

Note: This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Securities Code: 4540

June 8, 2022

To Our Shareholders:

Terukazu Kato  
President, Representative Director and CEO  
**TSUMURA & CO.**  
17-11 Akasaka 2-chome, Minato-ku, Tokyo

## Notice of the 86th Ordinary General Meeting of Shareholders

We are pleased to announce the 86th Ordinary General Meeting of Shareholders of TSUMURA & CO. (the “Company”), which will be held as indicated below.

**In order to prevent the spread of new coronavirus (COVID-19) infection, we would kindly ask you to refrain from attending the meeting in person as much as possible, and encourage you to exercise your voting rights beforehand in writing (and send by post mail) or the Internet.**

You may exercise your voting rights either of the following ways. Please review the attached Reference Documents for General Meeting of Shareholders, and exercise your voting rights by 5:45 p.m. on Tuesday, June 28, 2022 (JST).

### Exercise of voting rights in writing

Please indicate your approval or disapproval to each proposal on the enclosed voting card, and return it so that it will be received by us no later than the above date and time.

### Exercise of voting rights via the Internet

Please access the website for exercising voting rights (<https://evote.tr.mufg.jp/>), follow the directions on the screen, and indicate your approval or disapproval to each proposal no later than the above date and time.

### Notice Regarding COVID-19

**In order to prevent the spread of COVID-19 infection, we would kindly ask you to refrain from attending the meeting in person as much as possible, and encourage you to exercise your voting rights beforehand in writing (and send by post mail) or the Internet.**

Shareholders attending the General Meeting of Shareholders in person are requested to take measures to prevent infection. Moreover, Directors and staff running the meeting at the venue for the General Meeting of Shareholders will be taking measures, such as wearing masks, and we ask for your cooperation with infection prevention measures for the safety of shareholders, such as measuring body temperature and wearing masks. In addition, as a measure to prevent further spread of infection, our operating staff may ask those shareholders who appear ill to kindly refrain from entering the venue.

1. **Date and Time:** Wednesday, June 29, 2022, at 10:00 a.m.
2. **Venue:** “Ho’oh,” 1st floor, THE CAPITOL HOTEL TOKYU  
10-3 Nagatacho 2-chome, Chiyoda-ku, Tokyo

### 3. Purpose of the Meeting

#### Matters to be reported

1. Business Report and Consolidated Financial Statements for the 86th fiscal year (from April 1, 2021 to March 31, 2022), and results of audits of the Consolidated Financial Statements by the Accounting Auditor and the Audit and Supervisory Committee
2. Non-consolidated Financial Statements for the 86th fiscal year (from April 1, 2021 to March 31, 2022)

#### Matters to be resolved

- Proposal No. 1:** Appropriation of Surplus
- Proposal No. 2:** Partial Amendments to the Articles of Incorporation
- Proposal No. 3:** Election of Six (6) Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)
- Proposal No. 4:** Revision of Performance-Linked Stock Compensation Plan for Directors (Excluding Directors Who Are Audit and Supervisory Committee Members and Non-executive Directors) and Executive Officers Who Have Entered Into a Service Agreement With the Company

#### Other Matters Regarding the Exercise of Voting Rights

- If a voting card is received without giving any indication of approval or disapproval of any or all of the proposals, it will be counted as a vote for the proposal concerned.
- If you vote multiple times via the Internet indicating different positions on the same proposal in each voting exercise, only your most recent vote will count as valid.
- If you exercise your voting rights both in writing and via the Internet, only the vote placed via the Internet will be treated as valid.
- If you are unable to attend the general meeting of shareholders in person, you may appoint another shareholder with voting rights in the Company to attend as your proxy. Please note, however, that it is necessary to submit a document evidencing the authority of proxy.

#### Internet Disclosure

Pursuant to the relevant laws and regulations and the Company’s Articles of Incorporation, the following items of information are posted on the Company’s website instead of being included in the Reference Documents for General Meeting of Shareholders.

- i) “Consolidated Statement of Changes in Equity” and “Notes to Consolidated Financial Statements” sections of Consolidated Financial Statements
- ii) “Non-consolidated Statement of Changes in Equity” and “Notes to Non-consolidated Financial Statements” sections of Non-consolidated Financial Statements

<https://www.tsumura.co.jp/ir/shareholders/convocation/>

(in Japanese only)

The Consolidated Financial Statements and the Non-consolidated Financial Statements audited by the Audit and Supervisory Committee and the Accounting Auditor include the documents attached to this notice and the Consolidated Statement of Changes in Equity, the Notes to Consolidated Financial Statements, the Non-consolidated Statement of Changes in Equity and the Notes to Non-consolidated Financial Statements posted on the Company’s website.

If any changes are made to the Reference Documents for General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements or the Non-consolidated Financial Statements, such changes will be posted on the Company’s website.

<https://www.tsumura.co.jp/>

## Reference Documents for General Meeting of Shareholders

### ■ Proposal No. 1

#### Proposal No. 1: Appropriation of Surplus

The Company regards the return of profit to shareholders as its important policy. We will aim to achieve sustained growth going forward while maintaining a policy to pay stable dividends, taking into consideration such matters as medium- and long-term levels of earnings and cash flows.

The Company will allocate funds from internal reserves for investment in the areas such as capital expenditure and research and development that are deemed to boost the future corporate value of the Company.

In line with the aforementioned policy, the Company proposes to pay year-end dividends for the current fiscal year as follows:

#### ■ Year-end dividends

1) Type of dividend property

Cash

2) Allotment of dividend property and their aggregate amount

The Company proposes to pay a dividend of ¥32 per common share of the Company.

The total dividends will be ¥2,448,224,608.

3) Effective date of payment of dividends of surplus

June 30, 2022

## **Proposal No. 2**

### **Proposal No. 2: Partial Amendments to the Articles of Incorporation**

#### **1. Reason for proposal**

- (1) Since the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) are to be enforced on September 1, 2022, the Company proposes to make the following changes to its Articles of Incorporation in preparation for the introduction of the system for providing informational materials for the general meeting of shareholders in electronic format.
  - (i) Article 15, paragraph 1) in “Proposed Changes” below will stipulate that the Company shall take measures for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc. in electronic format.
  - (ii) Article 15, paragraph 2) in “Proposed Changes” below will establish the provision to limit the scope of the items to be stated in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents.
  - (iii) Since the provisions for Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc. (Article 15 of the current Articles of Incorporation) will no longer be required, they will be deleted.
  - (iv) Accompanying the aforementioned establishment and deletion of provisions, supplementary provisions regarding the effective date, etc. will be established.
- (2) Since the change to the corporate governance system on June 26, 2015, the Company has not elected Vice Presidents and Directors, Senior Managing Directors, and Managing Directors. From the perspective of clarifying this point and increasing the effectiveness of the Board of Directors, the Company proposes deleting these positions from the provisions of Article 23 of the current Articles of Incorporation.
- (3) As the Company has not had an Advisor since June 29, 2016, the Company proposes deleting this position from the provisions of Article 34 of the current Articles of Incorporation.

**2. Details of the proposed amendments**

Details of the amendments are as follows:

This proposal shall take effect at the conclusion of this General Meeting of Shareholders.

(Changes are underlined)

Current Articles of Incorporation	Proposed Changes
<p><u>(Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc.)</u>  <u>Article 15</u> When the Company convenes a general meeting of shareholders, if it discloses information that is to be stated or presented in the reference documents for the general meeting of shareholders, business report, non-consolidated financial statements and consolidated financial statements through the internet in accordance with the provisions prescribed by the Ministry of Justice Order, it may be deemed that the Company has provided this information to shareholders.</p> <p>(Newly established)</p> <p>(Election of Directors with Positions)            Article 23 The Board of Directors shall resolve to elect one (1) President and Director among Directors (excluding those who are Audit and Supervisory Committee Members), and may elect one (1) Chairperson and Director, <u>and a few Vice Presidents and Directors, Senior Managing Directors, and Managing Directors.</u></p> <p><u>(Advisors and Consultants)</u>            Article 34 The Company may have <u>advisors and</u> consultants by the resolution of the Board of Directors.</p>	<p>(Deleted)</p> <p><u>(Measures, etc. for Providing Information in Electronic Format)</u>  <u>Article 15</u>            1) <u>When the Company convenes a general meeting of shareholders, it shall take measures for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc. in electronic format.</u>            2) <u>Among items for which the measures for providing information in electronic format will be taken, the Company may exclude all or some of those items designated by the Ministry of Justice Order from statements in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents by the record date of voting rights.</u></p> <p>(Election of Directors with Positions)            Article 23 The Board of Directors shall resolve to elect one (1) President and Director among Directors (excluding those who are Audit and Supervisory Committee Members), and may elect one (1) Chairperson and Director.</p> <p>(Consultants)            Article 34 The Company may have consultants by the resolution of the Board of Directors.</p>

Current Articles of Incorporation	Proposed Changes
<p>Supplementary Provision (Transitional Measures for Limited Liability Agreements of Outside Audit &amp; Supervisory Board Members)</p> <p>Regarding the agreement limiting the liability for damages under Article 423, paragraph 1 of the Companies Act concerning an act of Outside Audit &amp; Supervisory Board Members before the conclusion of the 81st Ordinary General Meeting of Shareholders, the provisions of Article 44 of the Articles of Incorporation before the change made by the resolution of the said Ordinary General Meeting of Shareholders shall continue to prevail.</p> <p>(Newly established)</p>	<p>Supplementary Provisions (Transitional Measures for Limited Liability Agreements of Outside Audit &amp; Supervisory Board Members)</p> <p><u>Article 1</u> Regarding the agreement limiting the liability for damages under Article 423, paragraph 1 of the Companies Act concerning an act of Outside Audit &amp; Supervisory Board Members before the conclusion of the 81st Ordinary General Meeting of Shareholders, the provisions of Article 44 of the Articles of Incorporation before the change made by the resolution of the said Ordinary General Meeting of Shareholders shall continue to prevail.</p> <p><u>(Transitional Measures for Measures, etc. for Providing Information in Electronic Format)</u></p> <p><u>Article 2</u></p> <ol style="list-style-type: none"> <li>1) <u>The amendment to the Articles of Incorporation pertaining to Article 15 shall be effective from September 1, 2022, which is the date of enforcement of the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) (hereinafter referred to as the “Date of Enforcement”).</u></li> <li>2) <u>Notwithstanding the provision of the preceding paragraph, Article 15 of the Articles of Incorporation (Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc.) shall remain effective regarding any general meeting of shareholders held on a date within six months from the Date of Enforcement.</u></li> <li>3) <u>These Supplementary Provisions shall be deleted on the date when six months have elapsed from the Date of Enforcement or three months have elapsed from the date of the general meeting of shareholders in the preceding paragraph, whichever is later.</u></li> </ol>

### Proposal No. 3

#### Proposal No. 3: Election of Six (6) Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)

The terms of office of all six (6) Directors (excluding Directors who are Audit and Supervisory Committee Members) will expire at the conclusion of this general meeting. Accordingly, the Company proposes to elect six (6) Directors (excluding Directors who are Audit and Supervisory Committee Members).

