

The corporate governance of TSUMURA & CO. (the “Company”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes, and Other Key Information

1. Basic Concept

The Tsumura Group has established its corporate philosophy system and conducts business based on it. The system is composed of: the Principle expressed as the phrase of “In the Spirit of Nature’s Laws”; the ultimate Purpose of “Lively Living for Everyone”; Corporate Value of “The Best of Nature and Science”; and Corporate Mission “To contribute to the unparalleled medical therapeutic power of the combination of Kampo medicine and Western medicine.” To achieve sustainable growth and increase our corporate value over the medium to long term, our basic policy is to strengthen our corporate governance in order to ensure sound, transparent, and fair management and make prompt and sound decisions.

In June 2017, the Company’s governance structure changed from “company with company auditors” to “company with audit and supervisory committee,” as defined in the Companies Act of Japan. The purpose of this change was to reinforce the oversight and monitoring functions of the Board of Directors. Under this system, the Company is working to enhance its management supervisory function and innovate its management structure by separating the supervisory function from the executive function and by appointing outside directors to compose a majority of the Board. These measures have been effectively implemented to continuously establish systems that enable the Company to ensure the transparency, improve the efficiency, and maintain the soundness of its management.

In April 2026, we introduced the internal company system to promote the delegation of authority to executive directors and executive officers serving as Company President and clarify the responsibility structure. This has further enhanced the supervisory function of the Board of Directors.

Reasons for Non-compliance with the Principles of the Corporate Governance Code

Descriptions in this document are in reference to the Corporate Governance Code as revised in June 2021.
The Company is implementing all of the principles of the Corporate Governance Code.

Disclosure Based on each Principle of the Corporate Governance Code

Principle 1-3 Basic Strategy for Capital Policy

■Measures to Implement Management that is Conscious of the Cost of Capital and Stock Price (Basic strategy for capital policy)

The Company believes that increasing corporate value through investing in the Kampo business to ensure its sustainable development and growth will eventually bring about the maximum return to its shareholders and investors. We therefore set return on equity (ROE) as a key management indicator relating to the sustainable improvement of shareholder value, and aim to raise ROE to a level that exceeds the cost of capital by boosting profitability and asset efficiency. Also, while ensuring financial soundness, we will increase management efficiency and utilize operating cash flows and loans, and allocate funds for growth investment and shareholder returns appropriately within acceptable limits for the purpose of ensuring an optimal capital structure. With respect to shareholder returns, we set dividend on equity (DOE) as the relevant indicator and aim to expand the dividend payout ratio over the long term based on a robust balance sheet.

(Target for fiscal 2031)

Management efficiency: ROE of 10%

Financial soundness: equity capital ratio (ECR) of at least 50%

Dividend: dividend on equity (DOE) of 5%

Note: Forward-looking descriptions, including the performance forecasts indicated above, represent a vision for fiscal 2031. Actual results may differ due to various factors expected to emerge going forward.

(Shareholder return policy)

The Company pursues the maximization of shareholder returns based on an optimal capital structure that ensures financial soundness. In light of this, we are aiming to improve ROE and increase dividends in a phased manner by setting dividend on equity (DOE) as the key indicator and maintaining a healthy balance sheet. We will implement dividend management policies effectively in order to achieve a DOE of 5%, a target for fiscal 2031.

Principle 1-4 Cross-shareholdings

The Company is working to reduce cross-shareholdings, and is aiming to reduce them to zero by the end of March 2028, in principle.

In line with the above policy, and taking into account the Company’s cost of capital, the Board of Directors reviews each individual issue of shares held currently in terms of maintaining business relationships, expanding business, and creating synergistic effects while negotiating the sale of shares at the same time.

Also, when exercising voting rights, we ensure that our action will contribute to increasing the corporate value of the relevant company by considering its financial standing, social contribution, and corporate governance status.

Principle 1-7 Related Party Transactions

Directors’ conflict-of-interest transactions, transactions with competitors, and transactions between Directors and the Company are supervised by the Board of Directors, by setting forth specific issues in the Board of Directors Rules as matters to be resolved by or reported to the Board. Among major issues are to ensure that any of such transactions is approved by the Board in advance and reported to the Board after the transaction has been conducted. Particularly to confirm there are no conflict-of-interest transactions, the Company requires Directors every year to submit a written confirmation that they have not engaged in any related party transaction.

Supplementary Principle 2-3-1 Response to Sustainability-related Issues, including Social and Environmental Challenges

Responsible for making important management decisions, the Board of Directors recognizes responding to sustainability-related issues as a key management priority that has significant implications for reducing risks as well as creating profit opportunities. Based on this recognition, the Board strives to develop appropriate structures and systems to address a range of related issues while drawing on the knowledge of independent outside directors. The following are major activities being promoted by the Company at present in this area.

(1) The Board of Directors has formulated the Sustainability Vision to present key messages regarding the Company's ideal in terms of sustainability. Furthermore, we have established the Sustainability Charter, a stated commitment to actions that the Tsumura Group and its officers and employees will take to achieve this ideal. Also, we have determined the Sustainability Target 2027 and a number of policies on human rights, procurement, and other related issues. The Sustainability Target 2027 sets KGIs and KPIs for each item to manage progress on an ongoing basis.

The Sustainability Charter can be viewed on the Company's webpage at: <https://www.tsumura.co.jp/english/sustainability/basic-policy/charter/>

(2) The Sustainability Committee is chaired by the Representative Director and COO. It is tasked with discussing various matters related to sustainability based on policies provided by the Board of Directors; considering and organizing policies, goals, and strategies to address the issues; and regularly reporting to the Board of Directors on the implementation status of plans in progress. In response to the reports, the Board offers opinions and advice to the Committee as needed. In addition, five subcommittees have been formed under the Committee, with each responsible for organizing cross-organizational discussions using knowledge, experience, and research findings collected from various divisions in accordance with the Sustainability Target 2027 and other targets. Starting in 2023, the Debriefing Session has been providing an opportunity for members from each subcommittee to deliver a presentation to the Chair of the Committee in person to describe ongoing issues and action plans, in order to accelerate the consideration process and facilitate the effective deliberations of the Committee.

(3) The Sustainability Management Department is engaged in planning, implementing, and managing the progress of sustainability-related activities for the whole of the Tsumura Group while also serving as the secretariat of the Sustainability Committee. In order to encourage smooth, effective deliberations at Committee meetings, opportunities are created for the Department to regularly present reports on progress and issues to the Committee Chair and Vice-Chair. This appropriately promotes sustainability activities that involve responding to changes in the social environment and considering the circumstances surrounding the business, while working with related divisions.

Supplementary Principle 2-4-1 Ensuring Diversity in Appointment of Core Personnel

1. Basic approach to ensuring diversity

The Tsumura Group believes that human resources are important capital (human capital) for improving corporate value in the medium and long term, and it actively hires and appoints employees based on the ability and aptitude of each person, regardless of gender, nationality and whether being new- graduate or mid-career.

The basic concept of our organizational and human capital policies is: each organization within the Tsumura Group will first fulfill its own function and role as a "Kampo-inspired harmonious organization"; then each individual will enhance their capabilities, work in harmony as a team to realize the vision and achieve major results. We are also promoting the principle of diversity, equity, and inclusion throughout the Group. We established the DE&I Department within the Human Resources Division in April 2026 in order to support the success and growth of all employees, each with their own perspectives, ideas and values.

To promote the above policies, we are striving to recruit various types of talent with different characteristics in experience, skills and career history, and create a workplace environment where these talents can reach their full potential.

Also, in order to ensure diversity of present and future candidates for executive management positions, we set organizational targets for female and mid-career hiring as well as the rate of "global" persons in managerial positions.

In October 1, 2022, we established the Organization and Human Capital Policy Committee, a meeting for discussing appropriate organization and human capital policies to achieve the "TSUMURA VISION 'Cho-WA' 2031." The Committee is tasked with visualizing value creation processes to be conducted using organization capital and human capital, representing two of the seven types of capital defined by Tsumura, and strategizing relevant policies aimed at improving corporate value. The Company's "Guidelines for Organizational and Human Capital Policies" is available from its official website at:

<https://www.tsumura.co.jp/english/sustainability/basic-policy/organization-human-capital/>

2. Ensuring diversity of the management team

In April 2022, the Company introduced a new incentive remuneration plan (LTI-II) for corporate officers, in an effort to realize the long-term management vision. To design the incentive scheme of LTI-II, a range of indicators have been set in terms of corporate governance, specifically for three issues: ensuring diversity of the management team; developing personnel for global management positions; and familiarizing employees with the corporate philosophy. For ensuring diversity of the management team, targets to be achieved by 2031 have been set in the area of gender, cultural identity, and generation.

By pursuing diversity of the management team (Directors and corporate officers) as well as employees and setting targets to increase the rate of female officers, etc., we will move forward with efforts to improve corporate value over the long term.

3. Human resources development policy for ensuring diversity

Policy 1: Initiatives to create a corporate culture and environment that helps build a more productive and diverse workforce

- Promote cross-organizational dialogues with a focus on purpose and value acting as a "centripetal force"
- Organize conversational workshops to promote harmonious organization development inspired by Kampo
- Create a workplace environment characterized by interpersonal respect and open-mindedness to different values
- Further enhance systems to support employees to continue to pursue their career while also fulfilling their family responsibilities
- Conduct ongoing activities for improving job satisfaction and develop an environment that allows flexible work arrangements Policy

2: Continue to ensure fair and impartial hiring and appointment practices with an emphasis on diversity Initiatives

- Continue to promote two-pillar recruitment strategies targeting new and mid-career employees
- Maintain and continue to achieve a hiring rate of female employees of 50%
- Appoint employees to positions for which they are suited in terms of their abilities and which are helpful in building their knowledge and experience in relation to important management issues

Policy 3: Support female employees and mid-career employees with their career development Initiatives

- Encourage female employees to actively participate in management executive training courses and next-generation leadership development programs and provide early career development programs
- Run management development programs targeting female employees
- Enhance orientation training for newly hired mid-career employees

4. Voluntary and measurable goals for ensuring diversity

- (1) Maintain and continue to achieve a hiring rate of female employees of 50% Fiscal 2025: 38.0% (female employees in management track positions)

- (2) Percentage of female line managers
April 2026 result: 13.1%; fiscal 2035 target: 30%
 - (3) Percentage of mid-career employees
Fiscal 2025 result: 72.1%; fiscal 2030 target: 40%
 - (4) Percentage of mid-career employees in managerial positions April
2026 result: 26.4%; fiscal 2030 target: 20%
5. Employment of foreign nationals
April 2026 results: 16 persons (Tsumura only)

Principle 2-6 Asset Owner

The Company entrusts the management of corporate pension funds to a fund asset manager known for its wealth of experience and proven track record. We also entrust the agency to handle matters relating to the exercise of voting rights, while holding interviews with the agency on a regular basis to receive reports on account settlement and others in order to analyze and verify the overall conditions of the assets and status of investment, thus ensuring sound fund management.

Particularly for important matters, we employ an external consultant to seek instructions from the third-party point of view, and assign the Pension Fund Management Committee, comprised of members chiefly from the Personnel Department and Accounting Department, to conduct deliberations and make decisions. In a bid to improve the related operational performance, responsible persons are provided opportunities to acquire necessary specialized knowledge, principally by attending relevant seminars.

With the above functions in place, the Company fulfills its function as a proper asset owner, while ensuring there is no conflict of interest between pension plan beneficiaries and the Company.

