

Business Results Briefing for the Fiscal Year 2020

May 12, 2021

President and Representative Director, CEO

Terukazu Kato

Today's agenda

- 1. FY2020 Business Results Overview**
- 2. Impact of COVID-19**
- 3. Domestic Business**
- 4. Overseas Business**
- 5. FY2021 Forecast**
- 6. Prospect of Chinese business**
- 7. ESG/Sustainability**

Today's agenda

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FY2020 Business Results Overview

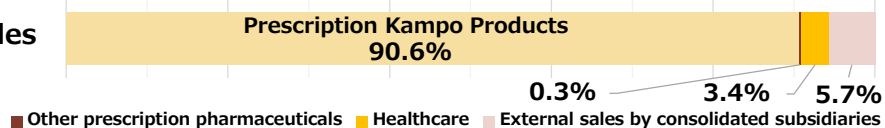


(Million yen)

	FY2020 Revised Plan (Announced on February 5, 2021)	FY2020 Results	Achievement rate	FY2019 Results	Vs. FY2019	
					Amount	Change
Net sales	130,500	130,883	100.3%	123,248	+7,635	+6.2%
Domestic	—	124,516	—	—	—	—
Overseas	—	6,367	—	—	—	—
Operating profit (Operating profit margin)	19,300 (14.8%)	19,382 (14.8%)	100.4%	18,876 (15.3%)	+505	+2.7%
Ordinary profit	20,200	20,866	103.3%	19,649	+1,216	+6.2%
Profit attributable to owners of parent	15,000	15,332	102.2%	13,765	+1,567	+11.4%

0% 20% 40% 60% 80% 100%

Ratio to total sales



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■ FY 2020 Business Results Overview

First, I will give an overview of business results for FY 2020.

We revised our earnings forecast, in line with the announcement we made on February 5, 2021, given the impact from COVID-19 to our business activities in FY 2020.

We achieved the results shown here in comparison with our revised earnings plan.

We secured net sales and profit growth year-on-year.

In addition, starting from the fiscal year-end results for FY 2020, we are disclosing net sales by region.

Key Points in Performance



Sales and profit growth despite of impact on business performance by COVID-19. (YoY)
Sales and profit achieved revised plan.

Net sales	130,883 million yen	Revised Plan achievement rate	100.3%	YoY	+6.2%
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- Domestic sales were 124,516 million yen.
- Net sales rose 5.2% year-on-year owing to the consolidation of a subsidiary in China.
- Sales of the 129 prescription Kampo products climbed 1.1% year-on-year.
- Sales of healthcare products including OTC Kampo medicines increased 16.7% year-on-year.
- Overseas sales were 6,367 million yen.

Operating profit	19,382 million yen	Revised Plan achievement rate	100.4%	YoY	+2.7%
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Operating profit margin	14.8%			YoY	(0.5)pt
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- The cost-to-sales ratio was 42.7%, a rise of 1.5pt year-on-year. Although crude drug-related costs were absorbed by a rise owing to the NHI drug price revision, the increase reflects impact of outside sales of China. Compared to plan, 0.2pt rose up.
- The SG&A ratio was 42.4%, a decline of 1.1pt year-on-year, mainly reflecting unused expenses due to restricted activities in tandem with the impact of COVID-19. Compared to plan, 0.3pt declined.

Ordinary profit	20,866 million yen	Revised Plan achievement rate	103.3%	YoY	+6.2%
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Profit attributable to owners of parent	15,332 million yen	Revised Plan achievement rate	102.2%	YoY	+11.4%
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■ Key Points in Performance

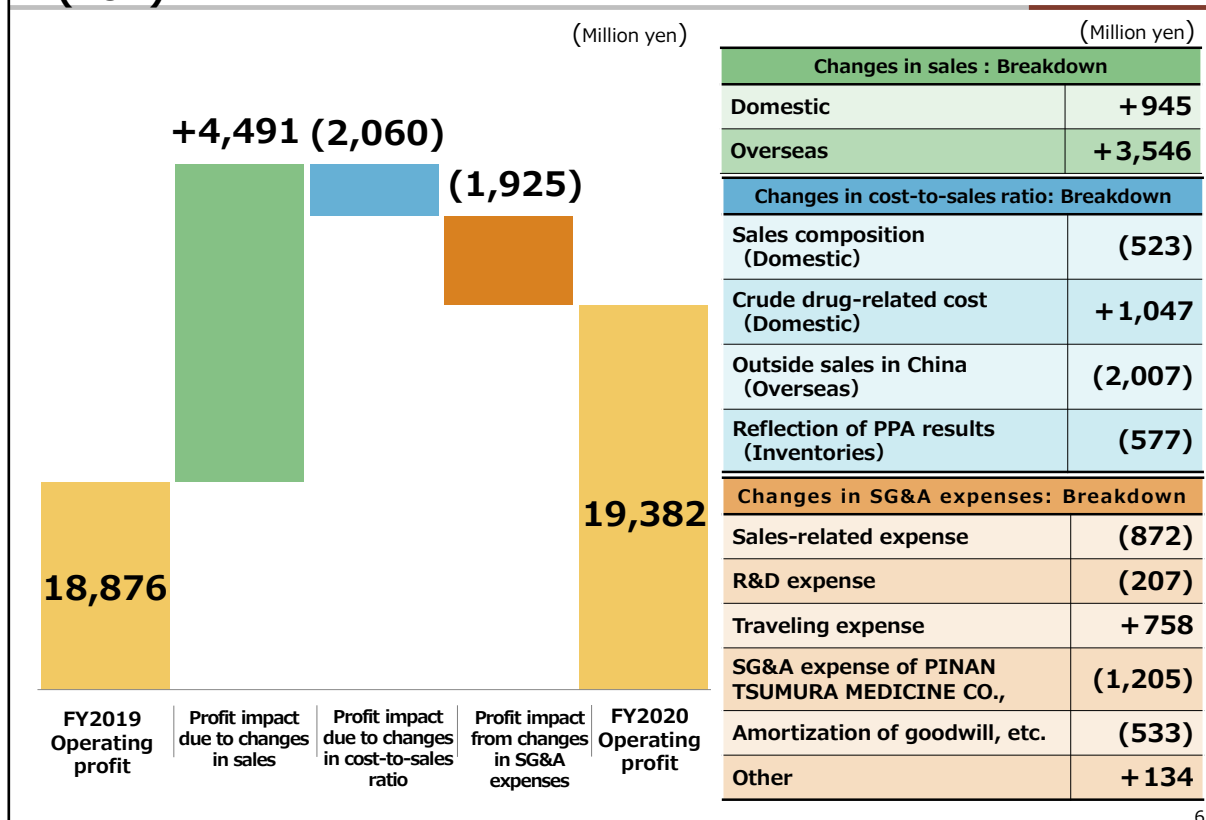
I will explain the key points of our performance in FY 2020.

