

Medium-Term Management Plan

Having positioned this as a foundation-building stage for realizing the long-term management vision, we will steadily execute our strategies.

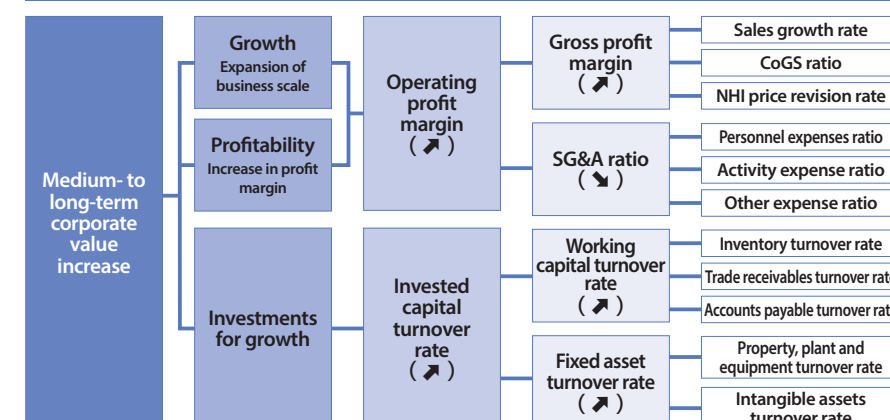
Financial and Pre-financial Highlights

Increasing Corporate Value and Pre-financial Indicators

As a financial strategy for increasing our corporate value over the medium to long term, we are managing action evaluation indicators in our Kampo value chain, aiming to expand our business scale, increase profit margin, and invest for growth. In cultivation, procurement, manufacture, and R&D, we aim to reduce the purchase price of crude drugs by expanding the ratio of cultivated land under our own management and promoting cultivation of wild crude drugs. In addition, we will see efficiency increase with growth in production volume following the expansion of the Kampo market, and we will also increase the labor equipment ratio through the adoption of AI and robotics, including the introduction of automated crude-drug sorting machines with AI. We aim to reduce processing costs by using and enhancing big data pertaining to manufacturing and quality to realize smart factories. We will maintain R&D investment at 5% or higher of

net sales, investing heavily and giving priority to areas such as new disease, promoting personalization of Kampo treatment, and pre-symptomatic disease. In the areas of sale, education and popularization, we are working to expand standardization of Kampo treatment by increasing the number of physicians prescribing 10 or more prescription Kampo formulations and by increasing the number of write-ups in the treatment guidelines. We will also work to personalize medicine and to take on the challenge of pre-symptomatic diseases. Moreover, we will support Kampo medicine education, so that it is a required subject in all university medical departments, Kampo outpatient services are established, and study sessions for teaching staff development are held to enable them to give instructions in Kampo medicine. In the China business, we will work on business expansion towards achieving an overseas sales ratio of 50% or higher.

Financial strategy



Activity evaluation indicators

Cultivation, procurement, manufacture, and R&D

- Crude drug procurement price(↘)
- Ratio of cultivated land under our own management(↗)
- Processing unit cost(↘)
- Physical labor productivity(↗)
- R&D expenses ratio(↗) etc.

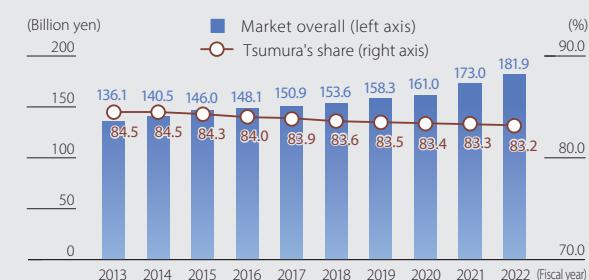
Sale, education, and popularization

- Sales growth by business(↗)
- Number of physicians prescribing 10 or more prescription Kampo formulations(↗)
- Number of write-ups in the treatment guidelines(↗)
- Number of universities teaching four or more Kampo medicine courses(↗)
- Number of universities with established Kampo outpatient services(↗)
- Number of universities holding study sessions for teaching staff(↗)
- Labor productivity(↗) etc.

Market environment in fiscal 2022

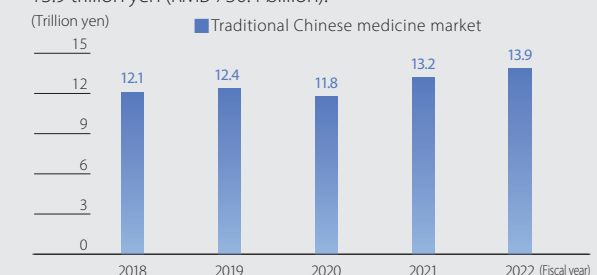
Domestic market

Under the Ministry of Health, Labour and Welfare's "Comprehensive Strategy to Strengthen the Pharmaceutical Industry," Kampo medicine is clearly described as playing an important role in healthcare in Japan, and the need for it is increasing year by year. Against this background, the prescription Kampo formulation market grew 5.1% year on year to 181.9 billion yen.



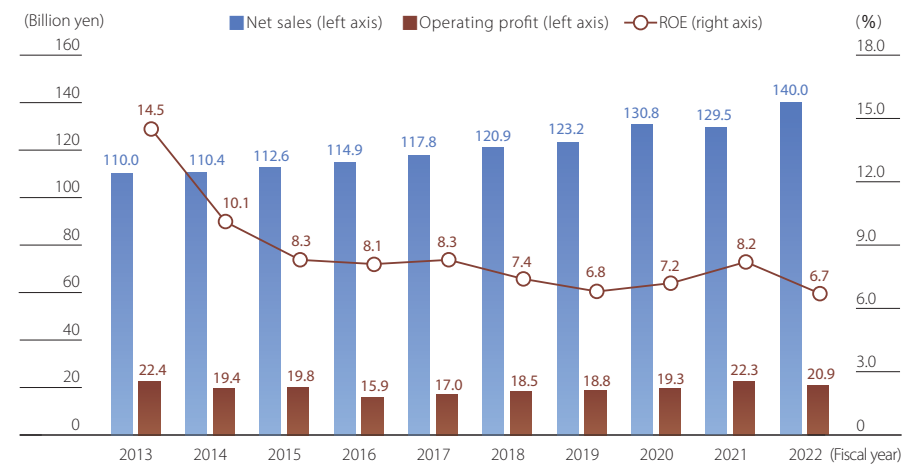
China market

In the Outline of the Healthy China 2030 Plan, importance is placed on both modern medicine and Chinese medicine. It promotes the development of rules regarding traditional Chinese medicine production and also encourages expanding the scale of production, while also implementing measures on theoretical research and drug development. Against this background, the traditional Chinese medicine market grew 5.6% year on year to 13.9 trillion yen (RMB 730.4 billion).



