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

Strategy Progress

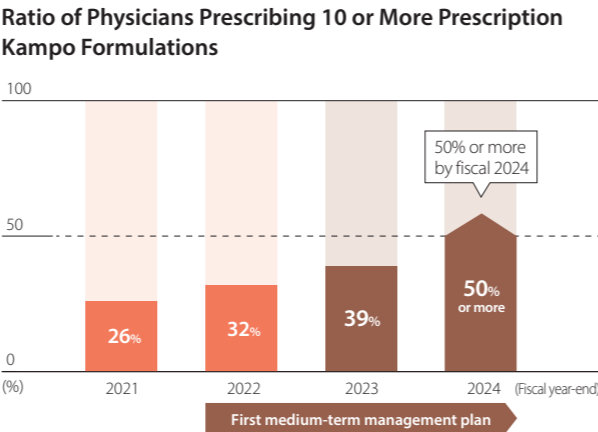
Strategic challenge 1 has the goal of realizing a situation where patients can receive Kampo treatment suited to them individually, regardless of the medical institution or clinical department. Under the first medium-term management plan, as a first step in this direction, we are working to continuously 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 our “basic prescriptions for treatment areas.”*1 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 prescription Kampo formulations based on Kampo medicine by the end of fiscal 2024. Our efforts to provide information to that end resulted in approximately 23,000 more such physicians in fiscal 2023, reaching 39% of clinical physicians. By fiscal 2031, we will establish the personalization of Kampo treatments by realizing a situation where 50% of clinical physicians write all basic prescriptions for treatment areas based on Kampo medicine.

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 improve the volume, speed, 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 content is being viewed, we analyze the individual information needs of physicians to implement more advanced information provision through MR activities and hybrid-type promotional activities.

*1 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 Formulations and “Growing” Formulations

D Drug-fostering program formulations **G** “Growing” formulations

Geriatric health

Symptoms associated with frailty

- G** Ninjin'yoeito
- G** Kamikihito
- G** Hochuekkito
- D** Goshajinkigan + associated formulations

Psychiatric and neurological disorders

- D** Yokukansan + associated formulations

Peripheral symptoms in patients with cardiovascular diseases

- G** Goreisan + associated formulations

Digestive system diseases

- D** Daikenchuto
- D** Rikkunshito + associated formulations

Cancer (supportive care)

Mitigation of side effects, etc.

- D** Rikkunshito
- D** Hangeshashinto
- D** Goshajinkigan
- G** Kamikihito
- G** Hochuekkito + associated formulations

Women's health

Diseases specific to women

- G** Kamishoyosan
- G** Kamikihito + associated formulations

Other diseases and symptoms

- D** Daikenchuto
- G** Goreisan + 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 with treatment and low levels of contributions being made by drugs.

Focus Progress towards Expanding the “Number of Physicians Prescribing 10 or More Formulations”

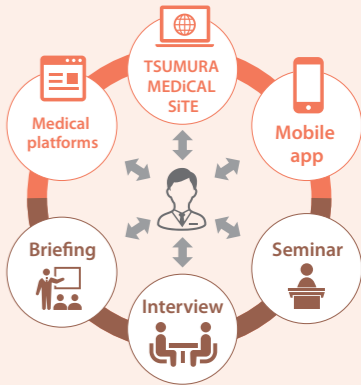
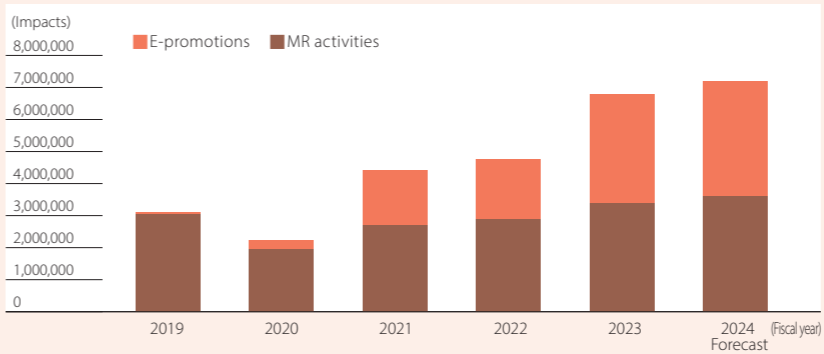
Tsumura is currently engaged in rebuilding its information provision process using digital tools. In fiscal 2023, we increased the number of detailing impacts*2 through measures such as expanding the content on the TSUMURA MEDICAL SITE, with e-promotions in particular growing by 180% year on year. We will strengthen personalized content distribution based on factors such as the status of site viewings, clinical department, and status of prescription, and analyze the digital information to identify medical needs that we could not ascertain through MR activities alone. We will begin to share

these analysis results not only with the head office, but also with each MR, aiming to achieve higher-quality information provision based on physicians’ domains of interest in Kampo medicines and their degrees of interest.

For physicians that have been difficult to approach using our existing methods, we plan to establish activities for communication through remote means, such as remote interviews from the head office and messaging tools. These efforts will contribute to increasing the ratio of physicians prescribing 10 or more formulations.

*2 Number of information recognitions on each channel, such as MR activities and the internet

Number of Detailing Impacts



E-Promotions

We will support individual physicians through MR activities combining digital and real-world approaches

Yukiko Yasuoka

Sales Office Manager,
Yokohama No. 3 Sales Office,
Yokohama Branch,
Sales & Marketing Division



Recently, Tsumura has been working to enhance information provision methods, mainly through e-promotions, such as video streaming and web seminars. The main point of our MR activities is to ascertain latent customer needs by exploring what physicians truly require on the front lines of Kampo treatment. One very helpful method for this has been analysis of data on individual physicians, such as their participation in web seminars and other events and their content viewing history. However, real-world MR activities are essential for confirming whether the digital content delivered to physicians based on the analysis results really met their needs. Therefore, promotion activities that combine the real and digital spaces are able to contribute to using different Kampo formulations according to the patient’s symptoms.

