



NEWS RELEASE

May 9, 2019

Name of Listed Company:	TSUMURA & CO.	Exchange:	Tokyo Stock Exchange
Code:	4540	URL:	https://www.tsumura.co.jp
Representative:	President and Representative Director	Name:	Terukazu Kato
Contact:	Head of Corporate Communications Dept.	Name:	Yosuke Tsuchiya
	Telephone: 81-3-6361-7100		

Third Medium-Term Management Plan (Fiscal 2019 – Fiscal 2021)

Creating New Value through Innovations in Kampo – Next Stage –

Tsumura & Co. (hereinafter, “Tsumura”) announces that it has developed the third Medium-Term Management Plan (Fiscal 2019 – 2021): Creating New Value through Innovations in Kampo – Next Stage –.

Tsumura has been working toward the realization of its long-term management vision, or Vision for 2021, which was established in 2012. Setting “the establishment of Kampo medicine” as a strategy for businesses in Japan and “contribution to the health of Chinese people” as a strategy for businesses in China in the third medium-term management plan, Tsumura has specified the strategic agendas as described below:

- i) Sustainable expansion of Kampo market and establishment of its presence**
- ii) Investment in growth and construction of business foundation in China**
- iii) Improvement of productivity using new technologies: AI, robotization and RPA^{*1}**
- iv) Fostering of corporate culture and development of diverse human resources^{*2} based on visionary management**
- v) Promotion of SDGs through Kampo value chain**

Tsumura regards the third medium-term management plan as a stage for investment in growth to grow its businesses in Japan and China dramatically after 2022. Tsumura will work on the five strategic challenges defined in the plan to achieve sustainable growth and increase its corporate value.

Tsumura believes in its key role in the realization of a healthy society of longevity. It will continue its company-wide efforts to contribute to the realization of the medical care practices where patients are able to receive Kampo treatment as needed in any department of any medical institution in Japan.

1. Basic Principles

[Corporate Philosophy]

“The Best of Nature and Science”

[Corporate Mission]

“To contribute to the unparalleled medical therapeutic power of the combination of Kampo medicine and Western medicine”

Tsumura’s basic principles, comprising the corporate philosophy and mission, are to be permanently shared throughout the Tsumura Group, and they will form the basis for the Group’s approach to management.

[Basic Direction]

“Tradition and Innovation”

The basic direction is the corporate attitude and culture that Tsumura should aim for, and it will serve as a guideline for each member of the Group to keep in mind when taking action.

2. Long-Term Business Vision “Vision for 2021”

Aim to be a value-creation company that contributes to people’s health through its Kampo business

-The “Kampo” Company

Contributing to creating a healthcare environment where all patients can receive treatment that includes “Kampo” medicine where appropriate in any healthcare institution or medical specialty in Japan.

- The “People” Company

“Kampo” medicine is a pioneering field with no previous examples to build on worldwide.

Therefore, we shall evolve into a corporate group comprised of “people” with professional skills that can independently pave the way forward for our Kampo business and is trusted by all.

- The “Global Niche” Company

Leveraging the technology and know-how of the Tsumura Group to their full extent, we will take on the challenge of developing and launching TU-100 (Daikenchuto) in the U.S. pharmaceutical market as well as creating new businesses in China.

3. Overview: the Third Medium-Term Management Plan (Fiscal 2019 – 2021)

(1) Business Strategies

Businesses in Japan: The establishment of Kampo medicine

Businesses in Japan: Contribution to the health of Chinese people

(2) Strategic Challenges

i) Sustainable expansion of Kampo market and establishment of its presence

Given that the needs of medical workers for Kampo medicine are diversifying, Tsumura will conduct proper information provision activities on the proper use of different formulations based on basic and clinical evidence, medical treatment guidelines that include Kampo preparations, and Kampo medicine style formulations through interviews with doctors, briefing sessions at medical institutions, and Kampo medicine seminars.

