

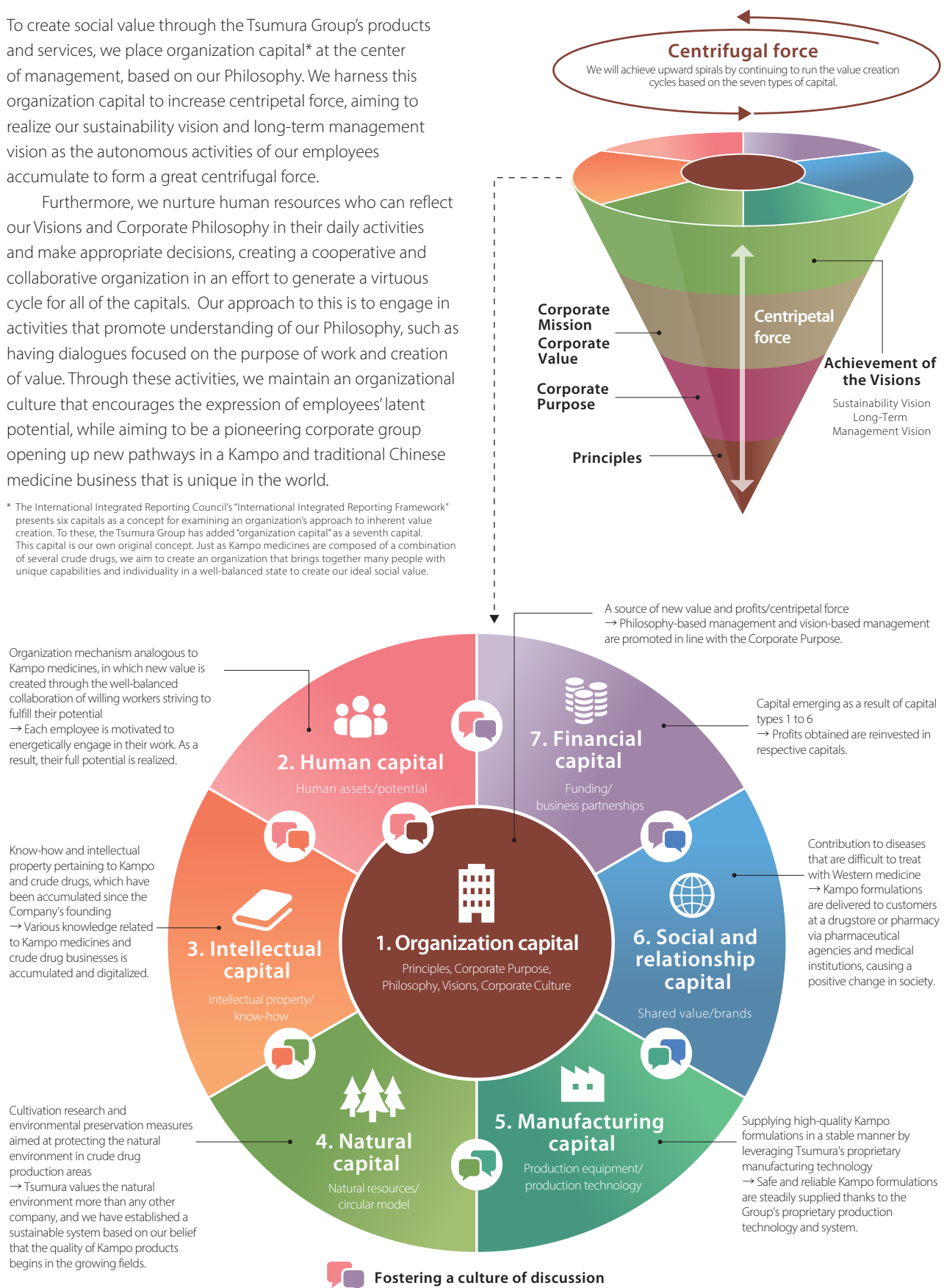
Value Creation Cycle

Approach to Increasing Corporate Value

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

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

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



Process for Value Creation

Fiscal 2023 results



1. Organization capital

- Organization mechanism analogous to Kampo medicines
- **131** th anniversary of founding
- Corporate Philosophy survey: **4.02** pt



