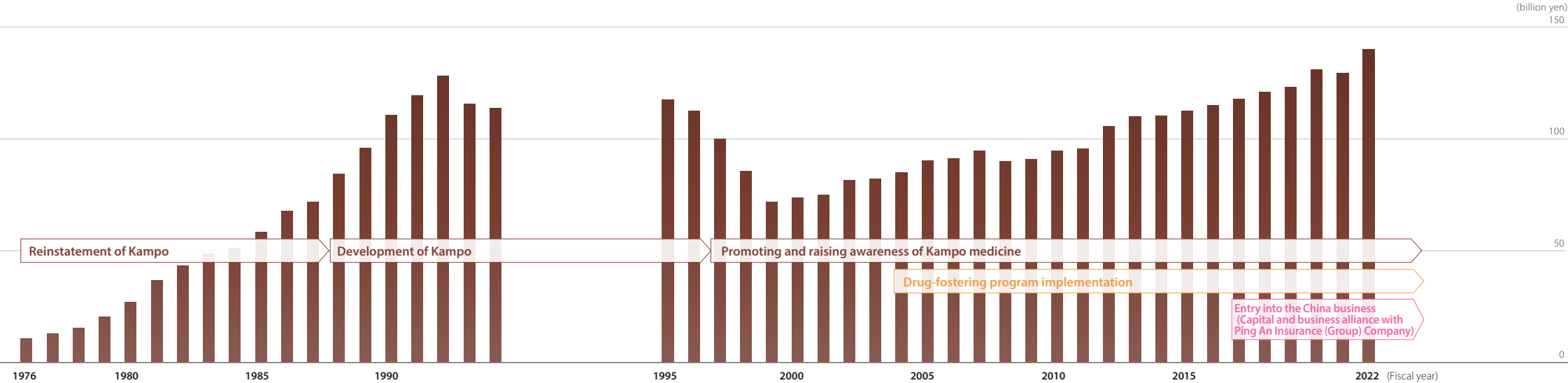


Our Value Creation Journey

In 1893, our founder, Jusha Tsumura, began selling Chujoto, a medicine for women. The Tsumura Group has worked to popularize and scientifically clarify prescription Kampo formulations with the aim of fusing Kampo medicine and Western medicine. The Group's journey has been nothing less than a history of continuous innovation to popularize Kampo medicine while protecting its traditions. Looking ahead, in addition to Kampo medicines, the Group will invest management resources also in traditional Chinese medicinal products and drug pieces, upholding its social responsibility as a company that is trusted in China's traditional Chinese medicine industry.

Consolidated net sales

Note: The "Accounting Standard for Revenue Recognition" has been applied since fiscal 2021