- Having identified three important domains in which to focus on activities, namely geriatric health, cancer (supportive care)^{*3} and women's health, Tsumura will conduct activities in a focused manner.
- Tsumura will conduct a marketing approach based on “drug fostering” program formulations^{*4}, “growing” formulations^{*5}, and formulations related to the three important domains.
- Tsumura will build evidence to increase the therapeutic efficacy (safety and efficacy) of patients, with the aim of enlisting it in medical treatment guidelines.

ii) Investment in growth and construction of business foundation in China

- Tsumura aims to achieve net sales of about 4.0 billion yen (240 million yuan/ 1 yuan = 16.5 yen) in fiscal 2021 through sales of existing products such as Yakushoku-Dogen products and crude drug pieces for decoction^{*6}.
- Tsumura will invest 50 to 100 billion yen to promote the construction of the foundation for the full-fledged operation of the traditional Chinese medical products^{*7} business.
- Tsumura will begin operating an analysis and research center in fiscal 2021 with the aim of establishing quality standards for crude drugs and traditional Chinese medical products.
- Tsumura will begin producing extract powders for Japan at Tianjin Plant (TSUMURA SHENGSHI PHARMACEUTICALS CO., LTD) in fiscal 2021. In the future, Tsumura will develop it into the main production base of preparations for China.

iii) Improvement of productivity using new technologies: AI, robotization and RPA

- Tsumura will improve efficiency through the automation of the crude drug selection work and the robotization of the production process.
- To promote a shift to higher value-added operations, Tsumura will automatize routine work by introducing RPA.
- Tsumura will achieve an optimum inventory arrangement by reforming SCM^{*7} from demand projection to a crude drugs allocation plan.

iv) Fostering of corporate culture and development of diverse human resources based on visionary management

- To cultivate management human resources, Tsumura will design and operate systematic training programs by instructors inside and outside the company to keep producing human resources who are able to practice its visionary management.
- Tsumura will foster corporate culture in accordance with its basic direction by ensuring that its corporate philosophy permeates throughout the Group's employees and by implementing coaching seminars and programs that aim to increase human power.

v) Promotion of SDGs through Kampo value chain

Tsumura will work on the realization of a sustainable society through Kampo and crude drugs, which are the source of its value creation.

- Tsumura will contribute to the health and welfare of more people by continuing to promote the

analysis of the efficacy of Kampo to address a range of disease structures.

- Tsumura will promote the effective use and conservation of water and other resources by incorporating circulation systems such as renewable energy.
- Tsumura will expand the sustainable use of natural resources, the creation of employment opportunities in production regions and collaborations between agriculture and welfare through the cultivation and research of crude drugs.

(3) Numerical targets

	FY2021
Net sales	135.0 billion yen or more
Operating profit	19.0 billion yen or more
ROE	6% or more

Assumptions: [Drug price revision] fiscal 2019, fiscal 2020 and fiscal 2021
[Exchange rate] 112 yen/U.S. dollar and 16.5 yen/yuan

(4) Shareholder Return Policy

Tsumura considers the shareholder return policy to be critical, and it will continue to aim for continuous business growth.

Tsumura's shareholder return policy is intended to:

- Improve the corporate value through the sustainable expansion of the Kampo business and investment in growth and the construction of a foundation for businesses in China.
- Provide stable dividends in light of the medium- to long-term profitability level, cash flow situation, and other factors.

*1 RPA

Abbreviation of Robotic Process Automation.

*2 Human resources

The Tsumura Group considers all the members of its workforce and management team to be its treasure, and it writes the Japanese word for human resources using the character meaning "treasure," rather than using the conventional character meaning "material."

*3 Cancer (supportive care)

Treatment to reduce symptoms associated with cancer itself and symptoms of the adverse effects of cancer treatment.

*4 Drug fostering program formulations

Formulations for establishing evidence (scientific grounds) by focusing efforts on certain diseases for which medical Kampo drugs have demonstrated particular efficacy in fields where medical treatment needs are high and that are difficult to treat with Western drugs.

*5 Growing formulations

Formulations that aim to be listed in medical treatment guidelines as a strategic formulation following the five drug fostering program formulations through the establishment of scientific evidence (data on safety, efficacy, etc.) in fields where satisfaction with treatment and the contribution of medicine are low.

*6 Crude drug pieces for decoction

Raw material crude drugs that have been chopped.

*7 Traditional Chinese medical products

Traditional Chinese medicines that have been produced through industrial processes.

*8 SCM

Supply chain management. Tsumura aims to build an SCM system to automate and speed up processes by coordinating sales plans, production plans; raw material crude drug cultivation, allocation, procurement, processing, and transportation; and inventory plans based on demand forecasts.