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November 7, 2023

NEWS RELEASE

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Listing: TSE Prime Market
Securities code: 4540
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Notice Concerning Revision of Basic Capital Management Policy and Shareholder Return Policy and Revision of Dividends Projection (Dividend Increase)

TSUMURA & CO. today announces that, at a meeting of the Board of Directors held on November 7, 2023, the Company passed a resolution concerning revision of the basic capital management policy and shareholder return policy and revision of the dividends projection (dividend increase). Details are as follows.

1. Revision of Basic Capital Management Policy and Shareholder Return Policy

The Company positions the return of profits to shareholders as an important policy and has hitherto adopted a basic policy of paying stable dividends.

Now, as part of initiatives to improve corporate value in the medium and long term for the realization of TSUMURA VISION "Cho-WA" 2031 and based on a management approach which also takes balance sheet management into consideration, the Company has decided to revise its basic capital management policy and shareholder return policy as follows for the purpose of seeking further enhancement of shareholder returns whilst striking a balance between financial soundness and growth investments.

Taking into consideration the adequacy of retained earnings and the medium-to-long-term business outlook, the Company judged that an early dividend increase was feasible and decided to increase its dividend payout ratio from the end of the second quarter of the current fiscal year.

(1) Details of revision of basic capital management policy

Before revision

We believe that increasing corporate value through business investment for the sustainable development and growth of Kampo medicine will ultimately provide the greatest return to our shareholders and investors. We regard ROE as a critical management indicator measuring the sustainable enhancement of shareholder value. <u>To enhance ROE, the priority issue we must tackle is improving the operating profit margin. At the same time, we will improve capital efficiency by streamlining assets, which will lead to higher ROE.</u>

After revision

We believe that increasing corporate value through business investment for the sustainable development and growth of Kampo medicine will ultimately provide the greatest return to our shareholders and investors. We regard ROE as a critical management indicator measuring the sustainable enhancement of shareholder value, <u>and will aim for ROE that is higher than the cost of capital by increasing profitability and asset efficiency. We will also increase management efficiency whilst ensuring the soundness of our financial base, and the funds that utilization of operating cash flow and debt and an optimum</u>

capital structure permit will be allocated to growth investments and shareholder returns in an appropriate manner. We have also set DOE (dividend on equity ratio) as an indicator for shareholder returns and will aim for long-term enhancement of dividends, on the basis of a robust balance sheet.

Category	Indicator	Target level in FY2031
Management efficiency	ROE	10%
Soundness of financial base	Equity ratio	50% or more
Dividends	DOE (dividend on equity)	5%

(The above forward-looking statements represent our vision for FY2031 and actual financial and other results may differ materially from these figures due to a number of factors.)

(2) Details of revision of shareholder returns policy

Before revision

Tsumura believes that the return of profits to shareholders is one of its most important tasks. Its policy is to enhance corporate value through sustainable expansion of the domestic business, through investment in the growth of Chinese operations, and the development of the business foundation; and to provide a stable dividend that takes medium- and long-term profit levels and cash flow into account. Tsumura will endeavor to return profits to shareholders based on an examination and review of the optimal capital structure, giving comprehensive consideration to market trends, etc.

After revision

Tsumura believes that the return of profits to shareholders is one of its most important tasks. Its policy is to enhance corporate value through sustainable expansion of the domestic business, through investment in the growth of Chinese operations, and the development of the business foundation; and to determine shareholder returns by taking medium- and long-term profit levels and cash flow into account. Our policy is to determine dividends based on a comprehensive judgment of the level of ROE, DOE and the equity ratio, which are key indicators, and to aim for a consolidated dividend payout ratio of 40% and seek to gradually increase this to 50% or higher by FY2031.

2. Revisions to dividend forecast for the fiscal year ending March 2024.

(1) Reason for revision of dividend forecast

As a result of the above revision of our shareholder return policy, we are revising our interim dividend and year-end dividend forecasts for the fiscal year ending March 31, 2024 stated in the "Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (Under Japanese GAAP)" released on May 9, 2023, as follows. The annual dividend per share after revision is 70 yen, which represents a dividend increase of 6 yen from our previous forecast of 64 yen.

(2) Details of revised year-end dividend forecast

	Dividend per share			
	End of 2nd quarter	Year-end	Total	Consolidated payout ratio
	Yen	Yen	Yen	%
Previous forecast (Announced on May 9, 2023)	32.00	32.00	64.00	37.4
Revised forecast		**35.00**	**70.00**	**40.9**
Results for current period	**35.00**			
Dividend paid for FY ended March 31, 2023	32.00	32.00	64.00	29.7

(Notes on forward-looking statements)

The above forecasts are based on information available to the Company at the time of preparation of this release and certain assumptions that the Company considers to be reasonable, and actual results may differ from the forecasts due to various factors.