

1

Continuously expanding the Kampo market by providing Kampo solutions that match the needs of each and every physician

Strategy Outline

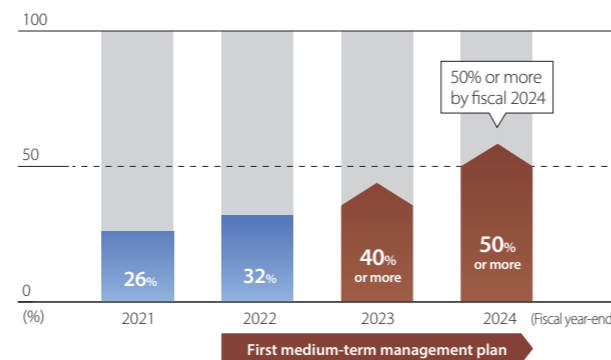
Strategic challenge 1 focuses on our prescription Kampo business in Japan with the goal of realizing a situation where patients can receive Kampo treatment suited to them individually, regardless of the medical institutions or clinical department. Under the first medium-term management plan, as a first step in this direction, we are working to continuously expand the Kampo market by providing Kampo solutions that match the needs of each and every physician. Currently, we have started building systems for supplying information on product safety, efficacy, and quality through optimal channels, centered on Tsumura's proprietary "basic prescriptions for treatment areas."* We aim to realize a situation where physicians use different Kampo formulations according to the patient's symptoms.

First, we have set a target of realizing a situation where at least 50% of clinical physicians are prescribing 10 or more prescriptions by the end of fiscal 2024. Then, by fiscal 2031, we will establish the standardization of Kampo treatments by realizing a situation where at least 50% of clinical physicians are able to write basic prescriptions in all treatment areas.

Towards the achievement of these goals, we have set geriatric health, cancer (supportive care), and women's health as important domains, and we are working to dramatically increase

the volume and quality of information provided, mainly regarding drug-fostering program formulations, "Growing" formulations, and basic prescriptions for treatment areas. In addition, we are also working on e-promotions using digital technology, mainly on external medical information platforms and our TSUMURA MEDICAL SITE. By studying the level of participation in seminars and data on what contents are being viewed, we analyze the individual information needs of physicians to implement more advanced information provision through MR activities and hybrid-type promotional activities.

Ratio of Physicians Prescribing 10 or More Prescription Kampo Formulations



* Prescriptions that can be used appropriately (are indicated) for diseases or symptoms that have large numbers of patients in each treatment area, set independently by the Company.

Three Important Domains and Drug-fostering Program Formulation and "Growing" Formulation

D Drug-fostering program formulations G "Growing" formulations

Geriatric health	Cancer (supportive care)	Women's health
<p>Symptoms associated with frailty</p> <ul style="list-style-type: none"> G Ninjin'yoeito G Kamikihito G Hochuekkito D Goshajinkigan + Associated formulations <p>Psychiatric and neurological disorders</p> <ul style="list-style-type: none"> D Yokukansan + Associated formulations 	<p>Mitigation of side effects, etc.</p> <ul style="list-style-type: none"> D Rikkunshito D Hangeshashinto D Goshajinkigan G Kamikihito G Hochuekkito + Associated formulations 	<p>Diseases specific to women</p> <ul style="list-style-type: none"> G Kamishoyosan G Kamikihito + Associated formulations <p>Other diseases and symptoms</p> <ul style="list-style-type: none"> D Daikenchuto G Goreisan + Associated formulations
<p>Peripheral symptoms in patients with cardiovascular diseases</p> <ul style="list-style-type: none"> G Goreisan + Associated formulations <p>Digestive system diseases</p> <ul style="list-style-type: none"> D Daikenchuto D Rikkunshito + Associated formulations 		

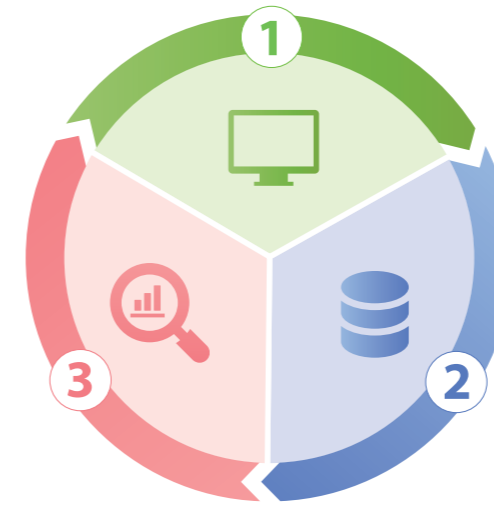
Drug-fostering program formulations

Considering the structure of disease in recent years, the Company is focusing its attention on certain diseases in areas with high medical needs, for which new Western drugs have not been successful and where prescription Kampo formulations have demonstrated special efficacy. The Company will establish a base of scientific evidence for these Kampo formulations.

"Growing" formulations

The Company aims to have these formulations listed in the treatment guidelines as strategic formulations following the five "drug-fostering" program formulations. This will be done by establishing scientific evidence (data on safety, efficacy, etc.) in areas with low levels of satisfaction in the treatment and low levels of contributions being made by drugs.

Overview of E-promotions



Our e-promotions realize enhanced customer experiences tailored to individual physicians, aiming to increase the quality and quantity of MR activities based on the behavior data of physicians and MRs.

1	<p>Digitalization</p> <p>Digitalization of customer touchpoints and operations</p> <ul style="list-style-type: none"> Utilization of medical information platforms Enhancement of TSUMURA MEDICAL SITE Utilization of email marketing Enhancement of customer touchpoint tools
2	<p>Centralization</p> <p>Centralized management and visualization of data</p> <ul style="list-style-type: none"> Centralized management of customer information Data linkage based on customers Visualization of data
3	<p>Data-driven</p> <p>Activity change from data analysis</p> <ul style="list-style-type: none"> Acquisition of insights (hidden customer needs) from database analysis Presentation of recommended actions for measures and MR activities

E-promotions

We will establish an analytical foundation for encouraging MRs to change their activities while giving consideration to their independence

Shigeru Ishibashi
Section Leader, Digital Communication Promotion Section, Marketing Department, Sales and Marketing Division



I have been working to enhance information provision methods at Tsumura since 2021, mainly through e-promotion, such as video streaming and web seminars on owned media. In the initial process of transitioning from real-world seminars to web seminars at sales offices throughout Japan, there were some instances of confusion on sites as we still had only limited experience and we were still organizing the operation system when we started. However, I was confident that we could definitely achieve the transition. This was because I expected that our MRs would be able to utilize their extensive experience of real-world seminars in e-promotions. As we grew more experienced with using the web, we began to implement a large number of different ideas. We also held new interactive seminars such as Kampo Online Salon, which received positive feedback from participants. As a result, the number of participants in our seminars for fiscal 2022 for the Company overall was approximately quadruple that of fiscal 2019.