2. Human capital

- Number of employees (consolidated): **4,138**
- Education expense per person (non-consolidated): ¥ **120** thousand
- Percentage of employees with disabilities: **2.50** %



3. Intellectual capital

- R&D expenses: ¥ **8,288** million
- Raw materials for crude drug traceability system based on Tsumura GACP
- Tsumura Quality Management System to ensure the uniform quality of Kampo formulations
- Tsumura's proprietary research package (KAMPOmics®)



4. Natural capital

- Energy used: **2,164** TJ
- Water used: **2,151,950** t
Water recycling rate (Ibaraki, Shizuoka and Shanghai): **57.4** % on average
- Percentage of industrial waste recycled: **99.9** % (non-consolidated)
- Countries supplying raw material crude drugs:
China approx. **90** % ; Japan, Laos and others approx. **10** %
- Percentage of cultivated land under the Group's own management: **84.6** %



5. Manufacturing capital

- Selection, processing and quality management:
2 sites in Japan, **2** sites in China
- Manufacturing plants: **2** sites in Japan, **2** sites in China
- Research centers: **1** site in Japan, **1** site in China
- Capital expenditure: ¥ **18,352** million



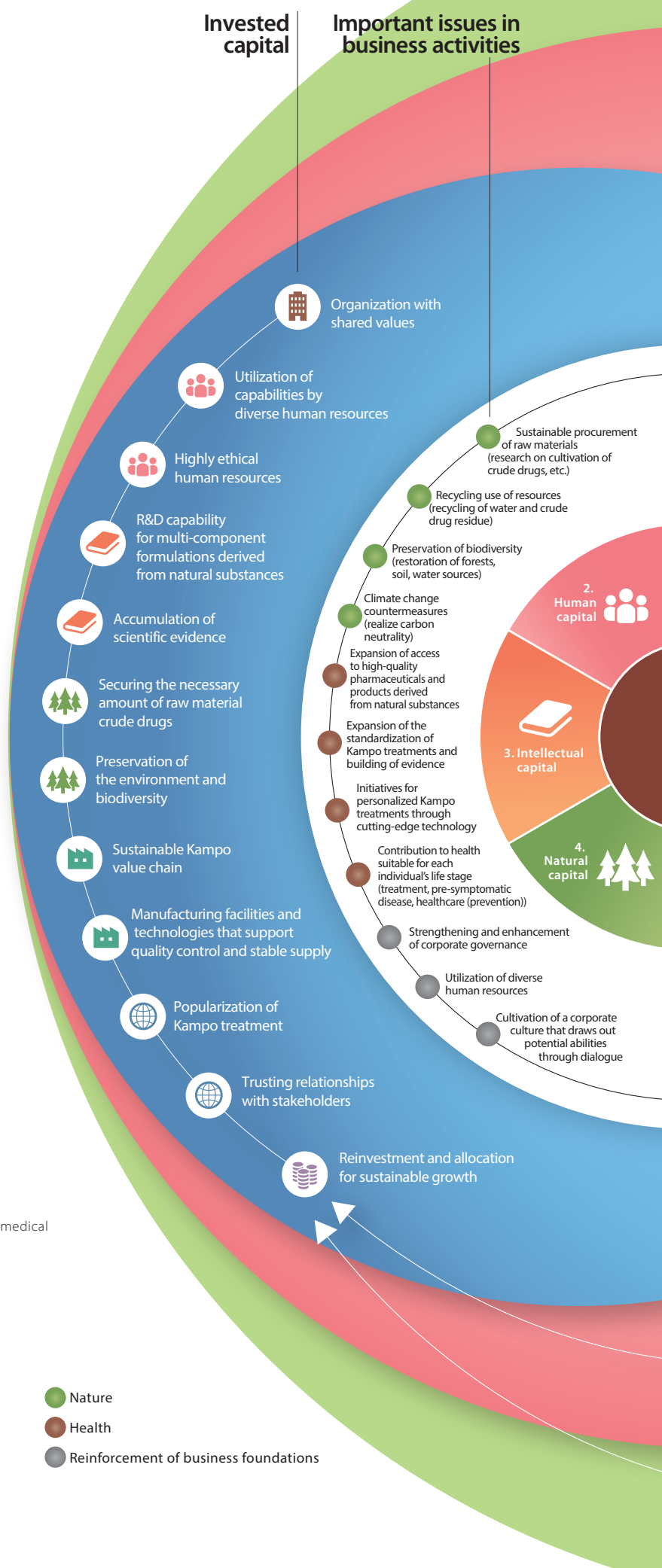
6. Social and relationship capital

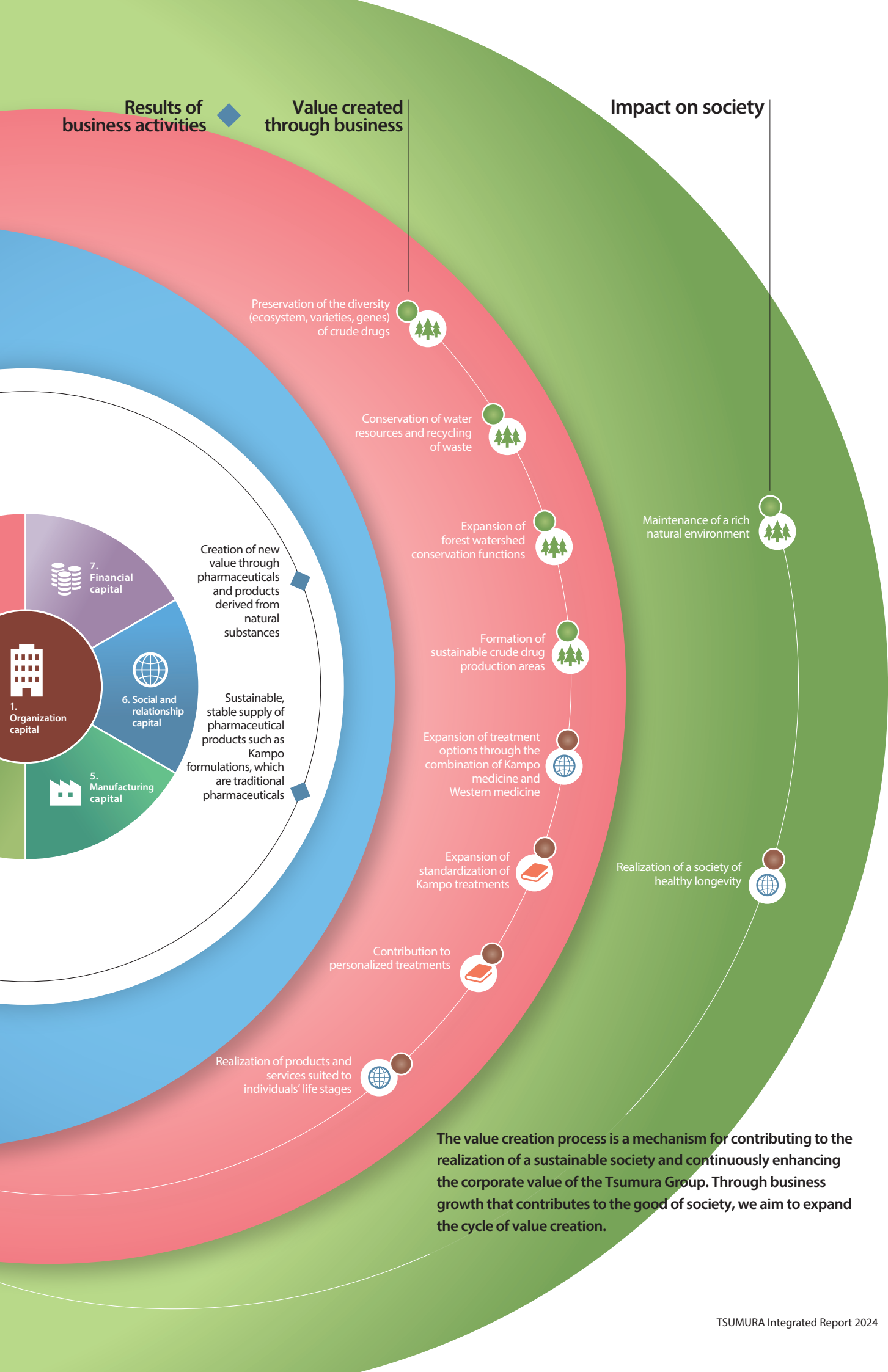
- Percentage of physicians prescribing 10 or more Kampo prescriptions:
39 % (approx. 127,000 physicians)
- Kampo medicine education being implemented at all university medical departments and medical colleges
- Number of consultations at customer consultation desk: **35,017**



