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TSUMURA & CO.

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

The corporate governance of TSUMURA & CO. (the “Company”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes, and Other

Key Information

1. Basic Views

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

In June 2017, the Company’s governance structure changed from “company with company auditors” to “company with audit and supervisory committee,” as defined in the Companies Act of Japan. This move was aimed at reinforcing the oversight and monitoring functions of the Board of Directors. Under this system, the Company 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 outside directors to compose a majority of the Board. 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 its management.

The Company’s “Corporate Governance Basic Policy” is available from its official website at:
<https://www.tsumura.co.jp/english/ir/corporate-governance/index.html>

Reasons for Non-compliance with the Principles of the Corporate Governance Code

Descriptions in this document are in reference to the Corporate Governance Code as revised in June 2021.

The Company is implementing all of the principles of the Corporate Governance Code.

Disclosure Based on each Principle of the Corporate Governance Code

Principle 1-3 Basic Strategy for Capital Policy

■ Response to the Action to Implement Management that is Conscious of Cost of Capital and Stock Price
(Basic strategy for capital policy)

The Company believes that increasing corporate value through investing in the Kampo business to ensure its sustainable development and growth will eventually bring about the maximum return to its shareholders and investors. We therefore set return on equity (ROE) as a key management indicator relating to the sustainable improvement of shareholder value, and aim to raise ROE to a level that exceeds the cost of capital by boosting profitability and asset efficiency. Also, while ensuring financial soundness, we will increase management efficiency and utilize operating cash flows and loans, and allocate funds for growth investment and shareholder returns appropriately within acceptable limits for the purpose of ensuring an optimal capital structure. With respect to shareholder returns, we set dividend on equity (DOE) as the relevant indicator and aim to expand the dividend payout ratio over the long term based on a robust balance sheet.

(Target for fiscal 2031)

Management efficiency: ROE of 10%

Financial soundness: equity capital ratio (ECR) of at least 50%

Dividend: dividend on equity (DOE) of 5%

Note: Forward-looking descriptions, including the performance forecasts indicated above, represent a vision for fiscal 2031. Actual results may differ due to various factors expected to emerge going forward.

(Shareholder return policy)

The Company considers the return of profits to shareholders to be an important priority. We determine the shareholder return

policy in consideration of medium- to long-term profit levels and the status of cash flows and balance sheet management, among others, while striving to increase corporate value by pursuing the sustainable expansion of the domestic business as well as growth investment in and infrastructure building for the China business. As a way to expand the dividend payout ratio, the Company adopts dividend on equity (DOE) as a key indicator, and has set the target of achieving 5% by fiscal 2031.

<Reference>

For details, please visit the Company's website (IR Information). To refer to "Materials on the Second Quarter of the Term Ending March 31, 2024" (pp.9-20) on the Financial Results Explanation page, click: <https://pdf.irpocket.com/C4540/gX9u/TiOb/TcMP.pdf> (in Japanese).

Principle 1-4 Cross-shareholding

The Company aims to reduce cross-shareholding in principle, while placing importance on building and maintaining long-term and stable relationships with business partners. Accordingly, we are streamlining our portfolio of cross-held shares by selecting only those that will help enhance corporate collaboration and increase corporate value in comprehensive consideration of business relationships with relevant partners and other factors. In line with the above policy and taking into account the Company's capital cost, the Board of Directors reviews each individual issue of shares held in terms of maintaining medium- to long-term relationships, expanding business, and creating synergistic effects, among other issues, in order to identify and sell off those with fewer expected benefits. Also, when exercising voting rights, we ensure that our action will contribute to increasing the corporate value of the relevant company by considering its financial standing, social contribution, and corporate governance status.

Principle 1-7 Related Party Transactions

With respect to Directors' transactions with competitors and transactions between Directors and the Company, specific issues are set forth in the Board of Directors Rules as matters to be resolved by or reported to the Board of Directors

Supplementary Principle 2-3-1 Response to Sustainability-related Issues, including Social and Environmental Challenges

Responsible for making important management decisions, the Board of Directors recognizes responding to sustainability-related issues as a key management priority that has significant implications for reducing risks as well as increasing profit opportunities, and strives to develop appropriate structures and systems to address a range of related issues while drawing on the knowledge of independent outside directors. The following are major activities being promoted by the Company at present in this area.

(1) Has formulated the Sustainability Vision to present key messages regarding the Company's ideal state, and established the Sustainability Charter, a pledge to implement concrete actions for realizing this ideal. Formulates medium- to long-term environmental goals, human rights policy, and procurement policy in alignment with the above framework, and monitors the progress of each by setting KGIs and KPIs. The Sustainability Charter can be viewed on the Company's webpage at: <https://www.tsumura.co.jp/english/sustainability/basic-policy/charter/>

(2) Has set up the Sustainability Committee, which is chaired by the co-COO and tasked with discussing various matters related to sustainability based on policies provided by the Board of Directors, deciding on policies, goals, and strategies to address the issues, and regularly reporting to the Board of Directors on the implementation status of plans in progress. Also, the Committee undergoes monitoring by the Board, offering opinions and advice to be reflected in initiatives. In addition, five subcommittees have been formed under the Committee, with each one responsible for organizing cross-organizational discussions on knowledge, experience, and research findings collected from various divisions in accordance with the medium- to long-term environmental goals.

(3) Has established the Sustainability Management Department to engage in planning, implementing, and managing the sustainability activities for the whole of the Tsumura Group while also serving as the secretariat of the Sustainability Committee. In order to encourage lively and effective deliberations at Committee meetings, opportunities are created for each subcommittee to regularly present to the Committee Chair a report on achievements of activities, thus pursuing and promoting sustainability activities appropriately by responding in a flexible and swift manner to changes in the social environment and needs of the times.

Supplementary Principle 2-4-1 Ensuring Diversity in Appointment of Core Personnel

1. Basic approach to ensuring diversity

The Tsumura Group believes that human resources are important capital (human capital) for improving corporate value in the medium and long term, and practices from the past policies to hire and appoint employees based on the ability and aptitude of each person and regardless of gender, nationality and whether being new-graduate or mid-career.

The basic concept of our organizational and human capital policies is: each organization within the Tsumura Group will first fulfill its own function and role as a "Kampo-inspired harmonious organization*"; then each individual will enhance their capabilities, work in harmony as a team to realize the vision and achieve major results. And we are promoting diversity and inclusion throughout the Group in order to realize the success and growth of all employees, each with their own perspectives, ideas and values.

To promote the above policies, we are striving to recruit various types of talents with different characteristics in experience, skills and career history, and create a workplace environment where these talents can exert their full potential.

Also, in order to ensure diversity of present and future candidates for executive management positions, we set organizational targets for female mid-career hiring and the rate of "global" persons in managerial positions.

In October 1, 2020, we established the Organization and Human Capital Policy Committee, a meeting for discussing

appropriate organization and human capital policies to achieve the "TSUMURA VISION 'Cho-WA' 2031." The Committee is tasked with visualizing value creation processes to be conducted using organization capital and human capital, representing two of the seven types of capital defined by Tsumura, and strategizing relevant policies aimed at improving corporate value.

The Guidelines for Organizational and Human Capital Policies, a summary of our basic organizational and human capital policies, are available from its official website at:

<https://www.tsumura.co.jp/english/sustainability/basic-policy/organization-human-capital/>

*For more details of "Kampo-inspired harmonious organization, please click:

<https://www.tsumura.co.jp/english/sustainability/basic-policy/organization-human-capital/>

2. Ensuring diversity of the management team

In April 2022, the Company introduced a new incentive remuneration plan (LTI-II) for corporate officers, in an effort to realize the long-term management vision. To design the incentive scheme of LTI-II, a range of indicators have been set in terms of corporate governance, specifically for the three issues: ensuring diversity of the management team; developing personnel for global management positions; and familiarizing employees with the corporate philosophy. For ensuring diversity of the management team, targets (non-disclosure information) to be achieved by 2031 have been set in the area of gender, cultural identity, and generation.

By pursuing diversity of the management team as well as employees, we will move forward with efforts to improve corporate value for a long term.

3. Human resources development policy for ensuring diversity

Policy 1: Create a corporate culture and environment that helps build a more productive and diverse workforce

Initiatives

- Promote cross-organizational dialogues with a focus on purposes and values acting as a "centripetal force"
- Create a workplace environment characterized by interpersonal respect and open-mindedness to different values
- Further enhance systems to support employees with continuing to pursue their career while also fulfilling their family responsibilities
- Conduct ongoing activities for improving job satisfaction and develop an environment that allows flexible work arrangements

Policy 2: Continue to ensure fair and impartial hiring and appointment practices with an emphasis on diversity

Initiatives

- Continue to promote two-pillar recruitment strategies targeting new and mid-career employees
- Maintain and continue to achieve a hiring rate of female employees of 50%
- Appoint employees to positions for which they are suited in terms of their abilities and which are helpful in building their knowledge and experience in relation to important management issues

Policy 3: Support female employees and mid-career employees with their career development

Initiatives

- Encourage female employees to actively participate in management executive training courses and next-generation leadership development programs and provide early career development programs
- Run management development programs targeting female employees
- Enhance orientation training for newly hired mid-career employees

4. Set voluntary and measurable goals for ensuring diversity

(1) Maintain and continue to achieve a hiring rate of female employees of 50%

Fiscal 2023: 40% (female employees in management track positions)

(2) Percentage of female line managers

April 2024 result: 10.1%; fiscal 2035 target: 30%

(3) Percentage of mid-career employees

Fiscal 2023 result: 43%; fiscal 2030 target: 30%

(4) Percentage of mid-career employees in managerial positions

April 2024 result: 23.0%; fiscal 2030 target: 20%

5. Employment of foreign nationals

April 2024 results: 13 persons (Tsumura only)

Principle 2-6 Asset Owner

The Company entrusts the management of corporate pension funds to the fund asset manager known for its wealth of experience and proven track record. We also entrust the agency to handle matters relating to the exercise of voting rights, while holding interviews with the agency on a regular basis to receive reports on account settlement and others in order to analyze and verify the overall conditions of the asset and status of investment, thus ensuring sound fund management.

Particularly for important matters, we employ an external consultant to seek instructions from the third-party point of view, and assign the Pension Fund Management Committee, comprised of members chiefly from personnel and accounting departments, to conduct deliberations and make decisions. In a bid to improve the related operational performance, responsible persons are provided opportunities to acquire necessary specialized knowledge, principally by attending relevant seminars.

With the above functions in place, the Company fulfills its function as a proper asset owner, while ensuring there is no conflict

of interest between pension plan beneficiaries and the Company.

Principle 3-1 Enhancement of Information Disclosure

(i) Corporate philosophies, and management strategies and plans

The Tsumura Group has established its corporate philosophy system and conduct business based on it. The system is composed of: the Principle expressed as the phrase of “In the Spirit of Nature’s Laws”; the ultimate Purpose of “Lively Living for Everyone”; Corporate Value of “The Best of Nature and Science”; and Corporate Mission “To contribute to the unparalleled medical therapeutic power of the combination of Kampo medicine and Western medicine.”