We experienced tremendous satisfaction and confidence when seminars that had been held in person

with several tens of participants were dramatically expanded to several tens of thousands of participants using the web format. This was because Kampo information was delivered to physicians from all medical departments, and we could see the potential to realize a situation where physicians use different Kampo formulations according to the patient's symptoms.

Currently, the Company is working to establish a system for analyzing the individual information needs of physicians based on the level of participation in web seminars and events and data on what contents they have viewed, then using the analysis results to encourage MRs to change their activities. We aim to realize hybrid promotional activities by using the results of analysis to provide advice on recommended actions while giving consideration to MRs' independence. To achieve this, we hold weekly meetings with relevant departments and external partners to develop the content of our initiatives. We are envisaging an organization where digital technology is incorporated into our culture and mindset, while striving to maximize customer experience value.

2

Using KAMPOmics to build evidence on Kampo and promote the scientific study of pre-symptomatic diseases

Strategy Outline

In its research activities, Tsumura is gathering evidence for the efficacy and safety of Kampo formulations and focusing on expanding the number of write-ups in treatment guidelines and raising the recommendation level with the aim of increasing the opportunities for their selection as standard treatments. In our initiatives for personalized medicine, we conduct research into responder markers through KAMPOmics® (see below), and we are working on development of AI-based Kampo medical exam support system using DX solutions.

In developing the Kampo medical exam support system, we are currently working on creating objectified Kampo diagnostic methods (four diagnostic methods)*1 using AI and machine learning with the objective of building a system for scientifically diagnosing the "patterns"***2 of Kampo medicine. To this end, we are also working to improve the accuracy of automated medical interviews in preparation for a trial operation.

Furthermore, we also aim to address three preventive measures for pre-symptomatic diseases, which are preventing pre-

symptomatic treatment (prevention of pre-symptomatic diseases), prevention of aggravation (prevention of disease progression), and prevention of relapses (post-healing care). To this end, we aim to establish treatment methods suited for the life stage, symptoms, genetic makeup and living environment of each person. We will do this through research into definitions, diagnostic methods, measurement methods, and reference values based on scientific evidence. Specifically, we are engaged in elucidation of the mechanisms of action of Kampo medicines, interaction research, and clinical research targeting frailty, supportive care in the cancer domain, and women's health such as premenstrual syndrome (PMS). In parallel, we are attempting to establish biomarkers that can detect pre-symptomatic disease, and we will create new value through the improvement of pre-symptomatic disease using Kampo medicines.

*1 Kampo formulation is prescribed to match the "patterns" based on the four diagnostic methods used in Kampo medicine: inspection, listening, inquiring, and palpation.
*2 Evidence of the condition of the person. (Individual differences in physical constitution, physical strength, resistance, and the presentation of symptoms.)

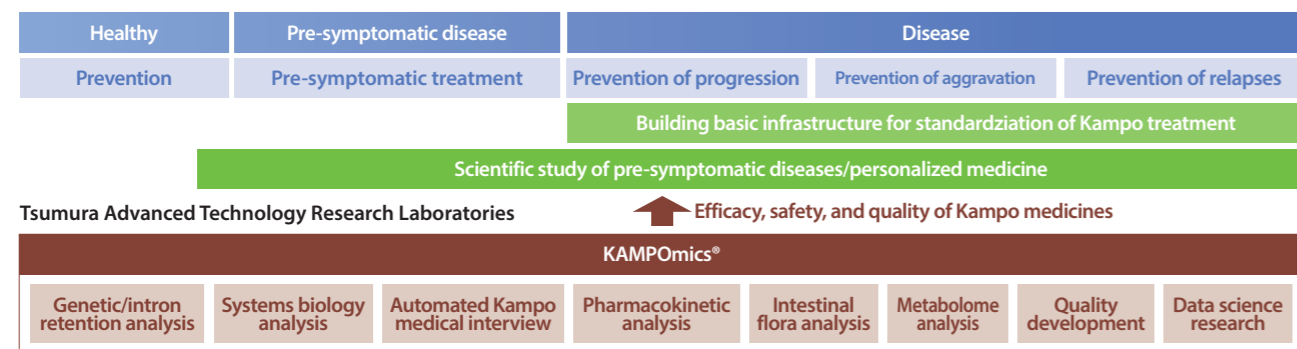
Tsumura Advanced Technology Research Laboratories Promoting KAMPOmics®

KAMPOmics® is Tsumura's proprietary research package. It combines research on cutting-edge technological fields where Tsumura has strengths (metabolomics,**3 genetics, intestinal flora, systems biology,**4 etc.), and is formulated to gain a comprehensive understanding of Japanese traditional Kampo medical science, and of Kampo medicines with their multiple components and complexities.

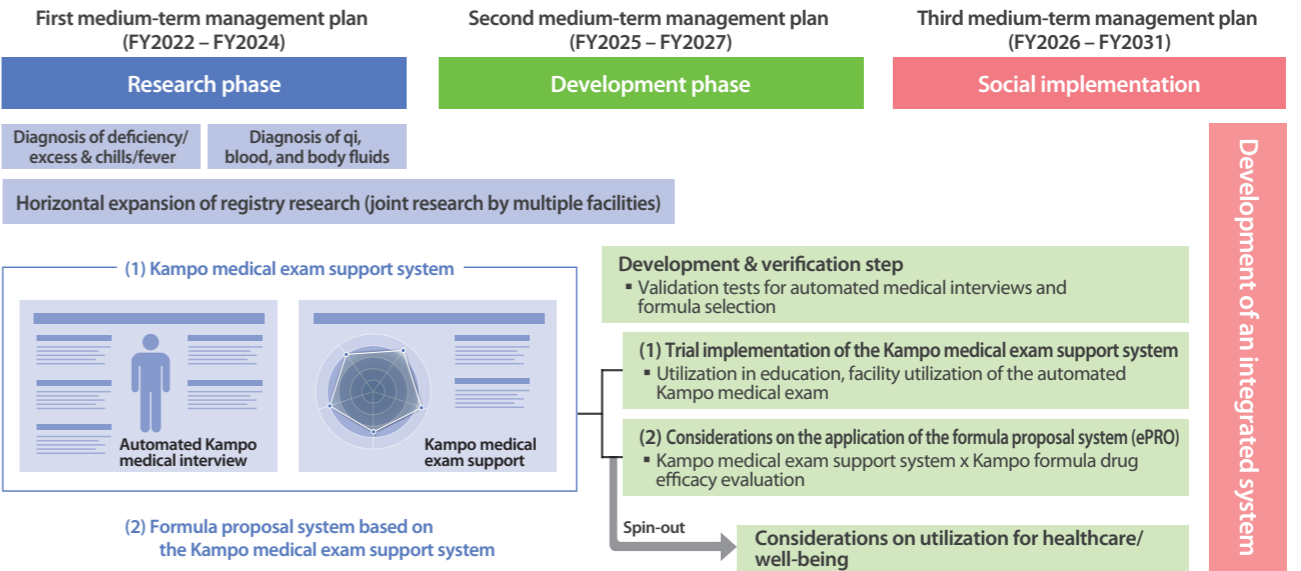
Tsumura Advanced Technology Research Laboratories is conducting clinical research to demonstrate the efficacy

and safety of Kampo medicines based on this package, while playing a role in building scientific evidence. As a research organization driving the Company's R&D, the laboratory brings together advanced technologies and focuses on proposing new treatment methods and addressing the challenge of pre-symptomatic diseases.