7. Financial capital

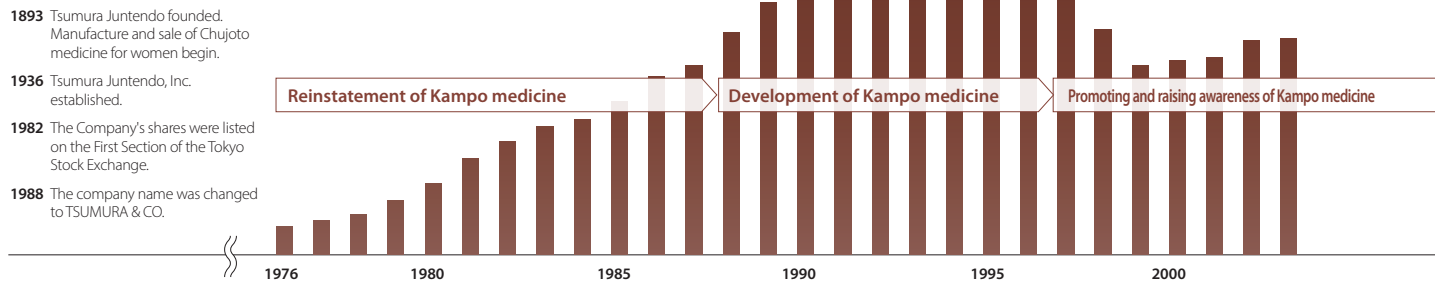
- Net sales: ¥ **150,845** million
- Operating profit: ¥ **20,017** million
- Free cash flow: -¥ **13,743** million
- Total assets: ¥ **428,254** million
- Shareholders' equity: ¥ **270,802** million















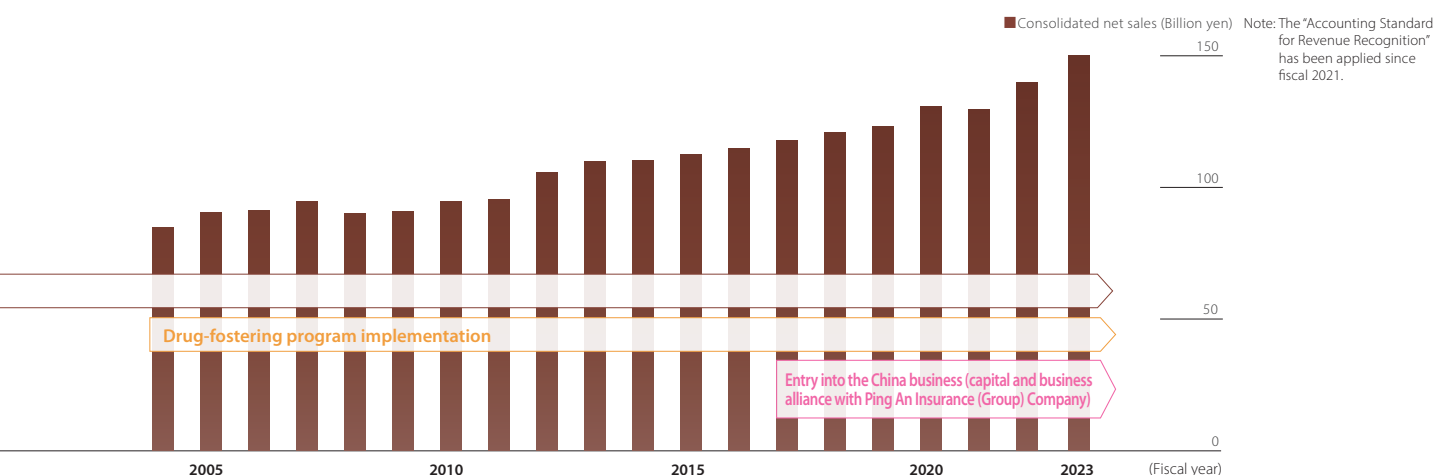
Building a Foundation for Value Creation

