

Cash Flows from Operating Activities

To generate operating cash flow, we will sustainably expand the Kampo business in Japan and expand the business of our crude drug platform in the China business. Meanwhile, in our formulation platform, we aim to enter the traditional Chinese medicinal products business through M&As.

We are experiencing impacts from the external environment, such as inflation-driven price increases for raw materials and energy and the yen's depreciation. Nevertheless, we will aim to stem the decline in the gross profit margin by reducing the cost ratio in association with expansion of the sales and production scale, hedging exchange rate fluctuation risks through forward exchange contracts, and stabilizing raw material crude drug prices by expanding the Company's own self-managed gardens. We aim to increase the operating profit margin through measures such as controlling SG&A expenses, giving consideration to the balance between expenses and up-front investments.

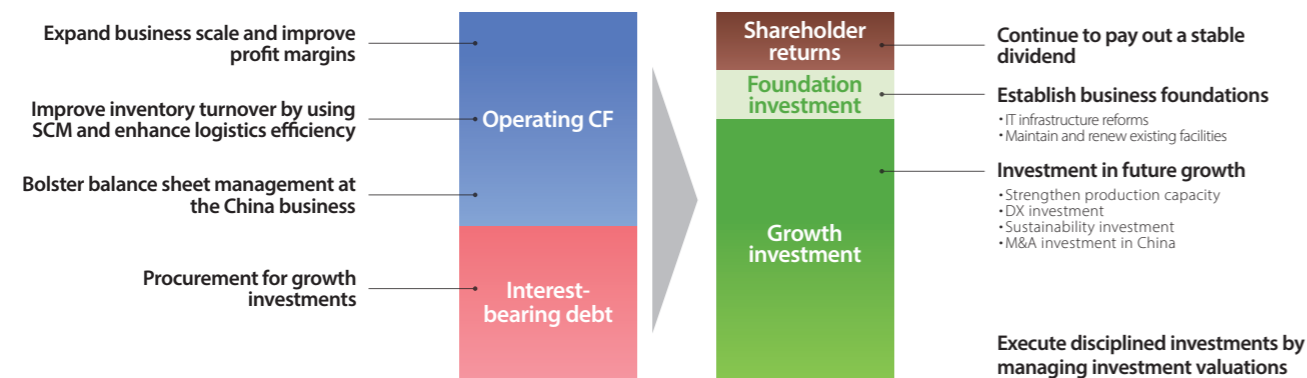
Our goal for the working capital turnover ratio is to maintain it at the current level as far as possible. Although we aim to increase the inventory turnover ratio by enhancing our SCM system, there are also negative factors such as revising the

appropriate level of inventory from a business continuity plan (BCP) perspective and the impact of the yen's depreciation. The fixed asset turnover ratio is declining due to factors such as up-front investments in production equipment and IT systems. However, by controlling this as much as possible by using a vertical start-up or other approach, we will minimize the decrease in the investment capital turnover ratio.

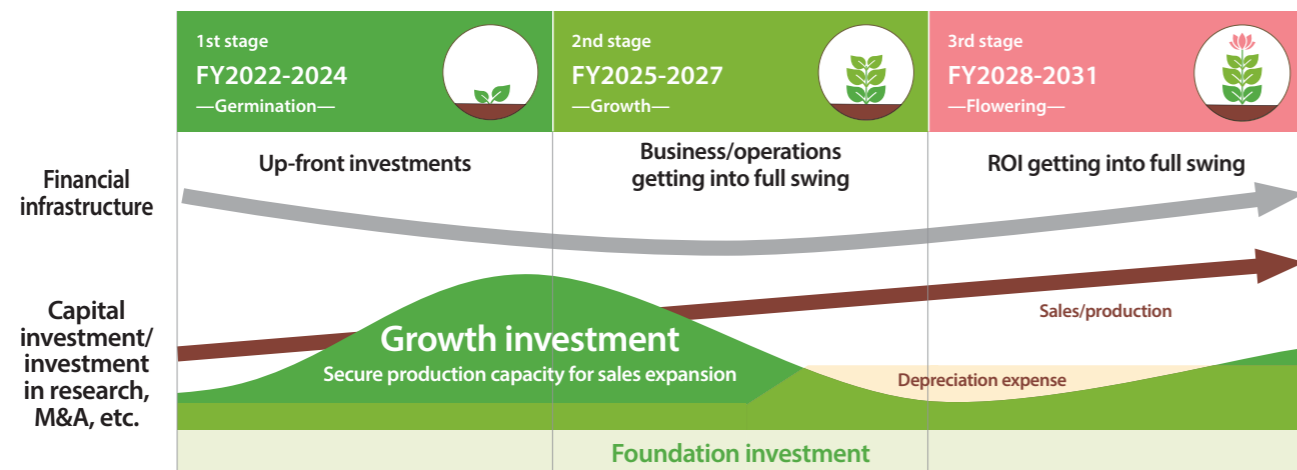
Through these initiatives, we aim to generate stable operating cash flow.

During the first medium-term management plan, we will focus on up-front investments for further growth and business scale expansion. In addition to generated cash flow, we also plan to procure funds.

On September 8, 2022, we issued a corporate bond for 30.0 billion yen to provide funds for part of the redemption of existing bonds and for growth investments. Through strict investment evaluation management, we will conduct disciplined growth investments, aiming to increase corporate value through realization of the long-term vision, while maintaining a sound financial position.