*3 A field of research that performs comprehensive analysis of metabolites and Kampo medicine components within the body using a mass spectrometer.
*4 A field of research that seeks to provide a comprehensive explanation of biological functions by focusing on the interaction between genes, proteins, metabolites and other biological factors.



Personalization of Kampo Treatment



Scientific Evidence

Aiming to realize a world where each individual is able to receive the most appropriate Kampo treatment

Akinori Nishi

Head of Tsumura Advanced Technology Research Laboratories Kampo Research and Development Division



Kampo medicines are formulated from multiple compounds derived from natural substances, and their efficacy is said to be difficult to prove scientifically. We have been promoting clinical research and basic research for many years to address this issue. Recently, we have been working to build clinical research and scientific evidence to demonstrate the efficacy and safety of Kampo medicines, based on the KAMPOmics® package. In fiscal 2022, we presented a comprehensive explanation of KAMPOmics® in the academic journal "Gene" published by Elsevier. I hope to promote essential understanding of Kampo medicine by clarifying part of the characteristics of the pharmacokinetics and clinical effects of specific components.

Going forward, in addition to clarifying and researching evidence, we will make use of advanced technologies such as metabolomics, systems biology, and genetic analysis as we focus on establishing the most appropriate Kampo treatment for each patient (personalized medicine) and the scientific study of pre-symptomatic diseases. For personalized medicine, I think it is important to clarify the common characteristics of patients for whom a Kampo medicine has shown a prominent effect. In addition, it is also essential to enable a scientific and objective grasp of diagnosis of patterns,

which is considered to be in the realm of accomplished Kampo practitioners. As a technological development to assist in this, we have been building an automated medical interview system with the goal of realizing personalized medicine that fuses Kampo medicine and Western medicine. Meanwhile, for the scientific study of pre-symptomatic diseases, we are promoting research into biomarkers that enable us to understand the status of the body from pre-symptomatic disease to disease as a system, and to objectively understand the beneficial effects of Kampo medicines on the prevention of pre-symptomatic disease, prevention of disease progression, and prevention of relapses.

The social implementation of personalized medicine and scientific study of pre-symptomatic diseases is difficult for the Company to achieve on its own. We will promote data-driven R&D with cooperation from research institutes and partner companies who share our goals. Our role is to create a virtuous cycle that links the evidence we obtain through research with social value. We will continue to explore the essence of life and maintain a sincere approach to facing social issues, while aiming to realize a society where each individual is able to receive the most appropriate Kampo treatment.

3

Expanding sales of crude drugs and drug pieces in China and entering the traditional Chinese medicinal products business

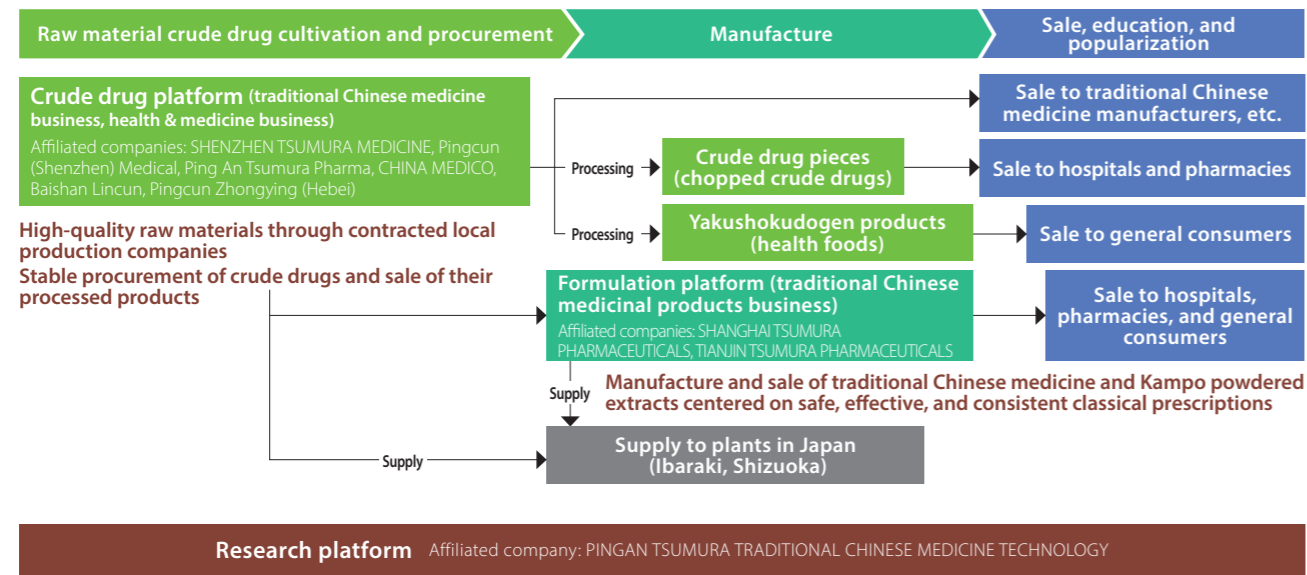
Strategy Outline

The objective of the China business is to support the development of the traditional Chinese medicine industry and to contribute to the health of the people of China by utilizing the quality, technologies, and skills that the Tsumura Group has nurtured over the years through our experience in cultivating raw material crude drugs and manufacturing Kampo formulations, and bringing those together with the customer base and the online medical platform owned by the Ping An Insurance (Group) Company of China.

At each stage of the Long-Term Management Vision, we

will promote investment in the China business and foundation building, aiming to raise the ratio of consolidated net sales from the China business to 50% or higher by becoming a corporate Group that leads the development of the traditional Chinese medicine industry. We will develop the health & medicine business, which covers the areas of healthcare, prevention, and pre-symptomatic disease, and the traditional Chinese medicine/ medicinal products business, which covers the areas of treatment and pre-symptomatic disease through the three platforms of crude drugs, formulation, and research.