Principle 3-1 Enhancement of Information Disclosure

- (1) Corporate philosophy, and management strategies and plans

The Tsumura Group has established its corporate philosophy system and conducts business based on it. The system is composed of: the Principle expressed as the phrase of “In the Spirit of Nature’s Laws”; the ultimate Purpose of “Lively Living for Everyone”; Corporate Value of “The Best of Nature and Science”; and Corporate Mission “To contribute to the unparalleled medical therapeutic power of the combination of Kampo medicine and Western medicine.”

For the above-mentioned Principle, Purpose, Corporate Value, and Corporate Mission, and Basic Keynote and other visions, detailed and easy-to-understand descriptions are available from our website.

- (2) Basic policy on corporate governance based on the Corporate Governance Code

The relevant descriptions are provided in this document’s “1. Basic Policy, under I. Basic Concept of Corporate Governance, Capital Structure, Corporate Attributes, and Other Key Information”

- (3) Policy and procedures followed by the Board of Directors when deciding on remuneration of management team executives and directors

Descriptions of policies and procedures for determining remuneration for Directors are provided in this document’s “Policy on Determining Remuneration Amounts and Calculation Methods within Director remuneration, and Incentives, in 1. Organizational Composition and Operation, under II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight”

- (4) Policies and procedures for the election of management team members and nomination of candidates for the position of Director by the Board of Directors

In accordance with the Company’s criteria to select and procedures to elect candidates for the position of Director, such candidates (excluding those who would double as an Audit and Supervisory Committee member) are nominated by the Board of Directors. The aim is to ensure a well-balanced team of internal members who are knowledgeable insiders and outside members with a high degree of independence from the Company in order to establish a management function capable of making swift and resolute decisions as well as ensuring fair and transparent processes. In accordance with the Company’s criteria to select and procedures to elect candidates for Audit and Advisory Committee members, candidates for position of Director who would double as an Audit and Advisory Committee member are nominated to fill the position of full-time Audit and Advisory Committee member from among knowledgeable insiders or the position of outside Audit and Advisory Committee member, which requires a high degree of independence and expertise to ensure the objectivity and neutrality of management supervisory functions. Also, to ensure the transparency and fairness of selection processes for the election of candidates for the position of Director and election and dismissal of the President as well as executive officers and other management executives, the Nomination Advisory Committee, a majority of which is comprised of independent outside directors, holds deliberations and a resultant proposal is submitted to the Board of Directors for approval.

- (5) Explanation about specific cases of election and nomination by applying the policies and procedures for the election of management team members and nomination of candidates for the position of Director by the Board of Directors, as described above in (4)

Reasons for the election of the current individuals serving as Directors are provided in: Proposal No. 2: Election of Seven (7) Directors (Excluding Directors Who Will Also Serve as Audit and Supervisory Committee Members) included in Reference Documents for General Meeting of Shareholders in the Notice of the 90th Ordinary General Meeting of Shareholders; and Proposal No. 3: Election of Three (3) Directors Who Will Also Serve as Audit and Supervisory Committee Members, included in Reference Documents for General Meeting of Shareholders in the Notice of the 89th Ordinary General Meeting of Shareholders. Reasons for the election of the current individuals serving as Outside Directors are provided in this report. Refer to: Outside Directors’ Relationship with the Company (2), Directors, 1. Organizational Composition and Operation, . II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight.

Supplementary Principle 3-1-3 Sustainability Initiatives, Investment in Human Capital and Intellectual Property, etc.

- 1. Initiatives to promote sustainability

The Company conducts sustainability initiatives while being committed to collaborating with a wide range of stakeholders, actively disclosing information, and improving transparency.

The details of the Company’s concepts, policies, and initiatives related to sustainability are provided under Supplementary Principle 2-3-1 of this report. We also disclose related quantitative data via the Company’s website at: <https://www.tsumura.co.jp/english/sustainability/>

- 2. Investment in human capital

Based on the awareness that human capital is a key management resource for value creation, the Company invests in human capital while increasing the “centripetal force” around the axis of its unique organization capital.

Our major human capital strategies relate to recruiting, development, and organization building, and are geared toward developing the potential abilities of workers in line with “PAD: Potential-Abilities Development.” This policy is in line with the long-term management vision TSUMURA VISION “Cho-WA” 2031. Also, in developing the ideal for the personnel we seek, the Company looks particularly for mindsets focused on aspirations and passion, responsibility, professionalism, independence, and altruism. These mindsets are essential for the Company, both as a pioneer seeking to pave a new way forward and earn the trust of all in the Kampo and traditional Chinese medicine business—for which there are no guiding business models anywhere in the world—and as a harmonious organization inspired by Kampo. For more details about our approach to human capital and relevant activities, please refer to the Company’s Integrated Report 2025: pages 23–30 (Special feature 3. Organizational capital that drives our value creation cycle); page 39 (Organization and Human Capital); and pages 61–62 (Strategic Challenge 5), which is available from:

<https://www.tsumura.co.jp/english/ir/library/integrated-report/>

3. Investment in intellectual property

The Tsumura Group has established the Tsumura Group Basic Policy on Intellectual Property, and set forth basic principles to engage with it as an important management resource by taking the appropriate steps. These include creating intellectual property or acquiring the relevant rights, leveraging our intellectual property, and ensuring the proper management of our intellectual property, all while respecting the intellectual property rights of other companies. By following these principles, we are committed to maximizing the value of our intellectual property, earning the trust of society, and improving corporate value. The statement of the above policy is available at our website at: <https://www.tsumura.co.jp/english/corporate/policy-list/#individual-policy06>

Specifically, we are carrying out activities to utilize our intellectual property—including the wide-ranging knowledge accumulated over the many years that we have been engaging in the Kampo and crude drug business—particularly to develop the China business and new businesses.

At the same time, as a measure to protect our intellectual property rights and ensure their proper management, we are investing in implementing AI-enabled IP search and IP cloud management systems.

For details of investments in research and development activities, a source for the creation of intellectual property, please refer to our Annual Securities Report (in Japanese) published in June 2026, which is available from: <https://www.tsumura.co.jp/ir/library/securities-report/>

4. Efforts to tackle climate change and preserve natural capital (biodiversity, etc.)

The Company has developed business centering around producing Kampo formulations using crude drugs—substances provided by nature—as raw materials. Given this characteristic, it recognizes climate change and natural capital (such as biodiversity) as key management issues for ensuring its sustainable business development. To assess risks and profit opportunities associated with climate change and natural capital and their impacts on the Tsumura Group's business activities and the medium- to long-term corporate value, we collect and analyze the necessary data and make integrated disclosures in accordance with the framework of the TCFD and TNFD recommendations. For details about the relevant activities and disclosed information, please refer to the Company's website at: <https://www.tsumura.co.jp/english/sustainability/environment/climate-change/>

Supplementary Principle 4-1-1 Authority Delegated to Management Team

The Board of Directors makes decisions on basic management policies, key strategies, and other issues specified by the Board of Directors Rules, in addition to matters set forth by laws and regulations or the Articles of Incorporation. For matters other than those specified by the Board of Directors Rules, the Board of Directors delegates authority to decide on important matters related to business execution to management executives, primarily executive directors and executive officers, in order to swiftly respond to changes in the business environment. In April 2026, the Company introduced the internal company system to promote the delegation of authority to executive directors and executive officers executive officers serving as Company President and clarify the responsibility structure, thus further strengthening the supervisory function of the Board of Directors.

Principle 4-9 Determination of Independence

The Company has established specific criteria for determining the independence of its outside directors, as described below, based on the criteria for independence stipulated by Tokyo Stock Exchange, Inc.

[Criteria for determination of independence]

Outside directors who do not fall under any of the following items shall be determined to be independent.

- (1) A person who is or has in the past 10 years been an executive director, executive officer (shikkoyaku), executive officer (shikkoyakuin), manager, general manager, employee, etc. (hereinafter an "executive person") of the Company or its consolidated subsidiaries;
- (2) A person or an executive person of a corporation holding, whether directly or indirectly, 10% or more of the total number of voting rights of the Company;
- (3) A party for whom the Company or any of its consolidated subsidiaries is a major business partner or an executive person of such party^{*1}
^{*1} A party receiving from the Company or its consolidated subsidiaries payments equivalent to 2% or more of its annual net sales (non-consolidated) or monetary finance equivalent to 2% or more of its consolidated total assets in the most recent fiscal year
- (4) A major business partner of the Company or its consolidated subsidiaries or an executive person of such business partner^{*2}
^{*2} A business partner from whom the Company or any of its consolidated subsidiaries receives payments equivalent to 2% or more of the Company's consolidated annual net sales or monetary finance equivalent to 2% or more of the Company's consolidated total assets in the most recent fiscal year
- (5) A partner, etc. of an audit corporation that serves as Accounting Auditor of the Company or its consolidated subsidiaries;
- (6) A consultant, attorney, certified public accountant, or specialist in another field who provides professional services and has received monetary or other financial benefits exceeding a cumulative amount of ¥10 million in addition to executive compensation from the Company in the most recent fiscal year;
- (7) A person who has received or an executive person of a corporation that has received donations, grants, or others in an amount exceeding ¥10 million from the Company or its consolidated subsidiaries in the most recent fiscal year;
- (8) A person who has fallen under items (2) through (7) during the past three years;
- (9) A person who is or was in the recent past a spouse or a relative within the second degree of consanguinity (hereinafter a "close relative") of an executive person holding an important position at the Company or any of its consolidated subsidiaries;
- (10) A close relative of a person who currently falls or has in the recent past fallen under any of items (2) through (7) (excluding people who are not holding an important position).

Supplementary Principle 4-10-1 Nomination Advisory Committee /Remuneration Advisory Committee

The Board of Directors consists of ten directors, including five independent outside directors. Of the five independent members, two are men and three are women. They are former corporate managers, an attorney at law, and a certified public accountant. The Company has voluntarily established the Nomination Advisory Committee and the Remuneration Advisory Committee as advisory bodies to the Board of Directors to ensure the Board is able to receive the advice of outside directors for the purpose of strengthening the independence and objectivity of its functions as well as its capacity to fulfill its accountability for dealing with important matters related to the election, dismissal, and remuneration of directors. The Nomination Advisory Committee is comprised of one internal director and four outside directors, including three independent outside directors forming a majority. It receives requests from the Board of Directors for guidance on matters regarding the nomination of directors, executive officers, and other executives, and advises the Board accordingly. The Committee is chaired by an independent outside director. The Remuneration Advisory Committee is comprised of one internal director and four outside directors, including three independent outside directors forming the majority. It receives requests from the Board of Directors for guidance on matters regarding the remuneration of directors, executive officers, and other executives, and advises the Board accordingly. The Committee is chaired by an independent outside director.

Supplementary Principle 4-11-1 Composition of the Board of Directors

The number of members of the Board of Directors is appropriate to ensure the Board's capacity to perform its supervisory functions in full. Each member brings diverse and different experience and expertise to the role. Their skillsets have been analyzed according to set criteria and they have been determined to be able to fulfill their roles to achieve sustainable growth and increase corporate value over the medium to long term. They have also been selected for their ability to pursue the Group's Corporate Purpose-inspired and philosophy- and vision-based management and for embodying our corporate philosophy, made up of our Corporate Mission, which is "to contribute to the unparalleled medical therapeutic power of the combination of Kambo medicine and Western medicine," and our Corporate Value of "The Best of Nature and Science."

The Company promotes diversity within its management team, including Directors and Executive Officers, regardless of gender, nationality, or other attributes. In particular, we have set a target aligned with the Japanese government's policy of achieving at least 30% female representation on boards by 2030. As of June 26, 2026, the percentage of female Directors stands at 30.0%, and we have already achieved this target. We will continue to build a management structure that ensures diversity in the management team, including from a global perspective.