Net sales rose 6.2% versus a year earlier. Sales of prescription Kampo products climbed 1.1%, sales in healthcare increased 16.7%, and sales in the Overseas and China Businesses totaled ¥6.3 billion.

The cost-to-sales ratio was 42.7%, an improvement of 1.5 points year-on-year. The rise in the cost-to-sales ratio reflects impact from the Overseas and China Businesses.

The SG&A ratio was 42.4%, a decline of 1.1 points year-on-year. Meanwhile, our operating profit margin stood at 14.8%, a decrease of 0.5 points.

Factors Triggering Changes in Operating Profit (YoY)



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■ Factors Triggering Changes in Operating Profit (YoY)

I will explain the factors that triggered changes in operating profit year-on-year.

Operating profit totaled ¥19.3 billion, an expansion of ¥500 million year-on-year. Sales growth contributed ¥4.4 billion to operating profit, meanwhile, cost-to-sales had a negative impact of ¥2.0 billion, and cost growth had a negative impact of ¥1.9 billion.

The increase in cost-to-sales of ¥2.0 billion reflects the following. Although the decline in crude drug-related costs of ¥1.0 billion offset an increase of ¥500 million in Japan caused by an increase in unit sales prices due to NHI drug price revisions and impact from sales mix, there was an increase of ¥2.0 billion in outside sales in the Overseas and China Businesses, and ¥500 million was posted as cost-to-sales in FY 2020 from the total allocations to inventory using the PPA (Purchase Price Allocation) goodwill method.

The increase in expense of ¥1.9 billion was mainly attributable to a growth in SG&A expense of ¥1.2 billion at the acquired Ping An Tsumura Pharma (former Tianjin China Medico Technology), and amortization of goodwill and post-PPA intangible fixed assets of ¥500 million. Expense posted in FY 2020 related to goodwill came to ¥1.1 billion versus a plan of ¥600 million.

Financial Condition/Cash Flow Position

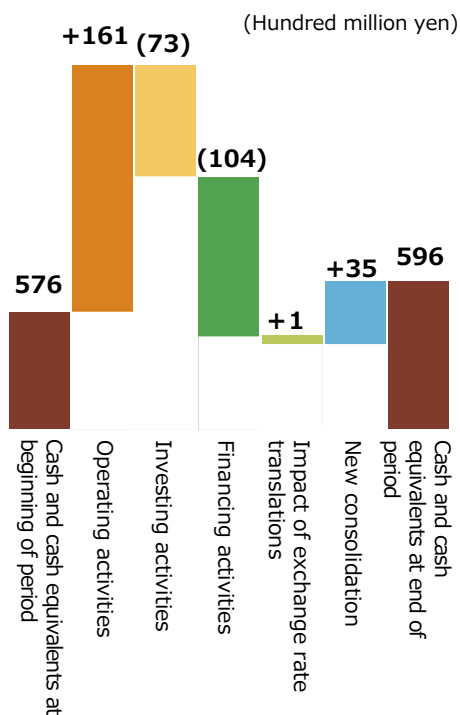


(Million yen)

	FY2019	FY2020	Change
Total assets	311,990	319,063	7,073
Current assets	196,973	204,273	7,300
Non-current assets	115,017	114,789	(227)
Total liabilities	97,993	85,894	(12,098)
Current liabilities	48,476	48,380	(95)
Non-current liabilities	49,516	37,513	(12,003)
Total net assets	213,997	233,169	19,171
Equity ratio	65.8%	68.3%	2.5pt

	FY2019	FY2020	Change
Inventories	75,806	80,755	4,948
Merchandise and finished goods	10,924	13,939	3,014
Work in process	12,418	13,396	977
Raw materials and supplies	52,463	53,419	955

※The 2019 results have been rearranged after PPA adjustment.



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■ Financial Condition & Cash Flow Position

This slide shows our financial condition and cash flow position. I will also only explain the pertinent points here.

Of the total increase in current assets of ¥7.3 billion, the rise in inventory accounted for ¥4.9 billion. The rise in products was ¥3.0 billion, the growth in work in progress was ¥900 million and the increase in raw materials and supplies was ¥900 million. The increase in work in progress reflects impact from the No. 3 SD building at the Ibaraki Plant which was fired up in June 2020.

As mentioned in the appendix, the goodwill for intangible fixed assets at the end of the previous fiscal year was ¥12.0 billion. However, we posted goodwill based on PPA of ¥8.2 billion, inventory of ¥2.6 billion, intangible fixed assets of ¥2.0 billion, and a non-controlling interest of negative ¥900 million.

Total liabilities reflected repayment of short-term borrowings by a consolidated subsidiary in China, and transfer of a portion of long-term borrowings to long-term borrowings due within 12 months.