Following discussions by the Audit and Supervisory Committee based on deliberations of the Nomination/Remuneration Advisory Committee attended by all of two (2) Outside Directors who are Audit and Supervisory Committee Members, the Audit and Supervisory Committee believes that the nominating procedure was properly followed and all candidates are adequate to serve as Directors of the Company.

The candidates for Directors (excluding Directors who are Audit and Supervisory Committee Members) are as follows:

Candidate No.	Name	Current Position in the Company			
1	Terukazu Kato	President, Representative Director and CEO	Reelection		
2	Kei Sugii	Co-COO	New Election		
3	Muneki Handa	Director, CFO	Reelection		
4	Kenichi Matsui	Outside Director	Reelection	Outside	Independent
5	Hiroshi Miyake	Outside Director	Reelection	Outside	Independent
6	Tadashi Okada	Outside Director	Reelection	Outside	Independent

1	Terukazu Kato	(Age 58)	Current Position in the Company
	Date of Birth August 26, 1963		President, Representative Director and CEO

### Reelection

To our shareholders

The Group launched its new Purpose in April 2022: “Lively Living for Everyone,” and continues to practice management based on its philosophy. At the same time, we formulated a long-term management vision for the next ten years: TSUMURA VISION “Cho-WA” 2031, and we will aim to be “a company that realizes a future of harmony between mind and body, and individual and society.” We will continue striving to propose personalized health care and realize Kampo treatment of pre-symptomatic disease by scientifically defining pre-symptomatic disease.

I would like to thank our shareholders for their support, as we aim to increase corporate value over the medium to long term by co-creating shared value with society.

<ul style="list-style-type: none"> <li>■ Career summary, position and responsibility in the Company, and major positions held outside the Company</li> </ul> <p>Apr. 1986    Joined the Company</p> <p>Aug. 2001    President and Representative Director, TSUMURA USA, INC.</p> <p>Jan. 2006    Head of Public Relations Department, TSUMURA &amp; CO.</p> <p>Apr. 2007    General Manager, Head of Corporate Communications Department, TSUMURA &amp; CO.</p> <p>Jun. 2011    Director and Executive Officer, Head of Corporate Communications Department, TSUMURA &amp; CO.</p> <p>Jun. 2012    President and Representative Director, TSUMURA &amp; CO.</p> <p>Jun. 2015    President and Representative Director and President and Executive Officer, TSUMURA &amp; CO.</p> <p>Jun. 2019    President, Representative Director and CEO, TSUMURA &amp; CO. (incumbent)</p>	<ul style="list-style-type: none"> <li>■ Number of the Company’s Shares Owned 31,700 Shares</li> <li>■ Status of attendance to Board of Directors meeting: 17/17 (100%)</li> <li>■ Material relationship with the Company</li> </ul> <p>None</p>
--	--

● Reasons for the nomination as a candidate for Director

As a chairman of the Board of Directors, Mr. Terukazu Kato has operated the Company’s corporate governance system and strengthened it in several phases, and worked to structure the Board of Directors to have majority Outside Directors, establish the Nomination/Remuneration Advisory Committee with an Outside Director as its committee chairman, and improve the effectiveness of the Board of Directors, while successfully carrying out his responsibilities in making important management decisions and supervising the execution of business.

In addition, he delegated business execution authority to COO (or Co-COO under to cooperative COO system) and finalized the group-wide management policy as well as corporate strategy as CEO, established management system, carried on external negotiations and made efforts in developing management-level human resources. From April 2022, the Company has implemented the corporate philosophy stated in the newly formulated corporate purpose as well as formulated the long-term management vision, TSUMURA VISION “Cho-WA” 2031. In order for the Company to pursue the aim of achieving sustainable growth and enhancing its corporate value through the realization of this vision, the Board of Directors believes that he is one of the most well-qualified candidates.

If his election as a Director is approved, Mr. Kato will assume the position of President, Representative Director and CEO of the Company.



2	Kei Sugii	(Age 52)	Current Position in the Company
	Date of Birth	December 16, 1969	Co-COO

New election

To our shareholders

The Group has made a new start for this fiscal year with its long-term management vision, TSUMURA VISION “Cho-WA” 2031. In an era where a human-centric society that responds to individual needs is being promoted, we will combine Kampo, which is originally an individual-oriented medicine, with new value created by DX with the goal of realizing individualized treatment that is more closely tailored to individuals. Furthermore, through business activities that utilize the gifts of nature, we will pursue the creation of shared value with a sustainable society in ways that are only possible for the Group. At the same time, for the present, I will also make a sincere effort to steadily promote the first phase of the medium-term management plan and meet the expectations of our shareholders.

<ul style="list-style-type: none"> <li>■ Career summary, position and responsibility in the Company, and major positions held outside the Company</li> </ul>	<ul style="list-style-type: none"> <li>■ Number of the Company's Shares Owned 2,000 Shares</li> <li>■ Status of attendance to Board of Directors meeting: –</li> <li>■ Material relationship with in the Company</li> </ul>
<ul style="list-style-type: none"> <li>Apr. 1994    Joined Mitsubishi Petrochemical Engineering Corporation (currently MITSUBISHI CHEMICAL ENGINEERING CORPORATION)</li> <li>Jan. 2006    Joined Accenture Japan Ltd</li> <li>May 2009    Joined the Company</li> <li>Apr. 2013    Head of Logistics Planning Department, TSUMURA &amp; CO.</li> <li>Apr. 2016    Head of SCM Planning Department, TSUMURA &amp; CO.</li> <li>Apr. 2017    General Manager, TSUMURA &amp; CO. General Manager, SHENZHEN TSUMURA MEDICINE CO., LTD.</li> <li>Apr. 2018    General Manager, TSUMURA &amp; CO. Chairman and General Manager, SHENZHEN TSUMURA MEDICINE CO., LTD.</li> <li>Apr. 2020    Executive Officer, Head of Production Division, TSUMURA &amp; CO.</li> <li>Apr. 2022    Co-COO, TSUMURA &amp; CO. (incumbent)</li> </ul>	<p>None</p>

● Reasons for the nomination as a candidate for Director

Mr. Kei Sugii has extensive experience and insight accumulated through his work in a general consulting company. He has served as Chairman and General Manager of the Company's group company in China, and since April 2020, he has acquired experience as Executive Officer, Head of Production Division. In addition, from April 2022, as Co-COO, he has been engaged in group-wide business operation based on management policy and corporate strategy and has been controlling the overall business execution to achieve the plan. Based on the above reasons, the Board of Directors has full confidence in his ability to carry out his responsibilities including making important management decisions at the Board of Directors meetings and supervising the execution of business. Therefore, the Board of Directors nominates him as a candidate for Director.

If his election as a Director is approved, Mr. Sugii will assume the position of Director, Co-COO of the Company.

3	Muneki Handa	(Age 59)	Current Position in the Company
	Date of Birth July 7, 1962		Director, CFO

### Reelection

To our shareholders

Two years has passed since the spread of COVID-19 infection, and human lifestyles and work styles have changed. Furthermore, through economic activities, changes in the status of society have brought change to the way we do business.

In this situation, the Group has formulated a new corporate purpose and the long-term management vision, TSUMURA VISION “Cho-WA” 2031, which has started in this fiscal year. Our aim is to become a company that achieves a future of harmony (“Cho-Wa”) between mind and body, and individual and society. At the same time, we formulated the first phase of the medium-term management plan, and I will be focusing all my strength on achieving it, making every effort to meet the expectations of our shareholders.

<ul style="list-style-type: none"> <li>■ Career summary, position and responsibility in the Company, and major positions held outside the Company</li> </ul>	<ul style="list-style-type: none"> <li>■ Number of the Company's Shares Owned 4,300 Shares</li> <li>■ Status of attendance to Board of Directors meeting: 17/17 (100%)</li> <li>■ Material relationship with in the Company</li> </ul>
<ul style="list-style-type: none"> <li>Apr. 1985    Joined The Mitsubishi Bank, Limited (currently MUFG Bank, Ltd.)</li> <li>Jun. 2014    Executive Officer and Managing Director, Head, Retail Credit Division, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.)</li> <li>Jun. 2015    Deputy President, Mitsubishi UFJ Capital Co., Ltd.</li> <li>Jun. 2016    President, Mitsubishi UFJ Capital Co., Ltd.</li> <li>May 2019    Advisor, TSUMURA &amp; CO.</li> <li>Jun. 2019    Director, Managing Executive Officer and CFO, TSUMURA &amp; CO.</li> <li>Apr. 2021    Director, CFO, TSUMURA &amp; CO. (incumbent)</li> </ul>	<p style="text-align: center;">None</p>

### ● Reasons for the nomination as a candidate for Director

Mr. Muneki Handa has extensive experience and insight through his many years of working at financial institutions, and served as a representative director and president at a venture capital firm. He has executed business as the Executive Officer in charge of corporate planning, accounting and finance, IT, and other aspects, and he possesses extensive insight of public relations, IR, and sustainability, etc. In addition, as CFO, he has executed business relating to group-wide financial strategies, etc. and has formulated management plan based on management policy and corporate strategy. Based on the above reasons, the Board of Directors has full confidence in his ability to carry out his responsibilities including making important management decisions at the Board of Directors meetings and supervising the execution of business. Therefore, the Board of Directors nominates him as a candidate for Director.