Deliberations on selecting candidates for Directors are conducted by the Nomination Advisory Committee, which is chaired by an independent outside director and comprised of one internal director and four outside directors, including three independent outside directors. The results of the deliberations are submitted to the Board of Directors for resolution. At present, the Board of Directors consists of ten members, of whom six are outside directors forming the majority, including five independent outside directors and three women. These members are former corporate managers, an attorney at law, and a certified public accountant, thus representing diverse professions. For details of the diversity of the Board of Directors and each member's skillset, please refer to the Skill Matrix provided below in this document.

Supplementary Principle 4-11-2 Concurrent Service

The concurrent positions in other organizations of Directors are described under Proposal No. 2: Election of Seven Directors (Excluding Directors Who Are Audit and Supervisory Committee Members) included in Reference Documents for General Meeting of Shareholders in the Notice of the 90th Ordinary General Meeting of Shareholders; and Proposal No.3: Election of Three Directors Who Are Audit and Supervisory Committee Members, included in Reference Documents for General Meeting of Shareholders in the Notice of the 89th Ordinary General Meeting of Shareholders.

Supplementary Principle 4-11-3 Evaluation of Effectiveness

The Company evaluates and analyzes the effectiveness of the Board of Directors every fiscal year for the purpose of enhancing said effectiveness.

The structure of the Company was changed to that of "company with audit and supervisory committee" in 2017. This was done in order to make a majority of Board members independent outside directors, thereby strengthening the supervisory function of the Board of Directors and further enhancing the soundness and transparency of management, as well as to establish a system that would enable swift and resolute decision-making by separating the Board of Directors from the business execution function. From the perspective of strengthening the supervisory and monitoring functions of the Board of Directors, we are working to ensure continuous improvement with respect to the issues identified through analysis of the results of the Board's effectiveness evaluation and are endeavoring to make further improvements in this regard. Regarding the effectiveness of the Board of Directors in fiscal 2025, a questionnaire evaluation was given to all eight Directors, and the issues identified and specific measures for addressing them were discussed at the Board of Directors meeting held in May 2026. In fiscal 2024, the evaluation was conducted using a new questionnaire, a result of the previous items being revised by an external agency employed chiefly in view of analysis of the agenda for Board of Directors meetings and changes in the business environment surrounding the Company. Also, we entrusted the external agency with the tasks of collecting survey responses and compiling and analyzing the results in an effort to ensure adequate anonymity and better objectivity in evaluation and analysis.

1. Evaluation items (30 items in 6 categories)

The analysis and evaluation for fiscal 2025 was conducted from the perspectives of: confirming the status of efforts to address issues identified in the analysis of the fiscal 2024 effectiveness evaluation results, confirming the themes that require priority supervision in order for the Board of Directors to fulfill its role, and identifying issues and considering measures for addressing them so as to further improve effectiveness in the future.

- (1) Priority management themes
- (2) Composition of the Board of Directors
- (3) Roles and duties of the Board of Directors
- (4) Proceedings of the Board of Directors
- (5) Enhancement of discussions at meetings of the Board of Directors and of the provision of information
- (6) Relationship between the Board of Directors and shareholders and other stakeholders

2. Overview of fiscal 2025 evaluation results

As a result of the fiscal 2025 analysis and evaluation, it was confirmed that the Board of Directors was functioning effectively in general, engaging in active discussions to ensure substantial supervision and monitoring of business execution. Particularly high scores were given to the supervision of matters related to capital policies and facility investment as well as the operation of the Nomination Advisory Committee and Remuneration Advisory Committee, as in previous years, representing the effectiveness of our governance systems. The Board of Directors will continue conducting improvement efforts, with a particular focus on enhancing discussions on medium- to long-term strategies and adopting higher standards for processing its operation.

In the effectiveness evaluation questionnaire given to each director, the respondents chose "sufficiently good" or "generally good" to answer a majority of the questions.

<Review of the effectiveness of the Board of Directors in fiscal 2025>

1. Regarding the current composition of the Board of Directors, the number of members is appropriate for the purpose of active discussion and opinion exchange. In addition, the Board is composed of diverse members with a variety of experience and expertise, which is essential for the full and proper discussion of various matters. Board meetings proceed in an atmosphere that encourages the frank, free, and open expression of opinions. We will continue to discuss the suitability and diversity of the composition of the Board of Directors.

2. The Board of Directors has discussed priority issues for the realization of TSUMURA VISION "Cho-WA" 2031, the long-term management vision established to realize the Corporate Value and Corporate Mission that comprise our corporate philosophy, while upholding the Corporate Purpose of "Lively Living for Everyone." Also, we had discussions with the aim of formulating the second medium-term management plan for the period from fiscal 2025 to 2027 on the theme of promoting "growth strategies and investments to realize a future in harmony (Cho-WA)," while deliberating on priority challenges for the Board of Directors to address in fiscal 2026 in order to achieve the plan, and decided on specific measures formulated in the Board meeting held in May 2026.

3. Operations in China constitute a strategic challenge with a high level of importance for the Group's sustainable growth and the enhancement of our corporate value over the medium to long term. The activities of operations in China were frequently reported to the Board of Directors; discussions were held concerning the policies, plans, and strategies for the operations; and decisions were made on important related matters, principally concerning expanding the traditional Chinese medicine and drug pieces business.

<Status of efforts to address the issues identified in fiscal 2024>

1. Promote the China business

We discussed policies aimed at achieving goals set to promote the China business, specifically for entering the traditional Chinese medicinal products business, developing added-value service operations for traditional Chinese medicine and drug pieces, and establishing traditional Chinese medicine R&D systems, while looking at changes in the domestic political situation and trends related to local companies.

2. Supervise the progress of strategic investments

In order to proactively promote facility and business investments to achieve the long-term management vision TSUMURA VISION “Cho-WA” 2031, we supervised cost performance for each investment program by assessing its appropriateness in terms of the specification-related costs of each construction project in light of the downside risks associated with rising materials and personnel costs chiefly related to construction and changes in the external environment.

3. Digital transformation (DX)

We engaged in DX strategy planning under the “DX for Purpose” slogan to implement DX strategies covering the entire Kampo value chain in order to establish low-cost operations capable of providing stable supplies and improve product value with the objective of creating the highest possible customer experience value. We also supervised the progress of DX measures conducted under the leadership of the DX Promotion Committee.

<Issues and response measures in fiscal 2026>

In fiscal 2026, aiming to further improve its effectiveness, the Board of Directors will set key discussion and supervision themes principally on general issues that are to be addressed in order to achieve the value creation story described in TSUMURA VISION “Cho-WA” 2031 and specific issues related to the appropriateness and feasibility of the business strategies established by each internal company based on the vision, while considering current issues and referring to the Five Principles for Board of Directors to Enhance “Growth Power” formulated by Japan’s Ministry of Economy, Trade and Industry.

<Key themes for the Board of Directors to address in fiscal 2026>

1. Discuss the long-term value creation story to achieve the long-term management vision TSUMURA VISION “Cho-WA” 2031
2. Supervise the progress of the second medium-term management plan in terms of its consistency with the long-term vision and KPIs
3. Supervise the appropriateness and feasibility of the business strategies of each internal company
4. Supervise the effectiveness of measures for improving labor productivity and promoting company-wide cross-organizational DX measures
5. Supervise measures to promote growth and capital investments while simultaneously pursuing capital efficiency
6. Discuss issues related to adopting higher standards for processing the Board’s operation and monitoring design

The Company’s Board of Directors observes the principle of presenting to the executive function business policies in view of the external environment, and supervising the executive function in creating and implementing strategies in line with the policies, while receiving reports as appropriate. The Company will continue to implement its PDCA cycle with the aim of further improving the effectiveness of its Board of Directors.

Supplementary Principle 4-14-2 Policy for Training Directors

The Company provides Directors training opportunities on a regular basis to be able to acquire the knowledge needed to fulfill their roles and responsibilities as expected and work to improve the level of business management and corporate ethics. The curriculum covers a range of subjects, including the business environment in China, a key topic for new business development, geopolitical risk management, and the essential nature of sustainability management. Also, seminars featuring guest experts with advanced professional knowledge are held regularly. Additionally, Outside Directors are provided with opportunities to receive briefings on operations of various divisions and to visit plants and other facilities in order to improve their understanding of the pharmaceutical and manufacturing industries.

Principle 5-1 Policy for Constructive Dialogue with Shareholders

The Company believes that it is important to build long-term relationships of trust with its shareholders and investors through dialogue, with the aim of achieving sustainable growth and improving corporate value over the medium and long term, and accordingly engages in dialogue with these parties actively on an ongoing basis. Specifically, requests for individual interviews, small meetings, teleconferences and other types of dialogue sessions are responded to by arranging the participation of the President, Representative Director and CEO, Representative Director and COO, CFO or other management executives, and also involvement of related departments, with facility tours and other IR programs offered, depending on the situation. Major and other participants in dialogue are selected for each request through comprehensively reviewing details of application, such as the attribute of the applicant, purpose of dialogue, and requested schedule. We hold quarterly financial results briefings targeting analysts and institutional investors, in which the Representative Director, President and CEO, Representative Director and COO, CFO are major presenters. In a bid to promote constructive dialogue, details of dialogue sessions are fed back to the Board of Directors and other executive meetings. IR departments communicate with internal related departments on a routine basis to keep each other updated. In order to make sure that insider information is properly handled when holding dialogue sessions, we strive to ensure strict management in compliance with laws and regulations as well as internal rules. Before each quarterly financial results briefing, we set an about one-month quiet period when we refrain from responding to questions and requests for interview on matters related to yet-to-be announced financial results (the Company’s financial information as well as R&D and other business activities)

Measures to Implement Management that is Conscious of the Cost of Capital and Stock Price

Content of descriptions	Disclosed information on initiatives (updated)
Disclosure in English	Yes
Last updated	June 26, 2026

Explanation for Applicable Items

Please refer to **Principle 1-3** above.

2. Capital Structure

Foreign Shareholding Ratio	30 percent or more
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Status of Major Shareholders

Name or Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	11,780,000	15.65
BOCHK FOR PING AN INSURANCE COMAPANY OF CHINA, LTD	7,675,900	10.20
STATE STREET BANK AND TRUST COMPANY 505001	4,605,165	6.12
Custody Bank of Japan, Ltd. (Trust Account)	4,109,800	5.46

BRIGHT RIDE LIMITED	1,692,400	2.25
Employees' Stockholding	1,511,737	2.01
MUFG Bank, Ltd.	1,348,750	1.79
BNYM AS AGT/CLTS 10 PERCENT	1,315,697	1.75
Nomura Trust and Banking Co., Ltd. (Trust Account)	1,277,800	1.70
JP MORGAN CHASE BANK 385781	983,876	1.31

Name of Controlling Shareholder, if applicable (excluding Parent Companies)	-----
Name of Parent Company, if applicable	None

Supplementary Explanation

The equity percentage is calculated by deducting 1,468,539 shares of treasury stock. The said treasury stock does not include 238,075 shares of treasury stock held as trust assets of the director remuneration BIP trust and 506,292 shares of treasury stock held as trust assets of the stock option ESOP trust.

3. Corporate Attributes

Listed Stock Exchange and Market Segment	Tokyo Stock Exchange Prime Market
Fiscal Year-End	March
Business Sector	Pharmaceuticals
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) for the Previous Fiscal Year	¥100 billion or more but less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	10 or more but fewer than 50

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

5. Other Special Circumstances which may have a Material Impact on Corporate Governance

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight

1. Organizational Composition and Operation

Corporate Governance System	Company with Audit and Supervisory Committee
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Directors

Number of Directors Stipulated in Articles of Incorporation	No upper limit
Directors' Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	10
Election of Outside Directors	Elected
Number of Outside Directors	6
Number of Independent Directors	5

Outside Directors' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	K	
Tadashi Okada	From another company												
Mariko Eguchi	From another company												
Junichiro Nakatsuka	From another company												
Kaipin Kui	From another company							○					
Akemi Mochizuki	CPA												
Chieko Tsuchiya	Lawyer												

*Categories for "Relationship with the Company".