Our equity ratio improved 2.5 points to 68.3%.

The waterfall chart on the right illustrates our cash flow performance.

Today's agenda

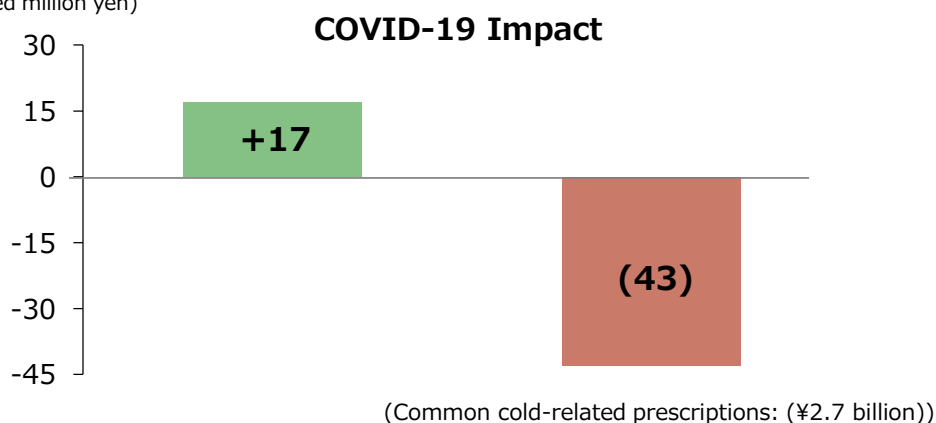
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Analysis of impact to sales of prescription Kampo products

(Actual sales basis)

Although there were rising expectations in Kampo for the alleviation of COVID-19 related symptoms, there was a major negative impact of around **¥2.6 billion** due to a decrease in prescriptions for treating the common cold.

(Hundred million yen)



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■ COVID-19 Impact

As an impact from COVID-19, in China business activities were suspended from 1Q to 2Q.

In Japan, there was negative impact mainly from a curb in medical exams and positive impact from an increase in related prescriptions. Internally, we verified the yen-amount of impact to sales of prescription Kampo products, positive impact totaled ¥1.7 billion, negative impact came to ¥4.3 billion. Deducting the positive factors from the negative factors, there was a remaining negative impact of ¥2.6 billion.

Of the negative impact of ¥4.3 billion, a major factor was a ¥2.7 billion in negative impact from cold-related formulations.

Main Kampo Formulations Impacted by COVID-19

Change in key prescriptions due to impact from COVID-19

(Actual sales basis)

Formulations with positive impact

Hochuekkito (Fatigue, loss of appetite)
Juzentaihoto (Fatigue, loss of appetite)
Kamishoyosan
 (Anxiety, menstrual irregularity)
Hangekobokuto (Anxiety, insomnia)
Bofutsushosan (Obesity)
Keigairengyoto (Acne)
Seijobofuto (Acne)
Jumihaidokuto (Dermatitis)

Formulations with negative impact

✓ **Bakumondoto** (Cough, bronchitis)
 ✓ **Shoseiryuto** (Nasal inflammation, bronchitis)
 ✓ **Shosaikotokakikyosekko** (Tonsillitis)
 ✓ **Maoto** (Influenza, rheum/catarrh)
 ✓ **Chikujountanto** (Influenza, common cold)
 ✓ **Kakkontokasenkyushini**
 (Nasal inflammation, nasal congestion)
 ✓ **Kikyoto** (Tonsillitis)
 ✓ **Shin'iseihaito**
 (Nasal inflammation, nasal congestion)
 ✓ **Maobushisaishinto**
 (Rheum/catarrh, bronchitis)
Shakuyakukanzoto (leg cramps)



*Common cold-related prescriptions, with the exception Shakuyakukanzoto

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■ Main Kampo Formulations Impacted by COVID-19

Sales of main Kampo formulations that fluctuated due to COVID-19 impact grew primarily owing to mental disorders and skin diseases triggered by changes in the living environment and as it has become routine to wear a mask.

Also, most of cold-related formulations were negative results.

Impact to operating activities	
Positive 	<ul style="list-style-type: none"> ◇ Increase in opportunities to prescribe Kampo to treat COVID-19-related symptoms (Patients with anxiety and skin disorders, etc. ↑) ◇ Rising expectations in Kampo (Contact via Web Lectures with doctors that prescribe 10 or less Kampo prescriptions ↑)
Negative 	<ul style="list-style-type: none"> ◇ Decrease, including for upper respiratory tract inflammation due to enforcement of infection prevention ◇ Refraining from undergoing medical exams and decrease in number of surgeries ◇ Fortify restrictions on visitations to hospitals

■ COVID-19 Impact on Sales Activities

Summarizing the impact to sales activities, a positive impact was an increase in prescription opportunities for and heightened expectations in Kampo for COVID-19-related symptoms.

Conversely, as negative impact, in addition to a decrease mainly for upper respiratory tract inflammation due to the enforcement of infection prevention, medical exams were curbed and the number of surgeries declined, and restrictions were tightened for visiting medical institutions.

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Comparison with the prescription pharmaceutical market

(Drug price basis)

	Prescription pharmaceutical market (YoY)	Tsumura (YoY)	Market comparison from our perspective
Overall	(2.7)%	+1.6%	+4.3pt
Hospitals	(1.3)%	(1.9)%	(0.6)pt
General clinics	(3.7)%	+2.4%	+6.1pt

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■ Domestic Business: Prescription Kampo Products

I will now explain the major prescription Kampo products in the domestic business.

In comparison with trends in the market overall, our performance was negative in the hospital (HP) market. The decrease in surgeries at hospitals, among other factors, has a negative impact on our mainstay formulations. We also determined that this reflects a decline in the volume of information on prescription Kampo products chiefly due to stricter restrictions on visitations.

