

INTEGRATED REPORT 2025

TSUMURA & CO.

TSUMURA
THE BEST OF NATURE AND SCIENCE



Tsumura's Challenge



Corporate Purpose

Lively Living for Everyone

The Tsumura Group is committed to contributing to the healthy lives of individuals throughout their life stages by bringing together nature's wisdom and science.

The Tsumura Group is an R&D-oriented pharmaceutical company that aims to realize a society of healthy longevity through pharmaceuticals, products, and services derived from natural substances. In fiscal 2022, we articulated our Corporate Purpose, "Lively Living for Everyone," as the Business Commitment we aim to ultimately achieve.

As a leading company in prescription Kampo formulations, we will boldly take on new challenges and strive to expand the areas in which we create value. To make a more significant contribution to resolving issues faced by patients and medical institutions, we are promoting a multifaceted approach that includes striving to realize optimal treatment for each individual through the fusion of Kampo medicine and Western medicine, establishing decision criteria to enable visualization and early treatment of pre-symptomatic diseases, and health

maintenance and promotion through the implementation of healthcare based on diet and exercise. These areas of value creation targeted by the Group include difficult themes that cannot be achieved by simply continuing along the same path. However, we feel a strong response from medical professionals in our daily conversations with them about the efficacy and future potential of Kampo medicines. Furthermore, through collaboration with partners in Japan and overseas, we are accelerating our initiatives to extend the possibilities of Kampo and traditional Chinese medicines globally.

We will evolve our business gradually and systematically, to realize a future in which individuals and society enjoy mental and physical well-being, and where individuals and society are in "Cho-WA" (a well-balanced state).

Areas of Value Creation

Three Preventive Measures for Pre-Symptomatic Diseases

Treatment

Kampo medicine is a holistic form of medicine that is based on the view that the mind and body are one.

We harness the advantages of both Kampo medicine and Western medicine to deliver optimal treatments for each individual.

Pre-symptomatic treatment (prevention of pre-symptomatic diseases)

We identify pre-symptomatic disease from minor changes in physical condition and subjective symptoms, and prevent the development of disease.

Prevention of aggravation (prevention of disease progression)

When disease occurs, we prevent it from becoming serious by early identification, progress prediction, and swift, appropriate treatment.

Prevention of relapses (post-healing care)

We improve prognosis and QOL for disease treatment, and prevent relapses to enable rehabilitation.

Healthcare (prevention)

By correcting factors such as nutrition (diet), exercise, sleep, and stress level, we increase the body's innate natural healing power, and promote health.



Realization of a Society Where Each Individual Is Able to Receive the Most Appropriate Treatment

To promote the standardization of Kampo treatments, Tsumura gathers evidence to obtain write-ups in treatment guidelines, and aims to increase the number of physicians in each treatment area who write prescriptions based on Kampo medicine. We aim to realize a society where every patient can receive optimal treatments that harness the advantages of both Kampo medicine and Western medicine.

Scientifically Defining Pre-symptomatic Diseases and Contributing with Kampo Medicine

Kampo medicine focuses not only on diseases, but also on improvement of pre-symptomatic diseases. It is therefore important to scientifically define pre-symptomatic diseases, and to build evidence for treatment with Kampo medicines. Tsumura is working to scientifically define pre-symptomatic diseases and to establish treatments through the development of diagnostic technologies using biomarkers and research into the effectiveness of Kampo medicines.

Drawing out Natural Healing Power through Healthcare to Build a Lively Society

To realize a sustainable society of healthy longevity, it is important for each individual to acquire and practice healthy habits that they can continue sustainably without overexertion. Regulating lifestyle habits regarding diet, exercise, sleep, and stress management enhances people's innate natural healing power. By supporting individual health through healthcare, we aim to build a lively society.



We Believe That Being Mindful of How Business Should Benefit Society and Continuing to Pursue the Future of Healthcare Will Result in Increasing Corporate Value

The aim of the first president, Jusha Tsumura, was to create a meaningful business that contributes to the good of society. While working to promote Chujoto, a medicine for women launched in 1893, Jusha sought to create a lively and enriched society by helping everyone maintain a well-balanced state of mind and body. The Tsumura Group continues striving to fulfill this purpose, looking ahead 50 to 100 years into the future.

Our endeavor cannot succeed without the sympathy and support of our employees, medical professionals, and wider society. We have organized the approach that we

have followed for over 130 years as the TSUMURA GROUP DNA Pyramid, which is the basis for our philosophy-based management. Within this, the Group's Corporate Purpose, "Lively Living for Everyone," is the Business Commitment we aim to ultimately achieve, connecting the founder's spirit with the next 50 to 100 years into the future. We are aware that our business itself should benefit society, and we believe that continuing to pursue a better future for healthcare will result in increasing corporate value.

Contents

1 Message

- 1 Tsumura's Challenge
- 4 Contents
- 5 Message from the Group CEO
- 10 Challenges to Realizing Our Vision ←Point 1

13 Features on Value Creation ←Point 2

- 13 Feature 1 Realization of a Society of Healthy Longevity
- 19 Feature 2 Aiming to Contribute in the China Business
- 23 Feature 3 Organization Capital that Drives Our Value Creation Cycle ←Point 3

31 Management Strategy

- 32 Characteristics of the Kampo Value Chain
- 35 Changes in the Kampo Value Chain
- 37 Financial and Pre-Financial Highlights
- 41 Structure of Our Strategy over Time
- 45 Message from the Group CFO
- 48 Progress on Financial Strategy
- 51 Risk Management
- 53 Strategic Challenge 1
- 55 Strategic Challenge 2
- 57 Strategic Challenge 3
- 59 Strategic Challenge 4
- 61 Strategic Challenge 5
- 63 Response to Sustainability Issues ←Point 4

68 Corporate Governance

- 69 Messages from Outside Directors
- 71 Directors
- 74 Corporate Governance
- 80 Internal Control and Compliance
- 81 Corporate Data

Key Points of Integrated Report 2025

This booklet is designed to facilitate dialogue with our stakeholders, particularly shareholders and investors. To this end, it is planned around insights gained from dialogues using integrated reports. This year, the report explains the value that we aim to create from a long-term perspective, while providing more information about our current challenges.

In the process of producing this integrated report, the CFO led meetings with the CEO, Co-COO, CTO, and CHRO to discuss its composition. Furthermore, we have also noted that deepening our collaboration with relevant divisions and taking stock of the changes in behavior within the Company during the production process has the side effect of enhancing the efficacy of our initiatives.

1 Challenges for Realizing Our Vision

Having completed the first medium-term management plan under our long-term management vision, TSUMURA VISION "Cho-WA" 2031, and started the second phase, we explain the immediate challenges for our domestic business and examine the outlook going forward.

2 Three Value Creation Stories

We present three value creation stories as features—"Realization of a Society of Healthy Longevity," "Aiming to Make a Contribution in the China Business," and "Organization Capital that Drives Our Value Creation Cycle"—and examine our road map for long-term increase in corporate value.

3 Organizations and Human Resources and Their Connection to Corporate Value

Since fiscal 2023, we have been running a cross-divisional project for quantitative analysis of pre-financial capital, focused on visualizing the value of organization and human capital. In this integrated report, we examine the results of a value relevance analysis conducted in fiscal 2024.

4 TCFD/TNFD Integrated Disclosure

We have provided an integrated analysis and evaluation based on the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) and the Taskforce on Nature-related Financial Disclosures (TNFD).

Forward-Looking Statements and Precautions

The information provided in this report contains forward-looking statements. Numerical projections represent the Company's best judgments and assumptions based on information available at the time of publication of this report and therefore contain a certain degree of risk and uncertainty.

Accordingly, actual performance could differ materially from these forecasts. In addition, this report contains information on pharmaceuticals. However, this information is not meant to serve as advertisements or medical advice.

Message from the Group CEO



President and Representative Director CEO



We rise to the challenge as a nature-based pharmaceutical manufacturer with the Corporate Purpose of “Lively Living for Everyone” and by creating businesses that will contribute for generations to come.

Delivering Value to Help Patients and Society with Our Corporate Purpose as the Core

Our Founding Purpose Carries through to Today and the Future

With three years now passed since we established our Corporate Purpose, the Company is setting course for deeper, broader awareness of the contributions we hope to make to patients and society. Our Purpose, “Lively Living for Everyone,” is meant to convey the Business Commitment we aim to ultimately achieve as a social mission that began 132 years ago with the passion of our founder, Jushu Tsumura, to create a meaningful business that contributes to the good of society both today and by extension 50 to 100 years from now. We have been able to show people within and outside the Company where we are heading and what kind of social value we have been offering as a corporation over many years, which means a lot, and I feel a fresh sense of pride in it.

That said, the act of spreading understanding of the Purpose through the organization alone will not lead to value creation. Metaphorically, if we are a mountain climber,

deciding which mountain to climb and clearly understanding why is the Purpose, and imagining our resulting form at the summit is the Vision. We consider our route to the top as the span of a decade, with milestones every third or fourth year, which are our medium-term management plans. I believe that showing our route this way, stage by stage, helps our employees visualize the link between the job in front of them and the objective of the organization, monitor where they are in a three- to ten-year span relative to the summit, and be better motivated to overcome challenges and difficulties along the way.

Thoughts Behind Our Long-Term Management Vision

Under the title TSUMURA VISION “Cho-WA” 2031, we are working to fulfill the potential of our three Ps—personalized health care (PHC), pre-symptomatic disease and science (PDS), and potential-abilities development (PAD)—as we work to live

in greater balance with nature and welcome an era in which we support well-being for every individual using the power of nature and science, mainly in traditional medicines, with Kampo and traditional Chinese medicines at the core.

The first step to realizing PHC and PDS is to fulfill our Corporate Mission “to contribute to the unparalleled medical therapeutic power of the combination of Kampo medicine and Western medicine,” which specifically means to standardize, spread, and scale up Kampo treatments. We first set a goal to increase the percentage of physicians who prescribe 10 or more prescription Kampo formulations based on Kampo medical theory to at least 50%, and achieved this goal in fiscal 2024. Our next step is to inspire more than half of physicians to prescribe “basic prescriptions for treatment areas” to help establish personalized Kampo treatment ultimately for every patient by fiscal 2031.

I predict that Kampo treatments will be updated more frequently than ever with the application of digital technology and data analysis methods, which have been making rapid progress. I believe we can accelerate the penetration of Kampo treatments in society by showing their efficacy with data that support scientific evidence. Tsumura is developing a Kampo diagnostic support system to promote personalized treatment with attention to the physical constitution and symptoms of each patient.

We have also begun working to establish ways to identify, diagnose, and treat the pre-symptomatic disorders unique to each patient. We believe we have a better chance of blocking the development of a disorder by interfering at the pre-symptomatic stage instead of waiting for the disease to develop before beginning treatment. Kampo medicine by nature puts priority on addressing a given disorder in the pre-symptomatic stage. Scientific elucidation of pre-symptomatic disorders is extremely challenging, but I firmly believe that Tsumura’s knowledge and Kampo formulations will hold major value for society in the near future.

Efforts to manage and improve our health by means of healthier habits and methods for preventing disorders, which includes diet, nutritious intake, exercise, sleep, and stress-management in daily life, are just as important as taking good medications. The Tsumura Group values an evidence-based approach in healthier habits and disease prevention as well, and we will promote products and services that will help realize a society in which people enjoy active and healthy longevity.

Creating New Value on the Strength of Core Competencies

Tradition is not just a sum of historical events, in my opinion, but rather it is borne out of innovation and passed down from one generation to another. The Tsumura Group undertakes

innovative initiatives in the field of Kampo medicine, which is traditional medicine in Japan. At the same time, we maintain a firm commitment to refrain from entering into businesses that have nothing to do with Kampo or traditional Chinese medicines, or businesses that will likely make no sense after two or three years. We plan to continue investing management resources only in businesses we believe will create value for people both today and 100 years from now.

Our core competencies are in technology and expertise for drug formulation that allow us to produce high-quality pharmaceuticals of guaranteed safety, efficacy, and qualitative uniformity from natural sources, mainly plants. For sustainable growth, it is essential that we keep offering value that truly helps patients and society, making the most of our core competencies while keeping our feet firmly planted in prescription Kampo formulations, our core products. Based on this understanding, we are working to expand our areas of interest, such as operating a health and medicine business that includes traditional Chinese medicines and medicinal products based on crude drugs from China, as well as Yakushoku Dogen products, foods made with medicinal ingredients to maintain and promote health.

For Tsumura to drive the global market as a manufacturer of pharmaceuticals derived from natural substances, we must have our products meet global standards. To that end, we will exert a higher level of quality control for Group products and raise their quality to meet that of the synthesized products designated by the International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (ICH) so we can establish a global competitive advantage.

We see major significance in business alliances and joint research with manufacturers of traditional Chinese medicines and medicinal products in China because they will help raise the quality of our medicines and products from natural ingredients to global standards, along with our Kampo products in Japan, leading to sustainable value creation in Japan, China, and the rest of the world.

In May 2025, the WHO Global Traditional Medicine Centre, founded in 2022 in India, invited me to attend a conference of the Technical Advisory Group on Building an Innovation Ecosystem for Public Health (TAG-BIEFPH) as a panelist. I could not attend due to a scheduling conflict, unfortunately, but I received a comment that Tsumura’s leadership in combining the healing power of Kampo and Western medicines, quality, sustainability, and commitment to innovation are exemplary, and that Tsumura’s original Kampo value chain and its vision to help maintain a well-balanced state among the mind, body, society, and nature will be a strong model for the future of traditional medicine worldwide. This told me that the group is strongly interested in our initiatives.

Further Reinforcing Our Business Foundation to Maximize the Organization's Latent Power

Outlook for Our Second Medium-Term Management Plan and Progress in Addressing Strategic Challenges

Over the three years of our first medium-term management plan, we focused on digital transformation (DX) investment. Before the pandemic, MRs*¹ met with physicians in person frequently to furnish information. The pandemic created opportunities for video streaming and web-based lectures, and the positive promotional results of those efforts were acknowledged, leading to greater DX investment. As a result, our infrastructure to visualize each physician's need for Kampo-related information is solidifying. MR personnel are close to achieving their goal of doubling labor productivity.

Our current challenge is to promote DX throughout our Kampo value chain and more than double the productivity of our entire personnel base, including those in the crude-drug procurement and production segments. During the previous medium-term management plan, we developed technologies to automate production processes to save labor. In the second medium-term management plan, we are working to fully automate nighttime factory operations and build the foundations of a smart factory in the final year of our long-term management vision. Each year in Japan, Kampo formulations are prescribed to cover 1.7 billion patient days.*² Because they are essential to healthcare practices, we are making reliable supply our top priority. To achieve this despite the surge in construction and equipment costs, we are executing appropriate investments without hesitation, applying target assessments by the Board of Directors based on internal standards for deciding whether to proceed.

Looking at our China business, and considering Chinese government moves to deregulate foreign investment, I can say that the environment is positive in 2025. Regarding our formulation platform, we have been considering entry into the market for traditional Chinese medicinal products since the

first medium-term management plan, and intend to continue negotiating patiently and tenaciously with prospective local partners. As for our crude drug platform, we have recently made major progress, signing an equity transfer agreement in June 2025 with Shanghai Hongqiao Traditional Chinese Drug Pieces Co., Ltd., a leader in the drug piece industry.*³ I believe that the Tsumura Group's crude drug procurement, quality control, production technology, and expertise are widely applicable to the traditional Chinese medicine business as characterized by its highly personalized traditional methodology.*⁴

*1 Medical Representatives

*2 Tsumura calculation based on the Ministry of Health, Labour and Welfare's 9th NDB Open Data

*3 Chopped crude drugs

*4 Methodology for diagnosis and treatment methods in traditional Chinese medicine focusing on an overall analytical view of a given patient's condition, choice of personalized treatment and traditional drug prescriptions

Priorities in Cultivating Our Organizational Culture

Till about a decade ago, the Tsumura Group was a top-down organization. To promote our shift to bottom-up, the Company announced a new human capital policy under the catchphrase, "Tsumura, the People Company" in 2012, when I became CEO. As part of this initiative, I have been encouraging employees to take independent and autonomous action, making major changes in our HR systems and taking time to help employees shift their mindsets. In 2019, we established the Tsumura Academy to cultivate future executives and nurture our corporate culture. We added participatory programs on coaching, skill-building, and team-building to foster our organizational culture through dialogues in which employees work to achieve results in teams, contributing their individual skills and uniqueness, on top of pursuing their own respective personal growth.

The initiative to nurture our organizational culture should not be forced on employees, because that approach can easily make them feel burdened, leading to a failure to reach the desired result. Unless employees conjure a strong willingness to see plans through that they themselves draw up when reflecting on what they want to do, they will not be able to cope with complex environmental changes and challenges.

Recently, I started seeing the generation that will be responsible for future corporate management take a cool-headed look at the state of the Tsumura Group and make suggestions with a sense of crisis and urgency. Most of the time, I give them an immediate green light, saying, "Let's do it now," and support their constructive and innovative enthusiasm.

The results of our annual Corporate Philosophy survey among Group employees have been positive, giving me hope for us taking a major stride in organizational reform based on a shared understanding.



Shanghai Hongqiao Traditional Chinese Drug Pieces Co., Ltd.

Location: Shanghai, China

Established: 2003

Major business: Production and sale of drug pieces, mainly in the Shanghai area

Equity: 51% owned by Tsumura China Inc. and 49% by Shanghai Hongqiao Pharmaceutical Co., Ltd.

Promoting Multi-Pillar Operations with More Effective Board Oversight

Board of Directors Working on Six Priority Themes

In writing our second medium-term management plan, the Board of Directors spent hours discussing sustainable growth of the domestic business, foundation-building for the China business, our current top priority, and the effects of capital investment.

For fiscal 2025, the board has selected six priority themes (see below) and will reinforce its oversight function through them. We continue asking our outside directors to discuss and advise from their multifaceted viewpoints, with consideration for the characteristics of the Kampo market and our China business. As CEO, I plan to encourage comprehensive discussions while correcting the asymmetry of internal and external information. We promote multi-pillar operations rather than simple diversification, specifically working to build up the China business and the domestic healthcare business as our second and third business pillars beside the core prescription Kampo medicine business, which we will grow into a bigger pillar. Speed matters, so we are looking at all the possible choices on the table, including technology and/or business alliances with other companies.

There is major value in the Tsumura Group's initiatives that offer personalized Kampo treatments leaving no patient behind, businesses that support each person through their life stages, and scientific elucidation of pre-symptomatic disorders. The most important factor in accomplishing these and sharpening our competitive edge is materiality. In our second medium-term management plan, we will link the material items "nature" and "health" with five groupwide strategic challenges and take a scientific approach to creating value we can share with society while reinforcing our management foundation.

Five Key Themes for the Board of Directors in Fiscal 2025

- Oversee progress of the second medium-term management plan aimed at realization of the long-term management vision
- Monitor the progress of the China business and establishment of the corporate governance system
- Oversee progress in more than doubling labor productivity
- Oversee effectiveness aimed at DX for Purpose
- Expand capital investment for stable supply and oversee investment effectiveness
- Highlight capital policy that balances growth investment with shareholder returns



New Value to Meet the Global Challenge of Societal Aging

Japan leads the rest of the world in entering the phase of a super-aged society. We expect to see continuing growth in the ratio of seniors in populations as a global phenomenon, projecting the percentage of people over 65 to increase from 9.4% in 2020 to 18.7%*⁵ by 2060. In treating seniors experiencing complex health issues, we understand that Kampo and traditional Chinese medicines, which are multi-component formulations derived from natural substances, have real value. Evidence-based Kampo treatment, which the Tsumura Group is working to establish, should make a major contribution to the proliferation and progress of traditional medical practices worldwide.

We dream of becoming a world-leading manufacturer of pharmaceuticals made from natural substances. The global operations of the Tsumura Group go beyond simple imports, exports, and overseas sales. We carefully protect the deep-rooted medicinal traditions of each nation and region, and through the business of supplying pharmaceuticals that are rigorously safe, efficacious, and of uniform quality, we plan to contribute to the health of as many people as possible while meeting the needs of healthcare providers. Resolved by our Purpose, "Lively Living for Everyone," we of the Tsumura Group will continue pursuing our long journey step by step, with our eyes on the summit.

*5 Source: The Cabinet Office, "Annual Report on the Aging Society 2024"

FOCUS Tsumura's Philosophy-Based Management

Tsumura's point of origin was the commercialization of a Japanese and Chinese medicine for women called Chujoto, which was designed to meet the needs of women as they had limited access to healthcare during the Meiji era of the late 19th century and early 20th century. Since its foundation, the Company has been dedicated to growth that brings benefits to the public by helping to create a lively society through the well-balanced state of mind and body, or well-being, of each individual. With this founder's spirit, we looked ahead to healthcare 50 to 100 years into the future, and formulated the Tsumura Group's Corporate Purpose, "Lively Living for Everyone," in 2022 as the Business Commitment we intend to ultimately achieve.

This Purpose is positioned at the top of the TSUMURA GROUP DNA Pyramid, together with the Tsumura Group's Principles, "In the Spirit of Nature's Laws," which have remained unchanged since the founding of Tsumura Juntendo. The reference to nature's laws is from the ancient Chinese classic *I Ching* (Book of Changes), and means that one should "Obey the will of heaven and satisfy the desires of the people." We interpret "heaven" to refer to nature in the broadest sense, and

the Principles express our willingness to conduct business correctly in accordance with the principles of nature at all times in order to contribute to the good health that people earnestly desire.

The middle tier of the DNA Pyramid comprises our Corporate Value, which represents our unchanging basic values, and our Corporate Mission, which is our reason for existence. We conduct management based on this Value and Mission, which together constitute our Corporate Philosophy.

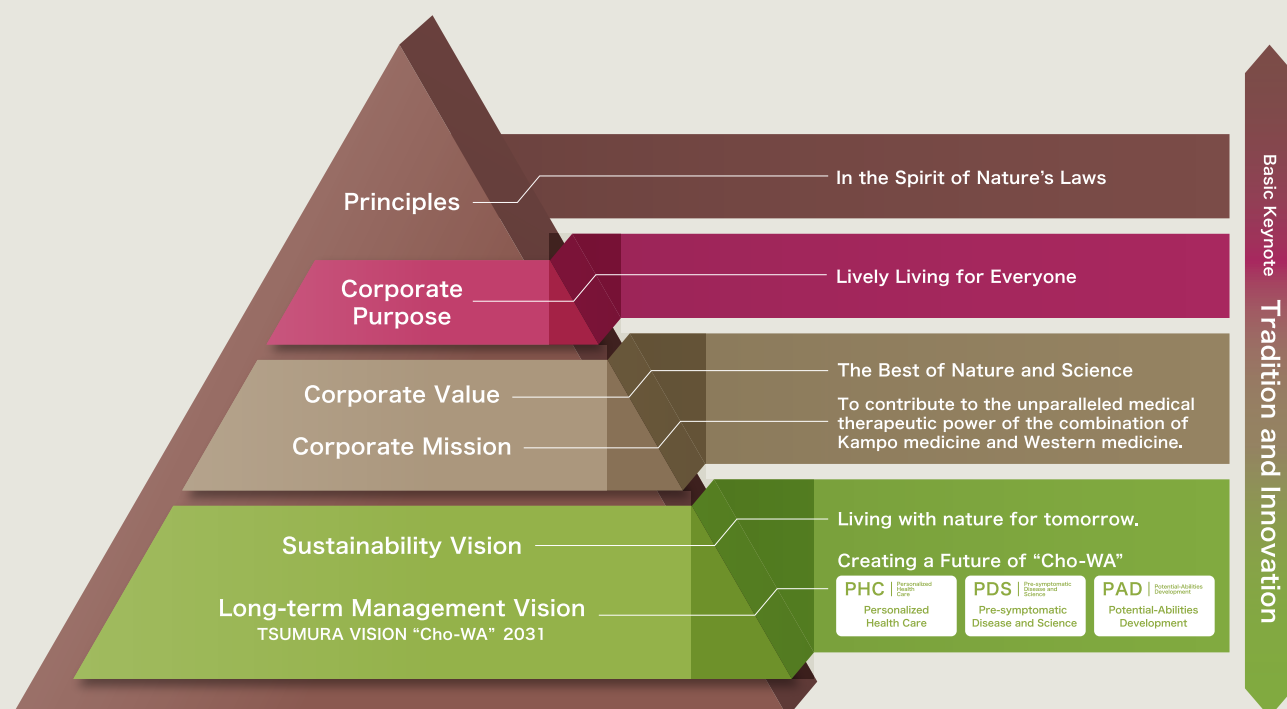
The bottom tier of the pyramid is our sustainability vision, "Living with nature for tomorrow," and our long-term management vision, TSUMURA VISION "Cho-WA" 2031, which describes our vision for fiscal 2031. These two visions have been incorporated into the strategic challenges of our three-year plan, and associated with the strategies of each business division.

Based on the above-mentioned Principles, Corporate Purpose, Corporate Value, Corporate Mission, sustainability vision, and long-term management vision, we are striving to create social value by maintaining a rich natural environment and realizing a society of active and healthy longevity.



For more details, please refer to "Corporate Philosophy" on the Company's website.
<https://www.tsumura.co.jp/english/corporate/policy/>

TSUMURA GROUP DNA Pyramid



Challenges to Realizing Our Vision

Message from the Co-COO

To help cultivate the Kampo market, I work to qualitatively improve our initiatives to better inform physicians and enhance our systems for more reliable supply.

Kei Sugii

Director Co-COO



Looking Back on the First Stage of Our Initiatives to Realize Our Long-Term Management Vision

We have just completed the first stage of our initiatives to realize our long-term management vision, set for fiscal 2031. Looking back on the past three years, I feel Tsumura's domestic business is reaching an important turning point. Aside from structural changes dictated by an inflationary economy on top of the spread of AI, the effects of shipment limitations during the pandemic and the government's 2024 drug price revisions were so immense on the Tsumura Group that we have begun adapting our business strategy and revising our investment plan.

Under the price revisions, 66 of Tsumura's prescription Kampo formulations were designated as money-losing products and became eligible for price reevaluation, which boosted earnings to achieve our three-year goal in terms of value. We fell short of the volume target, however, as we had to limit shipping starting in 2022 due to the pandemic. Even considering external factors, I understand this left much to be desired. I take the price reevaluation eligibility of our money-losing products, which were affected by higher prices for raw materials and the like, as an encouragement from the government that we should maintain or even reinforce the reliability of our supply system. Based on that understanding, we will continue expanding our production capacity, continuing on from our first medium-term management plan, and accelerate investment for higher productivity so we can enhance our supply systems.

Construction costs, with our production building as a prime example, have more than doubled since 2022, when

our long-term management vision was written, due to higher material costs and other factors. For large projects in terms of budget scale, the Board of Directors has been putting hours into in-depth discussions to confirm our investment amounts, recoupment periods, and specs for invested equipment are justified. Some larger projects were postponed into the second medium-term management plan. Tsumura has introduced standards, including a hurdle rate for internal rate of return and net present value, to determine whether a given investment project is worth the money. It allows us on the board, including our outside directors, to make clear, rigorous assessments. In addition, floor employees are now more conscious of the targeted effects and costs they can anticipate in the idea stage of a given business, as well as equipment design.

During the first medium-term management plan, we made steady progress with our initiative to better inform physicians, with results to scale expansion of our business during the second medium-term management plan. Specifically, we increased the percentage of physicians prescribing 10 or more prescription Kampo formulations, and achieved our goal of at least half of clinicians in fiscal 2024. I take that figure as proof that Kampo formulations have spread enough on the healthcare front lines to encourage physicians to select and prescribe them depending on the physical condition and symptoms of the patient. Looking closely, however, there are large regional and departmental disparities in the numbers of prescriptions. While addressing this, we will

continue working to increase the percentage of physicians prescribing 10 or more prescription Kampo formulations. We will boldly rise to the challenge of continuously

growing the Kampo market and investing in production equipment to realize the long-term management vision we share.

Enhancing Supply and DX Systems for Reliability and Elevated Customer Experiences

When we wrote our long-term management vision in 2022, we designated the first stage as a period for advance investment and the second stage as full-scale operation of that new equipment. With the larger investment plan postponed, as I mentioned, we revised our designation of the second stage as an investment period for equipment and scale expansion to enhance reliable supply. This will increase capital expenditure, depreciation, amortization, and labor costs, and as a result, we project a transient drop in our operating profit margin and ROE. For the three-year period ending in fiscal 2027, we plan to assure ROE consistently above 7%, the cost of shareholders' equity, and will maintain strategic investment.

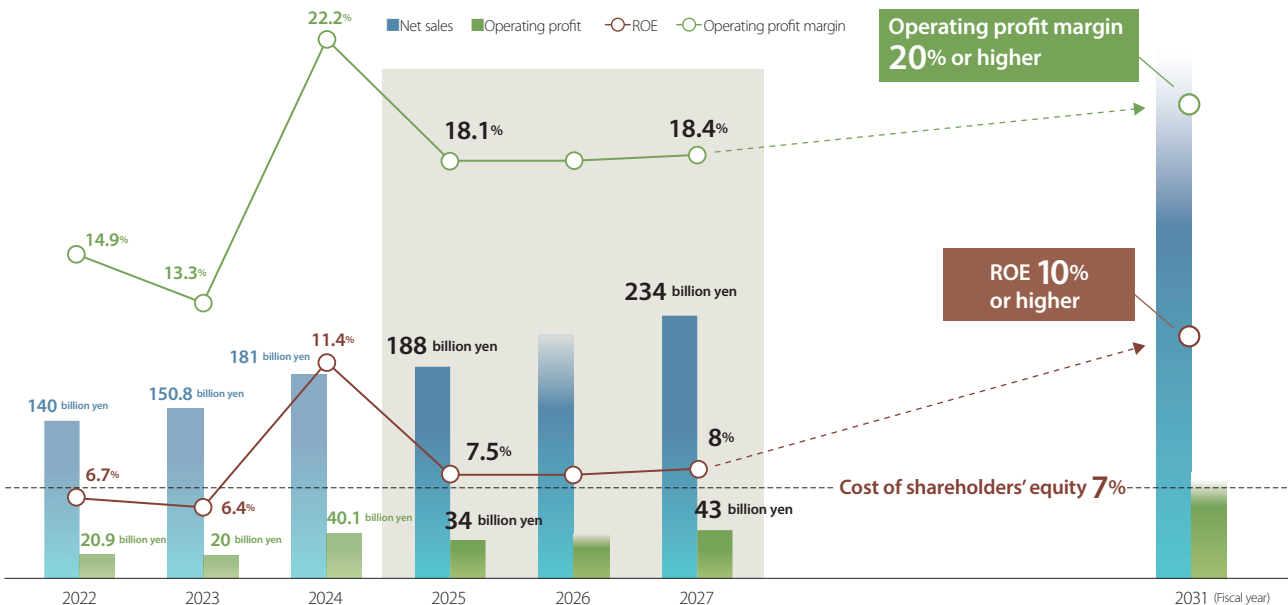
To advance our domestic business to a growth stage over the coming three years, we will have to speed up and make both qualitative and quantitative improvements to our efforts to better inform physicians of Kampo formulations and prescriptions. This is because in the near future physicians will be more likely to diagnose each patient's pattern*¹ and choose from Kampo medicines based on the crude drug components they think are best for the physical condition and symptoms of the patient. With this emerging trend in mind, we will shift to better information supply by more accurately understanding the needs of each physician. Specifically, we will do this using a hybrid information supply system combining an e-promotion platform based on digital technology with in-person contact

by our MRs. We will increase data-based approaches to customers to optimize customer insight analysis and digital content.

On the personnel front, we will use our Kampo Meister system to help our MRs sharpen their knowledge of Kampo medicine, and provide physicians with more useful information based on that deeper understanding of their needs. In research and development, we will build evidence in three priority areas*² closely related to social challenges. We will also advance our scientific study of pre-symptomatic diseases and patterns to the clinical research stage and make the most of the evidence we obtain from that research.

Alongside our effort to build sales volume, we are currently working on additional systems enhancement to assure reliable supply, which includes an increase in production capacity. As a longer-term possibility, we are considering S&OP*³ that optimizes the entire crude drug supply chain in terms of profit levels. At this time, however, I understand we are in the stage of volume-based improvement and expansion. We developed and introduced a planning system for compounding crude drugs during the period of the first medium-term management plan, but during the second, we will realize seamless operations, from sales planning to crude drug cultivation and procurement planning.

Numerical Targets of Our Long-Term Management Vision



As I previously mentioned, digital transformation (DX) will be key to the success of our initiatives to cultivate our businesses and optimize overall work processes. In April 2025, we established our DX Promotion Committee, which oversees the promotion of DX across the board. It is the beginning of a project to build the value of a peerless customer experience that the Group has envisioned. As the committee chair, I have organized five specialist groups (see the chart below) and other sub-groups. In addition to application of digital technologies, I think the value of a peerless customer experience depends on interorganizational collaboration and the initiative of each employee. So I, the committee chair, and the leaders of the five specialist groups meet and talk directly to break the complacency with status quo that organizations

can easily fall into. The DX Promotion Committee will take on the job of identifying issues that are hindering labor productivity and trigger organizational reform.

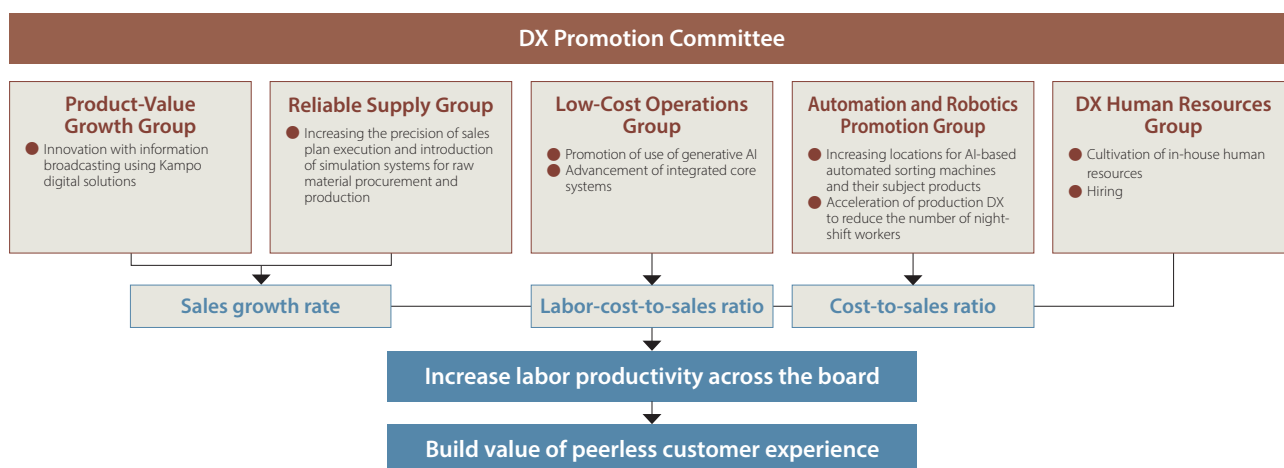
To realize our long-term management vision, I understand that skilled helmsmanship in the second stage, meaning the second medium-term management plan, is extremely important. I will play the role of flagger steering initiatives to achieve both qualitative and quantitative goals to embody what the Tsumura Group should be in the future, as well as ideal work styles for the future.