Changes in the Kampo value chain

Foundation for value creation

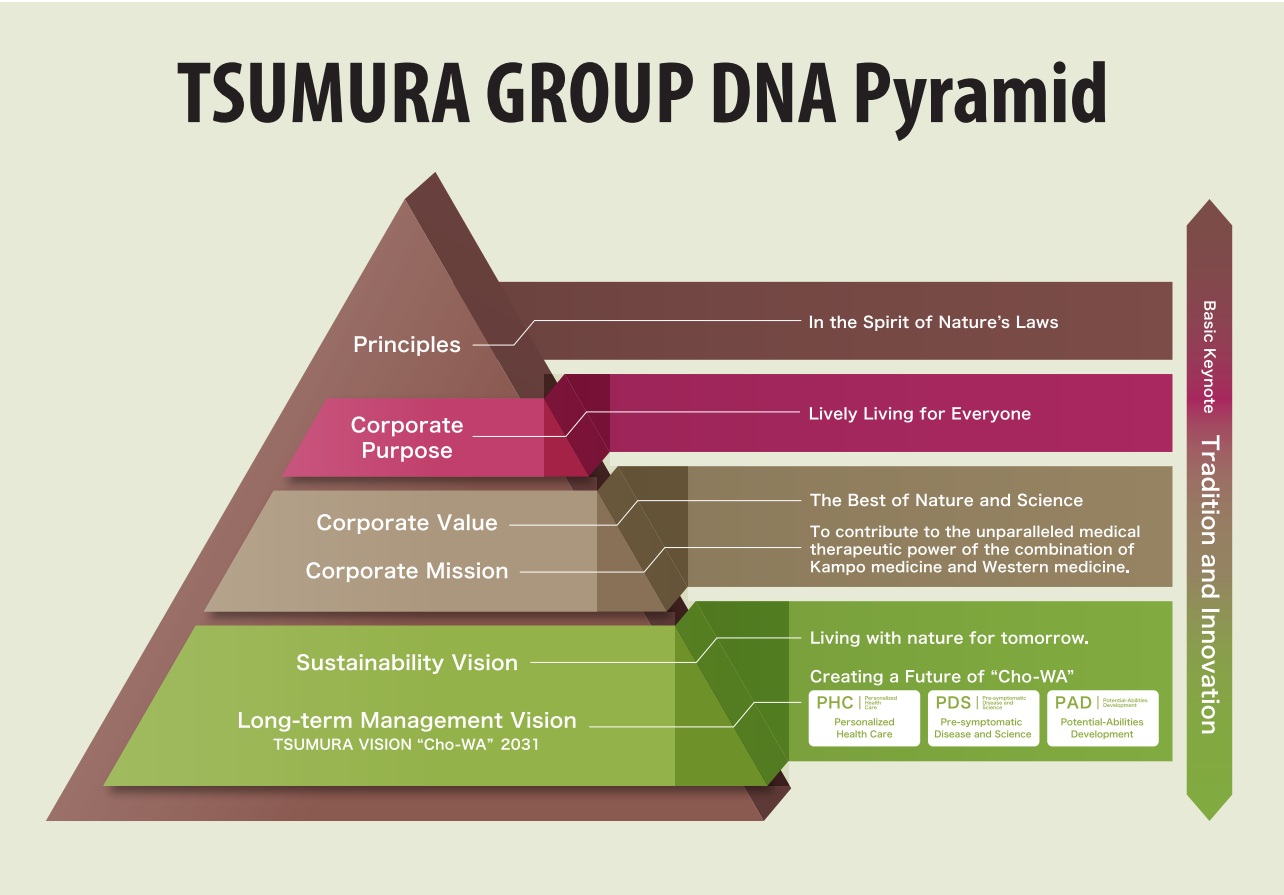
Kampo Medicine's Journey to Inclusion on the NHI Drug Price List

- (Brown sections are Tsumura's history)
- 1874 Meiji government establishes a new healthcare system, with medical licenses only issued for Western medicine (decline of Kampo medicine).
 - 1879 Kampo physicians such as Sohaku Asada start the Kampo continuation movement.
 - 1893 Tsumura Juntendo founded. Manufacture and sale of Chujoto medicine for women begin.
 - 1895 Imperial Diet vetoes a request to continue licensing for Kampo medicine (proposed revision of the law).
 - 1916 "The Journal of Japanese Botany" founded.
 - 1919 Meguro Plant constructed (for manufacturing Chujoto).
 - 1924 Tsumura Research Institute for Pharmaceutical Science and Tsumura Medicinal Plant Garden opened.
 - 1936 Tsumura Juntendo, Inc. established.
 - 1950 Japan Society for Oriental Medicine established.
 - 1957 Chujoto Building Clinic opened.
 - 1959 "Kampo Tomonokai" launched.
 - 1960 Herbal medicines listed in the Japanese Pharmacopoeia included in the NHI drug price list.
 - 1974 Sale of prescription Kampo formulations begins.
 - 1976 Total of 33 Tsumura prescription Kampo formulations added to the National Health Insurance (NHI) drug price list (reinstatement of Kampo medicine).

