

Sustainability Vision and Materiality

For the Tsumura Group, sustainability management is none other than the embodiment of our sustainability vision.

Since we are promoting a business that uses crude drugs, which are substances provided by nature, and leading it into the future, we need to be extremely sensitive to changes in the natural environment as well as any potential crises it may face. Our commitment to making the fullest use of the gifts of nature and continuing to contribute to human health and medicine is embedded in our sustainability vision, “Living with nature for tomorrow.” Throughout the Kampo value chain, we aim to realize sustainability for people, society, and the global environment. We will work to realize a recycling society in our own way, by ensuring that all resources, not only crude drugs but also water and air, are returned to nature.

In light of our Corporate Purpose, “Lively Living for Everyone,” we are incorporating the Group’s sustainability vision, which translates our Corporate Value, “The Best of Nature and Science,” into our concrete activities through our long-term management vision, TSUMURA VISION “Cho-WA” 2031.

Process for Formulation of Materiality

In September 2023, the Group redefined its materiality (priority issues) based on its Corporate Purpose, in order to contribute to solving global issues through its business activities and realize an increase in its corporate value. This involved changing from the previous bottom-up formulation process to a top-down process based on the commitment of the CEO. The objective in doing so is to communicate our social and economic value creation story in a clear way both inside and outside the Company.

- 1

Organize the connection between the Tsumura Group’s three levers* in CSV and its long-term management vision based on its Corporate Purpose.
- 2

From the Corporate Purpose and Corporate Value, organize the “Creation of Shared Value with Society” that the Tsumura Group should aim for.
- 3

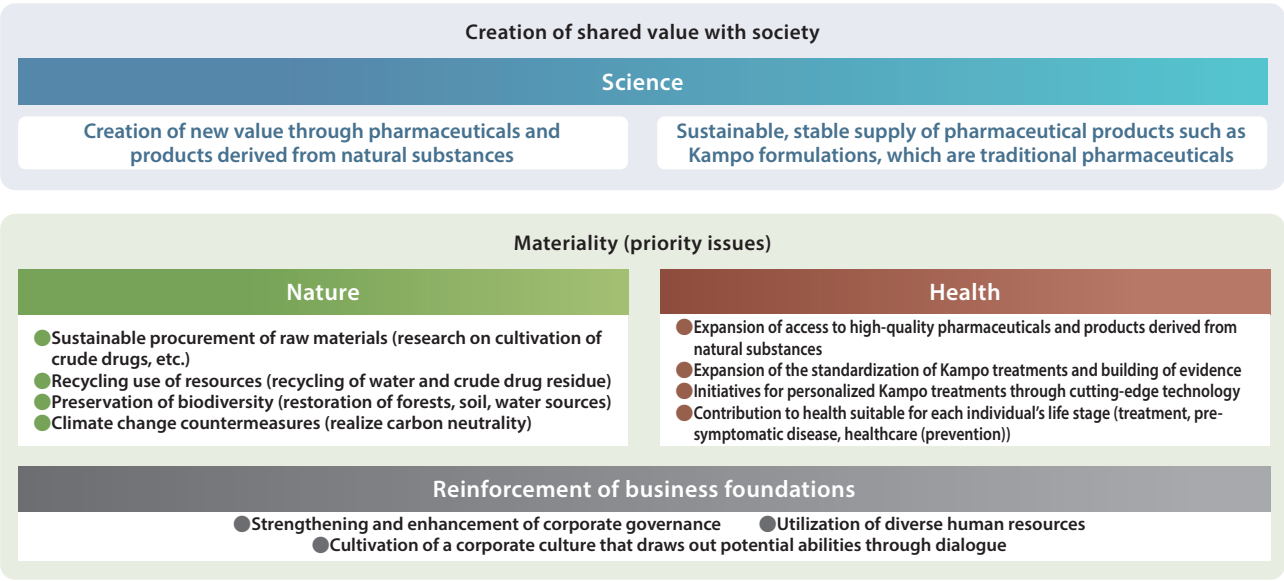
Identify the elements organized in 1 and 2 as materiality (priority issues) along the direction and timeline of the sustainability vision.

