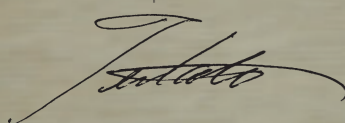


President and Representative Director CEO



As a corporate group that delivers the value of products of naturally available ingredients, we continually refine our business model and practice our Purpose of “Lively Living for Everyone.”

A Society Tsumura Seeks to Help Build

A Society That Provides Evidence-Based Health Care Tailored to Each Individual

Beginning with its founding 130 years ago, the Tsumura Group primarily offers pharmaceuticals made from crude drugs derived from plants and other natural products. The purpose of our business is to help people with health issues, as in the cases we often hear in academic conventions and the like: people who have seen no improvement in their health after consulting multiple healthcare organizations turned to Kampo treatment as a last resort, and returned to good health within a year or two. The cases clearly illustrate the value we offer and why we maintain our business.

Hippocrates, often cited as the father of modern medicine, said that there are a hundred fine physicians in everyone’s body. Those fine physicians are our immune systems and their natural healing power. Since the COVID-19 pandemic, this innate human power has gained new focus in public attention. In other words, we’ve entered a new era in which the public truly demands Kampo and traditional Chinese medicine for their abilities to address the fundamental causes of physical and mental disorder while enhancing our own natural healing power. In 2018 the World Health Organization released the first major revision of its “International Classification of Disease” guidelines in about three decades, and included a new chapter on traditional medicine. It’s highly significant that this created an international framework for verifying the efficacy and safety of traditional medicine. We consider this a positive boost for our Group in pursuing research and training personnel.

Digital technology is also contributing to our effort to do business under the Group’s Corporate Value, “The Best of Nature and Science,” and we are exploring ways to best apply this rapidly developing technology. In our core prescription Kampo business, achieving progress with personalized medicine has been difficult, because the diagnostic methods (identification of “patterns”) of Kampo medicine are unique and there are important challenges to overcome, including the influence of the proficiency level of each practitioner in diagnosis, and the increasing need for greater consultation time (medical costs). Advances in digital technology are

making it easier to gather and analyze personal health information, and the ability to identify and provide the optimum treatment for each individual is coming into view. As it becomes standard procedure to obtain everyday vital data, physicians will be able to apply that data for diagnosis and treatment. In addition, if we can establish ways to scientifically define and diagnose a given disorder before symptoms show, pre-symptomatic treatment will become more possible. We can expand our business through healthier habits and methods for preventing disease even before the pre-symptomatic stage.

In our Chinese operation we have recently been preparing to build a platform for local production and sales of traditional Chinese medicinal products while expanding our existing business platform, mainly for marketing raw material crude drugs and drug pieces (chopped crude drugs). Kampo medicines and traditional Chinese medicines have different histories of development, but we can project synergies among them because they have many factors in common, like their natural ingredients and how they are administered. Developing personnel to play central roles in our Chinese affiliated companies has reinforced our organizational foundation.

With the recent business environment in mind, to make the most of our unique strengths and build higher value, in April 2022 the Tsumura Group announced a new long-term management vision, TSUMURA VISION “Cho-WA” 2031.



Long-Term Management Vision

Realizing the Meaning of the Three Ps, We Support Well-being for Everyone

The Japanese term "Cho-WA (chowa)" in our long-term management vision carries a nuance somewhat different from "harmony," the most common English translation of the word. It fuses *cho* ("adjustment") and *wa* ("sense of peace") to describe an optimal state for body and mind as well as for individuals and society. For us it also means "the Combination of Kampo medicine and Western medicines," as stated in our Corporate Mission, extending to mean a well-balanced state among our businesses, society and environment. We render this vision in Roman characters rather than *kanji* so it will be correctly understood by the personnel of our affiliated firms abroad. When I've explained to them the importance of the meaning of *wa*, an idea born in Japan, along with the commitment and values of our founders, they get it, and it's a valuable vision we all should advocate.