We are also making an effort to increase the capabilities

of our MRs in order to increase the percentage of physicians prescribing 10 or more prescription Kampo formulations. One way that we do this is through the Tsumura Kampo Meister System, for nurturing and designating MRs with a high level of knowledge and experience in Kampo medicine. As a result of introducing a digital learning platform in fiscal 2023, the number of designated Tsumura Kampo Meisters has been increasing. The productivity of group training sessions has increased, and MRs are now taking a multifaceted approach to learning about Kampo medicine, using their downtime and so forth. We have also used video recording and other functions to shift to output-focused training, and this appears to have increased MRs’ ability to explain products to physicians with confidence.

2

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

Strategy Progress

In its research activities, Tsumura is gathering evidence for the efficacy and safety of Kampo formulations, while 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. There were 158*1 write-ups in the treatment guidelines for prescription Kampo formulations in fiscal 2023.

In the personalized medicine area, we conduct research into responder markers through KAMPOmics®, and we are working on the development of an AI Kampo diagnostic support system using DX solutions.

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

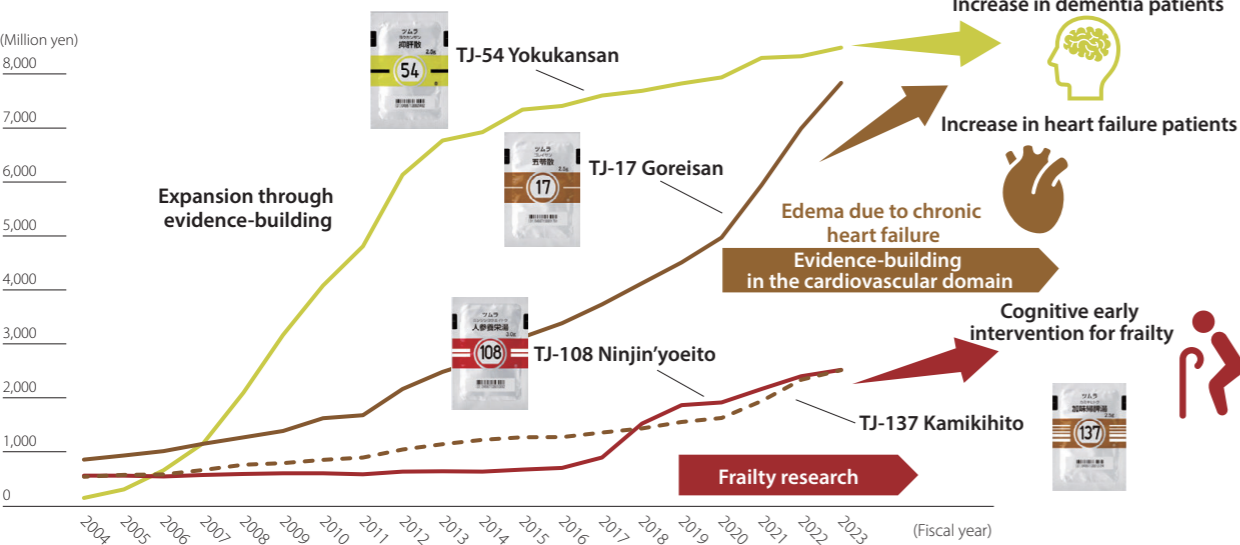
Furthermore, we also aim to address three preventive measures for pre-symptomatic diseases, which are pre-symptomatic treatment (prevention of pre-symptomatic diseases), prevention of aggravation (prevention of disease progression), and prevention of relapses (post-healing care).

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 definition and diagnosis and measurement methods based on scientific evidence, as well as research into reference values. Specifically, we are engaged in elucidation of the mechanisms of action of Kampo medicines and clinical research targeting symptoms of frailty, dementia, and cardiovascular disease among elderly people, supportive care for cancer, and women’s health such as premenstrual syndrome (PMS). In parallel, we are attempting to establish biomarkers that can detect pre-symptomatic disease through KAMPOmics®.

Our main research result in fiscal 2023 was the discovery of a genetic factor related to cold hypersensitivity in a comprehensive genome analysis of about 1,200 adult women who reported experiencing this condition, jointly conducted with Keio University School of Medicine and DeNA Life Science, Inc. The results of this research were published in January 2024 in an international scientific journal.*3 Based on this research result, we have applied for a patent on a method of determining cold hypersensitivity and a method of determining the type of cold hypersensitivity.

*1 A survey conducted by the Japan Society for Oriental Medicine and the Japan Kampo Medicines Manufacturers Association
*2 Kampo formulation is prescribed to match the “patterns” based on the four diagnostic methods used in Kampo medicine: inspection, listening, inquiring, and diagnosis
*3 Sci. Rep. 14, 1918 (2024)

Net Sales and Evidence-Building for Products in the Geriatric Health Domain



Focus Progress on Evidence-Building for Kampo Formulations

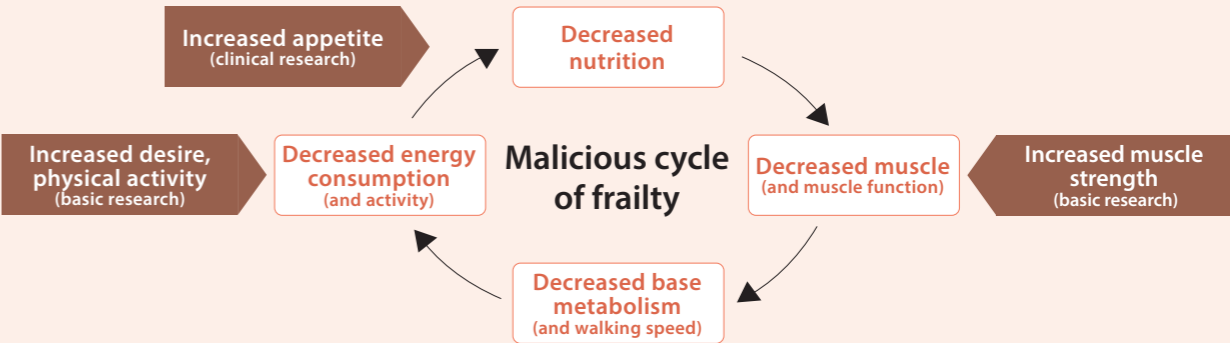
In fiscal 2023, we made progress on establishing Kampo formulations as standard treatments in the dementia and frailty domain. In clinical research on mild cognitive impairment or mild dementia associated with frailty, patients who received Tsumura’s Kampo medicine, Ninjin’yoeito,*4 showed improved appetite. In basic research, Ninjin’yoeito increased the appetite of mice via the dopamine nervous system in the brain, improving appetite loss and motor function. In addition, it was found to ameliorate the decline in physiological and psychological functions associated with aging. The research also showed the mechanism for these effects involves

