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NEWS RELEASE

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1st Medium-Term Management Plan (FY2022 - FY2024) Laying the Foundations for Creating a Future that Achieves “Cho-WA”

Tsumura & Co. (Headquarters: Tokyo, Japan; President & CEO: Terukazu Kato; hereinafter “Tsumura”) announced that it has developed the first Medium-Term Management Plan (Fiscal 2022 – 2024): Laying the Foundations for Creating a Future that Achieves “Cho-WA” (harmony).

The Tsumura Group revamped the Tsumura Group DNA Pyramid on April 1, 2022, newly establishing the “In the Spirit of Nature’s Laws” principle and the “Lively Living for Everyone” slogan based on the Tsumura Group Purpose of “Optimally achieving business aspirations.” Tsumura also established the Tsumura Group Sustainability Vision “Living with nature for tomorrow” and the Tsumura Group Long-Term Management Vision “TSUMURA VISION “Cho-WA” 2031” setting the goal of creating a future that achieves “Cho-WA” (harmony) between mind and body, and individuals and society by implementing the 3 Ps (PHC: Personalized Health Care, PDS: Pre-symptomatic Disease and Science, and PAD: Potential-Abilities Development). The first Medium-Term Management Plan period (FY2022 - FY2024) is positioned as a stage for laying the foundations for realizing the Long-Term Management Vision, and Tsumura will focus on initiatives aimed at improving corporate value through growth (expansion in business scale) and profitability (improvement in profit margins).

■ Numerical targets in the 1st Medium-Term Management Plan

Numerical targets in the 1st Medium-Term Management Plan (FY2024)	
Sales:	JPY162.0 billion
Operating profit:	JPY29.0 billion
ROE:	8%

■ Improvement of corporate value

Under the first Medium-Term Management Plan, Tsumura will focus on five strategic challenges and will enhance its corporate value by improving in its financial position through further growth (expansion in business scale) and profitability (improvement of profit margins) and by contributing to the resolution of social issues through its business. Additionally, Tsumura will make large-scale investments in Japan and overseas as growth investments for the future.

Growth (expansion in business scale)

Under TSUMURA VISION “Cho-WA” 2031, Tsumura aims to achieve an overseas sales ratio of 50% and plans to generate future cash flows through growth (expansion in business scale).

Under the first Medium-Term Management Plan, Tsumura will aim for sustainable stable growth in its domestic business, driven by market expansion as more physicians prescribe Kampo medicine. Meanwhile, in the China business, Tsumura will aim for high growth through expansion of sales channels for drug pieces*¹ in crude drug platform operations and will quickly build business foundations through M&A targeting suppliers of traditional Chinese medicinal products*² in formulation platform.

Profitability (improvement of profit margins)

TSUMURA VISION “Cho-WA” 2031 goals include the smartification of factories and the doubling of productivity in a bid to improve profitability and profit margins.

During the first Medium-Term Management Plan period, the operating profit margin is expected to fall temporarily due to the start of operations at the Tianjin factory, rising raw materials prices, and the effects of foreign exchange rate fluctuations but as business expands in scale, the profit margin is likely to improve through cost reductions stemming from improvement in labor productivity and the reduction of selling, general and administrative expenses.

Growth investments for the future

During the first Medium-Term Management Plan, Tsumura will make upfront investments to expand its production capacity and achieve automation and DX aiming for future growth (expansion in business scale). In investment related to domestic business, Tsumura plans to invest around 100 billion yen in manufacturing processes (extraction, drying, granulation, packaging and labeling) in Japan and in the extraction and drying processes at Tianjin Tsumura, whilst in investment related to China business, it plans to invest around 15 billion yen in the construction of a Chinese medicine*³ research center and the development of an IT platform, bringing the total amount of investment to around 115 billion yen. By not only strengthening production capacity but also making IT investments for the development of innovative automated equipment and the implementation of DX, Tsumura will improve productivity through increased efficiency and labor savings and minimize the rise in costs associated with large-scale investment. Investments for M&A targeting Chinese medicine companies in Tsumura’s formulation platform operations in China are not included in the investment total.