(Use "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past; "●" when a close relative of the director presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past.)

- a Executive person of the Company or its subsidiary
- b Executive person or non-executive director of the parent company of the Company
- c Executive person of a fellow subsidiary of the Company
- d Person whose main business partner is the Company or an executive person of the same
- e Main business partner of the Company or an executive person of the same
- f Consultant, accountant or legal expert who receives a large amount of cash or other properties from the Company in addition to executive compensation
- g Major shareholder of the Company (if the said major shareholder is a corporation, an executive person of the said corporation)
- h Executive person of a business partner of the Company (which does not fall under d, e or f; applies only to the person in question)
- i Executive person of an entity with which the Company has a cross-directorship arrangement (applies only to the person in question)
- j Executive person of an entity which receives a donation from the Company (applies only to the person in question)
- k Other

Outside Directors' Relationship with the Company (2)

Name	Membership of Audit and Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Tadashi Okada		○	-----	Mr. Okada has extensive experience and insights developed over many years as a corporate manager with business experience in and outside Japan. In China, he served as a vice president of the China business headquarters of a construction machinery company. In addition, he has performed his role at the Company in full, including making important management decisions and supervising the execution of business. At meetings of the Board of Directors, Nomination Advisory Committee, and Remuneration Advisory Committee, he proactively shares his views and adds depth to discussions, contributing to the sustainable enhancement of corporate value. Moreover, he has no special relationships with the Company and as an outside director is unlikely to have a conflict of interest with ordinary shareholders, thus demonstrating a high level of independence from the Company. For these reasons, he has been appointed as an independent director.
Mariko Eguchi		○	-----	Ms. Eguchi has extensive experience and insights in corporate management developed over many years as a specialist in investment banking and corporate communications at financial institutions in and outside Japan. In addition, she has performed her role at the Company in full, including making important management decisions and supervising the execution of business. At meetings of the Board of Directors and Nomination Advisory Committee, she proactively shares her views and adds depth to discussions, contributing to the sustainable enhancement of corporate value. Moreover, she has no special relationships with the Company and as an outside director is unlikely to have a conflict of interest with ordinary shareholders, thus demonstrating a high level of independence from the Company. For these reasons, she has been appointed as an independent director.
Junichiro Nakatsuka		○	-----	Mr. Nakatsuka has extensive experience and insight as a corporate manager developed over many years and has business experience in and outside Japan. In China, he served as president of a local subsidiary of a general trading company and possesses extensive experience and insight related to business operations in China. In particular, through his management experience at the forefront of overseas operations, he has developed advanced expertise and practical experience in corporate management and strategic execution based on a global business environment. He is expected to perform his role at the Company in full, including making important management decisions and supervising the execution of business. Moreover, he has no special relationships with the Company and as an outside director is unlikely to have a conflict of interest with ordinary shareholders, thus demonstrating a high level of independence from the Company. For these reasons, he has been appointed as an independent director.
Kaipin Kui			-----	Mr. Kui has experience and a proven track record as the executive responsible for supervising the private equity investment division of Ping An Overseas, part of the Ping An Insurance Group, a major shareholder of the Company. In particular, he has played a leading role in the strategic investment in the Company from the outset, and, based on his deep understanding of the Company's China business as well as his extensive experience and insight, he is expected to play his role at the Company appropriately in decision-making on important management matters and the supervision of business execution, thereby contributing to the further development of the Company's China business.

Akemi Mochizuki	○	○	----	<p>Ms. Mochizuki is well-versed in financial and accounting affairs, having extensive experience in this field as a certified public accountant. As such she has sufficient knowledge to engage in and oversee corporate management. Other than serving as an outside director, she has never had any involvement with corporate management. At meetings of the Board of Directors, and Audit and Supervisory Committee, she proactively shares her views and adds depth to discussions from the perspective of group governance. In light of the above, the Company deems that she will perform her duties appropriately to ensure the legality, soundness, and adequacy and improve the transparency of decision-making regarding the Company's management. Moreover, she has no special relationships with the Company and as an outside director is unlikely to have a conflict of interest with ordinary shareholders, thus demonstrating a high level of independence from the Company. For these reasons, she has been appointed as an independent director.</p>
Chieko Tsuchiya	○	○	----	<p>Ms. Tsuchiya is well versed in corporate legal affairs as an attorney at law, and, through the engagement in transactions between global companies, etc., has sufficient knowledge to oversee corporate management. Other than serving as an outside director, she has never had any involvement with corporate management. At meetings of the Board of Directors, and Audit and Supervisory Committee, she proactively shares her views and adds depth to discussions from the perspective of group governance. In light of the above, the Company deems that she will perform her duties appropriately to ensure the legality, soundness, and adequacy and improve the transparency of decision-making regarding the Company's management. Moreover, she has no special relationships with the Company and as an outside director is unlikely to have a conflict of interest with ordinary shareholders, thus demonstrating a high level of independence from the Company. For these reasons, she has been appointed as an independent director.</p>

Audit and Supervisory Committee

Composition of Supervisory Committee and Attributes of the Chairperson

	All Members	Full-time Members	Inside Director	Outside Director	Chairperson
Audit and Supervisory Committee	3	1	1	2	Outside Director

Appointment of Directors and/or Employees to Assist with the Duties of the Audit and Supervisory Committee

Appointed

Matters Concerning Independence of Said Directors and/or Employees from Executive Directors

We appoint one or more employees to assist with the duties of the Audit and Supervisory Committee. No directors are appointed to serve the same purpose.

In order to ensure the independence of the said employee(s) from Directors (excluding those who are Audit and Supervisory Committee members), the employee(s) are expected to perform their relevant roles under the direction and orders of the Audit and Supervisory Committee, and to obtain consent from the Committee when handling personnel affairs.

Cooperation among the Audit and Supervisory Committee, Accounting Auditors and Internal Auditing Department

For the purpose of promoting close cooperation between the Audit and Supervisory Committee and the Accounting Auditor, the Committee receives explanations regarding an outline of audit plans and audit policies from the Accounting Auditor; receives timely reports on details and results of year-end audits, interim reviews, internal control audits, and other activities conducted; and engages in exchanges of opinions. At the same time, Committee members accompany the Accounting Auditor, as necessary, on visits to business sites to perform on-site audits or inventory checks.

To ensure close cooperation with the Internal Auditing Department, the Committee receives explanations regarding the outline of internal audit plans and internal control evaluation plans; receives on a regular basis results of internal audits and evaluation results of internal control over financial reporting; and engages in exchanges of opinions. At the same time, Committee members, as necessary, attend internal audits or other activities conducted by the Department.

The Internal Auditing Department gives briefings on internal audit plans and report results to the Accounting Auditor, and exchanges opinions with this party on a regular basis.

Furthermore, the Audit and Supervisory Committee, the Accounting Auditor, and the Internal Auditing Department exchange opinions on a regular basis with the aim of promoting three-party audits.

Voluntarily Established Committee(s)

Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Remuneration Committee

Established

Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chairperson

	Committee's Name	All Members	Full-time Members	Inside Director	Outside Director	Outside Experts	Other	Chairperson
Voluntarily Established Committee Equivalent to Nomination Committee	Nomination Advisory Committee	5	0	1	4	0	0	Outside Director
Voluntarily Established Committee Equivalent to Remuneration Committee	Remuneration Advisory Committee	5	0	1	4	0	0	Outside Director

Supplementary Explanation

The Company has established the Nomination Advisory Committee and the Remuneration Advisory Committee as advisory bodies to the Board of Directors to ensure that the Board is able to receive the advice of independent outside directors for the purpose of improving the transparency and fairness of the decision-making process related to the nomination and remuneration of directors, executive officers, and other executives. The Nomination Advisory Committee is comprised of five members, including three independent directors. The Remuneration Advisory Committee is comprised of five members, including three independent directors. Both Committees are chaired by independent outside directors.

Major issues to be deliberated by each Committee are as follows.

[Matters concerning nomination]

- Proposals on the election or dismissal of Directors, to be submitted to the General Meeting of Shareholders
- Draft on the selection, removal, and allocation of duties of the Representative Director and executive directors, to be submitted to the Board of Directors
- Drafts on candidates for other management team positions (Executive Officer, etc.), to be submitted to the Board of Directors
- Drafts on candidates for committee membership, to be submitted to the Board of Directors
- Policies for selecting Directors (and management team members)
- Procedures for selecting Directors (and management team members)
- Senior management training programs

[Matters concerning remuneration]

- Draft proposals on remuneration for Directors, to be submitted to the General Meeting of Shareholders
- Drafts on individual remuneration amounts (including calculation methods) to be paid to executive directors
- Drafts on individual remuneration amounts (including calculation methods) to be paid to non-executive directors (excluding Directors who are also Audit and Supervisory Committee members)
- Drafts on individual remuneration amounts (including calculation methods) to be paid to management team members other than Directors (Executive Officers, etc.)
- Policies for establishing the composition of remuneration to be paid to Directors (and management team members)
- Procedures for determining remuneration amounts to be paid to Directors (and management team members)
- Drafts on individual remuneration amounts (including calculation methods) to be paid to other persons in positions equivalent to that of director (directors of group companies, etc.)

Matters Concerning Independent Directors

Number of Independent Directors 5

Other Matters Concerning Independent Directors

The Company has designated five out of its six Outside Directors as independent directors based on their qualifications.

Incentives

Implementation Status of Measures related to Incentives Granted to Directors Introduction of performance-linked remuneration scheme

Supplementary Explanation for Applicable Items

The Company has introduced a trust-type stock compensation plan (the Board Incentive Plan BIP Trust) which has characteristics similar to Performance share-based compensation plans commonly adopted globally (performance-linked stock compensation) as an incentive plan to replace performance share units in fiscal year 2022. Under this plan, if certain misconduct, non-compliance, or other similar events occur, the grant or delivery of shares under this plan may be reduced or cancelled to eligible persons (directors (excluding outside directors) and executive officers) (malus clause). See also the “Overview of the Directors’ Remuneration Systems” in the attachment.

Persons Eligible for Stock Options

Supplementary Explanation for Applicable Items

Director Remuneration

Status of Disclosure of Individual Director’s Remuneration Disclosure for Selected Directors

Supplementary Explanation for Applicable Items

The following is a summary of the total amounts of remuneration paid to Directors in fiscal 2025.

- (1) The total amount of remuneration paid to Directors excluding those who are also Audit and Supervisory Committee members and Outside Directors was ¥231 million. By type, it was composed of basic remuneration (monetary payment) of ¥178 million and stock remuneration of ¥53 million (value posted in the relevant fiscal year).
- (2) The total amount of remuneration paid to Directors who are also Audit and Supervisory Committee members (excluding Outside Directors) was ¥28 million.
- (3) The total amount of remuneration paid to Outside Directors was ¥66 million.

Policy on Determining Remuneration Amounts and Calculation Methods Established

Disclosure of the Policy on Determining the Amount of Remuneration or its Calculation Method

The Company revised its directors’ remuneration scheme in fiscal 2022. See also the “Overview of the Directors’ Remuneration Systems” in the attachment.

Support System for Outside Directors

To support the Outside Directors, a secretary is assigned as an assistant while the Corporate Secretary Department provides the necessary information and materials.

In addition, the Outside Directors’ Meeting is held on a regular basis with the aim of ensuring Outside Directors are readily provided with necessary management information and encouraging them to exchange opinions and develop a shared understanding.