*1 Kampo medicine's way of demonstrating evidence of the patient's condition (considering individual differences in physical constitution, physical strength, resistance, and presentation of symptoms)

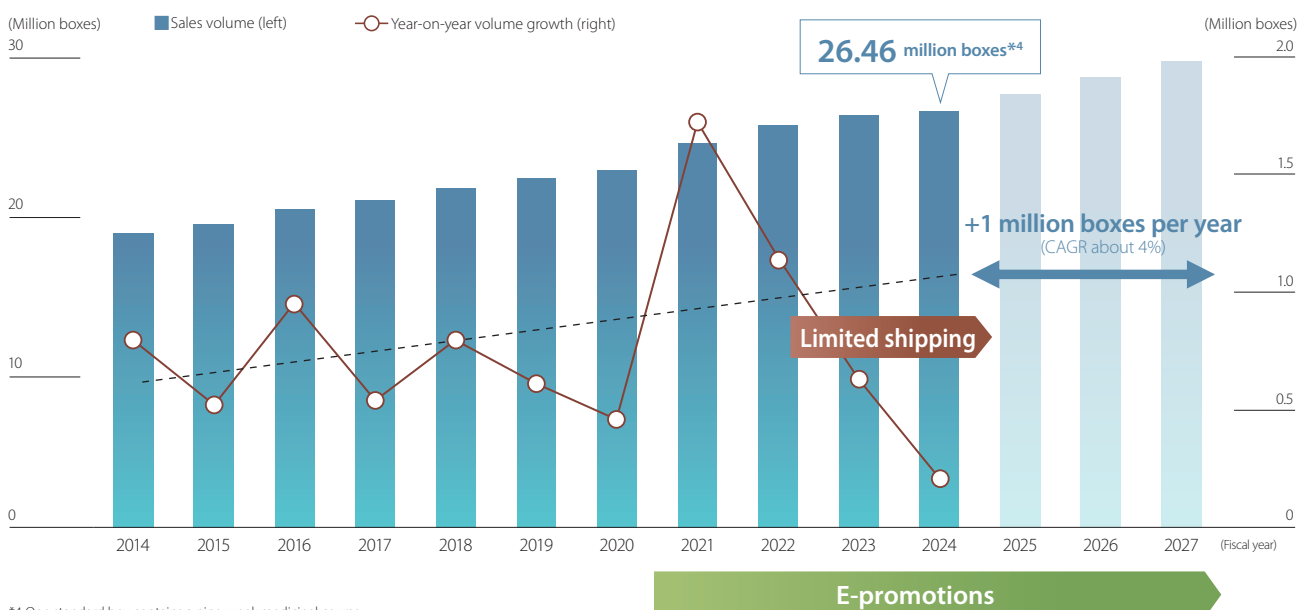
*2 Geriatric health, cancer (supportive care), women's health

*3 Sales and Operations Planning is a system in which the management team makes plans for production, sales, desired inventory levels, operating profit, and the like based on actual sales data, and each business segment executes the plans.

DX Promotion System



Actual Sales of Prescription Kampo Formulations and Plans



*4 One standard box contains a nine-week medicinal course.



Feature 1

Realization of a Society of Healthy Longevity

Back- ground

Japan Faces with the Issue of Extending Healthy Longevity amid a Rapid Transition to a Super-Aged Society. We Are Steadily Expanding Areas Where Kampo Formulations Are Used

As Japanese society continues to age, the average lifespan has reached 84.07 years,*¹ one of the longest in the world. However, there is a difference of around 10 years between the average lifespan and the average healthy lifespan,*² and this remains an issue. Tsumura is focusing on this issue, and aims to contribute to the realization of a society of healthy longevity where individual people enjoy a well-balanced state of mind and body. One method of achieving this is to use the characteristics of Kampo medicines, with their ability to treat disorders at the pre-symptomatic stage of disease. We are striving to realize optimal Kampo treatment for each patient.

Recently in healthcare settings, the scope of diseases and treatment areas where the Company's prescription Kampo

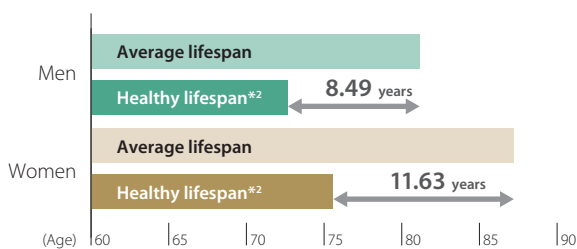
formulations are in use has been steadily expanding. For example, Goreisan, which regulates the balance of water*³ circulating in the body, is being more widely prescribed in the field of cardiovascular health to treat edema associated with heart failure. In addition, we are focusing on creating value in areas where we can make a significant contribution to healthy longevity, such as treatments to mitigate the side effects of chemotherapy drugs and for illnesses and symptoms that affect women.

*1 The average value for men and women as of 2022 (Source: Cabinet Office, "Annual Report on the Aging Society 2024")

*2 Average period of unrestricted daily living

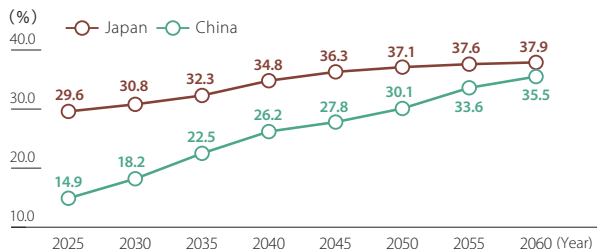
*3 A concept in Kampo medicine that focuses on the metabolism of water in the body

Disparity between Average Lifespan and Healthy Lifespan



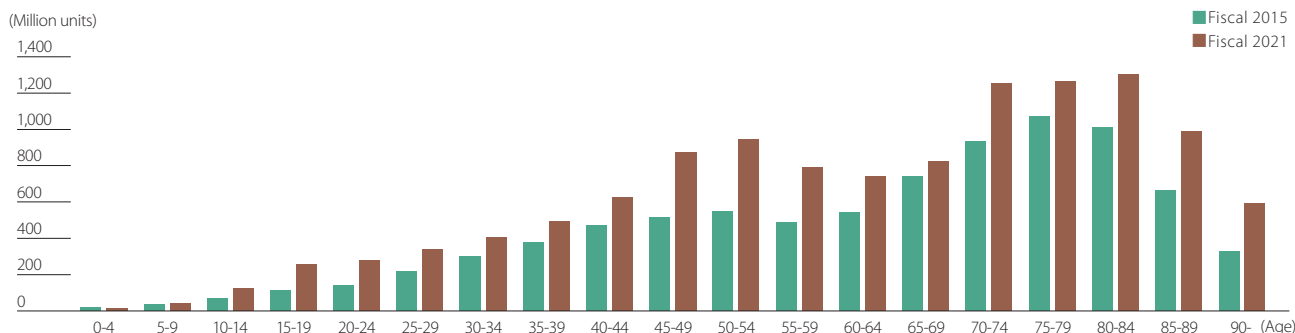
Source: Graph prepared by the Company from the Ministry of Health, Labour and Welfare, Health Service Bureau, Health Service Division's "Healthy Life Expectancy 2022 Data"

Ratio of Population Aged 65 and Over (Estimated Values)



Source: Graph prepared by the Company based on Cabinet Office, "Annual Report on the Aging Society 2024," Chart 1-1-6

Sharp Increase in Volume of Prescription Kampo Formulations Prescribed over the Past 6 Years, and 37% Increase in the Top Selling 100 Products



Source: Graph prepared by the Company from the Ministry of Health, Labour and Welfare's 2nd and 8th NDB Open Data

We have identified three important domains and are collecting evidence with the aim of increasing new write-ups in treatment guidelines and recommendation levels

The Tsumura Group has set geriatric health, cancer (supportive care), and women's health as important domains, and we are continuously providing information related to basic and clinical evidence and use of different prescriptions, mainly regarding drug-fostering program formulations, "growing" formulations, and related formulations. By collecting evidence centered on the efficacy and safety of Kampo formulations, we are working to increase new write-ups in treatment guidelines and recommendation levels.

In the domain of geriatric health, we are conducting joint research with national research institutes and others on the themes of frailty, dementia, and cardiovascular disease.

In the cancer domain, we aim to alleviate the side effects from chemotherapy drugs and help patients to achieve improvements in physical condition and quality of life (QOL) through research relating to inflammation in the body, nutrition, and the immune system. In the domain of women's health, we are focusing on preconception care.*4 We are working to contribute to women's active and lifelong health by focusing on the changes in women's life stages, such as menstrual symptoms and infertility.

Concentrating mainly on these important domains, we will produce papers and other articles of research evidence that provide the source for write-ups in treatment guidelines.

*4 Addressing lifestyle and health from before pregnancy

Expectations from People Outside the Company

The efficacy of Kampo formulations is palpable in clinical settings for geriatric medicine, the field of total care for seniors.

Dr. Sumito Ogawa

Professor, Geriatric Medicine,
Graduate School of Medicine,
The University of Tokyo



My field of specialization is geriatric medicine, a medical field that aims at health maintenance and QOL improvement for seniors. As the department of comprehensive medical care for seniors, the Department of Geriatric Medicine at The University of Tokyo Hospital specializes in total care that aims not only to make illnesses better, but to make patients better. Seniors tend to suffer from multiple diseases together, and to have a large number of medicines to take. Moreover, while the decline in their mental and physical functions can cause various distressing symptoms, such as urinary incontinence, dizziness, shortness of breath, decrease in appetite, and falling, many people do not know the cause. These are the patients whom we treat at the Department of Geriatric Medicine.

Kampo medicine focuses on the changes in physical and mental conditions associated with aging, and I have been keenly aware for some time that it has a strong connection with geriatric medicine. Recently, Kampo formulations of the type that have multiple components have been widely used for symptoms of deficiency syndrome*5 and frailty. There are also cases where drug therapy centered on Kampo medicines has been used to address multiple symptoms. In other words, it seems that Kampo medicines are an effective way for seniors to avoid the use of multiple Western medicines.

I have personally felt the therapeutic effects of Kampo medicines in dealing with patients. The patients not only realize the improving effects on their symptoms for themselves, but in many cases the effects are also noticed by

family members who they live with or nursing care staff. I often hear feedback from family members saying that after starting treatment with Kampo medicines, the patient's appetite returned, or they began to talk more at home, or even that they have begun to smile more. Improving patients' drive and living functions like this also helps to relieve the burden on nursing care.

In our research activities, we have gathered a lot of evidence for therapeutic effects on symptoms seen with deficiency syndrome and frailty. Research using cells is also revealing the mechanism of action of Kampo medicines. I am hoping to see Tsumura deliver therapeutic effects on geriatric diseases through the concomitant use of Western and Kampo medicines, and through this, further effects from the combined use of non-drug treatments such as exercise and nutrition. Tsumura as a pharmaceutical company has the capabilities for promoting Kampo medicines and awareness of them overseas. As a means to achieve this, I think it is important for Tsumura to accelerate joint research with overseas companies, universities, and other partners. I also expect Tsumura to take action to deepen understanding across generations regarding the potential for using Kampo medicines for activities that support the enjoyment of living, social participation, and daily happiness of seniors. I believe Tsumura will play an increasing role going forward in helping to increase the value of Kampo formulations in geriatric medicine.

*5 A concept expressing the physical makeup of a person, wherein their physical strength and resistance have declined, leaving them in a weak state

Accelerate applied research towards establishing the most appropriate personalized Kampo treatment for individual patients, and realizing the scientific study of pre-symptomatic diseases

Tsumura's proprietary research package, KAMPOmics®, combines cutting-edge science, such as metabolome analysis,*6 transcriptome analysis,*7 intestinal flora analysis, and system biology,*8 to provide scientific clarification of Kampo. We aim to obtain an integrated understanding of the complex mechanism of action of multi-component Kampo medicines by promoting applied research on the most appropriate personalized Kampo treatment for individual patients and the scientific study of pre-symptomatic diseases. In the domain of personalization of Kampo treatment, we are working on development of a Kampo diagnostic support system that uses AI to support the analysis of common characteristics of patients for whom a certain Kampo medicine has a prominent effect and the diagnosis of patterns.

One example of this is a joint research project with Keio University on sensitivity to cold. As a result of analyzing factors such as the genetic background that contributes to cold hypersensitivity in adult women, in 2023, we discovered a genome area that is associated with cold hypersensitivity. Going forward, we will continue through this joint research

to identify genetic and physiological biomarkers relating to cold hypersensitivity, and objectively prove the association between Kampo prescriptions and their mechanisms of action. By doing so, we aim to establish standard diagnosis and treatment methods tailored to individual patients. Furthermore, we also envisage using this research to achieve social implementation of an evidence-based Kampo diagnostic support system.

Meanwhile, in our scientific study of pre-symptomatic diseases, we are accelerating initiatives to objectively evaluate the effects of pre-symptomatic treatment, prevention of aggravation, and prevention of relapses through research on biomarkers that define pre-symptomatic conditions. We will achieve social implementation of these research results in the form of proprietary technologies, and strengthen investments that lead to long-term value creation in the pre-symptomatic disease domain.

*6 A field of research that performs comprehensive analysis of metabolites and Kampo medicine components within the body

*7 Comprehensive analysis of gene expression

*8 A field of research that seeks to provide a comprehensive explanation of biological functions by focusing on the interaction between genes, proteins, metabolites, and other biological factors

Expectations from People Outside the Company

We will clarify the concept of cold hypersensitivity, which does not exist in Western medicine, and promote understanding and treatment of this condition throughout the entire medical community.

In Kampo medicine, a traditional diagnosis is performed based on the subjective complaint of the patient and physical signs. However, this approach is criticized as being unscientific, as it depends heavily on the experience and sensitivity of the individual physician. At the Center for Kampo Medicine, we are working with medical institutions nationwide to address this issue through a research project for objectively reviewing the Kampo diagnosis process and making it reproducible, even by a physician who is not a Kampo specialist.

In my own process of learning at a Kampo outpatient clinic, I discovered that many patients suffer from cold hypersensitivity. In particular, I was deeply impressed to see up close how the application of Kampo medicines was able to improve symptoms and give patients a real sense of QOL improvement. This experience gave me a strong desire to promote wider understanding of cold hypersensitivity and treatment methods throughout the entire medical community, and I started this research. In 2023, we conducted the first comprehensive genome analysis on the subjective symptoms of cold hypersensitivity, with approximately 1,200 consenting adult women as subjects. As a result, we

succeeded in identifying multiple genome areas associated with cold hypersensitivity. The results of this research were published in January 2024 in the international scientific journal *Scientific Reports*. Furthermore, we also applied for a patent based on the findings we obtained.

Through this research, we aim to show that the subjective complaint of cold hypersensitivity, which has long been handled by Kampo medicine, actually has a biological background, and to demonstrate the efficacy of Kampo medicines at the molecular level scientifically and medically. Ultimately, I would like to complete an objective medical interview system that all physicians can use, and build a medical foundation that is closely aligned to the symptoms of individual patients.

The appeal of Kampo medicine is its supportive approach in which the physician stays close to patients as a partner. Rather than simply eliminating disease, perspectives such as minimizing suffering and supporting better lifestyles will be essential for realizing a society of healthy longevity going forward. I believe that Kampo will play a supporting role in this.

Dr. Tetsuhiro Yoshino

Joint Research Laboratory
for Precision Kampo Pattern Diagnosis,
Center for Kampo Medicine,
School of Medicine, Keio University



Tsumura is promoting joint research with Project Professor Norihiro Okada of the Laboratory of Genomics for Health and Longevity, School of Pharmacy, Kitasato University, to create evidence for realizing scientific study of pre-symptomatic diseases. In this research, we discovered the potential for intron retention^{*9} as a marker for pre-symptomatic diseases.

Furthermore, through clinical research, we have discovered that intron retention is an excellent marker for depression. Using these results, we aim to realize a society that assesses pre-symptomatic conditions and delivers early care and Kampo treatment.

^{*9} A phenomenon in which introns (the portions of the gene region that are not used for protein synthesis), which are normally spliced out, fail to be removed from the precursor mRNA (the transcription product of a gene) and remain in the mRNA

Expectations from People Outside the Company

Visualization of pre-symptomatic conditions by analysis of genes that cause intron retention and evaluation of Kampo medicines are now possible.

Dr. Norihiro Okada

Project Professor,
Laboratory of Genomics
for Health and Longevity,
School of Pharmacy, Kitasato University



Not all of the various diseases that affect people have a clear associated biological pathway. For example, aging causes an attenuation of physical strength, dementia, and depression, which are currently difficult to treat with Western medicines. There are pre-symptomatic conditions for these diseases and symptoms, and there is room to create new value by improving pre-symptomatic diseases using Kampo medicines.

In autumn of 2024, a joint research project between Kitasato University's Laboratory of Genomics for Health and Longevity, School of Pharmacy, Oriental Medicine Research Center and Kitasato Institute Hospital discovered that intron retention (IR) is an excellent marker for depression.

Many researchers around the world have searched for markers of depression in the past, without success. However, in our research process, we have observed that when the body is stressed, IR occurs to maintain protein homeostasis, and that when the stress is alleviated by Kampo medicines, IR returns to a healthy status. Based on these accumulated observations, we

realized that genes in which IR is occurring could be used to evaluate depression status, or to evaluate drugs with an effect on depression, and we undertook further research. Now, our latest results demonstrate that IR is a versatile marker of diverse pre-symptomatic conditions. Furthermore, IR can also be used to evaluate the level of effect that Kampo medicines have on each type of pre-symptomatic disease by observing the recovery of IR. I believe that this result will have an extremely important meaning for the future of Kampo medicines, since they are effective in treating pre-symptomatic diseases.

Furthermore, in order to maintain stable efficacy of Kampo medicines, it is essential to continuously supply high-quality products with consistent composition. I believe that Tsumura's serious effort in this regard is extremely valuable. As the diverse information obtained from IR promotes the scientific study of pre-symptomatic diseases, I am certain that the value provided to society by Kampo medicines will increase going forward.

Development of a Kampo Diagnostic Support System that Can Underpin Personalized Treatment

The Kampo diagnostic support system can carry out high-precision, science-backed diagnosis of patterns, which is considered to be in the realm of accomplished Kampo practitioners. Until now, we have worked on approaches such as registry research^{*10} using past treatment data, development of a prediction model for patterns, and accumulation of case studies. During the period of the second medium-term management plan, we conducted a verification test of the system in a clinical setting to increase its diagnostic accuracy.

With the development of this system, we aim to enable

the creation of objectified Kampo diagnostic methods (four diagnostic methods) and diagnosis by patterns. We also aim to contribute to increasing the overall quality and efficiency of Kampo prescriptions by physicians. It is also expected to be used as a training tool for physicians who are not Kampo specialists. We envisage the system being used to support physicians in clinical settings and as a Kampo education program for medical professionals. In the future, we will examine expanding the system beyond diagnostic support to include prescription proposal.

^{*10} Research that involves databasing and analyzing information on patients with certain diseases to obtain a deeper understanding of the diseases and improve treatment methods

Working with a global viewpoint, we promote R&D to help address important healthcare issues.

Akihito Konda

CTO (Chief Technology Officer)
Head of Research & Development Division



In April 2025, Tsumura merged its Research & Development Division and International Pharmaceutical Research & Development Division to enhance its development functions, including global operations, and installed me as the first CTO.

The newly integrated Research & Development Division created a vision of remaining close to our customers through all their life stages by meeting unmet medical needs*¹¹ and building systems for addressing pre-symptomatic diseases along with a Kampo diagnostic support system, applying Kampo R&D with a global view. As an R&D organization, we ensure every researcher knows the areas of expertise of all other researchers so that they can go to the right person for help when needed. With that as a given, we strive to build work environments where all employees are self-motivated and encouraged to take appropriate action on their own initiative.

During our second medium-term management plan, we will conduct repeated clinical testing based on our research results in the fields of personalized health care (PHC) and pre-symptomatic disease and science (PDS), which are designated as priorities in our long-term management vision, and clarify the road map for social implementation of our offerings in these areas.

In global R&D, our first priority is progress with pharmaceutical development in the United States. We have long been watching postoperative ileus as an unmet medical need there. To treat it, we are developing and preparing to commercialize TU-100, an investigational new drug that shares the same ingredients with Tsumura's domestic product Daikenchuto. In May 2024, it entered the second phase of clinical testing with 402 cases in 36 US healthcare facilities. The United States is considered one of the world's hardest markets for advancing pharmaceuticals to commercial use, and we are embracing this challenge.

In the China business, our future growth driver, we are working to develop quality standards for the Kampo value chain, from cultivation of crude drug seedlings to final products, on a par with global standards set by the International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (ICH), and preparing to develop traditional Chinese medicinal products that meet these standards.

The Kampo diagnostic support system, which can be

a core support for growth of our domestic business, is now in the preparatory stage for clinical verification. The system is designed to standardize Kampo diagnosis, which requires Kampo medical knowledge and extensive experience. By supporting Kampo treatment based on clinical interviews with patients and pattern diagnosis, we project substantial contribution to the productivity of healthcare operations. We have also found a range of possible applications for the system, for example in creating training materials for healthcare professionals interested in Kampo medicine.

During the first medium-term management plan, we commenced joint research with Keio University and discovered a genetic factor that causes cold hypersensitivity. We then compiled the results into a method for diagnosing and classifying types of cold hypersensitivity and applied for a related patent in 2023. By leveraging our Kampo diagnostic support system with clear, scientifically grounded research results, we will gradually make progress in achieving our goals for PHC and PDS as designated in our long-term management vision.

The Yellow Emperor's Classic of Internal Medicine, known as the oldest Chinese book on medicine, explains that the wise practitioner addresses the pre-symptomatic disease rather than waiting to treat the resulting disease. In modern medicine, however, there is no established definition or indicator for "pre-symptomatic disease." So we think the effort to clearly define through evidence the concept of pre-symptomatic disease, which is a foundational component of Kampo medicine and Kampo drugs, will help develop the field of Kampo medicine and encourage the use of Kampo drugs. Above all else, we consider intron retention to be a promising research theme leading to the definition of pre-symptomatic disease. The results of research and analysis by Kitasato University have opened great possibilities for applying intron retention as a pre-symptomatic disease marker. In our second medium-term management plan, we will mainly conduct verification testing of Kampo methods and drugs related to depression and frailty with business and academic partners. At the same time, we will begin developing technologies for social implementation as testing services. We will continue R&D efforts to help address social issues, especially those related to women and seniors, through the scientific study of pre-symptomatic diseases.

*11 Medical needs for which effective treatment has not yet been identified

FOCUS Characteristics of the Kampo Market

Domestic Market Trends

The majority of Kampo medicines prescribed at medical institutions in Japan are prescription Kampo formulations, which are covered by health insurance. A total of 148 prescriptions have been approved by the Japanese Ministry of Health, Labour and Welfare. Moreover, prescription Kampo formulations are prescribed based on examination by a physician, and they are now used in ordinary treatment by over 80%*1 of physicians.

The market for prescription Kampo formulations has been expanding steadily since reaching its lowest point in fiscal 1999. In fiscal 2024, the scale of the prescription Kampo formulation market was 228.0 billion yen on a drug price basis, equivalent to approximately 2.0% of the 11.5 trillion yen prescription pharmaceutical market. The Tsumura Group holds an 84.6%*2 share of the prescription Kampo market.

*1 Source: Japan Kampo Medicines Manufacturers Association, "2011 Survey on the Status of Kampo Prescriptions"

*2 Source: © 2025 by IQVIA. Compiled by the Company based on "JPM April 2024 to March 2025" (Unauthorized reproduction prohibited)

Approach to the Market

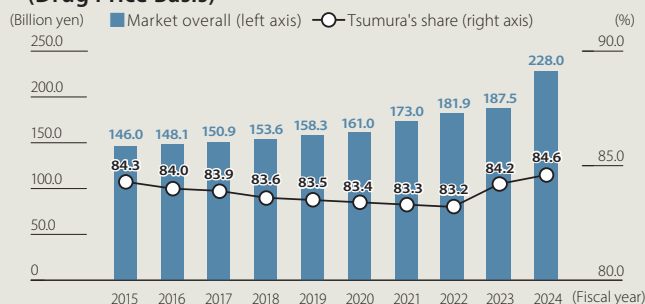
The Tsumura Group manufactures and sells 129 prescription Kampo formulations. With the leading lineup in Japan, we are able to respond to a wide range of treatment areas. Currently, our products are used in virtually every hospital department.

In addition, Kampo treatment is characterized by the use of various drugs to suit the constitution and condition of each individual patient. It is important to spread the knowledge of Kampo medicine so that even physicians who do not specialize in Kampo medicine are able to prescribe Kampo formulations. Therefore, in addition to providing information to medical professionals on the safety, efficacy, and quality of our products, our MRs also conduct activities to spread understanding about the establishment of formulations and

different uses based on the principles of Kampo medicine. In this way, we aim to realize a medical setting where all patients can receive Kampo treatment suited to them individually, regardless of the medical institution or clinical department.

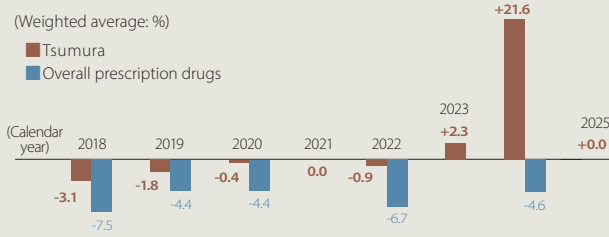
Moreover, over half of prescription Kampo formulations administered are for elderly patients aged 65 or over, and the ratio is higher for women of all ages, accounting for half the number of elderly patients aged 65 or over. The Group has designated as its key areas geriatric health, which is an acute social issue in Japan, cancer (supportive care), and women's health, and is striving to increase the quantity and quality of the information it provides.

Prescription Kampo Formulation Market Trend (Drug Price Basis)



Source: © 2025 by IQVIA. Compiled by the Company based on "JPM April 2024 to March 2025" (Unauthorized reproduction prohibited)

Changes in NHI Drug Price Revision Rates



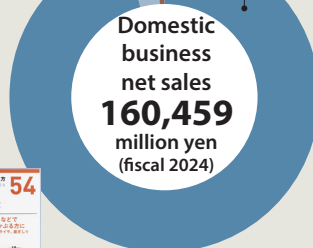
Note: The revision rates for overall prescription drugs are not disclosed for 2021, 2023, and 2025 due to mid-year revisions.

Domestic Business Product Lineup

Other 1,103 million yen
 -Powder for preparations, chopped crude drugs, etc.

OTC Kampo formulations/ 5,284 million yen
 OTC pharmaceuticals (Class 2 OTC drugs)

- Extract granules (OTC) 49 formulations
- Quasi-pharmaceutical products (Bath Herbs)
- Other (tablets, oral solutions, lozenges, etc.)
- Food products (Tsumura no Oishii Wakan Plus)



154,072 million yen Prescription Kampo formulations (covered by insurance)

-Extract granules and ointments 129 formulations





Feature 2

Aiming to Contribute in the China Business

Back- ground

We will contribute to the development of the traditional Chinese medicine industry through our core competence developed in the research and manufacture of Kampo formulations

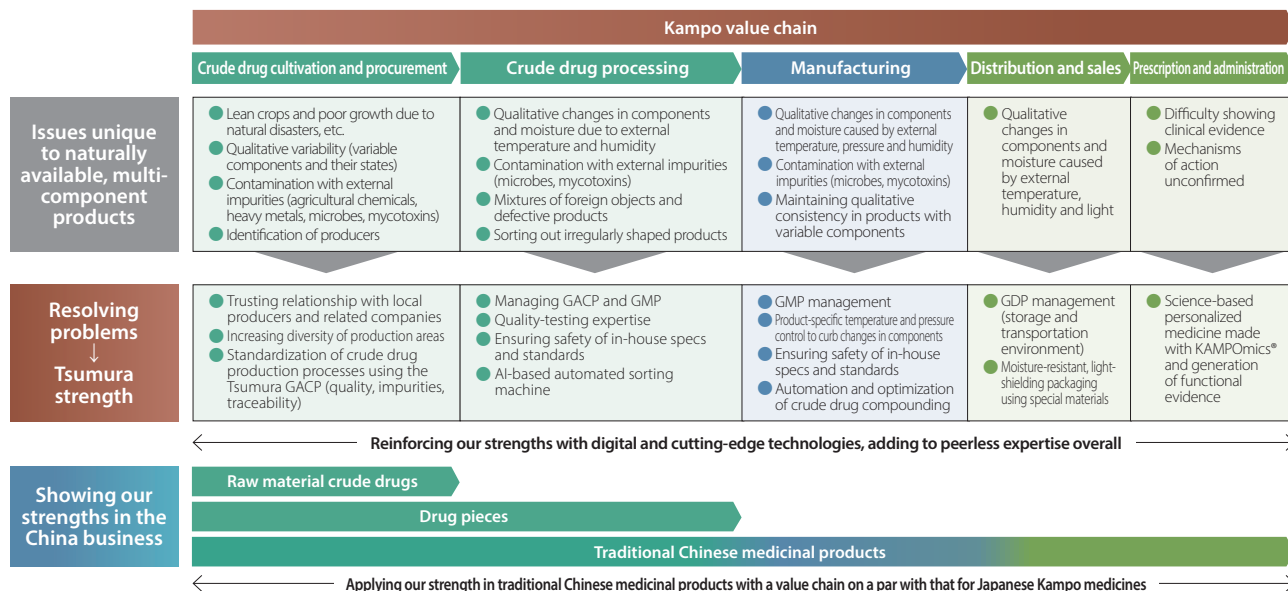
The Tsumura Group's sustainable growth depends on its partnership with China, which is the largest production area for raw material crude drugs, and a country with deep roots in traditional Chinese medicine, which treats people using drug pieces and traditional Chinese medicinal products that use the same crude drugs as Kampo medicines for raw materials.

In China, the licensing and medical education of physicians are separate for Western medicine and traditional Chinese medicine. Both play an essential role in people's health. On the other hand, in Japan the licensing system and education have shifted to Western medicine since the early Meiji era. Therefore, to establish an important position for Kampo formulations as a treatment option, it is necessary to prove their efficacy and safety in the field of Western medicine. Tsumura has been helping to spread and develop Kampo medicines in Japan by building evidence through continuing

basic and clinical research over many years. As a result, the Tsumura Group today has accumulated technologies that apply across the entire value chain for manufacturing high-quality pharmaceutical products from natural materials. Going forward, these technologies will constitute a core competence that will enable us to develop our business in the Chinese market (refer to the table below).

Even in China, where the traditional Chinese medicine market is approximately 60 times the size of the Japanese Kampo market, doctors of Western medicine are gaining a deeper understanding of traditional Chinese medicine treatment, and they are close to realizing healthcare that leverages the strengths of both systems. This is why we are confident that Tsumura's core competence will serve as a driving force both for the development of the traditional Chinese medicine industry and for the growth of the Group.

Showing Our Strengths in the Kampo Value Chain and the China Business



Using our three platforms of crude drugs, formulation, and research, we will build a value co-creation platform with local producers, physicians, and patients

In the China business, we are building three platforms to co-create value with the local community: crude drugs, formulation, and research.

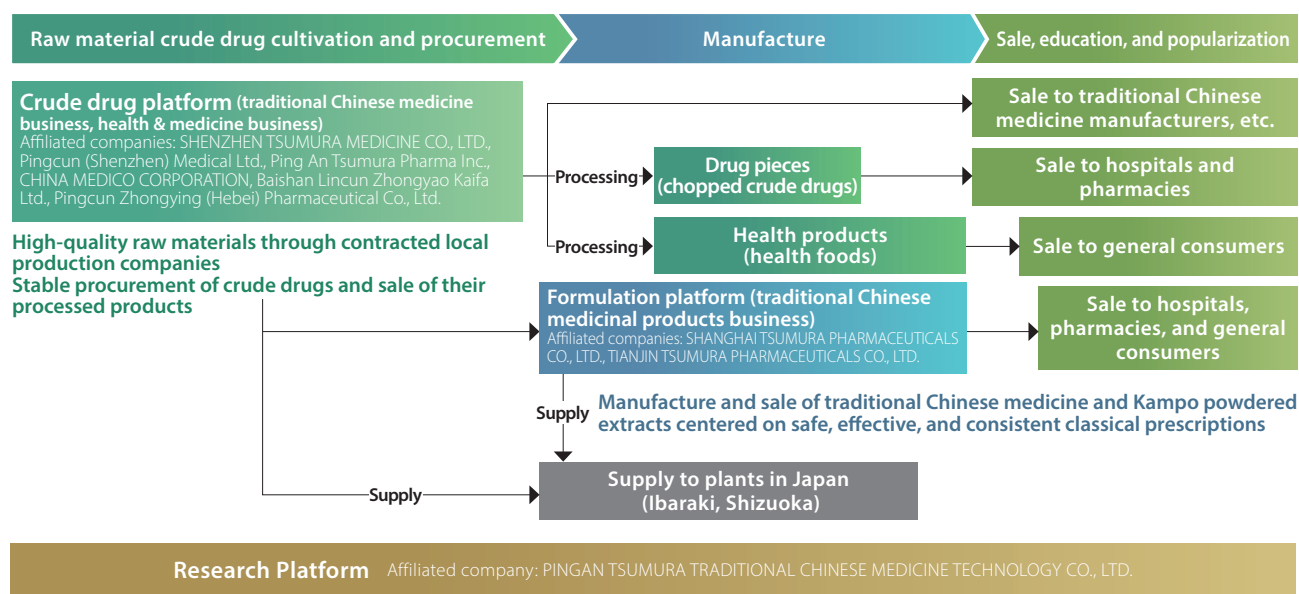
The crude drug platform serves the functions of cultivation, procurement, sorting, processing, and storage of raw material crude drugs used in Japan and in the China business. It also provides the function of manufacturing and selling raw material crude drugs, drug pieces, and health products* in China. With regards to raw material crude drugs, Tsumura holds cultivated land under its own management throughout China, and we are cultivating and procuring high-quality crude drugs. In parallel with this, we are also promoting external sales of raw material crude drugs, mainly inside China.

We are also aiming to develop new sales channels for drug pieces, which are indispensable for personalized treatment in traditional Chinese medicine. Furthermore, we are focusing on spreading our “personalized medicine” processing service for increased consistency and portability of drug pieces.

Currently, we are focused intently on building the formulation platform, as the foundation for manufacturing traditional Chinese medicinal products, and the research platform for carrying out their development and research. By building these platforms, we will contribute to resolving issues in the traditional Chinese medicine industry, while cultivating relationships of trust with local doctors and patients.

* Nutritional food products, functional food products, healthcare products, etc.

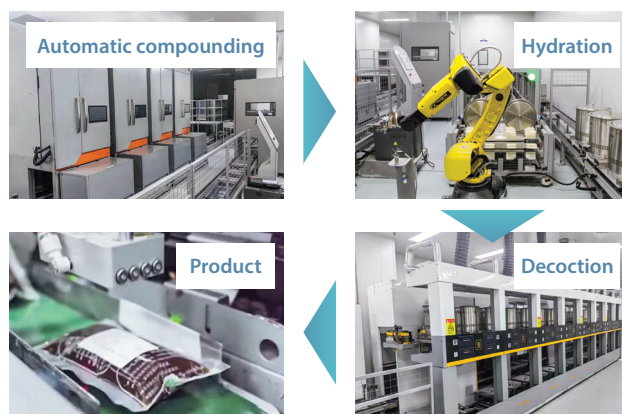
Three Platforms Concept in the China Business (As of March 31, 2025)



Formulation of quality standards in the value chain and development and marketing of traditional Chinese medicinal products

Expansion of the Drug Pieces Added-Value Service, “Personalized Medicine”

In 2020, we started “personalized medicine,” a processing service that saves patients the effort of decocting by processing and packaging drug pieces into various forms, such as decoction, fluid extract, and granules. This achieves a high level of storability and portability that has been praised by physicians and patients, and the repeat rate is increasing. We will promote its benefits to physicians by pointing out the consistency, stability, and formulation diversity of drug piece processing that can be achieved in a smart factory facility and focus on providing services through Chinese hospitals.



We work to be a trusted manufacturer of traditional Chinese medicines that contributes to public health in China.