First Medium-Term Management Plan Strategic Challenges
1) Continuous expansion of the Kampo market through the provision of Kampo solutions to suit individual physicians
2) Establishment of Kampo evidence and promotion of scientific study of pre-symptomatic diseases through KAMPOMics
3) Expansion of sales of crude drug and drug pieces in China and entry to business of traditional Chinese medicinal products
4) Revamp of IT platform and promotion of utilization of AI and robots in crude drug sorting and manufacturing processes for transformation of the Kampo value chain
5) Creation of value through organization capital and human capital and implementation of job satisfaction reform

■ Key measures for achieving strategic **challenges**

- 1) Continuous expansion of the Kampo market through the provision of Kampo solutions to suit individual physicians
 - Seek to develop and firmly establish information provision activities to enable Tsumura to contribute to the realization of a medical setting where at least one in two physicians will write prescriptions for 10 or more Kampo formulations based on Kampo medicine.
 - Further develop hybrid promotions as Kampo digital solutions and expand TSUMURA MEDICAL SITE to allow individual medical workers to obtain and access the information they need at the right time through the optimal channel.
 - Position “Geriatric health,” “Cancer (supportive care^{*4})” and “Women’s health” as priority areas and dramatically improve the quantity and quality of information provision focusing on “drug-fostering program formulations^{*5},” “Growing formulations^{*6},” and “basic prescriptions for treatment areas^{*7}.”

- 2) Establishment of Kampo evidence and promotion of scientific study of pre-symptomatic diseases through KAMPOMics^{*8}
 - Develop diagnostic support tools for Visual exam and Questionnaire, which are Kampo medicine-based diagnostic methods, aiming to develop a platform for the personalization of Kampo medicine.
 - Scientifically analyze pre-symptomatic diseases and define pre-symptomatic conditions in initiatives for the scientific study of pre-symptomatic diseases.
 - Promote the accumulation of evidence focusing on priority areas and aim to increase listings and recommendations in therapeutic guidelines to further the standardization of Kampo medicine.
 - Proceed with development for the marketing of TU-100 (Daikenchuto) in the United States.

- 3) Expansion of sales of crude drug and drug pieces in China and entry to business of traditional Chinese medicinal products
 - Grow into a leading company in the Chinese medicine industry through the stable supply of high quality crude drugs, drug pieces and “Yakushokudogen” products^{*9} and brand building.
 - Increase the number of product items with a competitive edge in terms of quality, volume handled, price, etc. in the crude drugs category.
 - Continue to expand public hospital sales channels and online sales for drug pieces, focusing on priority items.
 - Develop “Yakushokudogen” products made from superior crude drugs and offering high added value to meet self-care needs.
 - Complete M&A targeting suppliers of traditional Chinese medicinal products with classical prescriptions^{*10}, and file marketing applications.

- 4) Revamp of IT platform and promotion of utilization of AI and robots in crude drug sorting and manufacturing processes for transformation of the Kampo value chain
 - Improve labor productivity by 20% (from FY2021) through automation based on advanced technologies, data gathering and data visualization to build a new production system based on effective data utilization, and labor savings and work load reduction aimed at reallocating human resources to value creating operations.
 - Introduce AI-driven crude drug sorting machines at four sites (Ishioka Center, Yubari Tsumura, Shenzhen Tsumura and China Medico) and gradually increase the number of items which can be automatically sorted by AI.
 - Conduct research to leverage various information about crude drug cultivation accumulated through operation of TSUMURA Crude Drug GACP to bring about improvement in productivity and ensure quality and safety.
 - Revamp Group IT- platform to improve the efficiency of the Kampo value chain and achieve data driven management.