* Three methods (levers) for realizing CSV (Creating Shared Value) advocated by management scholar Michael Porter ((1) Creation of next-generation products and services, (2) Improvement of productivity across the entire value chain, and (3) Building local ecosystems)

Sustainability Vision — Living with nature for tomorrow

The Tsumura Group’s Materiality

The Tsumura Group’s materiality (priority issues) refers to its initiatives for business to embody its Corporate Purpose, “Lively Living for Everyone,” and its Corporate Value, “The Best of Nature and Science.” All value related to nature and health that is created by the Tsumura Group’s business leads to the creation of shared value with society.



Sustainability Promotion System

We recognize that responses to issues related to sustainability, such as consideration for global environmental issues like climate change and respect for human rights, are important management priorities. The Sustainability Committee is under the supervision of the Board of Directors. The committee examines and monitors the Company’s overall direction and activities in order to see that these issues are reflected in concrete strategies. In addition, five subcommittees have been formed under the committee, with each one responsible for organizing cross-organizational discussions on knowledge, experience and research findings collected from various divisions in accordance with medium- to long-term environmental goals and other targets. Furthermore, to stimulate more active discussion, regular opportunities are provided to report the results of each subcommittee to the Committee Chair (Co-COO Sugii) and Deputy Committee Chair (CFO Handa) as part of efforts to enhance the effectiveness of sustainability activities. We will strive to ensure such effectiveness by responding flexibly to changes in the social environment and the requirements of the times.

The Sustainability Committee met four times in fiscal 2023, deliberated important matters such as proposals for TCFD and TNFD disclosures and progress on medium- to long-term environmental targets related to LTI-II, and reported the findings to the Board of Directors. The Sustainability Committee and Risk Management Committee share information and are responsible

for the assessment and control of risks associated with climate change.

To invigorate the deliberations of the Sustainability Committee, the Committee Chair Briefing was established in September 2023 to create a structure for reporting on the progress of each subcommittee’s initiatives and swiftly giving management instruction on them. The Committee Chair Briefing was held three times in fiscal 2023.

Sustainability Committee Composition

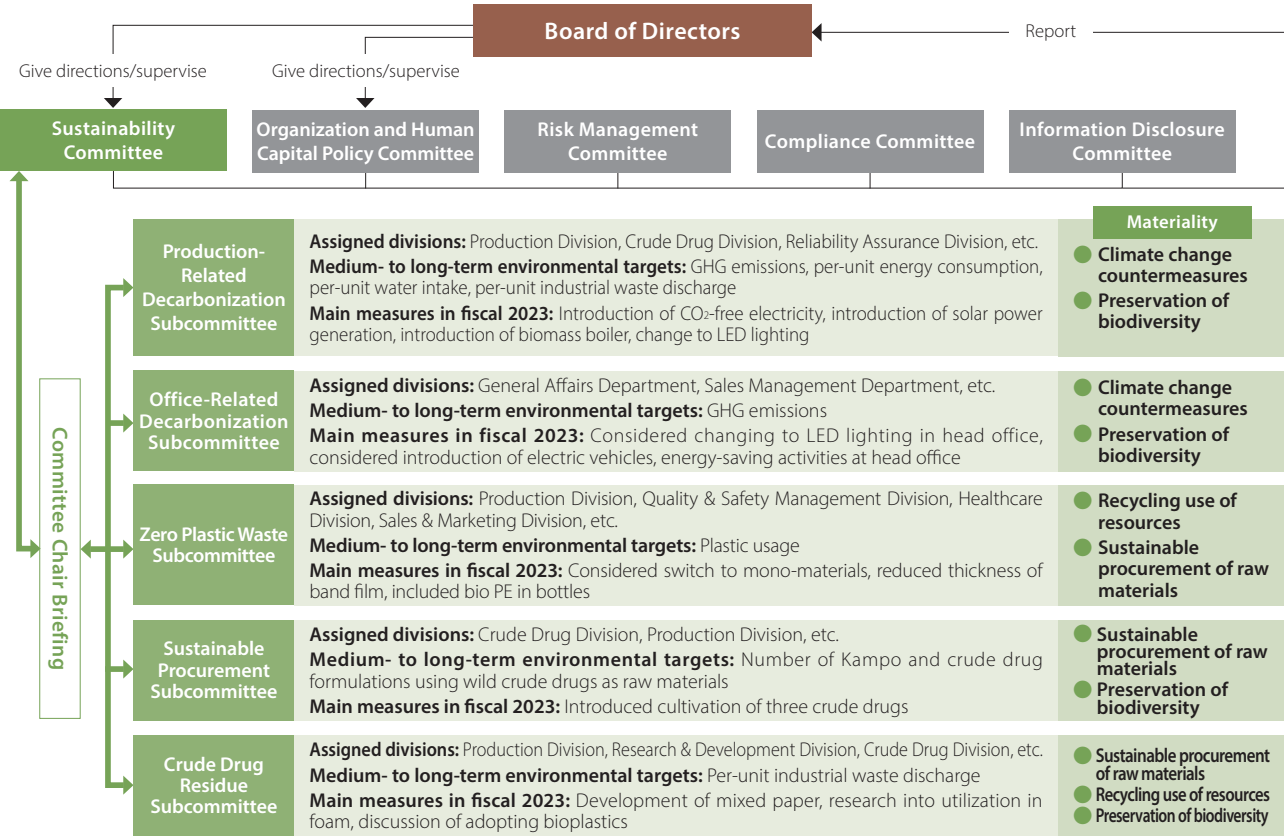
Committee Chair:
Executive Officer in charge of the Sustainability Management Department (Co-COO)

