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NEWS RELEASE

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2nd Medium-Term Management Plan (FY2025 - FY2027)

Promoting growth strategies and investments for Creating a Future that Achieves “Cho-WA”

TSUMURA & CO. (Headquarters: Tokyo, Japan; President & CEO: Terukazu Kato; hereinafter “the Company”) announced that it has developed the second Medium-Term Management Plan (Fiscal 2025 – 2027): Promoting growth strategies and investments 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 (fiscal years 2022-2024) was approached as a foundation-building stage, resulting in outcomes that significantly surpassed the initial numerical targets set. The following second medium-term management plan period will address five strategic issues, promote proactive investment in facilities and businesses towards realizing a long-term management vision, and strive for stable growth in domestic businesses as well as the expansion of China businesses.

■ Numerical targets in the 2nd Medium-Term Management Plan

Numerical targets in the 2nd Medium-Term Management Plan (FY2027)	
Sales:	JPY234.0 billion
Operating profit:	JPY43.0 billion
ROE:	8%

■ Strategic Challenges

- 1) Further growth of the Kampo market through the expansion of standard Kampo treatment and the promotion of personalized Kampo treatment
- 2) Creation of new value through KAMPOmics, market development of "three preventive measures for pre-symptomatic diseases" based on evidence, and taking on the challenge of globalizing Kampo
- 3) Entry into the traditional Chinese medicinal products business in China, development of value-added services for drug pieces, and establishment of a traditional Chinese medicine research and development system
- 4) Establish a system for stable supply and low-cost operations, and create value for products through the digital transformation of the Kampo value chain to establish the best customer experience.
- 5) Enhancing the value of organizational capital and human capital through the satisfaction of human capital contributing to the achievement of vision and the promotion of the development of the organization mechanism analogous to Kampo medicines

■ Key measures for achieving strategic challenges

- 1) Further growth of the Kampo market through the expansion of standard Kampo treatment and the promotion of personalized Kampo treatment
 - Expand standardization of Kampo treatment by strengthening evidence and promotion for prescriptions with high medical needs.
 - Realize a situation at medical institutions where one in four physicians will write prescriptions for all the basic prescriptions for treatment areas and promoting personalization of Kampo treatment.
 - Develop the digitization of information provision into DX to create a system where medical professionals can always obtain the necessary information.
- 2) Creation of new value through KAMPOmics, market development of "three preventive measures for pre-symptomatic diseases" based on evidence, and taking on the challenge of globalizing Kampo
 - To further expand the standardization of Kampo treatment, focus on generating evidence, primarily for prescriptions that are closely related to unmet medical needs in three important domains.
 - Create pre-symptomatic diseases markers through research for scientific clarification of pre-symptomatic diseases and focus on developing evidence-based pre-symptomatic diseases improvement services.
 - To provide optimal healthcare services and Kampo treatment (personalized medicine) tailored to the individual, visualize health conditions based on KAMPOmics and establish evidence of responder markers for Kampo formulation.
 - To provide the most appropriate Kampo treatment (personalized medicine) tailored to individual's condition, strengthen the alliance to further promote the development of the Kampo diagnostic support system and expand it into services for general consumers.
 - With the aim of expanding Kampo globally, strengthen development activities for TU-100 (Daikenchuto) in the United States.
 - Establish a globally standardized manufacturing and quality control approach from crude drug to formulations.
- 3) Entry into the traditional Chinese medicinal products business in China, development of value-added services for drug pieces, and establishment of a traditional Chinese medicine research and development system
 - Plan to expand business with tradition Chinese medicinal products companies that have ancient prescriptions and provide traditional Chinese medicinal products that utilize Tsumura's crude drug and know-how.
 - By collaborating with drug piece companies that have channels through public hospitals, expanding channels through private hospitals not covered by insurance, and expanding online sales, the company will develop the value-added service "Personalized Medicine" and expand external sales of drug pieces.
 - In addition to expanding the drug piece business, the company will increase the number of crude drug items that have advantages in terms of quality, handling volume, price, etc., with the aim of stabilizing the prices of raw material crud drug in prescription Kampo formulations.
 - Through collaboration with Chinese research institutes, establish a research and development and quality evaluation system with the aim of internationalizing crude drug and formulations.

4) Establish a system for stable supply and low-cost operations, and create value for products through the digital transformation of the Kampo value chain to establish the best customer experience. - To achieve both a stable supply and appropriate inventory, create a rapid decision-making system by improving the accuracy of sales, production, and procurement plans.

- To establish the best customer experience, draw up a grand design for optimizing product dosage forms and packaging formats, and develop and promote a roadmap.

- Achieve low-cost operations and knowledge sharing and collaboration between organizations, promote data centralization and standardization in conjunction with the use of generative AI.

- Accelerate the shift to smart factories to improve productivity and quality of pharmaceutical manufacturing in factories.

- To expand bases for automated crude drug selection using AI, increase the number of items that can be sorted and improve the cost performance of the equipment.

5) Enhancing the value of organizational capital and human capital through the satisfaction of human capital contributing to the achievement of vision and the promotion of the development of the organization mechanism analogous to Kampo medicines

- By continuing to instill the philosophy discussion and coaching meetings, elevate our management philosophy and implement organizational development with the aim of creating an organizational mechanism analogous to Kampo medicines.

- Optimize our candidates for management training function and promote the production of diverse, global management candidates that can support our philosophy-based management.

- To realize a dynamic human resources portfolio, develop and update a skills map (for managers and specialists) and recruit, assign, and develop human resources based on that map.

- Practice Tsumura-style “Healthcare” health and productivity management.

■ Initiatives for realization of the Sustainability Vision

- Realization of carbon neutrality

- Realization of Nature Positive

- Building a circular economy

- Building relationships with the local community and society

- Improvement of Governance and Evaluation Related to Sustainability Activities

■ Shareholders return policy

The company believes that the return of profits to shareholders is one of its most important policies. 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. Also determine shareholder returns taking into consideration medium- to long-term profit levels, cash flow, and balance sheet management, etc.

The company uses DOE (Dividend on Equity) as an indicator, and will steadily manage dividends in order to achieve our target of achieving a DOE of 5% by fiscal 2031.

■ 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.