antioxidant action. By publishing these results in Japanese and international scientific journals, we also contributed to building scientific evidence.

Ninjin’yoeito works with a different mechanism to existing Western drugs, and has the potential to deliver innovative value in treating illnesses experienced by elderly patients. The number of people in Japan either suffering from or at risk of frailty is estimated to reach 19.39 million by 2031, and Tsumura’s research therefore has a significant role to play.

*4 Kampo medicine with indications including reduced physical strength after illness, tiredness, fatigue, and loss of appetite

Clinical and Basic Research on Ninjin'yoeito for Symptoms of Frailty



Research on Ninjin'yoeito

Aiming to realize the most appropriate Kampo treatment for each individual patient



Kampo medicines are multi-component formulations, with a large number of medicinal properties and target molecule candidates to be considered. Accordingly, Kampo research involves hard work, including extensive hypothesis testing. However, when we continue to engage seriously in this work, there comes a moment when we recognize the unique medicinal properties of Kampo medicines. This moment, akin to solving a puzzle, is the real thrill of Kampo research.

Tsumura has been conducting clinical research to demonstrate the efficacy and safety of Kampo medicines and working to build scientific evidence. One of our strengths for promoting Kampo research is that each researcher has multiple specialist skills. Our team combines members who have different fields of specialization and different personalities, and who cooperate and exchange information with our partner companies and research institutes. This increases their level of knowledge and skills as individuals, while also accelerating the

production of results. Looking ahead, we will focus on driving KAMPOmics® and also on the personalization of Kampo treatment and pre-symptomatic disease and science. In the case of Ninjin’yoeito, for example, we will continue research aimed at clarifying the common characteristics of patients for whom Kampo medicines have a pronounced effect on various symptoms related to frailty. We will also look to understand the progression of frailty from a pre-symptomatic disease perspective, and identify relevant biological factors for therapeutic effects. Under the third medium-term management plan, starting from fiscal 2028, we intend to transition the personalization of Kampo treatment and pre-symptomatic disease and science to a social implementation phase. Our aim is to realize the most appropriate Kampo treatment for each individual patient.

3

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

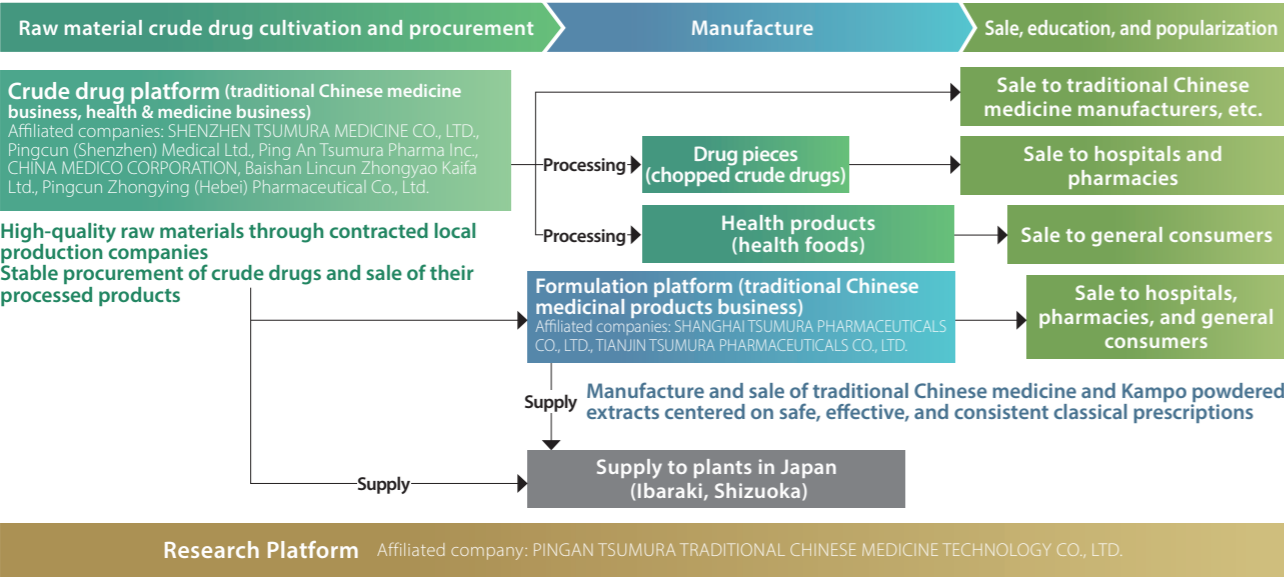
Overview of the China Business

The vision 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 contributes to the development of the traditional Chinese medicine industry. We will develop the health & medicine business, which covers the areas of healthcare and prevention, and the traditional Chinese medicine/medicinal products business, which covers the area of treatment, through the three platforms of crude drugs, formulation, and research.