If his election as a Director is approved, Mr. Handa will assume the position of Director, CFO of the Company.

4	Kenichi Matsui	(Age 72)	Current Position in the Company
	Date of Birth July 5, 1949		Outside Director

Reelection  Outside  Independent

To our shareholders

The situation remains uncertain and unstable; however, Tsumura has started work on the new 2031 vision. To help as many people as possible enjoy each day in good health, we will expand and grow prescription Kampo formulations while also providing Kampo services in the new areas of pre-symptomatic disease and cures, aiming to make a leap forward in the Kampo health business, which is uniquely possible for the Tsumura.

By supporting the Company's previous vision, we have built a foundation for standardizing Kampo medicines, and by working to strengthen governance and human resource development, I believe we have stabilized management. All Company employees are ready and fired up to achieve the new targets. As an Outside Director, I respond calmly to changes in the management environment, while striving to support risk taking and working to expand corporate value.

<p>■ Career summary, position and responsibility in the Company, and major positions held outside the Company</p> <p>Apr. 1972    Joined Idemitsu Kosan Co., Ltd.</p> <p>Jun. 2001    General Manager of Accounting Department, Idemitsu Kosan Co., Ltd.</p> <p>Apr. 2003    Executive Officer, General Manager of Accounting Department, Idemitsu Kosan Co., Ltd.</p> <p>Jun. 2004    Managing Executive Officer, General Manager of Accounting Department, Idemitsu Kosan Co., Ltd.</p> <p>Jun. 2005    Managing Director, Idemitsu Kosan Co., Ltd.</p> <p>Jun. 2010    Executive Vice President, Representative Director, Idemitsu Kosan Co., Ltd.</p> <p>Jun. 2014    Outside Director, The Mie Bank, Ltd. (currently San ju San Bank, Ltd.)</p> <p>Jun. 2015    Outside Director, TSUMURA &amp; CO. (incumbent)</p> <p>Apr. 2018    Outside Director (Audit and Supervisory Committee Member), The Mie Bank, Ltd. (currently San ju San Bank, Ltd.)</p> <p>May 2021    Outside Director (Audit and Supervisory Committee Member), San ju San Bank, Ltd. (incumbent) (scheduled to retire in June 2022)</p> <p>Jun. 2022    Outside Director (Audit and Supervisory Committee Member), San ju San Financial Group, Inc. (scheduled to assume the position)</p> <p>■ Tenure as an Outside Director</p> <p>At the conclusion of this general meeting, Mr. Matsui will have served in the position for seven (7) years.</p>	<p>■ Number of the Company's Shares Owned 4,800 Shares</p> <p>■ Status of attendance to Board of Directors meeting: 17/17 (100%)</p> <p>■ Material relationship with in the Company</p> <p>None</p>
--	---

● Reasons for the nomination as a candidate for Outside Director and overview of expected role

Mr. Kenichi Matsui has extensive experience and insight as a corporate manager developed over many years. He served as an executive vice president and representative director at a petroleum-related company. In addition, at the Company, he has fully performed his role, including making important management decisions and supervising the execution of business. As committee chairman of the Nomination/Remuneration Advisory Committee, he has led active discussions on nomination and remuneration from an objective and neutral standpoint. Moreover, he leads the management of the Outside Directors' Meeting as its chairman. Based on the above reasons, the Board of Directors has nominated him as a candidate for Outside Director and expects that he will continue to fulfill the above role after being elected. It is also planned to appoint him as committee chairman of the Nomination/Remuneration Advisory Committee again after his election.

5	Hiroshi Miyake	(Age 72)	Current Position in the Company
	Date of Birth August 4, 1949		Outside Director

Reelection  Outside  Independent

To our shareholders

This fiscal year is the first year of the new long-term management vision 2031. I am keen to carry out my duties as an Outside Director with fresh determination. The Company's environment requires management to take factors into account such as an unstable social and economic environment due to geopolitical issues, as well as the response to a highly networked society that has been accelerated by the spread of COVID-19 infection, while the Board of Directors has been required to conduct management taking into consideration not only increasing shareholder value, but also factors such as climate change and diversity. In this situation, to ensure the steady achievement of first phase of the medium-term management plan, which is the first step in the long-term management vision, I intend to provide supervision and leadership, as well as to actively offer proposals.

I ask all of our shareholders for their understanding.

<ul style="list-style-type: none"> <li>■ Career summary, position and responsibility in the Company, and major positions held outside the Company</li> <li>Apr. 1973    Joined Mitsubishi Corporation</li> <li>Oct. 2000    General Manager, Paper &amp; Packaging Raw Materials Division, Mitsubishi Corporation</li> <li>Apr. 2001    Deputy Division COO, General Merchandise Division, Mitsubishi Corporation</li> <li>Apr. 2003    Deputy General Manager, Kansai Branch, Mitsubishi Corporation</li> <li>Apr. 2005    Senior Vice President, Mitsubishi Corporation</li> <li>                  President, Mitsubishi International GmbH, and Deputy Regional CEO for Europe</li> <li>May 2009    Advisor, Tokai Pulp &amp; Paper Co., Ltd.</li> <li>Jun. 2009    Managing Executive Officer, Tokushu Tokai Holdings Co., Ltd.</li> <li>Jun. 2010    Senior Managing Executive Officer, Tokushu Tokai Paper Co., Ltd.</li> <li>Jun. 2014    Director, Executive Vice President, Tokushu Tokai Paper Co., Ltd.</li> <li>Jun. 2015    Representative Director, Executive Vice President, Tokushu Tokai Paper Co., Ltd.</li> <li>Jun. 2016    Advisor, Tokushu Tokai Paper Co., Ltd.</li> <li>Oct. 2016    Advisor, Nippon Tokai Industrial Paper Supply Co., Ltd.</li> <li>Jun. 2018    Outside Director, TSUMURA &amp; CO. (incumbent)</li> <li>■ Tenure as an Outside Director</li> <li>At the conclusion of this general meeting, Mr. Miyake will have served in the position for four (4) years.</li> </ul>	<ul style="list-style-type: none"> <li>■ Number of the Company's Shares Owned 2,000 Shares</li> <li>■ Status of attendance to Board of Directors meeting: 17/17 (100%)</li> <li>■ Material relationship with in the Company</li> </ul> <p style="text-align: center;">None</p>
--	--

- Reasons for the nomination as a candidate for Outside Director and overview of expected role
- Mr. Hiroshi Miyake has extensive experience and insight as a corporate manager developed over many years and business experience in and outside Japan. He served as a president of the local subsidiary of a general trading company in Germany. In addition, at the Company, he has fully performed his role, including making important management decisions and supervising the execution of business. At the Board of Directors and Nomination/Remuneration Advisory Committee, he proactively makes statements and deepens discussions contributing to sound corporate management. Based on the above reasons, the Board of Directors has nominated him as a candidate for Outside Director and expects that he will continue to fulfill the above role after being elected. It is also planned to appoint him as a member of the Nomination/Remuneration Advisory Committee again after his election.

6	Tadashi Okada	(Age 66)	Current Position in the Company
	Date of Birth	May 1, 1956	Outside Director

Reelection  Outside  Independent

To our shareholders

With the protracted impacts of COVID-19 and soaring resource prices, the Company's business environment has become disconnected from the trends of the past and difficult to predict. In this situation, the Company has established the long-term vision and formulated a new medium-term plan. Aiming for continuous growth and increase in corporate value of the medium to long term, the Company will engage in various measures based on the medium-term plan, including proactive investment. I will draw on my experience and knowledge to date to contribute to activities aimed at solving these issues. I will also continue working to strengthen the supervision function of the Board of Directors.

<ul style="list-style-type: none"> <li>■ Career summary, position and responsibility in the Company, and major positions held outside the Company</li> <li>Apr. 1979    Joined Komatsu Ltd.</li> <li>Apr. 2000    General Manager of Business Development Department, Komatsu Ltd.</li> <li>Apr. 2003    Vice President of Komatsu (China) Ltd.</li> <li>Apr. 2006    General Manager of Corporate Communications Department, Komatsu Ltd.</li> <li>Apr. 2007    Executive Officer, General Manager of Corporate Communications Department, Komatsu Ltd.</li> <li>Apr. 2008    Executive Officer, General Manager of Corporate Planning Division, Komatsu Ltd.</li> <li>Feb. 2009    Executive Officer, Vice President of Industrial Machinery General Headquarters, Komatsu Ltd.</li> <li>Apr. 2011    Senior Executive Officer, President of Industrial Machinery Division, Komatsu Ltd.</li> <li>Apr. 2014    Senior Executive Officer, Supervising Corporate Communications, CSR, General Affairs, and Compliance, Komatsu Ltd.</li> <li>Jun. 2017    Representative Director and Chairman of QUALICA Inc.</li> <li>Jun. 2020    Outside Director, TSUMURA &amp; CO. (incumbent)</li> <li>■ Tenure as an Outside Director</li> <li>At the conclusion of this general meeting, Mr. Okada will have served in the position for two (2) years.</li> </ul>	<ul style="list-style-type: none"> <li>■ Number of the Company's Shares Owned 200 Shares</li> <li>■ Status of attendance to Board of Directors meeting: 17/17 (100%)</li> <li>■ Material relationship with in the Company</li> </ul>
	None

- Reasons for the nomination as a candidate for Outside Director and overview of expected role
- Mr. Tadashi Okada has extensive experience and insight as a corporate manager developed over many years and business experience in and outside Japan. In China, he served as a vice president of the China business headquarters of a construction machinery company. In addition, at the Company, he has fully performed his role, including making important management decisions and supervising the execution of business. At the Board of Directors and Nomination/Remuneration Advisory Committee, he proactively makes statements and deepens discussions contributing to the sustainable enhancement of corporate value. Based on the above reasons, the Board of Directors has nominated him as a candidate for Outside Director and expects that he will continue to fulfill the above role after being elected. It is also planned to appoint him as a member of the Nomination/Remuneration Advisory Committee again after his election.