*1 Calculated at 1 RMB = 19.05 JPY (as of the end of December 2022) *2 Chinese Ministry of Industry and Information Technology, National Bureau of Statistics of China data

Management indicators

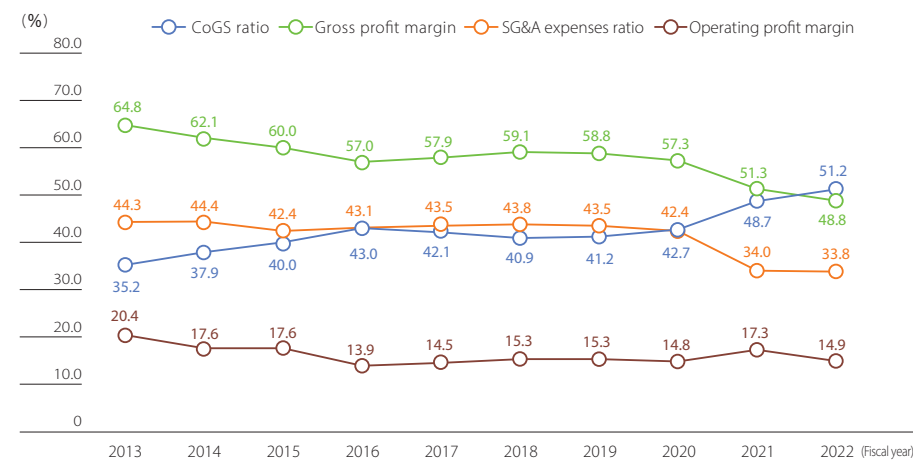


Net sales: Sales of prescription Kampo formulations in the domestic business increased by 4.6% year on year, reflecting the effects of e-promotions and growth in demand for prescriptions related to the symptoms and after-effects of COVID-19 infection. In the China business, sales increased by 54.6% year on year, mainly due to expansion in sales of raw material crude drugs in the crude drug platform.

Operating profit: Profit decreased due to impacts such as high prices for raw materials and energy coupled with the yen's depreciation and temporary expenses related to the start of operations at the Tianjin Plant.

Note: From fiscal 2021, the Accounting Standard for Revenue Recognition has been applied.

Indicators for net sales



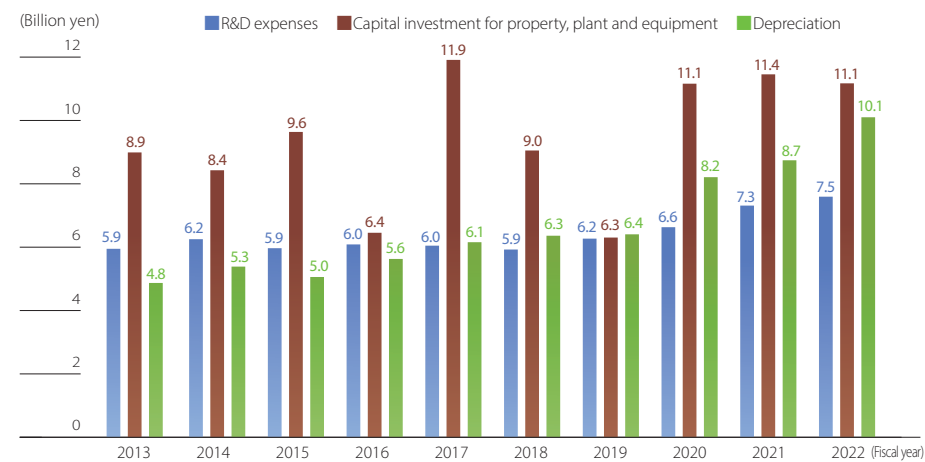
Gross profit margin: The CoGS ratio rose as the impacts of NHI drug price revisions, high prices for raw materials and energy, and the yen's depreciation exceeded that of higher productivity associated with an increase in production.

SG&A expenses ratio: The ratio declined, mainly reflecting increased efficiency in sales promotion expenses, despite temporary expenses incurred for the start of operations at the Tianjin Plant.

Operating profit margin: The margin decreased as an increase in the CoGS ratio exceeded the decrease in the SG&A expenses ratio.

Note: From fiscal 2021, the Accounting Standard for Revenue Recognition has been applied.

R&D expenses, capital investment for property, plant and equipment, and depreciation

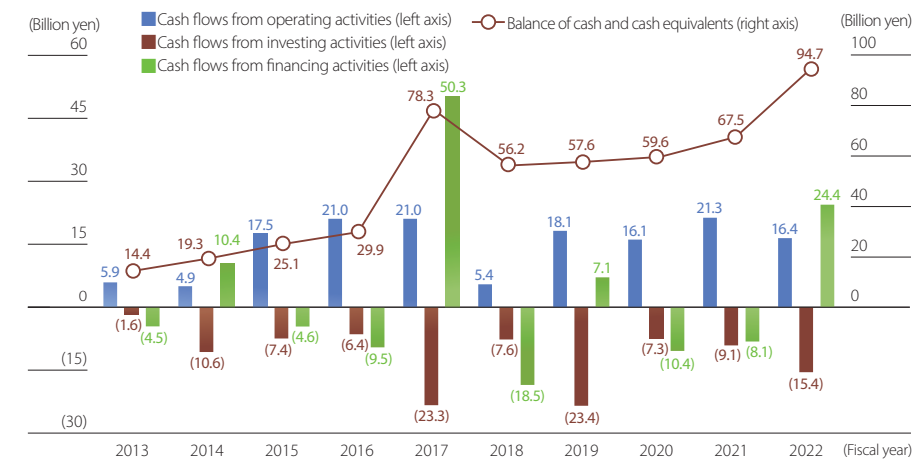


R&D expenses: Expenses increased, mainly for building evidence for Kampo formulations and the market launch of Daikenchuto in the United States.