Three Platforms in the China Business



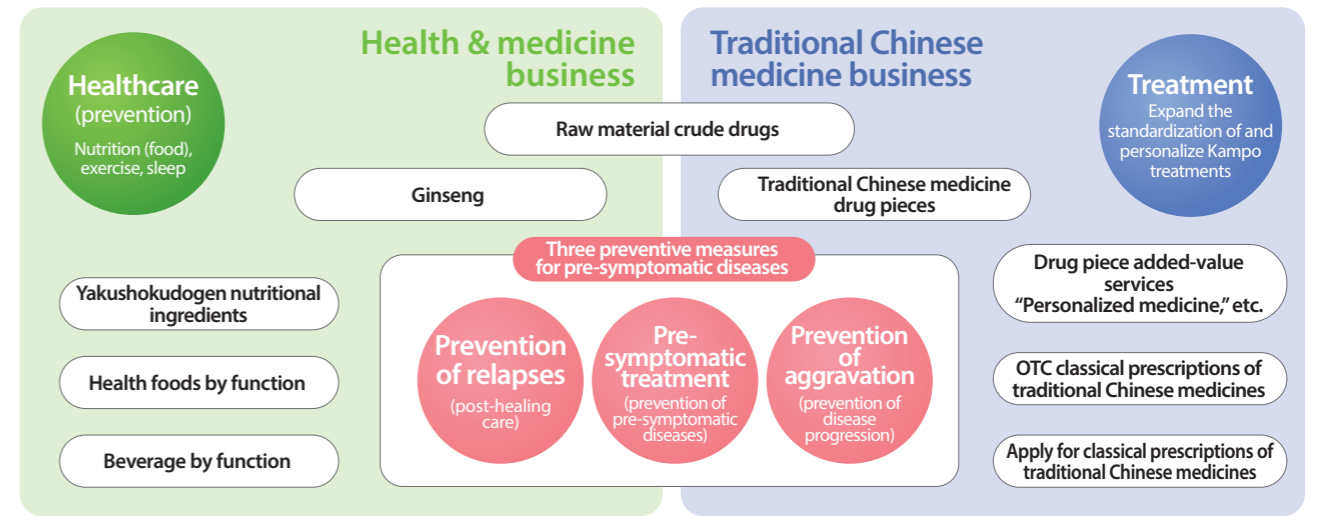
Research platform Affiliated company: PING AN TSUMURA TRADITIONAL CHINESE MEDICINE TECHNOLOGY
Developing a quality standard for the entire supply chain and conducting production and quality research for crude drugs and quality research for traditional Chinese medicinal products

Milestones in Each of the Platforms

Aim to achieve an overseas sales ratio of 50% or more, and become a traditional Chinese medicine company that will lead the development of the traditional Chinese medicine industry

	First medium-term management plan FY2022-2024	Second medium-term management plan FY2025-2027	Third medium-term management plan FY2028-2031	
Formulation platform	Enter the traditional Chinese medicinal products business M&A of a traditional Chinese medicinal products company Apply for classical prescriptions	Build a foundation for the traditional Chinese medicinal products business External sales ratio: More than 50%	Establish a brand as a traditional Chinese medicinal products company Industry top 10	Sales outlook RMB 7 billion or more
Crude drug platform	Increase sales of crude drugs, drug pieces, and Yakushokudogen product External sales ratio: More than 50%	Establish a brand for crude drugs, drug pieces, and Yakushokudogen products Expand sales routes to public hospitals (including M&A)	Crude drug and drug piece company that leads the industry's development Leading share in China	Sales outlook RMB 3 billion or more
Research platform	Establish the Traditional Chinese Medicine Research Center	Expand the functions of the Traditional Chinese Medicine Research Center	Build evidence in traditional Chinese medicinal products	

China Business Objectives

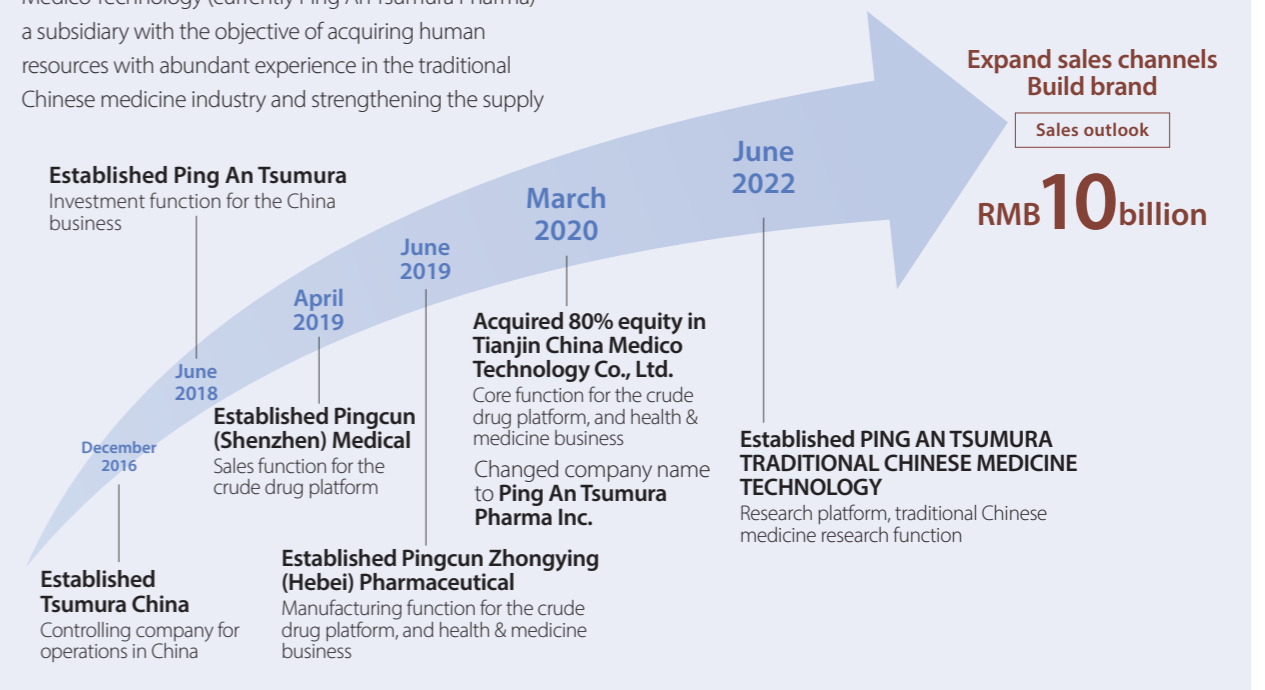


Building a Foundation for the China Business

Tsumura started full-scale promotion of the China business in 2017. That year, we entered a capital and business alliance with Ping An Insurance (Group) Company of China, and established Ping An Tsumura the following year as an investment function for the China business. In 2019, we established Pingcun (Shenzhen) Medical to take care of sales functions for the crude drug platform.

Then, in 2020 the Company made Tianjin China Medico Technology (currently Ping An Tsumura Pharma) a subsidiary with the objective of acquiring human resources with abundant experience in the traditional Chinese medicine industry and strengthening the supply

system for raw material crude drugs, which are essential for the China business. In this way, the Company began full-fledged sales of raw material crude drugs, drug pieces, and Yakushokudogen products (health foods) in China. After that, the Company established PING AN TSUMURA TRADITIONAL CHINESE MEDICINE TECHNOLOGY to operate the research platform, among other efforts to strengthen the foundation of the China business.



For details of terminology such as "drug pieces," please see page 74 "Explanation of Kampo Medicine and Traditional Chinese Medicine".

