



We make sure that the Group follows through on its action plans to realize the long-term management vision and reinforce Tsumura as a corporate group that can thrive through the dramatic changes the future holds.

Status of Priority Themes and Developing Challenges

Looking back on the second year of our first medium-term management plan, how do you assess the progress of our initiatives on the priority themes selected by the Board of Directors?

Miyake: Of the five priority themes, the board has spent the most time on our China business. We are currently negotiating with a manufacturer of traditional Chinese medicinal products as a prospect for acquisition that we hope to complete in fiscal 2024. At the same time, we are looking into likely sales channels in collaboration with companies that have established channels in China.

Furthermore, I feel we are stagnating when it comes to

efforts aimed at environmental issues, and more detailed, closer supervision and monitoring is needed. It can be hard to respond to the themes listed in our environmental goals with a sense of urgency, but for Tsumura to adapt to longer-term economic and social changes, I will focus on promoting truly effective initiatives.

Okada: Regarding a future partner in our China business, I envision a “combination” that complements our respective strengths. In the process leading to any acquisition, nimble decision-making is important. Tsumura’s outside directors meet regularly ahead of board meetings, affording us opportunities to hear from executive officers in charge and division heads who provide direct explanations and share related information in a timely manner. Making the most of this support structure, I am undertaking one effort after another to improve the quality and speed of discussions and decision-making.

Our long-term management vision is very well thought out, providing us a road map for sustainable growth and



meeting challenges along the way. The path to achieving the vision has three stages, with the first being a three-year medium-term management plan focused on reinforcing our foundation with a view to 2031. For that purpose, we have been undertaking large capital investments and expanding our China business. As Mr. Miyake points out, our initiatives on some themes seem stalled, needing more time, perhaps into the second stage, to achieve the goals.

Miyake: Among the board’s priority themes, I’m seeing major progress with our review of capital policy. Over the past year, we’ve deepened our discussions to determine our ideal balance sheet management approach to thrive in uncertain times and balance efficiency with safety.

Okada: Since Ryohei Yanagi joined the board, we have accelerated our capital policy review and are making progress with specific balance sheet improvements, including quicker collection of accounts receivable and reductions of cross-shareholdings.

Miyake: I’ll say we are also making steady progress in developing management human resources. Under our revised HR system, our T-Next program to identify management candidates has evolved. However, we still face challenges in building our roster of personnel who can handle our new businesses, like healthcare.

Sustainable Growth: Important Viewpoints and Prospects for the Future

Give us some important points to look at in achieving sustainable growth.

Okada: For years, Tsumura has been establishing evidence for the effectiveness of Kampo formulations. With its overwhelming share of the domestic market, now over 80%, the Company is indispensable, so we have to conduct business with each patient as our top priority, and realize our Corporate Purpose by stepping up that effort. The most important point there, I believe, is guaranteeing the quality and safety of our products. With my background at a manufacturer that was strict on quality control management, I’ve been focusing on this point for years, and I evaluate Tsumura highly in that regard.

Miyake: I built my career experience working for a trading company for many years. At trading companies, it’s taken for granted that a business plan will be revised along with

the prospective returns from investments and the different risks that each carries. In Tsumura as well, I make it a point to always offer advice and supervision from the standpoint of cost efficiency, in a disciplined manner. Even when a given project is already approved for investment, I ask the managers to periodically check the effects of cost increases for materials and the difference between the planned schedule and actual progress. To fulfill its responsibility to supply pharmaceuticals to patients and healthcare organizations, Tsumura’s investment strategies, as well as time frames, differ from those of trading companies. Good business continuity planning also requires that it maintain crude drug inventories at certain levels.

Okada: Tsumura is in a business where investment recoupment takes much longer than average, so it’s important to know the right timing for investment. Because we are a truly unique Kampo pharmaceutical company, we must make management decisions with awareness of our public service role. Another important point, in terms of our responsibility as the industry leader, is cultivating personnel who can provide Kampo solutions appropriate to the needs of people on the healthcare front lines. As for personnel who can support management with specialized skills in law, IT and the like, we want to encourage and help with recruiting professionals from outside the Group.

Miyake: We must look beyond our daily business operations and bear in mind our future stakeholders. To reflect this viewpoint, starting in fiscal 2022, we refreshed our executive remuneration system by including long-term incentives, such as accomplishments related to our sustainability vision. I believe the sustainable growth of the Tsumura Group depends on two wheels turning together—enhancing existing businesses and creating new ones. I want to be a cheerleader for employees working to explore new fields, even though growing those seeds may take time.