Koin Toda

Co-COO (Co-Chief Operating Officer)
General Representative for China



Business in China is a growth driver for the Tsumura Group and a top strategic priority in our vision for 50–100 years from now. The purpose of our China business is to help advance the traditional Chinese medicine industry and contribute to public health in China by leveraging the quality, technology, and experience the Group has built in the domestic Kampo business with external factors, like the customer base of Ping An Insurance (Group) Company. Reliable purchasing and supply of high-quality raw material crude drugs is an important mission as well. For Glycyrrhiza, for instance, we used to fully depend on collection in the wild, but large-scale cultivation of medicinal plants in Gansu Province has been realized through recently established cultivation technology based on joint research with Chinese companies and universities. This is a major achievement of which I am very proud.

In fiscal 2024, the China business saw roughly 10% year-on-year sales growth, to 20.6 billion yen, thanks to our effort to highlight the value of our higher-quality crude drugs, which boosted the sales volume primarily of raw material crude drugs.

Under our second medium-term management plan, we will work to expand sales, mainly of drug pieces, to build scale and earnings power. On top of expanding the variety and volume of high-quality drug pieces managed under the WHO's Good Agricultural and Collection Practices (GACP) regimen and an established traceability system, we plan to forge technological and business alliances with drug piece manufacturers with strong sales networks. In June 2025, we concluded an equity agreement with Shanghai Hongqiao Traditional Chinese Drug Pieces Co., Ltd. ("Hongqiao Drug Pieces") for joint business. Hongqiao Drug Pieces is a drug piece manufacturer with strong sales channels in the Shanghai region. We work to expand scale by combining its basic sales capacity with Tsumura's high-quality crude drugs, large fund of evidentiary research, and production expertise and experience in personalized medicine, thereby increasing the quality and convenience of the drug pieces they sell.

Within our formulation platform, we have considered partnering with manufacturers of traditional Chinese medicinal products and negotiated with various prospects to enter the industry. In addition to the several we have approached, many companies are expressing interest in partnering with us, and we will carefully discuss and negotiate with them individually. We will also be patient and tenacious in this, because entering the traditional Chinese medicinal product industry and

building a strong foundation are important themes in our second medium-term management plan.

Within our research platform, we continue developing classical prescriptions, following Chinese government policy promoting such efforts as well as the development of high-quality traditional Chinese medicines. We also have in mind development and commercialization of new traditional Chinese medicinal products in cooperation with universities and specialists. More practitioners of Western medicine acknowledge the efficacy of traditional Chinese medicines every year, and research results show that about 80% of traditional Chinese medicinal products are prescribed by Western medical practitioners. This trend leads to a need for stronger evidence of their efficacy. Tsumura's Kampo formulations have an edge thanks to procurement of high-quality GACP-compatible crude drugs and production methods for uniform quality. These strengths are attractive to people in China seeking safety and reliability in pharmaceuticals, and our ability to formulate them with little qualitative disparity between lots will carry broad advantages, particularly in clinical testing.

We think more seriously than others about preserving our natural environment and pursuing eco-friendly, sustainable cultivation of crude drugs, applying the technologies we are continuously developing. While putting high priority on contribution to local communities in the form of job creation related to cultivating and processing crude drugs and assistance to agricultural producers to help raise their quality of life, we will continue working to be a manufacturer of traditional Chinese medicines that is widely recognized and trusted by all stakeholders.

Current research results project that the trend toward lower birth rates and societal aging will likely accelerate in China as well. The Chinese government is promoting standardization and enhanced quality control of traditional Chinese medicinal products to develop the industry, and the market is projected to expand. We will continue and even reinforce our relationship with Ping An Insurance, our partner in the China business. With the belief of our founder, Jusha Tsumura, that "a good medicine is guaranteed to sell" in our hearts, and making the most of the Group's strengths in supply chains and rich experience, we plan to bring high-quality products to the Chinese market and, by raising our market profile and building trust, contribute to public health and a brighter future in China.

FOCUS Characteristics of the Traditional Chinese Medicine Market

Classification of Traditional Chinese Medicines

Traditional Chinese medicines are a general expression for medication that has been used by traditional Chinese medicine for over 2,700 years. Like Kampo medicines, it is manufactured using raw materials from nature, such as plants, animals, and minerals. Traditional Chinese medicine is based on classical theory, but with each era, its efficacy with common diseases has been tested, and new treatment methods have been incorporated into the system. As a result, a large number of formulations have been created, and traditional Chinese medicinal products have been continuously developed.

In traditional Chinese medicine, treatments are classified into traditional Chinese medicinal products and traditional Chinese drug pieces. There are also health foods that are made using crude drugs for healthcare (prevention).

Traditional Chinese Medicine Market Trends

The traditional Chinese medicine market in China is valued at approximately 16 trillion yen, making it more than 60 times the size of the Japanese market for Kampo products and crude drugs. Within this, the market for traditional Chinese medicinal products is around 11 trillion yen, and the market for raw material crude drugs and traditional Chinese medicine drug pieces is around 5 trillion yen. Traditional Chinese medicinal products have been formulated from ancient times until the modern era, with approximately 9,000 formulations approved in China. Of these, the Pharmacopoeia of the People's Republic of China^{*1} listed approximately 1,600 formulations, while approximately 300 formulations originate from the principal classics.^{*2} There are around 600 types of traditional Chinese medicine drug pieces commonly used in traditional Chinese clinics. These have been made through improvement processing^{*3} of raw materials for traditional Chinese medicines.

The Chinese government's policy is to focus on the development of traditional Chinese medicines based on classical prescriptions, and to support and reinforce R&D and quality improvement of traditional Chinese medicines. There are around 2,400 companies that manufacture traditional

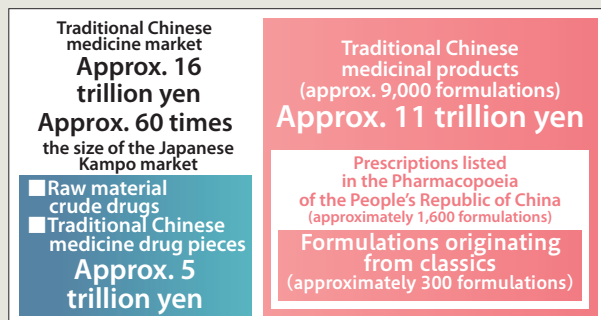
Chinese medicines, so the level of concentration in the market is not so high. However, groups of traditional Chinese medicine manufacturers are gradually being formed.

Approach to the Market

The Healthy China 2030 initiative promoted by the Chinese government places importance on both modern medicine and Chinese medicine. It promotes the development of rules regarding traditional Chinese medicine production and also encourages expanding the scale of production. Within traditional Chinese medicines also, the key to the development of traditional Chinese medicinal products is standardization, and the Chinese government views the standardization of traditional Chinese medicinal products as a priority issue. The Tsumura Group seeks to achieve the standardization of traditional Chinese medicinal products and contribute to the development of the traditional Chinese medicine industry. We will do this by using our technologies and expertise related to safety, efficacy, and consistency, which have been honed in the Kampo business.

In addition, with regard to the sale of raw material crude drugs and drug pieces, we will contribute to the citizens of China and healthcare by supplying high-value-added services using high-quality crude drugs.

^{*1} A pharmaceutical product code promulgated by the Chinese National Medical Products Administration to guarantee the quality of pharmaceutical products by the state and guarantee the safety, efficacy, and quality control of drugs for use by the public
^{*2} Treatments included in ancient medical texts compiled during the Qing dynasty and earlier
^{*3} Processing by methods including steaming, boiling, and frying

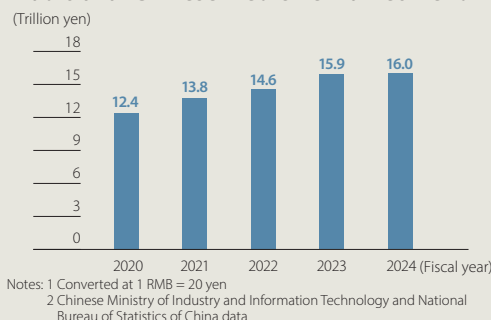


Source: Created by Tsumura from data provided by the Chinese Ministry of Industry and Information Technology, the Chinese National Medical Products Administration, and the National Bureau of Statistics of China
 Converted at 1 RMB = 20 yen

China Business Product and Service Lineup



Traditional Chinese Medicine Market Trend





Feature 3

Organization Capital that Drives Our Value Creation Cycle

Back- ground

Increased cooperation between organizations and the growth of individuals are essential for establishing the world's most unique Kampo and traditional Chinese medicine business

The Tsumura Group has been conducting basic and clinical research for Kampo formulations for about half a century. Through this work, we have accumulated technologies and expertise for analyzing and formulating multi-component formulations. Looking ahead, we will not only work to expand the Kampo medicine market in Japan, but also to leverage our accumulated intellectual capital to maximize the potential of traditional Chinese medicine in China with the aim of contributing to the development of the overall industry. To achieve this, we need to raise the overall level of business activity even further, including stable procurement of raw material crude drugs, quality assurance, and environmental conservation.

The Group is currently working to innovate the Kampo value chain by adopting advanced technologies and promoting DX. We are steadily promoting measures to realize

the long-term management vision that we formulated in 2022, envisaging a society in which the traditional medicine of Japan and China can support the well-being of each individual.

To reinforce the Kampo business in Japan and the traditional Chinese medicine business in China, it is essential to have close cooperation between Group companies in Japan and overseas so that the knowledge possessed by each company and division is used across the organization. Since 2012, we have been promoting the concept of "Tsumura, the People Company," and implementing organization and human capital management that connects the growth of individuals to that of organizations and companies. In addition, we have made potential-abilities development (PAD) a part of our long-term management vision, and based on this, we are promoting system reforms and organizational adjustments.

Tsumura's Potential-Abilities Development (PAD) Initiative

PAD

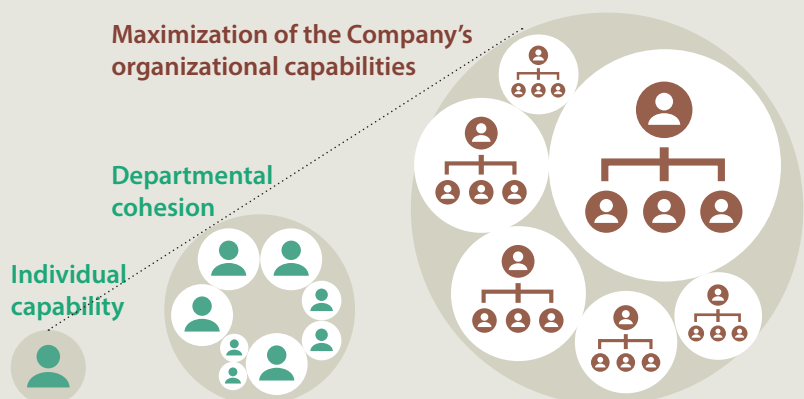
Potential-Abilities Development

Tsumura's PAD initiative is about developing the abilities of its people and organizations. The goal is to become a group of people who are universally trusted, with a corporate culture that employs dialogue to encourage every employee to make the most of their potential. With this group, we will develop the only Kampo and traditional Chinese medicine business model of its kind in the world. In this way, we aim to achieve an organization mechanism analogous to Kampo medicines, in which individual crude drugs that each have a role achieve efficacy by working together.

Maximization of the Company's organizational capabilities

Departmental cohesion

Individual capability

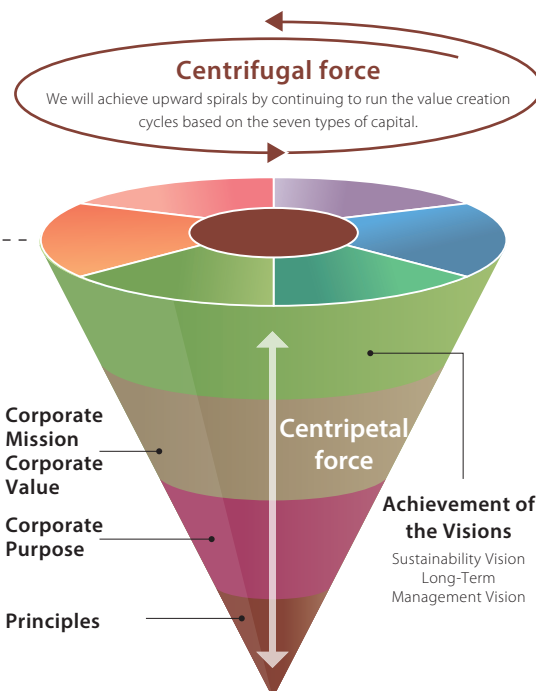


We will develop human resources based on organization capital to create a beneficial cycle that generates social value

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 2024 results



1. Organization capital

- Organization mechanism analogous to Kampo medicines
- **132**th anniversary of founding
- Corporate Philosophy survey: **4.04** pt



2. Human capital

- Number of employees (consolidated): **4,272**
- Education expense per person (non-consolidated): ¥ **115** thousand
- Percentage of employees with disabilities: **2.23** %
- Engagement survey: **3.65** points



3. Intellectual capital

- R&D expenses: ¥ **8,355** 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: **2,140** TJ
- Water used: **2,248,893** t
- Water recycling rate (Ibaraki, Shizuoka and Shanghai, Tianjin): **60.8** % on average
- Percentage of industrial waste recycled: **99.7** %
- 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: **85.9** %



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: ¥ **28,650** million



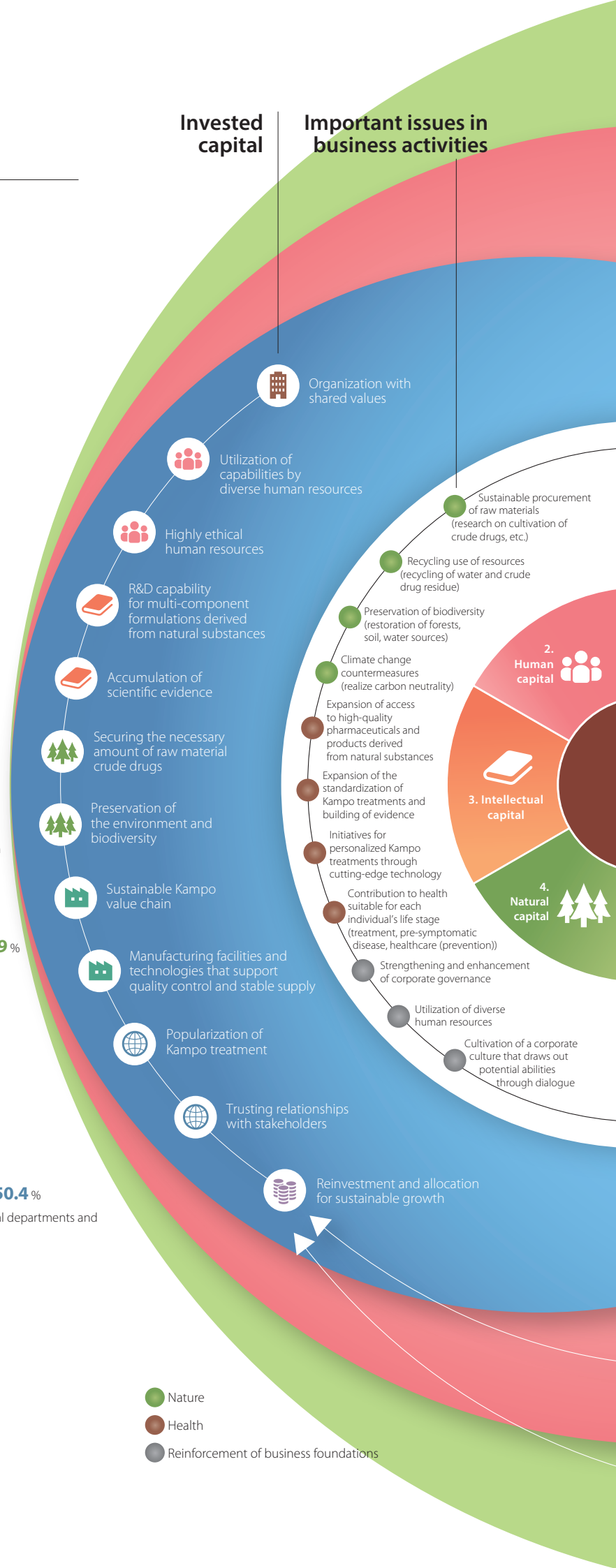
6. Social and relationship capital

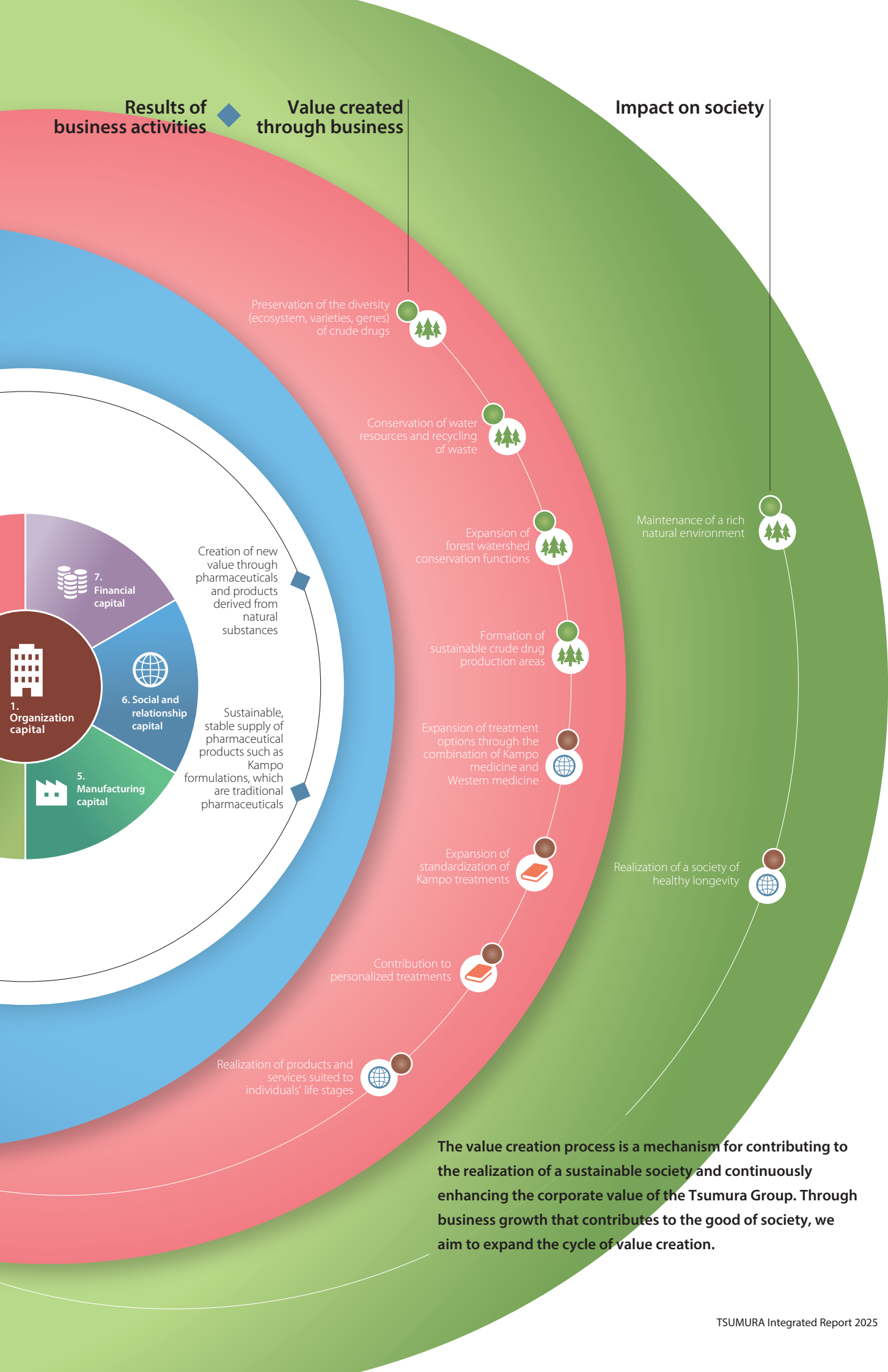
- Percentage of physicians prescribing 10 or more Kampo prescriptions: **50.4** %
- Kampo medicine education being implemented at all university medical departments and medical colleges
- Number of write-ups in treatment guidelines: **161**
- Number of consultations at customer consultation desk: **30,825**



7. Financial capital

- Net sales: ¥ **181,093** million
- Operating profit: ¥ **40,125** million
- Free cash flow: ¥ **8,849** million
- Total assets: ¥ **464,380** million
- Shareholders' equity: ¥ **300,530** million





The value creation process is a mechanism for contributing to the realization of a sustainable society and continuously enhancing the corporate value of the Tsumura Group. Through business growth that contributes to the good of society, we aim to expand the cycle of value creation.

We are raising productivity across the whole company and engaging in continuous dialogue to foster an organizational culture that can generate higher added value

The continued decline and aging of Japan's population is having a serious impact on all industries. At Tsumura, we have seen a significant initial impact on our domestic business, and we recognize that increasing labor productivity is a particularly pressing issue. Taking a wider view, the development of human resources to lead our global business is also an urgent priority. For this reason, it is necessary to raise the capabilities of individuals and foster an organizational culture capable of producing higher added value. To achieve this, the Group has adopted the concept of an "organization mechanism analogous to Kampo medicines" as its ideal for the Group's organization. This organization mechanism analogous to Kampo medicines is a concept in which each member uses their respective skills to perform their role and responsibilities, just as individual crude drugs work together in a Kampo medicine to achieve overall harmony, thereby producing a

stronger result as a team.

In April 2025, we conducted a major organizational reform aimed at enabling this kind of organization to function properly in order to increase labor productivity. Among other measures, we established a dedicated section responsible for organization development and integrated our sales organizations. We expect this to have the effects of eliminating overlapping roles, accelerating our strategy execution, and clarifying responsibilities. In parallel with this, we are continuing our activities to spread the TSUMURA GROUP DNA Pyramid throughout the organization by way of dialogue between employees.

Furthermore, in fiscal 2023, we started a cross-divisional project for quantitative analysis of pre-financial capital, and we will identify and review measures that have been effective in increasing performance.

Please refer to "Value Relevance Analysis of Organization and Human Capital" on page 29 for details.

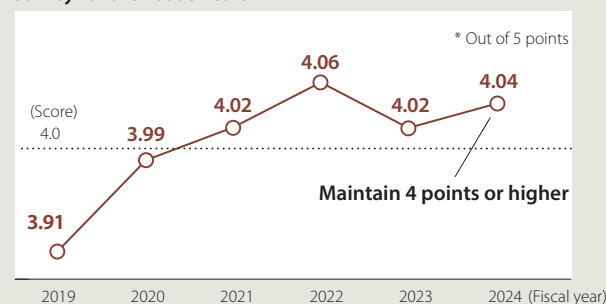
Initiatives to Cultivate a Unique Culture of Dialogue at Tsumura

In 2019, the Tsumura Group established the Tsumura Academy to spread the Corporate Value and cultivate human resources who have the autonomy to think and act for themselves. Within this internal organization, we regularly hold cross-organizational dialogues in the form of Philosophy Discussion and Coaching Meetings. From 2022, we started developing internal coaching trainers to lead a culture of dialogue and draw out the potential of individuals. As of April 1, 2025, we have 83 internal trainers, who are active as leaders in promoting the Corporate Philosophy within their respective organizations.

In addition, following the principle of the organization mechanism analogous to Kampo medicines, we are also engaged in team building, to create an organization that grows continuously while repeatedly

achieving its goals. Both of these initiatives are Tsumura Academy programs centered on dialogue. Through these initiatives, we have maintained a score of 4.0 or higher on the annual employee engagement Corporate Philosophy survey.

Average Score of the 30 Questions of the Corporate Philosophy Survey for the Past 6 Years



Strengthening the Organization Structure to Enhance Value Creation Capability

To establish an organization mechanism analogous to Kampo medicines, which has high work productivity and added-value generation capacity, we carried out a major organizational reform in April 2025. First, we established the new Corporate Management Division to deepen cooperation between management support divisions and strengthen promotion of the China business and the corporate governance structure. At the same time, in order to strengthen the human resources and organization that are the source of corporate value generation, we established the Human Resources Division, which will oversee the Group's human resource development function.

In addition, as we need to accelerate our research and

development activities globally, we integrated the Research & Development Division and the International Pharmaceutical Research & Development Division into a single Research & Development Division. The division will strengthen collaboration between Japan, China, and the United States as well as encourage research and development of traditional Chinese medicinal products and entry into the ASEAN market and so forth. We also integrated the Sales & Marketing Division and the Marketing Division into a new Sales & Marketing Division.

With these reforms, we will address urgent issues in terms of labor productivity and global operations, aiming to deliver results as an organization.

By applying new systems, I help promote individual growth and organizational development, and build the value of our organization and human capital.

Koji Endo

CHRO
Head of Human
Resources Division



Our Human Resources (HR) Division, newly established in April 2025, carries the responsibility of reinforcing the foundation of the TSUMURA GROUP DNA Pyramid: human resources, organization, and corporate culture. Specifically, it means promoting individual growth through potential-abilities development (PAD) as designated in our long-term management vision, and elevating the group of individuals as an organization mechanism analogous to Kampo medicines to build social value and productivity. In fiscal 2025, the HR Division set up the Organization Development Department as an independent subdivision. To embody Tsumura's Purpose and Corporate Value and realize our long-term management vision, the department assists organizations within the Group in exerting maximum team power as an organization mechanism analogous to Kampo medicines and maintaining positive results. We hope that individual employee efforts to sharpen their respective abilities will lead to major results guiding the entire organization to achieve its goals as a team.

For more strategic cultivation and deployment of human resources, Tsumura created a human resource portfolio in 2023 to highlight the skills and experience of each employee, envisioning growth five to ten years out. In fiscal 2025, we started a job-based personnel system for managers. The core of this is a job-specific skills map to delineate the levels of skill needed to embody Tsumura's Purpose and Corporate Value and realize our long-term management vision, as well as those needed in current jobs. Managers are required to reskill and self-train to achieve the map's skill levels. As regular HR practice, this helps when assigning people who have reached certain skill levels to more important posts. We strongly believe this creates a healthy, competitive environment and promotes mutual support among employees for growing together.

With progress in our effort to realize our long-term management vision as well as changes in the external environment, we will revise the skills map as needed for required levels of experience and quantitative ranges. Because of the ongoing diversification of employee work style needs, more people have positive views of having side jobs and changing jobs. In response, we understand the need to revise the assessment criteria of the Group's skills map to be more specialized or generalized so it is not limited to internal

standards and helps us develop human resources that are rated highly in the labor market.

In fiscal 2023, we began a project to visualize pre-financial capital. One of the ways we are doing this is to use the Yanagi model^{*2} and others in quantitative analysis of the value of organization and human capital that our policies create, to prove whether they lead to financial value. This derives from our determination to clearly explain to our stakeholders with analytical results that our management and human resources strategies are integrated. In undertaking this initiative for two years or so, we were able to verify a correlation or link between financial value and the DEI-related measures we deploy and disclose in human capital management. Based on what we have learned from this, we also plan to enhance preparatory and/or follow-up employee training for future improvement and upgrade our programs and HR policies to amplify our human capital. We will continue analysis and exploration to find clues for better organizational health and employee self-reform.

Since fiscal 2024, we have been implementing the KENKO Investment for Health program with a focus on our unique approach to healthcare, in keeping with our Purpose, "Lively Living for Everyone." We will begin quantitative analysis and visualization of correlations between this initiative and the effects of health promotion efforts, mental health, and the proportion of people with suboptimal findings in physical checkups, and work proactively using the eight relevant indicators we have selected. With our CEO leading the campaign, we carry forward the KENKO Investment for Health initiative, designed to achieve both better employee health and greater corporate value.

The Tsumura Group has consistently centered people in its vision, as in "Tsumura, the People Company" in fiscal 2012 and potential-abilities development (PAD) since fiscal 2022, placing human capital at the core of corporate value creation alongside organization capital. We will continue working to grow in sustainable ways, with management strategies based on our Corporate Philosophy, cultivating the people who will lead a brighter future for the Kampo and traditional Chinese medicine businesses.

^{*2} A model developed by Ryohei Yanagi, introduced in his book *CFO Policy* (Chuo Keizaiisha, 2020)

FOCUS Value Relevance Analysis of Organization and Human Capital

In relation to the value creation cycle based on seven capitals, the Tsumura Group undertakes initiatives for “pre-financial capital” to obtain understanding from investors by visualizing its connection to future financial value, and to clarify the challenges for each initiative and work to improve them. In fiscal 2023, we started a cross-divisional project for quantitative analysis of pre-financial capital, focused on visualizing the value of pharmaceuticals derived from natural substances, the value created by the Kampo value chain, and the value of organization and human capital.

In fiscal 2023, we used the non-financial capital and equity spread synchronization model (Yanagi model), and conducted a landscape analysis* of our overall ESG activities. In tandem with this, we also conducted a value relevance analysis* to take an objective view of our overall ESG activities based on the correlation between our ESG indicators and price-to-book ratio (PBR) and explore our organization and human capital policies. In this analysis, we established a hypothesis about the process in which the value created by our organization and human capital policies leads to financial value, and verified the connection between ESG indicators and financial indicators. The following year, in fiscal 2024, having completed the definition of our human resource portfolio and proceeded with examination of a skills map,

we again conducted a value relevance analysis focused on organization and human capital. We held several workshops, mainly for members of the Human Resources Department, to explore and verify how each human resource measure is related to financial value. In the workshops, we established a hypothetical narrative of the correlation between each measure and financial value, then attempted to verify the value chain based on multi-year data related to human capital. This resulted in the identification of a desirable correlation between fostering a corporate culture and human resource development. We plan to review our indicators for each measure and consider changes and so forth, also taking into account undesirable correlation results.

Looking ahead, we will further expand our analysis target, using the optimal analysis methods to clarify the correlation with financial value, such as quantifying the value created by the Company's unique Kampo value chain starting from crude drug cultivation, and the value of Kampo formulations derived from natural materials. We will use our analysis results to strengthen our strategies and measures, leading to a certain increase in corporate value.

* In addition to the Yanagi model (CFO Policy, 4th ed. (Chuo Keizaisha, 2025)), we also employ value relevance analysis, which involves mapping the value chain from each non-financial capital initiative to corporate value creation and verifying it through regression analysis of the correlations between adjacent value elements, taking into account delayed penetration effects (analysis performed by Abeam Consulting Ltd.).

Items for Which a Desirable Correlation Was Detected

Fostering a corporate culture

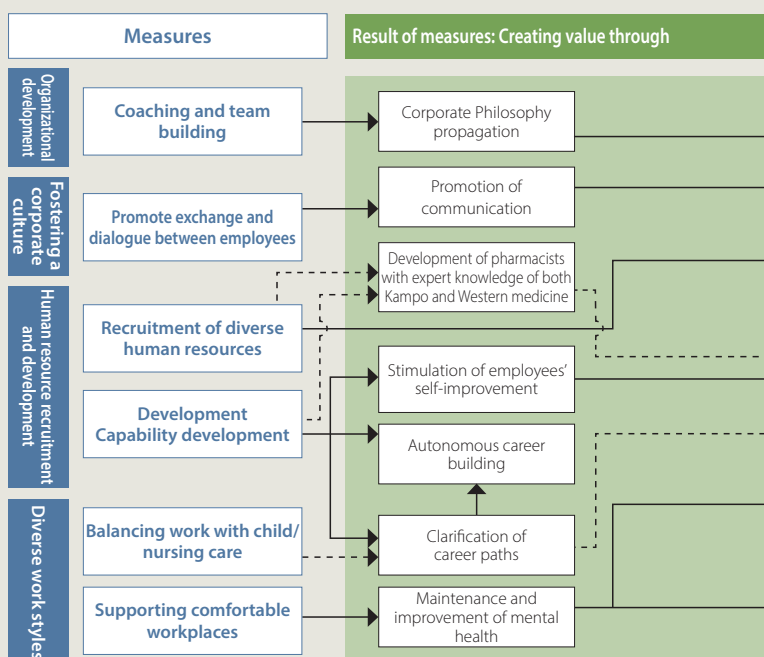
Team building and coaching training were shown to increase team cohesion, generating internal synergies such as the spread of these practices to other divisions and teams. This demonstrated a chain of effects that contributed to improving the quality of human resources. The propagation of our Corporate Vision and Purpose, together with improvements to psychological safety, was shown to increase the quality of human resources via a chain of effects leading to higher engagement.

Human resource development (increasing the quality of human resources by improving skills)

When nurturing candidates for management, a chain of effects contributing to enhancement of management capabilities and the increase in team cohesion led to propagation of the Corporate Philosophy, demonstrating that this chain contributes to increasing the quality of human resources.

Enhancing the employee education system contributes to increasing both employee engagement and human resource quality, demonstrating a chain of effects that leads to an increased desire to join the Company among job seekers.

Fiscal 2024 Value Relevance Analysis



Creating Value through Organization and Human Capital

We will accelerate the execution of organization and human capital policies and enhance them while demonstrating the chain of effects that links them to financial value.

Takao Sugahara

Head of Organization
Development Department,
Human Resources Division

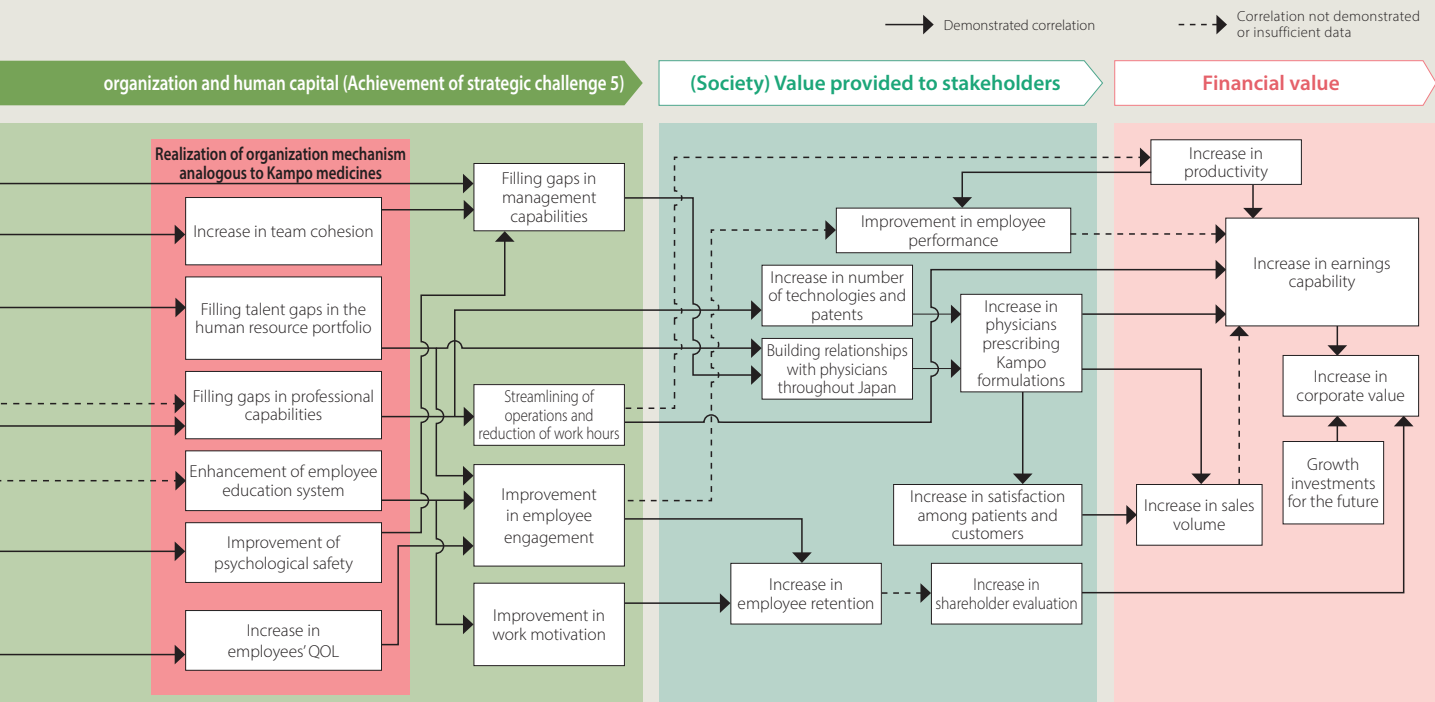


The point of Tsumura's conducting value relevance analysis of its organization and human capital is to visualize the degree to which investments in these areas contribute to our business performance. This enables us to identify measures that are generating financial value and improve our organization and human capital policies. Moreover, to show the level of certainty that these investments will increase corporate value over the medium to long term, it is also important to visualize and quantify pre-financial capital and reflect the analysis results in our value creation narrative.