Members:
All executive officers except the CEO, relevant division general managers (Corporate Planning Department, Corporate Communications Department, Accounting Department, China Coordination Department, Crude Drug Division, Marketing Division), observers (directors, full-time Audit and Supervisory Committee members, plant managers)

Number of meetings in fiscal 2023: 4

Main discussion items in fiscal 2023:

- Discussion and approval of proposal for renewal of TCFD disclosures
- Progress report on medium- to long-term environmental targets
- Beyond discussions on renewing materiality, reports on support for TNFD and other initiatives, CDP results, community contribution activities, etc.



Materiality and Management Strategy KGIs/KPIs

Materiality			First medium-term management plan strategic challenges	Indicators (KGIs/KPIs of each organization)	Fiscal 2022 result	Fiscal 2023 result	Fiscal 2024 target	
Nature	Sustainable procurement of raw materials (research on cultivation of crude drugs, etc.)		1. Continuously expanding the Kampo market by providing Kampo solutions that match the needs of each and every physician	Domestic business net sales	124,698 million yen	132,099 million yen	Net sales CAGR 5% (fiscal 2022–2024)	
	Percentage of physicians prescribing 10 or more prescription Kampo formulations			32%	39%	50% or more		
	Number of universities teaching four or more courses in Kampo medicine			78 universities	78 universities	82 universities		
	Number of medical website users			Not disclosed	Not disclosed	Not disclosed		
	Number of detailing impacts			4.77 million	6.80 million	Same as or higher than the previous year		
Nature	Recycling use of resources (recycling of water and crude drug residue)		2. Using KAMPOMics to build evidence on Kampo medicine and promote the scientific study of pre-symptomatic diseases	Number of treatment guideline listings for Kampo formulations (Type B and above)	99	102	130	
	Progress in development of TU-100 in the United States			Currently in late-stage phase II clinical trial	Completed registration of patients for late-stage phase II clinical trial	-		
	Nature		Preservation of biodiversity (restoration of forests, soil, water sources)	3. Expanding sales of crude drugs and drug pieces in China and entering the traditional Chinese medicinal products business	China business net sales	15.3 billion yen	18.7 billion yen	Net sales CAGR 30% (fiscal 2022–2024)
			M&A of a traditional Chinese medicinal products company		In negotiation with multiple companies	In negotiation with multiple companies	M&A complete	
			Nature	Climate change countermeasures (realize carbon neutrality)	4. Innovating the IT platform and crude drug selection, and promoting the implementation of AI and automation toward reforming the Kampo value chain	Annual production plan achievement rate	Not disclosed	Not disclosed
Labor productivity in factories (compared to fiscal 2021)				102%		86%	120%	
Health				Expansion of access to high-quality pharmaceuticals and products derived from natural substances	5. Creating value through organization and human capital and promoting reform to boost job satisfaction	Average score of the Corporate Philosophy survey (5-point scale)	4.06 points	4.02 points
	Progress rate on acquisition of designation in Certified Health & Productivity Management Outstanding Organizations			Preparing for acquisition		Certified by METI under the "KENKO Investment for Health 2024"	Maintain outstanding organization designation	
	Ratio of female recruitment in career-track positions (non-consolidated)			42.2%		37.8%	50%	
	Ratio of mid-career hires in career-track positions (non-consolidated)		67.5%	59.2%		40%		
	Employee engagement/satisfaction (5-point scale)		3.58 points	3.58 points		3.90 points		
Reinforcement of business foundations	Strengthening and enhancement of corporate governance		Initiatives for realization of the sustainability vision (medium- to long-term environmental targets)	Efficacy of crude drug procurement based on the Tsumura Procurement Policy	Start of implementation of the Tsumura Procurement Policy	In operation or preparation at five organizations	Verification with production groups 50% completed	
				Reduction in number of wild crude drug items used (compared to fiscal 2020)*1	Introduced cultivation of one crude drug	Introduced cultivation of three crude drugs	Elimination of one or more items	
	Reduction in usage of plastics (compared to fiscal 2020)*2			-	-	-10%		
	GHG emissions (compared to fiscal 2020)*3			+12.9%	-6.3%	-3%		
	Per-unit energy consumption (YoY)*4			-4.8%	-9.5%	-1%		
	Per-unit water intake (compared to fiscal 2020)*5			+6%	-7%	-10%		
	Per-unit industrial waste discharge (compared to fiscal 2020)*6			-	-	-50%		