Three Platforms in the China Business



Milestones for each platform: Aim to achieve an overseas sales ratio of 50% or more and become a traditional Chinese medicine company that contributes to the development of the industry

	First medium-term management plan 2022-2024	Second medium-term management plan 2025-2027	Third medium-term management plan 2028-2031	
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 7.0 billion or more
Crude drug platform	Increase sales of crude drugs, drug pieces, and health products External sales ratio: More than 50%	Establish a brand for crude drugs, drug pieces, and health products Expand sales routes to public hospitals (including M&A)	Crude drug and drug piece company that contributes to the industry's development	Sales outlook RMB 3.0 billion or more
Research platform	Establish the Traditional Chinese Medicine Research Center	Expand the functions of the Traditional Chinese Medicine Research Center	Develop evidence for traditional Chinese medicinal products	

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 health products in China. With regards to raw material crude drugs, Tsumura holds cultivated land under its 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.

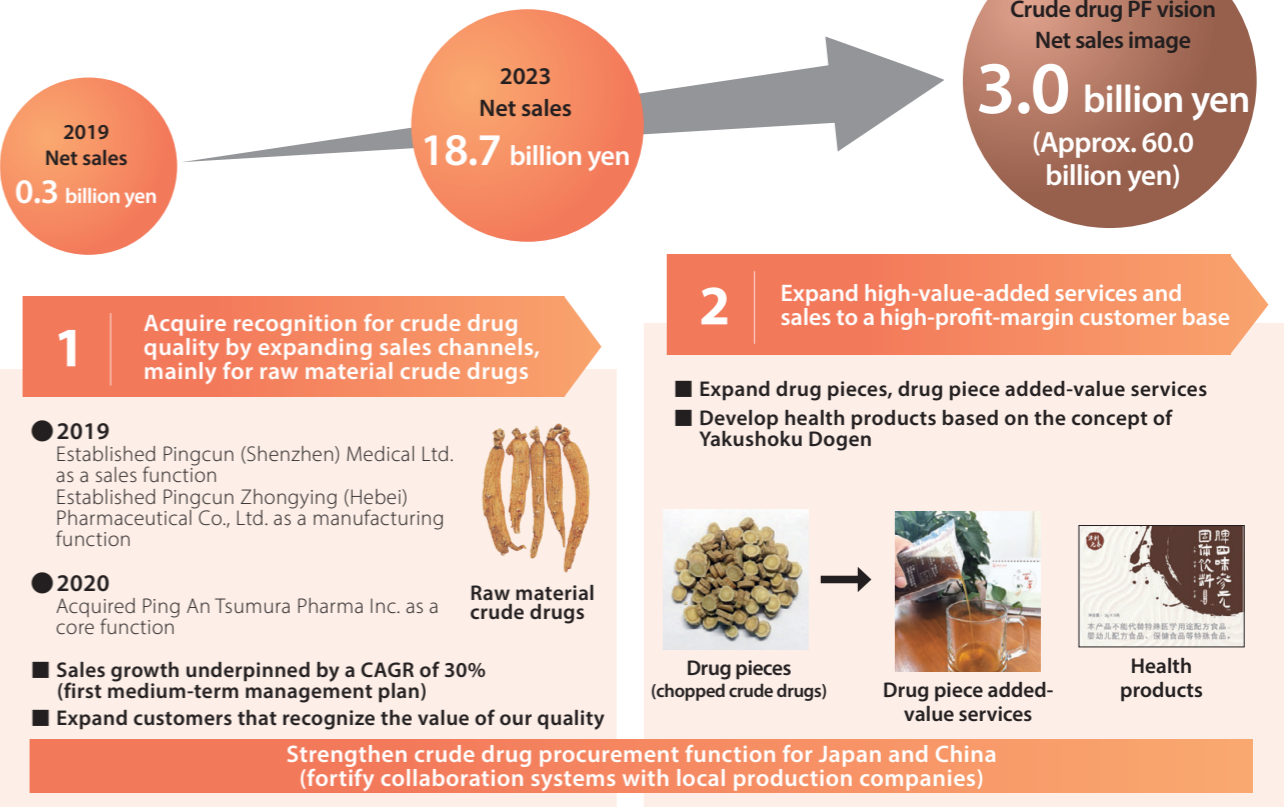
The raw material crude drugs are exported as raw materials for the Kampo formulations in our domestic business. We are also working to develop new external sales channels, such as to traditional Chinese medicinal products manufacturers, by demonstrating our ability to keep the formulation platforms supplied 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 health 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 contribute to the 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 health products.

During the first medium-term management plan, we expect to achieve a CAGR of 30% in sales by steadily progressing the following initiatives.

- Promote the expansion of supplied items and brand penetration for high-quality crude drugs, drug pieces, and health 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 health products, use superior crude drugs to develop high-value-added products that match healthcare and prevention needs.

Crude Drug Platform Strategy



Focus Drug Piece Added-Value Services on the Crude Drug Platform

Traditional Chinese medicine has been used in China for many years, and is deeply familiar to Chinese people. In particular, drug pieces are used for treatments prescribed to suit each individual patient, which matches Tsumura's vision of personalized healthcare (PHC).

Generally, after patients in China receive a prescription for drug pieces from a traditional Chinese medicine physician, they take home a paper bag full of drug pieces, which they decoct themselves before taking. This places a burden on the patient in terms of time, effort and physical exertion for preparation.

Furthermore, since the patients carry out the decocting process themselves, there is an issue in that the decoctions are of low uniformity. Our local Chinese subsidiary Ping An Tsumura Pharma has focused on this issue, and is operating a drug piece added-value service called "personalized medicine." This outsourced service processes high-quality drug pieces into a decoction and sends them in packages to patients by post. This frees patients from the effort of bringing home drug pieces and decocting them, and is expected to help stabilize the extracted compounds and their effects.

Manufacturing Process for "Personalized Medicine"



"Personalized Medicine" Services

The high level of convenience has been praised by physicians and patients, and the repeat rate is increasing

Makoto Saito
Vice President, SHENZHEN
TSUMURA MEDICINE CO., LTD.