R&D	1924 Tsumura Research Institute for Pharmaceutical Science and Tsumura Medicinal Plant Garden opened.	1926 Tsumura Research Institute for Pharmaceutical Science takes over publication of "The Journal of Japanese Botany."	1991 Double-blind testing performed after receiving a directive to reevaluate eight Kampo formulations.	2001 TSUMURA USA, INC. established as a pharmaceutical development base in the United States.	2004 R&D policy changed to specialize in Kampo medicine and crude drugs. Drug-fostering program advanced by establishing evidence of efficacy of Kampo formulations.	2005 Investigational new drug (IND) approval for Daikenchuto obtained from the Food and Drug Administration (FDA) in the United States and clinical testing (TU-100) started.	2016 "Growing" formulations set for Kampo formulations. 100th anniversary of "The Journal of Japanese Botany."	2017 TU-100 phase II clinical trials completed, and focus on postoperative ileus (POI) as an indication announced.	Kampo treatment standardized through accumulation of evidence Multi-component Kampo formulation research method established
	1973 Purchase of crude drugs from a "friendly trading company" designated by the Chinese government starts.	1978 Second president Jusha visits China for the first time to negotiate for a stable supply of raw material crude drugs.	1981 Direct purchase of crude drugs from Chinese state-owned enterprises starts. Long-term crude-drug supply contract concluded with China Souvenirs and Livestock Company.	1991 SHENZHEN TSUMURA MEDICINE CO., LTD. established as a supply base of raw material crude drugs in China.	2007 Operation of crude-drug traceability system starts.	2010 Formulation and start of implementation of Tsumura GACP for crude drugs. LAOTSUMURA CO., LTD. established as a base for the cultivation, procurement, preparation and processing, sorting and processing, and storage of raw material crude drugs in Laos.	2011 Memorandum of Understanding concluded with the Baishan City Government in China for joint research on crude drugs as raw material.	2012 Expansion of cultivated land under our management to stabilize procurement prices of crude drugs as raw material.	
	1977 System for direct purchase from a joint venture company and base for the procurement of raw material crude drugs for the Company's use are established.	1988 System for direct purchase from a joint venture company and base for the procurement of raw material crude drugs for the Company's use are established.	1999 Heavy metal testing method established.	2009 YUBARI TSUMURA & CO., LTD. established as a base for the cultivation, procurement, preparation and processing, sorting and processing, and storage of raw material crude drugs in Hokkaido.	2013 Container exchange and conveyor robot introduced (realized reduced-labor manufacturing and 24-hour operation through the utilization of robotics).	2014 Joint research agreement concluded with the China Academy of Chinese Medical Sciences on sojutsu (Atractylodes lancea rhizome).	2015 Letter of Intent concluded for joint research with Hong Kong Baptist University.	2019 Capital and business alliance agreement concluded with Tianjin China Medico Technology Co., Ltd. (currently Ping An Tsumura Medicine Co., Ltd.)	
Manufacture	1964 Shizuoka Plant newly established.	1983 Ibaraki Plant newly established and the research laboratory relocated to the site.	1999 Heavy metal testing method established.	2001 SHANGHAI TSUMURA PHARMACEUTICALS CO., LTD. established as a manufacturing base for extract powder (intermediate product) in China.	2005 Container exchange and conveyor robot introduced (realized reduced-labor manufacturing and 24-hour operation through the utilization of robotics).	2007 Industrial robot receives excellence award at The Robot Award 2007.	2018 TIANJIN TSUMURA PHARMACEUTICALS CO., LTD. established as a manufacturing base for extract powder in China.	2020 Robot technology deployed in all manufacturing processes of the No. 3 SD Building at the Ibaraki Plant.	Quality assurance system for all lots Automation of all processes
	1974 Sale of prescription Kampo formulations begins.	1976 Total of 33 Tsumura prescription Kampo formulations added to the NHI drug price list.	1987 Further additions to the NHI drug price list bring the number to 129.	1996 Media reports side effect of interstitial pneumonia caused by Shosai-koto.	2007 Kampo medical symposium held.	2009 Kampo medicine education implemented at all university medical departments and medical colleges nationwide.	2019 Application of the "Guidelines for Provision of Sales Information on Prescription Drugs" begins.	2020 Project to establish presence in the area of cardiovascular diseases begins.	
Sale, education, and popularization	1893 Manufacture and sale of Chujoto medicine for women begin.	1976 Total of 33 Tsumura prescription Kampo formulations added to the NHI drug price list.	1987 Further additions to the NHI drug price list bring the number to 129.	1996 Media reports side effect of interstitial pneumonia caused by Shosai-koto.	2001 Kampo medical symposium held.	2004 Kampo medicine education implemented at all university medical departments and medical colleges nationwide.	2007 Sponsorship of dementia forums begins.	2019 Application of the "Guidelines for Provision of Sales Information on Prescription Drugs" begins.	Education and popularization of Kampo medicine Proposal of therapies that combine Kampo medicine and Western medicine
	1974 Sale of prescription Kampo formulations begins.	1976 Total of 33 Tsumura prescription Kampo formulations added to the NHI drug price list.	1987 Further additions to the NHI drug price list bring the number to 129.	1996 Media reports side effect of interstitial pneumonia caused by Shosai-koto.	2001 Kampo medical symposium held.	2004 Kampo medicine education implemented at all university medical departments and medical colleges nationwide.	2007 Sponsorship of dementia forums begins.	2019 Application of the "Guidelines for Provision of Sales Information on Prescription Drugs" begins.	

