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NEWS RELEASE

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New Medium-Term Management Plan (Fiscal 2016 - Fiscal 2021) **Creating New Value through Innovations in Kampo**

Tsumura & Co. (hereinafter, “Tsumura”) announces that it has developed a new Medium-Term Management Plan (Fiscal 2016 - 2021): Creation of New Value through Innovation of Kampo.

Based on changes in the business environment surrounding Tsumura, it has prepared a new six-year medium-term management plan to map out its growth strategy from a longer-term perspective. Tsumura has been working toward the realization of its long-term management vision, or Vision for 2021, which was established in 2012. This six-year plan constitutes the second and third phases of the long-term vision. To create a specific growth image, Tsumura has specified the strategic agendas as described below:

- i) Expansion and stable growth in the Kampo market**
- ii) Continued reinforcement of profitability and maximization of cash flow**
- iii) Taking on the challenge of new businesses in China**

As shown in Tsumura’s basic direction, Tradition and Innovation, Tsumura perceives this new medium-term management plan to be a step whereby it will build up a new tradition that will contribute to its sustainable growth. The growth will be based on the innovative creation that takes advantage of the strengths of the Tsumura Group. During the term of the plan, Tsumura will work on the three strategic challenges defined in the plan by creating new value through innovations surrounding Kampo to achieve sustainable growth and increase its corporate value.

Tsumura believes in its key role in the realization of a healthy society of longevity set forth by the government. It will continue its company-wide efforts to contribute to the realization of the medical care practices where patients are able to receive Kampo treatment as needed in any department of any medical institution in Japan.

1. Basic Principles

[Corporate Philosophy]

“The Best of Nature and Science”

[Corporate Mission]

“To contribute to the unparalleled medical therapeutic power of the combination of Kampo medicine and Western medicine”

Tsumura’s basic principles, comprising the corporate philosophy and mission, are to be permanently shared throughout the Tsumura Group, and they will form the basis for the Group’s approach to management.

[Basic Direction]

“Tradition and Innovation”

The basic direction is the corporate attitude and culture that Tsumura should aim for, and it will serve as a guideline for each member of the Group to keep in mind when taking action.

This fiscal year, Tsumura has changed its basic direction to move up to the next stage by bringing together the spirit that it has fostered since its foundation: “No growth without innovation” and “Tradition is a series of innovations.”

2. Long-Term Business Vision “Vision for 2021”

Aim to be a value-creation company that contributes to people’s health through its Kampo business

-The “Kampo” Company

Contributing to creating a healthcare environment where all patients can receive treatment that includes “Kampo” medicine where appropriate in any healthcare institution or medical specialty in Japan.

- The “People” Company

“Kampo” medicine is a pioneering field with no previous examples to build on worldwide. Therefore, we shall evolve into a corporate group comprised of “people” with professional skills that can independently pave the way forward for our Kampo business and is trusted by all.

- The “Global Niche” Company

Leveraging the technology and know-how of the Tsumura Group to their full extent, we will take on the challenge of developing and launching TU-100 (Daikenchuto) in the U.S. pharmaceutical market as well as creating new businesses in China.

3. Overview: the New Medium-Term Management Plan (Fiscal 2016 - 2021)

(1) Strategic challenges

i) Expansion and stable growth in the Kampo market

In the context of the diverse needs of medical workers for Kampo medicine, Tsumura will conduct proper information provision activities based on information mainly regarding scientific evidence, guidelines and the proper use of different formulations based on Kampo medicine style.

- For university hospitals and designated hospitals for clinical training, etc., Tsumura will strive for market expansion mainly through evidence-based promotions targeted at doctors and other medical specialists in important domains.
- For general practitioners and clinics, etc., Tsumura will focus on existing users to help them improve their experience and knowledge of Kampo through promotional activities based on Kampo treatments.
- Tsumura will continue its support activities for the enhancement of Kampo education in medical departments in universities and designated hospitals for clinical training, etc.
- Tsumura aims to include its five “drug fostering program” formulations (Daikenchuto, Rikkunshito, Yokukansan, Goshajinkigan, Hangeshashinto) and the secondary strategic Growing Formulations* in the treatment guidelines by enhancing an evidence package (clinical EBM, mechanism of action, side effects frequency surveys, pharmacokinetics, health economic data).
- Tsumura will establish a new cornerstone of evidence building through Kampo studies that take advantage of new technologies (IT technology, new analytical methods, network analysis, etc.).

*** Growing Formulations**

A growth driver that aims to be listed in medical treatment guidelines as a strategic formulation following the five “drug fostering” program formulations through the establishment of scientific evidence (data on safety, efficacy, etc.) in fields where satisfaction toward treatment and the contribution of medicine are low.

ii) Continued reinforcement of profitability and maximization of cash flow

- Tsumura will further strengthen the price stability and quality assurance of crude drugs, chiefly by continuing the expansion of Cultivated Land under Own Management area.
- Tsumura will improve its production capacity primarily by reinforcing the existing production base capacity and by continuously adopting and expanding new production technologies.
- Tsumura will promote the enhancement of profitability and cash-generating ability mainly by optimizing the Group wide supply chain.
- In selling and administrative expenses, Tsumura will perform efficient resource allocation that reflects the purposes of management from a medium- to long-term point of view.

iii) Taking on the challenge of new businesses in China

- Tsumura will attempt to enter new businesses in the Chinese market. The attempt is partly intended to contribute to public health in China, from where Tsumura has long imported crude drugs.

(2) Numerical targets

	FY2018	FY2021
Net sales	120.0 billion yen	135.0 billion yen
Operating profit	14.0 billion yen	19.0 billion yen
Operating profit margin	11.5%	14%
Net income attributable to owners of parent	10.0 billion yen	13.0 billion yen
EPS	140 yen	185 yen
ROE	6%	8%

- The Kampo business aims for stable growth, while it expects the drug price revision to have an impact.
- Despite the continued impact of soaring prices of crude drug materials, profit is expected to bottom out in fiscal 2018 and subsequently recover to aim for a sustainable growth rate.
- Based on changes in the business environment, the numerical targets for fiscal 2021 will be updated in the first fiscal year of the third medium-term management plan (fiscal 2019).

(3) Shareholder Return Policy

Tsumura considers the shareholder return policy to be critical, and it will continue to aim for continuous business growth.

Tsumura's shareholder return policy is intended to:

- Improve the corporate value through business investments that will allow the sustainable development and growth of Kampo.
- Provide stable dividends in light of the medium- to long-term profitability level, cash flow situation, and other factors.
- Be based on the investigation and review of an optimal capital structure, and acquire Tsumura's own shares flexibly after comprehensively taking into account the market trends and other factors.