In fiscal 2024, we discussed our ideal value chain narrative in a workshop setting, mainly looking at the measures that we are focusing on, and formulated a hypothesis for their correlation to financial value. To demonstrate the correlation between measures and financial figures, we compiled the relevant indicators and conducted a value relevance analysis. As we anticipated, the results showed a correlation for some items, while no correlation was demonstrated for others. During this

verification process, we reaffirmed the importance of coordinating the implementation of management and business strategies with organization and human capital policies, and the necessity of pursuing appropriate results indicators for each measure.

The chain of effects that links organization and human capital policies to enhancement of organization and human capital and strategic challenges was broadly demonstrated in the analysis results. Looking ahead, we will accelerate the execution of each measure, and enhance them. Meanwhile, with regard to the chain of effects connecting organization and human capital enhancement with financial value, we have insufficient data to visualize correlations, mainly with regard to strategic challenges and stakeholder value. We recognize that the key challenges in demonstrating the chain of effects leading to financial value based on the value we provide to society are strengthening the collection and management of relevant data and promoting coordinated efforts across divisions.



Management Strategy

Having created a clear road map by backcasting from our sustainability vision and Long-term management vision, we are steadily promoting strategies.

32	Characteristics of the Kampo Value Chain
35	Changes in the Kampo Value Chain
37	Financial and Pre-Financial Highlights
41	Structure of Our Strategy over Time
45	Message from the Group CFO
48	Progress on Financial Strategy
51	Risk Management
53	Strategic Challenge 1
55	Strategic Challenge 2
57	Strategic Challenge 3
59	Strategic Challenge 4
61	Strategic Challenge 5
63	Response to Sustainability Issues



Characteristics of the Kampo Value Chain

Tsumura's CSV

- Creation of shared value with society
- Materiality

Health

- Expansion of access to high-quality pharmaceuticals and products derived from natural substances
- Expansion of the standardization of Kampo treatments and building of evidence
- Initiatives for personalized Kampo treatments through cutting-edge technology
- Contribution to health suitable for each individual's life stage



The Kampo Formulation Value Chain

- Realization of well-balanced mental and physical health
- Responding to medical needs that are difficult to treat with Western medicine
- Treatment that combines Kampo medicine and Western medicine
- Standard treatment with Kampo
- Personalized treatment with Kampo

Characteristics in Figures

Market scale of prescription Kampo formulations

228.0 billion yen

(Tsumura's share: 84.6%)
Reference: Domestic pharmaceutical market: approximately 11.5 trillion yen (Share of Kampo and crude drug formulations: approximately 2%)

Ratios of prescription Kampo formulations administered

Persons aged 65 and over: **52.6%**
Women: **67.0%**

Physicians prescribing Kampo medicines

90% and over

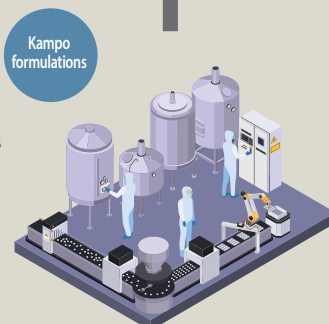
Physicians able to use different Kampo medicines

50.4%

Ratio of physicians prescribing 10 or more prescription Kampo formulations

Science

- Creation of new value through pharmaceuticals and products derived from natural substances
- Sustainable, stable supply of pharmaceutical products such as Kampo formulations, which are traditional pharmaceuticals



- Promotion of Kampo medicine (information provision platform)
- Concentration on areas of high medical needs (seniors, women, cancer)
- Write-ups in treatment guidelines
- Kampo formulations with assured efficacy, safety, and consistency

Sales volume of prescription Kampo formulations

26.46 million boxes

(129 prescriptions)

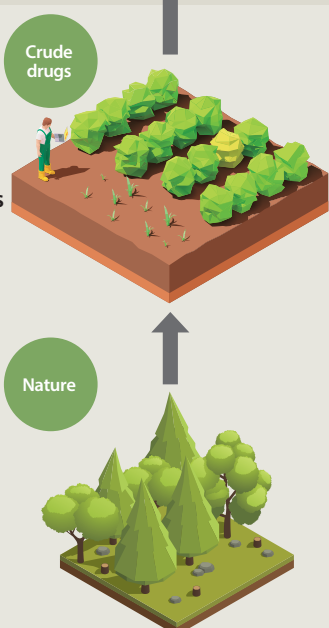
Write-ups in treatment guidelines

161

Number of write-ups in treatment guidelines

Nature

- Sustainable procurement of raw materials
- Recycling use of resources
- Preservation of biodiversity
- Climate change countermeasures



- Domestication of crude drugs
- Stimulation of primary industry in local areas through contract cultivation of crude drugs
- Development of crude drug farmers

Capacity to store crude drugs

China: **64%**

Japan: **35%**

Laos: **1%**

Crude drug cultivation on cultivated land under our own management

85.9%

Percentage of cultivated land under our own management

Countries supplying raw material crude drugs

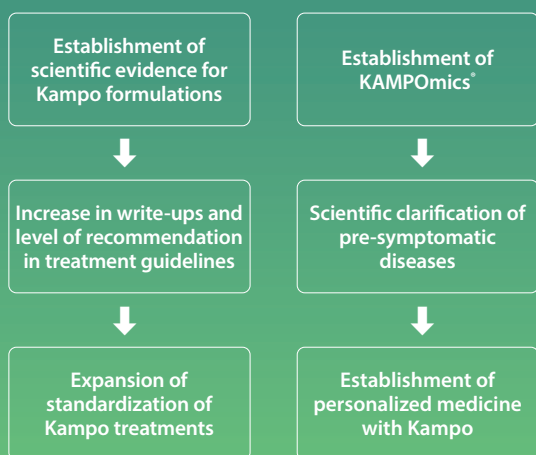
China: approx. **90%**

Japan, Laos, and others: approx. **10%**

Points of Value Creation in the Kampo Value Chain



R&D



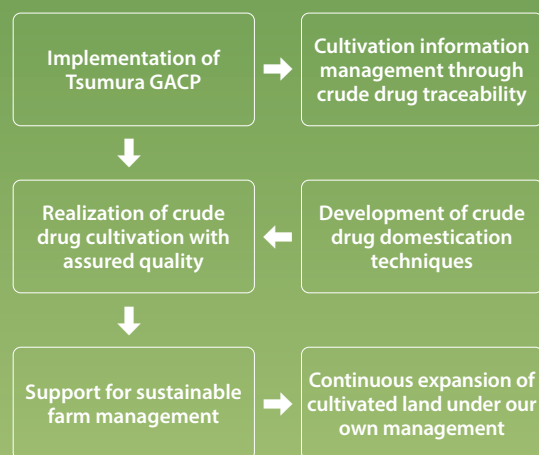
We are engaged in both basic and clinical research aimed at expanding standard Kampo treatments. Moreover, we are working on applied research towards our goals of establishing the most appropriate Kampo treatment for each patient (personalized medicine) and the scientific study of pre-symptomatic diseases.

- Promotion of drug-fostering research focused on accumulating basic and clinical data for diseases in areas of high medical need that have been resistant to new Western drugs and for which prescription Kampo formulations have demonstrated special efficacy
- Contribution to quantitative and qualitative improvement in write-ups in treatment guidelines
- Research for clearly identifying the responders to Kampo medicines (cohorts that show efficacy, “patterns” for Kampo)
- Development of a Kampo diagnostic support system using DX and AI technologies, aiming to establish objectivity for Kampo medical diagnosis
- Research of responder markers*¹ based on KAMPOmics®

*¹ Physiological indexes to differentiate patients who have high potential to show effects in response to treatment (responders)



Cultivation and procurement

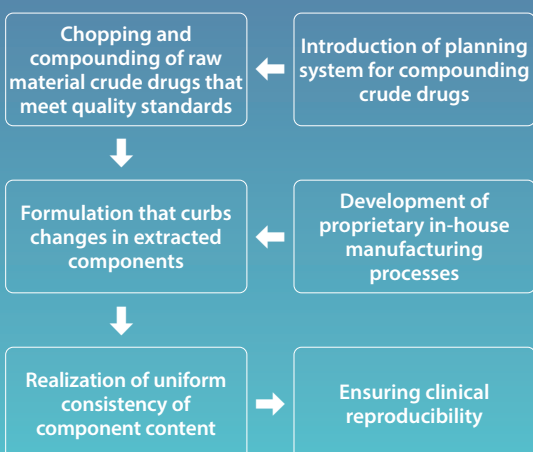


Securing high-quality raw material crude drugs is essential for the manufacture of Kampo formulations. We guarantee crude drug quality and safety by rigorously managing them through GACP, based on the notion that the “quality of Kampo products begins from the growing fields.”

- Quality control through process management from the cultivation of raw material crude drugs to their preparation and processing based on Tsumura Good Agriculture and Collection Practices (GACP) guidelines (Tsumura’s original guidelines that satisfy the GACP guidelines of the World Health Organization)
- Crude drug production standards, crude drug traceability, guidance and audit system for crude drug producers
- Stabilization of quality, volume, and prices of crude drugs by making use of cultivated land under Tsumura’s own management
- Development of multiple countries and areas of cultivation in China, Japan, Laos, and other countries
- Rigorous selection of crude drugs that meet quality standards not only of the Japanese Pharmacopoeia, but also Tsumura’s internal standards



Manufacture

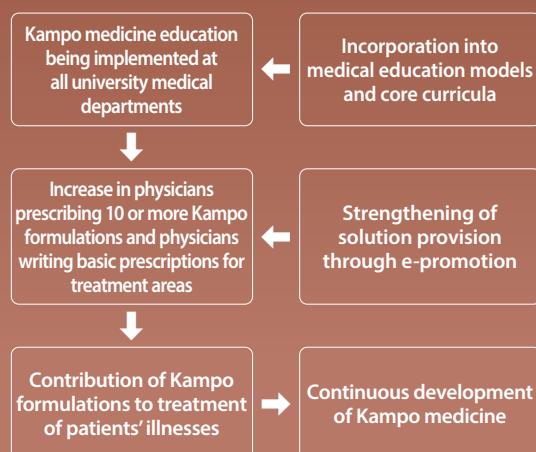


Integrated manufacturing from raw material crude drugs to Kampo formulations is the Tsumura Group's original business model. The Company has accumulated internal knowledge about manufacturing technologies, and has built high-quality, high-efficiency original manufacturing equipment.

- Computer-controlled manufacturing processes in accordance with formulation design for each Kampo formulation (original manufacturing line)
- Automation through introduction of robot technology for all manufacturing processes of prescription Kampo formulations
- Transition to a structure that can produce results with less labor in preparation for future decline of the working population
- Using the planning system for compounding crude drugs, control the balance of crude drug components in each Kampo formulation
- Conducting quality testing in each process and for all lots and accumulating data to achieve a formulation that secures uniformity with continuous, stable quality



Sale, education, and popularization



We are promoting activities that will contribute to the realization of a medical setting where all patients can receive Kampo treatment suited to them individually, regardless of the medical institution or clinical department.

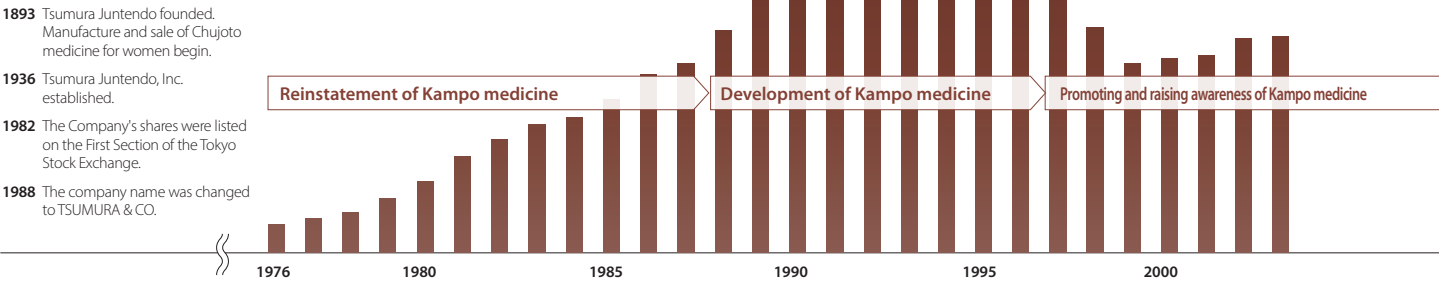
- A lineup of 129 of the 148 prescription Kampo formulations on Japan's National Health Insurance drug price list
- Number of products that have been delivered to over 50,000 medical institutions and pharmacies [Highest number among the 20 top-ranked pharmaceutical companies by net sales (excluding dedicated generic drug manufacturers)]^{*2}
- Detailed information provision by MRs versed in both Kampo medicine and Western medicine (training implemented to increase knowledge of Kampo medicine)
- Expansion of information provision channels such as e-promotion (online Kampo MRs and TSUMURA MEDICAL SITE, etc.)
- Industry No. 1^{*3} ranking in estimated number of detailing impacts via the internet

^{*2} Tsumura's analysis based on © 2025 by IQVIA. "JPM, JCC (March 2021 MAT)"











^{*3} Fiscal 2024 results/INTAGE Healthcare Inc., "Impact Track"

Changes in the Kampo Value Chain

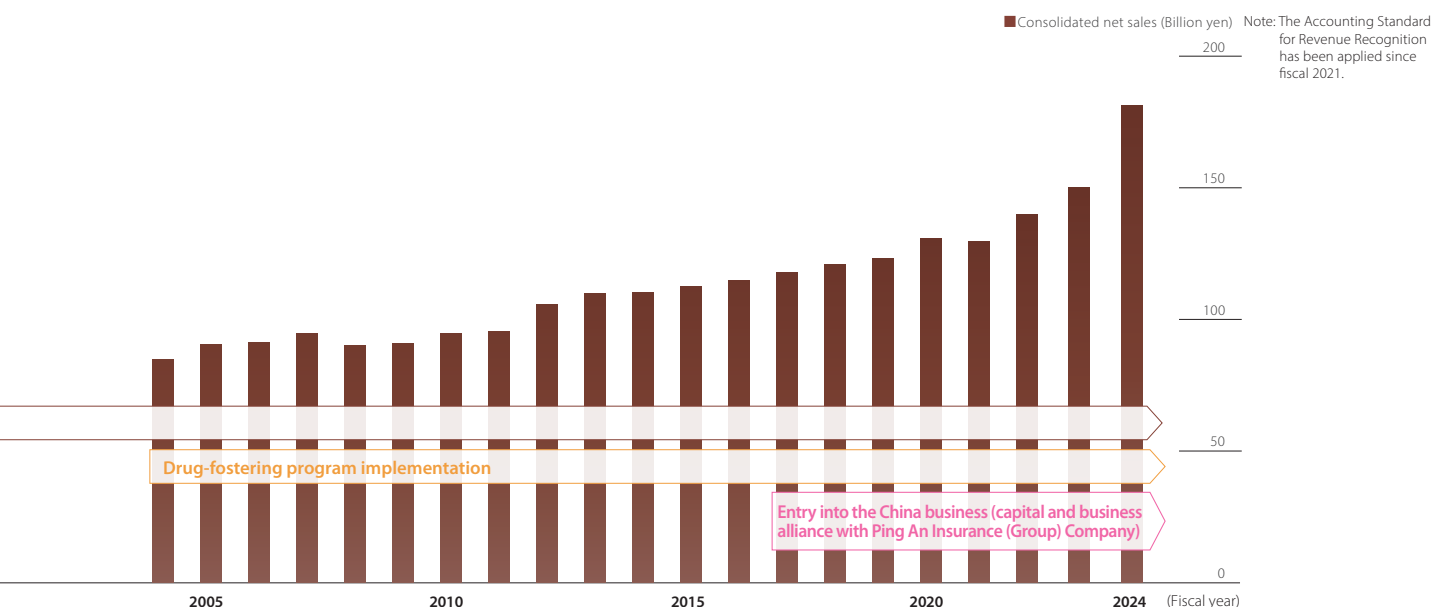
The Tsumura Group has worked to popularize and scientifically clarify prescription Kampo formulations with the aim of combining Kampo medicine and Western medicine. The Group’s journey has been nothing less than a history of continuous innovation to popularize Kampo medicine while protecting its traditions. 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	<div>1924</div> <div>Tsumura Research Institute for Pharmaceutical Science and Tsumura Medicinal Plant Garden opened.</div> <div></div>	<div>1926</div> <div>Tsumura Research Institute for Pharmaceutical Science takes over publication of <i>The Journal of Japanese Botany</i>.</div> <div></div>	<div>1991</div> <div>Double-blind testing performed after receiving a directive to reevaluate eight Kampo formulations.</div> <div></div>	<div>2001</div> <div>TSUMURA USA, INC. established as a pharmaceutical development base in the United States.</div> <div></div>		
Cultivation and procurement	<div>1973</div> <div>Purchase of crude drugs from a "friendly trading company" designated by the Chinese government starts.</div> <div></div>	<div>1978</div> <div>Second president Jusha visits China for the first time to negotiate for a stable supply of raw material crude drugs.</div> <div></div>	<div>1981</div> <div>Direct purchase of crude drugs from Chinese state-owned enterprises starts. Long-term crude drug supply contract concluded with China Souvenirs and Livestock Company.</div> <div></div>	<div>1991</div> <div>SHENZHEN TSUMURA MEDICINE CO., LTD. established as a supply base of raw material crude drugs in China.</div> <div></div>	<div>2007</div> <div>Operation of crude drug traceability system starts.</div> <div></div>	<div>2009</div> <div>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.</div> <div></div>
Manufacture	<div>1964</div> <div>Shizuoka Plant newly established.</div> <div></div>	<div>1983</div> <div>Ibaraki Plant newly established and the research laboratory relocated to the site.</div> <div></div>	<div>1999</div> <div>Heavy metal testing method established.</div> <div></div>	<div>2001</div> <div>SHANGHAI TSUMURA PHARMACEUTICALS CO., LTD. established as a manufacturing base for extract powder (intermediate product) in China.</div> <div></div>		
Sale, education, and popularization	<div>1893</div> <div>Manufacture and sale of Chujoto medicine for women begin.</div> <div></div> <div>1974</div> <div>Sale of prescription Kampo formulations begins.</div> <div></div>	<div>1976</div> <div>Total of 33 Tsumura prescription Kampo formulations added to the NHI drug price list.</div> <div></div>	<div>1987</div> <div>Further additions to the NHI drug price list bring the number to 129.</div> <div></div> <div>1991</div> <div>Sales of prescription Kampo formulations surpass 100.0 billion yen.</div> <div></div>	<div>1996</div> <div>Media reports side effect of interstitial pneumonia caused by Shosaikoto.</div> <div></div> <div>1997</div> <div>Introduction of MR certification system in Japan</div> <div></div> <div>1999</div> <div>Kampo medical seminars begin.</div> <div></div>	<div>2001</div> <div>Kampo medical symposium held.</div> <div></div>	

* Source: Fiscal 2024 results/INTAGE Healthcare Inc., "Impact Track"



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>2024</p> <p>Completion of 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>2024</p> <p>No. 1 in the pharmaceutical industry* for estimated number of detailing impacts (cases of physician information recognition)</p>	<p>Education and popularization of Kampo medicine</p> <p>Proposal of therapies that combine Kampo medicine and Western medicine</p>

Financial and Pre-Financial Highlights

	2014	2015	2016	2017
Operating results				
Net sales	110,438	112,625	114,954	117,879
of which, domestic business	—	—	—	—
of which, China business	—	—	—	—
Cost of sales	41,859	45,055	49,454	49,603
Cost of sales ratio	37.9%	40.0%	43.0%	42.1%
Gross profit	68,578	67,569	65,499	68,275
Gross profit margin	62.1%	60.0%	57.0%	57.9%
SG&A expenses	49,087	47,743	49,516	51,224
SG&A expenses ratio	44.4%	42.4%	43.1%	43.5%
Operating profit	19,491	19,826	15,983	17,050
of which, domestic business	—	—	—	—
of which, China business	—	—	—	—
Operating profit margin	17.6%	17.6%	13.9%	14.5%
Ordinary profit	21,583	19,494	16,399	17,914
Profit attributable to owners of parent	14,075	12,557	12,488	14,504
Financial position				
Total assets	215,654	222,468	222,008	293,701
Net assets	150,947	155,702	157,397	196,533
Liabilities	64,706	66,765	64,611	97,168
Current assets	128,484	133,668	134,679	192,401
Non-current assets	87,169	88,799	87,329	101,300
Current liabilities	41,366	43,702	31,883	48,766
Non-current liabilities	23,339	23,063	32,727	48,402
Equity ratio	68.8%	68.8%	69.7%	65.9%
Cash flows				
Cash flows from operating activities	4,992	17,570	21,065	21,066
Cash flows from investing activities	-10,683	-7,461	-6,451	-23,354
Cash flows from financing activities	10,408	-4,608	-9,572	50,305
Cash and cash equivalents at end of period	19,343	25,128	29,901	78,313
Main indicators				
ROE (return on equity)	10.1%	8.3%	8.1%	8.3%
DOE (dividend on equity)	3.2%	3.0%	2.9%	2.7%
Investment amount of property, plant and equipment and software, etc.*1	8,428	9,638	6,455	11,912
of which, investment amount of property, plant and equipment	8,428	9,638	6,455	11,912
R&D expenses	6,252	5,968	6,087	6,048
Depreciation	5,387	5,059	5,629	6,157
Total asset turnover rate	0.51	0.51	0.52	0.40
EPS (earnings per share) (yen)	199.58	178.06	179.46	200.55
BPS (book-value per share) (yen)	2,103.04	2,169.13	2,250.34	2,532.11
Annual dividend per share (yen)	64	64	64	64
Sales volume of prescription Kampo formulations (ten thousand units)	1,876	1,929	2,026	2,081
Share in the prescription Kampo market	84.5%	84.3%	84.0%	83.9%
NHI price revision rate	-3.0%	Not available	-3.0%	Not available
Number of treatment guideline listings for Kampo formulations	82	91	104	118

Notes: 1 From fiscal 2018, the Partial Amendments to Accounting Standard for Tax Effect Accounting have been applied. 2 Figures after PPA adjustment for fiscal 2019
3 From fiscal 2021, the Accounting Standard for Revenue Recognition has been applied.

*1 Changed from "acquisition of property, plant and equipment" to "investment amount of property, plant and equipment and software, etc." from fiscal 2022.

(Million yen)

2018	2019	2020	2021	2022	2023	2024
120,906	123,248	130,883	129,546	140,043	150,845	181,093
—	—	—	—	124,698	132,099	160,459
—	—	—	—	15,345	18,745	20,633
49,451	50,747	55,951	63,081	71,762	82,028	90,509
40.9%	41.2%	42.7%	48.7%	51.2%	54.4%	50.0%
71,455	72,500	74,931	66,465	68,281	68,816	90,583
59.1%	58.8%	57.3%	51.3%	48.8%	45.6%	50.0%
52,935	53,623	55,548	44,088	47,365	48,799	50,458
43.8%	43.5%	42.4%	34.0%	33.8%	32.4%	27.9%
18,520	18,876	19,382	22,376	20,916	20,017	40,125
—	—	—	—	21,190	20,531	40,136
—	—	—	—	-273	-514	-10
15.3%	15.3%	14.8%	17.3%	14.9%	13.3%	22.2%
19,702	19,649	20,866	25,904	23,453	23,493	42,446
14,593	13,765	15,332	18,836	16,482	16,707	32,428
287,322	311,990	319,063	350,981	396,813	428,254	464,380
206,141	213,997	233,169	258,109	272,246	295,364	330,110
81,181	97,993	85,894	92,871	124,566	132,889	134,270
190,027	196,973	204,273	229,420	268,320	281,292	295,709
97,295	115,017	114,789	121,561	128,492	146,961	168,670
33,320	48,476	48,380	45,875	47,205	68,557	61,913
47,861	49,516	37,513	46,996	77,361	64,332	72,357
70.2%	65.8%	68.3%	68.3%	63.5%	63.2%	64.7%
5,450	18,191	16,102	21,314	16,452	5,608	33,823
-7,697	-23,488	-7,352	-9,111	-15,493	-19,351	-24,974
-18,528	7,111	-10,425	-8,181	24,423	-4,417	-19,871
56,243	57,692	59,668	67,536	94,730	78,034	73,135
7.4%	6.8%	7.2%	8.2%	6.7%	6.4%	11.4%
2.5%	2.4%	2.3%	2.1%	2.0%	2.5%	3.6%
9,085	6,304	11,161	11,456	14,679	21,908	31,077
9,085	6,304	11,161	11,456	11,172	18,352	28,650
5,926	6,270	6,631	7,313	7,594	8,288	8,355
6,362	6,406	8,210	8,743	10,101	10,235	10,620
0.42	0.40	0.41	0.37	0.35	0.35	0.39
190.87	179.96	200.40	246.21	215.63	219.83	427.15
2,639.59	2,684.38	2,846.58	3,133.97	3,299.42	3,566.54	3,968.05
64	64	64	64	64	85	136
2,165	2,222	2,278	2,440	2,563	2,626	2,646
83.6%	83.5%	83.4%	83.3%	83.2%	84.2%	84.6%
-3.1%	-1.8%	-0.4%	0.0%	-0.9%	2.3%	21.6%
132	135	149	151	152	158	161

Net Sales by Product

	2014	2015	2016	2017
Drug-fostering program formulations*2				
100 Daikenchuto	9,993	10,273	10,328	10,584
054 Yokukansan	6,895	7,215	7,330	7,571
043 Rikkunshito	6,633	6,604	6,863	7,044
107 Goshajinkigan	3,814	3,838	3,733	3,686
014 Hangeshashinto	1,230	1,250	1,276	1,334
"Growing" formulations*3				
041 Hochuekkito	6,965	6,968	6,947	7,098
017 Goreisan	2,719	3,082	3,363	3,722
024 Kamishoyosan	4,285	4,465	4,465	4,534
137 Kamikihito	1,211	1,237	1,249	1,342
108 Ninjin'yoeito	640	668	701	913

Note: From fiscal 2021, the Accounting Standard for Revenue Recognition has been applied.

*2 Daikenchuto, Rikkunshito, and Yokukansan were designated as drug-fostering program formulations in fiscal 2004, and Goshajinkigan and Hangeshashinto were designated as drug-fostering program formulations in fiscal 2009.

*3 Kamikihito and Ninjin'yoeito have been designated as "growing" formulations since 2022.

Organization and Human Capital

	2020	2021	2022	2023	2024
Number of employees	3,830	3,921	4,032	4,138	4,272
Non-consolidated	2,556	2,564	2,631	2,711	2,765
Affiliated companies	1,274	1,357	1,401	1,427	1,507
Education cost per employee (non-consolidated) (thousand yen)	93	124	126	120	115
Annual education hours (non-consolidated) (hours)	1,372	1,702	1,575	1,334	1,324
Ratio of female employees (non-consolidated)	21.7%	23.0%	24.3%	25.3%	26.2%
Ratio of female managers (non-consolidated)*4	5.9%	6.3%	7.4%	8.4%	10.1%
Ratio of female managers (consolidated)*4	—	—	—	13.8%	16.6%
Ratio of female recruitment (non-consolidated)	40.3%	40.5%	31.3%	32.8%	36.1%
Ratio of female recruitment (non-consolidated, only career-track positions)	47.9%	50.9%	42.2%	37.8%	48.0%
Ratio of mid-career hires (non-consolidated)	61.3%	66.4%	78.7%	72.0%	68.5%
Ratio of mid-career hires (non-consolidated, only career-track positions)	35.2%	41.5%	67.5%	59.2%	53.8%
Average monthly overtime hours (non-consolidated) (hours)	12.7	10.9	10.8	12.0	14.8
Average number of days of paid leave taken (non-consolidated)	10.8	13.5	14.0	14.0	13.9
Ratio of childcare leave taken (male)	19.0%	37.0%	52.0%	57.3%	74.7%
Ratio of childcare leave taken (female)	100%	100%	100%	100%	100%
Average number of days of childcare leave taken (male) (days)	24.1	12.3	24.6	26.5	55.0
Average number of days of childcare leave taken (female) (days)	125.4	121.4	119.3	232.2	189.8
Percentage of employees with disabilities (non-consolidated)	2.8%	2.9%	2.6%	2.5%	2.2%
Turnover rate (non-consolidated)	1.8%	1.4%	2.7%	2.8%	3.1%
Number of occupational accidents (non-consolidated) (accidents)	11	12	17	16	21

*4 The ratio of female managers is as of April 1 each fiscal year.

(Million yen)

	2018	2019	2020	2021	2022	2023	2024
	10,430	10,357	10,394	9,569	9,739	9,851	14,769
	7,664	7,774	7,884	7,379	7,380	7,447	11,147
	7,256	7,370	7,501	7,231	7,300	7,454	7,199
	3,625	3,603	3,628	3,509	3,421	3,698	5,583
	1,350	1,390	1,413	1,358	1,390	1,448	1,464
	7,158	7,113	7,632	7,232	7,727	7,956	7,597
	4,124	4,491	4,960	5,298	6,208	6,869	7,376
	4,539	4,598	4,873	4,833	5,050	5,117	4,917
	1,422	1,536	1,613	1,722	2,067	2,290	2,238
	1,549	1,874	1,914	1,936	2,128	2,305	2,234

Environmental Data*5

	2020	2021	2022	2023	2024
GHG emissions (t-CO₂)*6	94,198	96,570	108,530	88,227	80,220
Energy used (TJ)	1,685	1,703	2,063	2,164	2,140
Water intake (thousands of tons)	1,707	1,704	2,065	2,152	2,249
Water reuse rate	62.9%	55.6%	56.0%	57.4%	60.8%
Total waste emission volume (tons)	31,669	34,456	38,086	41,993	42,617
Recycling rate*7	99.0%	99.9%	99.9%	99.9%	99.7%

Note: Waste includes industrial waste (including ones under special management), as well as municipal solid waste.

*5 Emissions from TIANJIN TSUMURA PHARMACEUTICALS CO., LTD. and CHINA MEDICO CORPORATION have been included in calculations from fiscal 2022.

*6 GHG emissions are the sum of Scopes 1 and 2 (In fiscal 2024, Scope 3 emissions were 366,255 t-CO₂).

*7 Recycling rate = recycled volume / total waste emission × 100

Corporate Governance

	2020	2021	2022	2023	2024
Ratio of outside directors	55.6%	55.6%	55.6%	55.6%	55.6%
Ratio of female directors	11.1%	11.1%	11.1%	11.1%	11.1%
Ratio of female executive officers	—	—	7.1%	7.1%	7.1%
Compliance					
Number of consultations received by Tsumura Group Hotline	26	10	19	25	39
Percentage who responded “Agree” or “Somewhat agree” to the question “Do you think it is a bright, transparent workplace?” on the compliance survey (5-level scale)	68.9%	69.7%	70.3%	71.5%	70.3%

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
<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"> ● 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"> ● 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"> ● Risk of loss of social trust due to incidents of fraud and misconduct ➔ Board of Directors composed with a majority of outside directors to strengthen oversight over management, continuous evaluations conducted based on internal control evaluation plans, and maintenance and operation of an internal reporting system
<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 →	
		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		Basic research and clinical application of pre-symptomatic disease markers				
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)						
	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		
			Further saving on energy usage			
	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		
			Establishment of methods for use and processing of crude drug residue	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						



Message from the Group CFO

Promoting strategic investment under the second medium-term management plan, and using the ROIC tree to cultivate awareness of investment efficiency among employees

Kaoru Kobayashi

CFO
(Chief Financial Officer)
Head of Corporate Management Division

Better Information-Broadcasting and Investment Efficiency: Focus of Financial Strategy

I took office as CFO in April 2025. I had previously been working for financial institutions, planning and drawing up strategies in broad fields, mainly for public corporations and those related to capital markets, and did lots of out-facing work as well. Shortly before joining Tsumura, I was an executive officer of a securities house in charge of planning related to investment banking. With knowledge and over 20 years of experience in corporate finance, I'd like to help the Tsumura Group make sustainable growth from the financial side.

I have long been strongly interested in the Tsumura Group as a philosophy-driven company, and impressed with how it carries forward the principle of its founder, "In the Spirit of Nature's Laws," from over 130 years ago, pursuing the Purpose of "Lively Living for Everyone" and encouraging a sense of ownership among all employees. I understand my expected responsibility as CFO is to formulate a financial strategy to achieve growth based on this philosophy while making the most of the healthy ambitions of excellent employees and building and maximizing corporate value every year.

After the announcement of our second medium-term management plan in May 2025, I talked with shareholders and investors and realized there are two factors in our financial strategy that need improvement. First is information-broadcasting regarding our businesses and equity stories we want to be better understood. Our business model as a

Kampo medicine manufacturer differs greatly from those of other pharmaceutical companies, and I think that makes many aspects of our business difficult for investors to understand. So I put extra effort into open, easy-to-understand information-broadcasting, including using tools such as our integrated reports, about the unique characteristics of our businesses and growth strategy.

The second area needing improvement is investment efficiency and cost structure. I don't see any waste in expenses, but I can't say we have a system demanding that floor workers maximize their performance at minimum cost. In this regard, there is ample room for improvement, including raising employee awareness of investment efficiency.

Based on that understanding of our issues, my first action as CFO was one-on-one talks with floor employees. After that, I integrated ideas incorporating the return on invested capital (ROIC) tree into our internal rules and work processes to allow continuous improvement. While Tsumura's management-control indicators already included ROIC, it was hard to see the relationship between ROIC and each business operation and the strength of its effects. So, I will work to help visualize these. To improve ROIC, it's also crucially important that our employees are well aware of it and, based on that knowledge, set goals for their respective jobs. In this way, I think employees will feel that their daily efforts to achieve their goals will improve ROIC for the entire Group, building a beneficial cycle.

Financial Management Focused on Balancing Financial Health and Capital Efficiency

Tsumura has held over 80% of the domestic prescription Kampo formulations market for the past two decades, and our topline growth is stable. We are not subject to the risk of sales losses due to changes in the market environment or competitor situations, and expansion of the Kampo market leads directly to scale expansion for our sales. I see this as a significant advantage from a financial standpoint.

At the same time, we have three constraints to consider as we build our financial strategy.

First is the risk of price fluctuations for raw material crude drugs, about 90% of which are imported from China and susceptible to bad weather, poor crops, and fluctuations in exchange rates. Prices for prescription Kampo formulations in Japan are fixed by the National Health Insurance system, so any fluctuation in input prices has a direct structural effect on our profits. Tsumura manages input production from the cultivation stage to better ensure stable procurement and minimize price fluctuations, but that cannot eliminate this kind of risk.

Second, our inventory turnover is long and costly because of the need to hold sizable inventories of raw materials given the nature of the natural ingredients, which can be qualitatively uneven depending on the length of

the growing season and weather, and there is the further risk of production impairment. To fulfill our responsibility to our healthcare organization customers, maintaining ample inventories is a must.

Last is the generally longer-than-desired time from making the decision to invest in new production equipment to recouping that investment from operations, including necessary testing periods before starting pharmaceutical production.