*1 Medical Representatives

*2 Good Agricultural and Collection Practice: A guideline for good agricultural practice of plants for medicinal use formulated by the WHO and others, detailing aspects from cultivation to shipment.



Tsumura's Decision Criteria

The environment surrounding the pharmaceutical industry is constantly changing. By contrast, the Tsumura Group's Principles, "In the Spirit of Nature's Laws," have been unchanged since the Group's founding. The reference to nature's laws is from the ancient Chinese classic, the I Ching, and means that one should "Obey the will of heaven." We interpret "heaven" to refer to nature in the broadest sense, and consider it important to strive to conduct business correctly in accordance with the principles of nature. Tsumura's point of origin was the commercialization of a medicine for women called "Chujoto," which was designed to meet the needs of women, who had limited access to healthcare during the Meiji Era of the late 19th century and early 20th century. Since its foundation, the Company has been dedicated to growth that brings benefits to the public by helping to create a lively society through a well-balanced state of mind and body or well-being, of each individual.

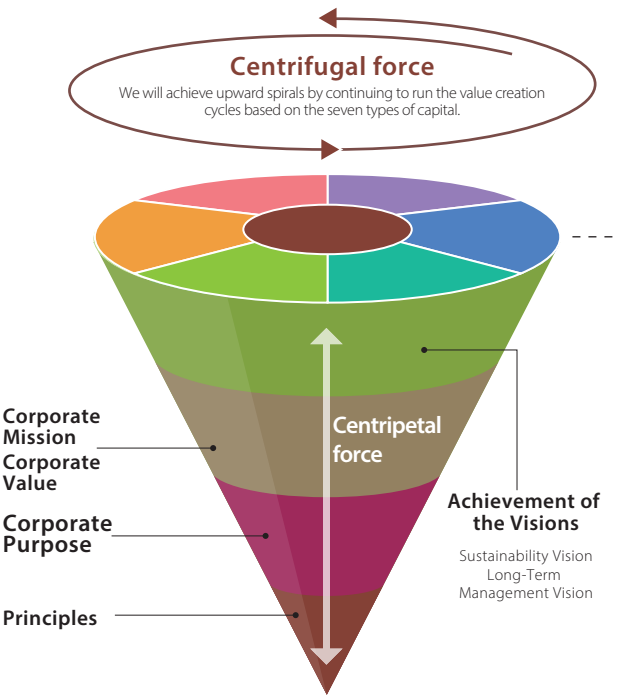
In April 2022, the Group renewed its philosophical system, the TSUMURA GROUP DNA Pyramid. Looking ahead to healthcare some 50 to 100 years in the future, the Group formulated its Corporate Purpose as "Lively Living for Everyone,"

a social mission that links back to the origin of its foundation, and this is positioned in the upper part of the pyramid together with "In the Spirit of Nature's Laws." In addition, the Group's Corporate Value, "The Best of Nature and Science," and its Corporate Mission, are positioned in the middle of the pyramid, where they form the basis of the Group's management practices. At the same time, the Tsumura Group formulated its Sustainability Vision, "Living with nature for tomorrow," and its ten-year Long-Term Management Vision, "TSUMURA VISION 'Cho-WA' 2031." We are committed to continuous innovation while upholding our 130-year tradition, aiming to be a corporate Group that can realize a future in which individuals and society enjoy mental and physical well-being, and where individuals and society are in "Cho-WA" (a well-balanced state).