The "personalized medicine" service was launched in August 2020 as a new service option for online traditional Chinese medicine treatment. The service aims to reduce the burden on patients and increase the uniformity of decoctions. The construction period, which included constructing a plant, establishing extraction methods, and setting up a delivery system, overlapped exactly with the three-year "Zero COVID" policy of the Chinese government, which presented a host of difficulties for establishing the business. A particularly important point was the process of explaining to prescribing physicians the high level of quality of the drug piece

processing and obtaining their understanding.

After the service started, the high level of convenience was praised by physicians and patients, and the repeat rate is increasing. Looking ahead, we will not only provide the service online, but also expand to providing the service through Chinese clinics and hospitals, with the idea of developing the business so that it can provide even higher added value. In parallel, we will introduce an advanced smart system able to reduce labor and automate small-lot, high-mix production processes, and pursue a low-cost operation by expanding to a large scale.

Research Platform

The research platform will perform the function of deploying 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 contribute to the development of 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.

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 product, 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 to 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.

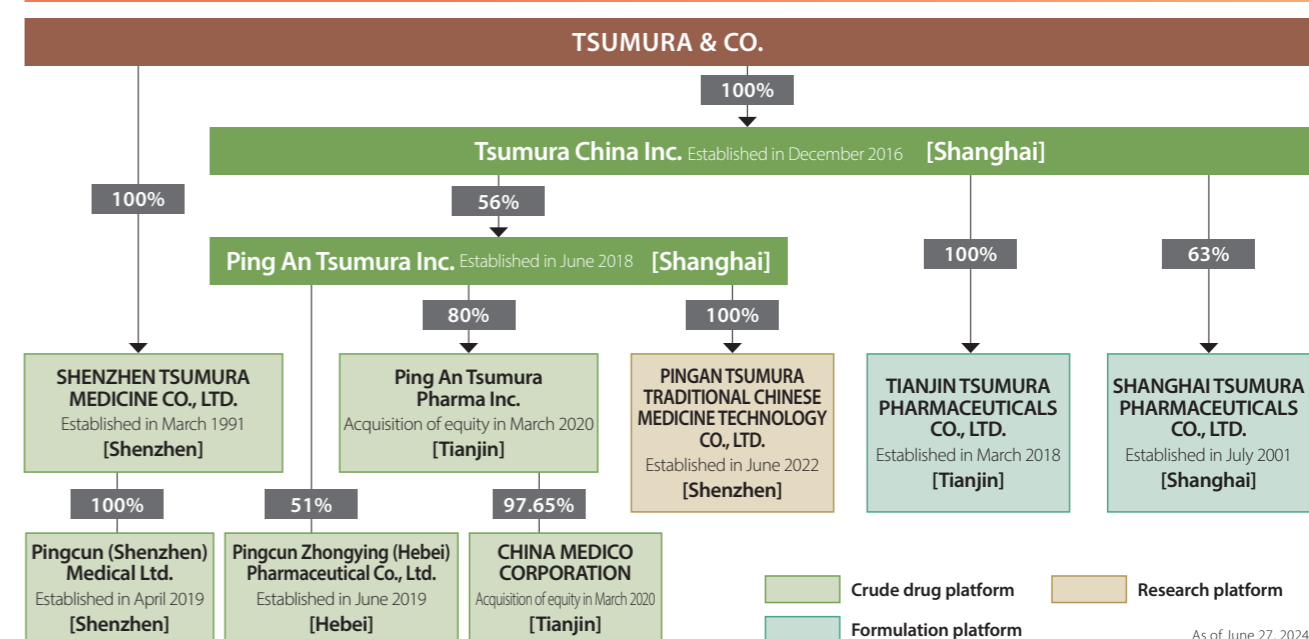
To achieve entry into the traditional Chinese medicinal

products business, we continue to use various means, including M&A negotiations with traditional Chinese medicine companies. We have made establishing a foundation for entry into the traditional Chinese medicine business the priority issue for fiscal 2023, in order to achieve it quickly.

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 200 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 with the announcement of the Regulation Regarding Simplified New Medicine Registration Examination of Compound Formulation for Traditional Chinese Medicine Based on Classical Prescriptions, we are in the process of selecting prescriptions by studying their marketability and engaging in research and development efforts in order to launch them on the market.

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



4

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

Strategy Progress

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 targeting 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 at 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. For attaching and removing lids on the stainless steel containers holding extract granules, we completed the development of elemental technology enabling basic functions for automated attachment and removal machinery using robotic arms. Following testing of each function as potential facility equipment, our tasks going forward are to create prototypes and carry out related fine tuning for incorporation into production lines. At the same time, we will make progress in cost reductions and other areas.

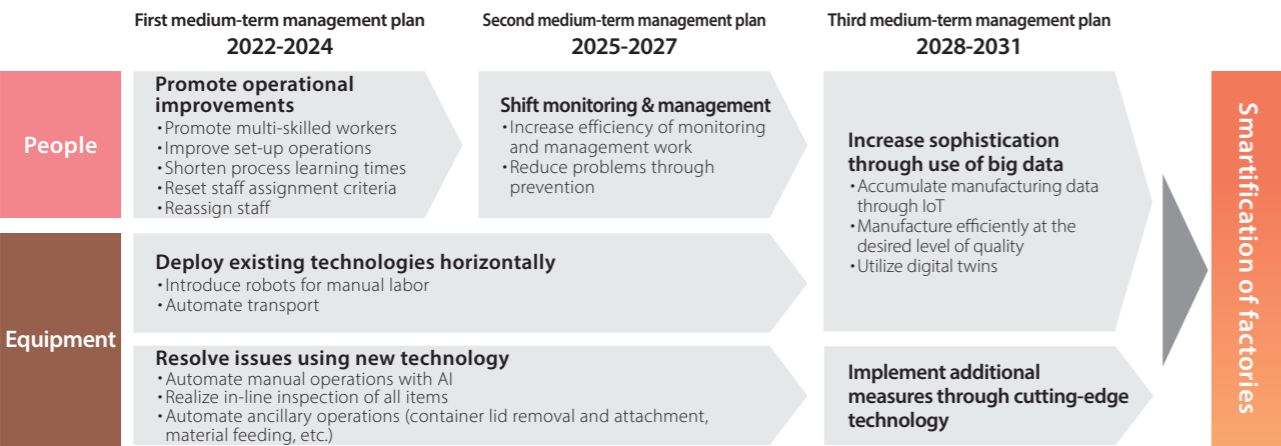
With respect to cultivation and procurement, we first introduced AI-based automated sorting machines at each