For the above-mentioned Purpose, Corporate Value, and Corporate Mission, and Basic Keynote and other visions, detailed and easy-to-understand descriptions are available from our website.

(ii) Basic view and basic policy on corporate governance based on the Corporate Governance Code

The relevant descriptions are provided in this document’s “1. Basic Views Basic, under I. Views on Corporate Governance, Capital Structure, Corporate Attributes, and Other Key Information”

(iii) Policies and procedures for the Board of Directors to determine remuneration for management team members and Board members

Descriptions of policies and procedures for determining remuneration for Directors are provided in this document’s “Policy on Determining Remuneration Amounts and Calculation Methods with in Director remuneration, and Incentives, in 1. Organizational Composition and Operation, under II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight”

(iv) Policies and procedures for the election of management team members and nomination of candidates for the position of Director by the Board of Directors

In accordance with the Company’s criteria to select and procedures to elect candidates for the position of Director, such candidates (excluding those who would double as an Audit and Supervisory Committee member) are nominated by the Board of Directors. The aim is to ensure a well-balanced team of internal members who are knowledgeable insiders and outside members with a high degree of independence from the Company in order to establish a management function capable of making swift and resolute decisions as well as ensuring fair and transparent processes. In accordance with the Company’s criteria to select and procedures to elect candidates for Audit and Advisory Committee members, candidates for position of Director who would double as an Audit and Advisory Committee member are nominated to fill the position of full-time Audit and Advisory Committee member from among knowledgeable insiders or the position of outside Audit and Advisory Committee member, which requires a high degree of independence and expertise to ensure the objectivity and neutrality of management supervisory functions. Also, to ensure the transparency and fairness of selection processes for the election of candidates for the position of Director and election and dismissal of the President as well as executive officers and other management executives, the Nomination Advisory Committee, which comprising a majority of independent outside directors, hold deliberations and a resultant proposal is submitted to the Board of Directors for approval.

(v) Explanation about specific cases of election and nomination by applying the policies and procedures for the election of management team members and nomination of candidates for the position of Director by the Board of Directors, as described above in (iv)

Reasons for the election of the current individuals serving as Directors are provided in: Proposal No. 2: Election of Six (6) Directors (Excluding Directors Who Will Also Serve as Audit and Supervisory Committee Members) included in Reference Documents for General Meeting of Shareholders in the Notice of the 88th Ordinary General Meeting of Shareholders; and Proposal No. 3: Election of Three (3) Directors Who Will Also Serve as Audit and Supervisory Committee Members, included in Reference Documents for General Meeting of Shareholders in the Notice of the 87th Ordinary General Meeting of Shareholders. Reasons for the election of the current individuals serving as Outside Directors are provided in this report. Refer to: Outside Directors’ Relationship with the Company (2), Directors, 1. Organizational Composition and Operation, .II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight.

Supplementary Principle 3-1-3 Sustainability Initiatives, Investment in Human Capital and Intellectual Property, etc.

1. The Company implements sustainability initiatives while committing to collaborating with a wide range of stakeholders, promoting active information disclosure, and improving transparency. Details of the Company’s concepts, policies, and initiatives related to sustainability are provided under Supplementary Principle 2-3-1 of this report. We also disclose related numerical data via the Company’s website at: <https://www.tsumura.co.jp/english/sustainability/>
2. Based on the recognition that human capital is a key management resource for value creation, the Company conducts investments in human capital while increasing the “centripetal force” around the axis of its unique organization capital. Our major human capital strategies relate to recruiting, development, and organization building that are geared toward developing the potential abilities of workers in line with “PAD: Potential-Abilities Development,” a policy geared toward the long-term management vision TSUMURA VISION “Cho-Wa” 2031. Also, in developing the “ideal personnel it seeks,” the Company looks particularly for mindsets focused on “aspirations and passion,” “responsibility,” “professionalism,” “independence,” and “altruism.” These mindsets are essential for the Company, both as a pioneer seeking to pave a new way forward and earn the trust of all in the Kampo and traditional Chinese medicine business—for which there are no guiding business models anywhere in the world—and as a Kampo-inspired harmonious organization. More details are

provided in descriptions on pages 15, 40 (including the chart on “education cost per employee”), and 59-62 of TSUMURA Integrated Report 2023, which is available from: <https://www.tsumura.co.jp/english/ir/library/integrated-report/>

3. In the area of investing in intellectual property, the Group has established the Tsumura Group Basic Policy on Intellectual Property. In this policy, the Group expresses its commitment to maximizing the value of its intellectual property and delivering better value to society with a view to earning the trust of society by taking appropriate steps to: create intellectual property or acquire relevant rights, use its intellectual property effectively, ensure the strict management of its intellectual property, and respect the intellectual property of other companies. The above policy is available at our website (<https://www.tsumura.co.jp/english/corporate/>). Specifically, we are carrying out activities to utilize our intellectual property and the various knowledge built up over the many years that we have been engaging in the Kampo and crude drug business in order to develop the China business and new businesses. At the same time, as a measure to protect our intellectual property rights, we are investing in applying AI technologies to develop an IP search program and the Tsumura Group IP cloud management system. For details of investments in research and development activities, a source for the creation of intellectual property, please refer to our Annual Financial Report (in Japanese) published in June 2024 (available from: <https://www.tsumura.co.jp/ir/library/document/>).
4. As part of efforts to tackle climate change, the Company use crude drugs—substances provided by nature—as raw materials for its Kampo formulations. This reflects our belief that we should be extremely sensitive to changes in the natural environment as well as any potential crises it may face in order to continue to contribute to human health and medicine. To assess risks and profit opportunities associated with climate change and their impacts on our business activities and profits, we collect and analyze necessary data and disclose results using the TCFD framework. Specific information is available on our webpage at: <https://www.tsumura.co.jp/english/sustainability/environment/climate-change/>

Supplementary Principle 4-1-1 Authority Delegated to Management Team

The Board of Directors makes decisions on basic policies related to important business plans and other issues, and matters specified by the Board of Directors Rules, such as acquisition and disposal of fixed assets that exceeds a certain value, in addition to matters set forth by laws and regulations or the Articles of Incorporation. For matters other than those specified by the Board of Directors Rules, the Board of Directors delegates authority to decide on important matters relating to business execution to management executives, primarily executive directors and executive officers. Also, following the shift to a company with audit and supervisory committee, the Company transferred to Directors a portion of the decision-making authority for important matters relating to business execution. This transfer aims to expand the scope of authority delegated to management executives while specifying matters to be reported on business execution, thus further strengthening the supervisory function of the Board of Directors.

Principle 4-9 Determination of Independence

The Company has established specific criteria for determining the independence of its outside directors, as described below, based on the criteria for independence stipulated by Tokyo Stock Exchange, Inc.

[Criteria for determination of independence]

Outside directors who do not fall under any of the following items shall be determined to be independent.

- (1) A person who is or has in the past 10 years been an executive director, executive officer (shikkoyaku), executive officer (shikkoyakuin), manager, general manager, employee, etc. (hereinafter an “executive person”) of the Company or its consolidated subsidiaries;
- (2) A person or an executive person of a corporation holding, whether directly or indirectly, 10% or more of the total number of voting rights of the Company;
- (3) A party for whom the Company or any of its consolidated subsidiaries is a major business partner or an executive person of such party;¹
- (4) A major business partner of the Company or its consolidated subsidiaries or an executive person of such business partner;²
- (5) A partner, etc. of an audit corporation that serves as Accounting Auditor of the Company or its consolidated subsidiaries;
- (6) A consultant, attorney, certified public accountant, or specialist in another field who provides professional services and has received monetary or other financial benefits exceeding a cumulative amount of ¥10 million in addition to executive compensation from the Company in the most recent fiscal year;
- (7) A person who has received or an executive person of a corporation that has received donations, grants, or others in an amount exceeding ¥10 million from the Company or its consolidated subsidiaries in the most recent fiscal year;
- (8) A person who has fallen under items (2) through (7) during the past three years;
- (9) A person who is or was in the recent past a spouse or a relative within the second degree of consanguinity (hereinafter a “close relative”) of an executive person holding an important position at the Company or any of its consolidated subsidiaries;
- (10) A close relative of a person who currently falls or has in the recent past fallen under any of items (2) through (7) (excluding people who are not holding an important position).

¹ A party receiving from the Company or its consolidated subsidiaries payments equivalent to 2% or more of its annual net sales (non-consolidated) or monetary finance equivalent to 2% or more of its consolidated total assets in the most recent fiscal year

² A business partner from whom the Company or any of its consolidated subsidiaries receives payments equivalent to 2% or more of the Company’s consolidated annual net sales or monetary finance equivalent to 2% or more of the Company’s consolidated total assets in the most recent fiscal year

Supplementary Principle 4-10-1 Nomination/Remuneration Committee

The Board of Directors consists of nine directors, including five independent outside directors. Of the five independent

members, four are men and one is a woman. They are former corporate managers, an attorney at law, and a certified public accountant. The Company has voluntarily established the Nomination Advisory Committee and the Remuneration Advisory Committee as advisory bodies to the Board of Directors to ensure the Board is able to receive the advice of outside directors for the purpose of strengthening the independence and objectivity of its functions as well as its capacity to fulfill its accountability for dealing with important matters related to the election, dismissal, and remuneration of directors. The Nomination Advisory Committee is comprised of five independent outside directors, making a majority, and one internal director, and is chaired by an outside director. It receives requests from the Board of Directors for guidance on matters regarding the nomination of directors, executive officers, and other executives, and advises the Board accordingly. The Remuneration Advisory Committee is comprised of two independent outside directors, making a majority, and one internal director, and is chaired by an outside director. It receives requests from the Board of Directors for guidance on matters regarding the remuneration of directors, executive officers, and other executives, and advises the Board accordingly.

Supplementary Principle 4-11-1 Composition of the Board of Directors

The number of members of the Board of Directors is appropriate to ensure the Board's capacity to perform its supervisory functions in full. Each member brings diverse and different experience and expertise to the role. Their skillsets have been analyzed according to set criteria and they have been determined to be able to fulfill their roles to achieve sustainable growth and increase corporate value over the medium to long term. They have also been selected for their ability to pursue the Group's Corporate Purpose-inspired and philosophy- and vision-based management and for embodying our corporate philosophy, made up of our Corporate Mission, which is "to contribute to the unparalleled medical therapeutic power of the combination of Kampo medicine and Western medicine," and our Corporate Value of "The Best of Nature and Science."

To select candidates for the position of Director, the Nomination Advisory Committee, which is chaired by an outside director and comprised of five independent outside directors and one internal director, holds deliberations and submits results to the Board of Directors for resolution. At present, the Board of Directors consists of nine members, of whom five, including one woman, are independent outside directors, making a majority. These members are former corporate managers, an attorney at law, and a certified public accountant, thus representing diverse professions. For details of the diversity of the Board of Directors and each member's skillset, please refer to the Skill Matrix provided below in this document.