Through our daily operations, as we make various decisions based on the above Principles, Corporate Purpose, Corporate Philosophy, and Visions, we strive to create social value such as the expansion of access to healthcare and the extension of healthy life spans.

Please see our corporate website for details. "Corporate Purpose, Corporate Value, Corporate Mission and Vision" <https://www.tsumura.co.jp/english/corporate/policy/index.html>

Value Creation Cycle



Approach to Increasing Corporate Value

To create social value through the Tsumura Group's products and services, we place organization capital* at the center of management, based on our philosophy. We harness this organization capital to increase centripetal force, aiming to realize our Sustainability Vision and Long-Term Management Vision as the autonomous activities of our employees accumulate to form a great centrifugal force.

Furthermore, we nurture human resources who can reflect our Visions and Corporate Philosophy in their daily activities and make appropriate decisions, creating a cooperative and collaborative organization in an effort to generate a virtuous cycle for all of the capitals. Our approach to this is to engage in activities that promote understanding of our philosophy, such as having dialogues focused on the purpose of work and creation of value. Through these activities, we maintain an organizational culture that encourages the expression of employees' latent potential, while aiming to be a pioneering corporate group opening up new pathways in a Kampo and traditional Chinese medicine business that is unique in the world.

* The International Integrated Reporting Council's "International Integrated Reporting Framework" presents six capitals as a concept for examining an organization's approach to inherent value creation. To these, the Tsumura Group has added "organization capital" as a seventh capital. This capital is our own original concept. Just as Kampo medicines are composed of a combination of several crude drugs, we aim to create an organization that brings together many people with unique capabilities and individuality in a well-balanced state to create our ideal social value.



Process for Value Creation

Fiscal 2022 results



1. Organization capital

- Organization mechanism analogous to Kampo medicines
- **130** th anniversary of founding
- Corporate philosophy survey: **4.06** pt



2. Human capital

- Number of employees (consolidated): **4,032**
- Education expense per person (parent): ¥ **126** thousand
- Percentage of employees with disabilities: **2.58** %



3. Intellectual capital

- R&D expenses: ¥ **7,594** million
- Raw Materials for Crude Drug Traceability System based on Tsumura GACP
- Tsumura Quality Management System to ensure the uniform quality of Kampo formulations
- Tsumura's proprietary research package (KAMPOMics®)



4. Natural capital

- Energy used: **2,063** TJ
- Water used: **2,064,946** t
Water recycling rate (Ibaraki, Shizuoka and Shanghai): **56.0** % on average
- Percentage of industrial waste recycled: **99.9** % (Parent)
- Countries supplying raw material crude drugs: China approx. **90** % ; Japan, Laos and others approx. **10** %
- Percentage of cultivated land under the Group's own management: **78** %



5. Manufacturing capital

- Selection and processing, quality management: **2** sites in Japan, **2** sites in China
- Manufacturing plants: **2** sites in Japan, **2** sites in China
- Research centers: **1** site in Japan, **1** site in China
- Capital expenditure: ¥ **11,172** million