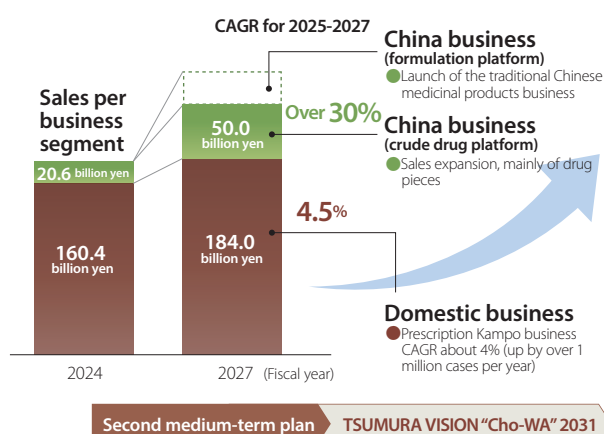
Due to such constraints, the prescription Kampo formulation business must maintain substantial capital to stay financially healthy. I manage the Company's finances to maintain resilient financial health, with careful attention to its balance with capital efficiency.

Tsumura's R&D cost is about 5% of sales, lower than the pharmaceutical industry average. Still, our research results, including building evidence for efficacy, have helped increase the number of physicians who regularly prescribe Kampo drugs. I think investment in basic and clinical research with a focus on high-priority domains, as well as in R&D projects leading directly to personalized treatments and scientific clarification of pre-symptomatic diseases, is essential for generating cash flow.

Accelerate Initiatives to Achieve 8% ROE as Quickly as Possible

The Tsumura Group is very strong in terms of business and finances, and has sufficient elbow room for investment. Nevertheless, to increase profit margins for each business, I think the Company must take another step up in terms of cost structure. To that end, and to realize our long-term management vision, we are working to raise employee awareness and commitment to higher return on investment and labor productivity, using the ROIC tree as a tool. At the same time, we have to follow through on our initiative for topline expansion. It's a given that we need this to be steady. Accumulating the results of various initiatives, including inorganic ones, we will maintain the pace of annual growth in the domestic prescription drug market by 1 million cases, increase sales of OTC drugs and healthcare products, and

Business Scale Expansion



Second Medium-Term Management Plan Numeric Targets

	Fiscal 2024 (results)	Fiscal 2025 (forecast)	Fiscal 2027 (target)	Fiscal 2031 (target)
Net sales	181.0 billion yen	188.0 billion yen	234.0 billion yen	—
Operating profit	40.1 billion yen	34.0 billion yen	43.0 billion yen	—
ROE	11.4%	7.5%	8%	Over 10%

realize average annual growth of over 30%, focused on drug piece sales in China via our crude drug platform.

Over the course of our second medium-term management plan, we will put high priority on the strategic investment program we began during the last plan. Although we are entering a phase in which ROE will fall temporarily, we must execute the entire capital investment plan for the coming three years. We cannot ignore rising construction costs in recent years, but we must address the aging of our plants and equipment and build systems for reliable supply, capable of flexibly handling future sales growth as well as any sudden surge in demand, as happened during the pandemic. These are essential management challenges we must take on immediately. Our investment levels will spike during this plan,

but I see this as reinforcing our footing for major growth of the Group over the coming three years and onward.

Our ROE is above 7%, exceeding the current cost of shareholders' equity, but below the equity market expectation of 8%. I understand this makes it hard for us to garner positive understanding from investors. So I'm not convinced all will be well if we continue as planned. To bring ROE up to 8% as quickly as possible, we will first conduct a thorough review of our investments and expenses, and continue relentlessly pursuing efficiency. We will also actively undertake initiatives for inorganic growth, taking a multifaceted approach, and by undertaking them ahead of the plan, we may soon start seeing our fiscal 2031 targets, 20% operating profit margin and 10% ROE, coming within reach—and we may do far better.

Reinforcement of the Balance Sheet and Dividend Policy with Unchanged DOE Value

With an equity ratio over 60%, the Tsumura Group has plenty of financial leeway. This comes from the profits we've built up over the years, giving us a very high credit rating. Since the previous medium-term management plan, we have been implementing management methods focused on the balance sheet from a medium- to long-term perspective, as well as measures to increase capital efficiency. We've already seen positive results from the initiative, such as reducing cash on hand and selling cross-shareholdings. We've also reduced our cash conversion cycle by about half a month by cutting our payment term for accounts receivable.

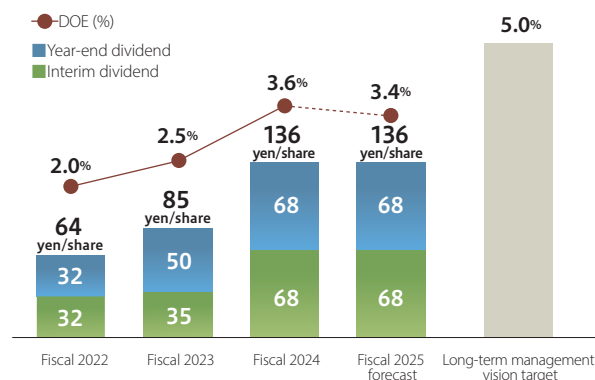
Through our second medium-term management plan, we will further reinforce our management systems focused on the balance sheet. We plan to further reduce our cash conversion cycle, excepting inventories under our business continuity plan (BCP), by about three months by applying creative inventory management methods using digital transformation (DX) technology. We plan to achieve zero cross-shareholdings in principle during the current medium-term management plan, as laid out in our published policy, and are continuing discussions with our partners to get it done as soon as possible. By further optimizing cash on hand, we will increase investment. To meet any shortfall in investment funds, we plan to use financial leverage more than before, making the most of interest-bearing debt.

In fiscal 2025, we project lower profit than last year because overall costs and SG&A expenses increased beyond sales growth as we stepped up BCP inventories and hired production personnel in advance, adding personnel costs. Despite the drop in profit, we decided to maintain the same dividend for two reasons: minimize shrinkage of our dividend

on equity ratio (DOE) and avoid passing on the burden of strategic investment to shareholders. Our DOE-centered dividend policy will not change. Thinking of 3.4% as the floor of our projected DOE for fiscal 2025, we are working to ensure profit growth to achieve our 5% target for fiscal 2031. Through dialogue with shareholders and investors, I intend to refine this policy for increasing corporate value.

Shareholder Return Policy

Shareholder returns are an important part of Tsumura policy. For us, setting this rate involves consideration of medium- to long-term profit projections, cash flow, and balance sheet management, as we work to build corporate value based on continuous growth of domestic business and growth-oriented investment in operations in China, where we are building new foundations. We will increase our dividend toward 5% DOE, our target for fiscal 2031.

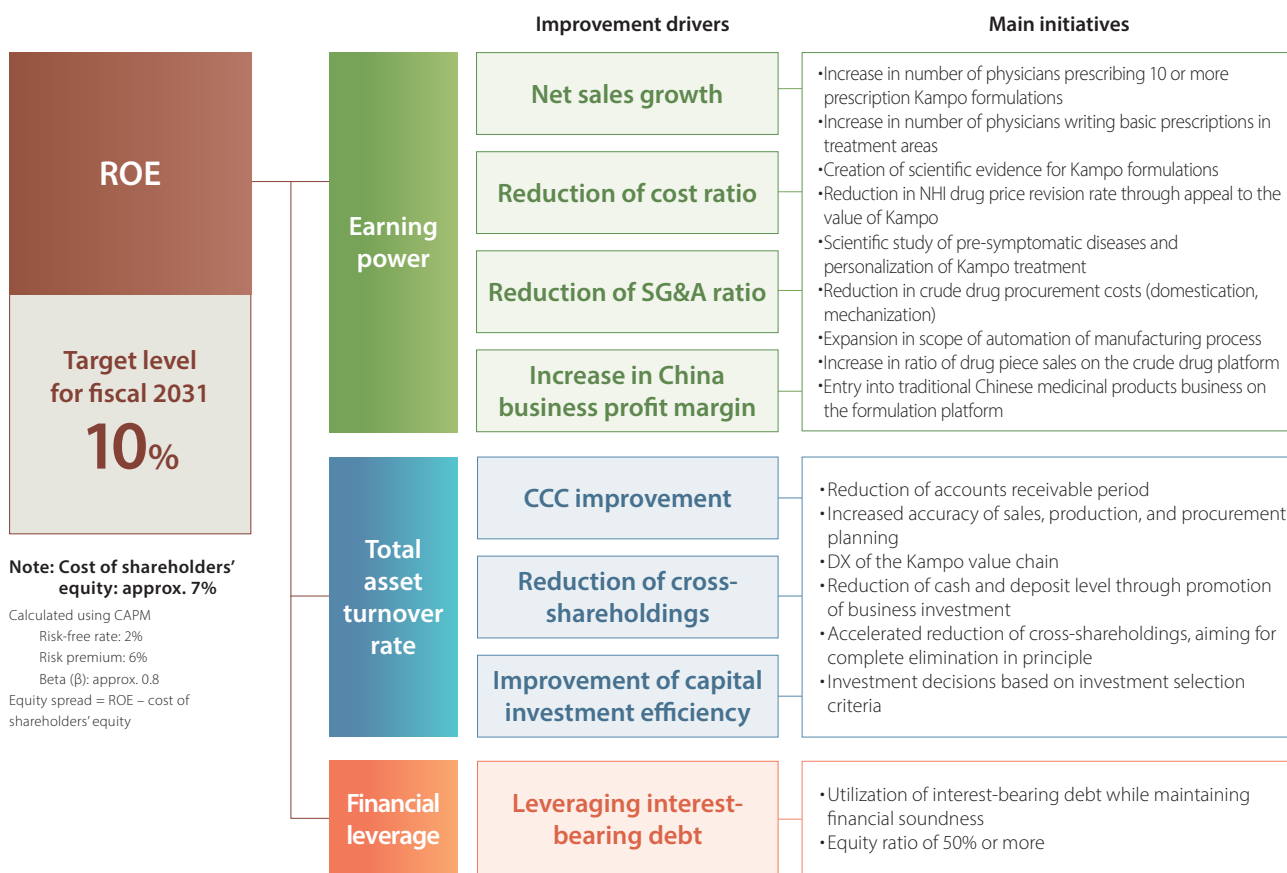


Progress on Financial Strategy

Realizing Medium- to Long-Term Increase in Corporate Value (Increase in ROE)

The Tsumura Group aims to increase its corporate value through aggressive investments to sustainably develop and grow its businesses. We believe this ultimately provides the greatest return to shareholders and investors. We are working to achieve our five strategic challenges, which are qualitative targets, and our medium- to long-term environmental targets toward realizing our long-term management vision

and sustainability vision. In addition, we view ROE as an important management indicator related to the sustainable enhancement of shareholder value, and we have broken it down into three elements—"earning power," "total asset turnover rate," and "financial leverage"—accelerating initiatives to spur improvement.



Action Plan for the Second Medium-Term Management Plan

① Earning Power

In terms of net sales growth, we aim to achieve CAGR of 4.5% for net sales in the domestic business by growing sales volumes of prescription Kampo formulations by 1 million boxes per year (CAGR approx. 4%) through an increase in the number of physicians writing basic prescriptions in treatment areas and further establishment of evidence, and by increasing the number of stores carrying OTC Kampo products. In the China business, we aim to achieve net sales CAGR of 30% and improve the profit margin by expanding sales centered on

drug pieces on our crude drug platform. For the formulation platform, we will quickly enter the traditional Chinese medicinal products business and establish a foundation.

In terms of cost of goods sold, we are working to reduce manufacturing costs, including crude drug procurement costs. In the period of the second medium-term management plan, we expect to see a temporary increase in manufacturing costs per unit, mainly in labor costs and depreciation, due to advance hiring of human resources for manufacturing lines and technology-related roles. However, by expanding the scope of automation of manufacturing processes anticipating

the use of new robots and AI technology, and implementing it in new factories, we will gradually achieve low-cost operations through automation by fiscal 2031. To reduce the procurement cost of crude drugs, along with expanding the domestication of naturally grown crude drugs, we are advancing automation of cultivation, primary processing and sorting. We will deploy automation rapidly at every site, aiming to increase labor productivity by two times or more compared to fiscal 2021 from around fiscal 2035 onward.

In SG&A expenses, we intend to maintain R&D expenses that contribute to the scientific study of pre-symptomatic diseases and the establishment of evidence of efficacy of Kampo formulations at around 5% of consolidated net sales. Moreover, thanks to benefits from improved productivity through DX in the Kampo value chain, our aim is to hold the SG&A ratio to the low 20% range by more than doubling net sales per employee compared to fiscal 2021.

②Total Asset Turnover Rate

We aim to improve the total asset turnover rate via CCC improvement, the sale of cross-shareholdings, improved capital investment efficiency, and other means.

For CCC improvement, which is also a medium- to long-term issue, we are acting while considering balance and risks throughout the entire supply chain. As a result of an initiative in fiscal 2024 to shorten the accounts receivable period, the CCC has improved, with a reduction of around 0.5 months. Anchored by the planning system for compounding crude drugs that we have developed and adopted, we aim to

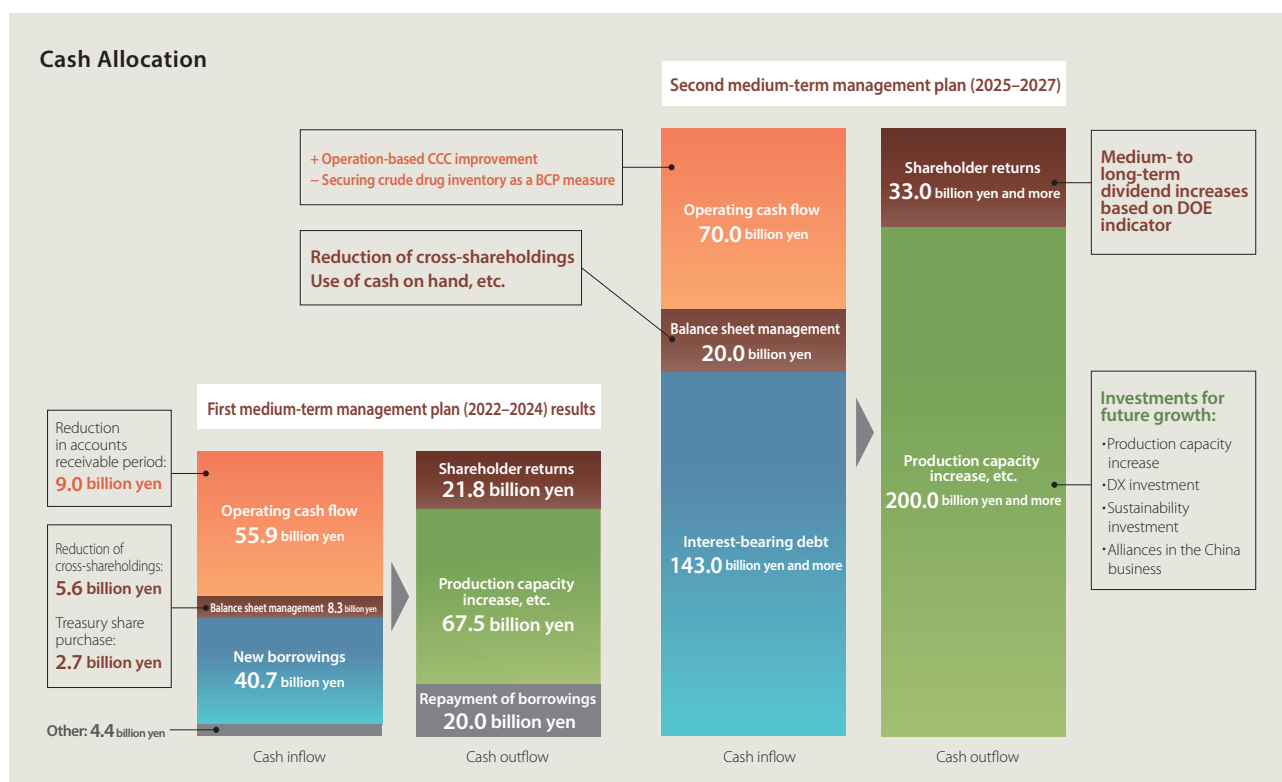
further shorten the CCC for our operation cycle by about three months by promoting transformation throughout the entire Kampo value chain, beginning with crude drug cultivation.

With regard to cross-shareholdings, in fiscal 2024, we managed to reduce the volume by around 30% compared with the previous year, and our immediate target is to achieve a reduction by half. In addition, we intend to accelerate this process with the aim of eliminating cross-shareholdings in principle during the period of the second medium-term management plan.

In our approach to capital investment, we have positioned the three years of the second medium-term management plan as a period for "promoting growth strategies and investments for Creating a Future that Achieves 'Cho-WA,'" and we plan to make growth investments of approximately 180.0 billion yen centered on increasing production capacity in the domestic business. To better ascertain the costs and benefits of investments, we have adopted investment selection criteria such as NPV and IRR for management decision-making conscious of cost of capital and capital efficiency.

③Financial Leverage

Our basic approach to funding growth investment under the second medium-term management plan is to utilize financial leverage, such as interest-bearing debt, which will increase capital efficiency. Accordingly, we expect the equity ratio to decrease; however, we will pursue the optimal capital structure while ensuring financial soundness.



Note: As of May 12, 2025 (second medium-term management plan)

Investment Plans Related to Kampo Formulation Production

After considering future sales volume increases centered on prescription Kampo formulations and operation stoppage and maintenance plans for aging plants, we will make investments, primarily in projects that were pushed back from the first medium-term management plan.

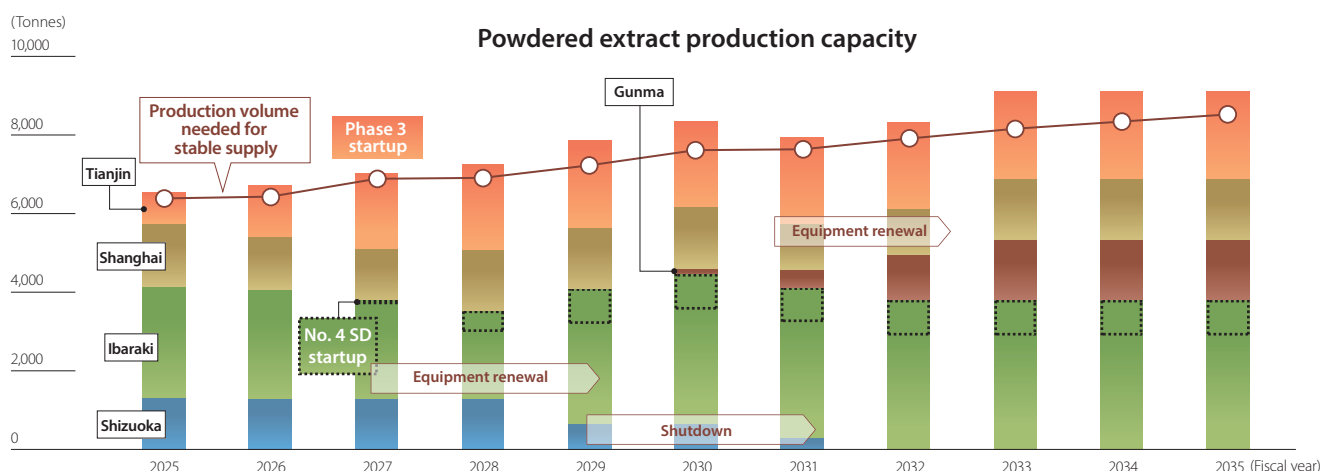
In the manufacturing process for powdered extracts, we plan to cease operations at our Shizuoka Plant in around 2031 due to aging. In addition, to deal with temporary suspension of operations for equipment renewals at our Ibaraki and Shanghai Plants, we are currently constructing a third-phase manufacturing building at the Tianjin Plant and a No. 4 SD Building at the Ibaraki Plant. We also plan to proceed with construction of a plant in Gunma.

In our granulation and packaging process, we plan to temporarily suspend operations at both our Ibaraki and Shizuoka Plants from fiscal 2029 onward for equipment renewals. Moreover, at the Ibaraki Plant, we plan to cease operation of old manufacturing lines in phases from fiscal 2033

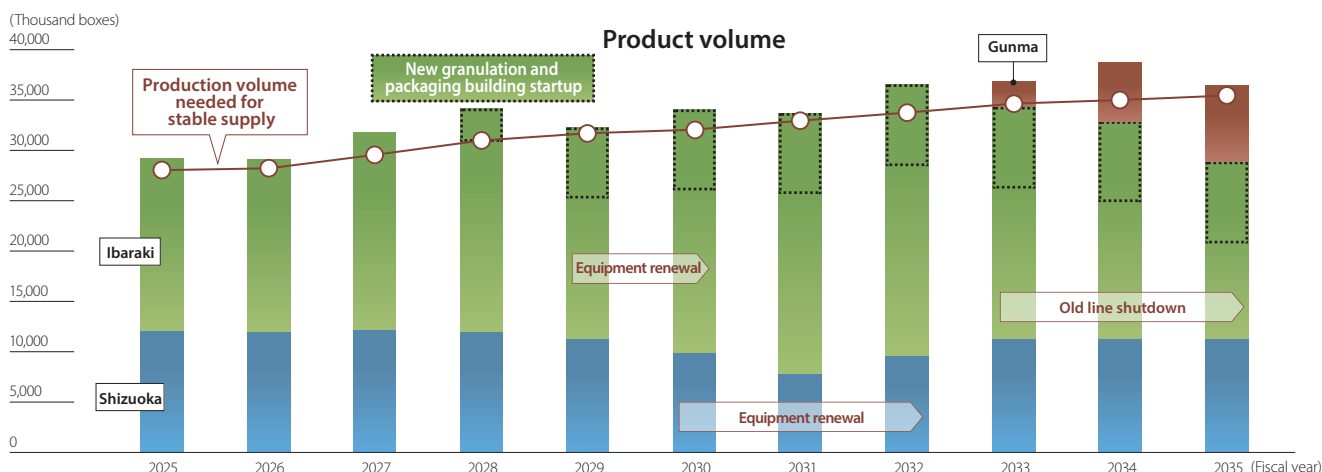
onward. To accommodate these plans, we are promoting the construction of a new granulation and packaging building incorporating further automation technologies at our Ibaraki Plant. Meanwhile, at our Gunma Plant, we are examining construction of a granulation and packaging building with the aim of dramatically reducing labor with unmanned overnight operations and so forth. At the same time, we are conducting technical reviews with the aim of postponing the shutdown of old manufacturing lines at the Ibaraki Plant, and pushing back the construction of the Gunma Plant.

While high construction costs are also a factor, we expect to invest around 180.0 billion yen in relation to production of Kampo formulations over the period of the second medium-term management plan. We will aim to reduce and curb the amounts of individual investments, while meticulously examining the investment effects for each project, as we continue to invest to ensure stable supply and growth.

Capital Investment and Production Capacity in the Powdered Extract Manufacturing Process



Capital Investment and Production Capacity in the Granulation and Packaging Process



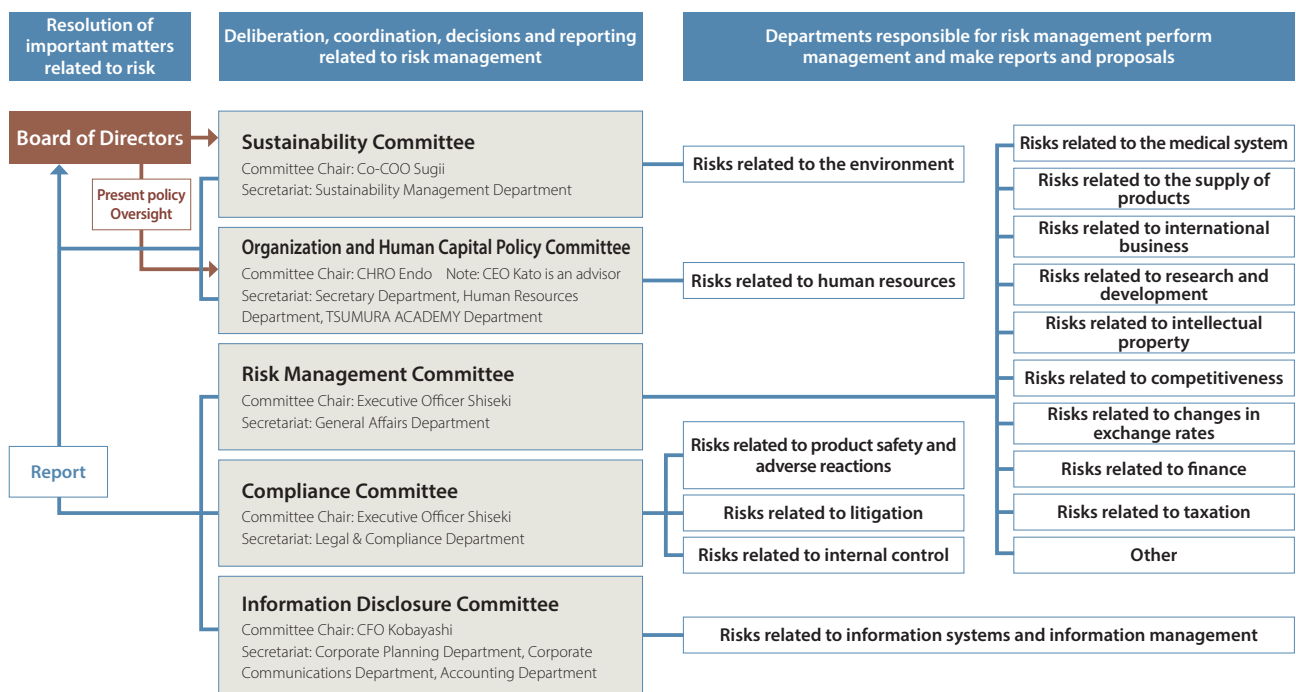
Risk Management

Risk Management Systems

The Tsumura Group recognizes that appropriately performing risk management is one of the most important issues in management, and endeavors to provide a management system headed by the Board of Directors. Pursuant to the Companies Act, the Board of Directors establishes the systems required for ensuring the appropriate execution of duties of executive officers, and all executive officers identify risks in their respective duties, and engage in the implementation of operation and management.

The Risk Management Committee is chaired by the Risk Management Officer (Executive Officer in charge of the General Affairs Department), and centrally manages significant

risks. Furthermore, in addition to performing management according to the nature of each risk after categorizing and defining risks in line with the Risk Management Regulations, the committee evaluates reports and proposals from each department responsible for risk management, and deliberates and coordinates the understanding and appropriate response to groupwide risks. The deliberation, coordination and decisions in the Risk Management Committee are periodically reported to the Board of Directors. The Board of Directors receives reports, checks the status of risk management initiatives and the effectiveness of measures, supervises these and provides necessary instructions.



Risk items	Details of significant risks	Risk mitigation measures
1 Risks related to the medical system	<ul style="list-style-type: none"> Risks related to administrative developments such as government policies to curb healthcare spending Risk of tighter domestic/overseas regulations concerning the development and manufacture of pharmaceutical products 	<ul style="list-style-type: none"> Building understanding of the value of Kampo formulations Cooperation with industry bodies and recommendations to relevant ministries and agencies Establishment of evidence of efficacy of prescription Kampo formulations Activities to raise the profile of prescription Kampo formulations
2 Risks related to the supply of products	<ul style="list-style-type: none"> Risk in the procurement of raw material crude drugs 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 Risk in the procurement of secondary raw materials and other materials due to sudden supply-and-demand-related distribution concerns caused by natural disasters or unstable social conditions Risk of loss of production and distribution functions due to natural disasters, fires, power outages, etc. 	<ul style="list-style-type: none"> 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 Diversification of manufacturing sites and product supply sites Introduction of seismic isolation and earthquake-resistant structures for production facilities
3 Risks related to product safety and adverse reactions	<ul style="list-style-type: none"> Risk of occurrence of problems with product quality or safety Risk of unexpected side effects 	<ul style="list-style-type: none"> Compliance with 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 Thorough management of raw material crude drugs in accordance with the Regulations on the Tsumura GACP Policy 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 items		Details of significant risks	Risk mitigation measures
4	Risks related to international business	<ul style="list-style-type: none"> • Risk of the discovery of contingent liabilities or unrecognized liabilities after alliances related to the launch of operations in China, and that the expected business value and future synergies from business integration will not be realized • Risk of unexpected changes in laws/regulations or in political/economic conditions 	<ul style="list-style-type: none"> • Conduct careful due diligence concerning the financial condition, dealings, etc. of companies/businesses subject to M&A • Reinforcement of business management functions through Tsumura China Inc.
5	Risks related to research and development (R&D)	<ul style="list-style-type: none"> • Risk that future growth (globalization of prescription Kampo formulations, development of pre-symptomatic and personalized medicine) or performance cannot be maintained or improved (standardization of Kampo treatments cannot be accelerated) • Risk that standardization of Kampo treatments cannot be accelerated due to the number of Kampo products listed in treatment guidelines 	<ul style="list-style-type: none"> • [Global and Japan] Periodic verification of feasibility (return on investment and business feasibility assessment) of R&D plans • [Japan] Expansion of business target areas (beyond the medical-use domain to include the total healthcare domain)
6	Risks related to intellectual property (IP)	<ul style="list-style-type: none"> • Risk of decline in competitiveness due to IP rights infringement by third parties • Risk of disputes stemming from the infringement of third-party IP rights 	<ul style="list-style-type: none"> • Thorough information management in accordance with Company rules • Acquisition of industrial property rights such as patents and trademark rights in connection with newly developed technologies, new products, etc. • Investigation into IP rights belonging to other companies, e.g., confirmation of prior trademarks, confirmation of prior patents related to newly introduced technologies, etc.
7	Risks related to human resources	<ul style="list-style-type: none"> • Risk of being unable to secure or systematically develop the necessary human resources • Risk of a decline in societal standing due to insufficient action to tackle occupational health and safety issues, harassment, etc. 	<ul style="list-style-type: none"> • Clarification of human resource criteria and personnel numbers required for management strategy execution and establishment of recruitment techniques • Securing of global human resources for the development of operations in China and the United States • Cultivation of human resources who can conduct business based on the Group's Corporate Philosophy • Clear statement of human resource capability requirements at each level and expansion of education opportunities based on the Human Resource Development Policy • Provision of thorough labor affairs management education primarily to managers and increased opportunities for communication through the use of one-on-one meetings and other modes of communication
8	Risks related to competitiveness	<ul style="list-style-type: none"> • Risk of entry into prescription Kampo market by Japanese and foreign pharmaceutical companies • Risk of launch of new drugs by Japanese and foreign pharmaceutical companies in major markets for prescription Kampo formulations 	<ul style="list-style-type: none"> • Ensuring superiority through the stable procurement of safe crude drugs, steady supply of prescription Kampo formulations of uniform quality • Accumulation of evidence on their safety and efficacy
9	Risks related to changes in exchange rates	<ul style="list-style-type: none"> • Risk of large fluctuations in the exchange rate relevant to the import of raw material crude drugs and Kampo powdered extract from China 	<ul style="list-style-type: none"> • Stabilization of costs and cash flows over the long term through tools such as forward exchange contracts while taking into account exchange rate trends
10	Risks related to finance	<ul style="list-style-type: none"> • Risk of changes in retirement benefit obligations • Fundraising risk • Risk of price fluctuation for marketable securities 	<ul style="list-style-type: none"> • Early identification of changes in the external environment, market environment, circumstances at related companies, etc. and swift action to respond to such changes • Maintaining relationships with financial institutions, particularly the main bank
11	Risks related to taxation	<ul style="list-style-type: none"> • Risk of being charged additional tax or subject to double taxation due to differences of opinion with the tax authorities in each country 	<ul style="list-style-type: none"> • Calculation of taxation amounts and proper payment thereof in accordance with the tax laws of each country • Compliance with the transfer pricing tax regimes applied in each country
12	Risks related to the environment	<ul style="list-style-type: none"> • Risk of violating laws or regulations by causing soil contamination, water pollution, etc. • Risk of reduction in areas suitable for cultivation of crude drugs caused by changes in the natural environment • Risk of increase in procurement cost due to disasters, etc. affecting suppliers 	<ul style="list-style-type: none"> • Compliance with environment-related laws and regulations • Diversification and development of multiple crude drug production areas and production countries
13	Risks related to litigation	<ul style="list-style-type: none"> • Risk of various lawsuits being filed for, for example, side effects of pharmaceutical products including Kampo and crude drug formulations, harm to health, product liability, labor issues, infringement of IP rights, contract nonperformance, environmental pollution, etc. 	<ul style="list-style-type: none"> • Avoiding actions that could lead to lawsuits and early identification of problems by establishing a Group compliance system (rules, whistleblower system, organization, etc.) • Establishment of corporate governance structure for Group companies • Ongoing close collaboration with attorneys
14	Risks related to information systems and information management	<ul style="list-style-type: none"> • Risk of IT systems malfunctioning due to large earthquakes or other disasters such as fire, power outages, etc. • Risk of systems failing or confidential information being leaked as a result of cyberattacks by malicious third parties, carelessness or negligence by employees, etc. 	<ul style="list-style-type: none"> • Proper investment in strengthening IT systems • Formulation of a business continuity plan (BCP), implementation of drills that simulate the occurrence of an emergency, etc. • Thorough communication of internal rules concerning information management to everyone within the Company and reinforcement of information management
15	Risks related to internal control	<ul style="list-style-type: none"> • Risk of being unable to ensure the effectiveness or efficiency of operations • Risk of being unable to ensure the integrity of financial reports • Risk of unlawful conduct, fraud, etc. 	<ul style="list-style-type: none"> • Establishment and operation of internal control system • Establishment and operation of internal management standards • Periodic internal audits and internal control evaluations

1

Further growth of the Kampo market by expanding standardization of Kampo treatment and promoting personalized treatment

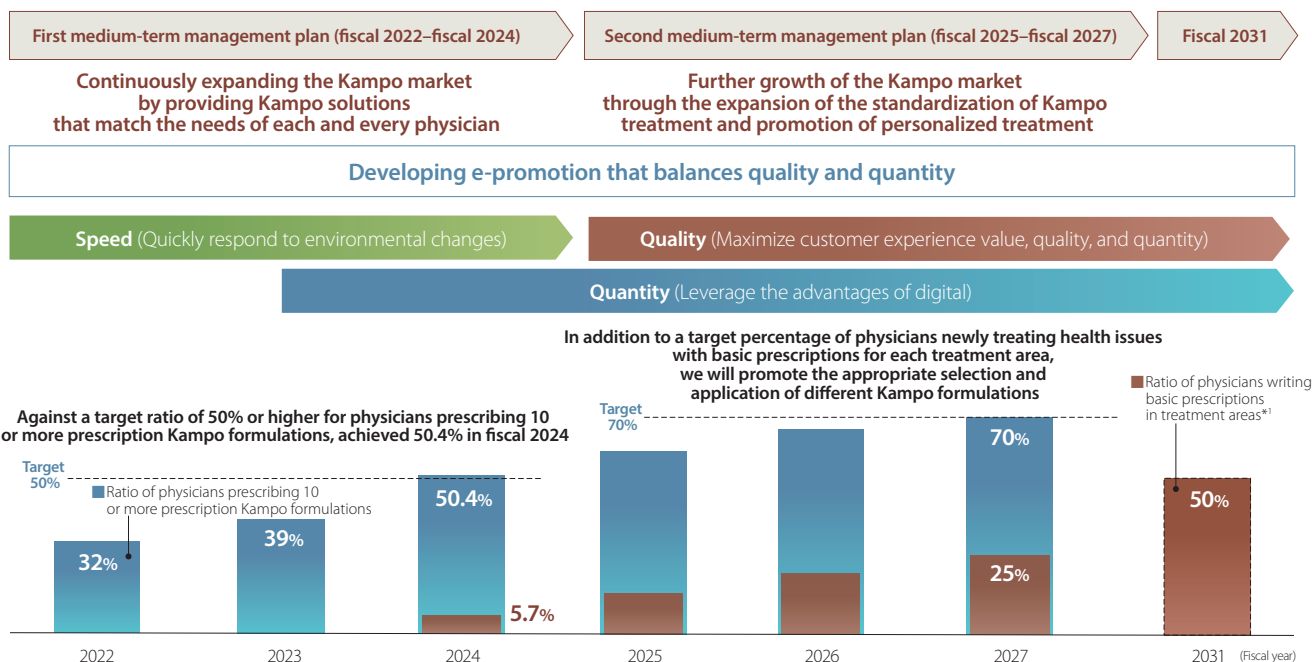
First Medium-Term Management Plan Results and Challenges

Our vision for the prescription Kampo business in Japan is 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, we worked on the theme of continuously expanding the Kampo market by providing Kampo solutions that match the needs of each and every physician. As a qualitative target, we aimed to have around half of the approximately 320,000 physicians in Japan prescribe 10 or more Kampo formulations based on Kampo medicine. To this end, we have expanded our TSUMURA MEDICAL SITE for medical professionals, and we have increased the speed and volume of information provision through e-promotion using digital technology and hybrid promotions with MR activities. As a result, we have been able to supply new information to physicians whom we have not been able to reach with

information previously, and established an environment that enables physicians to obtain the information they need, when they need it, and by the means they require. In this way, at the end of fiscal 2024, 50% or more of all clinical physicians in Japan prescribed 10 or more Kampo formulations.