2. Matters Concerning Functions of Business Execution, Auditing and Supervision, Nomination, and Remuneration Decisions (Overview of Current Corporate Governance System)

The Company's business execution and supervision systems are as follows.

a. Board of Directors

The Board of Directors is comprised of a total of ten Directors, out of which four are internal directors and six (five independent and one non-independent) are outside directors. It is the Company's highest decision-making body, and is responsible for making decisions on matters set forth by laws and regulations as well as the Articles of Incorporation and important matters related to business while supervising the execution of duties by Directors.

b. Audit and Supervisory Committee

The Audit and Supervisory Committee is comprised of three Directors who are also Audit and Supervisory Committee members, including two independent outside directors. The Committee is chaired by an outside director. Of the three seats, one is a full-time position to be filled by a knowledgeable insider able to play a leading role in performing systematic audits using internal control systems. Major tasks assigned to this position are to attend various important meetings held by Group Executive Strategy Committee, Outside Directors' Meeting, Nomination Advisory Committee, Remuneration Advisory Committee, Compliance Committee, Risk Management Committee, Sustainability Committee, and other bodies, to read through important final decision documents, to monitor the status of business execution appropriately, to personally perform audits, and to report audit results to the Audit and Supervisory Committee. Also, the Committee holds sessions in which all of its members exchange opinions with internal directors, including the President and Representative Director/CEO, to exchange information and develop a shared understanding about the business environment surrounding the Company and company-wide risks and issues. Furthermore, in order to audit the legality and adequacy of the execution of duties by Directors, the Committee conducts systematic audits in cooperation with the Internal Auditing Department, holds in-person sessions in which its members hear from executive officers on the status of business execution, exchanges information with directors and auditors of group companies, and monitors and verifies the development and operation status of internal control systems including those related to financial reporting.

c. Nomination Advisory Committee and Remuneration Advisory Committee

The Nomination Advisory Committee and the Remuneration Advisory Committee are voluntarily established as advisory bodies to the Board of Directors to ensure that the Board is able to receive the advice of outside directors for the purpose of strengthening the independence and objectivity of its functions as well as its capacity to fulfill its accountability for dealing with important matters related to the election, dismissal, and remuneration of directors. The Nomination Advisory Committee is comprised of four outside directors (three independent and one non-independent) and one internal director, and chaired by an independent outside director. The Remuneration Advisory Committee is comprised of four outside directors (three independent and one non-independent) and one internal director, and chaired by an independent outside director.

d. Outside Directors' Meeting

The Outside Directors' Meeting is held with the full participation of the six Outside Directors, with the principal aim of ensuring Outside Directors are readily provided with necessary management information and encouraging them to exchange opinions and develop a shared understanding.

e. Group Executive Strategy Committee

The Group Executive Strategy Committee is composed of executive directors (Chief Executive Officer (CEO), Chief Operating Officer (COO) (or Co-Chief Operating Officer [Co-COO] for joint operating structures), Chief Financial Officer (CFO), Chief Human Resources Officer (CHRO), Chief Technology Officer (CTO), and Company President. This committee is responsible for deliberating and making decisions on important items related to operational execution with regard to general management and for discussing matters to be presented to the Board of Directors prior to meetings.

f. Executive Officers

Executive officers control the execution of operations within the scope of their responsibility, with authority delegated by the Board of Directors in accordance with its resolution. From among the executive officers, the Chief Executive Officer (CEO), general manager of the Company and its group companies as a whole, Chief Operating Officer (COO) (or Co-Chief Operating Officer [Co-COO] for joint operating structures), Chief Financial Officer (CFO), Chief Human Resources Officer (CHRO), and Chief Technology Officer (CTO) are selected and appointed by resolution of the Board.

g. Internal Auditing Department

The Internal Auditing Department consists of a total of 14 members. It is the Company's specialized audit function, being under the direct control of the President and Representative Director/CEO and independent from other departments engaged in business execution. The independence and objectivity of its activities are set forth in internal rules. The Department performs audits and evaluations according to internal audit plans and internal control evaluation plans, and conducts special audits as deemed necessary by the Board of Directors or other parties. The Department reports audit and evaluation results to the President and Representative Director/CEO on a regular basis as well as to the Board of Directors, Audit and Supervisory Committee, Group Executive Strategy Committee, and Accounting Auditor, as appropriate.

In cases where issues are identified via internal audits and internal control evaluations, such results are fed back to relevant departments for the implementation of improvement measures, and the subsequent status is monitored in order to ensure business is executed in a proper manner at all times.

a. Name of the Accounting Auditor

PricewaterhouseCoopers Japan LLC

b. Years of service

Ten years

c. Certified public accountants (CPAs) that executed operations

Takeshi Shioya
Toshio Soeno

d. Assistants to audit execution

The Company employs a total 17 professionals including four certified public accountants to assist with its accounting audit execution.

The Company enters into an agreement with non-executive directors to limit liability for damages suffered by the Company as a result of such directors neglecting their duties, based on Article 427, Paragraph (1) of the Companies Act and the Company's Articles of Incorporation. Under this agreement, the liability is limited to the amount stipulated legally, but only if relevant non-executive directors have acted in good faith and without gross negligence in performing their duties.

3. Reasons for Adoption of Current Corporate Governance System

The Company has chosen to be a Company with an Audit and Supervisory Committee as a way to ensure fully effective corporate governance systems and live up to the trust that society places in business corporations. We operate the Board of Directors with Outside Directors comprising a majority in order to strengthen the body's supervisory function to improve management soundness and transparency, while at the same time accelerating the separation of the Board of Directors from business execution and thereby facilitating faster decision-making processes, which we believe will enable us to make necessary decisions swiftly and resolutely so as to respond effectively to the business environment surrounding the Company.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize General Meeting of Shareholders and Facilitate Exercise of Voting Rights

	Supplementary Explanation
Early Posting of Notice of the General Meeting of Shareholders	The notice of the ordinary general meeting of shareholders is posted for online access on the Company's website, as well as the website of the Tokyo Stock Exchange (TSE) and other organizations, four weeks prior to the meeting. The written notice is dispatched three weeks prior to the meeting.
Electronic Exercise of Voting Rights	We have introduced a system for the electronic exercise of voting rights for the greater convenience of individual investors, and participate in the TSE-run electronic voting platform to allow institutional investors to avail themselves of a similar opportunity.
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	We participate in a platform for the electronic exercise of voting rights for the convenience of institutional investors.
Provision of Notice (or Summary of Notice) of the General Meeting of Shareholders in English	We post an English version of the abridged notice along with reference materials on the website of the Company and the TSE as well as on its Platform for the Electronic Exercise of Voting Rights.
Other	We have opened a dedicated portal site with access limited to our shareholders to allow them to view live-streaming video of the meeting from home or any other place. We have also begun to accept questions in advance and offer an on-demand streaming service. At the meeting, business briefings are presented using video and narration, which are also posted on the Company's website immediately after the meeting.

2. Status of IR-related Activities

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Disclosure policy prepared and published	The Disclosure Policy has been published on the page of "List of Guidelines and Policies" in the Company's website. The page is accessible from: https://www.tsumura.co.jp/english/corporate/policy-list/	
Regular Investor Briefings held for Individual Investors	In fiscal 2025, we held two investor briefings for individual investors, with explanations by the Director, CFO and others, and along with a company site tour provided to the Kampo Museum.	Not adopted
Regular Investor Briefings held for Analysts and Institutional Investors	We held financial results briefings (hybrid), with explanations by the President, Representative Director and CEO, Director, COO, CFO, and others, for the full year and the first half and online conferences for the first and third quarter.	Held
Regular Investor Briefings held for Overseas Investors	We hold web conferences for overseas institutional investors, with explanations by the President, Representative Director and CEO, Director, COO, CFO, and others, to brief them on the Vision, the Medium-Term Management Plan and earnings results.	Held
Online Disclosure of IR Information	We post online business results briefing materials (Japanese and English) and related video streaming (Japanese only), as well as financial results, supplementary materials, the Integrated Report, and other publications.	
Establishment of Department and/or Placement of a Manager in Charge of IR	The IR Promotion Section, Corporate Communications Department is in charge.	
Other	We hold a range of programs, such as small group meetings hosted by the management team, top management meetings, and site tours, according to the situation.	

3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	Aiming to contribute to human health and medicine, the Tsumura Group has established its corporate philosophy system and conducts business based on it. The system is composed of: the ultimate Purpose of “Lively Living for Everyone”; Corporate Value of “The Best of Nature and Science”; and Corporate Mission “To contribute to the unparalleled medical therapeutic power of the combination of Kampo medicine and Western medicine.”
Implementation of Environmental Preservation Activities and CSR Activities, etc.	<p>Sustainability Through its Kampo and crude drug business that uses crude drugs—substances provided by nature—as raw materials, the Tsumura Group conducts business activities while addressing various issues associated with the environment and society. We believe that these activities are conducive to creating value to share with society and to creating a sustainable society while contributing to human health and medicine. In order to address sustainability issues such as environmental preservation and social challenges, we have set up the Sustainability Committee under the supervision of the Board of Directors to confirm and discuss the overall direction for the Company to take and specific activities to implement for this purpose, as well as to monitor implementation progress. Additionally, five subcommittees have been formed under the Committee to monitor progress being made by each division toward the goals set in accordance with the Sustainability Target 2027 and other plans while facilitating the cross-divisional sharing of knowledge, experience, and research findings. Regular opportunities are provided for each subcommittee to report the results of its activities to the Committee Chair (Representative Director and COO) as a way to share and improve the details of activities, thus ensuring the effective implementation of sustainability activities. Details of such activities are described on the Company’s website and in the Integrated Report, which is distributed to stakeholders.</p> <p>Environmental preservation activities As the major ingredients of Kampo formulations produced by the Group are plant-based crude drugs, we recognize the natural environment as an essential foundation that supports our business. Defining the natural environment as important management capital, we develop activities in an original fashion, especially by promoting research on cultivation, cooperation with local producers, and environmental preservation measures in order to ensure the sustainable procurement of crude drugs. We also consider environmental challenges associated with climate change and biodiversity as a major management theme, and we have developed appropriate information disclosure procedures according to the TCFD and TNFD recommendations to report our approach to this theme and relevant activities. We are also endeavoring to reduce environmental impacts by creating a resource recycling system centered on the recycling of crude drug residues and the reuse of wastewater in the manufacturing process of prescription Kampo formulations. As described above, we are making group-wide efforts to address environmental challenges in a sustainable manner.</p> <p>More details are available from the Company’s website at: https://www.tsumura.co.jp/english/sustainability/</p>
Formulation of Policies, etc. on Provision of Information to Stakeholders	We have formulated the Tsumura Information Disclosure Rules to ensure timely and appropriate information disclosure, aiming to improve the quality and transparency of disclosed information.

