

Medium-Term Management Plan Outline

Using Backcasting in Management

To realize our long-term management vision, we created medium-term management plans as a road map by clarifying our business visions and strategies then backcasting and dividing them into three stages.

The first medium-term management plan corresponding to the first stage (fiscal 2022 to fiscal 2024) is positioned as a period for up-front investment. We have set out five strategic challenges and numerical targets. We will invest in production facilities and other areas for enhancing production capacity and productivity (automation and DX), with a view to supporting the sustainable, stable growth of the domestic business. We will also invest in construction of an IT platform for the China business, as well as M&As to gain entry into the traditional Chinese medicinal products business in our formulation platform. Other major

investment areas include R&D, with priority given to promoting personalization of Kampo treatment and scientific research on pre-symptomatic disease.

The domestic business for prescription Kampo formulations is currently the main area of our business model, which makes it difficult to pass on increases in prices for energy and raw materials and the impacts of the yen's depreciation. We have set numerical targets with an eye on the level that we should achieve to realize our long-term management vision.

Under our plan, in the second stage (fiscal 2025 to fiscal 2027), our invested businesses and facilities will enter full operation, and in the third stage (fiscal 2028 to fiscal 2031) we will receive full returns on our investments in the form of profits.

Roadmap for achieving the TSUMURA VISION "Cho-WA" 2031

		1st stage FY2022-2024 -Germination-	2nd stage FY2025-2027 -Growth-	3rd stage FY2028-2031 -Flowering-
Prescription Kampo business	Standardization of Kampo treatment	★	50% or more of physicians prescribing 10 or more prescriptions	50% of physicians writing basic prescriptions in all treatment areas
	Personalization of Kampo treatment			
Research and development		Personalization of Kampo treatment / Scientific study of pre-symptomatic diseases	Research	Develop
China business	Formulation platform	Traditional Chinese medicinal products business	Entry	Build infrastructure
	Crude drug platform	Crude drug, drug pieces, and Yakushokudogen products	Expand sales	Establish brand
	Research platform	Traditional Chinese Medicine Research Center	Establish	Expand functions
Smart factory		Expand scope of automation	Shift to monitoring & management	Realize smartification of factories
Labor productivity	Sales	Sales per MR (yen/MR)		
	Production	Physical labor productivity (box/person)		
	Crude drugs	Labor costs for the amount of arranged crude drug (yen/ton)		Productivity doubled (compared to fiscal 2021)

Numerical targets (fiscal 2024)

Net sales ¥162.0 billion	Operating profit ¥29.0 billion	ROE 8%
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Prerequisite: (Drug price revision) FY2022, FY2023, FY2024 (Exchange rate) FY2022: JPY 19.5/RMB, JPY 125.0/USD FY2023 - 2024: JPY 19.0/RMB, JPY 120/USD
Note: As of May 2022

Strategy by Business

	Prescription Kampo business	China business
Business vision	Contributing to the realization of a medical setting where all patients can receive Kampo treatment suited to them individually, regardless of the medical institution or clinical department.	Achieve a situation where we are contributing to the health of the people of China.
Business strategy	Establishment of Kampo medicine Realize a situation at medical institutions where one in two physicians (50%-plus) will write prescriptions for all the "basic prescriptions for treatment areas" based on Kampo medicine.	Be a traditional Chinese medicine company that is trusted in China Become recognized as a traditional Chinese medicine company that is contributing toward the health of the people in China.

First Medium-Term Management Plan: Strategic Challenge

Strategic challenges	Growth (Expand business scale)		Earnings power (Enhance profit margins)		Growth investments for the future	
	Operating profit margin		Invested capital turnover rate		Maintain	
	Gross profit	SG&A ratio	Working capital turnover rate	Fixed asset turnover rate		
1 Continuously expanding the Kampo market by providing Kampo solutions that match the needs of each and every physician	✓	✓		✓		
2 Using KAMPOmics to build evidence on Kampo and promote the scientific study of presymptomatic diseases	✓	✓				
3 Expanding sales of crude drugs and drug pieces in China and entering the traditional Chinese medicinal products business	✓	✓	✓	✓		
4 Innovating the IT platform and crude drug selection, and promoting the implementation of AI and automation toward reforming the Kampo value chain			✓	✓		
5 Creating value through organization and human capital and promoting reform to boost job satisfaction	✓	✓	✓	✓		
Initiatives for realization of the Sustainability Vision	✓	✓	✓	✓		

Expansion of Business Scope

In the first medium-term management plan, we aim to achieve a CAGR of 5% for net sales in the domestic business, which is higher than previous levels, due to stable and continuous growth accompanying the increasing number of physicians prescribing Kampo formulations and the expanding market.

In the China business, we aim for high sales growth with a CAGR of 30% for net sales in the crude drug platform, which is centered on sales of raw material crude drugs and drug pieces. In the formulation platform, we aim to achieve entry into the traditional Chinese medicinal products business through M&As.