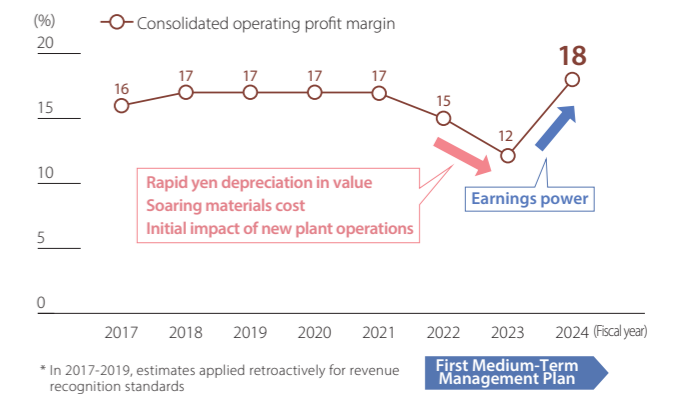


Long-term Image of Investments and Finances



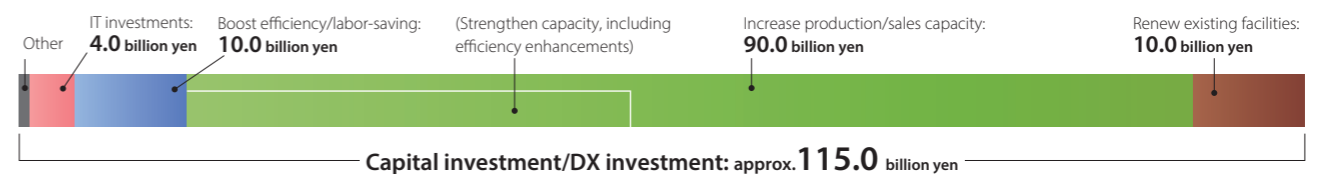
Increase in Earnings Capability of the Domestic Business

Sales	Realize sales growth that outperforms previous performance Sales growth rate for the 129 prescription Kampo products (annual average) 2017-2021: +3.8% ⇒ 2022-2024: +5.4%
Selling price	Continue to promote selling prices for Tsumura Kampo formulations
Cost of goods sold	Curb the rise in CoGS by improving productivity
R&D	Implement controls by planting seeds for the future and narrowing down R&D themes
Personnel	Improve added value per person and implement controls for optimum personnel
Expense	Realize a full-fledged management of cost benefits and scale down expense to proper levels



Growth Investment for the Future

During the first medium-term management plan, we will invest approximately 100.0 billion yen into production facilities and other areas for enhancing production capacity and productivity (automation and digital transformation), with a view to supporting the sustainable, stable growth of the domestic prescription Kampo formulation business. In addition to the new establishment of the Tianjin Plant, which will manufacture intermediates, we will also install additional manufacturing processes at existing plants in Japan.



We will invest approximately 15.0 billion yen in building an IT platform and so forth for the China business, as well as investing in M&As to enable entry into the traditional Chinese medicinal products business in our formulation platform.

We plan to invest approximately 24.0 billion yen in R&D, investing heavily and giving priority to new disease areas, personalization of Kampo treatment and research on pre-symptomatic disease and science.

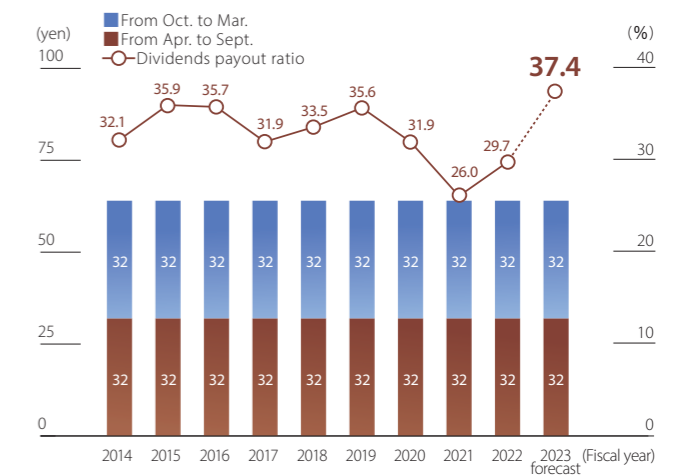
Shareholder Returns

Tsumura's policy is to have the Board of Directors engage in discussion each term, aiming for sustainable development of the Group's business and providing a stable dividend while considering medium- to long-term profit levels and the status of cash flows, among others.

Currently, we are in a stage of up-front investment and platform building for realizing the 2031 Vision. In addition to continuing to pay stable dividends, we are working to secure production capacity to support the growth of the domestic business at a higher level to help increase corporate value through the realization of TSUMURA VISION "Cho-WA" 2031. To this end, we have also conducted growth investments, such as M&As and IT platform preparation for expanding the China business, and DX investments for increasing productivity.

We recognize that a PBR below 1 and ROE of less than 8% are important management issues, and we will strive to realize an increase in corporate value in order to eliminate these issues as quickly as possible.

Dividends and dividend payout ratio



Note: The fiscal 2023 year-end dividend and payout ratio (forecast) are estimates based on the assumption that the dividend resolution is approved at the 88th Ordinary General Meeting of Shareholders.