Capital investment for property, plant and equipment: Investments were made mainly for the new construction of the Tianjin Plant, renewal of the Shanghai Plant, and expansion of other manufacturing processes.

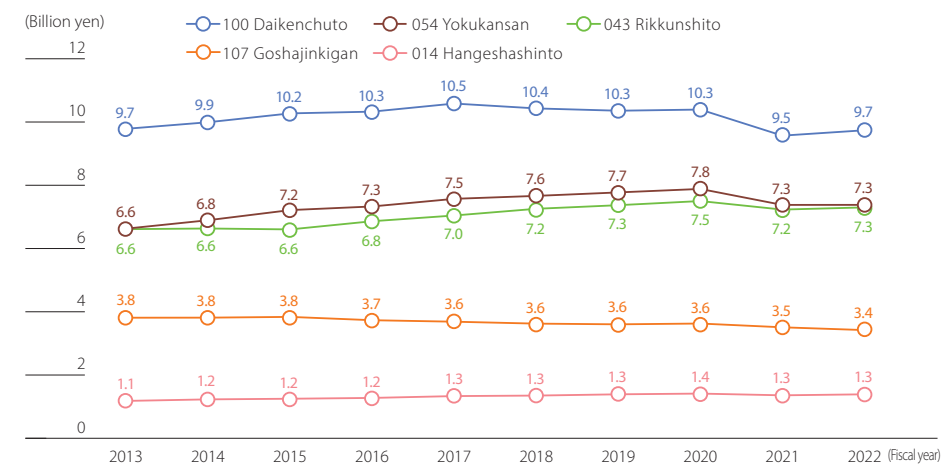
Depreciation: Depreciation increased, mainly in conjunction with the operation of the Tianjin Plant.

Cash flows



Cash flows from operating activities mainly reflected income from profit before income taxes and expenditures for income taxes paid. Cash flows from investing activities mainly reflected expenditures for purchase of property, plant and equipment, while cash flows from financing activities mainly reflected income from the issuance of bonds of 30.0 billion yen. As a result, the balance of cash and cash equivalents at fiscal year-end increased.

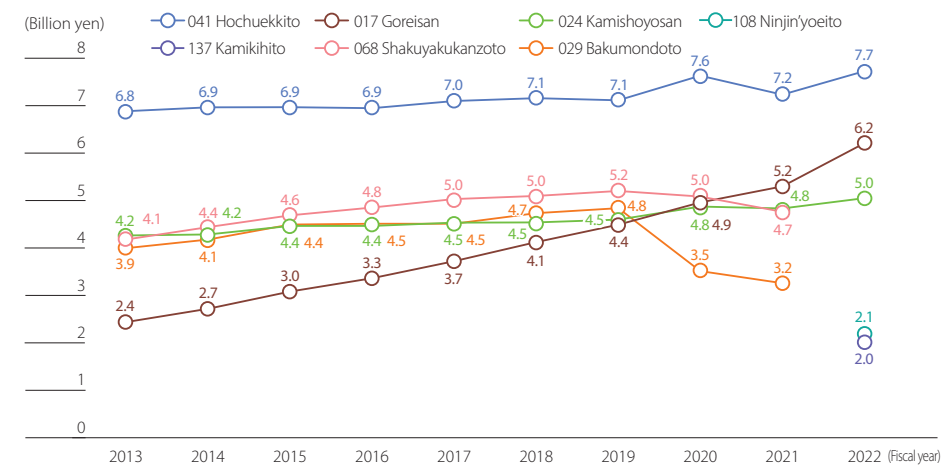
Drug-fostering program formulation net sales



Drug-fostering program formulation net sales rose 0.6% year on year to 29.2 billion yen, mainly reflecting the impacts of a limitation on shipments imposed from August 2022 due to a surge in demand due to the spread of COVID-19 and extremely hot weather, as well as a partial restriction on information provision activities.

Notes:
1 Daikenchuto, Yokukansan, and Rikkunshito were designated as drug-fostering program formulations in fiscal 2004.
2 Goshajinkigan and Hangeshashinto were designated as drug-fostering program formulations in fiscal 2009.
3 From fiscal 2021, the Accounting Standard for Revenue Recognition has been applied.

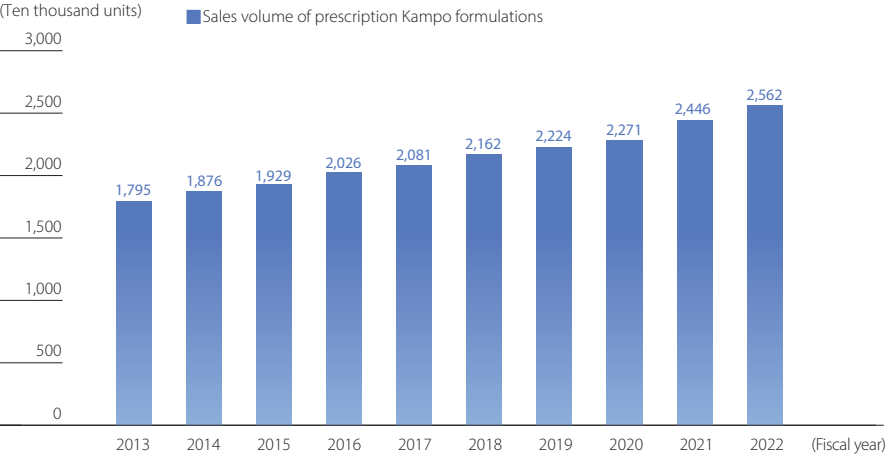
"Growing" formulation net sales



Notes: 1 From fiscal 2021, the Accounting Standard for Revenue Recognition has been applied.
2 From fiscal 2022, Ninjin'yoeito and Kamikihito were added in place of Shakuyakukanzoto and Bakumondoto.