IV. Matters Concerning the Internal Control System

1. Basic Views on Internal Control System and Status of Development

1. Systems to ensure compliance by Directors and employees in the execution of their duties with laws and regulations and the Articles of Incorporation
 - (1) We promote compliance based on the Tsumura Compliance Program (Sustainability Charter, Compliance Program Regulations, Compliance Committee, Compliance Promotion System, Tsumura Group Hotline, etc.), and conduct training and other programs on an ongoing basis.
 - (2) The Tsumura Group operates the Tsumura Group Hotline, a centralized function to receive reports and requests for consultation concerning compliance from inside and outside of Japan. At the same time, each group company operates an internal and external contact for consultation services. We develop systems to ensure appropriate operations of these functions so that no employee will unfairly suffer detrimental treatment as a result of using the function.
 - (3) We have established the Tsumura Code of Practice (hereinafter the “Tsumura Code”) to ensure a high level of ethics and transparency in our corporate activities and to live up to the trust of society. The Tsumura Code Committee, established based on the Tsumura Code, is tasked with managing and administering the Tsumura Code to develop promotion activities for Tsumura’s prescription pharmaceuticals in a proper manner.
 - (4) In order to understand the status of business operations and promote necessary improvement, the Internal Auditing Department, a body directly under the President and Representative Director/CEO, performs internal audits for the whole of the Tsumura Group.
 - (5) We create and implement basic policies and plans for internal control in accordance with the implementation standards published by the Business Accounting Council of the Financial Services Agency in order to ensure the credibility of reporting.
 - (6) We take a firm attitude organizationally toward unfair demands made by antisocial forces that pose a threat to the order and safety of civil society, and developed a system to ensure that we have absolutely no relationships with antisocial forces for business or any other purpose.
2. Systems to preserve and manage information pertaining to the execution of duties by Directors
 - (1) We record and preserve documents relating to the execution of duties by Directors and other related information in a physical or electronic format, in compliance with laws and regulations and the Basic Rules for Information Management.
 - (2) We preserve, manage, and dispose of the above documents and other information in compliance with the Basic Rules for Information Management, assign a division to be responsible for information management (General Affairs Department), and develop internal systems to conduct appropriate

measures, including providing training.

(3) The Company allows Directors to access such documents and information at any time in compliance with the Basic Rules for Information Management.

3. Rules and other systems regarding management of the risk of loss to the Company

(1) In order to promote comprehensive risk management for the Company and its group companies, we operate the Risk Management Committee, build appropriate risk management structures, and develop relevant internal rules and manuals, such as the Risk Management Regulations. Also, in the event of an emergency situation that may have a serious impact on our corporate activities, we have procedures to organize an emergency task force to respond to the specific situation.

(2) Based on the Basic Rules for Information Management, we formulate the Information Security Management Regulations, Personal Information Protection Regulations, and Specified Personal Information Handling Rules to ensure thorough management of confidential information and protect personal information in an appropriate manner. Also, we provide training and education in order to help employees to fully understand the importance of this issue and familiarize them with proper information handling procedures.

4. Systems to ensure the efficient execution of duties by Directors

(1) We operate the Board of Directors in accordance with the Articles of Incorporation and the Board of Directors Rules, and organize meetings regularly and also on an as-needed basis. Also, with the aim of maintaining and improving the supervisory function of the Board and clarifying the responsibilities and authority for business execution, we adopt the executive officer system. From among the executive officers, the Chief Executive Officer (CEO), general manager of the Company and its group companies as a whole, Chief Operating Officer (COO) (or Co-Chief Operating Officer [Co-COO] for joint operating structures), Chief Financial Officer (CFO), Chief Human Resources Officer (CHRO), and Chief Technology Officer (CTO) are selected and appointed by resolution of the Board.

(2) We hold the Outside Directors' Meeting with the principal aim of ensuring Outside Directors are readily provided with necessary management information and encouraging them to exchange opinions and develop a shared understanding.

(3) For issues related to business management and execution, we operate the Group Executive Strategy Committee and task these bodies with consulting, deliberating, and decision-making.

5. Systems to ensure the propriety of business operations conducted by the corporate group consisting of the Company and its group companies

We operate the Affiliated Companies Management Regulations to ensure the propriety of business operations conducted by the corporate group consisting of the Company and its group companies. We also operate the Intragroup Transaction Management Regulations to maintain and ensure the fairness and appropriateness of transactions within the Group.

6. Systems for reporting to the Company on matters concerning the execution of duties by directors of group companies

(1) Each group company makes decisions on important management issues and reports the decisions to the Company, working in a timely and appropriate manner to fulfill requirements set forth by the Affiliated Companies Management Regulations.

(2) We hold the Group Companies' Business Reporting Meeting to provide an opportunity for directors of each group company to present a business report to Directors of the Company.

7. Matters concerning Directors and employees assigned to assist the Company's Audit and Supervisory Committee with fulfilling its duties

We assign one or more employee(s) to assist the Audit and Supervisory Committee with fulfilling its duties as per requested by the Committee. We do not assign any Director to serve the same purpose.

8. Matters on ensuring the independence of the relevant employee(s) referred to in the preceding paragraph from Directors (excluding those who are Audit and Supervisory Committee members) and matters on ensuring the effectiveness of instructions given by the Audit and Supervisory Committee to the relevant employee(s)

The relevant employee(s) shall perform the relevant roles under the direction and orders of the Audit and Supervisory Committee, and obtain consent from the Committee when handling personnel affairs.

9. Systems for the Company's Directors (excluding those who are Audit and Supervisory Committee members), Executive Officers, and employees as well as directors, auditors, and employees of group companies or persons who have received reports from the parties listed herein to make a report to the Audit and Supervisory Committee

The Company's Directors (excluding those who are Audit and Supervisory Committee members), Executive Officers, and employees as well as directors, auditors, and employees of group companies or persons who have received reports from the parties listed herein are required to make a report without delay to the Audit and Supervisory Committee on legal matters, issues that may have a serious impact on overall corporate activities, implementation status of internal audits, usage status of the internal reporting system (Tsumura Group Hotline) and details of reports received, and other matters regarding which the Audit and Supervisory Committee requests a report.

10. Systems to ensure that persons who have made a report as described in the preceding paragraph will not unfairly suffer detrimental treatment as a result of their relevant action

We develop a system for operating the related functions appropriately so that persons who have made a report as described in the preceding paragraph will not unfairly suffer detrimental treatment as a result of their relevant action.

11. Matters concerning policies on procedures for handling advance payment or reimbursement for expenses incurred in the execution of duties by the Company's Directors serving as Audit and Supervisory Committee members (limited to those incurred for the execution of duties carried out in relation to the Audit and Supervisory Committee) and the recording of expenses or obligations incurred for the execution of said duties

Requests and claims made by Directors serving as Audit and Supervisory Committee members for advance payment and reimbursement of payments or paid obligations for expenses incurred in the execution of their duties shall be responded to promptly, except in cases where the expenses are not related to the execution of duties carried out in relation to the Audit and Supervisory Committee.

12. Other systems to ensure that the Audit and Supervisory Committee is able to perform audits effectively

(1) We create an opportunity for the Audit and Supervisory Committee and Representative Director to exchange views on a regular basis.

(2) We create an opportunity for Directors serving as Audit and Supervisory Committee members to attend important internal meetings and hear from Directors (excluding those who are Audit and Supervisory Committee members), Executive Officers, and relevant employees.

(3) Directors (excluding those who are Audit and Supervisory Committee members), Executive Officers, and employees are required to provide cooperation to the Audit and Supervisory Committee to ensure the effectiveness of audit activities conducted by the Committee.

(4) We built systems to enable the Audit and Supervisory Committee to work in close cooperation with the Accounting Auditor, the Internal Auditing Department, and auditors of group companies.

2. Basic Views on Measures for Eliminating Anti-Social Forces and Status of Development

As stated in its Sustainability Charter, the Company is committed to “assuming a resolute attitude toward antisocial forces and groups that pose a threat to the order and safety of civil society” and strives to ensure all its Directors and employees have a full understanding of this issue. Also, we build and maintain close cooperative relationships with the competent police department and external specialized institutions, in order to proactively collect information related to antisocial forces and groups and share such information internally in an effort to eliminate any relationship with such parties.

V. Other

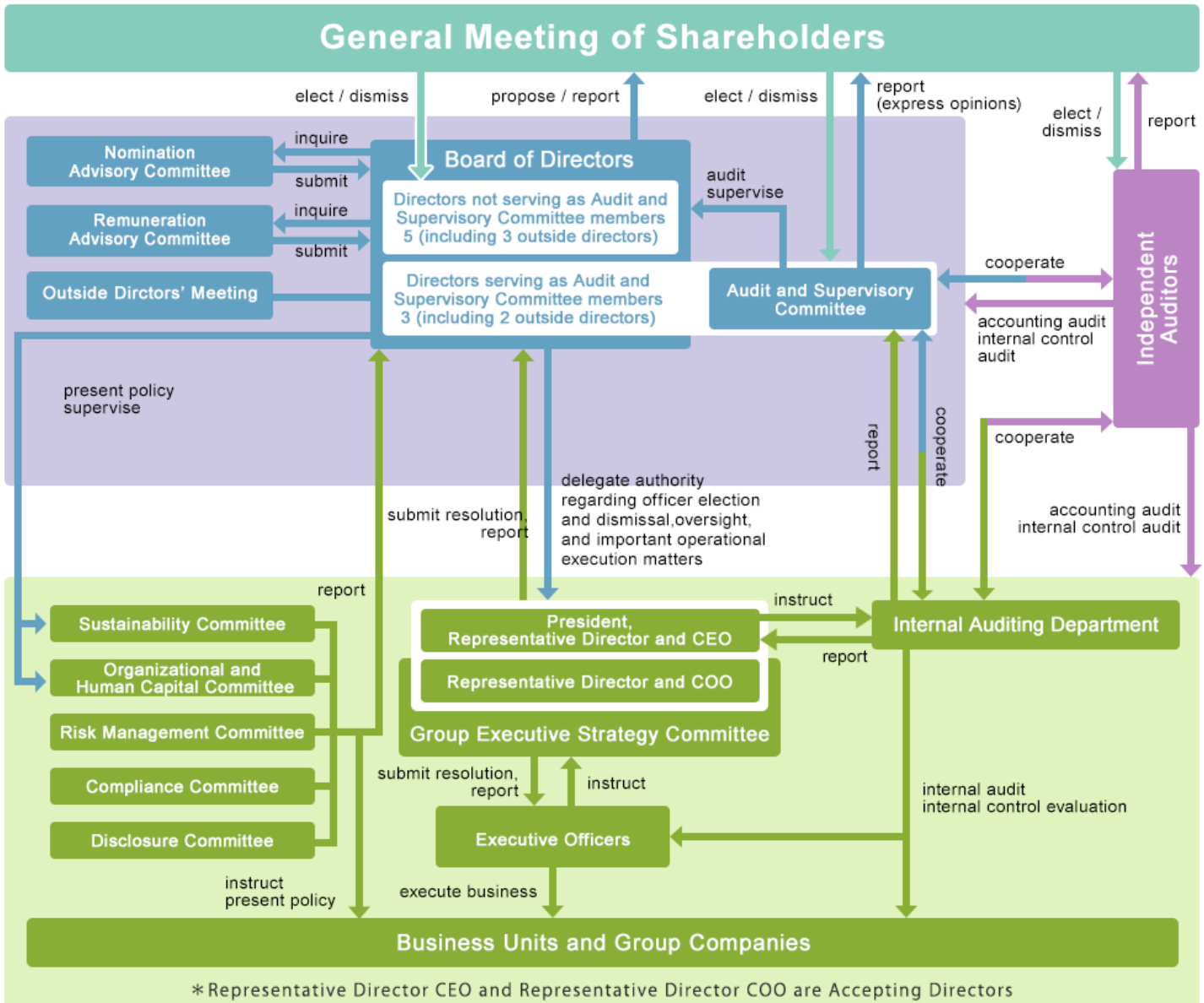
1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures

