

Structure of Our Strategy over Time

Sustainability Vision

Living with nature for tomorrow

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

| Creation of shared value with society | | Materiality (priority issues) | Strategic approach |
|---------------------------------------|---|--|---|
| Science | Creation of new value through pharmaceuticals and products derived from natural substances | Sustainable procurement of raw materials (research on domestication of crude drugs, etc.) | <ul style="list-style-type: none"> Continuous contract cultivation based on the Tsumura Procurement Policy Percentage of cultivated land under the Group's own management maintained at approx. 80% Sustainable crude drug cultivation that can adapt to the environment |
| | | Recycling use of resources (recycling of water, crude drug residue) | <ul style="list-style-type: none"> Realization of a recycling society, including effective use of all crude drug residues as raw materials for compost and soil improvers |
| | | Preservation of biodiversity (restoration of forests, soil, water sources) | <ul style="list-style-type: none"> Preservation of diversity (ecosystems, varieties, genes) Expansion of forest watershed conservation functions |
| | | Climate change countermeasures (realize carbon neutrality) | <ul style="list-style-type: none"> Introduction of energy-saving technology Absorption of CO₂ through cultivation of tree-type crude drugs Introduction of CO₂-free electricity |
| | Sustainable, stable supply of pharmaceutical products such as Kampo formulations, which are traditional pharmaceuticals | Expansion of access to high-quality pharmaceuticals and products derived from natural substances | <ul style="list-style-type: none"> Lifestyle involving daily use of Kampo formulations and products made from crude drugs Evidence-based provision of products and services such as Kampo medicines and traditional Chinese medicines |
| | | | <ul style="list-style-type: none"> Kampo value chain reform due to promotion of DX Collaboration with stakeholders towards increasing corporate value |
| | | Expansion of the standardization of Kampo treatments and building of evidence | <ul style="list-style-type: none"> Expansion of the standardization of Kampo treatments based on evidence Contribution to realizing a society of healthy longevity |
| | | Initiatives for personalized Kampo treatments through cutting-edge technology | |
| | | Contribution to health suitable for each individual's life stage (treatment, pre-symptomatic disease, healthcare (prevention)) | <ul style="list-style-type: none"> Provision of value suited to each individual's life stage Contribution to popularization of pre-symptomatic disease treatment through scientific study of pre-symptomatic diseases |
| | | Strengthening and enhancement of corporate governance | <ul style="list-style-type: none"> Improvement of board effectiveness evaluation Further separation of execution and oversight Diversification of Board of Directors members |
| Reinforcement of business foundations | Utilization of diverse human resources | | <ul style="list-style-type: none"> Realization of organization development aimed at achieving an organization mechanism analogous to Kampo medicines Recruitment, assignment, and training of human resources based on skill maps |
| | Cultivation of a corporate culture that draws out potential abilities through dialogue | | <ul style="list-style-type: none"> Development of a corporate culture that draws out potential capabilities through dialogue focused on our Purpose and Value as common denominators |

and continuing to contribute to human health and medicine is embedded in our sustainability vision, "Living with nature for tomorrow."

To enable the creation of long-term shared value with all of our stakeholders, we have organized the Tsumura Group's CSV based on our Corporate Purpose, and identified it as our materiality (priority issues).

Materiality Identification Process

- 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)