"Growing" formulation net sales grew 10.3% year on year to 23.1 billion yen due to significant growth in sales of Hochuekkito, Goreisan, and Kamikihito. Goreisan grew due to measures such as holding seminars in the cardiovascular field, while Hochuekkito and Kamikihito grew through information provision activities aligned with needs such as fatigue, anxiety, and insomnia related to the after-effects of COVID-19.

Growth in the sales volume of prescription Kampo formulations (129 formulations)



The Company supported the establishment of Kampo medicine in university medical departments, medical colleges, and designated hospitals for postgraduate clinical training, as well as enhancement of education. In addition we have been building evidence for Kampo formulations since 2004 to promote drug-fostering. By accumulating a large quantity of evidence, we have increased the number of write-ups in treatment guidelines, mainly of drug-fostering program and “Growing” formulations. Furthermore, by working to reform information provision activities, such as e-promotion using digital technology, sales volumes have increased by 1.4 times over 10 years.

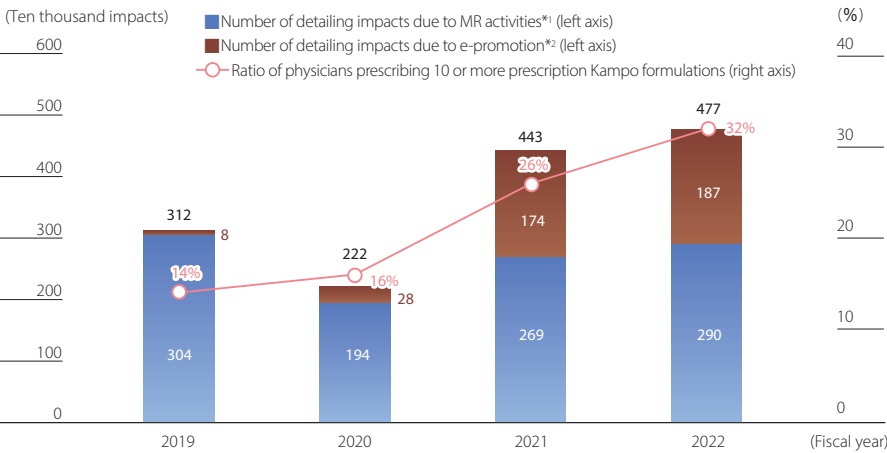
Expand cultivated land under own management



As a measure to stabilize the prices and quantities of raw material crude drugs and to strengthen quality assurance, we are continuously working to expand cultivated land under our own management,** which has brought the ratio to around 80%. We aim to continue expanding the ratio of cultivated land under our own management going forward. By managing the entire process from cultivation and procurement of crude drugs used as raw materials for Kampo formulations through to manufacturing and sale of extract formulations, we are able to provide a stable, efficient supply of high-quality Kampo formulations, which is a source of competitive advantage.

*4 Land with regard to which Tsumura can provide direct cultivation guidance, maintain an understanding of cultivation costs, and set crude drug procurement prices.

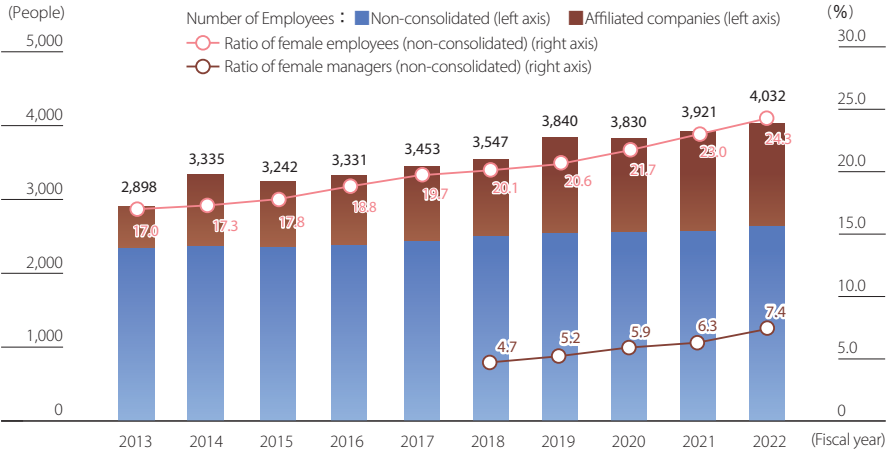
Effects of reforms in information provision activities



From fiscal 2021, we have strengthened e-promotions and enhanced information provision methods, including video streaming on owned media and online seminars, approaching medical professionals via a variety of methods. As a result, we have significantly increased the “detailing impact,” which is the number of times that physicians have recognized information, with accompanying growth in the percentage of physicians who have prescribed 10 or more prescription Kampo formulations.

*1 Detailing, online interviews, in-hospital briefings, etc. provided via MRs
*2 Activities to provide information via online means, without the involvement of MRs

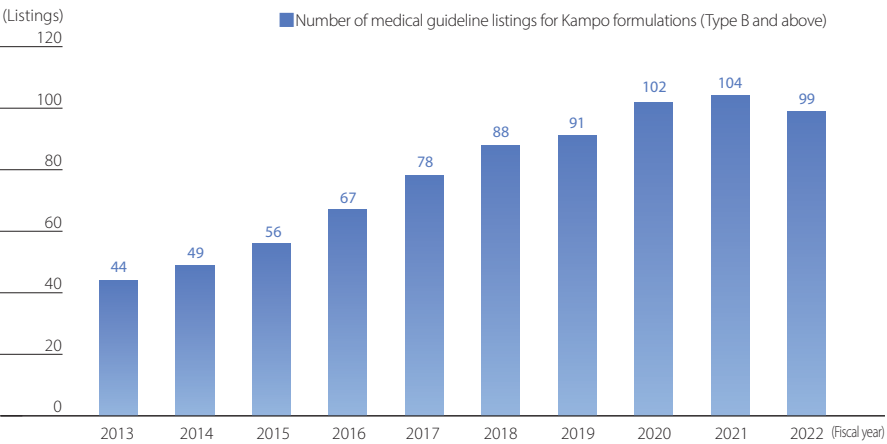
Status of employees



Under a policy of continuing fair and equitable hiring and promotion practices emphasizing diversity, we are working to maintain and continue a 50% ratio of female hires, and the ratio of female employees has been increasing. Furthermore, we encourage proactive participation of women in the basic management course, a program for fostering management personnel and management candidates, and hold development seminars for female managers. Through these and other efforts to support early career development and formation, we aim to achieve a 30% ratio of female managers by fiscal 2035.