Crude Drug Platform

The crude drug platform serves the functions of cultivation, procurement, sorting, processing, and storage of raw material crude drugs used in the domestic business in Japan and in the China business. It also provides the function of manufacturing and selling raw material crude drugs, drug pieces, and Yakushokudogen products in China. With regards to raw material crude drugs, Tsumura holds cultivated land under own management throughout China, and with the cooperation of local companies, we are cultivating and procuring high-quality crude drugs by managing their cultivation, as well as processing and producing those crude drugs, in keeping with the Tsumura GACP.

The raw material crude drugs are exported as raw material for the Kampo formulations in our domestic business. We are also working to develop new external sales channels, such as to traditional Chinese medicinal products manufacturers, by demonstrating our ability to keep the formulation platforms supplied as well as emphasizing our superior quality. We are also working to expand hospital and online sales channels of drug pieces (chopped crude drugs), which are raw material crude drugs that have been processed to give added value. Furthermore, as an outsourced processing service, we are focusing on spreading "personalized medicine" with increased consistency and portability of drug pieces.

In addition, for Yakushokudogen products, which utilize

crude drugs, we will build new sales channels and establish brand power by making comprehensive use of social media, e-commerce, live commerce, and other channels. Looking ahead, we plan to expand our sales channels in the Southeast Asian markets as well, through measures such as business alliances with local companies in each country. In the long term, we aim to lead this industry and grow into one of the top companies in the world through the sales and branding of high-quality crude drugs, drug pieces, and Yakushokudogen products.

During the first medium-term management plan, we will implement the following initiatives to achieve a CAGR of 30% in sales.

- Promote the expansion of supplied items and brand penetration for high-quality crude drugs, drug pieces, and Yakushokudogen products.
- For raw material crude drugs, increase the number of items in which we have superiority in such areas as quality, handling volume, and price.
- For drug pieces, continue to expand sales routes to public hospitals and also increase online sales, with a focus on priority items.
- For Yakushokudogen products, use superior crude drugs to develop high-value-added products that match the healthcare and prevention needs.



Raw material crude drugs



Drug pieces



Yakushokudogen products



Research Platform

The research platform will perform the function of deploying the quality management technologies and our know-how in evidence building that we have nurtured through our business in Japan into our business in China. This platform will serve the role of developing a quality standard for the entire supply chain that covers the seedlings of crude drugs to the final finished product, and will also serve the function of quality research for crude drugs and for traditional Chinese medicinal products.

In the future, we aim to become a leading company in the traditional Chinese medicine industry by delivering a standardized level of quality in our crude drugs and formulations and solving problems. We seek to improve branding and raise recognition to help expand sales of the crude drug platform and the formulation platform. Currently, we are exploring schemes for establishing small-scale research centers and conducting joint research through collaboration with outside partners that possess talented personnel, expertise, and research facilities.

Formulation Platform

The formulation platform procures raw material crude drugs from the crude drug platform, then manufactures and sells traditional Chinese medicinal products. We are targeting the classical prescriptions from among the wide range of traditional Chinese medicinal products, and are aiming to contribute to the health and healthcare of the people of China by producing and selling formulations that are safe, consistent, and effective. Classical prescriptions are a type of traditional Chinese medicinal products, and the formulas are based on ancient medical texts in China. In recent years, the Chinese government has given prominence to classical prescriptions in order to encourage the development of the traditional Chinese medicine industry, and has been issuing various preferential policies for them. In addition, many of these products are similar to Japanese Kampo formulations. In this external environment, Tsumura will raise classical prescriptions up into a new and higher stage in order to promote their widespread use. We will achieve this by ensuring high quality in all steps from crude drug cultivation to production based on our wide-ranging expertise, and proving the efficacy of the prescriptions by building evidence.

As a step towards entering the traditional Chinese medicinal products business, in May 2023, our Group company Ping An Tsumura acquired 100% of equity interest in Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. (hereinafter "Unisplendour"). Subsequently, however, we received notification from the Baoji

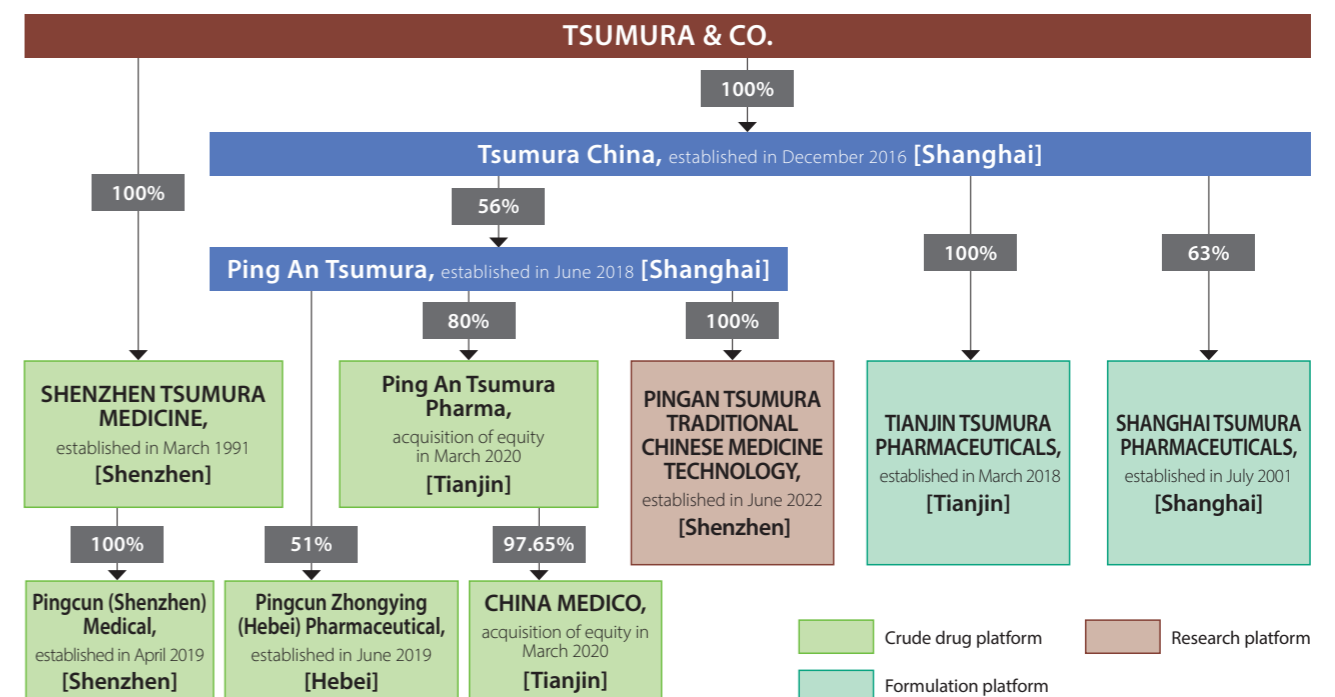
municipal government in Shaanxi Province that it had found a difference in the interpretation of national policy and related laws and regulations by the municipal government department in charge of the project. We held multiple discussions with the department in question, but it was determined that the conditions for continuation of the project were not satisfied. Understanding and respecting the opinion of the municipal government, we transferred the equity of Unisplendour in July 2023.