(Note 1) The respective ages stated for each candidate are current as of June 29, 2022.

(Note 2) The status of attendance to the Board of Directors meeting stated for each candidate is based on data for fiscal 2021 (from April 1, 2021 to March 31, 2022).

(Note 3) For other notes regarding candidates, please refer to the next page.

■ The candidate for Director

1. Independent officer

The Company has deemed that the candidate for Outside Director has a high degree of independence because he/she satisfies the Company's Standards for Determination of Independence of Outside Directors.

The Company has submitted notification to Tokyo Stock Exchange, Inc. that the candidate has been appointed as an independent officer as provided for in Article 436-2 of the Securities Listing Regulations of the aforementioned exchange.

2. Entering into a limited liability agreement

Pursuant to Article 427, paragraph 1 of the Companies Act and the Company's Articles of Incorporation, the Company has entered into an agreement with the candidate for Outside Director to limit his/her liability for damages arising from neglecting his/her duties under Article 423, paragraph 1 of the Companies Act. The limit under the agreement is the amount provided for by the applicable laws and regulations. If the candidate for Outside Director is reelected, the Company plans to renew the aforementioned limited liability agreement.

3. Entering into a directors and officers liability insurance policy

Pursuant to Article 430-3, paragraph 1 of the Companies Act, the Company has entered into a directors and officers liability insurance policy with an insurance company. The policy covers losses, such as amount of indemnification and court costs, incurred in cases where an insured receives claims for damages from shareholders, the Company, employees or third parties during the insurance period arising from the performance of the Company's duties of the insured. The insureds in the policy are Directors, Executive Officers, and Officers, etc. of Group companies who has been seconded or dispatched from the Company. The Company plans to renew the policy with each candidate on July 1, 2022, which is during their terms of office.

**(Reference)**

**Standards for Determination of Independence of Outside Directors**

Of the Company's Outside Directors, outside officers who do not fall under any of the following items shall be determined to have independence.

- 
1. Person who is or was in the past ten (10) years an Executive Director, Executive Officer (*Shikkoyaku*), Executive Officer (*Shikkoyakuin*), Manager, General Manager, employee, etc. (hereinafter referred to as "executives") of the Company or its consolidated subsidiaries

---

  2. Person or executives of a legal entity holding, whether directly or indirectly, 10% or more of the total number of voting rights of the Company

---

  3. Party for whom the Company or its consolidated subsidiaries <sup>(\*1)</sup> is a major business partner or executives of such party
    - \*1. Party is defined as a "party for whom the Company or its consolidated subsidiaries is a major business partner" if payment from the Company or its consolidated subsidiaries which such party receives is 2% or more of its annual transaction value (non-consolidated) in the most recent fiscal year, or if monetary finance from the Company or its consolidated subsidiaries which such party is receiving is 2% or more of its consolidated total assets in the most recent fiscal year.

---

  4. Major business partner of the Company or its consolidated subsidiaries <sup>(\*2)</sup> or the executives of such business partner
    - \*2. Business partner is defined as a "major business partner of the Company or its consolidated subsidiaries" if payment from such business partner which the Company or its consolidated subsidiaries receives is 2% or more of its annual consolidated transaction value in the most recent fiscal year, or if monetary finance from such business partner which the Company or its consolidated subsidiaries is receiving is 2% or more of the Company's consolidated total assets in the most recent fiscal year.

---

  5. Audit corporation that serves as Accounting Auditor of the Company or its consolidated subsidiaries, or partners and others of the audit corporation

---

  6. Consultant, attorney, certified public accountant and others who provide professional services and obtain monetary and other financial benefits exceeding a cumulative amount of ¥10 million in the most recent fiscal year from the Company, excluding officer compensation (if such financial benefits are obtained by an organization including a legal entity and a partnership, etc. this shall apply to the person belonging to such organization.)

---

  7. Person or executives of a legal entity receiving donations, grants and others in the amount exceeding ¥10 million from the Company or its consolidated subsidiaries in the most recent fiscal year

---

  8. Person to whom items 2 through 7 apply during the past three (3) years

---

  9. Person who is or was recently a spouse or within a second degree of consanguinity of executives in an important position of the Company or its consolidated subsidiaries (hereinafter referred to as "close relative")

---

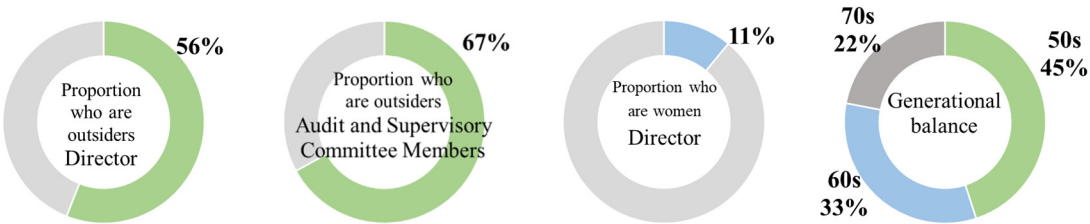
  10. Close relative of a person to whom any of the items 2 through 7 apply (excluding people who are not in an important position)
-

**(Reference)**  
**Approach to Diversity of Directors**

The Tsumura Group formulates its long-term management visions and medium-term management plans in response to social demand and changes in the operating environment, and initiates 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.










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





(Reference) Skill Matrix of the Company's Board of Directors

We have selected the following skills that the Board of Directors needs in order to carry out the decision-making and management supervisory function for achieving the long-term management vision, TSUMURA VISION "Cho-WA" 2031. If Proposal No. 3 is approved as originally proposed at this Ordinary General Meeting of Shareholders, the composition of the Board of Directors and the skills possessed by each Director and Audit and Supervisory Committee Member will be as follows:

	Name	Gender	Age	Outside Independent	Corporate Management	Global	Sales / marketing	SDGs ESG	IT	Financial accounting	Legal risk management	Human resources management
Directors	Terukazu Kato		58		●	●	●	●	●	●		●
	Kei Sugii		52		●	●		●	●			
	Muneki Handa		59		●		●	●	●	●	●	●
	Kenichi Matsui		72	○	●			●		●	●	
	Hiroshi Miyake		72	○	●	●	●	●	●		●	
	Tadashi Okada		66	○	●	●		●	●		●	
Directors who are Audit and Supervisory Committee Members	Kimikazu Okochi		63			●				●		
	Mitsutoshi Matsushita (attorney at law)		51	○							●	
	Akemi Mochizuki (certified public accountant)		68	○						●		

## Proposal No. 4

**Proposal No. 4:** Revision of Performance-Linked Stock Compensation Plan for Directors (Excluding Directors Who Are Audit and Supervisory Committee Members and Non-executive Directors) and Executive Officers Who Have Entered Into a Service Agreement With the Company

### 1. Reason for Proposal and Reason the Compensation is Appropriate

In the 83rd Ordinary General Meeting of Shareholders held on June 27, 2019, the Company was given approval of the partial revision of the performance-linked stock compensation plan (hereinafter referred to as the “Plan”) for Directors (excluding Directors who are Audit and Supervisory Committee Members and non-executive Directors) and Executive Officers (*Shikkoyakuin*) who have entered into a service agreement with the Company (hereinafter collectively referred to as “Directors, etc.”), and the Plan has remained the same to this day.

The Company has newly established the Sustainability Vision and the long-term management vision: TSUMURA VISION “Cho-WA” 2031 (hereinafter collectively referred to as “long-term vision”) by taking a backcasting approach from the Corporate Purpose, which is Lively Living for Everyone, under the philosophy- and vision-based management that set out the Corporate Purpose. The Company has established the medium-term management plan as a milestone for the realization of the long-term vision, and aims to create new markets and improve people’s well-being with an eye to the long-term future.

As part of these efforts, under the basic concept of “pay for purpose” the Company will revise the structure of the Plan into two categories by newly introducing Long Term Incentive (LTI)-II, which is aimed at realizing the long-term vision, in addition to LTI-I, which is aimed at realizing the medium-term management plan, with the objectives of further clarifying the link between compensation for Directors, etc. and the Company’s corporate value, encouraging them to take on the challenge of realizing the long-term vision, and further raising their awareness about contributing to sustainable growth and enhancement of corporate value. In addition, in conjunction with the revision of the Plan, a trust-type stock compensation plan for Directors, etc. (hereinafter referred to as the “Trust”) will be introduced to replace the Performance Share Units. Subject to the adoption of this Proposal as originally proposed, the Performance Share Units will be discontinued, and no further shares will be granted from the Performance Share Units after the granting of shares corresponding to the period from the fiscal year ended March 31, 2020 to the fiscal year ended March 31, 2022.

In addition, although non-residents of Japan will be included in the scope of the Plan, if it is difficult to include them in the scope of the Plan due to the legal system of their country of residence or other reasons, the Company may pay them cash equivalent to the delivery of the Company’s shares, etc. in lieu of the Plan.

The Company seeks approval from shareholders for the amount and details of compensation, etc. under the Plan.

If Proposal No. 3: “Election of Six (6) Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)” is adopted as originally proposed at this General Meeting of Shareholders, the number of Directors, etc. who are eligible for the Plan will be a total of 14, comprising three (3) Directors (excluding Directors who are Audit and Supervisory Committee Members and non-executive Directors) and 11 Executive Officers (*Shikkoyakuin*); provided, however, the number of eligible persons for the Plan may vary depending on their appointment and retirement from office as Directors, etc. during the Plan period.

In addition, with regards to the details of this Proposal, the revision of the Plan is intended to further clarify the link between compensation for Directors, etc. and the Company’s corporate value, further raise their awareness about contributing to sustainable growth and enhancement of corporate value, and promote sharing of interests with shareholders. The Company has determined that the compensation framework is necessary and reasonable in light of the standards for calculating the amount of compensation and the number of Directors, etc. eligible to be granted compensation set forth in the Company’s policy for determining the details of compensation, etc. for individual Directors (subject to the adoption of this Proposal as originally proposed, it is planned to change the details thereof as

described in the Reference Document for the General Meeting of Shareholders on pages 23-29 (for reference).