Note: The ratio of female managers is as of April 1 each fiscal year

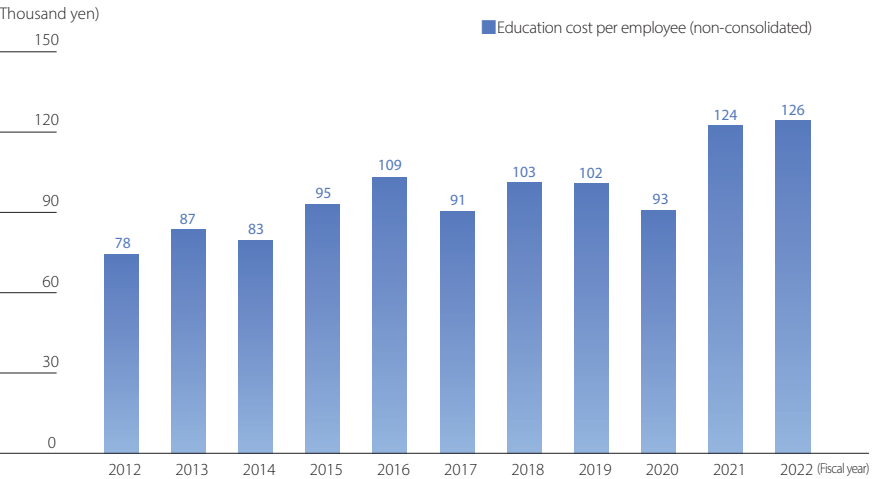
Establishment of evidence of efficacy of Kampo formulations



To address claims of a lack of scientific evidence for Kampo medicine, we have been establishing evidence through research, mainly on drug-fostering program and “Growing” formulations. These efforts have resulted in a yearly increase in the number of write-ups in treatment guidelines*3 and an understanding among physicians that Kampo formulations are a kind of standard treatment. Going forward, to further expand Kampo as a standard treatment, we will work to create research results with the aim of increasing new write-ups and recommendation levels of Kampo formulations in treatment guidelines.

*3 Guidelines created by physicians to determine appropriate diagnosis and treatment methods based on scientific evidence.

Education cost per employee



Guided by the concept that the organization and human capital is the real source of value creation by a company or business, we invest proactively in human capital, and we are increasing our per-employee expenditure on education. In fiscal 2020, the amount of expenditure dipped temporarily due to COVID-19, but recently the number of training sessions itself has increased due to factors such as Internet-based sessions.

Note: Non-consolidated education cost per employee is calculated as non-consolidated education cost / number of non-consolidated employees (number of employees as of March 31 each fiscal year).

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 Personalization of Kampo treatment	50% or more of physicians prescribing 10 or more prescriptions	50% of physicians writing basic prescriptions in all treatment areas
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 ¥162.0billion	Operating profit ¥29.0billion	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

Business vision	Prescription Kampo business	China business
	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	Be a traditional Chinese medicine company that is trusted in China
	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.	Become recognized as a traditional Chinese medicine company that is contributing toward the health of the people in China.

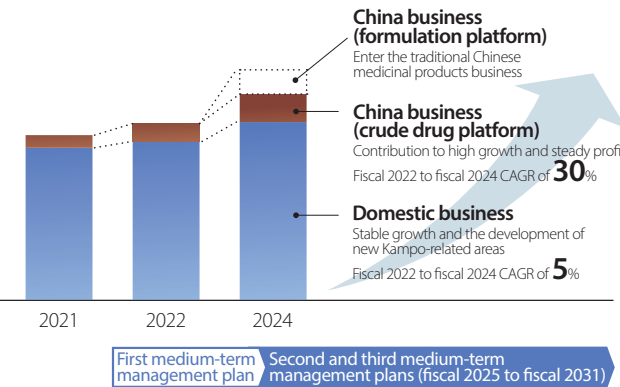
First Medium-Term Management Plan: Strategic Challenge

Strategic challenges		Growth (Expand business scale)	Earnings power (Enhance profit margins)	Growth investments for the future	
		Operating profit margin		Invested capital turnover rate	
		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.



I work to realize the Group vision through Kampo value chain reform.



Kei Sugii

Director and Co-COO
(Co-Chief Operating Officer)

Progress in All the Strategic Challenges “Dam Management” Following Shipment Limitations Last Summer

Starting with fiscal 2022, when we implemented a range of measures to achieve our long-term management vision, we have designated this decade as an important period for change, transforming the Tsumura Group from a Japanese Kampo pharmaceutical maker into a global healthcare corporation and expanding our business into pre-symptomatic disease and healthcare. In fiscal 2022, the first year of our first medium-term management plan, we made steady progress in five key areas of strategic challenge despite the effects of rapidly changing external factors, including exchange rate fluctuations and accelerating inflation.

That said, I take our decision to limit shipments last summer very seriously. Taking lessons from this event, we must begin “dam management,” which allows for optimal control of our capacity to produce Kampo formulations. Specifically, where plants and facilities are concerned, we determine the characteristics and most economical operating rate of the production equipment we have, and make adjustments across the Group to ensure we always have extra capacity. In terms

of operation, we are reviewing our entire production process, including tasks that involve people and organizational systems, to allow for flexible response to fluctuations in demand.

In our domestic operations we are working to achieve the goal of having at least half of all physicians in practice reliably prescribing ten or more prescription Kampo formulations during the period of our first medium-term management plan. In fiscal 2022 that percentage grew from 26% to 32% in just a year, a successful result of our more diverse methods for providing information, combining online promotions with initiatives to build provider relationships.

I think this demonstrates that there is plenty of room for major growth in the Kampo market. By providing quality information to meet the individual needs of physicians, including those who we have yet to reach, we are working hard to achieve a medical setting where all patients can receive Kampo treatment suited to them individually, regardless of the medical institution or clinical department.