We are also looking into other ways of entering into the traditional Chinese medicinal products business other than through M&As. For example, with regards to the classical prescriptions (currently 64 prescriptions) that no longer require clinical tests to apply for market release, which is a change that has been brought on by the easing of restrictions by the Chinese government, we are in the process of selecting prescriptions by studying their marketability and engaging in research and development efforts in order to launch them into the market.

Despite the transfer of equity of Unisplendour, the policy of the formulation platform remains unchanged, and we will work quickly to establish a foundation for participation in the traditional Chinese medicinal products business.

Over the long term, our aim is to become a trusted company in the sale of traditional Chinese medicinal products centered on classical prescriptions.

Capital Relationships of Major Group Companies in China



Strategic Challenge 4

4

Innovating the IT platform and crude drug selection, and promoting the implementation of AI and automation toward reforming the Kampo value chain

Strategy Outline

We will create a smart factory in our manufacturing process as we reform the Kampo value chain in Japan and overseas, from crude drug cultivation to sales.

In the period of our first medium-term management plan, we will advance efforts to automate the processes by using advanced technologies at our plants, collect data, visualize it, save energy, and reduce the workload, with the aim of improving labor productivity in fiscal 2024, the final year of the plan, by 20% compared to fiscal 2021. Moreover, under our Long-Term Management Vision 2031, we aim to double labor productivity compared to fiscal 2021.

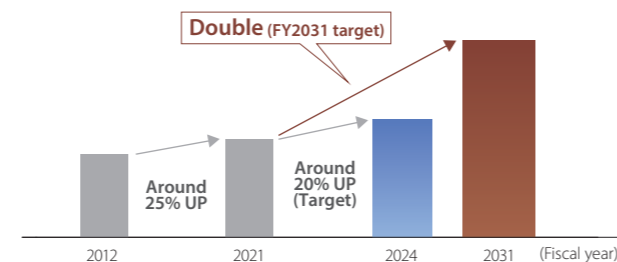
Specific initiatives include the implementation of a series of our automation and labor-saving technologies that we have been developing into each of our plants, in addition to the development of advanced technologies for manufacturing processes that are difficult to automate because of the complexities of the work involved, such as inspection processes. We will also advance efforts to gather data and visualize it to prepare for the future development of new production systems, such as the use of digital twins.

In cultivation and procurement, we have been developing automated crude-drug sorting machines powered by AI, and will introduce these at every location and increase the scope of items that they can process. Moreover, we will

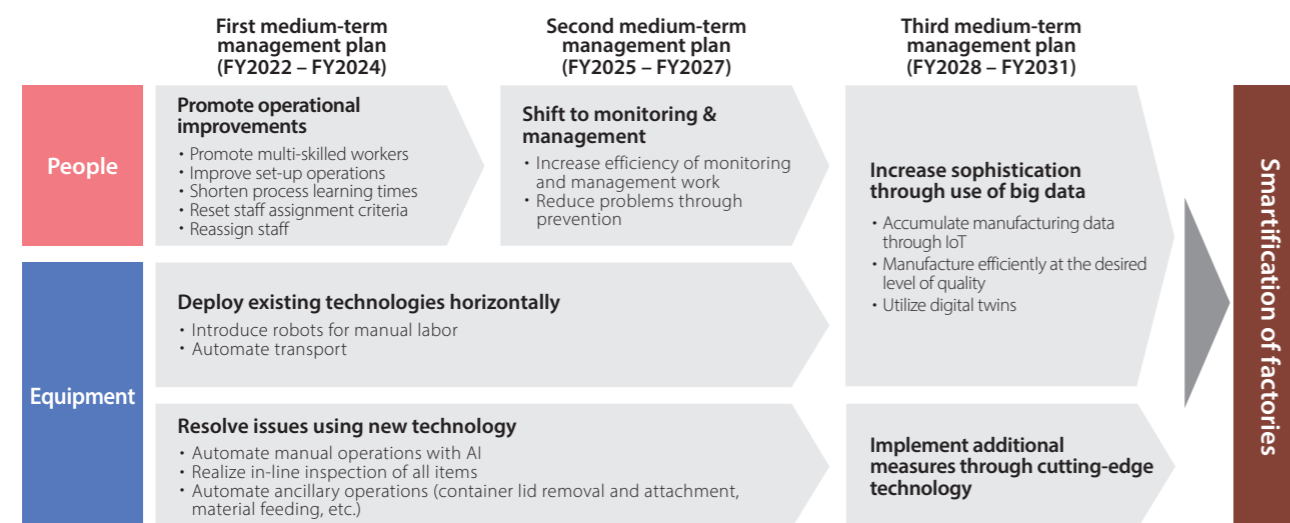
prepare an IT platform for the entire Group in the Kampo value chain, realizing seamless coordination from sales planning to crude drug cultivation and procurement planning, aiming to optimize the distribution of crude drug inventories.

The first medium-term management plan is positioned as a stage for making up-front investments in order to secure the production capacity to support a higher level of growth in the Kampo market than before, and to improve our labor productivity. To this end, we are planning to invest approximately 100 billion yen into our domestic plants (Ibaraki and Shizuoka) and overseas plants (Tianjin and Shanghai in China) during the three years of the first medium-term management plan.

Labor Productivity in Plants



From Increase in Labor Equipment Ratio to Smartification of Factories



Progress on Automation and Labor-saving

Process	Function	Development						Introduction		Production		(Fiscal year)
		1995–2000	2001–2005	2006–2010	2011–2015	2016–2020	2020–Present					
Sorting and processing	Crude drugs sorting											
Chopping, weighing and mixing	Crude drug extraction											
Drying	Extract collection											
Extract granule manufacturing	Raw material discharge											
	Container transport											
	Formulation injection											
	Container transport											
Packaging and labeling	Packaging											
	Packing into boxes											
	Pallet stacking											
Shipment, storage and transport	Depalletizing at warehouse											
Quality testing	Testing											

Use of AI

We will phase in automated crude drug sorting machines powered by AI at our locations in Japan and China

Taizou Tahira
 Manager of the Technology Development Department, Production Technology Research & Development Center, Production Division



In the Kampo value chain, Kampo formulations pass through many hands before reaching the patient. The Technology Development Department has been developing equipment to automate processes that are mentally and physically taxing, such as packing into boxes and transporting heavy items inside plants. These efforts have gradually increased labor productivity.