Supplementary Principle 4-11-2 Concurrent Service

The status of concurrent service of Directors is described in: Proposal No. 2: Election of Six (6) Directors (Excluding Directors Who Will Also Serve as Audit and Supervisory Committee Members) included in Reference Documents for General Meeting of Shareholders in the Notice of the 88th Ordinary General Meeting of Shareholders; Proposal No. 3: Election of Three (3) Directors Who Will Also Serve as Audit and Supervisory Committee Members, included in Reference Documents for General Meeting of Shareholders in the Notice of the 87th Ordinary General Meeting of Shareholders; and 4. Situation, etc. of Corporate Governance (2) Status of Directors under 4. Status of Reporting Entity in the 88th Annual Financial Report (in Japanese).

Supplementary Principle 4-11-3 Evaluation of Effectiveness

The Company evaluates and analyzes the effectiveness of the Board of Directors every fiscal year for the purpose of enhancing said effectiveness. The structure of the Company was changed to that of "company with audit and supervisory committee" in 2017. This was done in order to make a majority of Board members independent outside directors, thereby strengthening the supervisory function of the Board of Directors and further enhancing the soundness and transparency of management, as well as to establish a system that would enable swift and resolute decision-making by separating the Board of Directors from the business execution function. 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 analysis of the results of the Board's effectiveness evaluation and are endeavoring to make further improvements in this regard. Regarding the effectiveness of the Board of Directors in fiscal 2023, a questionnaire evaluation was given to all nine Directors, and the issues identified and specific measures for addressing them were discussed at the Board of Directors meeting held in May 2024. In fiscal 2024, as in the previous year, we will conduct evaluations using our internally designed questionnaire based on the questionnaire design developed jointly with an external organization in fiscal 2020, and will employ external service providers to collect responses and compile the evaluation results in order to ensure anonymity and increase the objectivity of the evaluation and analysis.

1. Evaluation items (25 items in 6 categories)

The evaluation for fiscal 2023 was conducted from the perspectives of: confirming the status of efforts to address issues identified in the analysis of the fiscal 2022 effectiveness evaluation results, 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 the provision of information
- (6) Relationship between the Board of Directors and shareholders and other stakeholders

2. Overview of evaluation results

As a result of the fiscal 2023 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 given to each director, the respondents gave the answer “accomplishing sufficiently” or “accomplishing overall” to many of the questions. Improvement was observed in all items identified as priority issues in fiscal 2022.

<Review of the effectiveness of the Board of Directors in fiscal 2023>

1. Regarding the current composition of the Board of Directors, the number of members is appropriate for the purpose of active discussion and opinion exchange. In addition, the Board is composed of diverse members with a variety of experience and expertise, which is essential for the full and proper discussion of various matters. Board meetings proceed in an atmosphere that encourages the frank, free, and open expression of opinions. We will continue to discuss the suitability and diversity of the composition of the Board of Directors.

2. The Board of Directors has discussed priority issues for the realization of TSUMURA VISION “Cho-WA” 2031, the long-term management vision established to realize the Corporate Value and Corporate Mission that comprise our corporate philosophy, while upholding the Corporate Purpose of “Lively Living for Everyone.” Furthermore, in addition to confirming the progress of the first medium-term management plan from fiscal 2022 to fiscal 2024 based on the theme of “laying the foundations for creating a future that achieves ‘Cho-WA’ (a well-balanced state),” decisions were made to address priority issues for the realization of the vision.

3. Operations in China constitute a strategic challenge with a high level of importance for the Group’s sustainable growth and the enhancement of our corporate value over the medium to long term. The activities of operations in China were frequently reported to the Board of Directors, discussions were held concerning policies, plans, and strategies for the operations, and decisions were made on related important matters.

<Status of efforts to address the issues identified in fiscal 2022>

1. Confirmation of progress of strategic investment deals

The Board of Directors made decisions about the overview and direction of strategic investment deals, presented policies to the executive function, and provided oversight to ensure that strategizing and investment would be carried out in accordance with the policies, with the aim of maximizing the effect of investment. The Board also oversaw and made decisions about the recoverability and recovery plans of investment deals.

2. Digital transformation (DX)

The Board of Directors oversaw DX implementations based on the DX for Purpose policy by receiving reports on DX policies formed in line with the long-term management vision and cybersecurity countermeasures and offering advice and making confirmations as necessary in response. While the implementation of enterprise resource planning (ERP) and other systems constituting DX infrastructure has been carried out as planned, the Board recognizes the need for increasing production capacity and stepping up efforts for promoting business automation and DX, a priority theme to be overseen in fiscal 2024 in continuation of the past.

3. Sharing information with stakeholders

For the purpose of sharing information with stakeholders, we increased opportunities for dialogue through quarterly financial results briefings, one-on-one sessions and small meetings with analysts and investors, an overseas IR roadshow (Europe), and briefings for individual investors, while also enhancing information dissemination to general consumers, business partners, and employees, using tools such as the website and integrated report. The Board of Directors held substantive discussions on the content of information to be communicated in order to ensure the Group’s businesses and efforts to enhance corporate value are correctly conveyed and evaluated.

<Issues and response measures in fiscal 2024>

Based on the results of fiscal 2023 effectiveness evaluation, we will take the following measures to further improve the effectiveness of the Board of Directors.

1. Monitoring of the level of achievement of the first medium-term management plan; supervision and instruction for formulation of the second medium-term management plan

For the purpose of the above, the Board of Directors will engage in the following tasks to ensure that the Company achieves the goals of the first medium-term management plan and formulates the second medium-term management plan appropriately.

- Monitor the level of achievement of goals for the five strategic challenges at the end of the first medium-term management plan and the progress of action plans formed to achieve the goals, and give instructions as appropriate
- For formulating the second medium-term management plan, present to the executive function basic policies aimed at the realization of the long-term management vision and Sustainability Vision, provide oversight to ensure that the plan will align with the policies, and give instructions as appropriate

2. Monitoring of the progress of the China business (including establishment of the corporate governance system)

For the purpose of the above, the Board of Directors will engage in the following tasks, aiming to build the foundation of the China business.

- Make decisions on basic policies and strategic investments for the China business, give instructions as appropriate, and oversee progress
- Send management team members in a timely manner to local sites to communicate with local management teams in person in order to oversee the business direction and progress of plans, and give instructions as needed

- Oversee geopolitical risk management, development of stable supply structures, and other actions, and give instructions as appropriate
3. Confirmation of progress of strategic investment deals (for environmental initiatives, facilities, R&D, M&A, DX, and other systems)

For the purpose of the above, the Board of Directors will engage in the following tasks, aiming to maximize the effect of investment.

 - Make decisions about the overview and direction of strategic investment deals, present policies to the executive function, and monitor the progress of action plans formed to realize the long-term management vision
 - Make decisions on facility investment for structural development to ensure the stable supply of products, considering every possible related issue such as construction cost, personnel assignment, and introduction of the smart factory system
 4. Digital transformation (DX)

For the purpose of the above, the Board of Directors will engage in the following tasks, aiming to promote value chain reform for the realization of the long-term management vision.

 - Discuss the ideal state of DX to be implemented, present basic policies, and monitor speed of implementation
 - Create regular opportunities to listen to reports to understand current issues related to DX promotion and the progress of measures conducted to address such issues, and engage in appropriate supervision

Furthermore, in fiscal 2024, we will be focusing on tackling the following five key management issues, including confirmation of the progress of strategic investment deals as mentioned earlier.

<Five key themes for the Board of Directors to address in fiscal 2024>

1. Check the progress of the first medium-term management plan; give supervision and instruction for formulation of the second medium-term management plan
2. Check the progress of the China business (including establishment of the corporate governance system)
3. Practice sustainability management in alignment with the corporate purpose and philosophy (human resources development, environmental and social initiatives)
4. Check the progress of strategic investment deals (for environmental initiatives, facilities, R&D, M&A, DX, and other systems)
5. Promote capital policies to increase corporate value

The Company's Board of Directors observes the principle of presenting to the executive function business policies in view of the external environment, and supervising the executive function in creating and implementing strategies in line with the policies, while receiving reports as appropriate. The Company will continue to implement its PDCA cycle with the aim of further improving the effectiveness of its Board of Directors.

Supplementary Principle 4-14-2 Policy for Training Directors

To help Directors fulfill their roles and responsibilities properly and as expected, the Company provides them with regular opportunities to acquire knowledge and hone skills needed to engage in management and to think about corporate ethics, chiefly through the Tsumura Academy, the internal management personnel training center. The curriculum covers a range of subjects, including the business environment in China, a key topic for new business development, geopolitical risk management, and the essential nature of sustainability management. Also, seminars featuring guest experts with advanced professional knowledge are held regularly. Additionally, Outside Directors are provided with opportunities to receive briefings on operations of various divisions and to visit plants and other facilities in order to improve their understanding of the pharmaceutical and manufacturing industries.

Principle 5-1 Policy for Constructive Dialogue with Shareholders

The Company believes that it is important to build long-term trusting relationships with its shareholders and investors through dialogue, with the aim of achieving sustainable growth and improving corporate value for a medium and long term, and accordingly engages in dialogue with these parties actively on an ongoing basis. Specifically, requests for individual interviews, small meetings, teleconferences and other types of dialogues sessions are responded by arranging the participation of President, Representative Director and CEO, Director and Co-COO, Director and CFO or other management executives, and also involvement of related departments, with facility tours and other IR programs offered, depending on the situation. Major and other participants in dialogue are selected for each request through comprehensively reviewing details of application, such as the attribute of the applicant, purpose of dialogue, and requested schedule. We hold quarterly financial results briefings targeting analysts and institutional investors, in which Representative Director, President and CEO, Director and Co-COO and Director and CFO are major presenters. In a bid to promote constructive dialogue, details of dialogue sessions are fed back to the Board of Directors and other executive meetings. IR departments communicate with internal related departments on a routine basis to keep each other updated. In order to make sure that insider information is properly handled when holding dialogue sessions, we strive to ensure strict management in compliance with laws and regulations as well as internal rules. Before each quarterly financial results briefing, we set an about one-month quiet period when we refrain from responding to questions and requests for interview on matters related to yet-to-be announced financial results (the Company's financial information as well as R&D and other business activities)

2. Capital Structure

| | |
|----------------------------|--------------------|
| Foreign Shareholding Ratio | 30 percent or more |
|----------------------------|--------------------|

Status of Major Shareholders

| Name or Company Name | Number of Shares Owned | Percentage (%) |
|--|------------------------|----------------|
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 10,907,600 | 14.25 |
| BANK OF CHINA (HONG KONG) LIMITED-PING AN LIFE INSURANCE COMPANY OF CHINA, LIMITED | 7,675,900 | 10.03 |
| Custody Bank of Japan, Ltd. (Trust Account) | 4,111,700 | 5.37 |
| STATE STREET BANK AND TRUST COMPANY 505001 | 2,675,765 | 3.50 |
| MUFG Bank, Ltd. | 2,197,500 | 2.87 |
| Employees' Stockholding | 1,751,491 | 2.29 |
| BRIGHT RIDE LIMITED | 1,692,400 | 2.21 |
| THE BANK OF NEW YORK MELLON (INTERNATIONAL) LIMITED 131800 | 1,497,400 | 1.96 |
| THE BANK OF NEW YORK MELLON 140044 | 1,310,300 | 1.71 |
| JP MORGAN CHASE BANK 380634 | 1,261,600 | 1.65 |

| | |
|---|-----|
| Name of Controlling Shareholder, if applicable (excluding Parent Companies) | --- |
|---|-----|

| | |
|---------------------------------------|------|
| Name of Parent Company, if applicable | None |
|---------------------------------------|------|

Supplementary Explanation

The equity percentage is calculated by deducting 229,897 shares of treasury stock. The said treasury stock does not include 137,562 shares of treasury stock held as trust assets of the director remuneration BIP trust and 462,412 shares of treasury stock held as trust assets of the stock option ESOP trust.