While expanding membership on the TSUMURA MEDICAL SITE has shown a certain impact, the issue now is how to further expand membership and sustain engagement through continuous improvements. Moreover, while we have increased the volume of information provided by more than 1.5 times over the past three years through e-promotion, currently we consider real-world consultation with MRs to be the most effective way to respond to individual issues as demanded by physicians. To maximize opportunities arising with real-world consultations, we believe it is necessary to further increase the volume and quality of information provided digitally.

Road Map to Realizing the Long-Term Management Vision



*1 Prescriptions that are indicated for diseases or symptoms that have large numbers of patients in each treatment area, set independently by the Company

Priority Measures for the Second Medium-Term Management Plan

In Japan, the increase in dementia and heart failure patients due to the aging population is becoming a social issue. Moreover, with advances in cancer treatment, the mortality rate is decreasing, leading to an increase in cancer survivors who are currently in treatment or under observation, highlighting the importance of supporting their reintegration into society and the workplace. Furthermore, the number of women in the workforce has been increasing every year, and women now account for about 45% of all workers. On the other hand, various conditions and symptoms specific to women—such as prolonged health problems caused by autonomic nervous system disorders or hormonal imbalances—are resulting in substantial social losses.

The Tsumura Group aims to create shared value with society by finding Kampo solutions to these pressing social issues in Japan together with medical professionals.

Currently, around 5.7% of physicians write basic prescriptions for each treatment area based on Kampo medicine; however, by the end of the second medium-term management plan, in fiscal 2027, we aim to increase this to 25%, with the overall aim of realizing 50% by fiscal 2031, alongside a goal of 70% for physicians who prescribe 10 or more Kampo formulations.

Transform Information Provision System with a Data-Driven Approach

To increase the experience value of the estimated 340,000*2 clinical physicians in Japan, we aim to expand the number of physicians to whom we provide information, and provide information with different content, channels, and timing

Examples of Basic Prescriptions for Treatment Areas

Treatment area	Number of basic prescriptions	Main prescriptions
General medicine	25	<ul style="list-style-type: none"> · Hochuekkito · Yokukansan · Daikenchuto · Goshajinkigan · Ninjin'yoeito · Kamikihito, etc.
Cardiovascular health	13	<ul style="list-style-type: none"> · Saikokaryukotsuboreito · Hangekobokuto · Goreisan, etc.
Obstetrics and gynecology	16	<ul style="list-style-type: none"> · Tokisyakuyakusan · Kamishoyosan · Keishibukuryogan · Kamikihito, etc.
Cancer	12	<ul style="list-style-type: none"> · Hangeshashinto · Hochuekkito · Rikkunshito · Daikenchuto · Ninjin'yoeito, etc.

based on physician characteristics. Specifically, to build trust with medical professionals, we will analyze actual sales data and information received from MR activities along with digital logs from our membership-based website and so forth to understand physicians' individual needs in greater depth, and provide optimal information through channels such as the TSUMURA MEDICAL SITE and email. We will also transform MR activities with a data-driven approach, such as using AI to propose recommended activities to MRs.

*2 Source: Ministry of Health, Labour and Welfare, "Statistics of Physicians, Dentists and Pharmacists, 2022"

E-Promotion

Aiming to Provide High-Quality Kampo Information Required by Physicians through Digital Channels

As Tsumura moves to strengthen e-promotion even further, we will focus particularly on inside sales aimed at providing information tailored more closely to individual physician's needs. Our inside sales activities emphasize two-way communication with physicians, and consist mainly of a Kampo Connector function that uses a messaging tool to connect physicians to Kampo information and a Kampo Online MR function that provides in-depth Kampo information to meet

Kuniko Nishikawa

Section Leader,
Kampo Digital Communication Promotion Section,
Kampo DX Promotion Department,
Sales & Marketing Division



physicians' needs via online consultation. Although it is still in development, the Kampo Online MR function has seen a growing number of online consultations, and in fiscal 2025, we aim to achieve a 2.5-fold increase from the previous fiscal year. Looking ahead, we aim to build a system that can provide high-quality Kampo information not only through face-to-face consultations, but at any time or place through the internet.

2

Creation of new value through KAMPOmics®, market development of evidence-based “three preventive measures for pre-symptomatic diseases,” and the challenge of globalizing Kampo medicine

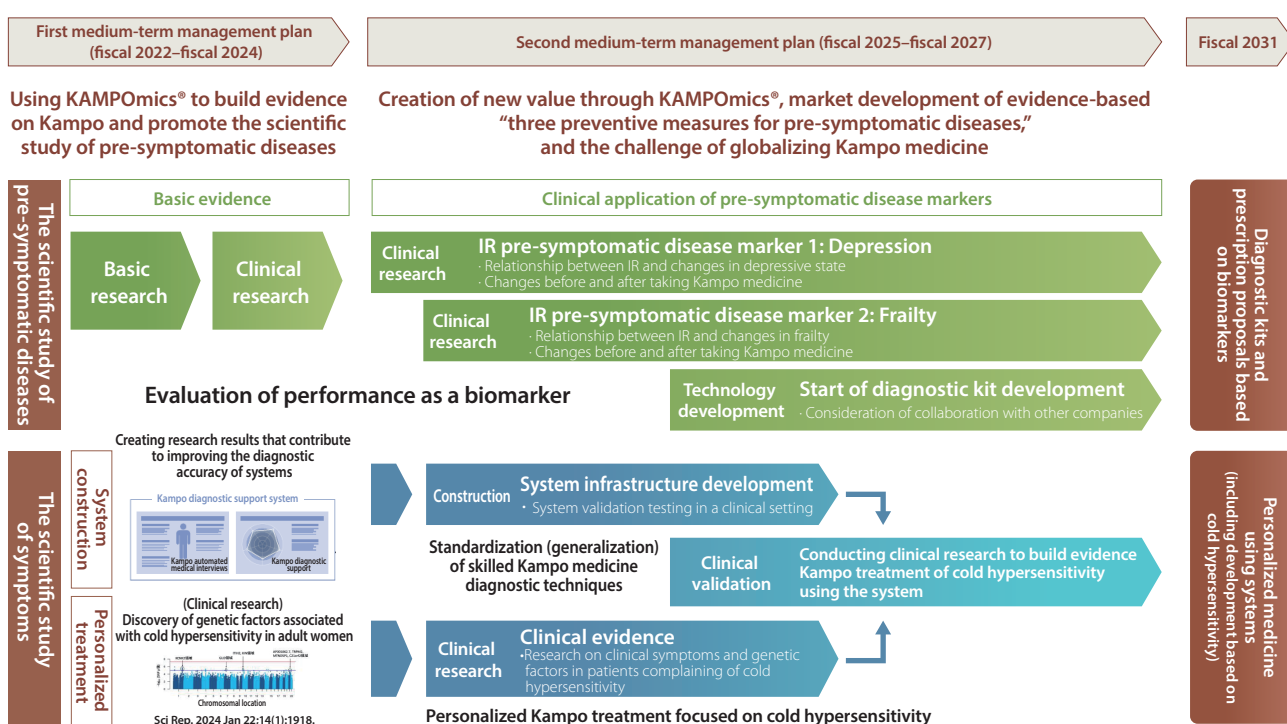
First Medium-Term Management Plan Results and Challenges

In its research activities, Tsumura has been 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. With the aim of improving the quality of evidence, in the first medium-term management plan, we set a target of 130 new treatment guideline listings of Type B and above. However, due in part to the impact of COVID-19, the final result was 103. We are working on continuous evidence-creation activities that contribute to expanding evidence-based standard Kampo treatments in accordance with treatment guidelines.

In the personalized medicine area, we conducted research into biomarkers through KAMPOmics®, and worked on the development of an AI Kampo diagnostic support system using DX solutions. During the first medium-term

management plan, in our research results on pre-symptomatic diseases, a joint study with Kitasato University uncovered the potential for intron retention (IR) as a powerful marker for depressive disorder through analysis of IR using hemoglobin from subjects reporting mild depressive symptoms. Furthermore, in joint research with Keio University's School of Medicine and others, we conducted a comprehensive genome analysis regarding self-reported cold hypersensitivity, and discovered hereditary factors with the potential to cause this condition. These research results also have strong significance for clarifying the mechanism by which Kampo medicine is effective against cold hypersensitivity. Through this research, we aim to establish diagnostic methods for the scientific study of pre-symptomatic diseases, and to build evidence for the efficacy of Kampo treatment to promote its social implementation.

Road Map to Realizing the Long-Term Management Vision



Priority Measures for the Second Medium-Term Management Plan

Tsumura is working strategically to create the next generation of treatments utilizing the strengths of Kampo treatment in terms of pre-symptomatic diseases and personalized medicine, using a scientific approach. The heart of this initiative is Tsumura's proprietary research package, KAMPOmics®.

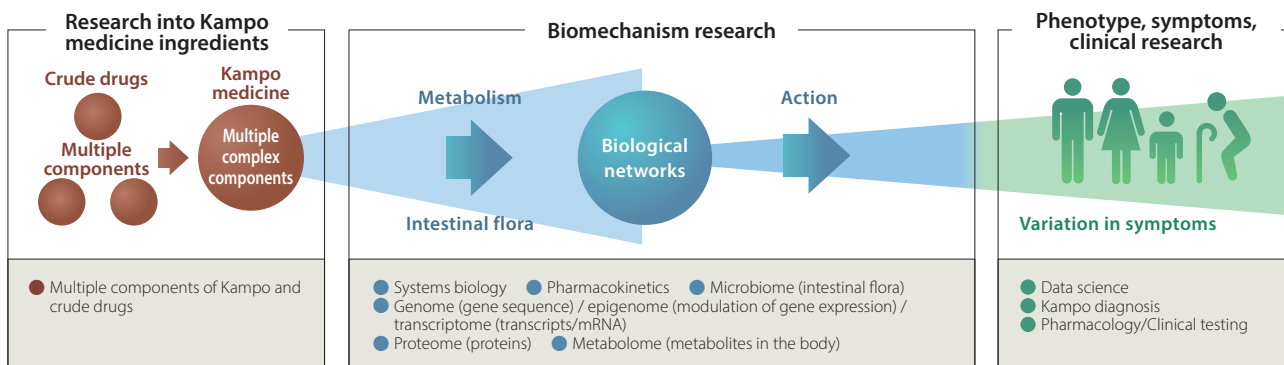
KAMPOmics® is a platform combining cutting-edge science, such as metabiome analysis, transcriptome analysis, intestinal flora analysis, and systems biology, to enable the systemization and elucidation of the mechanisms of Kampo medicines acting through multiple components and multiple targets.

For the scientific study of pre-symptomatic diseases, under the second medium-term management plan, we will promote clinical research based on the results of foundational research undertaken so far. Specifically, we will build a scheme for a service to improve pre-symptomatic disease using pre-symptomatic disease markers by collecting case information of treatment of pre-symptomatic diseases in clinical settings with Kampo formulations, and working collaboratively to enable practical use of diagnostic kits.

In efforts to establish the scientific study of symptoms, we will combine promotion of Kampo diagnostic support system development with the creation of evidence for Kampo treatment of cold hypersensitivity, to promote the development of support systems for Kampo treatment from constitution diagnosis.

Through the scientific study of pre-symptomatic diseases and the creation of personalized Kampo treatments, centered on KAMPOmics®, we aim to build a new healthcare model, personalized to cater to each individual, that comprehensively covers all stages from pre-symptomatic disease to treatment. With these technological developments, there is significant room for growth not only in medical settings, but also in both the healthcare domain and the overseas market due to rising interest in health. In the second medium-term management plan, we will take a definite step toward social implementation through the advancement of clinical research, aiming to achieve sustainable growth and increase our corporate value.

Using KAMPOmics® Technologies



KAMPOmics®

From our new research and development site, we will accelerate our challenge to realize treatment for pre-symptomatic diseases and personalized medicine

At Tsumura Advanced Technology Research Laboratories, KAMPOmics® technology has played a central role in our work to visualize pre-symptomatic disease, verify the efficacy of Kampo medicine, and promote research into personalized medicine. Using biomarkers, we assess microscopic changes in the body at the pre-symptomatic stage of disease, and by providing a Kampo medicine intervention based on the individual's constitution and lifestyle, we aim to develop new possibilities in Kampo treatments.

As we advance these initiatives to a deeper level, the research environment is also experiencing change.

Noriko Kaifuchi

Head of Pre-Symptomatic Disease R&D Department,
Tsumura Advanced Technology Research Laboratories,
Research & Development Division



From fiscal 2025, some of the pre-symptomatic disease research functions will be set up in Kashiwa-no-ha Smart City, where we will proceed to build a more practical research and development structure in an environment equipped with state-of-the-art digital infrastructure and demonstration fields. Making use of the advantages of the location, which fuses urban functions with lifestyle data, we will further strengthen our links with industrial, academic, and government research institutions, and accelerate our challenge to establish the scientific study of pre-symptomatic disease and personalized medicine.

3

Entering the traditional Chinese medicinal products business in China, developing value-added services for drug pieces, and establishing a research and development system for traditional Chinese medicines

First Medium-Term Management Plan Results and Challenges

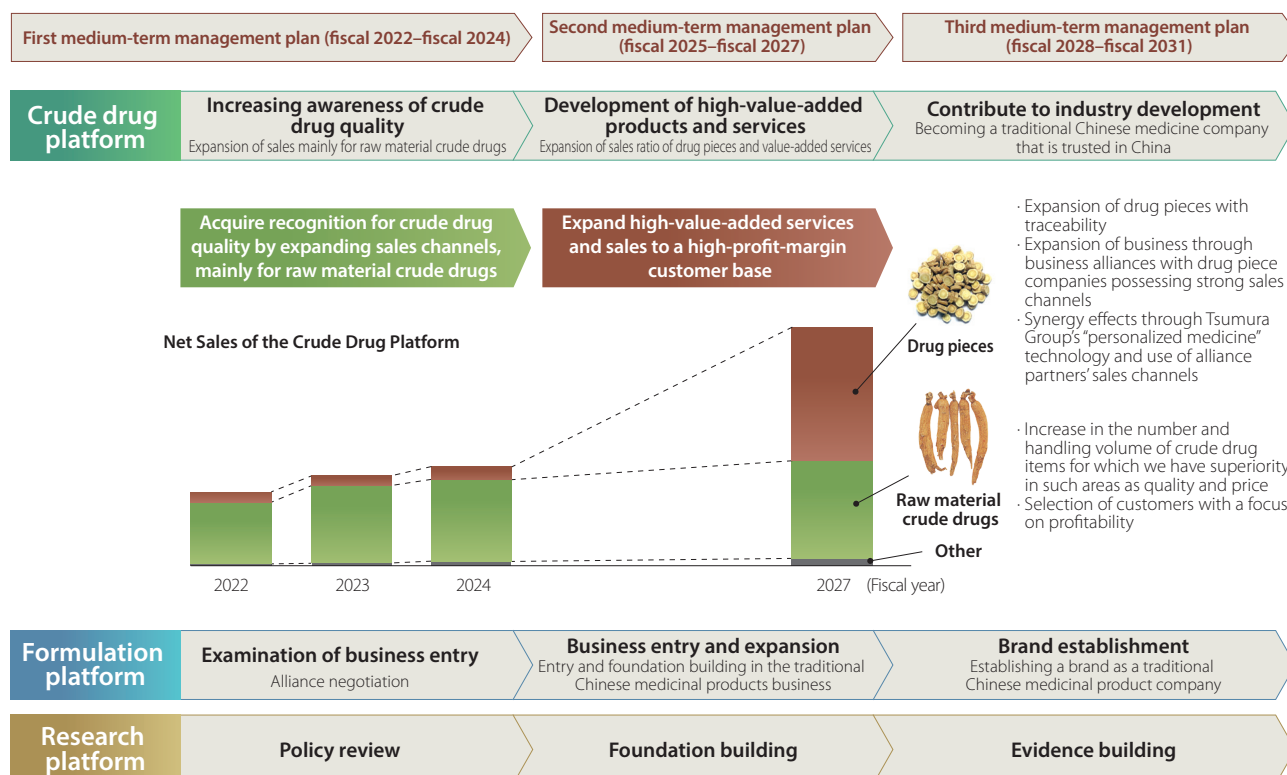
For the crude drug platform, the period of the first medium-term management plan was positioned as a stage for aiming to win recognition of quality of the Tsumura Group's crude drugs. During this period, we worked to expand the number of customers and handling volume, mainly for raw material crude drugs, and promoted activities targeting net sales CAGR of 30%. As a result, net sales for fiscal 2024 reached 20.6 billion yen, and net sales CAGR was broadly at the level we had planned.

Breaking down the crude drug platform by product, for raw material crude drugs, sales expanded, mainly to customers who recognized the value of quality, and results surpassed the initial plan. On the other hand, for drug pieces, our main initiative was the expansion of sales through cooperation with an online shopping channel operated by Ping An Insurance

(Group) Company. However, with the impact of a change in business policy, the Company required time to review the direction of its sales strategy for drug pieces, leading results to fall somewhat short of the plan.

In the formulation platform, we positioned the first medium-term management plan as a stage for aiming to build a foundation by entering the traditional Chinese medicinal products business. We made some progress on alliance negotiations with traditional Chinese medicine companies, but these have not yet reached the stage of starting business. Based on these precedents, we continuously entered discussions towards forming alliances with other Chinese medicine companies, but these did not reach the foundation-building stage during the first medium-term management plan period.

Road Map to Realizing the Long-Term Management Vision



Priority Measures for the Second Medium-Term Management Plan

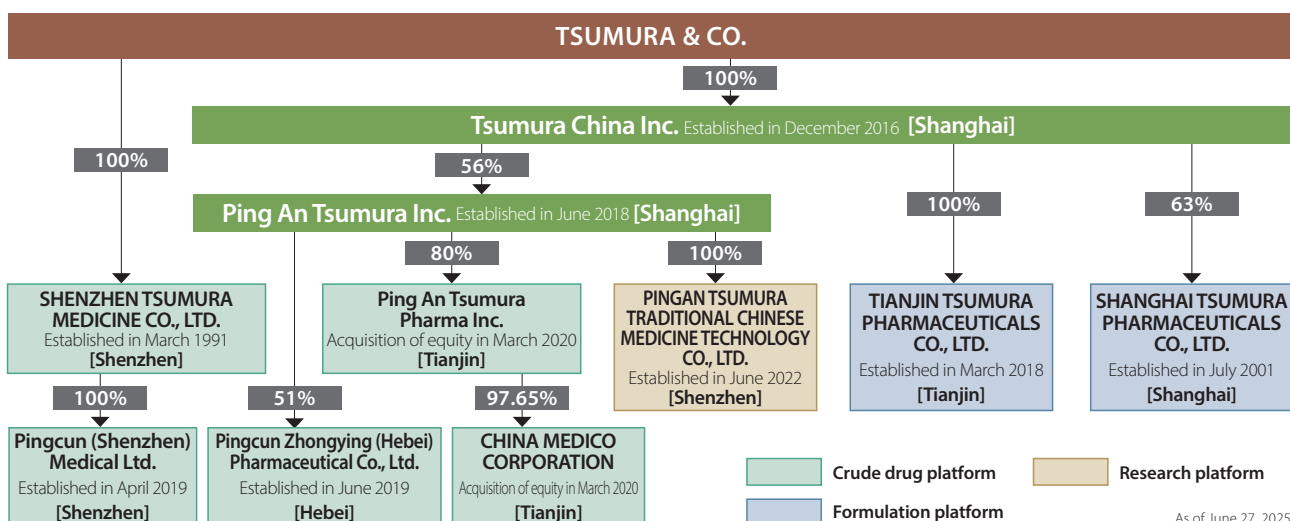
In our crude drug platform, we acquired an equity holding in Shanghai Hongqiao Traditional Chinese Drug Pieces Co., Ltd. ("Hongqiao Drug Pieces"). Hongqiao Drug Pieces is a leading drug piece company in the Shanghai market. We will use the marketing capabilities of Hongqiao Drug Pieces as a foundation for leveraging Tsumura's expertise and experience, including drug pieces processed from raw material crude drugs with ensured traceability, evidence-building research, and "personalized medicine" manufacturing technologies. In this way, we will establish our brand as a drug piece company and expand our business by increasing and visualizing the quality of drug pieces and increasing convenience for patients. Through these efforts, we aim to lift the sales ratio of drug pieces on the crude drug platform from around 12% at the

end of fiscal 2024 to 50% or higher by the end of fiscal 2027, with the aim of increasing profitability. We aim to achieve net sales of approximately 50.0 billion yen as an indicator for business scale for fiscal 2027.

For the formulation platform, entering the traditional Chinese medicine business and building a foundation is a key theme, and we will continue promoting alliance negotiations with traditional Chinese medicine companies.

Moreover, in our research platform, we will work to formulate a quality standard in our Kampo value chain at the ICH level, the global standard for pharmaceuticals. We will proceed to build a foundation with the aim of being a research institution that develops and markets traditional Chinese medicinal products that meet this quality standard.

Capital Relationships of Major Group Companies in China



Expectations from People Outside the Company

Expecting a social contribution through the stable supply of high-quality crude drugs and business activities

Pingxintang is a traditional Chinese medicine clinic whose mission is to build trust by placing sincerity at the heart of its business activities, and taking a meticulous approach. We deal only with trusted companies in the procurement of raw material crude drugs for the traditional Chinese medicines that we use for treatment and conduct quality screening based on our own strict protocols. CHINA MEDICO CORPORATION is an important supplier. Guided by its philosophy of providing truly premium crude drugs to Chinese customers, it operates extensive cultivation locations managed under GACP guidelines throughout

Amy Liu

Director, Beijing Pingxintang Traditional Chinese Medicine Clinic, Beijing Pingxintang Traditional Chinese Medicine Clinic Co., Ltd.



China, with a unified standard covering seedlings, soil improvement, and field cultivation management. In this way, CHINA MEDICO provides high-quality crude drugs that patients can use with confidence.

I have high expectations that CHINA MEDICO will expand the volume of high-quality crude drug provision while also contributing to society through its business activities, such as establishing cultivation sites in poor areas where they will create employment and revitalize communities.

4

Establishing stable supply and low-cost operations and improving product value through DX of the Kampo value chain aiming to create the best customer experience value

First Medium-Term Management Plan Results and Challenges

During the first medium-term management plan, shipment limitations continued, and we made large-scale capital investments aimed at increasing production capacity in Japan and overseas in order to ensure a stable supply system. At the same time, we strove to effectively reduce manufacturing costs through the introduction of cutting-edge technologies. In reforming the Kampo value chain, we achieved automation and labor savings by developing and introducing an AI-based automated sorting machine for crude drugs, and realized streamlining of the supply chain through the development and introduction of a planning system for compounding crude drugs.

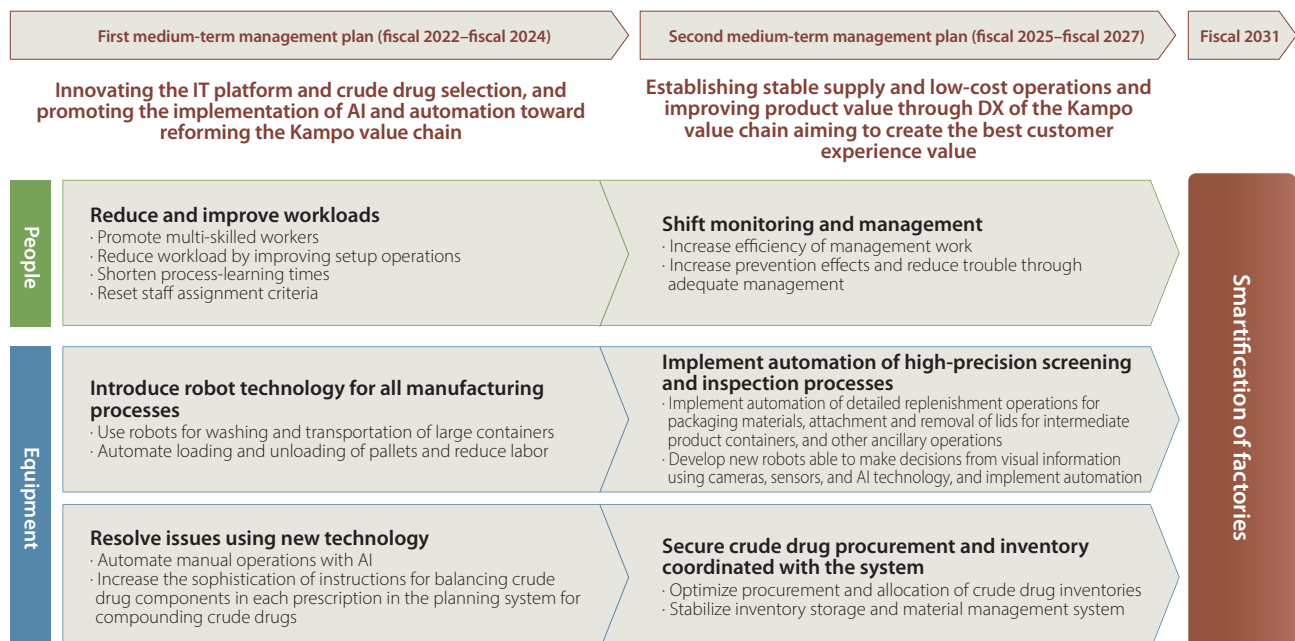
The AI-based automated sorting machine has a proprietary algorithm developed through AI machine learning using image data of crude drugs to cope with their complex shapes. It has been introduced at the Ishioka Center and at YUBARI TSUMURA CO., LTD. Going forward, we plan to introduce the technology at our overseas sites and to extend the range of target crude drug items.

In the manufacturing process, we have been introducing robots and automation at every step, but automation of ancillary operations proved to be a challenge. To address this, we developed basic functional technologies for automating the attachment and removal of lids on stainless steel containers holding extract granules by using robot arms. Under the second medium-term management plan, this technology will be implemented in our production lines.

The planning system for compounding crude drugs has already been launched. It systematizes the complex and specialized operational processes involved in planning crude drug lots in order to realize a balance of components in accordance with the design for each Kampo formulation prescription.

Going forward, we will expand the system to reform our supply chain, prepare an IT platform for the entire Group, and realize optimal distribution of crude drug, inventories by realizing seamless coordination from sales planning to crude drug cultivation and procurement planning.

Road Map to Realizing the Long-Term Management Vision



Priority Measures for the Second Medium-Term Management Plan

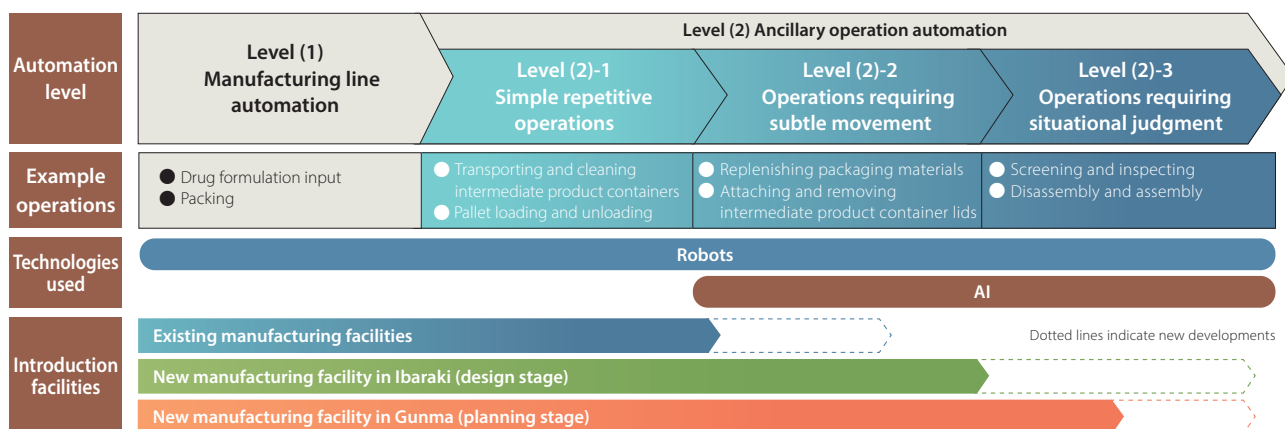
Under the slogan “DX for Purpose,” the Tsumura Group is promoting DX across the entire Kampo value chain with the purpose of “creating the best customer experience value.” To realize this aim, we are promoting digital Kampo solutions, stable supplies with appropriate inventory levels, increased product value, and low-cost operations.

During the second medium-term management plan, we plan to make significant capital investments to ensure a stable supply system. In addition to increasing the capacity of our existing production sites, at new production sites, we plan to replace aging existing production facilities and widen the

scope of process automation as we continue to transition to smart factories.

Screening and inspection of Kampo formulations require situational judgment, so many operations currently require humans to be involved. We are promoting the development of automation for ancillary operations to these processes. We are working to develop and implement automation to replace human work by utilizing new robot technologies, cameras, sensors, and AI, mainly in operations based on visual information. In this way, we aim to realize smart factories and double the productivity of physical labor.

Expanding the Scope of Automation towards Smart Factories



DX Promotion

Bringing production sites into the future with effective use of humanoid robots and data

The Tsumura Group's production lines are different to what some might expect from a venerable Kampo medicine manufacturer. We introduced industrial robots from an early stage, and recently we have promoted efficiency gains through the use of cutting-edge technologies, such as the introduction of an AI-based crude drug selection system. Our frontline expertise in pharmaceutical manufacturing is concentrated into these technologies.

We aim to continuously deliver high-quality Kampo medicines by independently developing technologies that contribute to reducing environmental impact, saving labor, and increasing quality consistency. Currently, we are examining the automation of ancillary operations, such as replenishment of packaging materials, which

requires detailed operations, and attachment and removal of intermediate product container lids, while continuing to prioritize product supply. In our envisaged future for production lines with DX for Purpose as the foundation, the key element is the use of humanoid robots and data. By deploying robots that have the same shape and ability to work in the same operating range as humans, trained on production operation data, we will be able to accelerate automation without changing our existing infrastructure, facilities, and frontline expertise. By effectively incorporating these elements into our large-scale capital investment plan for new facilities and plants, we will realize increased productivity and a stable supply of pharmaceuticals, which will contribute to the creation of the best customer experience value.

Toru Kawakami

Head of the Technology Development
Department, Production Technology
Research & Development Center,
Production Division



5

Improving organization and human capital value by enhancing human capital that contributes to realizing our vision and promoting the development of an organization mechanism analogous to Kampo medicines

First Medium-Term Management Plan Results and Challenges

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 engage in value creation that contributes to our Corporate Purpose and Corporate Philosophy.

During the first medium-term management plan, we stated our vision for the organization as “a group of people who will pave a new way forward and earn the trust of all, as well as a Kampo-inspired harmonious organization operating in the Kampo and Chinese medicine businesses, for which there is no other model in the world.” We put this vision into action by promoting the Corporate Philosophy, nurturing human capabilities, and engaging in coaching and team building.

Regarding the Corporate Philosophy survey, which has been conducted since 2017, we have continuously maintained a score of at least 4 out of 5 points.

Furthermore, we developed a corporate culture of dialogue in which our Purpose and Value act as a centripetal force, and promoted initiatives that encourage each employee to strive autonomously to develop their potential abilities and that provide better work environments.

Specifically, referring to the results of our employee engagement survey, we introduced the Career Challenge (internal recruiting system), Self-Conducted Career Checkup, and Employee Stock Ownership Plan (ESOP), among others.

We also established the Organization and Human Capital Policy Committee, which is directly below the Board of Directors, to strengthen organizational functions that promote management and business strategies. In addition, we will accelerate measures that encourage the job satisfaction and motivation of individual employees, while increasing individual capabilities and strengthening organizational capabilities through appropriate placement of human resources.

Road Map to Realizing the Long-Term Management Vision



Priority Measures for the Second Medium-Term Management Plan

To realize our vision based on our Corporate Purpose, it is essential that we develop an organization to perform the necessary functions and secure autonomous human resources able to undertake the necessary functions.

As an initiative to increase the value of our organization capital, in fiscal 2025, we established the Human Resources Division, comprising three departments: the TSUMURA ACADEMY Department, the Organization Development Department, and the Human Resources Department. The newly established Organization Development Department is utilizing methods such as organization development and team building to strengthen cooperation between team members and divisions as it promotes measures to enhance the collective capabilities of the overall organization. We aim to improve the quality of team relations, thinking, and behavior led by the line managers, and ultimately to improve the quality of each team's results. We have formulated a human resource portfolio that clarifies the necessary expertise and skills for each organization, and clarified the vision for the organization.

Our aim in this is to achieve appropriate placement of human resources and maximum results for each organization as a team.

We also introduced a job-based personnel system for managerial positions in fiscal 2025, with the aim of increasing our human capital value. By clearly laying out the skills required for each post and selecting or calling for applications for positions at an early stage, the system encourages employees to take on challenges with a healthy sense of competition and ambition. We will step up our efforts to encourage individuals to take on the challenge of developing their own careers and building skills and capabilities, while aiming to realize an organization in which such individuals can actively participate. We will also focus on improving the working environments by making sure that people can work healthily and safely. In this way, we aim to increase individual job satisfaction and enable people to realize their potential, leading to the growth of people, organizations, and the Company.

Initiatives for Employment of People with Disabilities

The Tsumura 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.

Human Resource Portfolio

We will enhance the alignment between our management strategy and our personnel systems and human resource strategies to realize the long-term management vision

Our human resource portfolio is a framework that enables us to appropriately assess and visualize the human resources needed to realize the long-term management vision, not only in terms of surplus and shortfall, which is to say quantity, but also in terms of quality. We have rebuilt the portfolio through substantial discussion with each organization. Looking at the environmental changes that will occur inside and outside the Company going forward, it is essential that we dynamically implement a human resource portfolio to ensure appropriate placement of proactive human resources who fully possess the qualities that align with our management strategy: aspirations and passion, a sense of responsibility,

professionalism, independence, and altruism. In other words, appropriate placement of human resources has become a more important consideration. Along with the Career Challenge (for general employees) and reskilling education that we already have in place, and the job-based personnel system for managerial positions, skill mapping, and internal recruiting system for managers that were introduced in fiscal 2025, we will further promote personnel and human resource measures to enable us to recruit human resources and develop their potential capabilities without being bound by preconceptions.

