

## Basic Concept

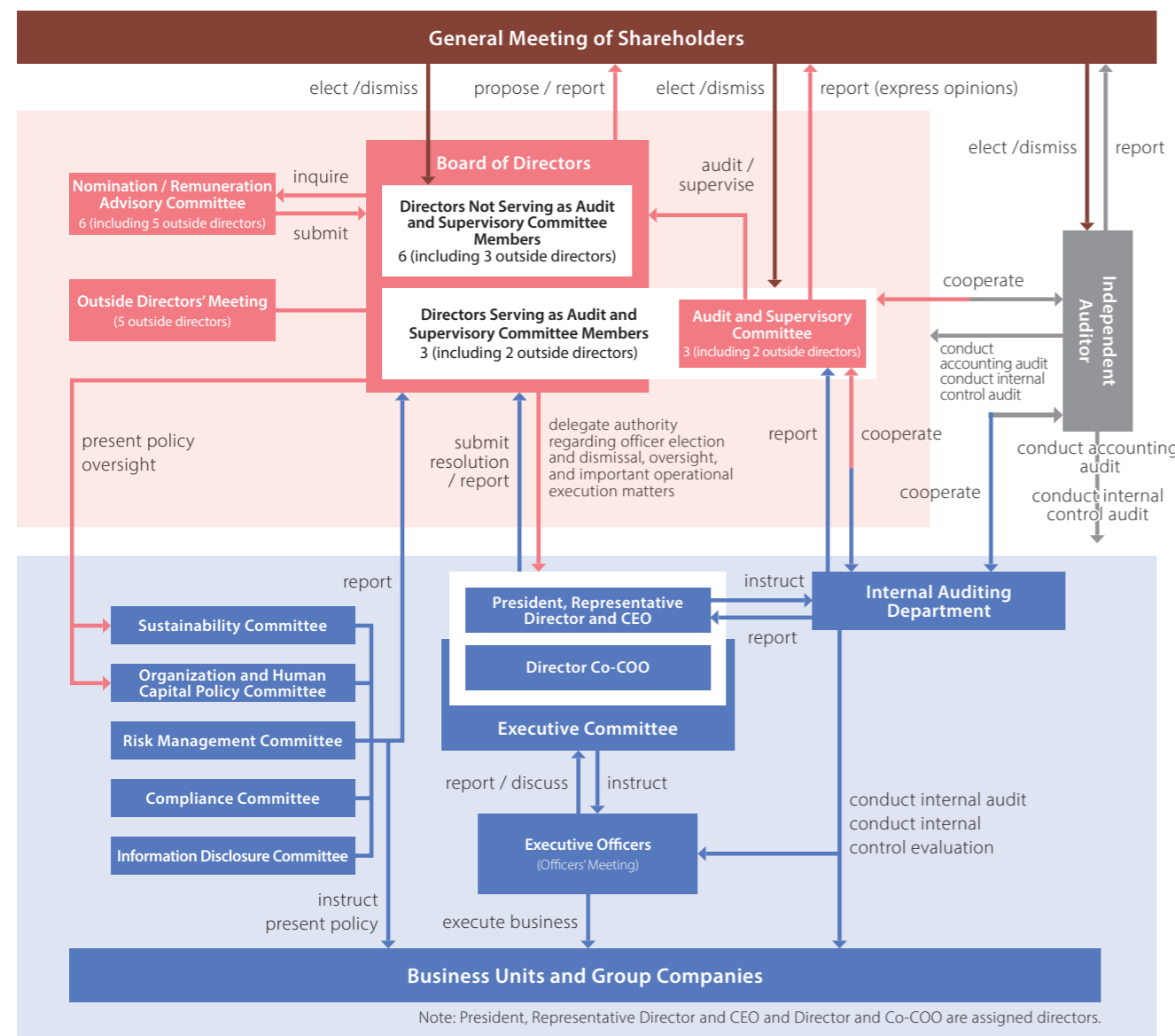
The Tsumura Group is committed to abiding by what we call the "Spirit of Nature's Laws" and fulfilling our ultimate Purpose of facilitating "Lively Living for Everyone." In conducting our business, we are guided by these two tenets along with Corporate Value, expressed as the "Best of Nature and Science," 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, Tsumura transitioned from the Company with Company Auditor(s) system described in the Companies