The Tsumura Group has worked to popularize and scientifically clarify prescription Kampo formulations with the aim of combining Kampo medicine and Western medicine. The Group's journey has been nothing less than a history of continuous innovation to popularize Kampo medicine while protecting its traditions. The Kampo value chain built over many years is the foundation of our value creation, and drives the accumulation of organization capital that supports the execution of tradition and innovation.







Changes in the Kampo Value Chain

R&D	<p>1924</p> <p>Tsumura Research Institute for Pharmaceutical Science and Tsumura Medicinal Plant Garden opened.</p> 	<p>1926</p> <p>Tsumura Research Institute for Pharmaceutical Science takes over publication of <i>The Journal of Japanese Botany</i>.</p> 	<p>1991</p> <p>Double-blind testing performed after receiving a directive to reevaluate eight Kampo formulations.</p>	<p>2001</p> <p>TSUMURA USA, INC. established as a pharmaceutical development base in the United States.</p> 	
Cultivation and procurement	<p>1973</p> <p>Purchase of crude drugs from a "friendly trading company" designated by the Chinese government starts.</p>	<p>1978</p> <p>Second president Jusha visits China for the first time to negotiate for a stable supply of raw material crude drugs.</p> 	<p>1981</p> <p>Direct purchase of crude drugs from Chinese state-owned enterprises starts. Long-term crude drug supply contract concluded with China Souvenirs and Livestock Company.</p> <p>1988</p> <p>System for direct purchase from a joint venture company and base for the procurement of raw material crude drugs for the Company's use are established.</p>	<p>1991</p> <p>SHENZHEN TSUMURA MEDICINE CO., LTD. established as a supply base of raw material crude drugs in China.</p> 	<p>2007</p> <p>Operation of crude drug traceability system starts.</p> <p>2009</p> <p>YUBARI TSUMURA CO., LTD. established as a base for the cultivation, procurement, preparation and processing, sorting and processing, and storage of raw material crude drugs in Hokkaido.</p>
Manufacture	<p>1964</p> <p>Shizuoka Plant newly established.</p> 	<p>1983</p> <p>Ibaraki Plant newly established and the research laboratory relocated to the site.</p> 	<p>1999</p> <p>Heavy metal testing method established.</p>	<p>2001</p> <p>SHANGHAI TSUMURA PHARMACEUTICALS CO., LTD. established as a manufacturing base for extract powder (intermediate product) in China.</p> 	
Sale, education, and popularization	<p>1893</p> <p>Manufacture and sale of Chujoto medicine for women begin.</p> <p>1974</p> <p>Sale of prescription Kampo formulations begins.</p>	<p>1976</p> <p>Total of 33 Tsumura prescription Kampo formulations added to the NHI drug price list.</p> 	<p>1987</p> <p>Further additions to the NHI drug price list bring the number to 129.</p> <p>1991</p> <p>Sales of prescription Kampo formulations surpass 100.0 billion yen.</p>	<p>1996</p> <p>Media reports side effect of interstitial pneumonia caused by Shosaikoto.</p> <p>1997</p> <p>MR certification system introduced.</p> <p>1999</p> <p>Kampo medical seminars begin.</p>	<p>2001</p> <p>Kampo medical symposium held.</p> 