This Proposal is submitted based on the results of deliberations by the Nomination/Remuneration Advisory Committee and the content of a resolution of the Board of Directors.

## 2. Amount and other details of the compensation, etc. of the Plan

### (1) Outline of the Plan

The Plan is a stock compensation plan under which the Company's share will be acquired through a trust funded by money contributed by the Company, and the Company's shares and cash equivalent to the amount from the conversion into money of the Company's shares (hereinafter referred to as the "Company's Shares, etc.") are delivered to and paid to the Directors, etc. through the Trust (hereinafter referred to as "Delivery, etc."). The Plan is composed of LTI-I, which implements Delivery, etc. of the Company's Shares, etc. linked with the achievement ratio etc. of performance targets in the medium-term management plan based on roles, duties, etc., and LTI-II, which implements Delivery, etc. of the Company's Shares, etc. linked with the ratio of realization of the long-term vision based on roles, duties, etc. (The details are as described in (2) below and thereafter.)

(i) Persons eligible for Delivery, etc. of the Company's Shares, etc. subject to the Proposal	<ul style="list-style-type: none"> <li>Directors (excluding Directors who are Audit and Supervisory Committee Members and non-executive Directors) and Executive Officers (<i>Shikkoyakuin</i>) who have entered into a service agreement with the Company</li> </ul>	
(ii) Effect of the Company's shares subject to the Proposal on the total number of issued shares		
Maximum limit of money to be contributed by the Company (as described in (2) below)	<ul style="list-style-type: none"> <li>The maximum amount per fiscal year is ¥290 million multiplied by the number of years corresponding to the Plan period, with a maximum of ¥870 million for the three fiscal years from the initial Plan period from the fiscal year ending on March 31, 2023 to the fiscal year ending on March 31, 2025.</li> </ul>	
Maximum limit on the number of the Company's Shares, etc. for Delivery, etc. to Directors, etc. and the method of acquisition of the Company's shares (as described in (2) and (3) below)	<ul style="list-style-type: none"> <li>The maximum number of points to be granted to Directors, etc. per fiscal year is 100,000 points, and the maximum number of points to be granted to Directors, etc. for the three fiscal years which are the initial Plan period is 300,000 points (the Delivery etc. will be made to the Directors, etc. on the basis of one of the Company's Shares, etc. for each point).</li> <li>The ratio of the number of the Company's shares equivalent to the points per fiscal year to the number of issued shares (as of March 31, 2022, after deduction of treasury shares) is approximately 0.1%.</li> <li>No dilution will occur because the Company's shares will be acquired from the stock market.</li> </ul>	
(iii) Details of performance achievement conditions (as described in (3) below)	LTI-I (Composition ratio 50%)	The performance-linked coefficient (LTI-I) will vary in the range of 15% to 150% depending on the achievement ratio, etc. of the performance targets in the medium-term management plan. The indicators for evaluating the achievement ratio, etc. of performance targets will include consolidated net sales, consolidated operating profit, consolidated ROE (average for the Plan period), and the achievement ratio, etc. of business targets to be set for each individual.
	LTI-II (Composition ratio 50%)	The performance-linked coefficient (LTI-II) will vary in the range of 0% to 150% (0% to 100% for the period until March 31, 2028) depending on the achievement ratio, etc. of the progress targets for realizing the long-term vision set for each Plan period. The indicators for evaluating the achievement ratio, etc. of progress targets will be non-financial indicators including corporate value (relative TSR <sup>(*)</sup> ), sustainability, corporate governance, and business value (percentage of overseas business sales).

(iv) Timing of Delivery, etc. of the Company's Shares, etc. to Directors, etc. (as described in (4) below)	LTI-I	After the end of the Plan period <sup>(*2)</sup>
	LTI-II	After retirement <sup>(*2)</sup>

(\*1) TSR: Total Shareholder Returns

(\*2) However, Directors, etc. shall continue to hold the Company's shares delivered through the Plan until one year has elapsed since their retirement.

**(2) Maximum Limit of Money to be Contributed by the Company**

The period covered by the Plan shall be the fiscal years covered by the Company's medium-term management plan (hereinafter referred to as the "Plan Period"). The initial Plan Period of the Plan shall be the three fiscal years from the fiscal year ending March 31, 2023 to the fiscal year ending March 31, 2025.

The Company will contribute funds in trust in the amount of ¥290 million multiplied by the number of years in the relevant Plan Period (¥870 million for the three fiscal years that are the initial Plan Period), and establish a trust for a period equivalent to the Plan Period with Directors, etc., who satisfy the requirements of beneficiaries, as the beneficiaries. The Trust will acquire the Company's shares from the stock market all together using the money entrusted to it as the source of funds, in accordance with the instructions of the trust manager. During the Plan Period, the Company will grant points to Directors, etc. as set forth in (3) below, and the Trust will implement Delivery, etc. of the Company's Shares, etc. corresponding to the number of points.

At the expiration of the trust period of the Trust, instead of newly establishing the Trust, the Trust may be continued by amending the trust agreement and making an additional trust. In this case, the number of years corresponding to the medium-term management plan the Company has established at that time will become the new Plan Period, and the trust period will be extended for the same period as the new Plan Period. The Company will make an additional contribution within the amount of ¥290 million multiplied by the number of years in the new Plan Period for each extended Plan Period, and will continue the grant of points and Delivery, etc. of the Company's shares, etc. to Directors, etc. for each extended Plan Period.

However, in the case of such an additional contribution, when the Company's shares (excluding the Company's shares corresponding to the points granted to Directors, etc., which have not yet been implemented Delivery, etc.) and cash remain in the trust assets on the last day of the trust period before extension (hereinafter referred to as "Remaining Shares, etc."), the total amount of the Remaining Shares, etc. and the additional funds in trust to be contributed shall be within the range of ¥290 million multiplied by the number of years of the relevant new Plan Period.

In addition, if no amendment is made to the trust agreement and an additional trust is not made at the expiration of the trust period of the Trust, points shall not be granted to Directors, etc. thereafter. However, if, at the expiration of the trust period, Directors, etc. who may satisfy the requirements for beneficiaries are still in office, the Trust may be extended for up to ten years until such Directors, etc. retire and the Delivery, etc. of the Company's Shares, etc. is completed, instead of terminating the Trust immediately.

**(3) Method of Calculation and Maximum Limit of the Number of the Company's Shares, etc. to be Acquired by Directors, etc.**

Delivery, etc. of the Company's Shares, etc. to the Directors, etc. will be made after the end of the Plan Period for LTI-I and after their retirement for LTI-II as set forth in (4) below.

Directors, etc. shall be granted share delivery points (LTI-I and LTI-II) as set forth in 1) and 2) below as a prerequisite for the Delivery, etc. of the Company's Shares, etc., and Delivery etc. will be made on the basis of one share for each point (LTI-I and LTI-II), and any fraction less than one point shall be rounded down.

1) Share Delivery Points (LTI-I)

The share delivery points (LTI-I) for Directors, etc. will be calculated by accumulating the total of the basic points<sup>(\*1)</sup> granted in each fiscal year during the Plan Period and multiplying the accumulated total by the performance-linked coefficient (LTI-I)<sup>(\*2)</sup> after the end of the Plan Period.

2) Share Delivery Points (LTI-II)

The share delivery points (LTI-II) for Directors, etc. are the total performance-linked points calculated by accumulating the total of the basic points<sup>(\*1)</sup> granted in each fiscal year during the Plan Period and multiplying the accumulated total by the performance-linked coefficient (LTI-II)<sup>(\*3)</sup> after the end of the Plan Period.

(\*1) The amount determined in accordance with the compensation standards based on the roles, duties, etc. of Directors, etc., is divided by the reference share price (the average closing price of ordinary transactions (rounded down to the nearest whole number) of the Company's common shares on the Tokyo Stock Exchange in March immediately preceding the start of the Plan Period).

(\*2) The performance-linked coefficient (LTI-I) will be set in the range of 15% to 150% depending on the achievement ratio, etc. of the performance targets in the medium-term management plan. The indicators for evaluating the achievement ratio, etc. of performance targets shall be consolidated net sales, consolidated operating profit, consolidated ROE (average for the Plan Period), and the achievement ratio, etc. of business targets to be set for each individual.

(\*3) The performance-linked coefficient (LTI-II) will be set in the range of 0% to 150% (0% to 100% for the period until March 31, 2028) depending on the achievement ratio, etc. of the progress targets for realizing the long-term vision set for each Plan Period. The indicators for evaluating the achievement ratio, etc. of progress targets will be non-financial indicators including corporate value (relative TSR), sustainability, corporate governance, and business value (percentage of overseas business sales).

The maximum number of points to be granted to Directors, etc. for the Plan Period of the Trust shall be up to 100,000 points per fiscal year multiplied by the number of years of the Plan Period (hereinafter referred to as the "Maximum Number of Points Granted"). Therefore, the Maximum Number of Points Granted corresponding to the initial Plan Period covering three fiscal years will be 300,000 points. If the Trust is continued in accordance with (2) above, the Maximum Number of Points Granted for the extended Plan Period shall be 100,000 points multiplied by the number of years of the new Plan Period.

This maximum total number of points has been set based on the maximum amount of funds in trust in (2) above, with reference to the most recent share price and other factors.

In the event of a stock split or reverse stock split of the Company's shares during the trust period, the Company will adjust the number of points and the Maximum Number of Points Granted to Directors, etc. in accordance with the split ratio, reverse stock split ratio, etc.

**(4) Method and Timing of Delivery, etc. of the Company's Shares, etc. to Directors, etc.**

1) LTI-I

The timing of Delivery, etc. of the Company's shares, etc. for LTI-I will be after the end of the Plan Period. Directors, etc. who satisfy the requirements for beneficiaries will receive the Company's shares corresponding to 50% of the number of share delivery points (LTI-I) (shares of less than one unit to be rounded down). The Company's shares corresponding to the remaining number of share delivery points (LTI-I) shall be converted into cash within the Trust, and Directors, etc. shall receive a cash payment equivalent to the amount of the conversion price.

