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NEWS RELEASE

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Tsumura Develops Medium-Term Management Plan for FY2012 to FY2015

Aiming to Become a Value-Creation Company Contributing to Public Health with Kampo

Tsumura & Co. (“Tsumura”) has recently developed its medium-term management plan for four years (fiscal 2012 to fiscal 2015), based on its long-term management vision (Vision 2021) “Aiming to become a value-creation company contributing to the health of people with Kampo.”

Tsumura regards this new medium-term management plan as the first medium-term management plan to realize Vision 2021 and has adopted a theme of “strengthening the basis for growth to create value.” Tsumura has also targeted the following three objectives as specific strategic challenges: the expansion of the ethical Kampo formulation market in Japan, cost restructuring through the introduction of new production technologies and other means, and increasing corporate value through the execution of financial and capital policies. Tsumura will strive to achieve sustainable growth by pursuing these strategic challenges with the new medium-term management plan as a milestone to realizing Vision 2021.

Tsumura has been aiming to establish a strong presence in the field of medicine by making maximum use of its distinctiveness as a Kampo medicine manufacturer by focusing on this area. More specifically, Tsumura has been enhancing the provision of information about Kampo medicine and Kampo preparations by holding seminars, lectures, research seminars, and briefings for medical institutions, among other activities. In addition, Kampo preparations have been steadily earning higher recognition in professional territories, given that strong evidence is being established thanks to progress in clinical research based on multicenter double-blind group-comparison tests and basic studies that support the effect of the clinical research. As a result, treatment using Kampo preparations are adopted for diseases in various fields, and sales volumes of Kampo formulations for prescription continue to increase steadily.

At the end of June 2012, Tsumura made a new start to follow and further evolve its management policies under a new management structure. Tsumura will pursue a number of initiatives to ensure that its management embodies its corporate philosophy, “The best of nature and science,” as the unalterable basic value that the Tsumura Group should pursue, and its corporate mission, “Contributing to the availability of medicines of unprecedented quality by combining Kampo and Western medicine,” as the goal that will continue to exist and be required by society, as its basic philosophy.

As the leading ethical Kampo formulation manufacturer, Tsumura will continue to make concerted efforts under its new medium-term management plan, with the aim of becoming a value-creation company that contributes to public health with Kampo in anticipation of growing medical needs associated with an increase in the aging population, stronger treatment needs for women’s diseases accompanying an increase in the female lifelong working population, and future medical practice in Japan where the role of primary care will only continue to increase.

1. Basic Philosophy

- Corporate philosophy
 - “The best of nature and science”
- Corporate mission
 - “Contributing to the availability of medicines of unprecedented quality by combining Kampo and Western medicine”
 - Constituting the Company’s basic philosophy, the corporate philosophy and the corporate mission are permanently shared throughout the Tsumura Group, and they form the basis for the Group’s approach to management.

2. Long-Term Business Vision: 2021 Vision

- Aiming to become a value-creation company contributing to public health with Kampo
 - Tsumura with a focus on Kampo

We will contribute to the creation of medical care practices to ensure that patients in Japan can receive medical treatment, adopting Kampo medicine as needed at any medical institution and at any department.
 - Tsumura with a focus on people

In the Kampo business, which has no model to serve as precedent, we will create a new path on our own with the aim of becoming a group of companies consisting of people who are trusted by all.
 - Tsumura with a focus on global niche markets

Harnessing our own technologies and expertise, we will seek to expand into new businesses by launching TU-100 Daikenchuto onto the U.S. market and enhancing the quality of crude drugs in China.

3. Medium-Term Management Plan (for FY 2012-2015)

- Strengthening the basis for growth to create value
 - (i) Expansion of the Kampo market
 - Expansion of the ethical Kampo formulation market in Japan
 - (ii) Boosting of earnings capacity
 - Achieving cost restructuring with the introduction of new production technologies, etc.
 - (iii) Financial and capital policies
 - Increase in corporate value through the execution of financial and capital policies

4. Targeted figures

	Target for FY 2015 (ending March 2016)
Net sales	123.0 billion yen
Operating profit	29.5 billion yen
Operating profit margin	24%
Net income	19.0 billion yen
EPS	269 yen
ROE	14%

5. Policy on Return to Shareholders

- We will strive to increase our corporate value by investing in the sustainable development and growth of the Kampo medicine.
- We will pay consistent dividends in consideration of medium- and long-term profit levels.
- We will consider the flexible acquisition of treasury stock.