- 5) Creation of value through organization capital and human capital and implementation of job satisfaction reform
- Enhance the framework for the delivery of various training programs, tough assignments, assessment and selection, to develop human resources who will implement philosophy management and vision management in line with the corporate purpose and lead the Group.
 - Foster a corporate culture which gives individual employees greater job satisfaction and brings out their hidden potential through the creation of an organization whose philosophy is the centripetal force.

■ Initiatives for realization of the Sustainability Vision

- Set medium-term and long-term environmental goals and implement initiatives to achieve them.
- Recognize four thematic areas (governance, strategy, risk management, and metrics and targets) as management issues based on the final report of the Task Force on Climate-related Financial Disclosures (TCFD), and analyze and disclose basic data accordingly.
- Verify the positioning of the Group's initiatives through CDP climate change assessment and implement various initiatives to improve assessment.

■ Shareholder returns policy

Tsumura believes that the return of profits to shareholders is one of its most important tasks. Its policy is to enhance corporate value through sustainable expansion of the domestic business, through investment in the growth of Chinese operations, and the development of the business foundation; and to provide a stable dividend that takes medium- and long-term profit levels and cash flow into account. Tsumura will endeavor to return profits to shareholders based on an examination and review of the optimal capital structure, giving comprehensive consideration to market trends, etc.

■ Cautionary statement regarding forecasts

- The numerical targets contained in the Medium-Term Management Plan in this document are not official forecasts; rather they are intended only to show the directions of the goals we aim to achieve. For official forecasts, please refer to annual financial results disclosures pursuant to the rules of the Tokyo Stock Exchange.
- The materials and information provided in this presentation contain so-called forward-looking statements. The realization of these statements is impacted by a variety of risks and uncertainties and that actual results could differ significantly. Consequently, be aware that actual results may differ materially from these forecasts.
- In the event of regulatory changes related to healthcare administration, including medical insurance systems and drug prices, and reflecting in changes in interest rates and foreign exchange rates, there is potential impact to the Company's performance or financial position.
- In the event of a termination of sales or a substantial decline in sales of the Company's core products currently on the market due to a defect, an unforeseen side effect or some other factors, it would have a major impact on the Company's performance or financial position.

- *1 Drug pieces
Raw material crude drugs that have been chopped. Crude drug pieces for decoction.
- *2 Traditional Chinese medicinal products
Formulations based on the theory of Chinese medicine which have been shaped into granules or pills, etc.
- *3 Chinese medicine
Medicine used in Chinese medicine (traditional Chinese medicinal products, drug pieces, etc.).
- *4 Supportive care
Treatment to reduce symptoms associated with cancer itself and symptoms of the adverse effects of cancer treatment.
- *5 Drug-fostering program formulations
Formulations which the Company is addressing by looking hard at the structure of diseases in recent years, targeting diseases that are difficult to treat with new drugs for which prescription Kampo preparations prove specifically effective in domains where demand for medical treatment is high, and calling the establishment of evidence “drug fostering.”
- *6 Growing formulations
Growth drivers aimed at listing in clinical practice guidelines as core formulations after five drug fostering program formulations by constructing evidence (such as data on safety and effectiveness) in domains where the degree of satisfaction with medical treatment and the degree of drug contribution are low.
- *7 Basic prescriptions in all treatment areas
Formulations which are appropriate to use (indicated for) the treatment of common diseases and conditions in each treatment area.
- *8 KAMPOmics®
KAMPOmics® combines research on cutting-edge technologies (metabolome, genetics, intestinal flora, systems biology, etc.), a strength of Tsumura, to form a proprietary research package to gain a comprehensive understanding of Kampo medicine, a traditional Japan medicine, and multi-component, complex Kampo medicines. Tsumura’s registered trademark.
- *9 “Yakushokudogen” products
Health food made from high quality crude drugs.
- *10 Classical prescriptions
Formulations which are described in China’s well-known medical literature and other ancient texts first written thousands of years ago and which have been used for many years.