3. Corporate Attributes

| | |
|---|--|
| Listed Stock Exchange and Market Segment | Tokyo Stock Exchange Prime Market |
| Fiscal Year-End | March |
| Business Sector | Pharmaceuticals |
| Number of Employees (Consolidated) as of the End of the Previous Fiscal Year | 1,000 or more |
| Net Sales (Consolidated) for the Previous Fiscal Year | ¥100 billion or more but less than ¥1 trillion |
| Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year | 10 or more but fewer than 50 |

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

5. Other Special Circumstances which may have a Material Impact on Corporate Governance

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight

1. Organizational Composition and Operation

| | |
|-----------------------------|--|
| Corporate Governance System | Company with Audit and Supervisory Committee |
|-----------------------------|--|

Directors

| | |
|---|----------------|
| Number of Directors Stipulated in Articles of Incorporation | No upper limit |
| Directors' Term of Office Stipulated in Articles of Incorporation | 1 year |
| Chairperson of the Board | President |
| Number of Directors | 9 |
| Election of Outside Directors | Elected |
| Number of Outside Directors | 5 |
| Number of Independent Directors | 5 |

Outside Directors' Relationship with the Company (1)

| Name | Attributes | Relationship with the Company* | | | | | | | | | | | |
|-----------------------|----------------------|--------------------------------|---|---|---|---|---|---|---|---|---|---|--|
| | | a | b | c | d | e | f | g | h | i | j | k | |
| Hiroshi Miyake | From another company | | | | | | | | | | | | |
| Tadashi Okada | From another company | | | | | | | | | | | | |
| Ryohei Yanagi | From another company | | | | | | | | | | | | |
| Mitsutoshi Matsushita | Lawyer | | | | | | | | | | | | |
| Akemi Mochizuki | CPA | | | | | | | | | | | | |

*Categories for "Relationship with the Company".

(Use "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past; "●" when a close relative of the director presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past.)

- Executive person of the Company or its subsidiary
- Executive person or non-executive director of the parent company of the Company
- Executive person of a fellow subsidiary of the Company
- Person whose main business partner is the Company or an executive person of the same
- Main business partner of the Company or an executive person of the same
- Consultant, accountant or legal expert who receives a large amount of cash or other properties from the Company in addition to executive compensation
- Major shareholder of the Company (if the said major shareholder is a corporation, an executive person of the said corporation)
- Executive person of a business partner of the Company (which does not fall under d, e or f; applies only to the person in question)
- Executive person of an entity with which the Company has a cross-directorship arrangement (applies only to the person in question)
- Executive person of an entity which receives a donation from the Company (applies only to the person in question)
- Other

Outside Directors' Relationship with the Company (2)

| Name | Membership of Audit and Supervisory Committee | Designation as Independent Director | Supplementary Explanation of the Relationship | Reasons for Appointment |
|----------------|---|-------------------------------------|---|--|
| Hiroshi Miyake | | ○ | --- | Mr. Miyake has extensive experience and insights developed over many years as a corporate manager with business experience in and outside Japan, including serving as the president of the local subsidiary of a general trading company in Germany. In addition, he has performed his role at the Company in full, including making important management decisions and supervising the execution of business. At meetings of the Board of Directors |

| | | | | |
|-----------------------|--|---|-----|---|
| | | | | and Nomination/Remuneration Advisory Committee, he proactively shares his views and adds depth to discussions, contributing to sound corporate management. Moreover, he has no special relationships with the Company and as an outside director is unlikely to have a conflict of interest with ordinary shareholders, thus demonstrating a high level of independence from the Company. For these reasons, he has been appointed as an independent director. (The Nomination/Remuneration Advisory Committee was split into the Nomination Advisory Committee and the Remuneration Advisory Committee on June 27, 2024.) |
| Tadashi Okada | | ○ | --- | Mr. Okada has extensive experience and insights developed over many years as a corporate manager with 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, he has performed his role at the Company in full, including making important management decisions and supervising the execution of business. At meetings of the Board of Directors and Nomination/Remuneration Advisory Committee, he proactively shares his views and adds depth to discussions, contributing to the sustainable enhancement of corporate value. Moreover, he has no special relationships with the Company and as an outside director is unlikely to have a conflict of interest with ordinary shareholders, thus demonstrating a high level of independence from the Company. For these reasons, he has been appointed as an independent director. (The Nomination/Remuneration Advisory Committee was split into the Nomination Advisory Committee and the Remuneration Advisory Committee on June 27, 2024.) |
| Ryohei Yanagi | | ○ | --- | Mr. Yanagi is a developer of the “Yanagi Model,” which indicates a link between non-financial assets and corporate value, and has extensive experience and insights developed as a corporate financial officer and as a visiting professor at a university for many years. In addition, the Company believes that he will enhance and accelerate information disclosure regarding non-financial assets toward ESG-driven value creation, and play a substantial role in the “visualization” of organizational value and human capital. Moreover, he has no special relationships with the Company and as an outside director is unlikely to have a conflict of interest with ordinary shareholders, thus demonstrating a high level of independence from the Company. For these reasons, he has been appointed as an independent director. (The Nomination/Remuneration Advisory Committee was split into the Nomination Advisory Committee and the Remuneration Advisory Committee on June 27, 2024.) |
| Mitsutoshi Matsushita | | ○ | --- | Mr. Matsushita has extensive experience and excellent insights as an attorney at law. Well versed in corporate legal affairs, he has sufficient knowledge to engage in and oversee corporate management. Other than serving as an outside |

| | | | | |
|-----------------|--|---|-----|---|
| | | | | <p>director, he has never had any involvement with corporate management. At meetings of the Board of Directors and Nomination/Remuneration Advisory Committee, however, he proactively shares his views and adds depth to discussions, contributing to the enhancement of corporate value from the aspects of both embracing challenges and controlling risks. In light of the above, the Company deems that he will perform his duties appropriately to ensure the soundness and adequacy and improve the transparency of decision-making regarding the Company's management. Moreover, he has no special relationships with the Company and as an outside director is unlikely to have a conflict of interest with ordinary shareholders, thus demonstrating a high level of independence from the Company. For these reasons, he has been appointed as an independent director.</p> <p>(The Nomination/Remuneration Advisory Committee was split into the Nomination Advisory Committee and the Remuneration Advisory Committee on June 27, 2024.)</p> |
| Akemi Mochizuki | | ○ | --- | <p>Ms. Mochizuki is well-versed in financial and accounting affairs, having extensive experience and excellent insights in this field as a certified public accountant. As such she has sufficient knowledge to engage in and oversee corporate management. Other than serving as an outside director, she has never had any involvement with corporate management. At meetings of the Board of Directors and Nomination/Remuneration Advisory Committee, however, she proactively shares her views and adds depth to discussions from the perspective of group governance. In light of the above, the Company deems that she will perform her duties appropriately to ensure the soundness and adequacy and improve the transparency of decision-making regarding the Company's management. Moreover, she has no special relationships with the Company and as an outside director is unlikely to have a conflict of interest with ordinary shareholders, thus demonstrating a high level of independence from the Company. For these reasons, she has been appointed as an independent director.</p> <p>(The Nomination/Remuneration Advisory Committee was split into the Nomination Advisory Committee and the Remuneration Advisory Committee on June 27, 2024.)</p> |

Audit and Supervisory Committee

Composition of Supervisory Committee and Attributes of the Chairperson

| | All Committee Members | Full-time Members | Inside Directors | Outside Directors | Committee Chair |
|---------------------------------|-----------------------|-------------------|------------------|-------------------|-----------------|
| Audit and Supervisory Committee | 3 | 1 | 1 | 2 | Inside Director |

| | |
|--|-----------|
| Appointment of Directors and/or Employees to Assist with the Duties of the Audit and Supervisory Committee | Appointed |
|--|-----------|

Matters Concerning Independence of Said Directors and/or Employees from Executive Directors

We appoint one or more employees to assist with the duties of the Audit and Supervisory Committee. No directors are appointed to serve the same purpose. In order to ensure the independence of the said employee(s) from Directors (excluding those who are Audit and Supervisory Committee members), the employee(s) are expected to perform their relevant roles under the direction and orders of the Audit and Supervisory Committee, and to obtain consent from the Committee when handling personnel affairs.

Cooperation among the Audit and Supervisory Committee, Accounting Auditors and Internal Auditing Department

For the purpose of promoting close cooperation between the Audit and Supervisory Committee and the Accounting Auditor, the Committee receives explanations regarding an outline of audit plans and audit policies from the Accounting Auditor; receives timely reports on details and results of year-end audits, quarterly reviews, internal control audits, and other activities conducted; and engages in exchanges of opinions. At the same time, Committee members accompany the Accounting Auditor, as necessary, on visits to business sites to perform on-site audits or inventory checks.

To ensure close cooperation with the Internal Auditing Department, the Committee receives explanations regarding an outline of internal audit plans and internal control evaluation plans; receives on a regular basis results of internal audits and evaluation results of internal control over financial reporting; and engages in exchanges of opinions. At the same time, Committee members, as necessary, attend internal audits or other activities conducted by the Department.

The Internal Auditing Department gives briefings on internal audit plans and report results to the Accounting Auditor, and exchanges opinions with this party on a regular basis.

Furthermore, the Audit and Supervisory Committee, the Accounting Auditor, and the Internal Auditing Department exchange opinions on a regular basis with the aim of promoting three-party audits.