Not adopted

Supplementary Explanation for Applicable Items

2. Other Matters Concerning the Corporate Governance System



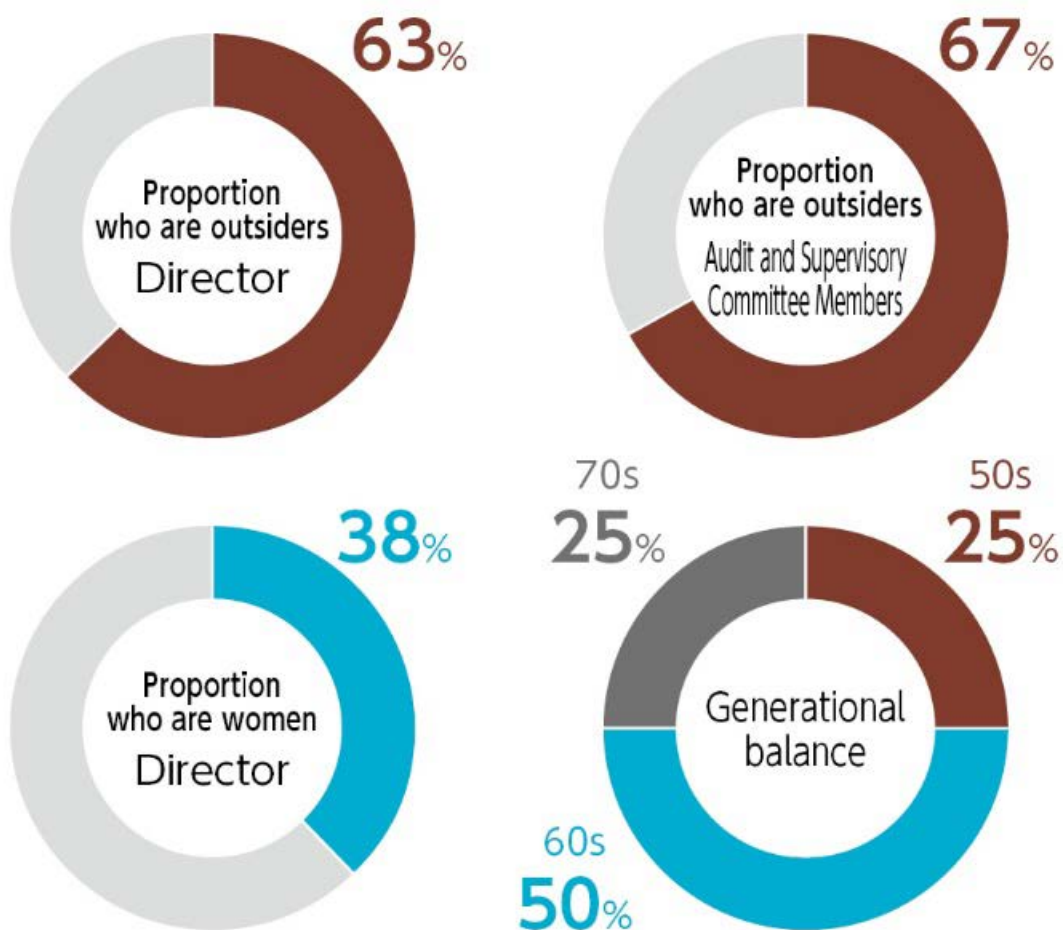
Attachment Approach to Diversity of Directors

■ Approach to Diversity of Directors

The Tsumura Group has formulated its long-term management visions and medium-term management plans in response to social demands and changes in the operating environment, and implements various measures to achieve them. Along with our value creation cycle, we have, in particular, pursued and evolved a system for consistently making appropriate and prompt decisions regarding corporate governance, the foundation of management.











As a result, Outside Directors account for a majority of our Directors at present. We have built highly effective governance systems to make decisions on important matters from diverse perspectives, offered chiefly by people with corporate management experience, attorneys at law, and certified public accountants, and to ensure that decisions are not made based solely on the knowledge of inside directors.

We will continue to strengthen corporate governance in order to achieve sustainable growth.



Note: Information as of the end of fiscal 2025

Attachment Board of Directors' Skill Matrix

		Name	Gender	Age	Outside Independent	Corporate management/ Strategy	Finance/ Financial accounting	Legal/risk management	Organization/ Human capital	Global
Directors		Terukazu Kato		62		◎	○		○	○
		Kei Sugii		56		○				○
		Akihito Konda		56						
		Tadashi Okada		70	●	○		○		◎
		Mariko Eguchi		60	●	○	○			◎
		Junichiro Nakatsuka		62	●	○			○	◎
		Kaipin Kui		41		○	○			◎
Directors who are Audit and Supervisory Committee Members		Tomihiko Nagafuchi		61						
		Akemi Mochizuki		72	●		◎			
		Chieko Tsuchiya		55	●			◎		













Represents male



Represents female

(Note) The age stated above is current as of June 26, 2026.

	Name	Gender	Age	Outside Independent	Pharmaceutical/ Healthcare industry	Sales/ marketing	Sustainability/ ESG	IT/ Digital Transformation (DX)	Research & Development
Directors	Terukazu Kato		62		○	○			
	Kei Sugii		56		○		○	◎	
	Akihito Konda		56		○	○			◎
	Tadashi Okada		70	●			○	○	
	Mariko Eguchi		60	●		○	○		
	Junichiro Nakatsuka		62	●		○	○	○	
	Kaipin Kui		41						
Directors who are Audit and Supervisory Committee Members	Tomihiro Nagafuchi		61				◎		
	Akemi Mochizuki		72	●					
	Chieko Tsuchiya		55	●					



Represents male



Represents female

(Note) The age stated above is current as of June 26, 2026.

Requirements for skill items

Corporate management/ Strategy	A person who has experience as an executive officer at listed companies or has insights and experience necessary for the formulation of business strategies and has the ability to offer supervision and advice	Pharmaceutical/ Healthcare industry	A person with knowledge and experience related to the pharmaceutical, Kampo, crude drug industry, or government administration, who is capable of providing appropriate supervision and advice regarding management and business operations based on the unique business and market characteristics of Kampo and crude drugs
Finance/ Financial accounting	A person who has insights and experience of finance and financial accounting, a person who has experience in capital markets, a person who has operational experience in financial institutions, or a person who is qualified as a certified public accountant or a tax accountant	Sales/marketing	A person who has insights and experience regarding sales and marketing, or a person who is well-versed in the pharmaceutical industry and has the ability to offer appropriate advice on marketing
Legal/risk management	A person who has experience in risk management and has insights and experience of legal affairs and risks, or who is qualified as an attorney	Sustainability/ ESG	A person who has insights and experience in handling climate change and other environmental issues, or a person who has insights and experience regarding expertise of CSR, CSV, corporate governance, etc.
Organization/ Human capital	A person who has experience in the formulation of human resources strategies and has insights and experience regarding the field of organizational development with diversity, and human resources development	IT/ Digital Transformation (DX)	A person with knowledge of IT and digital technologies who is capable of providing supervision and advice on DX strategy, DX promotion, and IT investment from the perspective of medium- to long-term value creation
Global	A person who has experience in overseas business management and knowledge or experience related to global management, international markets, or geopolitical risks	Research & Development	A person with knowledge and experience in research and development who is capable of providing appropriate supervision and advice from the perspective of aligning business strategy with R&D activities

* The “○” indicates the candidate meets the skill requirements, and the “◎” indicates particular expertise in that skill.

Attachment: Overview of Directors' Remuneration Systems

1. Basic policy

Remuneration of the Company's Directors is determined in accordance with the principle of "pay-for-purpose" and based on the following policy.

- (1) Reward contributions to realizing Tsumura's vision by pursuing philosophy-based management and upholding the Corporate Purpose, which is the foundation of its group management
- (2) Reward contributions to Tsumura's sustainable growth by earning the trust of stakeholders through sustainability and governance initiatives and by solving social issues
- (3) Motivate Directors to take on challenges to achieve lofty goals
 - Reward each individual director for taking on challenges to achieve lofty goals
 - Reward achievements resulting from teamwork of the management team, which is essential to achieving lofty goals

2. Remuneration system

Remuneration of the Company's Directors consists of basic remuneration (a fixed component and a short-term performance-linked component) and performance-linked stock remuneration (LTI-I and LTI-II), with the short-term performance-linked component of basic remuneration and performance-linked stock remuneration being positioned as incentives (variable remuneration).

	Type of Remuneration		Purpose / Outline
Fixed	Basic remuneration (monetary)	Fixed component	Fixed component according to roles, duties, etc.
Variable	Basic remuneration (monetary)	Short-term performance-linked component	Annual incentive to reward contributions to the Company's performance and the achievement of job-related goals set by individual Directors each fiscal year <ul style="list-style-type: none"> • The standard amount to be paid for achieved targets is set at a fixed percentage of total remuneration according to roles, duties, etc. • The specific amount of payment is determined within the range of 15% to 150% of the standard amount according to the level of achievement of performance targets set for each fiscal year • Monetary payment made monthly together with the fixed component
		Performance-linked stock remuneration (non-monetary)	LTI-I (linked to medium-term performance)
	Performance-linked stock remuneration (non-monetary)	LTI-II (linked to long-term vision)	A long-term incentive to encourage Directors to embrace challenges aimed at the realization of the long-term vision <ul style="list-style-type: none"> - Base points are granted and accumulated according to roles, duties, etc. each year, and a number of the Company's shares corresponding to the number of accumulated points—but varying according to the level of achievement of performance targets for the medium-term management plan as well as individually set job-related goals—are delivered (50% is provided as a monetary payment for tax purposes) - The specific number of shares to be delivered is determined within the range of 0% to 150% of cumulative base points - In principle, shares are delivered in one parcel after the Director has left office

3. Remuneration levels

While taking into account the salary levels of Company employees, the Company, given the business environment, compares its levels of director remuneration with those of its industry peers or other companies of a similar size in an objective manner by utilizing survey data provided by external specialists. It then sets remuneration levels for individual Directors in alignment with their roles and duties.

4. Remuneration components

The composition ratio for the Directors' remuneration by type is set as follows, referring to survey data provided by external specialists to grasp the trends of industry peers and other companies of a similar size, with the aim of encouraging them to endeavor to contribute to the Company's sustainable growth and improvement in corporate value.

In the model adopted to determine the composition ratio, 100% is assigned to the full achievement of goals set for variable remuneration paid to the Representative Director and President, and the ratio is set in an incremental manner according to the level of position.

When LTI-II is provided

Fixed component [44%]	Short-term performance-linked component Short-term incentive [29%]	LTI-I Medium-term incentive [19%]	LTI-II Long-term incentive [8%]
Basic remuneration (monetary)		Performance-linked stock remuneration (non-monetary)	
← Fixed →		← Variable →	

When LTI-II is not provided

Fixed component [48%]	Short-term performance-linked component Short-term incentive [31%]	LTI-I Medium-term incentive [21%]
Basic remuneration (monetary)		Performance-linked stock remuneration (non-monetary)
← Fixed →		← Variable →

5. Incentive remuneration system

[Short-term incentive: Short-term performance-linked component (basic remuneration)]

The payment amount of the portion of basic remuneration that is linked to short-term performance is determined according to the level of achievement of targets set each fiscal year for consolidated net sales and consolidated operating profit, indicators for numerical targets specified in the medium-term management plan, and the level of achievement of job-related goals set for each Director as the person responsible for business execution. The composition ratio and variation range for each evaluation indicator are as follows.

Evaluation indicator	Composition ratio	Coefficient variation range
Consolidated net sales	25-35%	0-150%
Consolidated operating profit	25-35%	0-150%
Level of achievement of individually set job-related goals	30-50%	50-150%
Total	100%	15-150%

[Medium-term incentive (LTI-I): Performance-linked stock remuneration]

The number of shares to be delivered as LTI-I is determined based on the level of achievement of targets for consolidated net sales, consolidated operating profit, and consolidated ROE (average during the plan period), indicators specified for numerical targets in the medium-term management plan, and the level of achievement of job-related goals set for each Director as the person responsible for business execution. At the time of share delivery, 50% of the shares to be delivered are converted into cash beforehand so that the funds can be allocated for tax payment. Share delivery and cash payment are required to be received by each Director through the Board Incentive Plan (BIP) Trust (hereinafter "BIP Trust") for director remuneration provided by Mitsubishi UFJ Trust and Bank Corporation.

