Sustainability Vision and Materiality

For the Tsumura Group, sustainability management is none other than the embodiment of our Sustainability Vision.

Since we are promoting a business that uses crude drugs, which are substances provided by nature, and leading it into the future, we need to be extremely sensitive to changes in the natural environment as well as any potential crises it may face. Our commitment to making fullest use of the gifts of nature and continuing to contribute to human health and medicine is embedded in our Sustainability Vision, "Living with nature for tomorrow." Throughout the Kampo value chain, we aim to realize sustainability for people, society, and the global environment. We will work to realize a recycling society in our own way, by ensuring that all resources, not only crude drugs but also water and air, are returned to nature.

As we strive to achieve our Business Commitment, "Lively Living for Everyone," we are incorporating the Group's Sustainability Vision, which upholds our Corporate Value, "The Best of Nature and Science," into our concrete activities through our Long-Term Management Vision.

The Long-Term Management Vision, TSUMURA VISION

"Cho-WA" 2031, takes the theme of "Cho-WA: Creating a Future in a Well-Balanced State," and aims to create a future that achieves "Cho-WA" (a well-balanced state) between mind and body, between individuals and society, and between Kampo medicine and Western medicine through the three Ps.

Revision of Materiality

In September 2023, the Group redefined its priority issues (materiality) based on its Corporate Purpose, in order to contribute to solving global issues through its business activities and realize an increase in its corporate value.

This review involved changing from the previous bottomup formulation process to a top-down process based on the commitment of the CEO. The objective in doing so is to communicate our social and economic value creation story in a clear way both inside and outside the Company. Looking ahead, we will promote dialogue and co-creation with our stakeholders by promoting information disclosure based on materiality.

Living with nature for tomorrow. Sustainability Vision

The Tsumura Group's New Materiality

The Tsumura Group's materiality (priority issues) refers to its initiatives for business to embody its Corporate Purpose, "Lively Living for Everyone," and its Corporate Value, "The Best of Nature and Science." All values related to nature and health that are created by the Tsumura Group's business lead to the creation of shared value with society.



Process for Formulation of New Materiality

(1) Organize the connection between the Tsumura Group's three levers in CSV* and its Long-Term Management Vision based on its Corporate Purpose.

(2) From the Corporate Purpose and Corporate Value, organize the "Creation of Shared Value with Society" that the Tsumura Group should aim for.

* Three methods (levers) for realizing CSV (Creating Shared Value) advocated by management scholar Michael Porter. ((1) Creation of next-generation products and services, (2) Improvement of productivity across the entire value chain, and (3) Building local ecosyste

Sustainability Promotion System

We recognize that response to issues related to sustainability, such as consideration for global environmental issues like climate change and respect for human rights, are important management priorities. The Sustainability Committee is under the supervision of the Board of Directors. The committee examines and monitors the Company's overall direction and activities in order to see that these issues are reflected in concrete strategies. In addition, five subcommittees have been formed under the Committee, with each one responsible for organizing cross-organizational discussions on knowledge, experience and research findings collected from various divisions in accordance with the mediumto long-term environmental goals and other targets. Furthermore, to stimulate more active discussion, regular opportunities are provided to report the results of each subcommittee to the





Identify the elements organized in (1) and (2) as materiality (priority issues) along the direction and timeline of the Sustainability Vision.

Committee Chair (Co-COO Sugii) as part of efforts to enhance the effectiveness of sustainability activities. We will strive to ensure such effectiveness by responding flexibly to changes in the social environment and the requirements of the times.

Main Discussion Items of the Sustainability Committee (Fiscal 2022)

- Discussion and approval of TCFD disclosure proposal
- Formulation of Sustainability Charter
- · Progress report on medium- to long-term environmental targets
- · Discussion on materiality renewal, report on support for each initiative, CDP results report, report on community contribution activities, etc.

irectors	←		Report			
nent e	Compliance	e Committee	Information Disclosure Committee			
vision, Crude D	rug Division, Relia	bility Assurance Divis	ion, etc.			
			al 2030, net zero by fiscal 2050 s centered on production sites			
Department, S	Sales Managemer	nt Department, etc.				
0% vs fiscal 2020 levels by fiscal 2030, net zero by fiscal 2050 tion of initiatives to reduce greenhouse gas emissions at branches and sales offices						
Division, Reliabi	lity Assurance Di	vision, Healthcare D	ivision, Prescription Pharmaceutical Sales			
ation of plans for switching to environmentally friendly containers and packaging materials, etc.						
ivision, Product	ion Division, etc.					
ng with suppliers and crude-drug procurement effectiveness based on procurement policy tion of initiatives for sustainable crude drug procurement						
arge reduced by	y 50% from fiscal 2	velopment Division, C 2020 levels (parent) b g of crude drug residu				