Voluntarily Established Committee(s)

| | |
|--|-------------|
| Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Remuneration Committee | Established |
|--|-------------|

Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chairperson

| | Committee's Name | All Members | Full-time Members | Inside Directors | Outside Directors | Outside Experts | Other | Chairperson |
|--|---------------------------------|-------------|-------------------|------------------|-------------------|-----------------|-------|------------------|
| Voluntarily Established Committee Equivalent to Nomination Committee | Nomination Advisory Committee | 6 | 0 | 1 | 5 | 0 | 0 | Outside Director |
| Voluntarily Established Committee Equivalent to Remuneration Committee | Remuneration Advisory Committee | 3 | 0 | 1 | 2 | 0 | 0 | Outside Director |

Supplementary Explanation

The Company has established the Nomination Advisory Committee and the Remuneration Advisory Committee as advisory bodies to the Board of Directors to ensure that the Board is able to receive the advice of independent outside directors for the purpose of improving the transparency and fairness of the decision-making process related to the nomination and remuneration of directors, executive officers, and other executives. The Nomination Advisory Committee is comprised of six members, including five independent outside directors, while the Remuneration Advisory Committee is composed of three members, including two independent outside directors. Both Committees are chaired by outside directors. Major issues to be deliberated by each Committee are as follows.

[Matters concerning nomination]

- Proposals on the election or dismissal of Directors, to be submitted to the General Meeting of Shareholders
- Draft on the selection, removal, and allocation of duties of the Representative Director and executive directors, to be submitted to the Board of Directors
- Drafts on candidates for other management team positions (Executive Officer, etc.), to be submitted to the Board of Directors
- Drafts on candidates for committee membership, to be submitted to the Board of Directors
- Policies for selecting Directors (and management team members)
- Procedures for selecting Directors (and management team members)
- Senior management training programs

[Matters concerning remuneration]

- Draft proposals on remuneration for Directors, to be submitted to the General Meeting of Shareholders
- Drafts on individual remuneration amounts (including calculation methods) to be paid to Directors
- Drafts on individual remuneration amounts (including calculation methods) to be paid to management team members other than Directors (Executive Officers, etc.)
- Policies on directors' remuneration, including its composition
- Procedures for determining matters concerning directors' remuneration
- Drafts on individual remuneration amounts (including calculation methods) to be paid to other persons in positions equivalent to that of director (directors of group companies, etc.)

Matters Concerning Independent Directors

| | |
|--|---|
| Number of Independent Directors | 5 |
| Other Matters Concerning Independent Directors | |

The Company has designated all its Outside Directors as independent directors based on their qualifications.

Incentives

| | |
|--|--|
| Implementation Status of Measures related to Incentives Granted to Directors | Introduction of performance-linked remuneration scheme |
| Supplementary Explanation for Applicable Items | |

The Company revised its directors' remuneration scheme in fiscal 2022. See also the "Overview of the Directors' Remuneration Systems" in the attachment.

| | |
|--|--|
| Persons Eligible for Stock Options | |
| Supplementary Explanation for Applicable Items | |

Director Remuneration

| | |
|--|-----------------------------------|
| Status of Disclosure of Individual Director's Remuneration | Disclosure for Selected Directors |
| Supplementary Explanation for Applicable Items | |

The following is a summary of the total amounts of remuneration paid to Directors in fiscal 2023.

- (1) The total amount of remuneration paid to Directors excluding those who are also Audit and Supervisory Committee members and Outside Directors is ¥246 million. By type, it is composed of basic remuneration (monetary payment) of ¥205 million and stock remuneration of ¥40 million (value posted in the relevant fiscal year).
- (2) The total amount of remuneration paid to Directors who are also Audit and Supervisory Committee members (excluding Outside Directors) is ¥25 million.
- (3) The total amount of remuneration paid to Outside Directors is ¥51 million.

Policy on Determining Remuneration Amounts and Calculation Methods

Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

The Company revised its directors' remuneration scheme in fiscal 2022. See also the "Overview of the Directors' Remuneration Systems" in the attachment.

Support System for Outside Directors

The Secretary Department assigns an assistant to the Outside Directors to undertake such tasks as checking the schedule, providing updates, and distributing written materials. In addition, the Outside Directors' Meeting is held on a regular basis with the aim of ensuring Outside Directors are readily provided with necessary management information and encouraging them to exchange opinions and develop a shared understanding.

2. Matters Concerning Functions of Business Execution, Auditing and Supervision, Nomination, and Remuneration Decisions (Overview of Current Corporate Governance System)

The Company's business execution and supervision systems are as follows.

(1) Board of Directors

The Board of Directors is comprised of a total of nine Directors, out of which four are internal directors and five independent outside directors. It is the Company's highest decision-making body, and is responsible for making decisions on matters set forth by laws and regulations as well as the Articles of Incorporation and important matters related to business while supervising the execution of duties by Directors.

(2) Audit and Supervisory Committee

The Audit and Supervisory Committee is comprised of three directors who are also Audit and Supervisory Committee members, including two independent outside directors. Of the three seats, one is a full-time position to be filled by a knowledgeable insider able to play a leading role in performing systematic audits using internal control systems. Major tasks assigned to this position are to attend various important meetings held by the Executive Committee, Executive Officers, Compliance Committee, Risk Management Committee, Sustainability Committee, and other bodies, to read through important final decision documents, to monitor the status of business execution appropriately, to personally perform audits, and to report audit results to the Audit and Supervisory Committee. Also, the Committee holds sessions in which all of its members exchange opinions with internal directors, including the President and Representative Director/CEO, to exchange information and develop a shared understanding about the business environment surrounding the Company and company-wide risks and issues. Furthermore, in order to audit the legality and adequacy of the execution of duties by Directors, the Committee conducts systematic audits in cooperation with the Internal Auditing Department, holds in-person sessions in which its members hear from executive officers on the status of business execution, exchanges information with directors and auditors of group companies, and monitors and verifies the development and operation status of internal control systems including those related to financial reporting.

(3) Nomination Advisory Committee and Remuneration Advisory Committee

The Nomination Advisory Committee and the Remuneration Advisory Committee are voluntarily established as advisory bodies to the Board of Directors to ensure the Board is able to receive the advice of outside directors for the purpose of strengthening the independence and objectivity its functions as well as its capacity to fulfill its accountability for dealing with important matters related to the election, dismissal, and remuneration of directors. The Nomination Advisory Committee is comprised of five outside directors and one internal director, and chaired by an outside director. The Remuneration Advisory Committee is comprised of two outside directors and one internal director, and chaired by an outside director.

(4) Outside Directors' Meeting

The Outside Directors' Meeting is held with the full participation of the five Outside Directors, with the principal aim of ensuring Outside Directors are readily provided with necessary management information and encouraging them to exchange opinions and develop a shared understanding.

(5) Executive Committee

The Executive Committee, consisting of the executive directors, Chief Executive Officer (CEO), Chief Operating Officer (COO) (and Co-Chief Operating Officer [Co-COO] for joint operating structures), Chief Financial Officer (CFO), and Chief Human Resources Officer (CHRO), is engaged in deliberation and decision-making on important matters regarding overall business management and execution and prior deliberation on matters for resolution by the Board of Directors.

(6) Executive Officers

Executive officers control the execution of operations within the scope of their responsibility, with authority delegated by the Board of Directors in accordance with its resolution. From among the executive officers, the Chief Executive Officer (CEO), general manager of the Company and its group companies as a whole, Chief Operating Officer (COO) (and Co-Chief Operating Officer [Co-COO] for joint operating structures), Chief Financial Officer (CFO), and Chief Human Resources Officer (CHRO) are selected and appointed by resolution of the Board.

(7) Executive Officers' Meeting

The Executive Officers' Meeting is held with the full participation of all executive officers for the purpose of providing a venue for the sharing information and discussion of important matters regarding overall business management and execution.

(8) Internal Auditing Department

The Internal Auditing Department consists of a total of 14 members. It is the Company's specialized audit function, being under the direct supervision of the President and Representative Director/CEO and independent from other departments engaged in business execution. The independence and objectivity of its activities are set forth in internal rules. The Department performs audits and evaluations according to internal audit plans and internal control evaluation plans, and conducts special audits as deemed necessary by the Board of Directors or other parties. The Department reports audit and evaluation results to the President and Representative Director/CEO on a regular basis as well as to the Board of Directors, Audit and Supervisory Committee, Executive Committee, and Accounting Auditor, as appropriate. In cases where issues are identified via internal audits and internal control evaluations, such results are fed back to relevant departments for the implementation of improvement measures, and the subsequent status is monitored in order to ensure business is executed in a proper manner at all times.

a. Name of the Accounting Auditor

PricewaterhouseCoopers Japan LLC

PricewaterhouseCoopers Japan LLC was formerly named PricewaterhouseCoopers Aarata LLC. The name was changed following the merger with PricewaterhouseCoopers Kyoto LLC on December 1, 2023.

b. Years of service

Eight years

c. Name of certified public accountants in charge of audit execution

Takeshi Shioya

Chie Ukai

d. Assistants to audit execution

The Company employs a total 15 professionals including three certified public accountants to assist with its accounting audit execution.

The Company enters into an agreement with non-executive directors to limit liability for damages suffered by the Company as a result of such directors neglecting their duties, based on Article 427, Paragraph (1) of the Companies Act and the Company's Articles of Incorporation. Under this agreement, the liability is limited to the amount stipulated legally, but only if relevant non-executive directors have acted in good faith and without gross negligence in performing their duties.

3. Reasons for Adoption of Current Corporate Governance System

The Company has chosen to be a Company with an Audit and Supervisory Committee as a way to ensure fully effective corporate governance systems and live up to the trust that society places in business corporations. We operate the Board of Directors with outside directors comprising a majority in order to strengthen the body's supervisory function to improve management soundness and transparency, while at the same time accelerating the separation of the Board of Directors from business execution and thereby facilitating faster decision-making processes, which we believe will enable us to make necessary decisions swiftly and resolutely so as to respond effectively to the business environment surrounding the Company.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize General Meeting of Shareholders and Facilitate Exercise of Voting Rights

| | Supplementary Explanation |
|---|--|
| Early Posting of Notice of the General Meeting of Shareholders | The notice of the ordinary general meeting of shareholders is posted for online access on the Company's website, as well as the website of the Tokyo Stock Exchange (TSE) and other organizations, four weeks prior to the meeting. The written notice is dispatched three weeks prior to the meeting. |
| Electronic Exercise of Voting Rights | We have introduced a system for the electronic exercise of voting rights for the greater convenience of individual investors, and participate in the TSE-run electronic voting platform to allow institutional investors to avail themselves of a similar opportunity. |
| Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights | We participate in a platform for the electronic exercise of voting rights for the convenience of institutional investors. |
| Provision of Notice (or Summary of Notice) of the General Meeting of Shareholders in English | We post an English version of the abridged notice along with reference materials on the website of the Company and the TSE as well as on its Platform for the Electronic Exercise of Voting Rights. |
| Other | We have opened a dedicated portal site with access limited to our shareholders to allow them to view live-streaming video of the meeting from home or any other place. We have also begun to accept questions in advance and offer an on-demand streaming service. At the meeting, business briefings are presented using video and narration, which are also posted on the Company's website immediately after the meeting. |