site targeting crude drugs with complex shapes, all of which began operating in December 2023. With these devices, the Production Technology Research & Development Center and the Ishioka Center used AI learning to jointly develop a unique sorting algorithm, based on image data that captures distinct crude drug features. With this technology, we are developing a system to automatically identify and remove defective products from the line. With the adoption of AI-based automated sorting machines, it is possible for two individuals to do the visual sorting work once requiring four per line, effectively doubling our labor productivity. Assistance in sorting defective products based on a set of assessment criteria is now a reality regardless of worker experience level. Plans call for extending this technology to other target products going forward.

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. Our focus is on production site expansion and augmenting manufacturing lines to serve as a platform supporting the future growth of our domestic business.

From Increase in Labor Equipment Ratio to Smartification of Factories



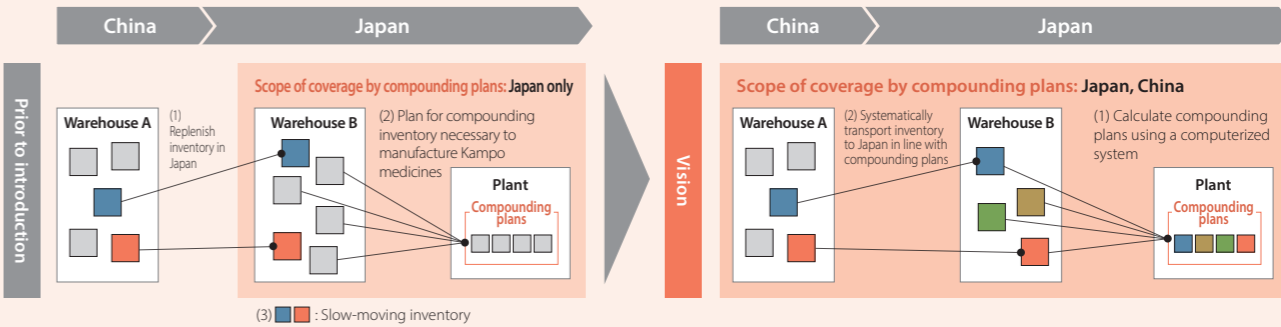
Focus Introduction of Planning System for Compounding Crude Drugs

In an effort to promote DX across the entire Kampo value chain, in October 2023, we introduced and began operating an ERP system that underpins our management IT infrastructure. We are taking the adoption of this system for seamlessly linking interconnected business activities such as production, purchasing, accounting, sales and distribution as an opportunity to enhance business management and cost management sophistication.

In the area of DX promotion, we are moving to systematize SCM-related planning work. We are also embarking on data management, selecting clear use cases for data utilization and application, and advancing the development of

platforms and means for mission-critical data provision. Elsewhere, with the planning system for compounding crude drugs introduced in July 2023, we successfully systematized the complex and specialized operational processes and approaches regarding planning of crude drug lots, a long-standing issue. We recognize lot planning work as the lifeline of the crude drug supply chain, and consider it the heart of the stable supply of high-quality Kampo formulations. Our next step will be to achieve coordination with inventory and arrangement planning, which we believe will contribute to improvements in capital profitability in line with CCC improvement.

Planning System for Compounding Crude Drugs



DX Promotion

With “DX for Purpose” as a slogan, strive for the power to achieve business transformation

Yoshitaka Furusawa
General Manager, Information
Technology Department



To utilize the planning system for compounding crude drugs more effectively, we embarked from July 2023 on the development of maintenance functions connected to the mixing information table master as a follow-up project by members of the Ishioka Center. And we have been using this functionality since June 2024. With respect to lot planning operations, using the planning system for compounding crude drugs as a starting point, we began trying to analyze in a centralized way data scattered across multiple systems in order to maintain the kind of quality and standards we’ve imagined.

As an organization, Tsumura’s DX Promotion Team has a flexible framework centered mainly on members of the Corporate Planning Department and the Information Technology Department. It all started by carefully listening to the issues in-house divisions raised, and these efforts remain

ongoing today. As we collect ideas from people within and outside the Company with specializations and abilities different from DX, we take collective action to address our individual projects. Even as we seek to truly embody our vision to be an “organization mechanism analogous to Kampo medicines,” I want us to be the power that drives business transformation.

At Tsumura, we’ve drafted a Health Declaration and prioritize employee efforts to create healthier lifestyles. Accordingly, since we value the health and well-being of our workforce, we feel it’s necessary to cut down on night shifts at production sites and other issues by effectively utilizing digital tools and robotics. That’s why I take on the work I do every day—to promote DX that assists in ensuring supply stability, improved product value and low-cost operations.

5

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

Human Resource Strategy Coordinated with Management Strategy

In its long-term management vision, TSUMURA VISION “Cho-WA” 2031, the Tsumura Group has articulated the concept of Potential-Abilities Development (PAD). Under this concept, 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.

Specifically, in the Kampo and traditional Chinese medicine business, which offers us no guiding business models, we aim to promote an “organization mechanism analogous to Kampo medicines” throughout the Company in order to generate significant synergies by securing human resources with the potential ability to blaze a new trail, and by having them realize their individual potential. We consider the foundation of these initiatives to be full participation by all officers and employees in Philosophy Discussion and Coaching Meetings. Based on dialogues in which our Purpose and Value act as a centripetal force, we share our vision for the Company and encourage employees to strive autonomously to develop their potential abilities.