On the other hand, the crude drug sorting operation that takes place in the upstream side of the Kampo value chain processes items such as plant roots and stems, which have non-uniform sizes, shapes, and masses. This makes the process difficult to automate, and it has been necessary to rely on visual sorting carried out by people. To address this challenge, in 2018 we started developing an automated sorting machine powered by AI. In 2022, the first model was introduced at the Ishioka Center, and we are currently running it through repeated test operation, adjustment, and evaluation for an item with a complex shape. Looking ahead, we will steadily expand the scope of target crude drugs while looking to deploy the machines at YUBARI TSUMURA, SHENZHEN TSUMURA MEDICINE, and CHINA MEDICO. We will establish low-cost operations at each site while shifting staff assigned to visual sorting to more productive work.

Our immediate challenge is to create a system for efficiently collecting a large volume of image data on which to train the AI. We will address this by incorporating a system that can automate annotation,* aiming to shorten the learning time.

We have also started examining systems for automating primary crude drug processing further upstream and visual inspections of finished products, applying our accumulated insight on development. The technical challenges are formidable, but we plan to complete development in around three years.

Our vision at the Technology Development Department is to “Create the future of Kampo using new technology.” This vision expresses our aspiration to deliver high-quality Kampo medicines forever, by independently developing technologies that can contribute to reducing environmental load, saving labor, and ensuring consistent product quality. Through the development of new production technologies, we hope to contribute to a world where people can be helped by Kampo medicines anytime and anywhere to live a lively life.

*The operation of assigning annotations to associated information for each item of data learned by AI.

5

Creating value through organization and human capital and promoting reform to boost job satisfaction

Strategy Outline

The Tsumura Group has created the Long-Term Management Vision for establishing a new business model that can create higher added value. Guided by our vision, we will bolster human capital, which is essential for our future business development, while engaging in value creation that contributes to our Corporate Purpose and Corporate Philosophy.

One of the main policies of the vision is Potential-Abilities Development (PAD). Since there is no model in the world for the Kampo and traditional Chinese medicine business, we are working to recruit, develop, and form an organization from human resources with the potential ability to carve a completely new path. To draw out the potential abilities of our employees, the Group is striving to foster a culture that emphasizes dialogue, with our purposes and values acting as a centripetal force.

Meanwhile, the Group has also stated the concept of "an organization mechanism analogous to Kampo medicines" as our ideal vision for the organization. The crude drugs that are the raw materials for Kampo medicines each contain many components, and have medicinal benefits. Therefore, while they may have plenty of individual character and exert a pharmacological effect in their own right, by combining them with other crude drugs, new pharmacological effects are obtained. An organization mechanism analogous to Kampo medicines is a situation where the relationship between crude drugs and Kampo formulations is mirrored in the Company organization. It represents a system in which human resources with their different individuality and abilities improve through

friendly competition and generate synergies as they perform their roles to achieve the overall targets of the division. In the same way, the divisions with their respective independent functions work in a well-balanced state to generate value that contributes to the Corporate Purpose and Corporate Philosophy, generating significant results as a company. In other words, the crude drugs are a metaphor for people and divisions, and the Kampo formulation for their divisions and the company. An organization that remains in a well-balanced state is truly the definition of the Tsumura Group's ideal human resources and organization.

To realize such an organization mechanism analogous to Kampo medicines, we build programs to nurture management personnel who can carve new pathways from a global perspective and human resources who can use their specialization to drive innovation, then implement these programs in stages. In parallel with this, we are also promoting diversity and inclusion, which is essential to creating innovation. We actively hire human resources with diverse viewpoints and values, including gender, age, and experience of different cultures. By drawing out their potential abilities, we aim to encourage the growth of the overall organization and increase corporate value.

Thus, the Tsumura Group sees organization capital and human capital as its true sources of sustainable growth, and we will focus even more on creating an organization mechanism analogous to Kampo medicines from a long-term perspective, and on nurturing human resources to lead this organization.

Organization

- Off-site meetings for philosophy propagation
- Coaching
- Team building
- 1 on 1
- Corporate philosophy survey
- Corporate-wide commendation, etc.

Human resources to aim for Organization to aim for Corporate culture to pursue

Human resource

- Succession plan
- Talent management
- Basic management course
- Human skills training seminar
- Advanced/Basic
- Support for basic skill development
- Support for language learning, etc.

Training of Candidates for Management

The Tsumura Academy was established as an internal organization for human resource development. President Kato serves as the head of the academy. It has two broad functions.

One of the functions is to develop candidates for management, which involves planning and operating systematic training programs run by internal and external trainers for management personnel and management candidates. As of the end of fiscal 2022, 52 employees completed the three-year basic management course, with 49 employees currently taking the course. Several of the graduates have been appointed as executive officers or general managers.

The other function is that of fostering the corporate culture, which promotes the Corporate Philosophy throughout the Tsumura Group. We are working to foster a culture of dialogue, which is the foundation of our philosophy-based management, and on acquiring coaching skills.

In fiscal 2022, we built "T-Next," a system for producing the next two generations of management human resources,

who will realize the long-term vision. The Human Resources Department performs the selection, development planning, assignment, evaluation, and secretariat functions, while the Tsumura Academy is primarily responsible for development and systematically producing human resources for management.

Number of people appointed to management positions among people who completed or participated in the basic management course (cumulative)



Tsumura Academy

Repeated activities to internally promote the Corporate Philosophy will ultimately increase the corporate value of the Tsumura Group

Chieko Horie

Group Leader, Corporate Culture Fostering Group, TSUMURA ACADEMY Department



"The growth of a company is founded on the growth of its organizations, and the growth of organizations is driven by the growth of people who work therein." Tsumura's management consistently emphasizes the growth of people. The Tsumura Academy was established in 2019 with the purposes of developing candidates for management and fostering a corporate culture.

In our program for training management candidates, we have prepared courses such as human skills training and liberal arts, guided by the idea that managers require human skills in particular, rather than skills in general. The courses are intended to deepen the appreciation of culture that is required of management personnel by exposing them to academic knowledge in various fields, with a view to fostering their ability to think and act.

In the program for fostering the corporate culture, we hold Philosophy Discussion and Coaching Meetings to provide opportunities for individuals to consider and raise their awareness of the Corporate Philosophy through dialogue, including everyone from executive officers, general managers, division heads, and section

heads, to ordinary employees, without division by organization or rank. At these meetings, we deepen our understanding of the TSUMURA GROUP DNA Pyramid, which represents the basic thinking and spirit of the Group that have been handed down over the years, and repeat the message that business performance follows on from results by providing positive change [value] to patients, customers and society. The goal of coaching is to act as a lubricant to ensure smooth operation of the great engine (system) of the TSUMURA GROUP DNA Pyramid. In fiscal 2020, we began holding a philosophy discussion meeting and a coaching meeting, and in both spreading the philosophy and coaching we focused on "purposes and values" and achieving synergies by sharing the same direction and goals. We also established the Group's original "Tsumura's dialogue theory."

These Corporate Philosophy discussion activities lead to the development of potential abilities through dialogue, with purpose and values acting as a centripetal force. We believe that continuing them will lead to an increase in the Group's corporate value over the long term.