2. Status of IR-related Activities

| | Supplementary Explanation | Explanation by a representative director or a representative executive officer |
|---|--|--|
| Regular Investor Briefings held for Individual Investors | We held investor briefings for individual investors three times in fiscal 2023. | Not Held |
| Regular Investor Briefings held for Analysts and Institutional Investors | We held financial results briefings for the full year and the first half and conference calls for the first and third quarter. | Held |
| Regular Investor Briefings held for Overseas Investors | We hold web conferences for overseas institutional investors to brief them on the medium-term management plan and earnings results. | Held |
| Online Disclosure of IR Information | We post online business results briefing materials (Japanese and English) and related video streaming (Japanese only), as well as financial results, supplementary materials, the integrated report, and other publications. | |
| Establishment of Department and/or Placement of a Manager in Charge of IR | The Corporate Communications Department's IR Promotion Group is assigned responsibility for related tasks. | |
| Other | We hold a range of programs, such as small group meetings, interviews with senior executives, and site tours, according to the situation. | |

3. Status of Measures to Ensure Due Respect for Stakeholders

| | Supplementary Explanation |
|--|--|
| Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders | The Company aims to contribute to human health and medicine according to its Corporate Value of “The Best of Nature and Science” and Corporate Mission “to contribute to the unparalleled medical therapeutic power of the combination of Kampo medicine and Western medicine” |
| Implementation of Environmental Preservation Activities and CSR Activities, etc. | <p>Environmental preservation activities</p> <p>The major ingredients of Kampo formulations are plant-based crude drugs. Recognizing the natural environment of crude drug production areas in various locations as important management capital, the Group develops its own environmental capital policies, especially by promoting research on cultivation and environmental preservation measures, in order to be able to ensure its sustainable procurement of crude drugs. We are also making group-wide efforts to create a resource-recycling system, centering on the recycling of crude drug residues and reuse of wastewater from the manufacture of prescription Kampo formulations.</p> <p>Sustainability</p> <p>We believe that Tsumura should fulfill its social responsibility by identifying and solving various social issues through its Kampo and crude drug business with the aim of creating value to share with society and contributing to sustainable development of society, and develop activities in line with this belief. Details of such activities are described in the integrated report, which is distributed to stakeholders. The descriptions are also posted in the Company’s website.</p> |
| Formulation of Policies, etc. on Provision of Information to Stakeholders | We have formulated the Tsumura Information Disclosure Rules to ensure timely and appropriate information disclosure, aiming to improve the quality and transparency of disclosed information. |

IV. Matters Concerning the Internal Control System

1. Basic Views on Internal Control System and Status of Development

1. Systems to ensure compliance by Directors and employees in the execution of their duties with laws and regulations and the Articles of Incorporation
 - (1) We promote compliance based on the Tsumura Compliance Program (Sustainability Charter, Compliance Program Regulations, Compliance Committee, Compliance Promotion System, Tsumura Group Hotline, etc.), and conduct training and other programs on an ongoing basis.
 - (2) The Tsumura Group operates the Tsumura Group Hotline, a centralized function to receive reports and requests for consultation concerning compliance from inside and outside of Japan. At the same time, each group company operates an internal and external contact for consultation services. We develop systems to ensure appropriate operations of these functions so that no employee will unfairly suffer detrimental treatment as a result of using the function.
 - (3) We have established the Tsumura Code of Practice (hereinafter the “Tsumura Code”) to ensure a high level of ethics and transparency in our corporate activities and to live up to the trust of society. The Tsumura Code Committee, established based on the Tsumura Code, is tasked with managing and administering the Tsumura Code to develop promotion activities for Tsumura’s prescription pharmaceuticals in a proper manner.
 - (4) In order to understand the status of business operations and promote necessary improvement, the Internal Auditing Department, a body directly under the President and Representative Director/CEO, performs internal audits for the whole of the Tsumura Group.
 - (5) We create and implement basic policies and plans for internal control in accordance with the implementation standards published by the Business Accounting Council of the Financial Services Agency in order to ensure the credibility of reporting.
 - (6) We take a firm attitude organizationally toward unfair demands made by antisocial forces that pose a threat to the order and safety of civil society, and develop a system to ensure that we have absolutely no relationships with antisocial forces for business or any other purpose.
2. Systems to preserve and manage information pertaining to the execution of duties by Directors
 - (1) We record and preserve documents relating to the execution of duties by Directors and other related information in a physical or electronic format, in compliance with laws and regulations and the Basic Rules for Information Management.
 - (2) We preserve, manage, and dispose of the above documents and other information in compliance with the Basic Rules for Information Management, assign a division to be responsible for information management (General Affairs Department), and develop internal systems to conduct appropriate measures, including providing training.
 - (3) The Company allows Directors to access such documents and information at any time in compliance with the Basic Rules for Information Management.
3. Rules and other systems regarding management of the risk of loss to the Company
 - (1) In order to promote comprehensive risk management for the Company and its group companies, we operate the Risk Management Committee, build appropriate risk management structures, and develop relevant internal rules and manuals, such as the Risk Management Regulations. Also, in the event of an emergency situation that may have a serious impact on our corporate activities, we have procedures to organize an emergency task force to respond to the specific situation.
 - (2) Based on the Basic Rules for Information Management, we formulate the Information Security Management Regulations, Personal Information Protection Regulations, and Specified Personal Information Handling Rules to ensure thorough management of confidential information and protect personal information in an appropriate manner. Also, we provide training and education in order to help employees to fully understand the importance of this issue and familiarize them with proper information handling procedures.
4. Systems to ensure the efficient execution of duties by Directors
 - (1) We operate the Board of Directors in accordance with the Articles of Incorporation and the Board of Directors Rules, and organize meetings regularly and also on an as-needed basis. Also, with the aim of maintaining and improving the supervisory function of the Board and clarifying the responsibilities and authority for business execution, we adopt the executive officer system. From among the Executive Officers, the Chief Executive Officer (CEO), general manager of the Company and its group companies as a whole, Chief Operating Officer (COO) (and Co-Chief Operating Officer [Co-COO] for joint operating structures), Chief Financial Officer (CFO), and Chief Human Resources Officer (CHRO) are selected and appointed by resolution of the Board.
 - (2) We hold the Outside Directors’ Meeting with the principal aim of ensuring Outside Directors are readily provided with necessary management information and encouraging them to exchange opinions and develop a shared understanding.
 - (3) For issues related to business management and execution, we operate the Executive Officers’ Meeting and the Executive Committee and task these bodies with consulting, deliberating, and decision-making.
5. Systems to ensure the propriety of business operations conducted by the corporate group consisting of the Company and its group companies

We operate the Affiliated Companies Management Regulations to ensure the propriety of business operations conducted by the corporate group consisting of the Company and its group companies. We also operate the Intragroup Transaction Management Regulations to maintain and ensure the fairness and appropriateness of transactions within the Group.
6. Systems for reporting to the Company on matters concerning the execution of duties by directors of group companies

- (1) Each group company makes decisions on important management issues and reports the decisions to the Company, working in a timely and appropriate manner to fulfill requirements set forth by the Affiliated Companies Management Regulations.
 - (2) We hold the Group Companies' Business Reporting Meeting to provide an opportunity for directors of each group company to present a business report to directors of the Company.
7. Matters concerning Directors and employees assigned to assist the Company's Audit and Supervisory Committee with fulfilling its duties
We assign one or more employee(s) to assist the Audit and Supervisory Committee with fulfilling its duties as per requested by the Committee. We do not assign any Director to serve the same purpose.
 8. Matters on ensuring the independence of the relevant employee(s) referred to in the preceding paragraph from Directors (excluding those who are Audit and Supervisory Committee members) and matters on ensuring the effectiveness of instructions given by the Audit and Supervisory Committee to the relevant employee(s)
The relevant employee(s) shall perform the relevant roles under the direction and orders of the Audit and Supervisory Committee, and obtain consent from the Committee when handling personnel affairs.
 9. Systems for the Company's Directors (excluding those who are Audit and Supervisory Committee members), Executive Officers, and employees as well as directors, auditors, and employees of group companies or persons who have received reports from the parties listed herein to make a report to the Audit and Supervisory Committee
The Company's Directors (excluding those who are Audit and Supervisory Committee members), Executive Officers, and employees as well as directors, auditors, and employees of group companies or persons who have received reports from the parties listed herein are required to make a report without delay to the Audit and Supervisory Committee on legal matters, issues that may have a serious impact on overall corporate activities, implementation status of internal audits, usage status of the internal reporting system (Tsumura Group Hotline) and details of reports received, and other matters regarding which the Audit and Supervisory Committee requests a report.
 10. Systems to ensure that persons who have made a report as described in the preceding paragraph will not unfairly suffer detrimental treatment as a result of their relevant action
We develop a system for operating the related functions appropriately so that persons who have made a report as described in the preceding paragraph will not unfairly suffer detrimental treatment as a result of their relevant action.
 11. Matters concerning policies on procedures for handling advance payment or reimbursement for expenses incurred in the execution of duties by the Company's Directors serving as Audit and Supervisory Committee members (limited to those incurred for the execution of duties carried out in relation to the Audit and Supervisory Committee) and the recording of expenses or obligations incurred for the execution of said duties
Requests and claims made by Directors serving as Audit and Supervisory Committee members for advance payment and reimbursement of payments or paid obligations for expenses incurred in the execution of their duties shall be responded to promptly, except in cases where the expenses are not related to the execution of duties carried out in relation to the Audit and Supervisory Committee.
 12. Other systems to ensure that the Audit and Supervisory Committee is able to perform audits effectively
 - (1) We create an opportunity for the Audit and Supervisory Committee and Representative Director to exchange views on a regular basis.
 - (2) We create an opportunity for Directors serving as Audit and Supervisory Committee members to attend important internal meetings and hear from Directors (excluding those who are Audit and Supervisory Committee members), Executive Officers, and relevant employees.
 - (3) Directors (excluding those who are Audit and Supervisory Committee members), Executive Officers, and employees are required to provide cooperation to the Audit and Supervisory Committee to ensure the effectiveness of audit activities conducted by the Committee.
 - (4) We build systems to enable the Audit and Supervisory Committee to work in close cooperation with the Accounting Auditor, the Internal Auditing Department, and auditors of group companies.

2. Basic Views on Measures for Eliminating Anti-Social Forces and Status of Development

As stated in its Sustainability Charter, the Company is committed to "assuming a resolute attitude toward antisocial forces and groups that pose a threat to the order and safety of civil society" and strives to ensure all its directors and employees have a full understanding of this issue. Also, we build and maintain close cooperative relationships with the competent police department and external specialized institutions, in order to proactively collect information related to antisocial forces and groups and share such information internally in an effort to eliminate any relationship with such parties.