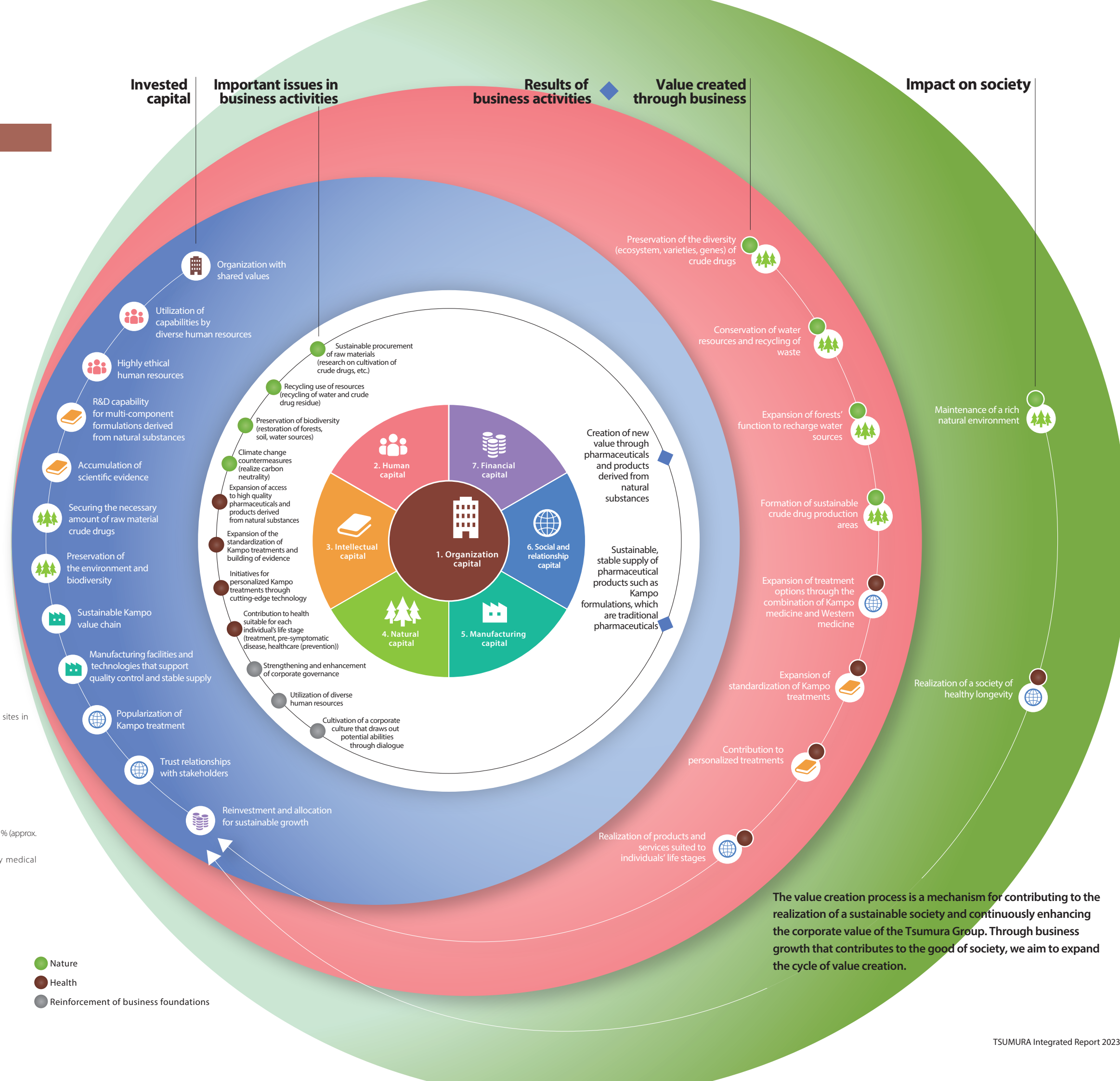
6. Social and relationship capital

- Percentage of physicians prescribing 10 or more Kampo prescriptions: **32** % (approx. 100,000 physicians)
- Kampo medicine education being implemented at all university medical departments and medical colleges
- Number of consultations at customer consultation desk: **41,534**



7. Financial capital

- Net sales: ¥ **140,043** million
- Operating profit: ¥ **20,916** million
- Free cash flow: ¥ **959** million
- Total assets: ¥ **396,813** million
- Shareholders' equity: ¥ **252,046** million



The value creation process is a mechanism for contributing to the realization of a sustainable society and continuously enhancing the corporate value of the Tsumura Group. Through business growth that contributes to the good of society, we aim to expand the cycle of value creation.

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		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	➔ 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	➔ P49 Strategic Challenge 1
		<ul style="list-style-type: none">● 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">● 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 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	➔ P29 “The Best of Nature and Science”--Tsumura's Value Creation Capability ➔ P57 Strategic Challenge 4
	Initiatives for personalized Kampo treatments through cutting-edge technology			<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	➔ P3 Purpose Driven Value Creation