In the event that any of the Directors, etc. dies before the end of the Plan Period, the number of share delivery points (LTI-I) shall be calculated in accordance with the degree of progress of the medium-term management plan at that point in time, and the Company's shares that correspond to such points shall be converted into cash within the Trust, and the heirs of such Directors, etc. shall receive a cash payment equivalent to the amount of the conversion price.

2) LTI-II

The timing of Delivery, etc. of the Company's shares, etc. for LTI-II will be after the retirement of Directors, etc.

Directors, etc. who satisfy the requirements for beneficiaries will receive the Company's shares corresponding to 50% of the number of share delivery points (LTI-II) (shares of less than one unit to be rounded down) calculated at the time of retirement. The Company's shares corresponding to the remaining number of share delivery points (LTI-II) shall be converted into cash within the Trust, and the Directors, etc. shall receive a cash payment equivalent to the amount of the conversion price.

In the event that any of the Directors, etc. dies during the term of office, the number of share delivery points (LTI-II) shall be calculated in accordance with the degree of progress of the long-term vision at that point in time, and the Company's shares that correspond to such points shall be converted into cash within the Trust, and the heirs of such Directors, etc. shall receive a cash payment equivalent to the amount of the conversion price.

Directors, etc. shall continue to hold the Company's shares delivered through the Plan until one year has elapsed since their retirement.

**(5) Handling of the Dividends on the Company's Shares Within the Trust**

The dividends for the Company's shares within the Trust shall be received by the Trust and allocated to the trust fees and expenses of the Trust.

**(6) Voting Rights Related to the Company's Shares**

The voting rights for the Company's shares within the Trust shall not be exercised during the trust period in order to ensure management neutrality.

**(7) Other Details of the Plan**

Other details regarding the Plan will be determined by the Board of Directors on each occasion when the Trust is established, the trust agreement is amended and additional contributions are made to the Trust.

## **(Reference)**

### **○ Background of the revision of the compensation plan**

In pursuit of realizing our corporate philosophy of “The Best of Nature and Science” and corporate mission of “To contribute to the unparalleled medical therapeutic power of the combination of Kampo medicine and Western medicine,” we have formulated long-term management visions based on the basic principles and medium-term management plans serving as milestones to achieve such visions; thus, we have been practicing management that integrates our basic principles, long-term management visions and medium-term management plans.

This time, we have defined our business commitment of “Lively Living for Everyone,” our Corporate Purpose we are trying to ultimately achieve, as a social mission that connects the starting point of the company with the future 50 and 100 years from now, and formulated a “Sustainability Vision” and “Long-Term Business Vision 2031” (hereinafter collectively referred to as “long-term visions”) by taking a backcasting approach from the Corporate Purpose.

Our business consists of the “Kampo value chain” that begins with the cultivation of crude drugs, and is deeply connected with the natural environment. We want to continue to be the company that is most sensitive to changes and crises in the natural environment by squarely facing the “nature” that forms the basis of our business and continuously providing traditional pharmaceutical products of natural origin as a shared value with society by taking a scientific approach. To this end, we are declaring various initiatives such as conservation of the natural environment, diversity and inclusion in our “Sustainability Vision.” In addition, in our “Long-term Management Vision 2031,” we declare the expansion of Kampo standard treatment, the individualization of Kampo treatment and our initiatives for development in the business area of Chinese Operations, with the goal of living up to the concept of “Cho-WA: Creating a Future of Harmony.” Both of the long-term visions include extremely challenging contents, but we believe that it is necessary to steadily realize them in order to continuously enhance our corporate value and implement the Corporate Purpose.

Since it is essential for the management team to make united efforts to realize the long-term visions, the Nomination/Remuneration Advisory Committee discussed incentives for the management team for one year and decided to revise the compensation plan and policy for determining the contents of compensation for Directors (excluding Directors who are Audit and Supervisory Committee Members and non-executive Directors; the same shall apply hereinafter). The submission of a proposal to this General Meeting of Shareholders, the premise of this revision, was decided by a resolution of the Board of Directors based on the results of the report from the Nomination/Remuneration Advisory Committee. If the proposal is approved in its original form by this General Meeting of Shareholders, the revised compensation plan is to be applied from fiscal 2022.

The main points of the revised compensation plan for Directors are as follows.

1. Based on our business management and long-term visions, the concept of Pay-for-Purpose will be the basis for the compensation plan for Directors.
2. With the aim of promoting challenges toward the realization of the long-term visions and further raising awareness of contributions to sustainable growth and enhancement of corporate value, we will introduce a long-term incentive system that further enhances the link between compensation for Directors and corporate value.
3. For the purpose of realizing our long-term visions, we aim to build a business foundation that enables sustainable growth by adopting not only evaluations based on current financial figures but also those based on non-financial indicators.

The compensation plan for executive officers will be revised in line with the same contents and policy of the compensation plan for Directors.

## ○ Outline of our new director compensation system

After continuous deliberation by the Nomination/Remuneration Advisory Committee, we decided to ask shareholders to approve revision of the Performance-Linked Stock Compensation Plan at the meetings of the Board of Directors held on May 10, 2022. If approved by shareholders at the 86th Ordinary General Meeting of Shareholders held on June 29, 2022, the outline of the new compensation system will be as follows.

### Policy regarding decisions on the contents of compensation for Directors (excluding Directors who are Audit and Supervisory Committee Members and non-executive Directors)

#### 1. Basic policy

Compensation for the Directors of our Company will be determined based on the following policy according to the basic concept of Pay-for-Purpose.

- 1) It shall reward the realization of the vision based on philosophy-based management upholding the Corporate Purpose, which forms the basis of Tsumura's group-wide management.
- 2) It shall reward Tsumura's sustainable growth achieved by gaining the trust of stakeholders through our initiatives for sustainability and governance as well as by solving social issues.
- 3) It shall motivate them to attempt to achieve lofty goals
  - Rewarding each executive's eagerness to achieve lofty goals
  - Rewarding an accomplishment by a "management team" that is essential for achieving lofty goals

#### 2. Compensation system

Compensation for Directors of our Company consists of basic compensation (fixed portion and portion linked to short-term performance) and performance-linked stock compensation (LTI-I, and LTI-II), in which the portion linked to short-term performance in basic compensation and the performance-linked stock-based compensation are positioned as incentives (variable compensation). The position and outline of each type of compensation is as follows.

	Type of compensation	Purpose/Outline
Fixed	Basic compensation (monetary) Fixed portion	Fixed compensation according to roles, duties, etc.
Variable	Basic compensation (monetary) Portion linked to short-term performance	Annual incentives to reward the Company's performance in each fiscal year and efforts for the achievement of business targets set by each individual <ul style="list-style-type: none"><li>• The standard amount of compensation to be paid at the time of target achievement is set at a fixed ratio to the total compensation according to the role, duties, etc.</li><li>• The specific amount of payment is determined in the range from 15% to 150% of the standard amount according to the business target achievement ratio in each fiscal year.</li><li>• It is paid in money monthly together with the fixed portion.</li></ul>



Type of compensation		Purpose/Outline
Performance-linked stock compensation (non-monetary)	LTI-I (linked to medium-term performance)	<p>Medium-term incentives to reward efforts to realize the medium-term management plan</p> <ul style="list-style-type: none"> <li>With basic points assigned according to roles, duties, etc. every year and accumulated, the Company's shares will be delivered (50% is paid in money for tax purposes) to correspond to the number of points obtained after changing such points according to the achievement ratio of the medium-term management plan and the business targets set by each individual.</li> <li>The concrete number of shares to be delivered is determined within the range from 15% to 150% of the accumulated total of basic points.</li> <li>As a general rule, they will be delivered in a lump sum around July immediately after the end of the medium-term management plan.</li> </ul>
	LTI-II (linked to long-term vision)	<p>Long-term incentives to encourage Directors to take up challenges toward realizing a long-term vision</p> <ul style="list-style-type: none"> <li>With basic points assigned according to their roles, duties, etc. every year and accumulated, the Company's shares will be delivered (50% is paid in money for tax payment purposes) to correspond to the total number of points obtained after changing such points according to the progress status and target achievement ratio toward the realization of the long-term vision after the end of the medium-term management plan period.</li> <li>The concrete number of shares to be delivered is determined within the range from 0% to 150% of the accumulated total of basic points.</li> <li>As a general rule, they will be delivered in a lump sum after retirement.</li> </ul>

### 3. Compensation level

Given the business environment surrounding the Company, the Company makes a comparison of compensation levels between the Company and industry peers or other companies of the same size as that of the Company in an objective manner by utilizing survey data from third-party specialists and considering the salary levels of the Company's employees, and sets compensation levels consistent with their roles, duties, etc.

### 4. Composition of compensation

Regarding the ratio of compensation for the Company's Directors by type, their compensation is composed as follows so as to ensure that they contribute to the sustainable growth and enhancement of corporate value of the Company by referring to the trends of our industry peers, or those of similar size, based on survey data provided by third-party specialists.

#### ■ When LTI-II is provided

Fixed portion [55%]	Portion linked to short-term performance Short-term incentive [25%]	LTI-I Medium-term incentive [10%]	LTI-II Long-term incentive [10%]
Basic compensation (cash)		Performance-linked stock compensation (non-monetary)	
Fixed		Variable	

\* The component ratios reflect the standard amounts of compensation for each role and duty, etc.

\* This is a model where the target achievement ratio related to performance-linked compensation is 100%.

■ When LTI-II is not provided

Fixed portion [60%]	Portion linked to short-term performance Short-term incentive [30%]	LTI-I Medium- term incentive [10%]
Basic compensation (cash)		Performanc e-linked stock compensa- tion (non- monetary)
← Fixed →		← Variable →

## 5. Incentive compensation plan

### [Short-term incentive: Portion linked to short-term performance (basic compensation)]

The payment amount of the portion linked to short-term performance in the basic compensation is determined based on the achievement ratios of consolidated net sales and consolidated operating profit in each fiscal year, which are used as indicators for numerical targets in the medium-term management plan, as well as on the achievement ratios with respect to business targets set by each Director as the person responsible for business execution.

The allocation ratio and fluctuation range of each evaluation indicator are as follows.