Moreover, we aim to develop candidates for management who are able to blaze a new trail from a global perspective by building programs for each role, from junior employee to division manager, in order to cultivate the next generation of managers.

Furthermore, we are engaging in the following measures to increase the overall capabilities of our human resources and organization in order to realize our vision. In parallel with this, we are also promoting diversity and inclusion, which is

essential to innovation, by actively hiring and appointing human resources with diverse viewpoints and values, including gender, age, and experience in different cultures. One urgent issue that we are focused on is the ratio of female managers. The close relationship between this ratio and our corporate value was revealed by an analysis of the relationship between various measures and corporate value based on longitudinal data, which we conducted in fiscal 2023. At the start of fiscal 2024, we reached our target of 10% ahead of schedule, and we will now accelerate this effort even further.

We have also centralized the basic information, abilities, and skills of employees and ascertained the career aspirations of each individual, and in fiscal 2023, we introduced a talent management system so that we can reflect these factors in strategic human resource development and assignment of the right people to the right positions.

Moreover, we have formulated a human resource portfolio for realizing our long-term management vision, and we have identified and organized the gaps between the ideal situation for each division and its actual status. Based on these, we have formulated strategic hiring plans from both short- and long-term perspectives and are now working to implement them. Furthermore, we will set specific quantitative targets for all of our human capital policies and make steady progress on them, aiming to resolve the issues we have identified from the standpoints of the five strategic challenges for the Group and each division's current status.

Human Resource Development Policy

Foster a corporate culture that empowers people to develop on their own

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>	<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>	<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>

Improvement Cycle for Increasing Engagement

In formulating and revising its human resource strategy, the Tsumura Group emphasizes employee engagement and has been conducting engagement surveys since fiscal 2019. We track the status of the organization through the survey results, using the information to verify the effects of organization and human capital policies, formulate action plans, and provide feedback to management and each organization. In this way, we work through a PDCA cycle across the board to constantly improve our level of results. We also share the survey results throughout the Company, which helps people to take

personal responsibility for organization issues and promotes understanding of the essential meaning of our organization and human capital policies.

Based on our survey results to date, in fiscal 2024, we introduced the Self-Conducted Career Checkup system, aimed at supporting autonomous, self-directed career formation. We will continue to encourage clear awareness of career advancement in the Company among individual employees, swiftly promoting measures to increase their motivation.

Organization and Human Capital Policies Enhanced under the First Medium-Term Management Plan

Initiative themes	Organization and human capital policies
<p>Improvement in employee engagement and support for autonomous career formation</p>	<ul style="list-style-type: none">• Philosophy Discussion and Coaching Meetings• One-on-one meetings to strengthen communication between line managers and team members• Roundtable meetings with CEO and CHRO (during training)• Career Challenge (internal recruiting system) → ❶• Employee Stock Ownership Plan → ❷• Hitotsumu Knowledge Café → ❸• Self-Conducted Career Checkup → ❹(Fiscal 2024: Opened the Career Terrace consultation desk)
<p>Securing an organization and human resources for realizing the vision/ building a human resource portfolio</p>	<ul style="list-style-type: none">• T-Next (management candidate development course) → ❺• Clarification of organization roles and necessary human resources, and formulation of a skill map• Support for individual organizations to help form an organization mechanism analogous to Kampo medicines• Reskilling (digital literacy education) → ❻• Come-Back System (alumni system)
<p>Preparing comfortable workplaces</p>	<ul style="list-style-type: none">• Work-from-home system• Self-reporting system• Limited-area employment system• Outside employment system• Promotion of health and productivity management incorporating “healthcare” → ❼• Support for women's active participation in the workplace• Enhancement of childcare and childbirth leave systems

❶ Career Challenge (Internal Recruiting System)

Since fiscal 2022, we have implemented the Career Challenge (internal recruiting system) to cultivate autonomous, independent employees who are able to make and execute their own career plans by providing them with opportunities to choose their preferred job, organization, and workplace. Through this system, we aim to improve employees' job satisfaction and motivation, and strengthen our organizational capabilities by identifying talented employees, curbing attrition, and ensuring appropriate placement of human resources.

❷ Employee Stock Ownership Plan

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 Corporate Purpose and our two 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 two visions.

❸ Hitotsumu Knowledge Café

Hitotsumu Knowledge Café opened in December 2020, as a learning space where employees can interact with colleagues from other divisions and age groups for mutual stimulation. It provides an opportunity for them to utilize time created by telecommuting for self-improvement to realize their career visions. Courses run online by the café to date include Encountering Kampo in a Relaxed Setting, Study Sessions on Other Industries, Let's Get an MBA, and Introduction to Operations in Each Division. Comment: Chicago Manual 8.87

④ Self-Conducted Career Checkup

We created a new Self-Conducted Career Checkup system to help individual employees carry out autonomous, self-directed career formation and realize fulfilling work styles that propel them towards their own goals. In addition to the existing system of age-based career training and post-training career consultation (interview with a national career consultant qualification holder from the Human Resources Department), we established a career consultation desk (Career Terrace) where employees can casually access consultation at any time. Career Terrace started its service in April 2024.

⑤ T-Next (Management Candidate Development Course)

T-Next is our system for producing the next two generations of management candidates who will drive the Company towards realizing its vision. Based on this system, we have formulated a long-term management vision and our vision for the 10 years beyond that, and we provide this management candidate development course to ensure that we have a sufficient number of high-quality management personnel who can drive the necessary transformations.

⑥ Reskilling (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. To support the acquisition of digital skills and knowledge, the Company provides test fees for acquiring qualifications in MOS Excel and IT Passport.

