



In support of our vision, I work on policy related to the organization and human capital with a sense of urgency.

A Clear Vision for Ideal Human Capital Management since 2012

Over roughly a decade after the late 1980s, the Tsumura Group worked to expand into new businesses, but was unsuccessful and booked massive losses, due mainly to a lack of synergy with its core businesses, Kampo medicines and crude drugs. Following this difficult period, we managed to overcome the crisis based on an across-the-board initiative to boldly undertake painful reforms, including withdrawing from money-losing businesses, with a fresh focus and high priority on the prescription Kampo medicine business. We returned our business to steady growth with total commitment to communicating the value of Kampo medicines to people on the healthcare front lines. Unfortunately, focused allocation of resources to the prescription Kampo medicine business over a long period brought a backlash in divisional isolation and overdependence on specific sales channels.

In response to these challenges, CEO Terukazu Kato, taking office in 2012, envisioned an ideal image for Tsumura 10 years out and added “Tsumura, the People Company” to our long-term management vision. He also put down in black and white his definition for ideal personnel. It calls on the Group to cultivate people with aspirations and passion, a sense of

responsibility, professionalism, independence and altruism, and who take action based on these values. This was a clear statement from the top executive encouraging employees to act on their own initiative. Looking back on the history of the Tsumura Group’s human capital management, 2012 was an important turning point.

Then in 2017, we began a campaign to spread the Corporate Philosophy throughout the organization, starting with “Tsumura, the People Company” as our guiding vision, and in 2019, established the Tsumura Academy, an institution for personnel training and instilling our Corporate Philosophy. The effort to spread the Corporate Philosophy through dialogue focused on our Purpose and Value as common denominators resulted in smoother interorganizational alliances and the start of large-scale information dissemination and evidence-building that required close interdivisional alliances. These alliances underpin the current strong sales growth of Goreisan. Recently, an internal consensus was reached on embracing the new challenge of enhancing our China business. I see this as a sign that an organizational culture embracing challenging endeavors is taking root.

New Office of CHRO Focuses on Adapting to Changing Times

Despite growing demand for Kampo medicines, the business environment for the Tsumura Group is substantially toughening, with increasing geopolitical risk and extremely unstable exchange rates. The labor market is also changing, with more emphasis on diversifying work style needs and more positive attitudes toward outside employment, job changes and other options, requiring that corporations adjust to new employment trends. Since I took office as the Company’s first CHRO in 2022, I’ve been focusing on creating new HR programs and improving work environments, adapting to these changes.

As a new initiative to cultivate management candidates, we recently implemented our T-Next program, an enhanced

version of our established program to select and train the next generation of managers. We also instituted our Career Challenge internal recruitment system, which gives employees more initiative in their career opportunities, an employee stock ownership plan based on the pay-for-purpose concept, and in fiscal 2024 an external job program.

These programs are designed to trigger reform in employee mindsets to adapt to change in our external environment. Unlike the old train-style organization, powered by a single locomotive at the front, we are moving to a Shinkansen-style organization, where every car is equipped with its own motor, while cultivating personnel with the five characteristics we defined in 2012, including independence.

Recruit, Cultivate and Optimally Assign People to Realize Our Long-Term Management Vision

Going forward, I understand that securing both quantity and quality in our human resources is our most important mission in achieving our long-term management vision. As a strategic preparatory move, we first defined the personnel requisites for each internal organization, and in 2023, created a human resources portfolio to reveal each employee’s skills and experience. Using this portfolio, we strategically hire, assign and train our personnel.

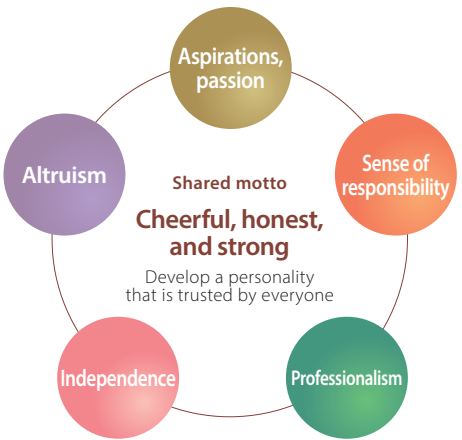
We put effort into hiring mid-career employees as an important way to enhance our labor force, bringing on 488 specialists and highly experienced people over the five years from fiscal 2019 to fiscal 2023. They are essential in activating our organization, particularly in our new businesses focusing on consumers at large and the Chinese market, as they complement and build our specialized knowledge base while spreading the challenger spirit.

In addition, we put special value on employee engagement. To reinforce that, we analyze employee survey results from many angles, set HR policies for the next fiscal year and beyond based on them, and keep that cycle going. As a new initiative, we started analyzing the correlation between ESG indices and PBR and applying our findings to reforms, such as enhancing preparation and follow-ups in employee training. As one example, this effort clarified the relationship between the ratio of women in management and PBR growth. Such initiatives are helping us move faster than we planned in achieving our quantitative goals.

In drawing up our second medium-term management plan starting in fiscal 2025, we are redefining each job and function and discussing ways to foster a corporate culture that encourages employees to take initiative in building skills and specialties for their own careers. We’re preparing to introduce a new HR system designed to promote skilled young employees early and accelerate the development of advanced specialists and mid-career talent.

For our across-the-board effort to build a highly productive “Kampo medicine organization,”<sup>\*1</sup> I will continue taking measures and instituting programs to improve the employee experience, including the development of work environments compatible with reskilling and teleworking, and further enhancing health and productivity management. I am firmly committed to helping realize potential-abilities development,<sup>\*2</sup> a priority in our 2031 vision.

Ideal Human Resources



<sup>\*1</sup> Using “Kampo medicines” as a metaphor for divisions and companies, with crude drugs representing people and divisions, this concept draws an analogy between Kampo formulations and a well-balanced organization that generates solid results.  
<sup>\*2</sup> 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 the traditional Chinese medicine business, for which there is no other model in the world.