6. Strategic Challenges

- (i) Expansion of the Kampo market: Expansion of the ethical Kampo formulation market in Japan
<Japan>

We will pursue a number of initiatives to attain the 2021 Vision, which aims to help create medical care practices to ensure that patients in Japan can receive medical treatment using Kampo medicine as needed at any medical institution and at any department.

- Monitor the use of Kampo formulations on a doctor-by-doctor basis and tailor promotional activities to the situation.
- Expand strategic formulae at university hospitals, designated hospitals for clinical training, other hospitals, and clinics.
- Provide support for enrichment of Kampo medicine education at university faculties of medicine and designated hospitals for clinical training.
- Actively organize seminars, lectures, research seminars, and briefings for medical institutions on Kampo medicine.
- Push ahead with clinical research based on multicenter double-blind group-comparison tests and basic studies that support the effects of the clinical research and establish high-quality evidence.
- Carry out promotional activities based on the evidence in addition to the presentation of research findings at academic conferences and in academic papers.

<Overseas> Develop TU-100 Daikenchuto in the United States.

- Establish a scientific quality assessment method for TU-100 Daikenchuto.
- Implementation of the Phase II test on TU-100 Daikenchuto.

(ii) Boosting earnings capacity: Achieving cost restructuring with the introduction of new production technologies, etc.

We will push ahead with cost restructuring by introducing innovative new production technologies and streamlining the production of crude drugs to build a foundation helpful to the future reduction of the cost of sales margin. We will also aim to further slash the ratio of selling, general, and administrative expenses.

- Review ongoing cost-cutting measures that can absorb a rise in depreciation and other costs and achieve cost savings.
- Construct a new production system that leads to labor saving and strengthen the operating structure.
- Boost the efficiency of crude drug production by expanding our company-controlled farms*.
- Develop crude drug cultivation technologies and bring them into production.
- Increase sales efficiency through evidence-based promotional activities.

* Company controlled farm

A farm where we can give direct cultivation guidance and where we monitor the cost of cultivation so that we can set purchase prices based on it (including any such farm controlled by a partner company)

(iii) Financial and capital policies: Increase in corporate value with the execution of financial and capital policies

<Financial and capital policies>

We will strive to increase boost by sustaining the growth of Kampo formulations for prescription and by cost restructuring.

In addition, we will improve the control of crude drug inventories and capital efficiency and revise non-business assets, including certain securities, to increase asset efficiency.

<Human capital policy>

In the Kampo business, which has no model to use as precedent, we will develop professional human talent that will be capable of independently opening up new pathways. Through the Kampo business, including the cultivation and processing of crude drugs, we will provide increased job opportunities for those with disabilities and elderly people and for crude drug cultivators in Japan, China, and Laos to ensure diversity in the Tsumura Group's unique human network.

<Environmental capital policy>

Kampo formulations are made chiefly of plant-derived crude drugs. Regarding the natural environment of the crude drug production sites in different countries as important capital, we conduct business management and implement our own environmental capital policies, including research for the sustainable procurement of crude drugs and environmental conservation actions. Also working on the recycling of crude drug residues, we will be making efforts across the Group to develop a cyclical structure based on nature itself.

[Notes on forward-looking statements]

- The targeted figures under the medium-term management plan provided in this document merely suggest our future orientation and do not constitute official results forecasts. For official results forecasts, please refer to data disclosed in the annual financial summary pursuant to the Tokyo Stock Exchange Regulation.
- Materials and data provided in this presentation include so-called forward-looking statements. These are subject to various risks and uncertainties. Please note that actual results may differ materially from forecast figures.
- In the event of a revision to the medical insurance system, drug prices, or other health care administration by Japanese and/or other governments, or of fluctuations in interest and foreign exchange rates, our financial results and standing may be affected.
- In the event of the suspension of sales or a substantial sales decline of any currently marketed mainstay product for reasons of product defect, unexpected side-effect, or suchlike, our financial results and standing will be severely affected.