⑦ Promotion of Health and Productivity Management Incorporating “Healthcare”

As a company that has stated its Corporate Purpose as “Lively Living for Everyone,” we are engaging in health and productivity management centered on healthcare with Tsumura’s distinctive characteristics, with the aim of contributing to the health of people and to the well-being of society. This effort on health and productivity management has been recognized, with the Company’s designation in the 2024 Certified Health & Productivity Management Outstanding Organizations (Large Enterprise Category) by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi. 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, so that they can work in good health and with vigor.

Training of Candidates for Management and Promotion of the Corporate Philosophy

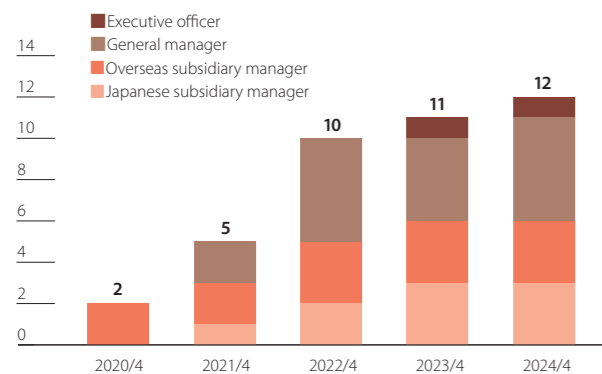
The Tsumura Academy was established as an internal organization for human resource development. President Kato serves as the head of the academy. It has two broad functions.

One of the functions is to develop candidates for management, which involves planning and operating systematic training programs for management personnel and management candidates. As of the end of fiscal 2023, 100 employees completed the basic management course. Several

of the graduates have been appointed as executive officers or general managers.

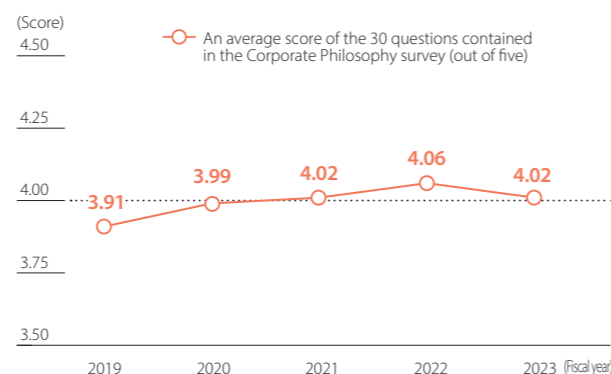
The other function is that of fostering the corporate culture. We are working to develop a corporate culture that promotes propagation of the Corporate Philosophy and draws out the potential of each individual through dialogues in which our Purpose and Value act as a centripetal force.

Number of People Appointed to Management Positions Among People Who Completed or Participated in the Basic Management Course (Cumulative)



Note: Excluding concurrent roles

Corporate Philosophy Survey



Focus Evolution of the Tsumura Academy

The Tsumura Academy was established in 2019 with the purposes of developing candidates for management and fostering a corporate culture. When it was initially established the academy mainly operated programs with external trainers. In 2022, with the aim of further developing a coaching culture, we started developing internal trainers for coaching to encourage propagation of the Corporate Philosophy among individual employees and draw out their potential. Our internal trainers act as drivers for fostering a coaching culture in their own organizations and facilitating discussion at Philosophy

Discussion and Coaching Meetings. In addition, several times each year, the internal trainers meet together to improve their coaching by sharing and reflecting on their coaching practices. As of April 1, 2024, there were 64 in-house trainers.

The level of the results of the Corporate Philosophy survey has been consistently high. Going forward, we will shift the focus of our activities from “understanding the Corporate Philosophy” to “internalizing the Corporate Philosophy and putting it into practice.”

Internal Coaching Trainer

Since becoming an internal trainer, I have come to think deeply about the significance of the work of my division

Miyuki Minari

General Manager, Safety Management
Department, Quality & Safety Management
Division



Once or twice a year, I act as a facilitator for the Philosophy Discussion and Coaching Meetings at the Tsumura Academy and facilitate cross-divisional dialogues. In addition, to develop internal trainers for coaching, I conduct one-on-one meetings for new trainers.

To be able to explain the significance and importance of each level of the TSUMURA GROUP DNA Pyramid, you have to fully understand the Corporate Philosophy first. I have therefore read through the content of the DNA Pyramid over and over again. In the process of doing so, I feel that I have gained an even deeper understanding of the Tsumura Group. I have felt a tremendous sense of satisfaction after the meetings when participants have said that they found the content easy to understand, and that it made sense to them. In addition, inside my department we hold a monthly discussion with an

awareness of our purposes and values as a department. For each individual, we also hold quarterly one-on-one meetings to help them to internalize the TSUMURA GROUP DNA Pyramid by creating their own pyramid, which provides an opportunity for them to reflect on their current status.

Since I started my role as an internal trainer, I think that all of the members of my department have come to think more deeply about the beneficiaries and the purpose of the work they are doing. Looking ahead, I would like to communicate these changes in my own department and the activities of other departments that have a high awareness to people outside the Company as well. I hope to widen the circle of support by doing so and have a beneficial effect on the Company’s value creation process.

Initiatives for Employment of People with Disabilities

The Group aims to enable all of its employees to find satisfaction in their work. We are creating a workplace environment and culture that enable people with disabilities to demonstrate their full potential and achieve self-fulfillment. We provide opportunities for all officers and employees to aim to create an organization mechanism analogous to Kampo medicines in its diversity, and deepen their understanding of and consideration for people with disabilities, in order to create a workplace environment where all employees are accepted and respected.

At TSUMURA & CO., we aim to exceed the statutory employment rate for people with disabilities by about 1%, and to create jobs throughout the Kampo value chain so that people with disabilities make up around 7% to 8% of the workforce, equivalent to the percentage in the overall Japanese population. Currently, we are working with partner companies such as TEMIRU FARM in Hokkaido, which is promoting employment for people with disabilities, as an initiative to create jobs in areas such as cultivation of crude drugs. We will expand these partnerships going forward.