Sales of Drug-fostering Program Formulations/Growing Formulations



(Million yen)

	Net sales Ranking	Product No./formulation name	FY 2019	FY 2020	YoY		
Drug-fostering program formulations	1	100	Daikenchuto	10,357	10,394	+37	+0.4%
	2	54	Yokukansan	7,774	7,884	+110	+1.4%
	4	43	Rikkunshito	7,370	7,501	+130	+1.8%
	8	107	Goshajinkigan	3,603	3,628	+25	+0.7%
	24	14	Hangeshashinto	1,390	1,413	+22	+1.6%
Total sales for drug-fostering program formulations			30,496	30,822	+325	+1.1%	
Growing formulations	3	41	Hochuekkito	7,113	7,632	+519	+7.3%
	5	68	Shakuyakukanzoto	5,202	5,084	(118)	(2.3)%
	10	29	Bakumondoto	4,839	3,513	(1,325)	(27.4)%
	7	24	Kamishoyosan	4,598	4,873	+274	+6.0%
	6	17	Goreisan	4,491	4,960	+468	+10.4%
Total sales for growing formulations			26,245	26,064	(180)	(0.7)%	
Total sales for 119 formulations other than drug-fostering program and growing formulations			60,605	61,725	+1,119	+1.8%	
Total sales for 129 prescription Kampo products			117,347	118,612	+1,264	+1.1%	

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■ Sales of Drug-fostering Program Formulations/Growing Formulations

Sales of drug-fostering program formulations and growing formulations were impacted due to the NHI drug price revisions in April 2020, and a curb in medical exams due to COVID-19. Sales for prescription Kampo products overall grew 1.1% year-on-year.

Sales of the five drug-fostering program formulations rose 1.1% year-on-year while sales of the five growing formulations dipped 0.7%. Sales of Bakumondoto decreased 27.4% year-on-year, and sales of Shakuyakukanzoto dropped 2.3%. Sales of other formulations grew. Sales of the other 119 prescription Kampo products rose 1.8% year-on-year.

Key positive factors versus the previous fiscal year

(YoY)

Daikenchuto
(+0.4%)



Realization of a market owing to awareness activities for abdominal bloating in tandem with constipation

Yokukansan
(+1.4%)



Recommend several prescriptions, including Ninjinyoeito, depending on the behavioral and psychological symptoms of dementia

Rikkunshito
(+1.8%)



Realize a market through awareness activities for upper abdominal symptoms in tandem with FD (functional gastrointestinal disorders) and GERD (gastroesophageal reflux disease)

Goshajinkigan
(+0.7%)



Deploy the provision of information, mainly in orthopedics, anesthesiology and urology

Hangeshashinto
(+1.6%)



As a dual promotion with Rikkunshito, deploy awareness activities on heartburn in tandem with GERD, using new EBM

Implement sales measures to cover the negative performance of sales to hospitals (HP) with sales to general practitioners (GP)

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■ Analysis of Factors Impacting Drug-fostering Program Formulations

This is an analysis of factors impacting drug-fostering program formulations.

The main factor for year-on-year growth in the five drug-fostering program formulations is that sales to general practitioners (GP) offset the negative performance in sales to hospitals (HP).

Three Important Domains of Sales Activities



- Positioned geriatric health; cancer (supportive care) and women's health as the three important domains and aim to concentrate our activities in these domains
- We plan to deploy a sales approach in the drug-fostering program formulations, growing formulations and three important domains

Geriatric health domain		Cancer domain (supportive care)	Women's health domain
Psychiatric and neurological disorders D Yokukansan + related formulations	Respiratory diseases G Bakumondoto + related formulations	Mitigation of side effects, etc. D Rikkunshito D Hangeshashinto D Goshajinkigan + related formulations	Diseases specific to women G Kamishoyosan + related formulations
Digestive system diseases D Rikkunshito D Daikenchuto G Hochuekkito + related formulations	Peripheral symptoms for frailty D Goshajinkigan G Hochuekkito + related formulations		
Peripheral symptoms for circulatory disorders G Goreisan + related formulations			Other diseases and symptoms D Daikenchuto G Goreisan + related formulations

D Drug-fostering program formulations **G** Growing formulations

■ Three Important Domains in Sales Activities

As we have thus far, we are positioning geriatric health, cancer (supportive care) and women's health as the three important domains in our sales activities, and continuing to carry out activities that focus primarily on drug-fostering program formulations and growing formulations.

In the domain of geriatric health, as a key measures, we are newly adding the fields of peripheral symptoms for circulatory disorders and peripheral symptoms for frailty owing to their substantial market needs. The sections with the blue borders are the newly added fields.

Main symptoms and representative prescriptions for Kampo indications

Peripheral symptoms for circulatory disorders (Geriatric heart failure)



Edema, diarrhea, dizziness

(Goreisan) G

Fatigue (Hochuekkito) G

Loss of appetite (Rikkunshito) D

Bloating (Daikenchuto) D

Chills (Goshajinkigan) D

Constipation (Mashiningan)

Peripheral symptoms for frailty (Seniors/weakness)



Abnormal urination/pain

(Goshajinkigan) D

Fatigue (Hochuekkito) G

Loss of appetite (Rikkunshito) D

Insomnia (Yokukansan) D

Anxiety (Kamikihito)