*1 Fiscal 2020 result: 34 items *2 Fiscal 2020 result: 3,037 t *3 Fiscal 2020 result: 96,487 t-CO₂ *4 Fiscal 2021 result: 154 GJ/t *5 Fiscal 2020 result: 113.01 t/t *6 Fiscal 2020 result: 1.76 t/t

Initiatives for Realization of the Sustainability Vision

“Living with Nature for Tomorrow” in Kochi Prefecture

Tsumura started a joint forestation project, the Tosa Tsumura Forest in 2008, aimed at protecting the natural environment, promoting regional development, and developing the next generation. Fiscal 2024 was the 17th year of the project. In September 2024, a four-way alliance between Kochi Prefecture, Ochi Town, Human Life Tosa, and Tsumura was joined by a fifth member, Kochi Prefecture Makino Memorial Foundation (Makino Botanical Garden), to renew the project into an education program on local nature, history, and industry in an effort to enhance educational content at the local Ochi Junior High School. Ochi Town is one of the main crude drug production areas in Japan. In addition to experiencing crude drug harvesting, in a new development from fiscal 2024, the students also conducted field work at Mt. Yokokura, which is associated with Dr. Tomitaro Makino,

using the expert resources of Makino Botanical Garden. In this activity, they used an electronic field guide on a tablet developed by Kochi University and a local company to promote DX in education. This integrated learning based on the local area and nature is expected to contribute to the development of the next generation of human resources, who will be in charge of a sustainable society.

For more details on the joint forestation project Tosa Tsumura Forest, please refer to the Company's website.
<https://www.tsumura.co.jp/english/sustainability/society/local-residents/>



Orientation given by Tsumura's employees at Ochi Junior High School

Initiatives for Recycling Use of Resources

Development of Paper Blended with Crude Drug Residue (with Tea Leaf Waste Recycling Technology)

The Tsumura Group's materiality issues include “recycling use of resources (recycling of water and crude drug residue).” We have been promoting the recycling of water and the upcycling of crude drug residue in our manufacturing process, guided by the concept of using natural capital in our business, and then returning to nature not only crude drugs, but also water and air. We emit around 30,000 tonnes of crude drug residue per year. Up until now, we have recycled 100% of this by composting, using it as a biomass fuel for thermal power generators, and converting some of it to valuable materials. The Crude Drug Residue Subcommittee, under the Sustainability Committee, initiated a corporate relationship with ITO EN, LTD. in fiscal 2022. We started examining new ways to utilize crude drug residue with assistance from ITO EN's tea leaf waste recycling technology. Crude drug residue

has a water content of around 80%, so it rots in just a few days. In conducting testing, we encountered various issues storing wet crude drugs and leading up to papermaking. However, Tsumura Kampo Research Laboratories and the Ibaraki Plant led our efforts to resolve them through cooperation with relevant internal departments, resulting in the development of paper blended with crude drug residue. The blended paper has been commercialized for use in the Company's business cards, envelopes, and other items, and we are promoting sustainability activities through all employees.