Kimihiko Senba

Head of the Human
Resources Department,
Human Resources Division



Response to Sustainability Issues

Integrated Analysis and Disclosure of Natural Capital and Climate Change (TNFD and TCFD)

The Tsumura Group is conducting management based on its Corporate Philosophy, using its seven capitals as sources to create shared value with society. In the process, the crude drugs that play an indispensable role in our core Kampo business are essentially natural capital. Accordingly, we recognize that conservation and restoration of natural capital, including biodiversity, and responding to climate change through decarbonization and other means are essential, and we are proactively and continuously promoting initiatives in this regard. For disclosure, we adopted the frameworks set out by the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) in fiscal 2021 and the Taskforce on Nature-related Financial Disclosures (TNFD) in fiscal 2024.

Natural capital and climate change are closely and inseparably related. The final recommendation of the TNFD also states the importance of integrating nature-related and climate-related disclosures. Based on this, in fiscal 2025, we conducted integrated analysis and disclosure of nature-related and climate-related issues linked to some parts of "Corporate Governance," "Risk Management," and "Strategy," as well as "Metrics and Targets."

Corporate Governance

The Board of Directors is responsible for making important decisions regarding risks and opportunities including natural capital and climate change, and the Group's sustainable growth and medium- to long-term increase in corporate value. Moreover, when the Board of Directors decides on strategy and makes investment decisions and so forth, it takes

into consideration and impacts related to natural capital and climate change.

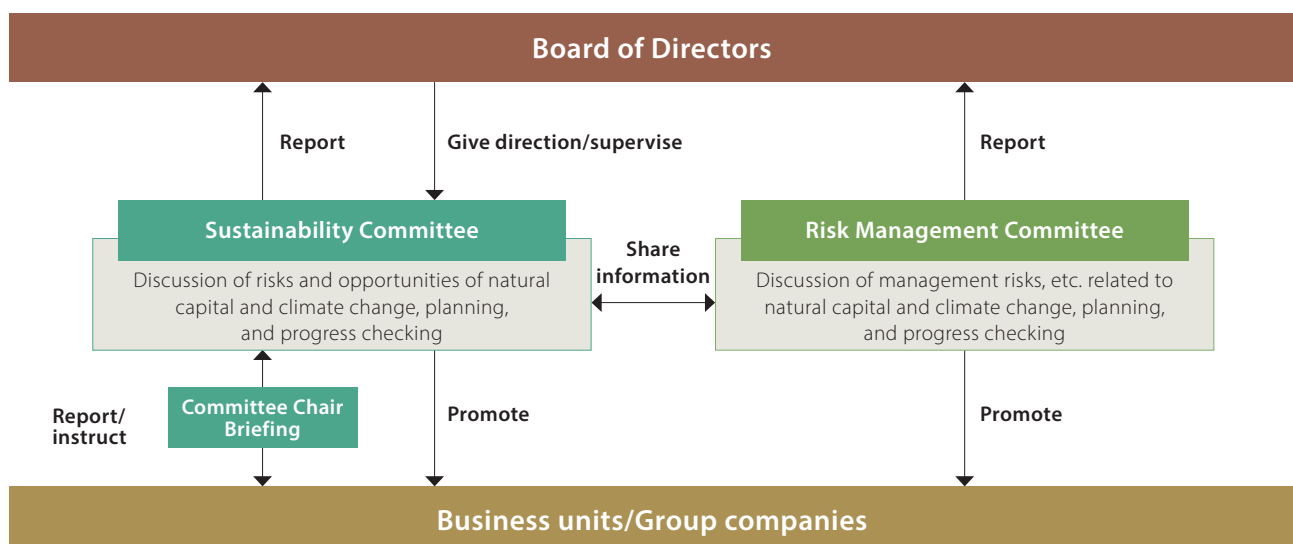
The Sustainability Committee deals with discussion topics related to sustainability, including natural capital and climate change. In fiscal 2023, the Committee Chair Briefing was established to create a structure for reporting on the progress of each subcommittee's initiatives and swiftly giving management instruction on them.

The chair of the Sustainability Committee is the Director Co-COO, who is the officer in charge of sustainability-related operations. The committee chair (Director Co-COO) reports all themes discussed at the Sustainability Committee to the Board of Directors.

The Board of Directors confirms the content of all matters reported by the Sustainability Committee, including whether they contribute to the embodiment of the Company's Purpose, Corporate Philosophy, and sustainability vision, then provides direction and supervision.

Furthermore, the Company aims to sustainably increase its corporate value through the realization of the long-term management vision, including natural capital and climate change. Accordingly, since fiscal 2022, we have included the achievement rate on progress targets for sustainability issues related to natural capital and climate change as part of the evaluation for medium- to long-term performance-linked stock compensation (long-term incentive) of the Company's directors (excluding directors who are members of the Audit and Supervisory Committee and non-executive directors) and executive officers who have entered into a service agreement with the Company. The allocation ratio for this factor is 25%.

Corporate Governance System Related to Natural Capital and Climate Change



Risk Management

Risks related to natural capital and climate change are discussed by the Sustainability Committee, which mainly handles sustainability-related themes, and the Risk Management Committee, which deals with management risks. The two committees share information and are responsible for the assessment and control of risks.

The Sustainability Committee analyzes risks and opportunities presented by natural capital and climate change to the Group's management strategies over the medium to long term and discusses countermeasures, also taking into account advice from outside experts. The results of these analyses and discussion are reported to the Board of Directors, which provides the necessary instruction and supervises the status of countermeasures.


The Risk Management Committee determines a priority order and discusses countermeasures, including BCP responses, for risks such as operation stoppage at plants due to any cause, giving consideration to the degree of financial impact and the likelihood of occurrence. The results of these discussions are reported to the Board of Directors. The risks discussed by the Sustainability Committee and Risk Management Committee are integrated and managed as operating risks.

Strategy

Based on analysis results up to fiscal 2024, the Company renewed its risk and opportunity identification and assessment in a format that integrates nature-related and climate-related risks. To assess the risks and opportunities, we held interviews and workshops with relevant internal divisions and made reference to advice from outside experts.

It is difficult to accurately foresee the uncertain future of natural capital and climate change. However, we analyzed the ways in which risks and opportunities could emerge under three different future scenarios, in order to confirm and discuss the resilience and response strategies of our businesses in the global scenarios that could occur. For each of the three scenarios, we evaluated the importance of each risk and opportunity in 2030 and 2050.

Moreover, in evaluating the importance of each risk and opportunity, we considered the level of impact (small: less than 1.0 billion yen, medium: between 1.0 billion yen and 10.0 billion yen, large: over 10.0 billion yen), and the likelihood of occurrence (low: less than once in 10 years, medium: once every few years, high: once a year or more), and made the evaluation by envisaging a case where the effect of countermeasures was discounted.

 For further information about integrated TCFD and TNFD disclosures, such as analysis of risks and opportunities, please refer to the Company website. (In Japanese)
<https://www.tsumura.co.jp/sustainability/environment/tnfd-tnfd/>

Scenarios #1 through #4

	#1	#2	#3	#4
(1) Degradation of ecosystem services	Mild	Advanced	Severe	Mild
(2) Policies, laws and regulations	Strengthened	Strengthened	Delayed	Delayed
(3) Technology	Considerably advanced	Advanced	Limited advancement	Limited advancement
(4) Market and societal interest	High	High	Low	Low
(5) Status of climate change	On track for a temperature increase of 1.4–1.5°C by 2100 (1.5°C Scenario)	On track for a temperature increase of 1.7–1.8°C by 2100 (2°C Scenario)	On track for a temperature increase of 2.4–4.4°C by 2100 (4°C Scenario)	On track for a temperature increase of 1.4–1.5°C by 2100 (1.5°C Scenario)

Note: Items (2) to (4) are in relation to climate and nature.

Scenario Analysis Evaluation Result

- As a result of collating the risks and opportunities whose level of importance was evaluated as “High” (“important risks and opportunities”) for scenarios #1 through #3, it was found that important risks were comparatively more numerous under scenarios #2 and #3, where ecosystem service degradation was severe.
- On the other hand, “transition to low-environmental-impact, high-efficiency production processes (cultivation

technology, agricultural methods)” under scenario #1, and “change in needs due to climate change” under scenarios #2 and #3, were evaluated as presenting important business opportunities for the Group.

- We evaluated 13 risks and opportunities overall (8 risks and 5 opportunities), and confirmed that response measures have been taken for all risks and opportunities.

Evaluation of Importance of Risks and Opportunities and Response Measures

Risks and opportunities			Environmental theme		Financial impact on the Tsumura Group			Response measures						
No.	Category	Item	Climate change	Natural capital	Details	Scenario	Importance level evaluation							
							2030		2050					
1	Transition risks	Policies, laws and regulations	Carbon tax	●		• Cost increase due to introduction of carbon tax	#1	Medium	Medium	• Reduction of Scope 1 and 2 emissions (energy saving, solar power installation, use of renewable energy, etc.) • Supplier engagement to reduce Scope 3 emissions • Streamlining of logistics				
2							Strengthening of laws and regulations, certification systems, etc.	●	●		• Cost increase due to climate change policy and biodiversity protection policy in China leading to export restrictions and reduction in areas suitable for cultivation, etc.	#1	Medium	Medium
												#2	Medium	Medium
		#3	Medium	Medium										
3		Compensation liability	Legal action/administrative penalties	●		• Compensation claims arising from environmental welfare lawsuits brought by NGOs and administrative penalties in relation to environmental impacts on land used for cultivation in China	#1	Low	Low	• Diversification to multiple crude drug production areas and countries • Appropriate management of inventories based on risk • Continuous contract cultivation based on the Tsumura Procurement Policy, and maintenance and strengthening of Tsumura GACP system • Wide-ranging supplier engagement activities including support for local communities				
							#2	Low	Low					
							#3	Low	Low					
4		Physical risks	Acute	Increased severity of abnormal weather and natural disasters	●	●	• Production activity disruption, crude drug procurement cost increase, and remediation cost increase caused by damage or logistics disruption due to increased frequency and severity of floods, storms, landslides, and other natural disasters affecting the Company or suppliers, including crude drug cultivation areas	#1	Low	Medium	• Diversification to multiple crude drug production areas and countries • Development of crude drug cultivation technology • Appropriate management of inventories based on risk • Collection of local information and reflection in measures • Building and expansion of BCP			
5								Reduced harvests due to degradation of ecosystem services	●	• Procurement cost increase due to medicinal plant productivity decline caused by increase in pest insects		#2	Medium	High
	#3											Medium	High	
	6		Increase in average temperatures	●	• Procurement cost increase due to decrease in areas suitable for crude drug cultivation, etc. • Increase in air conditioning cost in the supply chain • Increase in procurement cost due to increase in lactose price	#1	Low				Medium	• Diversification to multiple crude drug production areas and countries • Development of crude drug cultivation technology • Change in transport and storage format for crude drugs		
#2						Medium	High							
#3						High	High							
7-1	Chronic		Water resource shortages	●		• Decrease in sales due to decrease in production caused by drought or water shortage (crude drug cultivation areas) • Increase in cost due to procurement of municipal water owing to groundwater/ industrial water shortage (product production areas)	#1	Low	Medium	• Diversification to multiple crude drug production areas and countries • Introduction of facilities that reuse water for manufacturing				
							#2	Low	Medium					
							#3	Medium	High					
7-2		Deterioration of water pollution		●	• Procurement cost increase due to relocation of crude drug cultivation from areas where water pollutant concentration is high to areas where it is low • Increase in purification cost in product production areas	#1	Low	Low	• Diversification to multiple crude drug production areas and countries • Improvement of water purification technology at in-house sites					
						#2	Low	High						
						#3	Medium	High						

Risks and opportunities				Environmental theme		Financial impact on the Tsumura Group				Response measures
No.	Category		Item	Climate change	Natural capital	Details	Scenario	Importance level evaluation		
								2030	2050	
8-1	Opportunities	Resource efficiency and resilience	Transition to low-environmental-impact, high-efficiency production processes (water)	●	●	• Cost reduction through reuse of water and steam used in the Company's facilities	#1	Low	Medium	• Introduction of facilities that reuse water for manufacturing • Reuse of heat at production sites
							#2	Low	Medium	
							#3	Low	Low	
8-2		Resource efficiency and resilience	Transition to low-environmental-impact, high-efficiency production processes (energy)	●		• Reduction of energy costs due to increased production efficiency through the introduction of new technology	#1	Low	Low	• Promotion of energy saving • Reuse of heat at production sites
							#2	Low	Low	
							#3	Low	Low	
8-3			Transition to low-environmental-impact, high-efficiency production processes (cultivation technology, agricultural methods)	●	●	• Increase in resilience and reduction of production costs through development of cultivation technology and regenerative agriculture methods	#1	Low	High	• Development of crude drug cultivation technology
							#2	Low	Medium	
							#3	Low	Medium	
9		Energy sources	Expansion of renewable energy	●		• Reduction of electricity purchasing costs through the introduction of solar power generation systems at the Company's own facilities and sites	#1	Low	Low	• Introduction of solar power generation systems • Installation of small-scale hydroelectric generation systems in wastewater pipes
							#2	Low	Low	
							#3	Low	Low	
10		Products, services, and markets	Change in needs due to climate change	●		• Increase in demand and expectations for Kampo formulations from society and demand expansion	#1	Medium	Medium	• Timely and accurate collection of information on medical needs and reflection in production plans
							#2	Medium	High	
							#3	High	High	

Metrics and Targets

Metrics

The Group has set Scope 1, 2, and 3 GHG emissions as a metric for managing climate-related risks and opportunities.


Furthermore, from the second medium-term management plan, we are engaging in sustainability activities from the four perspectives of realization of carbon neutrality, realization of Nature Positive, building Tsumura's circular economy, and building relationships with the local community and society, operating with the strategy of improving governance and evaluation throughout these activities. Guided by the principle that climate and natural capital are closely related and inseparable, in our Sustainability Targets 2027 described below, we have connected sustainability categories with materiality, and set direct targets for climate change and nature-positive goals, giving consideration to their dependence and impact on natural capital. We have also

partially included targets related to the risks and opportunities mentioned above, which we will manage going forward.

Targets

In our Sustainability Targets 2027, we have started initiatives to reduce GHG emissions (Scopes 1 and 2), as well as addressing Scope 3 emissions through supply chain engagement, with the aim of achieving carbon neutrality.

Our targets related to natural capital include promotion of new wild crude drug domestication, biodiversity preservation activities, and registration of Nationally Certified Sustainability Managed Natural Sites, along with promotion of adoption of new materials for plastics, use of industrial waste (crude drug residue), and water reuse. Targets related to natural capital contribute to mitigation of and adaptation to climate change.

 See the website for details on Sustainability Targets 2027.
<https://www.tsumura.co.jp/sustainability/tsumura-group/>

Sustainability Targets 2027 (Reference Year: Fiscal 2020)

Materiality* ¹	Sustainability category	Major item (issue)	LTI-II* ²	Metrics	Targets	
					Fiscal 2027	Fiscal 2031
Nature ①	Realization of carbon neutrality	GHGs	●	GHG emissions reduction (Scopes 1 and 2)	15% reduction	50% reduction
				Number of supply chain engagements (Scope 3)	Crude drugs and raw materials, etc.: 51	—
Nature ② Nature ③	Realization of Nature Positive	Research on domestication of crude drugs	●	Domestication of wild crude drugs (number of items)	7 items* ³	23 items
		Restoration of forests, soil, water sources		Biodiversity preservation activities (number of areas)	4	—
				Registration of Nationally Certified Sustainability Managed Natural Sites	2	—
Nature ④	Building Tsumura's circular economy	Plastics	●	Adoption rate of new materials (%)	30%	50%
		Industrial waste		Promotion of crude drug residue use (conversion to valuable materials, %)	30%	—
		Water		Water reuse rate (%)* ⁴	60%	—
Health ①	Building relationships with the local community and society	Initiatives in crude drug production areas and production sites for: •Conservation of the natural environment •Regional revitalization (education, employment) •Employee training		Cooperation with crude drug cultivation areas and communities (developing the next generation)	6	—
				Sustainability education e-learning for officers and employees (programs)	5	—

*1 Materiality labels signify the following. Nature ①: climate change countermeasures (realization of carbon neutrality); Nature ②: preservation of biodiversity (restoration of forests, soil, water sources); Nature ③: sustainable procurement of raw materials (research on domestication of crude drugs, etc.); Nature ④: recycling use of resources (recycling of water and crude drug residue); Health ①: expansion of access to high-quality pharmaceuticals and products derived from natural substances.

*2 Items marked with ● are managed as part of the indicators for long-term performance-linked stock-based compensation (LTI-II).

*3 Of the 119 crude drug items used by the Company, the number of items using wild crude drugs in the reference year (fiscal 2020) was 34.

*4 Applies to the four plants in Shizuoka, Ibaraki, Shanghai, and Tianjin (These four account for approximately 96% of the overall volume of wastewater for the Group (as of fiscal 2023). Moreover, the wastewater discharged by the plants is cleaner than the intake water.)

Respect for Human Rights

The Tsumura Group is working to ensure that human rights are respected in accordance with its Sustainability Charter, the Tsumura Human Rights Policy, and the Tsumura Procurement Policy. In our value chain, we periodically audit production area companies and purchasing-related business partners, who are the suppliers for Tsumura's raw material crude drugs.

The crude drug and raw materials procurement divisions consider human rights risk analysis and prevention in the supply chain to be part of their human rights due diligence. Through dialogue with our business partners, we examine their consideration for human rights, labor, and health and safety, as well as examining the situation regarding energy. We aim to collaborate on identification of issues and taking countermeasures against them. In addition, under the Tsumura Procurement Policy, whenever we enter a new contract with a production organization procuring crude drugs, we always conduct checks, and when conducting a GACP audit,*⁵ we use check lists to conduct observations and interviews from an occupational health and safety perspective. The results are evaluated by the Sustainable Procurement Subcommittee and

the Sustainability Committee, before being reported to the Board of Directors. Looking ahead, we intend to strengthen our engagement on Scope 3 emissions, including the perspective of human rights due diligence.

The Sustainability Committee is at the center of our human rights risk management structure, supervising initiatives related to human rights policies and making reports to the Board of Directors. The Human Resources Department undertakes human rights training, human rights risk analysis and prevention, and the creation and improvement of various systems. The Legal/Compliance Control Department operates a contact desk to respond to consultation requests from employees. We are currently building internal systems in collaboration with related divisions with the aim of establishing a Human Rights Subcommittee under the Sustainability Committee during fiscal 2026. This will further strengthen our structure for promoting human rights due diligence, advancing and deepening our initiatives to realize sustainable supply chains.

*5 Tsumura's own audit method based on the Tsumura GACP Guidelines

Corporate Governance

We continue working for better corporate governance as the essential foundation for sustainable growth of corporate value.

69	Messages from Outside Directors
71	Directors
74	Corporate Governance
80	Internal Control and Compliance
81	Corporate Data



Messages from Outside Directors



Mariko Eguchi

Hiroshi Miyake

Akemi Mochizuki

Tadashi Okada

Chieko Tsuchiya

Messages from New Outside Directors

Mariko Eguchi

Outside Director

I have been working for financial institutions in Japan and abroad in jobs related to corporate finance, capital markets and corporate public relations. Using the specialized knowledge I've accumulated professionally, I'd like to help build Tsumura's corporate value and contribute to its growth strategy.

As medical advancement has generally increased longevity, public interest is growing in personalized medicine and detection of pre-symptomatic health risks. Tsumura has been expanding the positive evaluation of Kampo efficacy as verified by history and proposing treatments that combine Eastern and Western medicine. In that, I think Tsumura holds great potential for contributing to the promotion of health worldwide. Corporations face more demand than ever to protect limited natural capital as they grow, and Tsumura has cherished this spirit since its founding. I feel this is a company in which all employees and management can work with pride to create value to share with society.

Chieko Tsuchiya

Outside Director and
Audit and Supervisory
Committee Member

As a lawyer, my work has entailed a broad range of responsibilities, mainly related to corporate law. Making the most of my experience and specialized knowledge in international trade and the like, I plan to actively offer my opinions on the Company's inherent risks and legal compliance. I will also put effort into overseeing corporate governance to ensure it is appropriately formulated and effectively executed. China, in particular, is our core supplier of crude drugs, as well as a production base and market essential to Tsumura's future growth. I will work to monitor the China business along with domestic operations, gathering timely information for maintaining necessary controls.

The value of Kampo is not sufficiently recognized in the world. This is exactly why I think there is great room for growth for Tsumura, and it can broadly circulate its products to help extend healthy lifespans.

Discussions in FY2024 Board Meetings

Hiroshi Miyake

Outside Director

When I look back on our first medium-term management plan, I regret we had to limit shipping because the Shanghai Plant had to suspend operations due to the city's lockdown in 2022. At the same time, I thought highly of our efforts to maintain supplies, undertaking all possible measures based on our business continuity plan. I understand we made steady progress with all our strategic challenges, except that we couldn't sign a partnership agreement with a manufacturer of traditional Chinese medicinal products in China. That said, we have a long way to go in terms of cultivating personnel capable of handling new business fields, including healthcare more broadly.

In fiscal 2024, Tsumura's Nomination/Remuneration Advisory Committee was split into two committees to handle input on nominations and remuneration with more efficiency and effectiveness. What's important in realizing our long-term management vision, I think, is cultivating global personnel for the China business, future expansion into the US and Asia, and appointing more women to important posts. During the second medium-term management plan, I will continue to monitor our governance systems and support initiatives to build corporate value.

Tadashi Okada

Outside Director

In the board meetings of fiscal 2024, we spent the most time discussing our China business. We talked about the prospects for technological and/or business partners, the validity of our investment amounts, synergistic effects and growth scenarios. We continued discussions to see whether a given investment target would lead to higher corporate value for Tsumura. To seize the right timing for investment and partnerships, flexible decision-making is important. So I'm working to always be ready to decide, by creating opportunities for early discussions in meetings of the outside directors as well as setting up independent meetings for reporting.

During the second medium-term management plan, we expect larger-than-planned investments in production equipment and the like due to the current trend of rising prices, and we are planning a business alliance for our China business. So we on the board are paying close attention to the validity of our investment amounts and ideas for recouping them, and advising revisions to the plan as needed.

The key point in realizing our long-term management vision is our speed in executing initiatives. I will evaluate the progress of each initiative under the current medium-term management plan and advise the executive team to expedite the plan-do-check-act cycle.

Akemi Mochizuki


Outside Director and
Audit and Supervisory
Committee Member

In my seventh year as an outside director, I feel the speed of change in the environment around Tsumura is accelerating. That means speedy decision-making has become more important than ever, and I feel time has been added to the risk factors in driving our businesses.

I think we can make regular board meetings more effective by narrowing the discussion topics. For unexpected events and those needing urgent attention, timely discussions are essential, even online when necessary, rather than limiting ourselves to regular board meetings.

To help realize Tsumura's long-term management vision as a member of the Audit and Supervisory Committee, I will audit and oversee board meetings to ensure adequate and appropriate discussion on given agenda items. Then as an outside director, I want to help energize board discussions. Tsumura always treats each agenda item honestly and carefully in deliberations. This can be both a blessing and a curse depending on the situation, so I'll watch to be sure the board isn't getting in the way of businesses going forward.

Directors (As of June 27, 2025)



Terukazu Kato

August 26, 1963

President and Representative Director CEO

1986 Joined the Company


2001 President and Representative Director of TSUMURA USA, INC.

2011 Director and Executive Officer, Head of Corporate Communications of the Company

2012 President and Representative Director of the Company

2019 President and Representative Director CEO of the Company (incumbent)

■ Year of assumption of the post of Director 2011 ■ Number of shares in the Company held 41,900*



Kei Sugii

December 16, 1969

Director Co-COO

1994 Joined Mitsubishi Petrochemical Engineering Corporation (currently Mitsubishi Chemical Engineering Corporation)

2006 Joined Accenture Japan Ltd.

2009 Joined the Company

2013 Head of Logistics Planning Department

2016 Head of SCM Planning Department


2017 General Manager of the Company, CEO of SHENZHEN TSUMURA MEDICINE CO., LTD.

2018 General Manager of the Company, Chairman and CEO of SHENZHEN TSUMURA MEDICINE CO., LTD.

2020 Executive Officer, Head of Production Division of the Company

2022 Co-COO (from April), Director Co-COO of the Company (from June, incumbent)

■ Year of assumption of the post of Director 2022 ■ Number of shares in the Company held 7,100*



Hiroshi Miyake

August 4, 1949

Outside Director

1973 Joined Mitsubishi Corporation


2005 Senior Vice President of Mitsubishi Corporation, President of Mitsubishi International GmbH and Deputy Regional CEO for Europe

2010 Senior Managing Executive Officer of Tokushu Tokai Paper Co., Ltd.

2015 Representative Director, Executive Vice President of Tokushu Tokai Paper Co., Ltd.

2018 Outside Director of TSUMURA & CO. (incumbent)

■ Year of assumption of the post of Director 2018 ■ Number of shares in the Company held 4,000*



Tadashi Okada

May 1, 1956

Outside Director

1979 Joined Komatsu Ltd.


2003 Vice President of Komatsu (China) Ltd.

2014 Senior Executive Officer Supervising Corporate Communications, CSR, General Affairs, and Compliance of Komatsu Ltd.

2017 Representative Director and Chairman of QUALICA Inc.

2020 Outside Director of TSUMURA & CO. (incumbent)

■ Year of assumption of the post of Director 2020 ■ Number of shares in the Company held 900*



Mariko Eguchi

March 13, 1966

Outside Director

1988 Joined The Mitsubishi Bank, Limited (currently MUFG Bank, Ltd.)

1999 Joined Nikko Salomon Smith Barney Limited (currently Citigroup Global Markets Japan Inc.)

Vice President of Investment Banking Division

2006 Joined UBS Securities Japan Co., Ltd. Director of Investment Banking

2008 Director of Public Relations Division (Corporate Communications & Branding) of UBS Group


2019 Joined LaSalle Investment Management Inc. Director of Asia Pacific Public Relations Division

2020 Joined Aflac Life Insurance Japan Ltd. Executive Officer responsible for Public Relations Department, Office for the Promotion of Social and Public Activities

2024 Advisor of Aflac Life Insurance Japan Ltd. (incumbent)

2025 Outside Director of SIGMAXYZ Holdings Inc. (incumbent), Outside Director of TSUMURA & CO. (incumbent)

■ Year of assumption of the post of Director 2025 ■ Number of shares in the Company held 0*



Tomihiro Nagafuchi

September 25, 1964


Director and Full-Time Audit and Supervisory Committee Member

1987 Joined the Company

2014 Head of Internal Auditing Department

2023 General Manager (from April), Director and Full-Time Audit and Supervisory Committee Member of the Company (from June, incumbent)

■ Year of assumption of the post of Director 2023 ■ Number of shares in the Company held 3,220*



Akemi Mochizuki

June 10, 1954

Outside Director and Audit and Supervisory Committee Member

1984 Joined Aoyama Audit Corporation (currently PricewaterhouseCoopers Japan LLC)

1988 Registered as certified public accountant

2018 Partner at Akahoshi Audit Corporation

2018 Independent Director and Audit Committee Member of NSK Ltd.

2019 Outside Director and Audit and Supervisory Committee Member of TSUMURA & CO. (incumbent)

2021 Outside Audit and Supervisory Board Member of Asahi Kasei Corporation (incumbent)

2022 Statutory Auditor (part-time) of SBI Holdings, Inc. (incumbent)

■ Year of assumption of the post of Director 2019 ■ Number of shares in the Company held 3,500*



Chieko Tsuchiya

January 27, 1971

Outside Director and Audit and Supervisory Committee Member

1993 Joined Citibank, N.A.

2001 Registered as an attorney and joined Law Offices of Hideyuki Sakai (Bingham Sakai Mimura Aizawa (foreign law joint enterprise))

2006 Registered as an attorney in New York State

2012 Legal Officer of International Atomic Energy Agency (IAEA)

2015 Joined Anderson Mori & Tomotsune

2016 Part-Time Judge of Tokyo Family Court (Domestic Relations Conciliator)

2019 Special Counsel of Anderson Mori & Tomotsune (incumbent)

2021 Consultant of Tilleke & Gibbins International Ltd. (Thailand)

2025 Outside Director, Audit and Supervisory Committee Member of MICRONICS JAPAN CO., LTD. (incumbent), Outside Director and Audit and Supervisory Committee Member of TSUMURA & CO. (incumbent)

■ Year of assumption of the post of Director 2025 ■ Number of shares in the Company held 0*

* As of June 30, 2025

Members of Meetings

	Name	Board of Directors	Audit and Supervisory Committee	Nomination Advisory Committee	Remuneration Advisory Committee	Outside Directors' Meeting	Executive Committee	Executive Officers' Meeting
Directors	Terukazu Kato	◎		●	●		●	●
	Kei Sugii	●					◎	●
	Hiroshi Miyake	●		◎	◎	◎		
	Tadashi Okada	●		●	●	●		
	Mariko Eguchi	●		●		●		
	Tomihiro Nagafuchi	●	●		□		□	□
	Akemi Mochizuki	●	◎	●		●		
	Chieko Tsuchiya	●	●	●		●		
Executive Officers	Koin Toda						●	●
	Kaoru Kobayashi						●	◎
	Koji Endo						●	●
	Akihito Konda						●	●
	Shoichi Kumagai							●
	Zhang Lixian							●
	Yoshiharu Watanabe							●
	Kazushige Mizoguchi							●
	Koji Shiseki	□					□	●
	Toshio Yamaoka							●
	Yasushi Nakagawa							●

Note: ◎ indicates the committee chair/chairman, ● indicates a member, □ indicates an observer.

Skill Matrix of the Company's Board of Directors

	Name	Gender	Age	Outside/ independent	Corporate management	Global	Sales/marketing	SDGs/ESG	IT	Finance/ accounting	Legal/risk management	Human resource management
Directors	Terukazu Kato	Man	61		◎	○	○	○	○	○		○
	Kei Sugii	Man	55		○	○		◎	○			
	Hiroshi Miyake	Man	75	●	○	○	◎	○	○			
	Tadashi Okada	Man	69	●	○	◎ (China)		○	○		○	
	Mariko Eguchi	Woman	59	●	○	◎	○	○		○		
Directors who are Audit and Supervisory Committee members	Tomihiko Nagafuchi	Man	60					◎			○	
	Akemi Mochizuki	Woman	71	●						◎		
	Chieko Tsuchiya	Woman	54	●							◎	

Man
 Woman
 Note: Age as of June 27, 2025

Requirements for Skill Items

Corporate management	Person who has experienced executive officer at listed companies, or has insights and experience necessary for the formulation of business strategies and has the ability to offer advice	IT	Person who has insights in IT technologies, etc., and has the ability to recognize a challenge and propose solutions toward digitalization
Global	Person who has experienced overseas business management, and has insights and experience regarding global corporate management	Finance/ accounting	Person who has insights and experience of finance and accounting, person who has operational experience in financial institutions, or person who is qualified as a certified public accountant or a tax accountant
Sales/marketing	Person who has insights and experience regarding sales and marketing, person who is well-versed in the pharmaceutical industry and has the ability to offer appropriate advice on marketing	Legal/risk management	Person who has experienced risk management and has insights and experience of legal affairs and risks, or who is qualified as an attorney
SDGs/ESG	Person who has insights and experience in handling climate change and other environmental issues, person who has insights and experience regarding expertise of diversity, CSR, CSV, corporate governance, etc.	Human resources management	Person who has experienced the formulation of human resources strategies, and has insights and experience regarding the field of human resource development

Note: Matching the requirements of a skill is indicate by ○ and having particular expertise in a skill is indicated by ◎.

Executive Officers

Terukazu Kato	CEO	Zhang Lixian	Executive Officer Supervising production in operations in China and supervising formulation platform in China
Kei Sugii	Co-COO In charge of External Affairs Department and Internal Auditing Department	Yoshiharu Watanabe	Executive Officer Supervising crude drug platform in China in charge of Crude Drug Division
Koin Toda	Co-COO General Representative for China In charge of Chinese Group companies	Kazushige Mizoguchi	Executive Officer Head of Quality & Safety Management Division
Kaoru Kobayashi	CFO Head of Corporate Management Division	Koji Shiseki	Executive Officer Head of Legal Department in charge of General Affairs Department and Appropriate Promotion Department
Koji Endo	CHRO Head of Human Resources Division	Toshio Yamaoka	Executive Officer Head of Pharmaceutical Sales & Marketing Division
Akihito Konda	CTO (Chief Technology Officer) Head of Research & Development Division	Yasushi Nakagawa	Executive Officer Head of Healthcare Division
Shoichi Kumagai	Executive Officer Head of Production Division		

Corporate Governance

Basic Concept

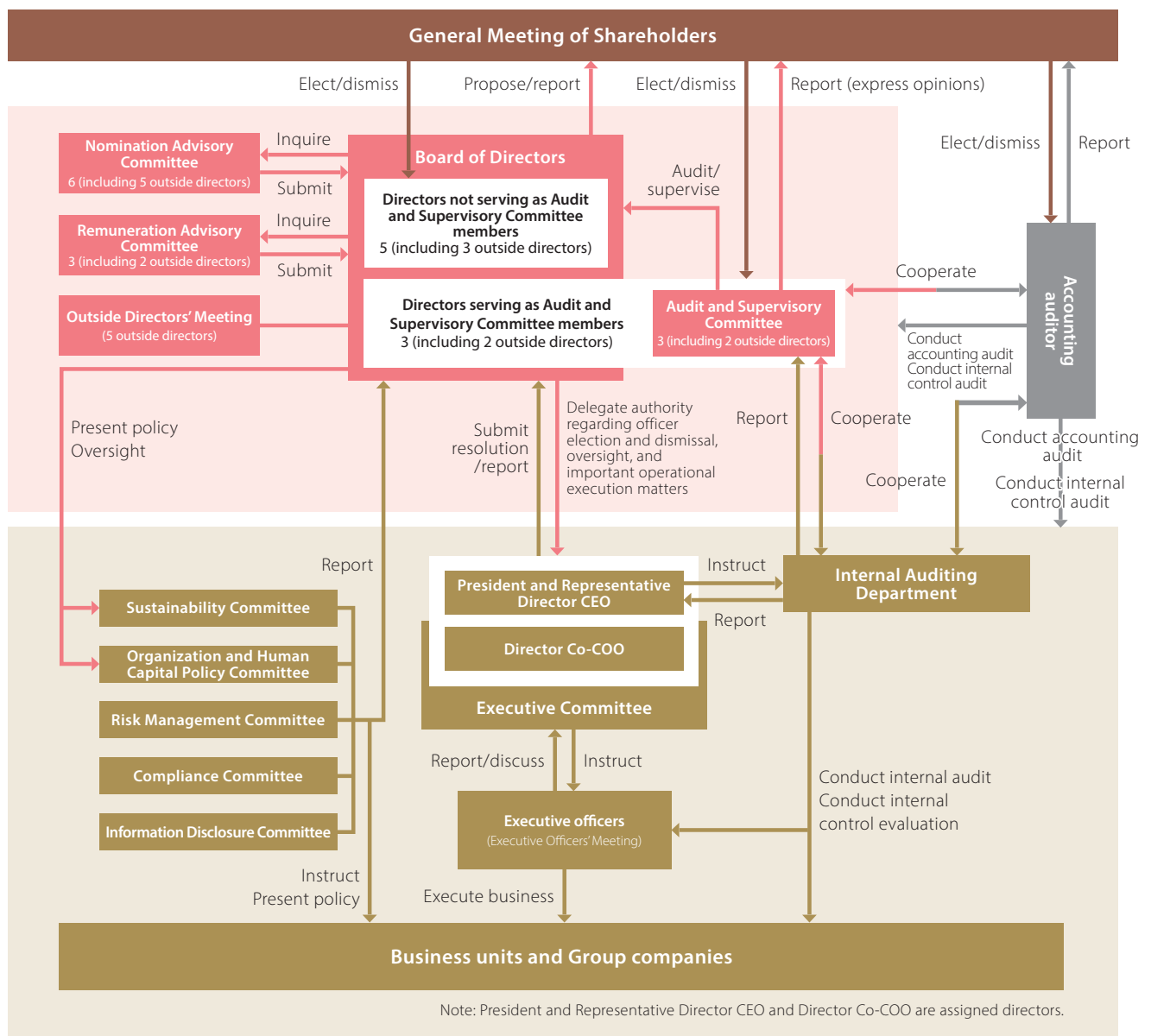
The Tsumura Group is committed to abiding by what we call the “Spirit of Nature’s Laws” and ultimately achieving our Corporate Purpose of facilitating “Lively Living for Everyone.” In conducting our business, we are guided by these two tenets along with our Corporate Value, expressed as the “Best of Nature and Science,” and Corporate Mission, “To contribute to the unparalleled medical therapeutic power of the combination of Kampo medicine and Western medicine.” To achieve sustainable growth and increase our corporate value over the medium to long term, our basic policy is to strengthen our corporate governance in order to ensure sound, transparent, and fair management and make prompt and sound decisions.

