

The Tsumura Group's CSV

The Tsumura Group is engaged in business reforms that will expand the value of pharmaceuticals and products derived from natural substances, aiming to create a diverse society and realize a future where each individual can reach their potential. Our efforts are guided by our founding spirit, a focus on the future, and our Corporate Purpose, "Lively Living for Everyone," which shapes the Business Commitment that we aim to ultimately accomplish. The Group has grown through the scientific study of Nature's wisdom, and we therefore consider efforts on creating shared value (CSV) based on a sustainable society and natural environment as the key to enhancing our competitive advantages and contributing to increased corporate value.

To enable the creation of long-term shared value with all of our stakeholders, we have organized the Tsumura Group's CSV based on our Corporate Purpose, and identified it as our materiality (priority issues) *. As the result of our business activities, we seek to carry out "Creation of new value through pharmaceuticals and products derived from natural substances" and "Sustainable, stable supply of pharmaceutical products such as Kampo formulations, which are traditional pharmaceuticals," at a high level. To achieve this, we have established a strategic, future-oriented approach, and we will further refine our unique strengths while responding to changes in the business environment.

*Please see page 19 "Sustainability" for details.

Creation of shared value with society

Science	<p>Creation of new value through pharmaceuticals and products derived from natural substances</p> <p>In TSUMURA VISION "Cho-WA" 2031, we aim to contribute to people's health and create a future of a well-balanced state between mind and body, and between individuals and society, by providing new value through pharmaceuticals and products derived from natural substances to suit individuals' life stages, in the treatment, pre-symptomatic disease, and healthcare (prevention) domains.</p> <p>Pharmaceuticals Derived from Natural Substances</p> <p>Kampo formulations are pharmaceuticals derived from natural substances. They are multi-component formulations with several thousand types of low-content components, composed of multiple crude drugs. Unlike synthetic drugs, Kampo formulations have indications for multiple symptoms, rather than a disease name. The Company is working to elucidate mechanisms of action and build evidence for new disease symptoms.</p> <p>Products Made from Yakushokudogen Crude Drugs</p> <p>Some of the crude drugs used as raw materials for medicine can also be used as ingredients for food. We will develop health food and functional food products using these ingredients (Yakushokudogen products) to contribute to maintaining and promoting health in the healthcare (prevention) domain.</p>
	<p>Sustainable, stable supply of pharmaceutical products such as Kampo formulations, which are traditional pharmaceuticals</p> <p>Kampo medicine is Japan's traditional medicine, developed uniquely to suit Japan's culture and climate, as well as the constitution of Japanese people, for over 1,400 years. To pass it on to future generations, we will carry out our Corporate Mission, "to contribute to the unparalleled medical therapeutic power of the combination of Kampo medicine and Western medicine." We will provide a stable supply of Kampo formulations based on scientific evidence, pursuing safety, efficacy, and consistency.</p> <p>Building a Stable Procurement System for Raw Material Crude Drugs</p> <p>Kampo medicines use over 100 types of crude drug, such as plants, and they have various cultivation periods ranging from one year to over 10 years. Since crude drugs are affected by climate and soil, we select appropriate areas, such as natural habitats, and work with skilled producers through crude drug cultivation contracts to ensure reliability, safety, and high quality, in order to carry out systematic, stable procurement.</p> <p>Pursuit of Safety, Efficacy, and Consistency</p> <p>By pursuing the safety, efficacy, and consistency of pharmaceutical products based on scientific evidence, we have grown to become a leading company in prescription Kampo formulations. Our credibility and track record built up in the front lines of medicine and our research capabilities backed by advanced technologies are the source of Tsumura's competitive strength.</p>