The calculation formula for the number of shares to be delivered and the composition ratio and variation range for each evaluation indicator are as follows.

(1) Calculation formula for stock remuneration (linked to medium-term performance)

Base points = Amount determined according to directors' remuneration standards for different roles, duties, etc. / Reference stock price*

Number of shares to be delivered = Total number of base points accumulated during the period of the medium-term management plan x Performance-linked coefficient

* Average value of closing prices of regular transactions of the Company's shares on the Tokyo Stock Exchange in March immediately before the start of the medium-term management plan period (decimals rounded down).

(2) Composition ratio and variation range for each evaluation indicator

Evaluation indicator	Composition ratio	Coefficient variation range
Consolidated net sales	30%	0-150%
Consolidated operating profit	20%	0-150%
Consolidated ROE (average during the plan period)	20%	0-150%
Achievement rate of individually set job-related goals	30%	50-150%
Total	100%	15-150%

[Long-term incentive (LTI-II): Performance-linked stock remuneration]

The number of shares to be delivered as LTI-II is determined based on the level of achievement of indicator targets set for corporate value, sustainability, corporate governance, and business value for the period corresponding to the medium-term management plan. At the time of share delivery, 50% of the shares to be delivered are converted into cash beforehand so that the funds can be allocated for tax payment. Share delivery and cash payment are required to be received by each Director through the BIP Trust.

The calculation formula for the number of shares to be delivered and the composition ratio and variation range for each evaluation indicator are as follows.

(1) Calculation formula for stock remuneration (linked to long-term performance)

Base points = Amount determined according to directors' remuneration standards for different roles, duties, etc. / Reference stock price*

Performance-linked points = Total number of base points accumulated during the period of the medium-term management plan x Performance-linked coefficient

Number of shares to be delivered = Total value of performance-linked points accumulated up to the time of retirement

* Average value of closing prices of regular transactions of the Company's shares on the Tokyo Stock Exchange in March immediately before the start of the medium-term management plan period (decimals rounded down).

(2) Purpose and reason for selecting each evaluation indicator

Evaluation indicator		Purpose of selected indicators
Corporate value	Relative TSR* (Relative to TOPIX growth rate)	- Measure the level of achievement of the long-term vision - Motivate Directors to contribute to the realization of the long-term vision and the enhancement of corporate value, as well as share value with shareholders
Sustainability	GHG reduction, cultivation of wild crude drugs, etc.	- Measure the level of achievement of the Sustainability Vision - Encourage efforts to promote sustainable business activities, such as conserving the natural environment and cultivating wild crude drugs, and raise the level of consciousness of Directors of related issues
Corporate governance	Diversity of management team, etc.	- Measure the level of achievement of the Sustainability Vision and promote the achievement of the long-term management vision - Encourage the formation of a management team for the entire Tsumura Group, including overseas bases, that is capable of making timely and appropriate management decisions, including for business restructuring, in order to generate corporate value for the medium to long term
Business value	Sales ratio of overseas business	- Measure the level of achievement of the long-term management vision - Build a foundation for overseas operations, and increase Directors' motivation to contribute to enhancing corporate value by propelling growth in overseas markets

* TSR stands for total shareholder returns. Relative TSR is the ratio of the Company's TSR to the TOPIX growth rate.

(3) Composition ratio and variation range for each evaluation indicator and major target values

Evaluation indicator		Composition ratio	Coefficient variation range	Major target
Corporate value	Relative TSR (Relative to TOPIX growth rate)	25%	0-200% (0-100% until March 31, 2028)	1.0
Sustainability	GHG reduction, cultivation of wild crude drugs, etc.	25%	0-100%	50% GHG emissions reduction at the end of fiscal 2031 (compared to fiscal 2020), etc. ¹
Corporate governance	Diversity of management team, etc.	25%	0-100%	*
Business value	Sales ratio of overseas business	25%	0-200% (0-100% until March 31, 2028)	50% at the end of fiscal 2031*
Total		100%	0-150% (0-100% until March 31, 2028)	

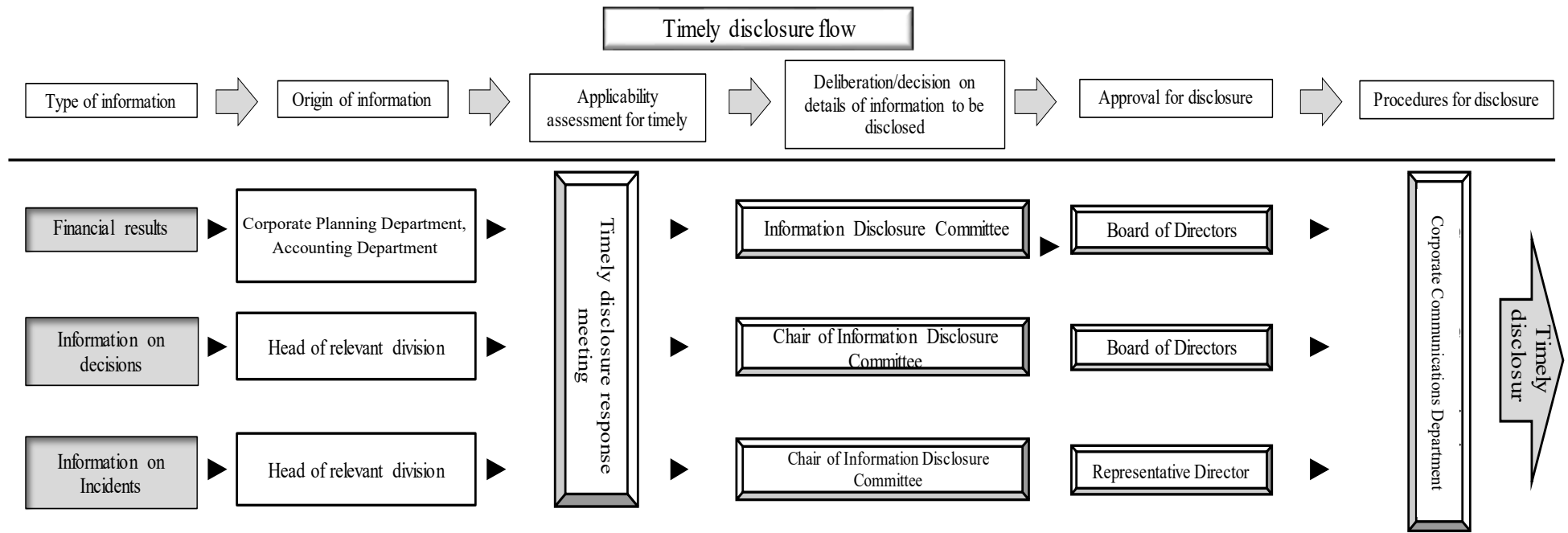
* The coefficient is 0% if the achievement rate is less than 100% or 80%, depending on the evaluation indicator.

6. Process of determining remuneration

- To enhance the objectivity and transparency of the process used for performing procedures for deliberating the standard amount of remuneration, performance evaluation methods, and rules for calculating the amount in accordance with performance evaluation results, and determining the remuneration amount by applying the rules, the Board of Directors shall consult the Remuneration Advisory Committee, receive a report on results of the consultation and reasons for the results, and make resolution based on these results and within the limit of the total amount approved at the General Meeting of Shareholders. The above-mentioned performance evaluation methods and rules for calculating the amount in accordance with performance evaluation results are stipulated in the internal rules, and revision of the relevant internal rules shall be determined by resolution of the Board of Directors after consulting the Remuneration Advisory Committee and receiving a report on results of the consultation.
- The Board of Directors shall delegate responsibilities for determining the level of achievement of individually set job-related goals for the short-term performance-linked component of basic remuneration and LTI-I to the Remuneration Advisory Committee. The reason for such delegation is to further increase the objectivity and transparency of procedures related to remuneration, etc. by taking advantage of the characteristics of the Committee, which is chaired by an outside director and has outside directors comprising a majority of its members.
- Responsibilities for confirming whether amounts to be paid to individual Directors are calculated properly in accordance with internal rules and resolutions of the Board of Directors, and notifying each Director of the details of the determination are delegated to Terukazu Kato, who is the President and Representative Director. The reason for such delegation is to take advantage of the capacity of the position for verifying the appropriateness of remuneration amounts based on the details of deliberations by the Remuneration Advisory Committee.

7. Details of remuneration, etc.

- The Company has determined that the amount of basic remuneration (monetary payment) of Directors (excluding those who are Audit and Supervisory Committee members) shall not exceed ¥600 million per annum (based on the resolution made by the 81st Ordinary General Meeting of Shareholders on June 29, 2017, with six Directors including Outside Directors eligible to receive this remuneration at the time of resolution).
- The Company decided on the introduction of the performance-linked stock remuneration scheme based on the resolution made by the 80th Ordinary General Meeting of Shareholders on June 29, 2016 (with three executive directors eligible to receive it at the time of resolution).
- The Company decided to change the manner in which stock remuneration is provided by abandoning the previous manner of delivering the Company's common stocks in full and starting to instead provide a portion of the remuneration in the form of a cash payment based on the resolution made by the 83rd Ordinary General Meeting of Shareholders on June 27, 2019 (with three executive directors eligible to receive it at the time of resolution).
- The Company decided on matters concerning stock remuneration to be provided from fiscal 2022 onward based on the resolution made by the 86th Ordinary General Meeting of Shareholders on June 29, 2022 (with three executive directors eligible to receive it at the time of resolution). The upper limit on the amount of cash to be paid during the fiscal years set for the Company's medium-term management plan (initially three fiscal years from the year ended March 31, 2023 to the year ending March 31, 2025) shall be the value obtained by multiplying ¥290 million by the number of years the recipient is eligible for the said medium-term management plan; and the upper limit on the number of the Company's shares, etc. related to the delivery and payment of the Company's shares including those converted into cash shall be the value obtained by multiplying 100,000 shares by the number of years the recipient is eligible for the said medium-term management plan.
- Some revisions to the performance-linked stock remuneration scheme were approved by the 89th Ordinary General Meeting of Shareholders on June 27, 2025 (with two executive directors eligible to receive it at the time of resolution). The upper limit on the amount of cash to be paid during the fiscal years set for the Company's medium-term management plan (initially three fiscal years from the year ended March 31, 2026, to the year ending March 31, 2028) shall be the value obtained by multiplying ¥350 million by the number of years the recipient is eligible for the said medium-term management plan; and the upper limit on the number of the Company's shares, etc., related to the delivery and payment of the Company's shares, including those converted into cash, shall be the value obtained by multiplying 120,000 shares by the number of years the recipient is eligible for the said medium-term management plan.
- The Company has determined that remuneration provided to Directors who are Audit and Supervisory Committee members shall be composed solely of fixed basic remuneration, in consideration of their roles, duties, etc. and the amount is determined through consultation by Directors who are Audit and Supervisory Committee members with the upper limit of ¥72 million per annum (based on the resolution made by the 81st Ordinary General Meeting of Shareholders on June 29, 2017, with three directors who were Audit and Supervisory Committee members eligible to receive it at the time of resolution).
- The Company has determined that remuneration provided to non-executive directors (including Outside Directors) and Directors who are Audit and Supervisory Committee members shall be composed solely of fixed basic remuneration (monetary payment), in consideration of their roles in overseeing business execution.



● Information on decisions and incidents includes that related to subsidiaries.

● Head of the Corporate Communications Department, together with heads of the Corporate Planning Department and Accounting Department, holds the timely disclosure response meeting to assess applicability of timely disclosure standards to the situation.