D Drug-fostering program formulations

G Growing formulations

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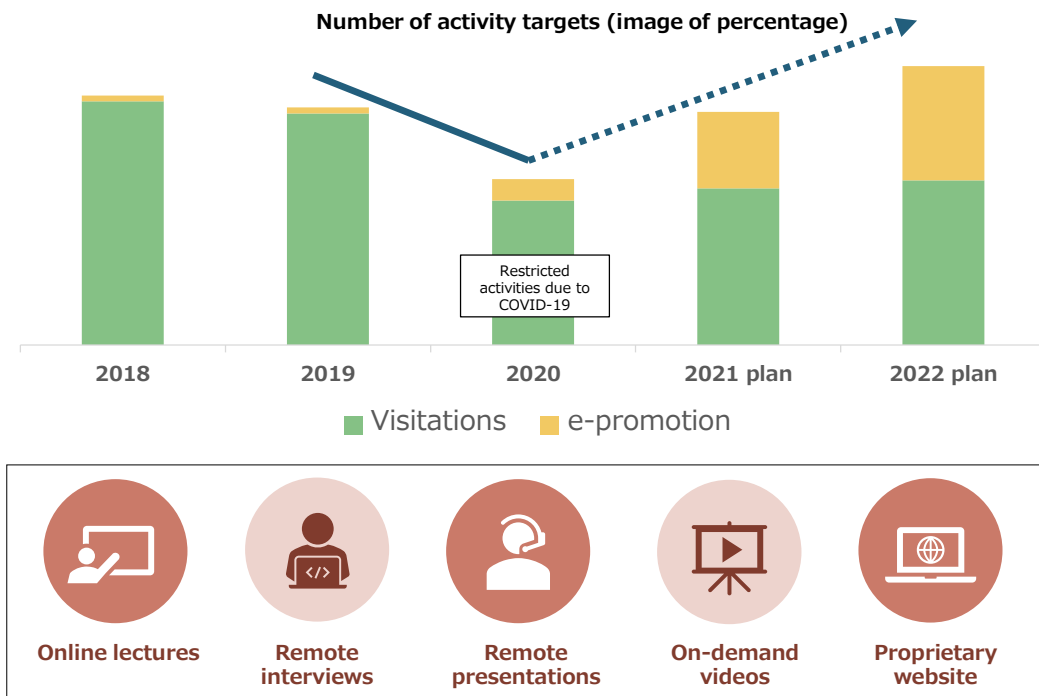
■ Symptoms of Circulatory Disorders and Frailty

In the field of peripheral symptoms for circulatory disorders, the peripheral symptoms shown for heart failure in seniors and in the field of peripheral symptoms for frailty, the peripheral symptoms shown are those which can be treated using Kampo as a measure to prevent them from becoming bed-ridden.

Major formulations for each of these symptoms is mentioned herein.

Ideal information provision for a new generation

Increase contact with doctors via a new form of information provision activities



■ Ideal Information Provision for a New Generation

Due to COVID-19, the method of information provision itself is undergoing a change. We are pushing forward with discussions on this topic internally.

As explained earlier, we are enhancing e-promotions, mainly at hospitals, for those areas that were negatively impacted.

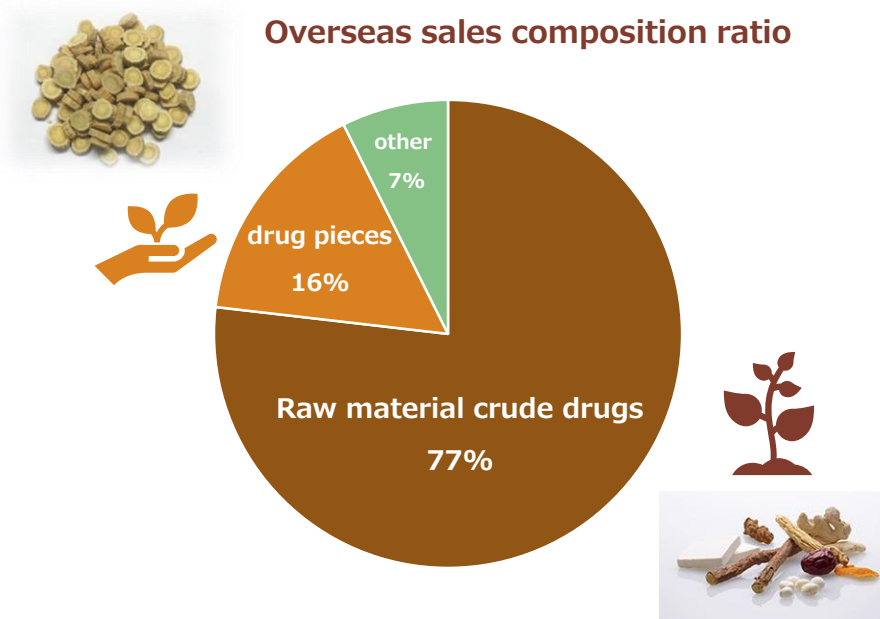
We are intensively implementing necessary investments into the e-promotions mentioned below.

It is our policy to take a new approach to dramatically improving the productivity of our information provision.

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Overseas sales : 6,367 million yen



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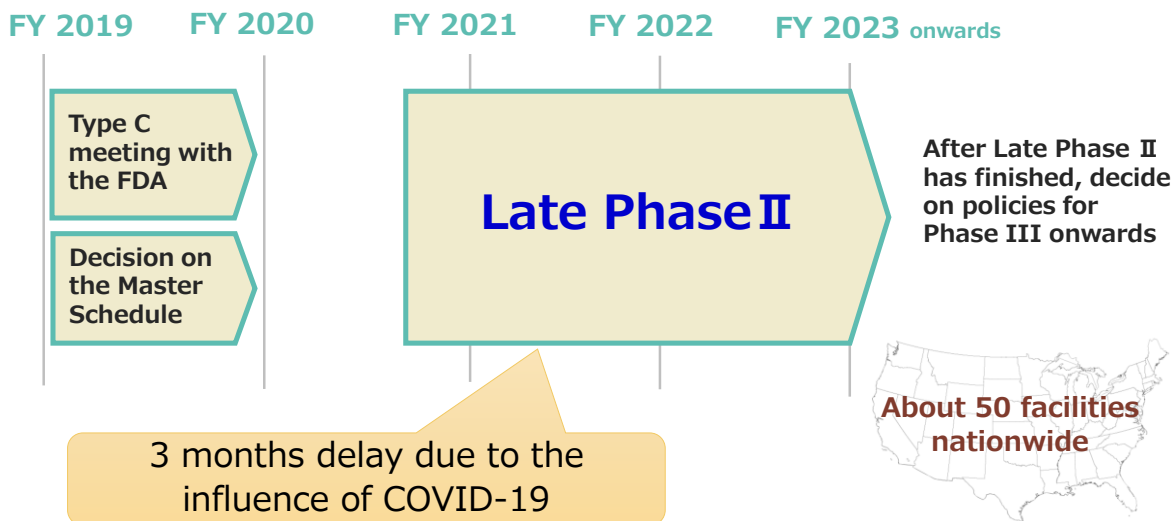
■ Overseas Business: China Business

