan, the Stock Compensation Rules for Directors, etc. 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, the Company 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. In addition, after the end of the initial Plan Period above, continuation of the Plan in the three fiscal years of the medium-term management plan (from the fiscal year ending March 31, 2020 to the fiscal year ending March 31, 2022) may be approved by the Board of Directors, within the scope approved by this General Meeting of Shareholders.

(2) Maximum amount of compensation, etc.

The Company will grant Directors, etc. monetary compensation claims, based on their roles, duties and positions, and according to the achievement ratio of the Company’s final-year numerical performance targets of the medium-term management plan. Meanwhile, Directors, etc. will receive the Company’s common shares, the number of which will be determined by (3) and (4) below, by

making an in-kind contribution of the monetary compensation claims at the time of the Company's 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 the Company's common shares. In addition, the maximum total amount of the monetary compensation claims granted to Directors, etc. based on the Plan will be set at 300 million yen for each Plan Period linked with the medium-term management plan.

(3) Calculation method and maximum limit of the number of the Company's shares which Directors, etc. receive

The Company 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 profit and consolidated ROE that are the numerical targets for the final year of the Plan Period, which were announced in the release of the medium-term management 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 Plan Period in the 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 maximum number of the total of the Company's common shares to be granted to Directors, etc. shall be the number equivalent to 60,000 shares during the Plan Period; provided, however, that, if the total number of issued shares of the Company increases or decreases as a result of stock consolidations, stock splits, gratis allotments of shares, etc., such maximum number and the number of the Company's shares to be granted to Directors, etc. shall be reasonably adjusted according to the consolidation ratio, split ratio, allotment ratio, etc. pertaining to the Company's shares.

Furthermore, if there arises a likelihood that delivery of the number of the Company's common shares specified in (3) above is not to be made within the maximum amount of monetary compensation claims of Directors, etc. specified in (2) above or the above-mentioned maximum number of the total of shares to be granted, the number of the shares to be granted to individual Directors, etc. will be reasonably reduced respectively within the extent capped by such maximum amount or number, such as on a prorate basis, etc.

(4) Conditions for granting the Company's shares to Directors, etc.

Under the Plan, after the termination of the Plan Period and on condition that the requirements described below are satisfied, the Company shall grant its common shares to Directors, etc. Granting of the Company's common shares, if any, shall be made by way of issuance of shares or disposal of treasury shares by the Company, and specific Directors, etc. to whom the Company's common shares are granted and the number of shares to be granted will be determined by the Board of Directors at a meeting to be held after the expiry of the Plan Period.

(i) The person was in office as a Director, etc. during the Plan Period.

(ii) The person has committed neither wrongful nor illegal conduct.

(iii) The person meets other conditions set by the Company that are deemed consistent with the purposes of the Plan.

*Directors, etc. who retire from office during the Plan Period will receive the Company's common shares prorated to the number of years they have held office up to the time of retirement. In addition, Directors, etc. who are newly appointed during the Plan Period will receive the Company's common shares prorated to the number of years in office. It should be noted that in cases where a Director, etc. retires from office due to death during the Plan Period, successor of the Director, etc. will receive the amount of money obtained by multiplying the market price of the Company's 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.