V. Other

1. Adoption of Anti-Takeover Measures

| | |
|---|-------------|
| Adoption of Anti-Takeover Measures | Not adopted |
|---|-------------|

Supplementary Explanation for Applicable Items

2. Other Matters Concerning the Corporate Governance System

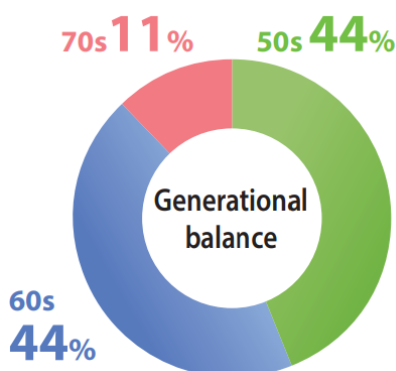
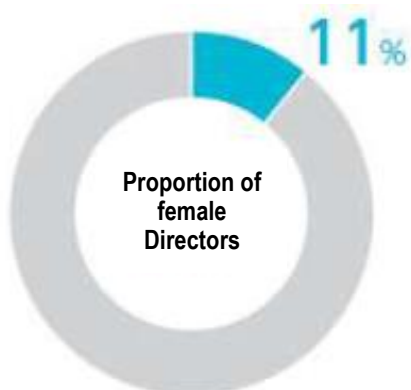
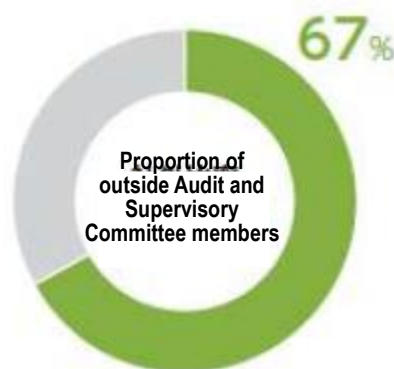
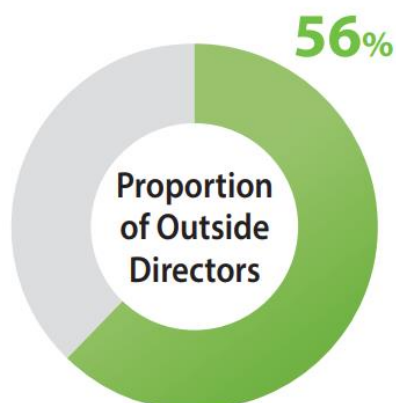
Attachment: Approach to Diversity of Directors

■ Approach to Diversity of Directors

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

As a result, Outside Directors account for a majority of our Directors at present. We have built highly effective governance systems to make decisions on important matters from diverse perspectives, offered chiefly by 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.



Skill Matrix

As of June 27, 2024

| | Name | Title | Gender | Age | Outside/ Independent | Corporate Management | Global | Sales/ Marketing | SDGs/ ESG | IT | Finance/ Accounting | Legal/Risk Management | Human Resources Management |
|---|-----------------------|---|--------|-----|-------------------------|-------------------------|--------------|---------------------|--------------|----|------------------------|--------------------------|----------------------------------|
| 1 | Terukazu Kato | President and Representative Director CEO | ♂ | 60 | | ◎ | ○ | ○ | ○ | ○ | ○ | | ○ |
| 2 | Kei Sugii | Director Co-COO | ♂ | 54 | | ○ | ○ | | ◎ | ○ | | | |
| 3 | Muneki Handa | Director CFO | ♂ | 61 | | ○ | | ○ | | ○ | ◎ | | ○ |
| 4 | Hitoshi Miyake | Outside Director | ♂ | 74 | ● | ○ | ○ | ◎ | ○ | ○ | | | |
| 5 | Tadashi Okada | Outside Director | ♂ | 68 | ● | ○ | ◎ (China) | | ○ | ○ | | ○ | |
| 6 | Ryohei Yanagi | Outside Director | ♂ | 61 | ● | ○ | ○ | | ○ | | ◎ | | |
| 7 | Tomihiko Nagafuchi | Director; Full-time Audit and Supervisory Committee Member | ♂ | 59 | | | | | ◎ | | | ○ | |
| 8 | Mitsutoshi Matsushita | Outside Director; Audit and Supervisory Committee Member | ♂ | 53 | ● | | | | | | | ◎ | |
| 9 | Akemi Mochizuki | Outside Director; Audit and Supervisory Committee Member | ♀ | 70 | ● | | | | | | ◎ | | |



Male



Female

*For the purpose of supervision, the persons above have particularly strong skills in the fields marked with “◎”

Requirements for Skill Items

| | | | |
|-----------------------|--|----------------------------|--|
| Corporate Management | Has served as executive director at listed companies, or has knowledge and experience needed to formulate business strategies and the ability to offer appropriate advice | Global | Has adequate experience in overseas business management, and has knowledge and experience needed to engage in global corporate management |
| Sales/ Marketing | Has adequate knowledge and experience regarding sales and marketing, is well-versed in the pharmaceutical industry, and has the ability to offer appropriate advice on marketing | SDGs/ESG | Has adequate knowledge and experience in dealing with climate change and other environmental issues, and has specialist knowledge and experience regarding diversity, CSR, CSV, corporate governance, and other issues |
| IT | Has adequate knowledge on information and communications technologies, and the ability to promote digitalization by identifying challenges and offering appropriate solutions | Finance/ Accounting | Has adequate knowledge and experience in finance and accounting, has experience of working in financial institutions, or is a certified public accountant or a qualified tax accountant |
| Legal/Risk Management | Has adequate experience in risk management, and has knowledge and experience needed to deal with legal affairs and risks, or is a qualified attorney | Human Resources Management | Has adequate experience in formulating human resources strategies, and has adequate knowledge and experience in the field of human resources development |

Attachment: Overview of Directors' Remuneration Systems

Disclosure of the Policy on Determining the Amount of Remuneration or its Calculation Method

1. Basic policy

Remuneration of the Company's Directors is determined in accordance with the principle of "pay-for-purpose" and based on the following policy.

- (1) Reward contributions to realizing Tsumura's vision by pursuing philosophy-based management and upholding the Corporate Purpose, which is the foundation of its group management
- (2) Reward contributions to Tsumura's sustainable growth by earning the trust of stakeholders through sustainability and governance initiatives and by solving social issues
- (3) Motivate Directors to take on challenges to achieve lofty goals
 - Reward each individual director for taking on challenges to achieve lofty goals
 - Reward achievements resulting from teamwork of the management team, which is essential to achieving lofty goals

2. Remuneration levels

While taking into account the salary levels of Company employees, the Company, given the business environment, compares its levels of director remuneration with those of its industry peers or other companies of a similar size in an objective manner by utilizing survey data provided by external specialists. It then sets remuneration levels for individual Directors in alignment with their roles and duties.

3. Remuneration scheme and composition

Remuneration of the Company's Directors consists of basic remuneration (a fixed component and a short-term performance-linked component [STI]) and performance-linked stock remuneration (LTI-I and LTI-II), with the short-term performance-linked component of basic remuneration and performance-linked stock remuneration being positioned as incentives (variable remuneration). The composition ratio for the Directors' remuneration by type is set as follows, referring to survey data provided by external specialists to grasp the trends of industry peers and other companies of a similar size, with the aim of encouraging them to endeavor to contribute to the Company's sustainable growth and improvement in corporate value.

Attachment: Overview of Directors' Remuneration Systems

| Type of Remuneration | | | Purpose / Outline |
|----------------------|--|---|--|
| Fixed | Basic remuneration (monetary) | Fixed component | Fixed component according to roles, duties, etc. |
| Variable | Performance-linked stock remuneration (non-monetary) | STI (short-term performance-linked component) | <p>Annual incentive to reward contributions to the Company's performance and the achievement of job-related goals set by individual Directors each fiscal year</p> <ul style="list-style-type: none"> • The standard amount to be paid for achieved targets is set at a fixed percentage of total remuneration according to roles, duties, etc. • The specific amount of payment is determined within the range of 15% to 150% of the standard amount according to the level of achievement of performance targets set for each fiscal year • Monetary payment made monthly together with the fixed component |
| | | LTI-I (linked to medium-term performance) | <p>A medium-term incentive to reward efforts aimed at the realization of the medium-term management plan</p> <ul style="list-style-type: none"> • Base points are granted and accumulated according to roles, duties, etc. each year, and a number of the Company's shares corresponding to the number of accumulated points—but varying according to the level of achievement of performance targets for the medium-term management plan as well as individually set job-related goals—are delivered (50% is provided as a monetary payment for tax purposes) • The specific number of shares to be delivered is determined within the range of 15% to 150% of cumulative base points • In principle, shares are delivered in one parcel around July immediately after the end of the medium-term management plan period |
| | | LTI-II (linked to long-term vision) | <p>A long-term incentive to encourage Directors to embrace challenges aimed at the realization of the long-term vision</p> <ul style="list-style-type: none"> • Base points are granted and accumulated according to roles, duties, etc. each year, and a number of the Company's shares corresponding to the number of accumulated points—but varying according to the level of achievement of progress targets for the realization of the long-term vision at the end of the period covered by the medium-term management plan—are delivered (50% is provided as a monetary payment for tax purposes) • The specific number of shares to be delivered is determined within the range of 0% to 150% of cumulative base points • In principle, shares are delivered in one parcel after the Director has left office |

[Short-term incentive (STI): Short-term performance-linked component (basic remuneration)]

The payment amount of the portion of basic remuneration that is linked to short-term performance is determined according to the level of achievement of targets set each fiscal year for consolidated net sales and consolidated operating profit, indicators for numerical targets specified in the medium-term management plan, and the level of achievement of job-related goals set by each Director as a person responsible for business execution.

The composition ratio and variation range for each evaluation indicator are as follows.

| Evaluation indicator | Composition ratio | Coefficient variation range |
|--|-------------------|-----------------------------|
| Consolidated net sales | 25-35% | 0-150% |
| Consolidated operating profit | 25-35% | 0-150% |
| Level of achievement of individually set job-related goals | 30-50% | 50-150% |
| Total | 100% | 15-150% |

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

The number of shares to be delivered as LTI-I is determined based on the level of achievement of targets for consolidated net sales, consolidated operating profit, and consolidated ROE (average during the plan period), indicators specified for numerical targets in the medium-term management plan, and the level of achievement of job-related goals set by each Director as a person responsible for business execution. At the time of share delivery, 50% of the shares to be delivered are converted into cash beforehand so that the funds can be allocated for tax payment. Share delivery and cash payment are required to be received by each Director through the Board Incentive Plan (BIP) Trust (hereinafter "BIP Trust") for director remuneration provided by Mitsubishi UFJ Trust and Bank Corporation.

The calculation formula for the number of shares to be delivered and the composition ratio and variation range for each evaluation indicator are as follows.

Attachment: Overview of Directors' Remuneration Systems

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

Base points = Amount determined according to directors' remuneration standards for different roles, duties, etc. / Reference stock price*

Number of shares to be delivered = Total number of base points accumulated during the period of the medium-term management plan x 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).

| Evaluation indicator | Composition ratio | Coefficient variation range |
|--|-------------------|-----------------------------|
| Consolidated net sales | 30% | 0-150% |
| Consolidated operating profit | 20% | 0-150% |
| Consolidated ROE (average during the plan period) | 20% | 0-150% |
| Achievement rate of individually set job-related goals | 30% | 50-150% |
| Total | 100% | 15-150% |

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

The number of shares to be delivered as LTI-II is determined based on the level of achievement of indicator targets set for corporate value, sustainability, corporate governance, and business value for the period corresponding to the medium-term management plan. At the time of share delivery, 50% of the shares to be delivered are converted into cash beforehand so that the funds can be allocated for tax payment. Share delivery and cash payment are required to be received by each Director through the BIP Trust.