#### (1) Allocation ratio and fluctuation range of each evaluation indicator

Evaluation indicators	Allocation ratio	Fluctuation range of coefficients
Consolidated net sales	25-35%	0-150%
Consolidated operating profit	25-35%	0-150%
Achievement ratios with respect to business targets set by each individual	30-50%	50-150%
Total	100%	15-150%

### [Medium-term incentive: LTI-I (Performance-linked stock compensation)]

The number of shares to be delivered as LTI-I is determined based on the achievement ratios of consolidated net sales, consolidated operating profit, and consolidated ROE (average during the Plan Period), which are established as indicators for numerical targets in the medium-term management plan, as well as on the achievement ratios with respect to business targets set by each Director as the person responsible for business execution. At the time of share delivery, 50% of the shares to be delivered will be provided after converting them into cash for the purpose of allocating them for tax payment funds. Delivery of shares and payment of money to each Director will be carried out through the Director compensation Board Incentive Plan (BIP) Trust (hereinafter referred to as BIP Trust) of Mitsubishi UFJ Trust and Banking Corporation.

Calculation formula for the number of shares to be delivered and the allocation ratio and fluctuation range of each evaluation indicator are as follows.

#### (1) Calculation formula for stock compensation (linked to medium-term performance)

Basic points

= Amount determined according to compensation standards based on the role and duty, etc. of a Director  
 ÷ Reference stock price<sup>(\*)</sup>

Number of shares to be delivered

= Cumulative number of basic points during the medium-term management plan period × Performance-linked coefficient

(\*) Average value of closing prices of regular transactions of the Company's shares on the Tokyo Stock Exchange in March immediately before the start of the medium-term management plan period (decimals rounded down).

(2) Allocation ratio and fluctuation range of each evaluation indicator

Evaluation indicators	Allocation ratio	Fluctuation range of coefficients
Consolidated net sales	30%	0-150%
Consolidated operating profit	20%	0-150%
Consolidated ROE (average during the Plan Period)	20%	0-150%
Achievement ratios with respect to business targets set by each individual	30%	50-150%
Total	100%	15-150%

**[Long-term incentive: LTI-II (Performance-linked stock compensation)]**

The number of shares to be delivered as LTI-II is determined based on the achievement ratios related to corporate value, sustainability, corporate governance, and business value during the period corresponding to the medium-term management plan. At the time of share delivery, 50% of the shares to be delivered will be provided after converting them into cash for the purpose of allocating them for tax payment funds. Delivery of shares and payment of money to each Director will be carried out through BIP Trust.

Calculation formula for the number of shares to be delivered and the allocation ratio and fluctuation range of each evaluation indicator are as follows.

(1) Calculation formula for stock compensation (linked to long-term vision)

Basic points

= Amount determined according to compensation standards based on the role and duty, etc. of a Director  
 $\div$  Reference stock price<sup>(\*)</sup>

Performance-linked points

= Cumulative number of basic points during the medium-term management plan period  $\times$  Performance-linked coefficient

Number of shares to be delivered

= Total value of performance-linked points up to the time of retirement

(\*) Average value of closing prices of regular transactions of the Company's shares on the Tokyo Stock Exchange in March immediately before the start of the medium-term management plan period (decimals rounded down).

(2) Purpose and concept for the selection of each evaluation indicator

Evaluation indicators		Concept for indicator selection
Corporate value	Relative TSR <sup>*1</sup> (Comparison of TOPIX growth rates)	<ul style="list-style-type: none"> <li>• An indicator that measures the realization ratio of a long-term vision</li> <li>• Aiming to share value with shareholders while increasing their willingness to contribute to the realization of a long-term vision and the enhancement of corporate value</li> </ul>
Sustainability	<ul style="list-style-type: none"> <li>• Reduction of GHG emissions</li> <li>• Development of cultivation of wild crude drugs, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• An indicator that measures the realization ratio of sustainability</li> <li>• Aiming to promote initiatives and raise awareness for the realization of sustainable business activities such as conservation of the natural environment and the development of cultivation of crude drugs</li> </ul>
Corporate governance	<ul style="list-style-type: none"> <li>• Diversity in management teams, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• An indicator that measures the realization ratio of sustainability and promotes the realization of a long-term management vision</li> <li>• Aiming to promote the formation of a management team across the entire Tsumura Group, including overseas bases capable of making timely and appropriate management decisions, that can drive the creation of medium- to long-term corporate value, including business structure transformation</li> </ul>

Evaluation indicators		Concept for indicator selection
Business value	Sales ratio of overseas business	<ul style="list-style-type: none"> <li>• An indicator that measures the realization ratio of a long-term management vision</li> <li>• Aiming to build a foundation for overseas business and increase willingness to contribute to enhance corporate value through growth in overseas markets</li> </ul>

\*1 TSR stands for “total shareholder returns.” The ratio of the Company’s TSR to the TOPIX growth rate will be used.

### (3) Allocation ratio and fluctuation range of each evaluation indicator and main target values

Evaluation indicators		Allocation ratio	Fluctuation range of coefficients	Main target value
Corporate value	Relative TSR (Comparison of TOPIX growth rates)	25%	0-200% (From 0% to 100% during the period until March 31, 2028)	1.0
Sustainability	<ul style="list-style-type: none"> <li>• Reduction of GHG emissions</li> <li>• Development of cultivation of wild crude drugs, etc.</li> </ul>	25%	0-100%	50% reduction in GHG emissions at the end of fiscal 2031 (compared to fiscal 2020), etc. *1
Corporate governance	• Diversity in management team, etc.	25%	0-100%	*1
Business value	Sales ratio of overseas business	25%	0-200% (From 0% to 100% during the period until March 31, 2028)	50% at the end of fiscal 2031 *1
Total		100%	0-150% (From 0% to 100% during the period until March 31, 2028)	

\*1 If the achievement ratio is less than 100% or 80% according to the evaluation indicator, the coefficient will be 0%.

## 6. Shareholding rule

Directors shall continue to hold the Company’s shares delivered through performance-linked stock compensation until one year has elapsed since their retirement.

## 7. Process for determining compensation

With the aim of enhancing the objectivity and transparency of the deliberation process, a standard amount of compensation for the Directors of the Company, a performance evaluation method and rules for calculating the determined amount according to the performance evaluation results will be determined by a resolution of the Board of Directors based on the results of deliberation by the Nomination/Remuneration Advisory Committee (composed of one internal Director and five independent outside Directors with one of the independent outside Directors serving as a chairperson), within the range of the total amount resolved at the general meeting of shareholders. Of these, the performance evaluation method and the rules for calculating the determined amount according to performance evaluation results are to be stipulated in the internal rules; their revision is determined by a resolution by the Board of Directors based on the deliberation and report by the Nomination/Remuneration Advisory Committee. Note that the portion linked to short-term performance of the basic compensation and determination of the achievement ratio with respect to business targets set by each individual in LTI-I should be delegated to the Nomination/Remuneration Advisory Committee.

**Policy and procedures regarding the determination of compensation for non-executive Directors who are not Audit and Supervisory Committee Members as well as for Directors who are Audit and Supervisory Committee Members**

Compensation for non-executive Directors who are not Audit and Supervisory Committee members and Directors who are Audit and Supervisory Committee Members shall be limited to basic compensation (fixed portion/monetary) in view of their role of supervising the management of the Company from an objective and independent standpoint.

**(Reference)**

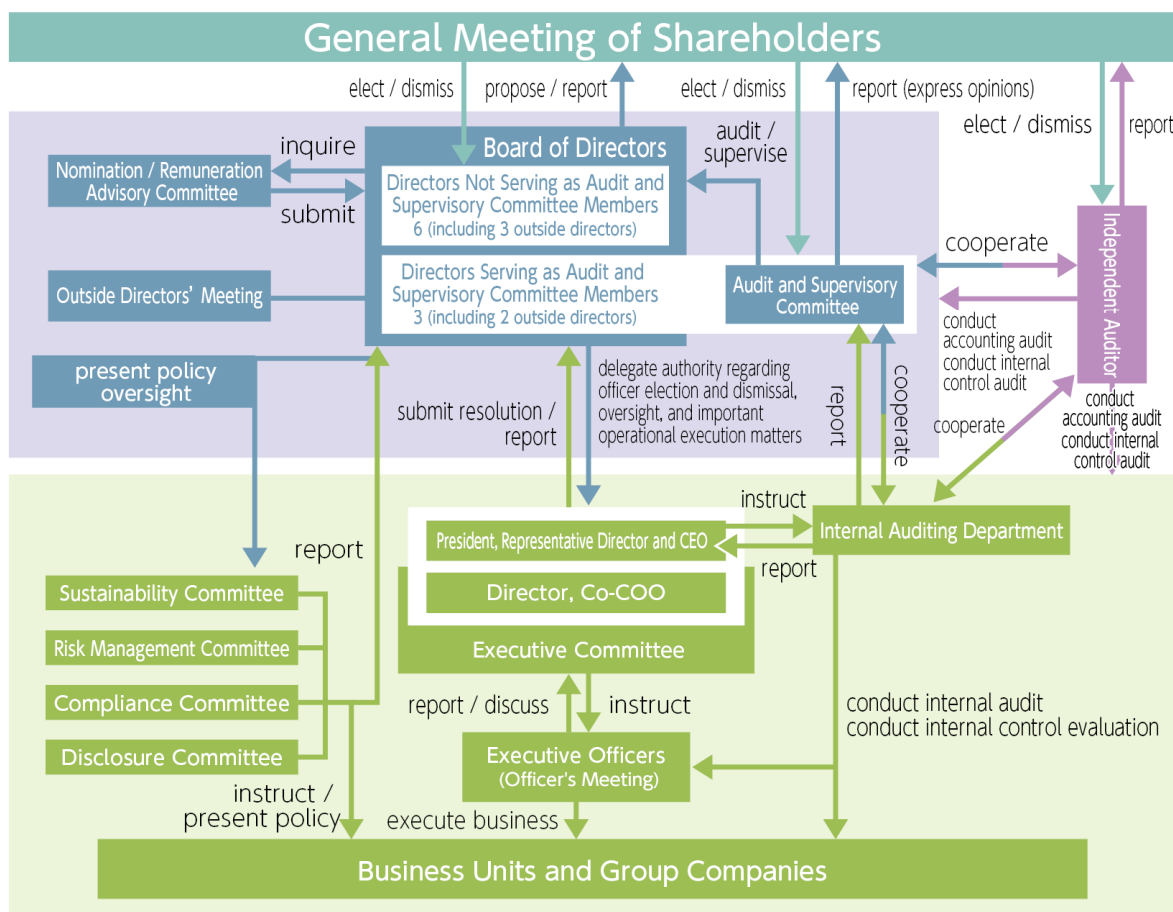
**Corporate Governance of Tsumura**

**Basic Policy**

The basic principles of Tsumura are encapsulated in its corporate philosophy of “The Best of Nature and Science” and in its corporate mission of “To contribute to the unparalleled medical therapeutic power of the combination of Kampo medicine and Western medicine.” Guided by these principles, we adhere to a policy of implementing continuous improvements to corporate governance in order to realize ongoing growth and medium-to-long-term increases in corporate value.

