

Medium-Term Management Plan

Progress of the First Medium-Term Management Plan

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.

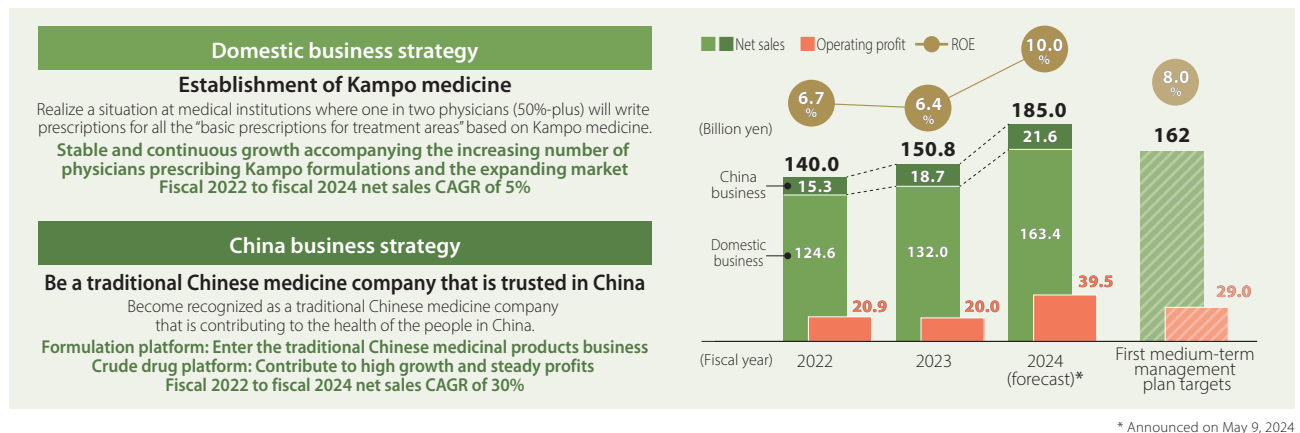
Net sales in the domestic business in fiscal 2023 grew 5.9% year on year. In the prescription Kampo business, we strengthened our hybrid-type promotional activities incorporating e-promotion and MR activities, and pushed forward with information provision activities tailored to each physician. These efforts included enhancing the content on our own medical website and increasing the sophistication of our marketing automation system. As a result, the number of

physicians prescribing 10 or more prescription Kampo formulations increased by 23,000 year on year, to cover 39% of all physicians.

In the China business, net sales grew 22.2% year on year, as we promoted marketing activities that emphasized product quality as the starting point on our crude drug platform and made progress on developing new customers and expanding the number of products for sale with existing customers. On our formulation platform, we are continuing negotiations with several M&A candidates aimed at entry into the traditional Chinese medicinal products business.

Looking at the numerical targets for the first medium-term management plan, the cost of goods sold has exceeded the initial forecast by a large margin due to an increase in unit prices for certain, mainly wild, crude drugs, the yen's depreciation, and persistently high raw material and energy prices. Nevertheless, we expect to achieve all of the numerical targets as drug prices for money-losing products were raised through price reevaluation.

Numerical Targets and Results



First Medium-Term Management Plan: Strategic Challenges and Growth Investment

Strategic challenges		Fiscal 2022 to 2023 results (investments)	
1	Continuously expanding the Kampo market by providing Kampo solutions that match the needs of each and every physician	<ul style="list-style-type: none"> Expansion of e-promotion Expansion of medical website content Increased sophistication of email marketing 	<ul style="list-style-type: none"> Kampo custom file with leaflets filed by symptom Introduction of in-house training tools to improve the quality of MR interviews
2	Using KAMPOMics to build evidence on Kampo and promote the scientific study of pre-symptomatic diseases	<ul style="list-style-type: none"> Research for personalization of Kampo treatments Research for scientific clarification of pre-symptomatic diseases 	<ul style="list-style-type: none"> Research to expand the standardization of Kampo treatments US development (TU-100)
3	Expanding sales of crude drugs and drug pieces in China and entering the traditional Chinese medicinal products business	<ul style="list-style-type: none"> Expansion of sales of raw material crude drugs, drug pieces, etc. Development of health and medicine products Construction of a Group governance system centered on Tsumura China Inc. 	
4	Innovating the IT platform and crude drug selection, and promoting the implementation of AI and automation toward reforming the Kampo value chain	<ul style="list-style-type: none"> Introduction of automation technology at the new plant (Tianjin Plant) Introduction of an integrated core system Development and introduction of AI-based automated sorting machines 	
5	Creating value through organization and human capital and promoting reform to boost job satisfaction	<ul style="list-style-type: none"> Program for fostering the next generation of management personnel Stock delivery system for employees 	<ul style="list-style-type: none"> Reskilling with digital literacy education Promotion of the development of female managers
Initiatives for realization of the sustainability vision		<ul style="list-style-type: none"> Announcement of support for the TCFD recommendations and discussion of scenario-based analysis and response measures Registration as a TNFD adopter 	