Our management candidates, the people who will be moving this Group forward ten years from now, participated in the process of creating this vision. They completed the Basic Management Course, designed to train future managers and offered by Tsumura Academy, which opened in 2019. They led the discussion on what the Group hopes to become in ten to twenty years, and built the foundation for this long-term vision, the basic principles of which we express as the three Ps. First is Personalized Health Care (PHC in the diagram below), which expresses our resolve to provide through our

products and services value that contributes to well-being in a broad sense, including treatment of health issues, preventing pre-symptomatic diseases and healthcare (prevention), for every stage of life. Kampo treatment sees the big picture in each case, looking at both the physical and mental factors for a given person in their health condition. Through this we believe we can help as many people as possible by offering value through pharmaceuticals. We want to help create a healthcare environment in which anyone can receive Kampo treatment suited for them individually at any hospital or clinic. So we have instituted a business strategy to increase the ratio of physicians who prescribe ten or more Kampo prescriptions to at least 50% by fiscal 2024, and to have 50% or more of physicians writing basic prescriptions in all treatment areas based on Kampo medicine by fiscal 2031. To make that happen as soon as possible, we are dramatically increasing DX solutions for providing information.

The next P stands for Pre-symptomatic Disease and Science (PDS in the diagram). Because there is no pre-symptomatic concept common to all disorders, we currently focus on geriatric and women's health in partnership with academics and other experts. A case in point is frailty in the context of aging. We capture the many changes that aging causes within the body, scientifically define a pre-symptomatic state, establish biomarker*1 applications and

diagnostic methods, and work to provide evidence-based Kampo treatment. We also assist in three preventive measures for pre-symptomatic diseases—pre-symptomatic treatment (prevention of pre-symptomatic diseases), prevention of aggravation (prevention of disease progression), and prevention of relapses (post-healing care)—while also working to help reduce the physical, emotional and economic burdens of the patient.

Our third P is for Potential-Abilities Development (PAD in the diagram at the bottom of p. 7) to maximize the potentials of our human resources. In our previous long-term management vision for fiscal 2012-2021 we called ourselves "Tsumura, the People Company," and took ample time to adjust the mindset of our employees and shift our management approach from top-down to bottom-up. We completed a human resources management reform so employees who truly contribute to the company get the assessments they deserve, and we have been enjoying its positive results. The coaching and team-building*2 that Tsumura Academy built

into its curriculum in 2019 are among multiple initiatives driving our efforts to promote organizational change. The Academy received cooperation from many lecturers from outside the Group and has offered many symposia centering on questions about the purpose and value of each individual's job responsibilities. With this culture of dialogue established as a hotbed for creating new value, more and more Tsumura employees are working spontaneously on their own. As a result, I understand, we have been able to steer the organization toward a new long-term management vision while helping our employees maximize their potential. At the same time, much remains to be desired in terms of motivation. In Kampo and traditional Chinese medicine, which offer us no guiding business models, we are blazing a new trail, building a trusted organization that is similar to Kampo medicine in composition without loosening the reins of reform.

*1 Physiological indexes that illustrate the presence or absence of a given disorder and, if present, its degree of progress.
*2 Initiatives and effort to build teams to achieve goals while applying the individual skills, abilities and experience of their members to greatest advantage.

Review of Fiscal 2022

All Initiatives in Steady Progress, Shipments Limited

In fiscal 2022 we commenced the first stage of our long-term management vision, our first medium-term management plan, and made a steady progress with our approaches to five strategic challenges. In domestic business we established our

initiative to distribute useful information online, which we call e-Promotion, among medical personnel as a new mode for communication. In our Chinese operation we expanded sales, a result of effort focused on our crude-drugs platform,

Long-Term Management Vision (Fiscal 2022-2031)

TSUMURA VISION "Cho-WA" 2031

Under the title TSUMURA VISION "Cho-WA" 2031 we are working to fulfill the potential of our three Ps as we live in greater balance with nature and welcome an era in which we support well-being for every individual, using the power of nature and science, mainly in traditional medicine, with Kampo and traditional Chinese treatments at its core.