Development, Assignment, and Acquisition of Ideal Human Resources

The human resources development policy for the Tsumura Group is to foster a corporate culture that empowers people to develop on their own. Based on this policy, we established educational opportunities for each position level, offered from the perspectives of people, organization, and management, to provide support to employees to develop their careers on their own initiative. Furthermore, we have centralized the basic information, abilities, and skills of employees and grasped the career aspirations of each individual, and we have introduced and commenced operation of a talent management system so that we can reflect their aspirations in strategic human resource development and

assignment of the right people to the right positions.

To realize our Long-Term Management Vision, we will identify and organize the gaps between the ideal situation for each division and its actual status, then formulate strategic hiring plans from both short- and long-term perspectives. Furthermore, we will promote a balance of new graduate and mid-career hiring to resolve issues from the standpoint of the five strategic challenges for the Group and each division's current status. With regard to ensuring diversity, we have set quantitative targets such as "maintain and continue achieving a female new graduate hiring ratio of 50%," and we will steadily promote these.

Human Resources Development Policy

People	Organization	Management
<p>We shall provide practical training opportunities for human resources committed to learning and growing on their own.</p> <p>We shall clearly define the ideal human resources Tsumura envisions and the desired skills, bolster educational opportunities, and create frameworks for self-driven learning.</p> <ul style="list-style-type: none"> ■ Early training for human resources that are in charge of philosophy-based management ■ Strengthen training to build a foundation for Tsumura employees during the first three years after joining the company ■ Acquire the capabilities required for higher grades before promotion ■ Training for global human resources ■ Support independent learning and growth 	<p>We shall foster an education-based mindset with a focus on management personnel in order to facilitate the development of people capable of growing on their own.</p> <p>Training of subordinates will be positioned among the most important tasks for managers, and a mindset of motivating and cultivating subordinates through their work will be fostered.</p> <ul style="list-style-type: none"> ■ Strengthen the mindset for training subordinates ■ Develop a coaching culture ■ Implement one-on-one coaching ■ Share training plans (superior- employee - HR department) 	<p>We shall develop frameworks that allow for the ongoing cultivation of diverse human resources capable of supporting management.</p> <p>Training for junior employees will be tailored to reinforcing Tsumura's human resources foundation as frameworks are developed to cultivate future management candidates at all levels of the organization.</p> <ul style="list-style-type: none"> ■ Develop human resources systematically through T-Next ■ Three-year training program for each level through hands-on experience

Improvement in Employee Engagement

To realize our vision, it is essential to increase the engagement of each employee. We are working to promote the Corporate Philosophy, implement capability development and career building to support employees' growth, and establish our environment in terms of work style and health management, so as to increase employees' own motivation to contribute to the organization.

We seek to have a corporate culture that draws out the potential of each individual by autonomous action through dialogues in which purpose and values act as a centripetal force. Since fiscal 2017, we have continued holding off-site meetings for philosophy propagation, where we have dialogue on topics such as the thinking behind the philosophy system; from fiscal 2018, we started implementing measures aimed at fostering a coaching culture. Furthermore, the corporate philosophy survey has been conducted since fiscal 2017 to measure the degree to which the philosophy is understood and embraced by executives and general employees at the Tsumura Group. The purpose of the survey is to identify issues that need to be addressed through our Corporate

Philosophy promotion activities in order for us to become a "good company" and an "esteemed company." Survey respondents are asked to answer each question using a five-point scale. In the fiscal 2022 survey, the average score across all questions was 4.06, up from the previous fiscal year. In the free comment section, there was a sharp increase in comments regarding work and its result. This was interpreted as respondents having a palpable sense that embodying the philosophy was leading to results.



Trust-type Stock Delivery System

In fiscal 2023, Tsumura introduced a trust-type stock delivery system (share allocation Employee Stock Ownership Plan (ESOP) trust). We have introduced the system to increase the awareness of every employee and enable them to leverage their strengths for the realization of the Purpose and these two new visions and to cultivate their desire to contribute more. The system delivers Tsumura's shares in accordance with the degree of achievement of progress targets for the achievement of the Sustainability Vision and Long-Term Management Vision 2031.

Career Challenge (Internal Recruiting System)

In fiscal 2022, we introduced a system for providing employees with opportunities to take on new career challenges by selecting the kind of work they want to do and the organization they want to work in. The system is intended to increase job satisfaction for employees who are motivated to learn and achieve personal growth, develop their potential abilities, support new career formation, and strengthen our organization.

Reskilling with Digital Literacy Education

To ensure that all employees acquire digital literacy so that our internal DX delivers a smooth increase in productivity, in fiscal 2023 we started a reskilling initiative to bolster digital literacy.

Health and Productivity Management

As a company that has stated its Corporate Purpose as "Lively Living for Everyone," we are engaging in health and productivity management with the aim of contributing to the health of people and to the well-being of society. Our efforts to support health have been positioned as being the foundation for the active participation of women in the workplace, and since fiscal 2022, we have been covering the expenses for gynecological exams for all of our female employees. We will continue to foster a corporate culture in which employees take the initiative themselves to engage in healthcare.

Human Resources Development

We support the employment of people with diverse abilities and values, and the development of their potential abilities.

Sachiko Sakamoto
Center Manager,
Human Resource Development Center,
Human Resources Department

The Human Resource Development Center's mission is to secure diverse human resources who can maximize the organization capital and human capital of the Tsumura Group, and to develop human resources who can lead in management strategy for an organization mechanism analogous to Kampo medicines. Guided by this mission, we are developing frameworks that allow for the ongoing cultivation of diverse human resources capable of supporting management.

To develop the potential abilities of our younger employees, we have set three factors and 24 abilities needed for work, and presented KPI targets for them, and we provide a systematic three-year training program that starts when they join the Company. In 2019, we took practical steps to implement the Group's human resources policy, which is to foster a corporate culture that empowers people to develop on their own. This involved clearly presenting the required status and ability for each course and grade, and building training programs for employees to undertake self-directed learning. For employees who are to be promoted, rather than providing a uniform training after promotion, we have been changing our system to one where employees evaluate their abilities, gain an awareness of the abilities required for higher grades before promotion

through personal development, training, e-learning, and video learning, and undertake learning through practical experience before being promoted. Looking ahead, we recognize the need to create systems that will enable employees to quickly acquire expertise in order to support their autonomous career development.

Furthermore, opportunities for interaction and discussion between employees have decreased in the Group due to the situation during the COVID-19 pandemic and changes in work styles. To provide a space where employees of different divisions and age groups can easily interact, in December 2020 we opened an online salon called the Hitotsumu Knowledge Cafe. Initially, the salon was operated mainly based on plans provided by the Human Resources Department, but currently it functions as a space where employees provide information as they learn from one another and exchange opinions on a wide range of themes such as departmental studies, Kampo, crude drugs, MBA, and DX. In the near future, we expect to see the creation of new innovations inspired by this salon.

To realize "Tsumura Vision 'Cho-WA' 2031," the Human Resource Development Center will continue to support the employment of people with diverse abilities, experiences, and values, and the development of their potential abilities.