Foundation for Value Creation

<p>2004</p> <p>R&D policy changed to specialize in Kampo medicine and crude drugs.</p> <p>Drug-fostering program advanced by establishing evidence of efficacy of Kampo formulations.</p>	<p>2005</p> <p>Investigational new drug (IND) approval for Daikenchuto obtained from the Food and Drug Administration (FDA) in the United States and clinical testing (TU-100) started.</p> <p>2007</p> <p>DKT Forum set up to establish clinical evidence for Daikenchuto.</p>	<p>2016</p> <p>"Growing" formulations set for Kampo formulations.</p> <p>100th anniversary of <i>The Journal of Japanese Botany</i>.</p> 	<p>2017</p> <p>TU-100 phase II clinical trials completed, and focus on postoperative ileus (POI) as an indication announced.</p> <p>2018</p> <p>Trademark registered for Tsumura's proprietary research package (KAMPOmics®).</p>	<p>2023</p> <p>The Company completed registration of patients for late-stage phase II clinical trials of TU-100.</p>	<p>Kampo treatment standardized through accumulation of evidence</p> <p>Multi-component Kampo formulation research method established</p>
<p>2010</p> <p>Formulation and start of implementation of Tsumura GACP for crude drugs. LAO TSUMURA CO., LTD. established as a base for the cultivation, procurement, preparation and processing, sorting and processing, and storage of raw material crude drugs in Laos.</p> 	<p>2011</p> <p>Memorandum of Understanding concluded with the Baishan City Government in China for joint research on raw material crude drugs.</p>	<p>2012</p> <p>Expansion of cultivated land under our management to stabilize procurement prices of raw material crude drugs.</p> <p>2014</p> <p>Joint research agreement concluded with the China Academy of Chinese Medical Sciences on <i>sojutsu (atractylodes lancea rhizome)</i>.</p>	<p>2015</p> <p>Letter of Intent concluded for joint research with Hong Kong Baptist University.</p> <p>2016</p> <p>Promotion of open-field cultivation of ginseng from a perspective of preserving the natural environment.</p>	<p>2019</p> <p>Capital and business alliance agreement concluded with Tianjin China Medico Technology Co., Ltd. (currently Ping An Tsumura Pharma Inc.).</p>	<p>Tsumura GACP structure established</p> <p>System for stable procurement of raw material crude drugs established</p>
<p>2005</p> <p>Container exchange and conveyor robot introduced (realized reduced-labor manufacturing and 24-hour operation through the utilization of robotics).</p> <p>2007</p> <p>Industrial robot receives excellence award at The Robot Award 2007.</p>	<p>2013</p> <p>West Japan and East Japan Distribution Centers completed.</p>	<p>2018</p> <p>TIANJIN TSUMURA PHARMACEUTICALS CO., LTD. established as a manufacturing base for extract powder in China.</p> 	<p>2020</p> <p>Robot technology deployed in all manufacturing processes of the No. 3 SD Building at the Ibaraki Plant.</p> <p>2023</p> <p>Capital and business alliance entered into with Robit Inc. to realize early automation of raw material crude drug selection and manufacturing processes.</p>	<p>2023</p> <p>Introduction of planning system for compounding crude drugs using AI technology (increase in the crude drug inventory turnover rate by optimization of crude drug mixing plans and transportation plans).</p>	<p>Quality assurance system for all lots</p> <p>Automation of all processes</p>
<p>2004</p> <p>Kampo medicine education implemented at all university medical departments and medical colleges nationwide.</p>	<p>2007</p> <p>Sponsorship of dementia forums begins.</p> 	<p>2016</p> <p>Geriatric health, cancer (supportive care), and women's health set as the three key domains.</p>	<p>2019</p> <p>Application of the Guidelines for Provision of Sales Information on Prescription Drugs begins.</p> <p>E-promotions such as Mega Web Seminars begin.</p> <p>2020</p> <p>Project to establish presence in the area of cardiovascular diseases begins.</p>	<p>2023</p> <p>Ratio of e-promotions in detailing impacts (the number of times that physicians have recognized information) reaches approximately 50%.</p>	<p>Education and popularization of Kampo medicine</p> <p>Proposal of therapies that combine Kampo medicine and Western medicine</p>