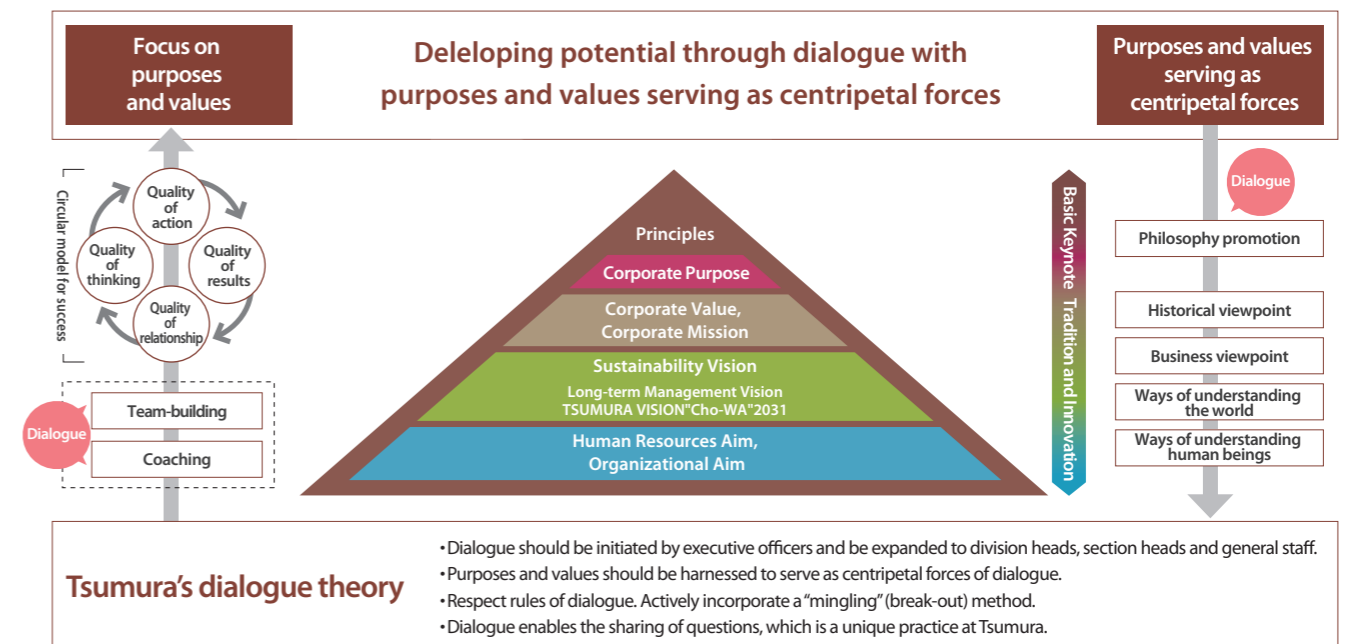


This means contributing to well-being through evidence-based provision of Kampo and traditional Chinese treatments and other products and services tailored to the individual's life stage, symptoms, genetic makeup and living environment.

With this we contribute to building a healthier society by establishing diagnostic methods and systems to address a given pre-symptomatic disease, defined based on evidence.

This describes a corporate culture that employs dialogue to encourage every employee to make the most of their potential, making us a trustworthy organization as we explore Kampo and traditional Chinese medicine business, for which there is no other model in the world.

Cultivating Dialogue Culture



with emphasis on product quality as the starting point for marketing.

At the same time we have had to address the problem of limited shipments of prescription Kampo formulations, a major event. In the spring of 2022 the city of Shanghai was locked down, which obliged us to suspend operations at our Shanghai Plant for seventy days. Following our own business continuity plan (BCP), we set up alternate production in Japan, and we managed the situation for a while. In the summer, however, demand for Kampo medicines outstripped our projections and production pace due to the worldwide spread of the COVID-19 Omicron variant, adding to a surge in seasonal prescriptions due to extreme heat. But putting high priority on the reliable supply of products that have no alternative prescriptions, we limited shipment of some products. I'd like to express my sincere apology again for the major inconvenience this caused to anyone in need of medication,

as well as medical professionals. We will further reinforce our supply system by expanding production capacity, mainly with our Tianjin Plant, which awaits government approval for manufacturing, to begin production and shipment soon.