This pie graph shows a breakdown of sales ratios for the total overseas sales of ¥6,367 million.

Raw material crude drugs accounted for around 77%, drug pieces made up 16% and others represented 7% of total overseas sales.

Policies for TU-100 (Daikenchuto) development in the United States

Target disease – Postoperative Ileus (POI)



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■ Overseas Business: Development in the US

In the development of TU-100 (Daikenchuto) in the US, the primary development target was narrowed down to postoperative ileus in FY 2018. From the second half of FY 2020, we embarked on Phase 2 trials.

We plan to implement trials at 50 facilities around the US. However, we are experiencing a delay of around 3 months due to the impact of COVID-19. However, we are gradually pushing forward with procedures starting with facilities where we can resume trials.

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Change in Accounting Standards

Adoption of “revenue recognition standards” from FY 2021

[Reference: Assumption of adoption in FY 2020]

(Million yen)

	FY 2020 results (former standards)	FY 2020 results (new standards)	Impact
Net sales	130,883	116,413	(14,469)
Cost of sales	55,951	55,949	(2)
Gross profit	74,931	60,464	
SG&A	55,548	41,081	(14,467)
Operating profit	19,382	19,382	

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■ Changes in Accounting Standards

First, I will explain revisions to those accounting standards which will be adopted from FY 2021.

The new revenue recognition standards we will adopt from FY 2021 will chiefly impact the recording of net sales and SG&A expenses but will not impact operating profit.

The table on this slide shows the FY 2020 income statement rearranged using the new revenue recognition standards. The impact to net sales and SG&A expense is ¥14.4 billion, respectively.

FY2021 Forecast



(Million yen)

	FY2020 results (New Accounting Standards base)	FY2021 forecast	Vs. FY 2020	
			Amount	Growth
Net sales	116,413	122,500	+6,086	+5.2%
Domestic	-	113,700	-	-
Overseas	-	8,800	-	-
Operating profit	19,382	19,500	+117	+0.6%
Ordinary profit	20,866	20,000	(866)	(4.2)%
Profit attributable to owners of parent	15,332	14,200	(1,132)	(7.4)%

	FY2020 results	FY2021 forecast
Dividend (per share)	¥ 64	¥ 64
EPS	¥200.4	¥185.6
ROE	7.2%	6.4%

(Note) The above forecasts were prepared based on the information available as of the date of publication of this presentation. Accordingly, the impact of risks that cannot be predicted at this time, including the impact on socio-economic activities from the further spread of COVID-19, have not been factored in. Actual earnings performance may differ from the forecasts stated herein owing to various factors going forward. We will disclose trends and conditions in a timely and proper manner should there be any changes in the circumstances surrounding our company.

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■ FY 2021 Earnings Forecast

Our earnings forecast for FY 2021 reflects the adoption of the new revenue recognition standards.

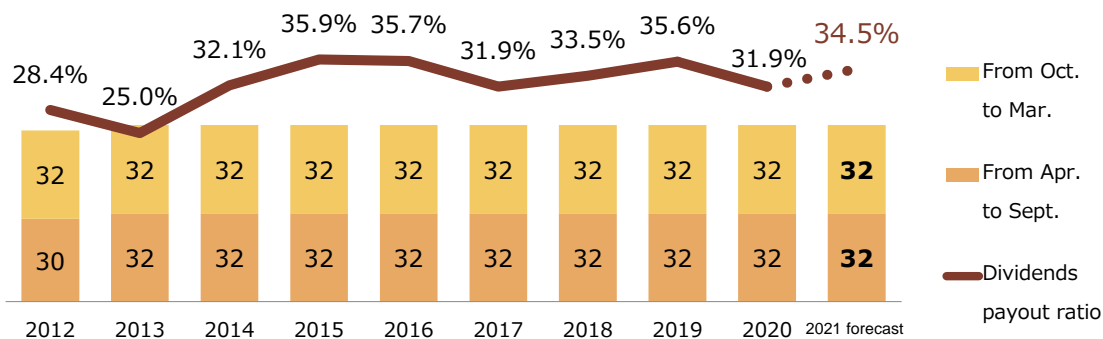
We forecast net sales of ¥122.5 billion, a growth of ¥6.0 billion year-on-year, operating profit of ¥19.5 billion, ordinary profit of ¥20.0 billion, profit attributable to owners of parent of ¥14.2 billion, and an ROE of 6.4%.

This earnings forecasts reflects the standard required for achieving the numerical goals in our Third Medium-term Management Plan, for which FY 2021 is the final year of the plan.

However, we will make a timely disclosure in the event that changes arise to trends, such as the impact from COVID-19 in FY 2020.

Policy

- We aim to improve our corporate value by continually expanding our Kampo business and through growth investments in the China business, and by building foundations. Accordingly, we plan to implement stable dividends, taking into account factors such as medium/long-term profit levels and cash flow conditions.