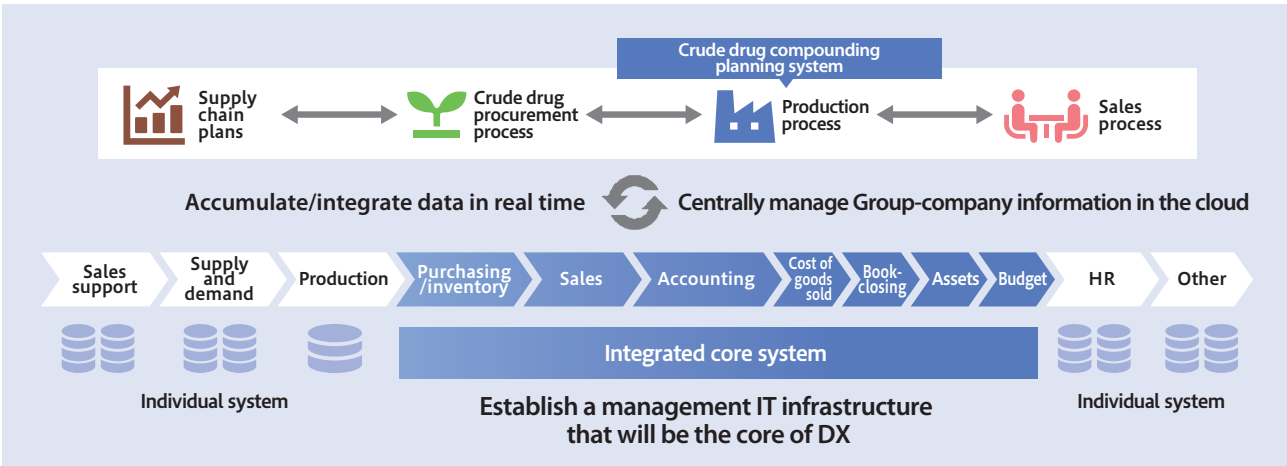
Value Enhancement of Naturally Available Prescription Formulations, and DX Promotion for Stability and Efficiency of the Entire Supply Chain

I think digital transformation (DX) for the Tsumura Group has to pivot on Kampo value chain reform, with two areas of focus.

Our first focus is to raise the value of Kampo formulations made from multiple, naturally available ingredients. As a result of substantial progress in artificial intelligence and technologies for analysis of complex ingredients, we are seeing potential for a major leap forward in our effort to build a library of evidence for prescription efficacy and safety, as well as enhanced management of product quality. Based on our research results, today we are building a comprehensive database linking multiple ingredients from the stage of medicinal plant cultivation to production of formulation, for use in diagnostic support systems for more precise prescriptions. These initiatives, I think, will lead to personalized healthcare catering to each individual.

Our second focus is automation of planning in the supply chain. Raw material crude drugs are natural resources with unevenly distributed content of effective components, which need to be managed within acceptable levels to be commercially marketable. In the past the work of planning ingredient blends and specific ingredient combinations was done by employees with many years of experience. In July 2023 we started operating our own planning system for compounding crude drugs, which makes it possible to plan a few years further ahead than just the few months that manual processes could afford us. By linking this system with the entire Kampo value chain we hope to dramatically improve the reliability and efficiency of our entire supply chain, optimizing inventory levels and instituting other controls.

Introduction of integrated core system; Digital transformation of Kampo value chain; Completion of data-driven management



Making Sustainability Initiatives Effective while Encouraging Mind Shifts for All Employees

The Tsumura Group makes the most of Nature’s blessings to promote health for each individual, and for that its business is fundamentally sustainable. The medicinal plants that provide the ingredients of our products absorb carbon dioxide as they grow, giving us the potential to contribute to carbon reduction just by doing business. At the same time, however, reduction of the total carbon footprint of our production and distribution processes remains a challenge. So we are systematically working to address the issue by introducing solar energy to our production sites and developing a model for recycling wastewater and crude drug residues.

In fiscal 2023 we opened an employee stock-ownership plan. By linking medium- to long-term sustainability vision with remuneration and communicating the intent of the vision that requires the involvement of every employee to fully realize, this plan is designed to promote a shift in employee thinking in our daily work. We make our sustainability efforts more effective by increasing employee engagement and setting a clear direction for our organization.

Given the rapid progress of digital technology, I clearly see the opportunity to finally resolve some challenges that we’ve long struggled to resolve. Taking advantage of my own experience in studying computer science and handling supply chain management as my specialty, I’m working to have our entire organization embody our Corporate Value, “The Best of Nature and Science.”

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.

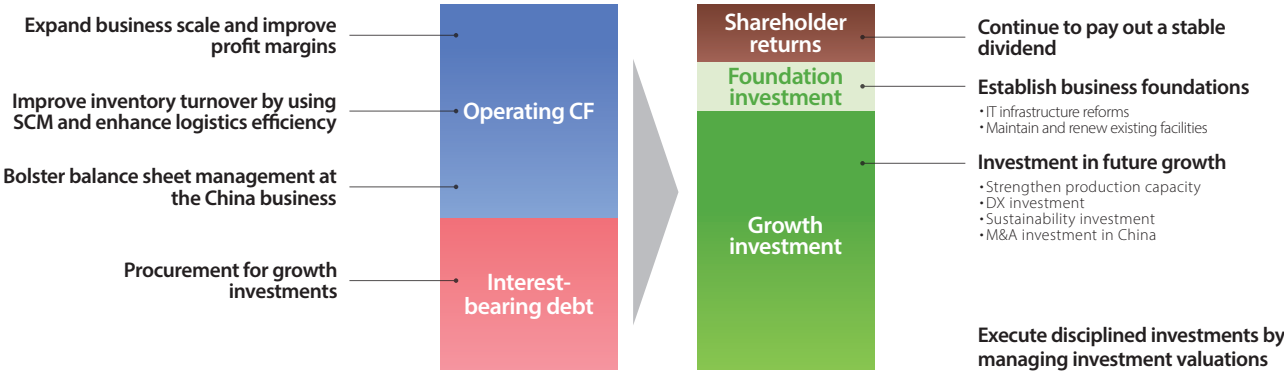
Our goal for the working capital turnover ratio is to maintain it at the current level as far as possible. Although we aim to increase the inventory turnover ratio by enhancing our SCM system, there are also negative factors such as revising the

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.