| Current strengths | | Risks and responses |
|---|--|---|
| <ul style="list-style-type: none"> ● Establishment of Tsumura GACP system ● Stabilization of quality, volume and prices of crude drugs by making use of cultivated land under Tsumura's own management ● Development of multiple production areas and production countries (China, Japan, Laos, etc.) ● Research on crude drug cultivation to adapt to the environment ● Domestication of wild crude drugs | | <ul style="list-style-type: none"> ● Procurement risk due to unforeseen weather conditions, natural disasters, etc., changes in the scope of legal restrictions on imports and exports, or unexpected changes in political and economic conditions ➔ Securing of sufficient inventory volume, expansion of range of suppliers of crude drugs domestically and overseas, continued expansion of cultivated land under own management, establishment of purchasing structure involving multiple suppliers ● Risk of large fluctuations in the exchange rate relevant to the import of raw material crude drugs and Kampo powdered extract from China ➔ Stabilization of costs through tools such as forward exchange contracts while taking into account exchange rate trends ● Risk of occurrence of problems with product quality or safety ➔ Thorough management of raw material crude drugs in accordance with the Regulations on the Tsumura GACP Policy ● Risk of loss of production and distribution functions due to natural disasters, fires, power outages, etc. ➔ Diversification of manufacturing and product supply sites, introduction of seismic isolation and earthquake-resistant structures for production facilities |
| <ul style="list-style-type: none"> ● Development and commercialization of blended paper made with crude drug residue ● Use of recycled water and steam (reprocessing facility for water used in manufacturing) ● Recycling of crude drug residue (biomass power generation fuel, raw material for compost/soil improver) | | |
| <ul style="list-style-type: none"> ● Research on preservation and domestication of crude drug seedlings ● Natural environment conservation activities at Tosa Tsumura Forest (Ochi Town, Takaoka District, Kochi Prefecture) | | |
| <ul style="list-style-type: none"> ● Increase in water and energy circulation efficiency ● Introduction of energy-saving technology ● Cultivation of tree-type crude drugs over a large area ● Introduction of off-site power purchase agreement | | |
| <ul style="list-style-type: none"> ● Supporting long-term Kampo medicine education in school for students, trainee physicians and experienced practitioners ● Prescription of Kampo formulations in a wide range of hospital departments ● Track record of supplying to the largest medical institutions and pharmacies in the industry ● Superior raw material crude drugs in the Chinese market (ginseng) | | <ul style="list-style-type: none"> ● Risks related to administrative developments such as government policies to curb healthcare spending ➔ Building understanding of the value of Kampo formulations, cooperation with industry bodies and recommendations to relevant ministries and agencies ● Risk of tighter domestic/overseas regulations concerning the development and manufacture of pharmaceutical products ➔ Establishment of evidence of efficacy of prescription Kampo formulations, activities to raise profile of prescription Kampo formulations ● Risk of unexpected side effects ➔ Promoting proper use of products by promptly and appropriately collecting safety information on products and strengthening the dissemination of information on adverse drug reactions ● Risk of being unable to achieve growth or maintain/improve performance in the future ➔ Periodic verification of feasibility (return on investment and business feasibility assessment) of R&D plans in Japan and overseas ➔ Expansion of business target areas in Japan (beyond the medical-use domain to include the total healthcare domain) ● Risk of occurrence of problems with product quality or safety ➔ Compliance with the quality control standards in the country or region, promotion of initiatives for quality of all products, including not only those manufactured in-house but also those manufactured by CMOs |
| <ul style="list-style-type: none"> ● Whole-lot quality assurance system ● Computer control in accordance with formulation design for each Kampo formulation ● Development and introduction of robot technology for all manufacturing processes | | |
| <ul style="list-style-type: none"> ● Increase in number of listings and level of recommendation in treatment guidelines ● Finding scientific basis for "patterns," unique diagnosis performed in Kampo medicine ● Responder marker research based on KAMPOMics®, development of Kampo diagnostic support system, scientific elucidation of pre-symptomatic disease ● Cooperation framework with research institutes and partner companies | | |
| <ul style="list-style-type: none"> ● Implementation of management based on the TSUMURA GROUP DNA Pyramid ● Establishment of the Nomination Advisory Committee and Remuneration Advisory Committee ● Establishment of the Outside Directors' Meeting | | |
| <ul style="list-style-type: none"> ● Balancing individual life cycle with career formation ● Supporting diverse and flexible work styles ● Realizing physically and psychologically healthy working environments for employees | | <ul style="list-style-type: none"> ● Increase in turnover rate ➔ Employee training regarding diverse work styles and cultures, strengthening of communication, and career support for employees from the Organization Development Department |
| <ul style="list-style-type: none"> ● Maintain a score of 4 points or higher (of a maximum of 5) in the Corporate Philosophy survey ● Documentation of Tsumura's Philosophy-Based Management (PHP Institute, Inc.) | | <ul style="list-style-type: none"> ● Decrease in employee motivation and performance ➔ Promotion of dialogue using in-house lecturers |