* Fiscal 2022 result

Materiality and Management Strategy KGIs/KPIs

	Materiality	
	Sustainable procurement of raw materials (research on cultivation of crude drugs, etc.)	
	Recycling use of resources (recycling of water and crude drug residue)	
Nature	Preservation of biodiversity (restoration of forests, soil, water sources)	
	Climate change countermeasures (realization of carbon neutrality)	
	Expansion of access to high-quality pharmaceuticals and products derived from natural substances	
	Expansion of the standardization of Kampo treatments and building of evidence	
Health	Initiatives for personalized Kampo treatments through cutting-edge technology	
	Contribution to health suitable for each individual's life stage (treatment, pre-symptomatic disease, healthcare (prevention))	
	Strengthening and enhancement of corporate governance	
Reinforcement of business foundations	Utilization of diverse human resources	
	Cultivation of a corporate culture that draws out potential abilities through dialogue	

First medium-term management plan strategic challenges		Indicators (KGIs/KPIs of each organization)	Fiscal 2022 result	Fiscal 2024 target values
1 Continuously expanding the Kampo market by providing		Domestic business net sales	124,698 million yen	Net sales CAGR 5% (fiscal 2022–2024)
		Percentage of physicians prescribing 10 or more prescription Kampo formulations	32%	50% or more
Kampo solutions that match the needs of each and every physician	po solutions that match the needs of each and every	Number of universities teaching four or more courses in Kampo medicine	78 universities	82 universities
	ician	Number of medical website users	Not disclosed	Not disclosed
		Number of detailing impacts	4.77 million	5.7 million
	g KAMPOmics to build evidence on Kampo and promote	Number of treatment guideline listings for Kampo formulations (Type B and above)	99	130
	cientific study of pre-symptomatic diseases	Progress in development of TU-100 in the United States	Currently in latter stage phase II clinical trial	-
 3 Expanding sales of crude drugs and drug piec and entering the traditional Chinese medicina business 	anding sales of crude drugs and drug pieces in China	China business net sales	15.3 billion yen	Net sales CAGR 30% (fiscal 2022–2024)
	2 ·	M&A of a traditional Chinese medicinal products company	In negotiation with multiple companies	M&A complete
	4 Innovating the IT platform and crude drug selection, and promoting the implementation of AI and automation	Annual production plan achievement rate	Not disclosed	Not disclosed
	rd reforming the Kampo value chain	Labor productivity in factories (compared to fiscal 2021)	102%	120%
5 Creating value through organization and he and promoting reform to boost job satisfac		Average score of the Corporate Philosophy survey (5-point scale)	4.06 points	Maintain 4.00 points or higher
		Progress rate on acquisition of Outstanding Employers Promoting Health and Productivity Management certification	Preparing for acquisition	Acquisition
		Percentage of female recruitment	44%	50%
	······································	Percentage of mid-career hires	55%	40%
		Employee engagement/satisfaction (5-point scale)	3.58 points	3.90 points
		Efficacy of crude drug procurement based on the "Tsumura Procurement Policy"	Start of implementation of Tsumura Procurement Policy	Verification with production groups 50% comple
		Reduction in number of wild crude drug items used (compared to fiscal 2020)*1	Elimination of one item	Elimination of one or more items
		Reduce the usage of plastics (compared to fiscal 2020)*2	-	-10%
	ves for the achievement of the Sustainability Vision Im- to long-term environmental targets)	GHG emissions (compared to fiscal 2020)*3	+12.9%	-3%
		Per-unit energy consumption (YoY)*4	-4.8%	-1%
		Per-unit water intake (compared to fiscal 2020) ^{#5}	+6%	-10%
		Per-unit industrial waste discharge (compared to fiscal 2020)*6	-	-50%



Initiatives to Solve Social Issues

#OneMoreChoice Project

Aiming for a healthy society where everyone can live comfortably and without having to endure ailments, Tsumura has been promoting the #OneMoreChoice project since 2021.

We are working to solve issues based on our own survey, and have promoted the messages, "80% of women hide that they are enduring pain*7" and "Let's start by knowing the difference." Based on these, we have received many messages of support from consumers, mainly through social media. Internally, we also implemented #OneMoreChoice Action in April 2022, aiming to be a company free from hidden endurance. We are also promoting initiatives such as changing the leave system to resolve employees' health issues.

The knowledge acquired through these activities has been developed into #OneMoreChoice Training, to

*7: Hidden endurance refers to engaging in work or housework while enduring physical or mental illness. It is a registered trademark of TSUMURA & CO. *8: As of July 2023 *9: Carellege is a portmanteau of Care and College created by the Company.

leverage our achievement of a company free from hidden endurance. We began providing this training free of charge in September 2022. The Company's employees have acted as visiting lecturers at companies, groups, universities, and other organizations 16 times*8 so far to provide the training. From April 2023, we received support from four universities to start Carellege Action,*9 an initiative that aims to create environments where university students do not have to hide that they are enduring pain. We have also started providing opportunities for free health consultation with experts.

Going forward, we will expand this project in coordination with companies, universities, and other organizations,

working to solve social issues and realize a healthy society.