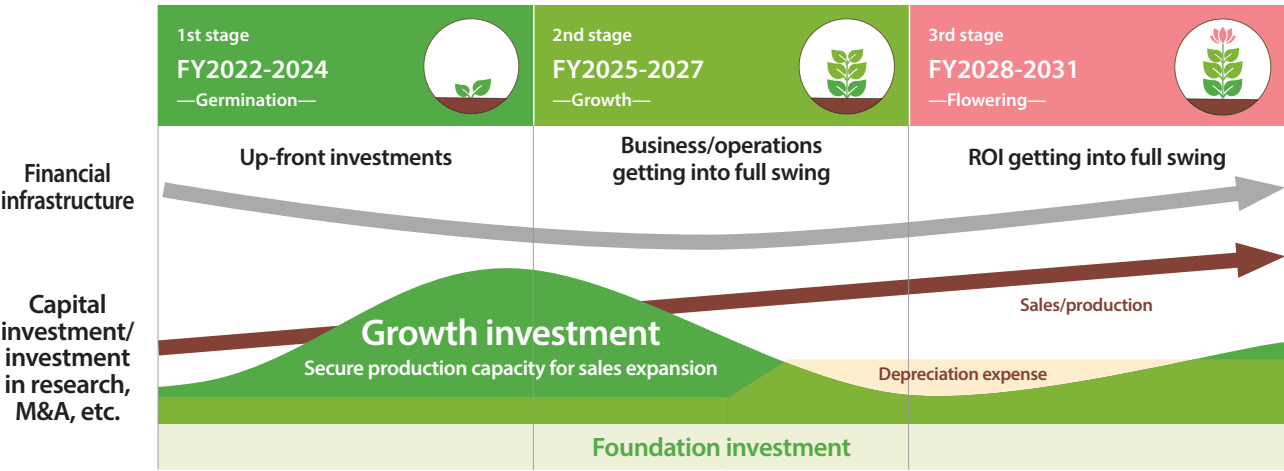
Through these initiatives, we aim to generate stable operating cash flow.

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.

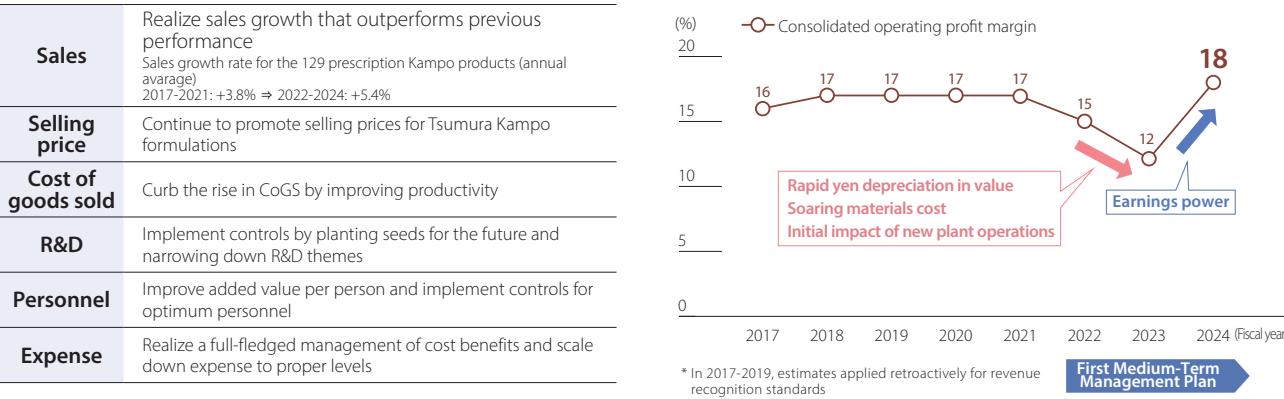
On September 8, 2022, we issued a corporate bond for 30.0 billion yen to provide funds for part of the redemption of existing bonds and for growth investments. Through strict investment evaluation management, we will conduct disciplined growth investments, aiming to increase corporate value through realization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

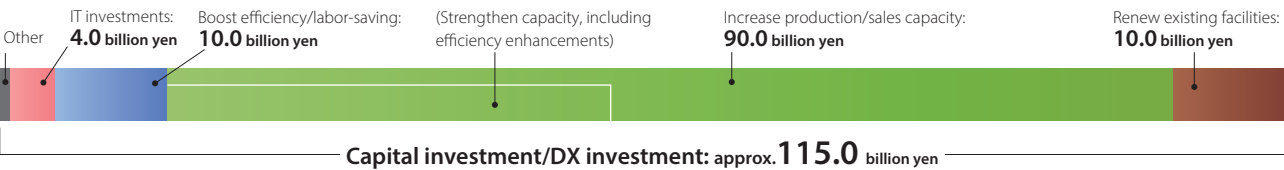


Growth Investment for the Future

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.

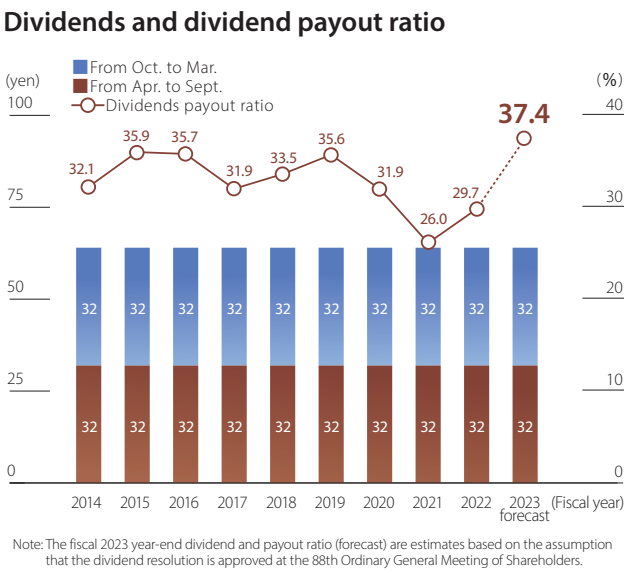


Shareholder Returns

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.