Long-Term Management Vision

TSUMURA VISION “Cho-WA” 2031

To realize our long-term management vision, we created medium-term management plans as a road map by clarifying our business visions and then backcasting and dividing them into three stages.

| | Prescription Kampo business | China business |
|-------------------|---|--|
| Business vision | A situation where all patients can receive Kampo treatment suited to them individually, regardless of the medical institution or clinical department | A situation where we are contributing to the health of the people of China |
| Business strategy | Establishment of Kampo medicine Realize a situation at medical institutions where one in two physicians (50%-plus) writes “basic prescriptions in treatment areas” based on Kampo medicine | Be a traditional Chinese medicine company that is trusted in China |

| Objectives | | Initiatives by business | | First medium-term management plan 2022–2024 | Second medium-term management plan 2025–2027 |
|--|---|--|--|---|--|
| 50% of physicians writing basic prescriptions in all treatment areas | Prescription Kampo business | Standardization of Kampo treatment | Target 50% or higher → Increase in number of physicians prescribing 10 or more formulations | Target 70% or higher → Increase in physicians writing basic | |
| | | Personalization of Kampo treatment | | Target 25% or higher → Increase in physicians writing basic | |
| | | Information provision activities | Quantitative expansion of e-promotion | | |
| | | | Qualitative expansion of e-promotion and | | |
| Expansion of standardization of Kampo treatments and personalization of Kampo treatments | R&D | Standardization of Kampo treatment | Accumulation of scientific | | |
| | | | Development and market launch | | |
| Personalization of Kampo treatment | | | | | |
| | | R&D and social implementation of Kampo | | | |
| Scientific study of pre-symptomatic diseases and three preventative measures for pre-symptomatic diseases (prevention of pre-symptomatic diseases, prevention of disease progression, and post-healing care) | | Scientific study of pre-symptomatic diseases | Basic research and clinical application of pre-symptomatic disease markers | | |
| Building a foundation for the China business (China business sales ratio of 50% or higher) | China business | Entry into the traditional Chinese medicinal products business | Examination of entry into the traditional Chinese medicinal products business | Business entry and expansion | |
| | | Raw material crude drugs, drug pieces, and health products Development of “Personalized Medicine” | Expanded recognition of crude drug quality | Development of high value-added products and services | |
| | | Establishment of R&D structure | Policy examination | Building of infrastructure | |
| DX of the Kampo value chain | DX | Low-cost operation Data centralization and use of generative AI Establishment of stable supply and optimized inventory | Building of IT infrastructure | Utilization of generative AI, renewal of IT | |
| Implementation of Purpose management, Philosophy management, and Vision management | | Organization and human resources | Fostering of corporate culture Development of management human resources Organization development Talent management | Fostering of corporate culture through dialogue | |
| | | | Promotion of organization and human capital policies | | |
| Sustainability vision | Realization of carbon neutrality | Sustainability | 50% reduction in GHG emissions | Introduction of solar power generation | |
| | Realization of Nature Positive | | Research on domestication of crude drugs | Sustainable crude drug cultivation that can adapt to the environment | |
| | Building of Tsumura's circular economy | | Recycling of water and waste | Promotion of recycled water use | Realization of recycling use |
| | | | Conversion to eco-friendly packaging | Adoption of plant-based/recyclable materials for some packaging materials | |
| | Building relationships with the local community and society | | Initiatives for conservation of the natural environment, regional revitalization, sustainability education, etc. | Engagement in biodiversity and sustainability | |

Three Ps to Be Realized under the Long-Term Management Vision

We are working to fulfill the potential of the three Ps below, to live in greater balance with nature and welcome an era in which we can support well-being for every individual, using the power of nature and science, mainly in traditional medicines, with Kampo and traditional Chinese medicines at its core.

PHC

Personalized Health Care

This means contributing to well-being through evidence-based provision of Kampo and traditional Chinese medicines and other products and services tailored to the individual's life stage, symptoms, genetic makeup and living environment.