The calculation formula for the number of shares to be delivered and the composition ratio and variation range for each evaluation indicator are as follows.

(1) Calculation formula for stock remuneration (linked to long-term performance)

Base points = Amount determined according to directors' remuneration standards for different roles, duties, etc. / Reference stock price*

Performance-linked points = Total number of base points accumulated during the period of the medium-term management plan x Performance-linked coefficient

Number of shares to be delivered = Total value of performance-linked points accumulated 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).

| Evaluation indicator | | Purpose of selected indicators |
|----------------------|--|--|
| Corporate value | Relative TSR ¹ (Relative to TOPIX growth rate) | - Measure the level of achievement of the long-term vision - Motivate Directors to contribute to the realization of the long-term vision and the enhancement of corporate value, as well as share value with shareholders |
| Sustainability | GHG reduction, cultivation of wild crude drugs, etc. | - Measure the level of achievement of the Sustainability Vision - Encourage efforts to promote sustainable business activities, such as conserving the natural environment and cultivating wild crude drugs, and raise the level of consciousness of Directors of related issues |
| Corporate governance | Diversity of management team, etc. | - Measure the level of achievement of the Sustainability Vision and promote the achievement of the long-term management vision - Encourage the formation of a management team for the entire Tsumura Group, including overseas bases, that is capable of making timely and appropriate management decisions, including for business restructuring, in order to generate corporate value for the medium to long term |
| Business value | Sales ratio of overseas business | - Measure the level of achievement of the long-term management vision - Build a foundation for overseas operations, and increase Directors' motivation to contribute to enhancing corporate value by propelling growth in overseas markets |

¹ TSR stands for total shareholder returns. Relative TSR is the ratio of the Company's TSR to the TOPIX growth rate.

| Evaluation indicator | | Composition ratio | Coefficient variation range | Major target |
|----------------------|--|-------------------|--------------------------------------|--|
| Corporate value | Relative TSR (Relative to TOPIX growth rate) | 25% | 0-200% (0-100% until March 31, 2028) | 1.0 |
| Sustainability | GHG reduction, cultivation of wild crude drugs, etc. | 25% | 0-100% | 50% GHG emissions reduction at the end of fiscal 2031 (compared to fiscal 2020), etc. ¹ |
| Corporate governance | Diversity of management team, etc. | 25% | 0-100% | *1 |
| Business value | Sales ratio of overseas business | 25% | 0-200% (0-100% until March 31, 2028) | 50% at the end of fiscal 2031*1 |
| Total | | 100% | 0-150% (0-100% until March 31, 2028) | |

¹ The coefficient is 0% if the achievement rate is less than 100% or 80%, depending on the evaluation indicator.

When LTI-II is provided

| | | | |
|-------------------------------|--|--|--|
| Fixed component [55%] | Short-term performance-linked component Short-term incentive [25%] | LTI-I Medium-term incentive [10%] | LTI-II Long-term incentive [10%] |
| Basic remuneration (monetary) | | Performance-linked stock remuneration (non-monetary) | |
| ← Fixed → | | ← Variable → | |

Notes:

The composition ratios above reflect the standard amounts of remuneration for roles, duties, etc.

The above is a model where the target achievement rate related to performance-linked remuneration is 100%.

When LTI-II is not provided

| | | |
|-------------------------------|--|--|
| Fixed component [60%] | Short-term performance-linked component Short-term incentive [30%] | LTI-I Medium-term incentive [10%] |
| Basic remuneration (monetary) | | Performance-linked stock remuneration (non-monetary) |
| ← Fixed → | | ← Variable → |

[Indicators related to performance-linked remuneration]

The following are indicator targets related to performance-linked remuneration set for Executive Directors, including the Representative Director (excluding those who are Audit and Supervisory Committee members).

| Evaluation indicator | | Single-year target (fiscal 2022) | | Medium-term management plan (fiscal 2024) |
|----------------------|--|----------------------------------|---------|---|
| | | Target value | Results | Target value |
| STI | Consolidated net sales (¥100 million) | 1,385 | 1,400 | — |
| | Consolidated operating profit (¥100 million) | 208 | 209 | — |
| LTI-I | Consolidated net sales (¥100 million) | — | — | 1,620 |
| | Consolidated operating profit (¥100 million) | — | — | 290 |
| | Consolidated ROE (%) | — | — | 8 |
| LTI-II | TSR | — | — | 1.0 |

4. Process of determining remuneration

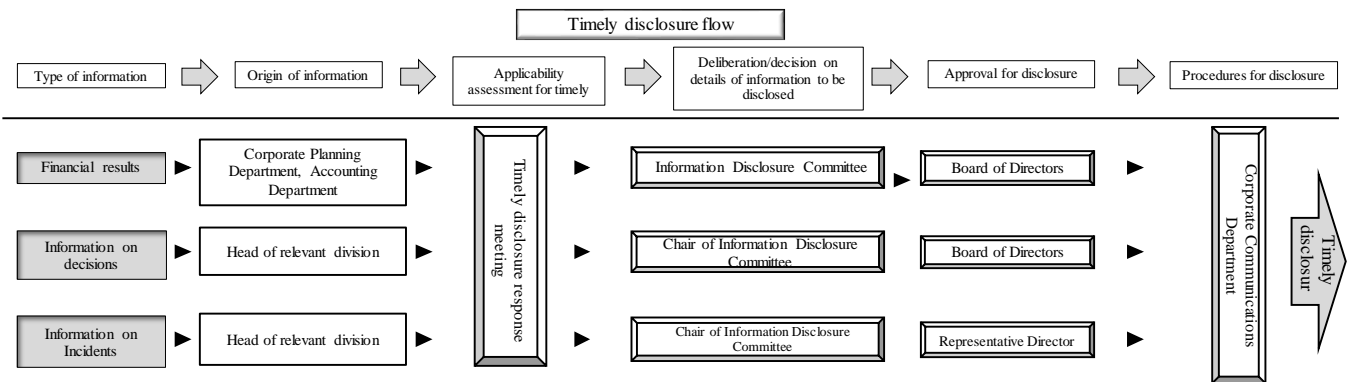
- To enhance the objectivity and transparency of the process used for performing nomination procedures for the election and dismissal of executive directors and executive officers as well as performing procedures for deliberating the standard amount of remuneration, performance evaluation methods, and rules for calculating the amount in accordance with performance evaluation results, and determining the remuneration amount by applying the rules, the Board of Directors shall consult the Nomination/Remuneration Advisory Committee, receive a report on results of the consultation and reasons for the results, and make resolution based on these results and within the limit of the total amount approved at the General Meeting of Shareholders. The above-mentioned performance evaluation methods and rules for calculating the amount in accordance with performance evaluation results are stipulated in the internal rules, and revision of the relevant internal rules shall be determined by resolution of the Board of Directors after consulting the Nomination/Remuneration Advisory Committee and receiving a report on results of the consultation.
- The Board of Directors shall delegate responsibilities for determining the level of achievement of individually set job-related goals for the short-term performance-linked component of basic remuneration and LTI-I to the Nomination/Remuneration Advisory Committee. The reason for such delegation is to further increase the objectivity and transparency of procedures related to remuneration, etc. by taking advantage of the characteristics of the Committee, which is chaired by an outside director and has outside directors comprising a majority of its members.
- Responsibilities for confirming whether amounts to be paid to individual Directors are calculated properly in accordance with internal rules and resolutions of the Board of Directors, and notifying each Director of the details of the determination are delegated to Terukazu Kato, who is the President and Representative Director. The reason for such delegation is to take advantage of the capacity of the position for verifying the appropriateness of remuneration amounts based on the details of deliberations by the Nomination/Remuneration Advisory Committee.

5. Details of remuneration, etc.

- The Company has determined that the amount of basic remuneration (monetary payment) of Directors (excluding those who are Audit and Supervisory Committee members) shall not exceed ¥600 million per annum (based on the resolution made by the 81st Ordinary General Meeting of Shareholders on June 29, 2017, with six Directors including Outside Directors eligible to receive this remuneration at the time of resolution).
- The Company decided on the introduction of the performance-linked stock remuneration scheme based on the resolution made by the 80th Ordinary General Meeting of Shareholders on June 29, 2016 (with three executive directors eligible to receive it at the time of resolution).
- The Company decided to change the manner in which stock remuneration is provided by abandoning the previous manner of delivering the Company's common stocks in full and starting to instead provide a portion of the remuneration in the form of a cash payment based on the resolution made by the 83rd Ordinary General Meeting of Shareholders on June 27, 2019 (with three executive directors eligible to receive it at the time of resolution).
- The Company resolved that the upper limit on the total number of common stocks to be delivered during the period of three fiscal years from the year ended March 31, 2020 to the year ended March 31, 2022 should be equivalent to 60,000 shares, and the combined total amount of monetary remuneration receivable and cash payment to be granted during the same period should not exceed ¥450 million. The above-described resolution applied to stock remuneration granted up to fiscal 2021, before the performance-linked stock remuneration scheme was revised in fiscal 2022.
- The Company decided on matters concerning stock remuneration to be provided from fiscal 2022 onward based on the resolution made by the 86th Ordinary General Meeting of Shareholders on June 29, 2022 (with three executive directors eligible to receive it at the time of resolution). The upper limit on the amount of cash to be paid during the fiscal years set for the Company's medium-term management plan (initially three fiscal years from the year ended March 31, 2023 to the year ending March 31, 2025) shall

be the value obtained by multiplying ¥290 million by the number of years the recipient is eligible for the said medium-term management plan; and the upper limit on the number of the Company's shares, etc. related to the delivery and payment (hereinafter "delivery, etc.") of the Company's shares including those converted into cash (hereinafter "the Company's shares, etc.") shall be the value obtained by multiplying 100,000 shares by the number of years the recipient is eligible for the said medium-term management plan.

- The Company has determined that remuneration provided to Directors who are Audit and Supervisory Committee members shall be composed solely of fixed basic remuneration, in consideration of their roles, duties, etc. and the amount is determined through consultation by Directors who are Audit and Supervisory Committee members with the upper limit of ¥72 million per annum (based on the resolution made by the 81st Ordinary General Meeting of Shareholders on June 29, 2017, with three directors who were Audit and Supervisory Committee members eligible to receive it at the time of resolution).
- The Company has determined that remuneration provided to non-executive directors (including Outside Directors) and Directors who are Audit and Supervisory Committee members shall be composed solely of fixed basic remuneration (monetary payment), in consideration of their roles in overseeing business execution.



● Information on decisions and incidents includes that related to subsidiaries.

● Head of the Corporate Communications Department, together with heads of the Corporate Planning Department and Accounting Department, holds the timely disclosure response meeting to assess applicability of timely disclosure standards to the situation.

END