Note: The FY 2020 year-end dividend and payout ratio (forecast) are an estimate based on the assumption that the dividend resolution is approved at the 85th Ordinary General Meeting of Shareholders.

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■ Shareholder Returns

We aim to maintain our shareholder return policy.

We plan an interim dividend of ¥32 per share and a fiscal year-end dividend of ¥32, for a total annual dividend per share of ¥64.

In FY 2021, we forecast a payout ratio of 34.5%, based on the aforementioned earnings forecast.

We aim to pour energies into improving our corporate value through ongoing stable growth in the domestic business and the building and growth of business foundations in the China Business.

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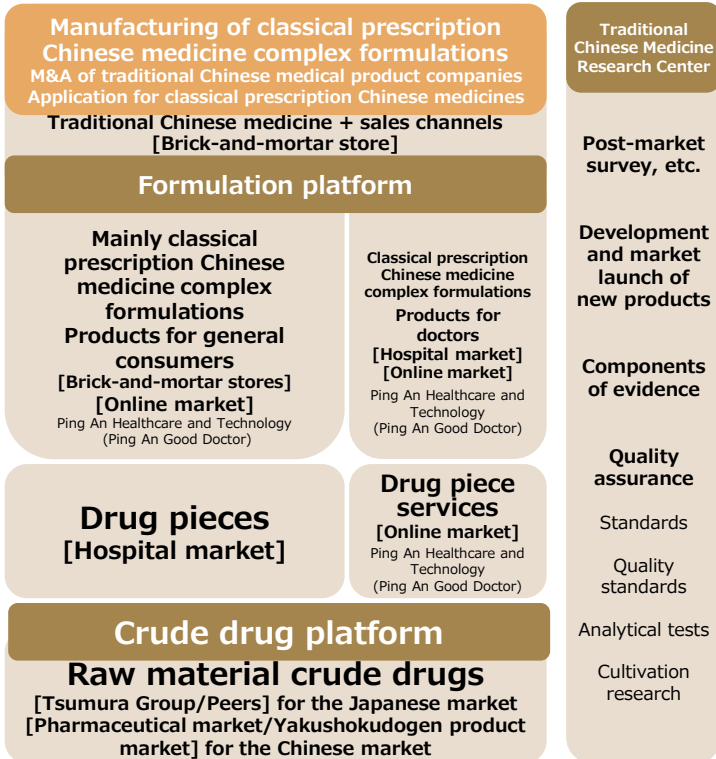
Outlook for China Business



Contribute to the health of China's citizens



Stable procurement and supply of raw material crude drugs



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■ Outlook for China Business

Now I will show our outlook for the China Business. The picture on the left shows a person climbing up a cliff. The goal and vision for the China Business is first and foremost to stably procure and supply raw material crude drugs. In this area, we are currently moving forward mainly with the crude drug platform. Going forward, we aim to “contribute to the health of China’s citizens,” which is the goal shown at the top. We plan to build a business infrastructure, mainly classical prescription Chinese medicine complex formulations in the formulation platform.

The strategy for the China Business is to become a traditional Chinese medicine company that is trusted by the citizens of China. To this end, we envisage sales of 10.0 billion yuan (or roughly ¥170.0 billion) and believe it will be necessary to instill the Ping An-Tsumura brand.

The crude drug platform, shown at the bottom of this slide, currently mainly deploys the three businesses of raw material crude drugs, drug pieces, and drug piece services. In particular, we are pouring energies into the development of the hospital market to expand the drug piece business. In addition, in the online market, we are launching the drug piece service business using Ping An Good Doctor (a service to provide added value via the decoction of drug pieces into a liquid, powder, granules or jelly).

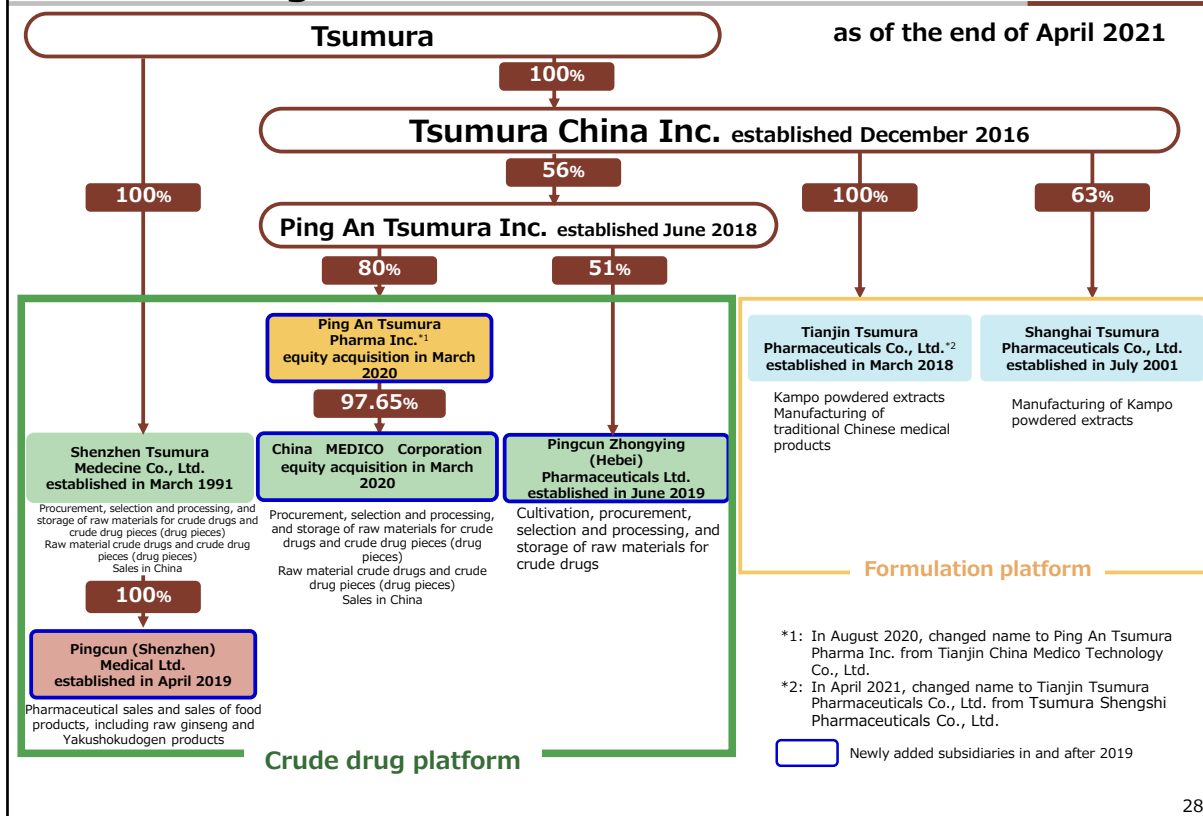
The formulation in the upper part of the slide is up and coming. We plan to build a business foundation, mainly for classical prescription Chinese medicine complex formulations. As one approach for this, we plan to explore M&A deals with traditional Chinese medicine companies.