Materiality

	Materiality	Strategic approach	Current strengths	Risks and responses	Reference page
Nature	Sustainable procurement of raw materials (research on cultivation of crude drugs, etc.)	<ul style="list-style-type: none"> ● Continuous contract cultivation based on the Tsumura Procurement Policy ● Percentage of cultivated land under the Group's own management maintained at approx. 80% ● Sustainable crude drug cultivation that can adapt to the environment 	<ul style="list-style-type: none"> ● Establishment of Tsumura GACP system ● Stabilization of quality, volume and prices of crude drugs by making use of cultivated land under Tsumura's own management ● Development of multiple production areas and production countries (China, Japan, Laos, etc.) ● Research on crude drug cultivation to adapt to the environment 	<ul style="list-style-type: none"> ● Procurement risk due to unforeseen weather conditions, natural disasters, etc., changes in the scope of legal restrictions on imports and exports, or unexpected changes in political and economic conditions ➔ Securing of sufficient inventory volume; expansion of range of suppliers of crude drugs domestically and overseas; continued expansion of cultivated land under own management; establishment of purchasing structure involving multiple suppliers 	<ul style="list-style-type: none"> ➔ P25 Main measures ➔ P29 "The Best of Nature and Science"-Tsumura's Value Creation Capability
	Recycling use of resources (recycling of water and crude drug residue)	<ul style="list-style-type: none"> ● Realization of a recycling society, including effective use of all crude drug residues as raw material for compost and soil improvers 	<ul style="list-style-type: none"> ● Use of recycled water and steam ● Recycling of crude drug residue (biomass power generation fuel, raw material for compost/soil improver) 	<ul style="list-style-type: none"> ● Risk of large fluctuations in the exchange rate relevant to the import of raw material crude drugs and Kampo powdered extract from China ➔ Stabilization of costs through tools such as forward exchange contracts while taking into account exchange rate trends 	
	Preservation of biodiversity (restoration of forests, soil, water sources)	<ul style="list-style-type: none"> ● Preservation of diversity (ecosystems, varieties, genes) ● Expansion of forests' function to recharge water sources in which fallen leaves turn into humus 	<ul style="list-style-type: none"> ● Research on preservation and cultivation of crude drug seedlings ● Planting of Amur cork tree, a medicinal plant (Yubari City, Hokkaido Prefecture) ● Tree planting activities at Tosa Tsumura Forest (Ochi Town, Takaoka District, Kochi Prefecture) 	<ul style="list-style-type: none"> ● Risk of occurrence of problems with product quality or safety ➔ Thorough management of raw material crude drugs in accordance with the Regulations on the Tsumura GACP Policy 	
	Climate change countermeasures (realization of carbon neutrality)	<ul style="list-style-type: none"> ● Increase in water and energy circulation efficiency through introduction of energy-saving technologies ● Absorption of CO₂ through cultivation of tree-type crude drugs 	<ul style="list-style-type: none"> ● Introduction of energy-saving technology ● Cultivation of tree-type crude drugs over a large area 	<ul style="list-style-type: none"> ● Risk of loss of production and distribution functions due to natural disasters, fires, power outages, etc. ➔ Decentralization of manufacturing and product supply bases; introduction of seismic isolation and earthquake-resistant structures for production facilities 	
Health	Expansion of access to high-quality pharmaceuticals and products derived from natural substances	<ul style="list-style-type: none"> ● Lifestyle involving daily use of Kampo formulations and Yakushokudogen products 	<ul style="list-style-type: none"> ● Supporting long-term Kampo medicine education in school for students, trainee physicians and experienced practitioners ● Prescription of Kampo formulations in a wide range of hospital departments ● Track record of supplying to the largest medical institutions and pharmacies in the industry ● Superior raw material crude drugs in the Chinese market (ginseng) 	<ul style="list-style-type: none"> ● Risks related to administrative developments such as government policies to curb healthcare spending ➔ Nurturing understanding of the value of Kampo formulations; cooperation with industry bodies and recommendations to relevant ministries and agencies 	<ul style="list-style-type: none"> ➔ P49 Strategic Challenge 1 ➔ P29 "The Best of Nature and Science"-Tsumura's Value Creation Capability ➔ P57 Strategic Challenge 4 ➔ P51 Strategic Challenge 2 ➔ P3 Purpose Driven Value Creation
	Kampo value chain reform due to promotion of DX	<ul style="list-style-type: none"> ● Whole-lot quality assurance system ● Computer control in accordance with formulation design for each Kampo formulation ● Development and introduction of robot technology for all manufacturing processes 	<ul style="list-style-type: none"> ● Risk of tighter domestic/overseas regulations concerning the development and manufacture of pharmaceutical products ➔ Establishment of evidence of efficacy of prescription Kampo formulations; activities to raise profile of prescription Kampo formulations 		
	Expansion of the standardization of Kampo treatments and building of evidence	<ul style="list-style-type: none"> ● Expansion of the standardization of Kampo treatments based on evidence ● Contribution to realizing a society of healthy longevity 	<ul style="list-style-type: none"> ● Risk of unexpected side effects ➔ Promoting proper use of products by promptly and appropriately collecting safety information on products and strengthening the dissemination of information on adverse drug reactions 		
	Initiatives for personalized Kampo treatments through cutting-edge technology	<ul style="list-style-type: none"> ● Increase in number of listings and level of recommendation in treatment guidelines ● Finding scientific basis for "patterns," unique diagnosis performed in Kampo medicine ● Responder marker research based on KAMPOmics®, development of AI Kampo diagnosis support system, scientific elucidation of pre-symptomatic disease ● Cooperation framework with research institutes and partner companies 	<ul style="list-style-type: none"> ● Risk of being unable to achieve growth or maintain/improve performance in the future ➔ Periodic verification of feasibility (return on investment and business feasibility assessment) of R&D plans in Japan and overseas ➔ Expansion of business target areas in Japan (beyond the medical-use domain to include the total healthcare domain) 		
	Contribution to health suitable for each individual's life stage (treatment, pre-symptomatic disease, healthcare (prevention))	<ul style="list-style-type: none"> ● Provision of value suited to each individual's life stage ● Contribution to popularization of pre-symptomatic disease treatment through scientific study of pre-symptomatic diseases 		<ul style="list-style-type: none"> ● Risk of occurrence of problems with product quality or safety ➔ Compliance with the quality control standards in the country or region; promotion of initiatives for quality of all products, including not only those manufactured in-house but also those manufactured by CMOs 	