Act of Japan to the Company with Audit and Supervisory Committee system. This move was aimed at reinforcing the oversight and monitoring functions of the Board of Directors. Under this system, Tsumura 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 a majority of outside directors to the Board of Directors. These measures are being implemented to continuously establish the systems that will enable the Company to ensure the transparency, improve the efficiency, and maintain the soundness of management.

See the corporate site for details on the "Corporate Governance Basic Policy" <https://www.tsumura.co.jp/english/ir/corporate-governance/index.html>

## Corporate Governance Structure (As of June 29, 2023)



Note: President, Representative Director and CEO and Director and Co-CEO are assigned directors.

## Themes Discussed by Each Committee in Fiscal 2022

### Board of Directors

- (Number of sessions: 18; Chairman: Terukazu Kato)
- Checking the progress of the first medium-term management plan
  - Monitoring and following-up the progress of the China business
  - Development of management human resources who will embody the corporate purpose and philosophy
  - Checking the progress of strategic investment deals (Investment in systems including facilities, R&D, M&A, and digital transformation, etc.)
  - Evaluating the effectiveness of the Board of Directors and establishing priority themes
  - Discussion on enhancing corporate governance of Group companies
  - Enhancement of information disclosure, etc.

### Nomination/Remuneration Advisory Committee

- (Number of sessions: 8; Chairman: Kenichi Matsui\*)
- Proposal of election and dismissal of Directors to be submitted to the General Meeting of Shareholders
  - Draft proposals of election and dismissal of the Representative Director to be submitted to the Board of Directors
  - Draft proposals of candidates for Executive Officers to be submitted to the Board of Directors
  - Polices for electing Directors and Executive Officers, election

- process
- Draft proposals for individual remuneration to be paid to Directors and Executive Officers
  - Policy including the composition of Directors' remuneration, procedure for determining remuneration of Directors, etc.

### Audit and Supervisory Committee

- (Number of sessions: 17; Chairman: Kimikazu Okochi\*)
- Audit policy and plan
  - Reelection and remuneration of independent auditor
  - Details of matters to be submitted to the General Meeting of Shareholders
  - Preparation of audit report
  - Status of the use of hotline, etc.

### Outside Directors' Meeting

- (Number of sessions: 13; Chairman: Kenichi Matsui\*)
- Advance explanation about matters to be discussed at the Board of Directors
  - Follow-up on the Board effectiveness evaluation
  - Briefing on Executive Committee matters
  - Progress report of China business
  - Discussion of important matters, etc.

\*Left office as of the conclusion of the General Meeting of Shareholders held on June 29, 2023

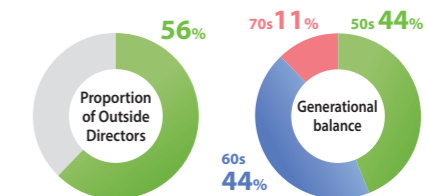
## Approach to Diversity of Directors

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

At present, Outside Directors account for a majority of the Directors. We have built highly effective governance systems to make decisions on important matters from diverse perspectives, such as those of 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.



As of June 29, 2023

## Succession Plan

Tsumura recognizes that the selection of the upper management (CEO) is one of our most important decisions, and the Nomination/Remuneration Advisory Committee is consulted on the draft of the Succession Plan (plan to develop next generation of leaders) and reports to the Board of Directors. For the development of the next upper management (CEO), the cycle on the right is implemented, and the Board of Directors supervises and provides opinions as appropriate in order to enhance, strengthen, and improve the effectiveness of the corporate governance system.