Making steady investment for future growth, I draw the road map to higher corporate value over the medium to long term.

Muneki Handa

Director and CFO
(Chief Financial Officer)



has roughly tripled over the past two decades. Affected by reductions of National Health Insurance (NHI) drug prices, however, that growth in volume has not translated into increasing sales value. To increase profitability I think it's important to better control costs through higher productivity and other measures while expanding production capacity to match the steady sales growth.

Our domestic Kampo business is structurally vulnerable to exchange rate fluctuations because we procure many raw material crude drugs from China. We hedge exchange

risk using forward exchange contracts, but that's not a fundamental solution. Over the long term we are working to expand sales by our Chinese operation to meet those of our domestic operation, hoping to create a structural risk hedge as well. In the government drug price revision of April 2023, 40 Tsumura Group products were made eligible for price re-evaluation as money-losing products affected by a surge in raw material costs. As a result, our weighted NHI price revision rate for our 129 prescriptions netted a positive 2.3%.

Invest with a Sense of Urgency to Securely Seize Growth Opportunities

Our domestic prescription Kampo formulation business has been reliably showing annual growth of 2-3%, but we can see greater growth opportunities now. With our first medium-term management plan (FY2022-2024) we are planning for annual growth of 5%, and working to enhance production equipment accordingly. We have a plan to expand our newest plant, in Tianjin, to a third phase to increase its capacity to produce powdered extracts of Kampo drugs for our domestic operation by over 30%. Investment scale will be particularly large over the three years of the first medium-term management plan, including the new lines for granulation and packaging. We will execute this plan with a sense of urgency to seize growth opportunities.

Under our long-term management vision, on the other hand, we are working to raise our proportion of overseas sales

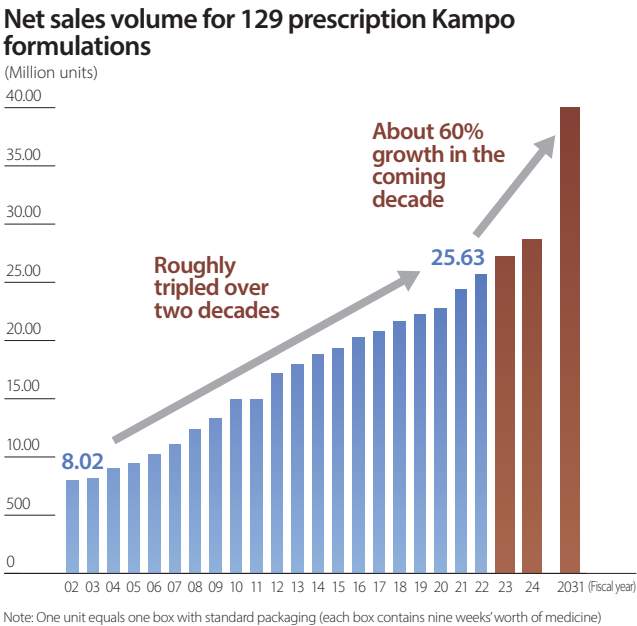
to over 50% of total sales by growing Chinese sales to meet domestic sales levels. In our crude drug platform, as a leader in the industry's development we are working to hold the largest share of the crude drug and drug piece market in China, and continuing to enhance our Yakushokudogen product line. The first medium-term management plan also calls for a compound annual growth rate above 30%, with external sales greater than 50%. With our formulation platform we operate by making the most of our expertise in quality management, evidence-building for prescription efficacy, and production technology to establish our brand as a leading manufacturer of traditional Chinese medicinal products. Also as part of the first medium-term management plan, we are reinforcing our business foundation by targeting classical prescriptions.

Kampo Value Chain Built over the Years Is Our Basis for Sustainable Profit

In the Kampo market drug prescriptions will change along with changing healthcare needs over time, but none of the 129 Tsumura prescription Kampo formulations on Japan's National Health Insurance drug price list will become obsolete. In our business we can confidently project sustainable profits over the long term as we respond to structural changes in society, such as our aging population and the expanding roles of women, and related disorders.

The Tsumura Group controls the quality of natural drug ingredients, from the cultivation of medicinal plants on up, and has the technologies and expertise to enhance the safety, efficacy and consistency of our pharmaceuticals. We have succeeded in securing unique intangible assets on the strength of the original Kampo value chain we've built over many years, encompassing the production and procurement of the medicinal plants that provide the ingredients for our crude drug products, manufacturing and sales.

Sales volume of our prescription Kampo formulations



Correctly Communicate the Essential Value of the Tsumura Group to Stakeholders

Our medium- to long-term challenge is to enhance cash-flow-focused management by improving CCC*. As an example of embracing this challenge, we have begun building a system to realize strategic, optimal crude drug inventory control for the entire Group.

To build productivity we are using AI, robotics and similar technologies and implementing Kampo value chain reform in various areas, from production processes to automated sorting of crude drugs.

Concerning cash allocation, we plan to procure funds as interest-bearing liabilities as well as generate cash flow through regular business operations. Growth investment to facilitate the expansion of production capacity and build new systems will be essential to realizing our long-term management vision. In balancing this with returns to shareholders, I am aware of issues in upcoming business development stages that have been on the agenda of our Board of Directors.

With our price-to-book value ratio below 1, we regret that we are not measuring up to the expectations of our shareholders. At the same time, we are working to better communicate with shareholders to clarify understanding of unclear factors, including the effects of NHI drug prices on our domestic operation and strategy for the Chinese operation, reflecting our responses to turns of events, as well as the value of our pre-financial capital, which we have not spoken of enough.

I think my job as CFO is to draw a road map to higher corporate value over the medium to long term based on growth strategy. Another, as I understand it, is to correctly inform our stakeholders about the essential value of the Tsumura Group through active investor relations. I will continue to furnish clear evidence of the growth the Group is making.

* Cash conversion cycle. A financial indicator that shows the number of days between accounts-payable payments and the collection of trade receivables.