In the field of treatment research, we made progress with clinical research in new disorder categories, with the example of clarifying Goreisan's mechanism for regulating water metabolism in cases of cardiac failure. Our latest results of various research on pre-symptomatic disease and Kampo recently made headlines in a special edition of the illustrious Gene magazine. It specifically included new biomarkers, Kampo medicine responder makers, a new frailty-assessment scale, and KAMPOmics**3, our methodology for approaching complex Kampo medicine, helping make progress with our PDS initiative.

*3 Read "Strategic Challenges 2" on page 51.

Prospects

Building Corporate Value to Enhance Organizational Structure with Urgency and Insight

For the Tsumura Group to make sustainable growth in times of VUCA*4, which make the future more difficult to predict, urgency and insight are essential. For example, with the Shanghai lockdown and limited shipments, we discussed various options, resulting in a mix of success and setback, following the BCP and handling the situation well in some

areas and succumbing to the overwhelming situation in other areas. From this series of challenges we gained a fresh realization of the importance of good decisions by the people closest to the operation venue. To adapt to this environment of rapid, substantial change, our ideal is a system that allows each employee to correctly grasp the implications of a given



situation, analyze the change, make decisions with keen insight, and take initiative in involving others in urgent action. I will continue practicing the kind of management that encourages each employee to take initiative.

One of our responsibilities on the management team is to build up the foundation of corporate value along with investment decisions to reinforce our organizational framework, train personnel and grow our business, regardless of how quickly society may change. We'd like to make it easy to visualize both financial and pre-financial values, such as organization and human capital, and our future value that will result from the three Ps we outlined in our long-term management vision, and reflect them in our investor relations. On top of that we will raise the profitability of our business in Japan and abroad and increase returns to shareholders.

In the spring of 2022 the Tsumura Group established its ultimate Purpose: "Lively Living for Everyone." One hundred and thirty years ago our founder aimed to do "meaningful business that becomes part of the public interest." In our

Purpose we express our desire to support well-being for everyone, amid the world's rapid digital revolution, while honoring the legacy of our founder's spirit. The Tsumura Group cannot reliably supply Kampo products to those who need them on our own, making it essential to work in tandem with industry organizations and business partners. As part of the government drug-price revision of April 2023, 40 Tsumura Group products*6 were made eligible for reevaluation as money-losing products. As the industry leader, the Tsumura Group, in cooperation with government and industry organizations, will work to become an example for sustainable Kampo business from the global standpoint.

Our core markets today are in Japan and China. However, naturally derived pharmaceuticals have the potential to play a major role in the health care of people in Southeast Asia as well. We work to support the well-being of the society at large by letting the entire world know about traditional Chinese and Japanese treatments and creating value that contributes to everyone's well-being.

*4: Volatility, uncertainty, complexity and ambiguity; condition in which predicting the future of society and business is hard because of extremely high variability.

*6: A rule that allows, at the time of drug-price revision, reassessment of prices of certain pharmaceuticals that are facing difficulty continuing production and sales because prices have fallen too far.

Roadmap for achieving the TSUMURA VISION "Cho-WA" 2031

		1st stage FY2022-2024 - Germination -	2nd stage FY2025-2027 - Growth -	3rd stage FY2028-2031 - Flowering -
Prescription Kampo business	Standardization of Kampo treatment	★	50% or more of physicians prescribing 10 or more prescriptions	50% of physicians writing basic prescriptions in all treatment areas
	Personalization of Kampo treatment			★
Research and development	Personalization of Kampo treatment / Scientific study of pre-symptomatic disease	Research	Develop	Social implementation
China business	Formulation platform	Entry	Build infrastructure	Establish brand
	Crude drug platform	Expand sales	Establish brand	Lead industry development
	Research platform	Establish	Expand functions	Develop evidence for traditional Chinese medicinal products
Smart factory	Expand scope of automation	Shift monitoring & management	Realize smartification of factories	
Labor productivity	Sales	Sales per MR (yen / MR)		
	Production	Physical labor productivity (box / person)		
	Crude drugs	Labor costs for the amount of arranged crude drug (yen / ton)		Productivity doubled (compared to fiscal 2021)

*5: Chinese dietary philosophy that considers natural foodstuffs as medicines and encourages their intake in balanced combination for positive health effect.



CEO Kato giving a lecture and talking with Academy students

Socializing with employees in management posts in China