In June 2017, Tsumura transitioned from the Company with

Company Auditor(s) system described in the Companies Act of Japan to the Company with Audit and Supervisory Committee system. This move was aimed at reinforcing the oversight and monitoring functions of the Board of Directors. Under this system, Tsumura is working to enhance its management supervisory function and innovate its management structure by separating the supervisory function from the executive function and by appointing a majority of outside directors to the Board of Directors. These measures are being implemented to continuously establish the systems that will enable the Company to ensure the transparency, improve the efficiency, and maintain the soundness of management.

See the website for details on the “Corporate Governance Basic Policy.”
<https://www.tsumura.co.jp/english/sustainability/basic-policy/governance/>

Corporate Governance Structure (As of June 27, 2025)



Evolution of Governance Structure

2003	Introduced executive officer system	2019	Introduced CxO system
2004	Appointed outside directors, made term of office of directors one year	2022	Formulated the sustainability vision, "Living with nature for tomorrow," and our long-term management vision, TSUMURA VISION "Cho-WA" 2031, which describes building an infrastructure to realize a future of "Cho-WA" (a well-balanced state); revision of performance-linked stock remuneration plan
2012	Announced the long-term management vision (Tsumura Vision 2021) "Aiming to be a value creation company that contributes to people's health through its Kampo business"	2024	Separated Nomination/Remuneration Advisory Committee into the Nomination Advisory Committee and Remuneration Advisory Committee
2015	Appointed female director, introduced senior executive officer system	2025	Ratio of female directors reached 37.5%
2016	Introduced stock compensation plan		
2017	Made transition to the Company with Audit and Supervisory Committee system, established Nomination/Remuneration Advisory Committee, made majority of the Board of Directors outside directors		

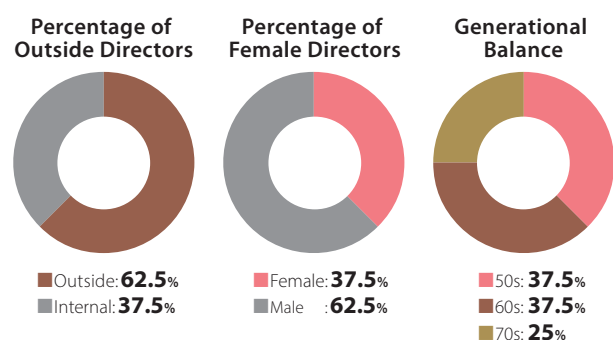
Status of Activities in Fiscal 2024

Meeting	Activities	Main activities considered
Board of Directors <ul style="list-style-type: none"> • Number of meetings: 18 • Chairman: Terukazu Kato 	<p>The Company's Board of Directors makes important decisions to ensure the sustainable growth of the Group and enhance its corporate value over the medium to long term. Furthermore, executive functions have been separated from the Board of Directors to accelerate decision-making processes, and oversight functions over overall management have also been strengthened by appropriately reflecting the high-level insights and objective opinions from the independent perspective of outside directors, who constitute the majority of the board.</p>	<ul style="list-style-type: none"> • Monitor the progress of the first medium-term management plan, and supervise and advise on the formulation of the second medium-term management plan • Monitor the progress of the China business, including establishment of the related corporate governance system • Based on our Purpose and Corporate Philosophy, pursue sustainability-oriented management, human resource development and initiatives to favor the environment and society • Monitor the progress of strategic investments in environmental initiatives, facilities and R&D, and in systems related to M&A, DX, etc. • Further promote capital policies to build corporate value
Nomination Advisory Committee <ul style="list-style-type: none"> • Number of meetings: 9 • Committee Chair: Hiroshi Miyake 	<p>This is a voluntary advisory body to the Board of Directors and the independent outside directors (including outside directors who are Audit and Supervisory Committee members), who constitute a majority of its membership, provide advice and make recommendations to the Board of Directors on matters related to the nomination of directors, executive officers, etc. upon request from the Board of Directors. The committee has six members, and five of these, including the Committee Chair are independent outside directors.</p>	<ul style="list-style-type: none"> • Proposal of election or dismissal of directors to be submitted to the General Meeting of Shareholders • Draft proposals of election or dismissal and division of responsibilities of the Representative Director and senior directors to be submitted to the Board of Directors • Draft proposals of candidates for other management members (executive officers, etc.) to be submitted to the Board of Directors • Draft proposals of candidates for committee members to be submitted to the Board of Directors • Policies for electing directors (and management members) • Procedures for electing directors (and management members) • Management Executive Development Program
Remuneration Advisory Committee <ul style="list-style-type: none"> • Number of meetings: 11 • Committee Chair: Hiroshi Miyake 	<p>This is a voluntary advisory body to the Board of Directors and the independent outside directors (including outside directors who are Audit and Supervisory Committee members), who constitute a majority of its membership, provide advice and make recommendations to the Board of Directors on matters related to the remuneration of directors, executive officers, etc. upon request from the Board of Directors. The committee has three members, and two of these, including the Committee Chair are independent outside directors.</p>	<ul style="list-style-type: none"> • Draft proposals for remuneration to be paid to directors to be submitted to the General Meeting of Shareholders • Draft proposals for individual remuneration amounts (including calculation methods) to be paid to executive directors • Draft proposals for individual remuneration amounts (including calculation methods) to be paid to non-executive directors (excluding members of the Audit and Supervisory Committee) • Draft proposals for individual remuneration amounts (including calculation methods) to be paid to management members other than directors (executive officers, etc.) • Policies including composition of remuneration for directors (and management members) • Procedures for deciding remuneration to be paid to directors (and management members) • Draft proposals for individual remuneration amounts (including calculation methods) to be paid to other persons equivalent to officers (Group company officers, etc.)
Outside Directors' Meeting <ul style="list-style-type: none"> • Number of meetings: 13 • Chairman: Hiroshi Miyake 	<p>The Outside Directors' Meeting ensures that information necessary for management decision-making is collected and shared, and exchanges opinions on topics such as the necessity for discussion and providing opinions to the Board of Directors.</p>	<ul style="list-style-type: none"> • Advance explanation about matters to be discussed at the Board of Directors • Follow-up on the board effectiveness evaluation • Briefing on Executive Committee matters • Progress report on the China business • Discussion of important matters, etc.

Approach to Diversity of Directors

The Tsumura Group formulates its long-term management vision and medium-term management plans in response to social demand and changes in the operating environment, and has initiated various measures to achieve them. Along with our value creation cycle, we have, in particular, pursued and evolved a system for constantly making appropriate and prompt decisions regarding corporate governance, the foundation of management.

At present, outside directors account for a majority of the directors. We have built highly effective governance systems to make decisions on important matters from diverse perspectives, such as those of people with corporate management experience, attorneys at law, and certified public accountants, and to ensure that decisions are not made based solely on the knowledge of inside directors.



Note: As of June 27, 2025

We will continue to strengthen corporate governance in order to achieve sustainable growth.

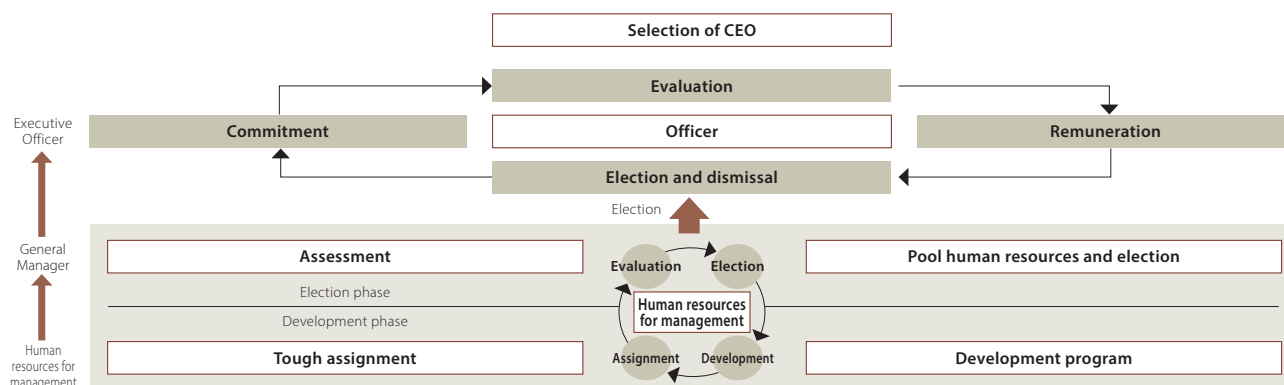
Operation of the Outside Directors' Meeting

The Outside Directors' Meeting started in 2015 is periodically held as a place for executive officers in charge and division heads to directly explain overviews, decision points, risks, etc. concerning proposals to be resolved in the Board of Directors and proposals determined to require an advance explanation. Explaining important matters in advance enables time to be spent on substantial discussion in the Board of Directors, supporting decision-making. In the latter half of the meeting, time is assigned to communication among only outside directors for honest sharing of information to ensure there are no discrepancies in the awareness of issues among outside directors. Outside directors have commented that it is easier to understand proposals based on not only materials distributed in advance but also listening to the direct opinions of people in each workplace, and opportunities for communication between outside directors and employees in each workplace also lead to improving the motivation of employees. In the future, we will ensure that information necessary for management decision-making is collected and shared at the Outside Directors' Meeting, and will continue to endeavor to increase the effectiveness of the Board of Directors.

Succession Plan

Tsumura recognizes that the selection of the top executive (CEO) is one of our most important decisions. The Nomination Advisory Committee is made up of five independent outside directors and one internal director, is chaired by an outside director, is consulted on the draft of the succession plan (plan to develop the next generation of leaders) and reports

to the Board of Directors. For the development of the next top executive (CEO), the cycle below is implemented, and the Board of Directors supervises and provides opinions as appropriate in order to enhance, strengthen, and improve the effectiveness of the corporate governance system.



Board Effectiveness Evaluation

Tsumura evaluates and analyzes the effectiveness of the Board of Directors every fiscal year for the purpose of enhancing the Board of Directors' effectiveness. From the perspective of strengthening the supervisory and monitoring functions of the Board of Directors, we are working to ensure continuous improvement and enhanced effectiveness of the Board of Directors with respect to issues identified by analyzing the results of the board effectiveness evaluation. In fiscal 2024, we utilized an external organization to revise the survey items based on an analysis of board proposals and changes in the business environment surrounding the Company, and to conduct the evaluation. The issues identified based on the results of the board effectiveness evaluation in fiscal 2024 and the specific measures for addressing them were discussed at the Board of Directors meeting held in May 2025. In fiscal 2025, the Board of Directors is implementing our Philosophy-based management and vision-based management in line with the Corporate Purpose, cultivating talent to thrive in the VUCA

era, engaging in environmental and social initiatives, and addressing key priorities of the Board of Directors established to enhance corporate value.

Overview of Fiscal 2024 Evaluation Results

Based on the results of analysis and evaluation for fiscal 2024, it was confirmed that the Board of Directors engaged in active discussions aimed at enhancing oversight and monitoring of business execution, and that the Board of Directors is fulfilling its role and functions. Particular recognition was given to activities designed to further leverage the expertise and experience of outside directors, by conducting lectures by external specialized institutions on the situation in China and exchanging opinions with the top executives of Chinese companies that are major shareholders, enabling outside directors to strengthen their oversight function by integrating their own expertise and experience.

Issues and Response Measures in Fiscal 2025

Based on the results of the fiscal 2024 effectiveness evaluation, we will implement the following measures to further enhance the effectiveness of the Board of Directors.

Issue	Response measures
1. Promotion of the China business	We will closely monitor changes in the political situation and the activities of local enterprises in China to enter the traditional Chinese medicinal products business, develop value-added services for traditional Chinese medicine and drug pieces, and establish a traditional Chinese medicine R&D system, and discuss and determine policies to achieve these objectives.
2. Supervision of progress of strategic investments	To actively promote investments in facilities and businesses toward realizing our long-term management vision, we will evaluate the appropriateness of the cost of specifications for each construction project and supervise the cost performance of each investment, taking into account downside risks such as rising costs for raw materials and labor related to construction, as well as changes in the external environment.
3. DX (digital transformation)	With "DX for Purpose" as our slogan, we aim to establish a stable supply and low-cost operational framework through digital transformation (DX) across the entire Kampo value chain, with the goal of creating the highest customer experience value and enhancing product value, by formulating DX strategies and overseeing the progress of DX initiatives promoted under the DX Promotion Committee.

Five Key Themes for the Board of Directors in Fiscal 2025

In fiscal 2025, the Board of Directors will implement our Philosophy-based management and vision-based management in line with the Corporate Purpose, cultivating talent to thrive in the VUCA era, engaging in environmental and social initiatives, and prioritizing the six items on the right to enhance corporate value.

The Company's Board of Directors believes in presenting policies based on the external environment, and receiving reports and performing supervision as needed on execution by the executive side based on strategizing in line with policies. The Company will continue to implement its PDCA cycle with the aim of realizing further improvements in the effectiveness of its Board of Directors.

1. Oversee progress of the second medium-term management plan aimed at realization of the long-term management vision
2. Monitor the progress of the China business and establishment of the corporate governance system
3. Oversee progress in more than doubling labor productivity
4. Oversee effectiveness aimed at DX for Purpose
5. Expand capital investment for stable supply and supervise investment effectiveness
6. Highlight capital policy that balances growth investment with shareholder returns

 See the website for details on "Board Effectiveness Evaluation". <https://www.tsumura.co.jp/corporate/corporate-governance/effectiveness/>

Director Remuneration

Basic Concept

Tsumura's directors' remuneration will be determined based on the following policy with "pay for purpose" as the basic philosophy.

- ① To reward the realization of the vision based on our Philosophy-based management upholding the Corporate Purpose, which is the foundation of Tsumura's Group management
- ② To reward contributions to Tsumura's sustainable growth by earning the trust of stakeholders through sustainability and governance initiatives and by solving social issues
- ③ To motivate directors to take on challenges to achieve high goals
 - To reward each and every officer for taking on challenges to achieve high goals
 - To reward the results by the management team, which is essential to achieving high goals

Remuneration Levels

Given the business environment, the Company makes a comparison of its remuneration levels with those of its industry peers and other companies of similar size in an objective manner by utilizing survey data provided by third-party specialists, and sets remuneration levels that are consistent with their roles and duties considering the salary levels of the Company's employees.

Remuneration System

The remuneration for the Company's directors consists of basic remuneration (fixed component and short-term performance-linked component (STI)) and performance-linked stock remuneration (LTI-I, LTI-II), and the short-term performance-linked component of basic remuneration and the performance-linked stock remuneration are positioned as incentives (variable remuneration). The positioning and outline of each type of remuneration are described below.

Positioning and Outline of Each Type of Remuneration

Type of remuneration		Purpose/outline
Fixed	Basic remuneration (monetary)	Fixed component
		Fixed component according to role, duties, etc.
	Variable	
	Basic remuneration (monetary)	STI (short-term performance-linked component)
		<p>Annual incentive to reward efforts aimed at the achievement of the Company's performance and operational targets set by individuals each fiscal year</p> <ul style="list-style-type: none"> • The base amount paid when targets are achieved is set at a fixed percentage of total remuneration according to roles, duties, etc. • The specific amount paid is determined within the range of 15% to 150% of the base amount according to the level of achievement of operational targets each fiscal year • Monthly monetary payment with fixed component
	Performance-linked stock remuneration (non-monetary)	LTI-I (linked to medium-term performance)
		<p>A medium-term incentive for rewarding efforts aimed at the realization of the medium-term management plan</p> <ul style="list-style-type: none"> • Base points are granted and accumulated according to roles, duties, etc. each year, and Company shares equivalent to the total number of accumulated points, varying according to the level of achievement of the operational targets of the medium-term management plan and the level of achievement of individually set operational targets, are delivered (50% is provided as a monetary payment for tax purposes) • The specific number of shares delivered is determined within the range of 15% to 150% of cumulative base points • In principle, shares are delivered around October immediately after the end of the medium-term management plan
	Performance-linked stock remuneration (non-monetary)	LTI-II (linked to long-term management vision)
		<p>A long-term incentive for encouraging employees to embrace challenges aimed at realization of the long-term management vision</p> <ul style="list-style-type: none"> • Base points are granted and accumulated according to roles, duties, etc. each year, and Company shares equivalent to the total number of accumulated points, varying according to the level of achievement toward realization of the long-term management vision after the end of the period covered by the medium-term management plan, are delivered after retirement (50% is provided as a monetary payment for tax purposes) • The specific number of shares delivered is determined within the range of 0% to 150% of cumulative base points • In principle, shares are delivered at once after leaving office

Long-Term Incentives: LTI-II Approach to Select Indicators

Evaluation indicators		Approach to select indicators
Corporate value	Relative TSR* (TOPIX growth rate comparison)	<ul style="list-style-type: none"> Indicators to measure the achievement level of the long-term management vision Motivate employees to contribute to the realization of the long-term management vision and the enhancement of corporate value, and to share value with shareholders
Sustainability	GHG reduction, domestication of wild crude drugs, etc.	<ul style="list-style-type: none"> Indicators to measure the achievement level of the sustainability vision Promote and raise awareness of initiatives to realize sustainable business activities, such as conservation of the natural environment and domestication of wild crude drugs
Corporate governance	Diversity of management team, etc.	<ul style="list-style-type: none"> Indicators that can measure the degree of achievement of the sustainability vision and promote the achievement of the long-term management vision Encourage the formation of a management team across the Tsumura Group, including overseas bases, that is capable of making timely and appropriate management decisions which can drive medium- to long-term corporate value, including business restructuring
Business value	Sales ratio of overseas business	<ul style="list-style-type: none"> Indicators that can measure the achievement level of the long-term management vision Build a foundation for overseas operations and increase directors' willingness to contribute to the enhancement of corporate value through growth in overseas markets

* Total shareholder returns: Ratio of Tsumura's TSR to the TOPIX growth rate

Process for Determining Remuneration

- In order to enhance the objectivity and transparency of the deliberation process, the standard amount of remuneration, method of performance evaluation, rules for calculating the amount in accordance with the results of performance evaluation, and procedures for determining remuneration based on these are determined by resolution of the Board of Directors within the total amount resolved at the General Meeting of Shareholders based on reports on the results and process of consultation with the Remuneration Advisory Committee. Of these, the method of performance evaluation and rules for calculating the amount in accordance with the results of performance evaluation shall be stipulated in the internal rules, and any revision of these rules shall be resolved by the Board of Directors based on the deliberation and report by the Remuneration Advisory Committee.
- The Board of Directors delegates the determination of the level of achievement of individually set operational

targets under the portion of basic remuneration linked to short-term performance and LTI-I to the Remuneration Advisory Committee. The reason for delegation to the Remuneration Advisory Committee is to increase objectivity and transparency of procedures related to remuneration, etc. by delegating to the committee chaired by an outside director and with a majority of members composed of outside directors.

- Confirmation of whether the amounts paid by individual are calculated in accordance with internal rules and the content of resolutions of the Board of Directors, and notification to individuals are delegated to Terukazu Kato, who is the President and Representative Director. The reason for delegation is because it was determined that he is in a position able to verify the appropriateness of the amount of remuneration based on the results of deliberations by the Remuneration Advisory Committee.



See the website for details on "Director Remuneration".

<https://www.tsumura.co.jp/corporate/corporate-governance/executive-compensation/>

Total Amounts of Remuneration, etc. in Fiscal 2024

Category	Total remuneration (million yen)	Total remuneration by type (million yen)		Total number of directors applicable (people)
		Basic remuneration	Stock remuneration	
Directors (excluding directors who are members of the Audit and Supervisory Committee) (excluding outside directors)	252	211	41	3
Directors (members of the Audit and Supervisory Committee) (excluding outside directors)	25	25	—	1
Outside directors	62	62	—	5

Notes: 1 Remuneration for directors (not serving as a member of the Audit and Supervisory Committee) does not include the amount of employee salary for directors who concurrently serve as employees.
2 For stock remuneration, the amounts booked in fiscal 2024 are presented.

Internal Control and Compliance

Basic Concept

We recognize that compliance is an important basic element making up the foundations of corporate management. For the Tsumura Group to meet the expectations of society and be a trusted company as a life-related company, we believe a corporate culture will develop with each employee taking action in accordance with compliance based on high ethical standards, and are thoroughly implementing activities promoting compliance. To this end, based on the Sustainability Charter, which is our basic policy of business activities, we have formulated the Compliance Program Regulations and established the Compliance Promotion System, and we periodically conduct training and activities to raise awareness. In addition, we have established and are operating an internal reporting system (Tsumura Group Hotline) to promptly identify and correct problems within the Group.

Compliance Promotion Activities

Every year, the Compliance Committee formulates a policy for compliance promotion activities based on questionnaires implemented and events occurring inside and outside the Company each year. The policy is reported to the Board of Directors by the officer in charge of compliance. Each division and Group company drafts and implements initiatives for compliance promotion activities in the workplace according to this policy.

Furthermore, systematic training is provided to all Group officers and employees to foster compliance awareness.

In fiscal 2024, the Tsumura Group Hotline was used 39 times. The content of consultations and reports received on the hotline are periodically reported to the CEO, who is also the Chief Compliance Officer, the Co-COO, the CFO, the CHRO and Audit and Supervisory Committee members.

Code of Practice

The Company has established the Tsumura Code of Practice (hereinafter, the "Tsumura Code") to ensure a high level of ethics and transparency in its corporate activities and to live up to the trust of society.

The Tsumura Code Committee, established based on the Tsumura Code, manages and administers the Tsumura Code to conduct activities providing information on Tsumura prescription pharmaceuticals in an appropriate manner.

Corporate Management of Group Companies

The Corporate Planning Department in the Corporate Management Division establishes and oversees systems for corporate management of Group companies, establishes Regulations on Management of Intragroup Transactions and Regulations on Management of Affiliated Companies, and makes monthly reports on internal control systems.

The Regulations on Management of Affiliated Companies provide a system for the responsible divisions within the Company to receive prior approval applications and reports from Group companies on matters requiring prior discussion

pursuant to the regulations. Furthermore, the Internal Auditing Department conducts internal audits of Group companies, and performs efficient monitoring according to Group management.

Internal Audit

Internal audits are conducted in accordance with Internal Auditing Regulations pursuant to internal audit plans formulated by the Internal Auditing Department and approved by the Executive Committee. Results are periodically reported to the President and Representative Director CEO, and also reported to the Board of Directors, Executive Committee, Audit and Supervisory Committee and accounting auditor.

Internal Control

Ongoing evaluations are performed on the status of establishment and the status of operation of companywide internal control, internal control of business processes and overall IT control in accordance with the Financial Instruments and Exchange Act, implementation standards published by the Business Accounting Council of the Financial Services Agency, and Internal Control Regulations pursuant to internal control evaluation plans formulated by the Internal Auditing Department and approved by the Executive Committee. Results are periodically reported to the President and Representative Director CEO, and also reported to the Board of Directors, Executive Committee, Audit and Supervisory Committee and accounting auditor.

Audit and Supervisory Committee

All Audit and Supervisory Committee members attend meetings of the Board of Directors, and the full-time Audit and Supervisory Committee member attends important meetings such as the Executive Committee, Executive Officers' Meeting, Compliance Committee, Risk Management Committee and Sustainability Committee to confirm the status of establishment and operation of internal control systems for which internal control organizations are responsible. Furthermore, the committee maintains close coordination with the Internal Auditing Department, the accounting auditor and auditors of Group companies through periodic meetings with them, monitors overall internal control systems of the Company and Group companies through direct reporting from internal control organizations, information exchanges with Group company officers, etc. and provides advice on more efficient operation. The Audit and Supervisory Committee holds meetings to exchange opinions with internal directors including the President and Representative Director CEO, exchanging information and sharing awareness on matters such as the business environment surrounding the Company and companywide risks and issues. It also receives reports on the status of operations from executive officers, and checks consistency with the medium-term management plan and risks, etc. in the departments for which they are responsible.

Corporate Data (As of March 31, 2025)

Corporate name	TSUMURA & CO.
Head office	2-17-11, Akasaka, Minato-ku, Tokyo 107-8521, Japan
Founded	April 10, 1893
Incorporated	April 25, 1936
Capital stock	30,142 million yen
Number of employees	4,272 people (consolidated)
Closing date of accounts	March 31

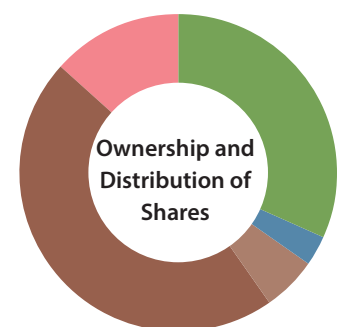
Stock exchange listing	Tokyo Stock Exchange Prime Market (Stock Code: 4540)
Shareholder register agent for common stock in Japan	Mitsubishi UFJ Trust and Banking Corporation
Accounting auditor	PricewaterhouseCoopers Japan LLC
Authorized common stock	250,000,000
Issued common stock	76,758,362 (including 437,047 shares of treasury stock)
Number of shareholders	21,352 people (down 3,249 compared with previous period)

Major Shareholders

Shareholder name	Number of shares (1,000 shares)	Percentage of equity (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	11,959	15.67
BANK OF CHINA (HONG KONG) LIMITED-PING AN LIFE INSURANCE COMPANY OF CHINA, LIMITED	7,675	10.06
Custody Bank of Japan, Ltd. (Trust Account)	5,208	6.82
STATE STREET BANK AND TRUST COMPANY 505001	3,504	4.59
BRIGHT RIDE LIMITED	1,692	2.22
Employees' Stockholding	1,566	2.05
J.P. MORGAN BANK LUXEMBOURG S.A. 384513	1,414	1.85
MUFG BANK,LTD.	1,348	1.77
THE BANK OF NEW YORK MELLON 140044	1,200	1.57
THE NOMURA TRUST AND BANKING CO., LTD. (Trust Account)	1,187	1.56

Note: The percentage of equity is calculated deducting 437,047 shares of treasury stock.

The above treasury stock does not include 131,198 shares of treasury stock held as trust assets of the officer remuneration Board Incentive Plan (BIP) trust and 452,507 shares of treasury stock held as trust assets of the share allocation Employee Stock Ownership Plan (ESOP) trust.



Japanese financial institutions*1	31.74%
Japanese securities firms	3.10%
Japanese corporations	5.57%
Overseas institutions	46.37%
Japanese individuals and others*2	13.22%

*1 "Financial institutions" includes 131,198 shares of treasury stock held as trust assets of the officer remuneration BIP trust and 452,507 shares of treasury stock held as trust assets of the share allocation ESOP trust.

*2 "Japanese individuals and others" includes 437,047 shares of treasury stock.

Editorial Policy

Integrated reports are prepared with the goal of communicating and providing understanding to stakeholders including investors concerning the Tsumura Group's efforts to improve its corporate value from a medium- to long-term perspective.

Integrated Report 2025 was prepared with emphasis on connectivity of information to provide an understanding of the Group's value creation story. The report was prepared mainly by the Investor Relations Group of the Corporate Communications Department within the Corporate Management Division based on a system for consolidating and sharing information companywide.

We look forward to making our future reports more insightful for stakeholders by gaining valuable input and information via interactions with them going forward.

Representation of the Company's Name

In this report, the company is referred to as follows.

- Tsumura, Tsumura Group, the Group: Collective terms for the Tsumura Group in Japan and overseas
- The Company: TSUMURA & CO. (non-consolidated)

Scope of Data Collection and Applicable Period

Performance data is from fiscal 2024.

TSUMURA & CO./Logitem Tsumura Co., Ltd./YUBARI TSUMURA CO., LTD. (April 1, 2024 - March 31, 2025)
Tsumura China Inc. and 11 other Chinese affiliates/TSUMURA USA, INC. (January 1, 2024 - December 31, 2024)

Notes are provided in cases where the scope of data collection differs from the above.

Information on the Website



Sustainability

<https://www.tsumura.co.jp/english/sustainability/index.html>



IR Information

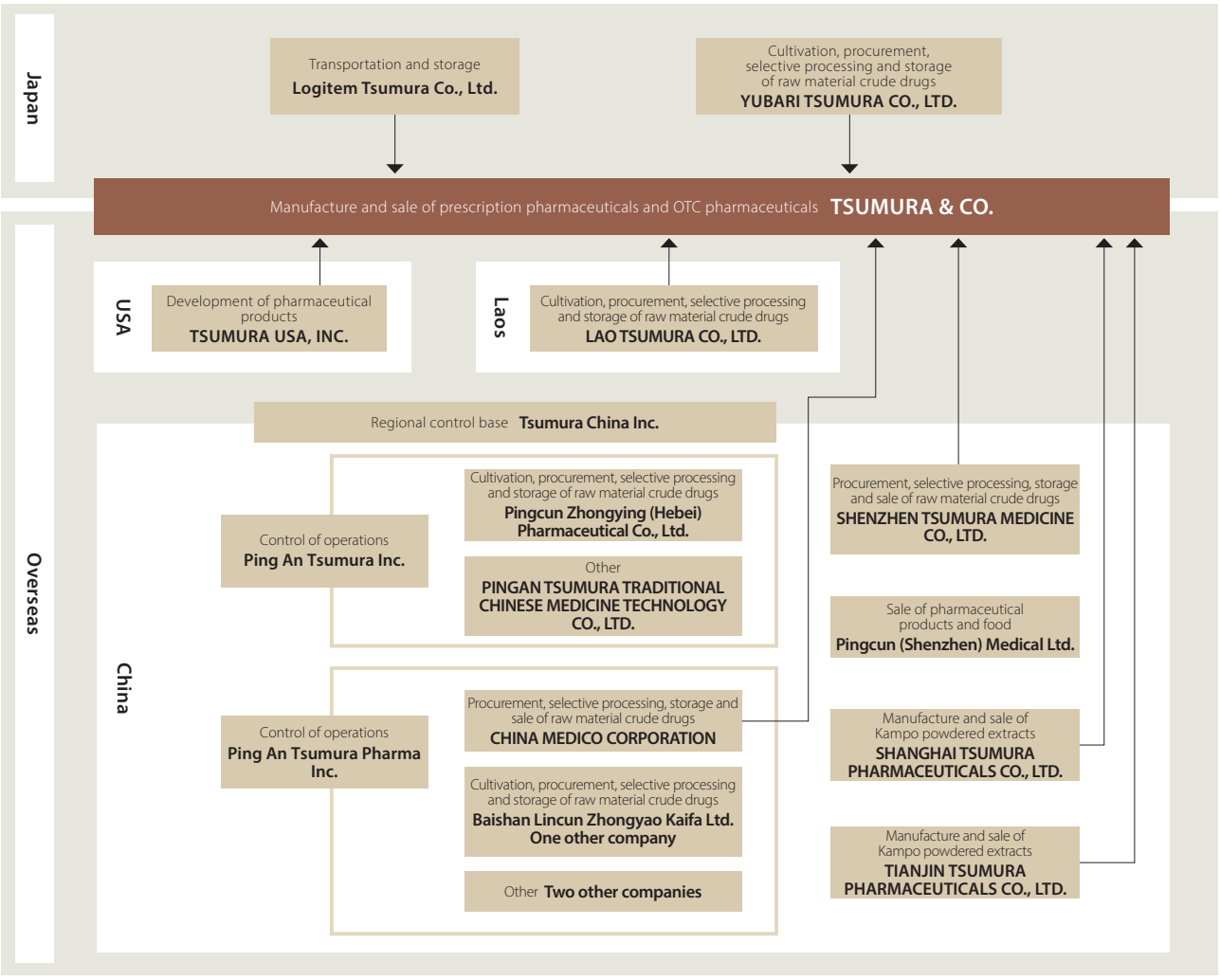
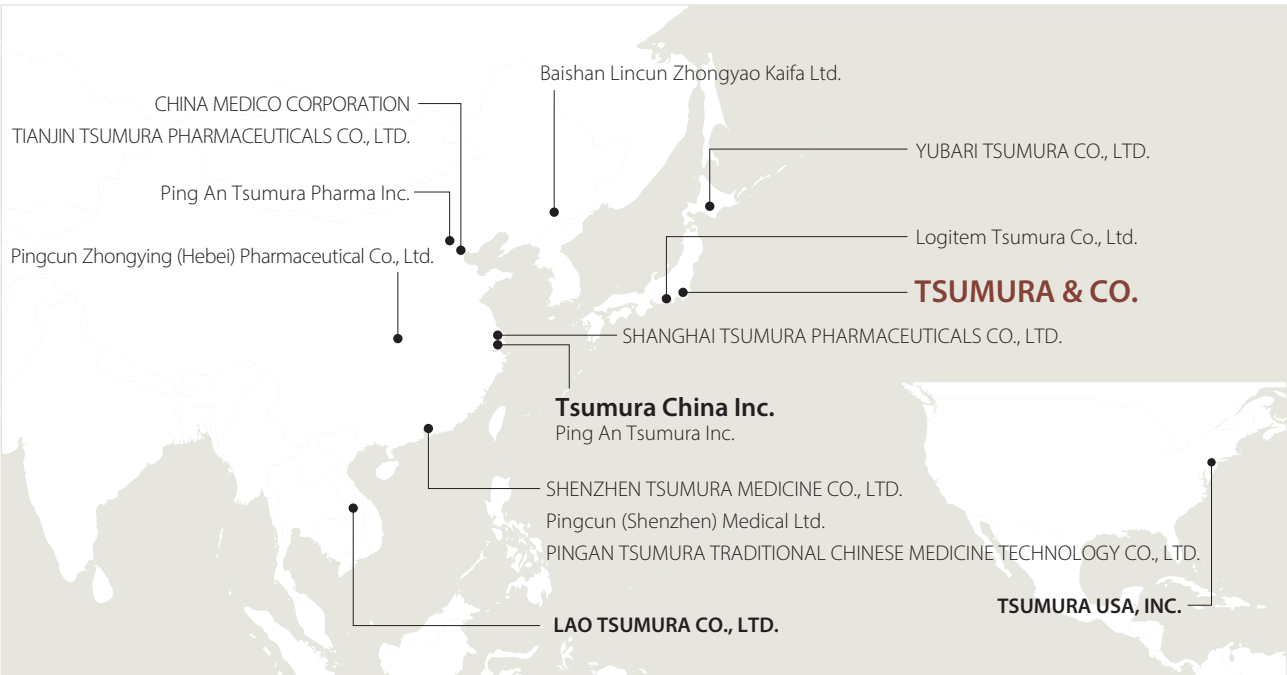
<https://www.tsumura.co.jp/english/ir/index.html>



About Kampo

<https://www.tsumura.co.jp/english/kampo/index.html>

Group Companies (As of March 31, 2025)





TSUMURA & CO.

Investor Relations Group, Corporate Communications Department,
Corporate Management Division
2-17-11, Akasaka, Minato-ku, Tokyo 107-8521, Japan



The content of
this report can be
viewed on Tsumura's
corporate website.