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.

**Overview of Corporate Governance Systems**



(Note) The above shows the system in place as of the end of fiscal 2021.

The new system was established starting in fiscal 2022 and can be seen on the Company’s website. Please see our Integrated Report for details of corporate governance.

## **Board of Directors**

The Board of Directors makes important decisions to ensure sustainable growth and enhance corporate value over the medium-to-long term. The Company aims to accelerate decision-making by separating business execution functions from the Board of Directors. At the same time, we are strengthening the supervisory function of general management by appointing Outside Directors to comprise the majority of the Board of Directors and appropriately reflecting their objective views from an independent perspective as experts with extensive experience.

<Main matters during the 86th fiscal year>

- Checking the progress of the third medium-term management plan;
- Monitoring and following-up the progress of the Chinese business;
- Checking the progress of large-scale investment deals;
- Formulating plan and reporting on the progress of developing human resources (candidate of next-generation management);
- Determining the direction of the new medium-term management plan; and
- Evaluating the effectiveness of the Board of Directors and establishing priority themes.
- Policy for responding to climate change
- Discussion on enhancing corporate governance of Group companies
- Enhancement of information disclosure

## **Nomination / Remuneration Advisory Committee**

The Nomination/Remuneration Advisory Committee is a voluntarily established advisory body to the Board of Directors. The committee is composed of a majority of Outside Directors who have also been designated as independent directors as stipulated by the Tokyo Stock Exchange (including one Outside Director who is a member of the Audit and Supervisory Committee). These Outside Directors provide advice on matters related to the nomination and remuneration of Directors and Executive Officers based on inquiries by the Board of Directors and also submit reports to the Board of Directors on these subjects. The committee is composed of six (6) members, five (5) of whom, including the committee chairman, are Outside Directors who have also been designated as the independent directors.

<Main matters during the 86th fiscal year>

- Proposal of election and dismissal of Directors to be submitted to the General Meeting of Shareholders;
- Draft proposals of election and dismissal of the Representative Director to be submitted to the Board of Directors;
- Draft proposals of candidates for Executive Officers to be submitted to the Board of Directors;
- Policies for electing Directors and Executive Officers, election process;
- Draft proposals for individual remuneration to be paid to Directors and Executive Officers; and
- Policy including the composition of Directors' remuneration, procedure for determining remuneration of Directors, etc.

### **Audit and Supervisory Committee**

The Audit and Supervisory Committee audits legality and adequacy of the execution of duties by Directors by conducting systematic audits in cooperation with Internal Auditing Department, and the Audit and Supervisory Committee itself holds hearings on the status of business execution with Executive Officers, attends meetings of the Executive Committee and other important meetings, exchanges information with Directors and Auditors of the Group companies and monitors and verifies the establishment and implementation of internal control systems, including those related to financial reporting.

<Main matters during the 86th fiscal year>

- Audit policy and plan;
- Reelection and remuneration of audit corporation;
- Details of matters to be submitted to the General Meeting of Shareholders;
- Preparation of audit report; and
- Status of the use of hotline, etc.

### **Outside Directors' Meeting**

The Outside Directors' Meeting collects and shares the information necessary for management decision-making. At the same time, it acts as a venue for the exchange of opinions regarding the necessity of discussions and other matters with the Board of Directors.

<Main matters during the 86th fiscal year>

- Advance explanation about matters to be discussed at the Board of Directors;
- Follow-up on the Board effectiveness evaluation;
- Briefing on Executive Committee matters; and
- Progress report of Chinese business.

(Note) The above shows the system in place as of the end of fiscal 2021.



## **(Reference)**

### **Evaluation of effectiveness of Board of Directors**

The Company evaluates and analyzes the effectiveness of the Board of Directors every fiscal year for the purpose of enhancing the Board of Directors' effectiveness.

The Company shifted to a company with an Audit and Supervisory Committee in 2017 to strengthen the supervisory function of the Board of Directors and further enhance the soundness and transparency of management. We have put in place a system that enables swift and resolute decision-making by separating the business execution function from the Board of Directors. Therefore, from the perspective of strengthening the supervisory and monitoring functions of the Board of Directors, we are working to ensure continuous improvement with respect to the issues identified through the analysis of the results of the evaluation of the effectiveness of the Board of Directors and are endeavoring to further improve the effectiveness of the Board of Directors.

Regarding the effectiveness of the Board of Directors in fiscal 2020, a questionnaire evaluation was conducted for all nine Directors, and the issues identified and specific measures for addressing them were discussed at the Board of Directors meeting held in May 2021. This year, we believe that we were able to conduct a more objective evaluation and analysis by utilizing an external organization to analyze proposals, design the questionnaire, analyze the evaluation results, and suggest measures to tackle the issues.

#### 1. Evaluation items (6 categories, 25 items)

The evaluation for fiscal 2020 was conducted from the perspectives of confirming the status of efforts to address issues identified in the results of the analysis of the previous year's effectiveness evaluation, confirming the themes that require priority supervision in order for the Board of Directors to fulfill its role, and identifying issues and considering measures for addressing them so as to further improve effectiveness in the future.

- (1) Priority management themes
- (2) Composition of the Board of Directors
- (3) Roles and duties of the Board of Directors
- (4) Proceedings of the Board of Directors
- (5) Enhancement of discussions at meetings of the Board of Directors and of provision of information
- (6) Relationship between the Board of Directors and shareholders and other stakeholders

#### 2 Overview of evaluation result

- As a result of this year's analysis and evaluation, it was confirmed that the Board of Directors is fulfilling its role and function, with active discussions aimed at ensuring substantial supervision and monitoring of business execution.
- In the effectiveness evaluation questionnaire for each Director, a certain percentage of the respondents answered "accomplishing sufficiently" or "accomplishing overall" to many of the questions.
  - As for the composition of the Board of Directors, the number is appropriate for active discussion and exchange of opinions. In addition, the Board of Directors is composed of diverse members with various types of experience and expertise, which is required for matters to be properly discussed at the Board of Directors meetings. Furthermore, the Board of Directors operates in an atmosphere that encourages the frank, free, and open expression opinions.
  - Based on the Group's basic principles, the Board of Directors assessed the status of the realization of the long-term management vision for the period from fiscal 2012 to fiscal 2021 and the achievement of the goals of the third medium-term management plan for the period from fiscal 2019 to fiscal 2021. After confirming the future long-term management direction and priority issues, it engaged in discussions toward the formulation of a new vision to be accomplished by fiscal 2031.

- As Chinese operations constitute a strategic challenge with high level of importance for our sustainable growth and the enhancement of our corporate value over the medium to long term, the activities of Chinese operations have been regularly reported to the Board of Directors and discussions have been held concerning policies, plans and strategies for the operations. In fiscal 2020, for example, we increased the number of opportunities to report on Chinese operations report to the Board of Directors.
- The status of efforts to address the issues identified in the evaluation of the effectiveness of the Board of Directors in the previous fiscal year (fiscal 2019) is as follows:
  - With regard to the governance of Group companies, we are striving to strengthen the governance systems of Group companies, by reinforcing their management structures and securing human resources as the scale of their businesses and their organizations expand particularly in Chinese operations through, for example, M&A activity.
  - As for dialogue with stakeholders, including shareholders, we are taking steps to increase the amount of information we disclose and to improve tools for disclosure. We are also expanding opportunities for dialogue. For example, we now hold an earnings briefing every quarter.
  - Regarding training for Directors, as a supplement to decision-making by the Board of Directors, we regularly invite experts with a high level of expertise to give lectures. These lectures might cover the latest developments in China or provide a grounding in the essentials of sustainability management. As such, directors are able to find out about matters such as the business situation in China and operational risks, knowledge that is essential for new business development.
  - With respect to the digitization of Board of Directors information, we are working to improve remote infrastructure, establish a management information website and grant access privileges to it, and share various materials using dedicated tablet PCs. We are also beefing up information security. The purpose of such initiatives is proper operation of the Board of Directors and the prompt sharing of accurate information.

#### **Issues and Response Measures**

- Based on the results of this effectiveness evaluation, we will take the following measures to further improve the effectiveness of the Board of Directors:
- On the topic of climate change, we recognize it as a risk to the Kampo business and are responding to it, but as an even more urgent task for the future, all members of the Board of Directors must share a common understanding of climate change, discuss it from the perspectives of both social responsibility and issues for corporate management, and consider how we will respond it.
- As for the building of governance systems for Group companies, we will establish a governance system for Chinese Group companies and strengthen the governance of the entire Group. Specifically, we will establish a governance system to supervise the execution status of each Group company, centered on Tsumura China Inc., the company that controls all our operations in China. We will also strengthen supervision and monitoring by the Board of Directors. (As such, we will be establishing and implementing governance systems based on the three-lines-of-defense approach.)
- With respect to the enhancement of information disclosure, we will strengthen our IR function to increase opportunities for dialogue and foster an environment for information dissemination with a wide range of stakeholders, including general consumers, in mind.

In this fiscal year also, we will be focusing on tackling five items as key management issues.

The Company will continue to implement its unique PDCA cycle with the aim of realizing further improvements in the effectiveness of its Board of Directors.