PDS

Pre-symptomatic Disease and Science

With this, we contribute to building a healthier society by establishing diagnostic methods and systems to address a given pre-symptomatic disease, defined based on evidence.

PAD

Potential-Abilities Development

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 traditional Chinese medicine business, for which there is no other model in the world.

| Third medium-term management plan 2028–2031 | | Connection to strategic materiality approach | Indicators | Fiscal 2022 result | Fiscal 2023 result | Fiscal 2024 result | Fiscal 2027 target |
|---|--|---|--|--|--------------------|--|---|
| | | ● Expansion of the standardization of Kampo treatments based on evidence | Ratio of physicians prescribing 10 or more prescription Kampo formulations | 32% | 39% | 50% | 70% |
| | Target 50% or higher → | ● Contribution to realizing a society of healthy longevity | Ratio of physicians writing basic prescriptions in treatment areas | — | — | 5.7% | 25% |
| | prescriptions in treatment areas | | | | | | |
| | | ● Provision of value suited to each individual's life stage | Number of detailing impacts | 4.77 million | 6.80 million | 7.25 million | Same as or higher than the previous year |
| | maximization of customer experience value | | | | | | |
| | | ● Expansion of the standardization of Kampo treatments based on evidence | Number of treatment guideline listings for Kampo formulations (Type B and above) | 99 | 102 | 103 | Increase in number of listings and level of recommendation |
| | evidence in three important domains of TU-100 in the United States | | | | | | |
| | | ● Provision of value suited to each individual's life stage | — | — | — | Completion of basic research on pattern diagnosis | Completion of clinical research |
| | diagnostic support system | | | | | | |
| | | ● Contribution to popularization of pre-symptomatic disease treatment through scientific study of pre-symptomatic diseases | — | — | — | Completion of basic research on definition | Completion of clinical research |
| | Diagnostic kits and prescription proposals based on biomarkers | | | | | | |
| | | | Technology and business alliance with traditional Chinese medicinal products company | In negotiation with multiple companies | | | Alliance concluded |
| | Establishment of brand | | | | | | |
| | | ● Evidence-based provision of products and services such as Kampo medicines and traditional Chinese medicines | China business net sales | 15.3 billion yen | 18.7 billion yen | 20.6 billion yen | 50.0 billion yen |
| | Contribution to industry development | | | | | | |
| | | | — | — | — | — | — |
| | Establishment of evidence | | | | | | |
| | | ● Kampo value chain reform due to promotion of DX | Labor productivity in factories (compared to fiscal 2021) | 102% | 86% | 81% | 108% |
| | Doubling of productivity (compared to fiscal 2021) → infrastructure | | | | | | |
| | Democratization of data | | | | | | |
| | | ● Development of a corporate culture that draws out potential capabilities through dialogue focused on our Purpose and Value as common denominators | Average score of the Corporate Philosophy survey | 4.06 points | 4.02 points | 4.04 points | Maintain 4.00 points or higher |
| | | | Overall satisfaction level in employee engagement survey | 3.58 points | 3.58 points | 3.65 points | 4.00 points |
| | | ● Introduction of energy-saving technology | GHG emissions reduction (Scopes 1 and 2, compared to fiscal 2020) | 15% reduction | 6.3% reduction | 18% reduction | 15% reduction |
| | Switch from gas to new fuels (reduction of per-unit consumption) | | | | | | |
| | | ● Preservation of diversity (ecosystems, varieties, genes) | Domestication of wild crude drugs (number of items) | 1 item | 3 items | 4 items | 7 items |
| | | ● Realization of a recycling society, including effective use of all crude drug residues as raw materials for compost and soil improvers | Per-unit water intake (compared to fiscal 2020) | 2% reduction | 7% reduction | 6.5% reduction | 60% water reuse rate |
| | Initiatives for water source conservation | | | | | | |
| | Realization of high-value-added use | | Adoption rate of new materials | — | — | 0% | 30% |
| | Adoption of new materials, switch to mono-materials, etc. | | | | | | |
| | | ● Collaboration with stakeholders toward increasing corporate value | Cooperation with crude drug cultivation areas and communities | — | — | — | 6 |
| | activities through community and social relationships | | | | | | |