The Traditional Chinese Medicine Research Center on the right-hand side was the working name for an analysis center. As a Traditional Chinese Medicine Research Center, its main functions will be to handle quality assurance from raw material crude drugs to brand products, the establishment of evidence on classical prescription Chinese medicines for doctors, the development and launch of new products, and post-marketing surveillance.

Diagram of Corporate Group Ties & Crude Drug Platform



as of the end of April 2021



■ Diagram of Corporate Group Ties & Crude Drug Platform

The green bordered area is the corporate company group for the crude drug platform, which consists mainly of companies in the Ping An Tsumura Pharma Group.

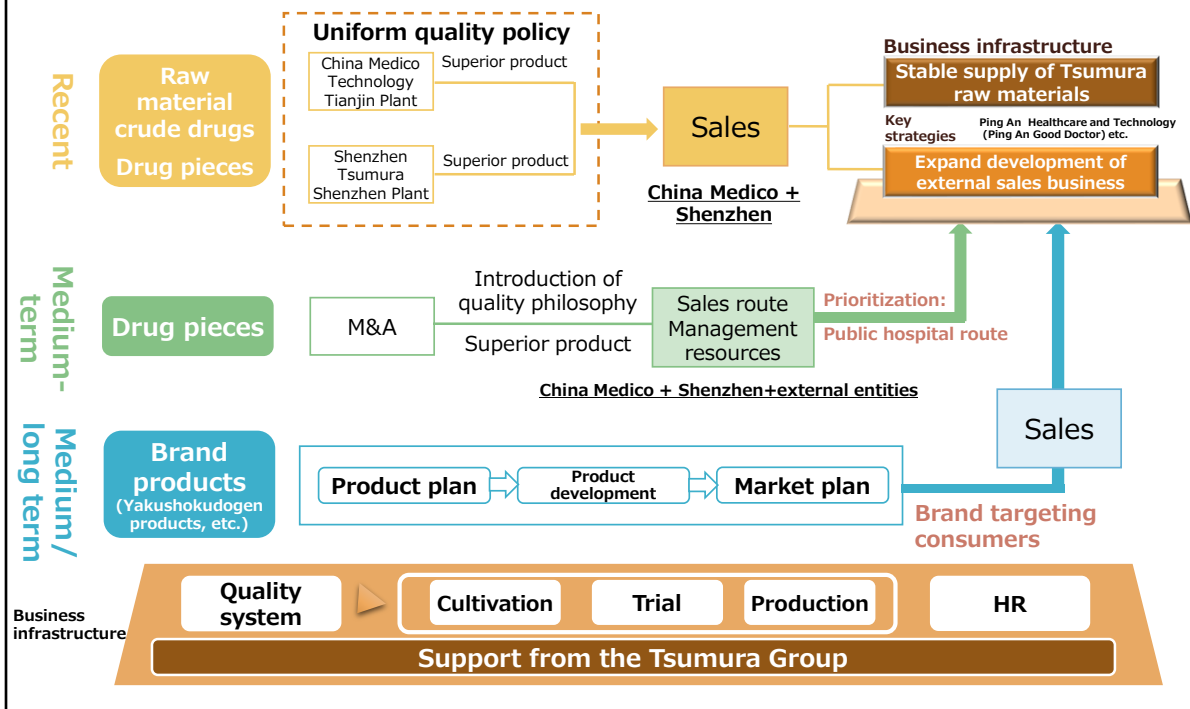
Pingcun (Shenzhen) Medical Ltd., at the bottom left, was incorporated as a wholly-owned subsidiary of Shenzhen Tsumura Medicine Co., Ltd. We aim to strengthen the full-fledged entry into the drug piece business in the southern region of China using a system where Shenzhen Tsumura is in charge of manufacturing and Pingcun Medical carries out sales. In particular, we plan to expand hospital sales routes.

In the northern region of China, Ping An Tsumura Pharma plans to further expand its drug piece business, mainly via hospital routes, as it has been doing thus far. We have shown the breakdown of sales ratios for total overseas sales earlier, and we aim to boost the sales ratio for drug pieces rather than raw material crude drugs from now on.

In the online market, in the crude drug platform overall, we plan to further expand drug piece services that leverage Ping An Good Doctor.

Future Outlook for the Crude Drug Platform Business

Crude drug platform business vision: Envisage sales in China of 3 billion yuan (roughly ¥51.0 billion)



Future Outlook for the Crude Drug Platform Business

I will explain a little more in depth from a medium-term perspective. I believe that there is major significance in expanding traditional Chinese medicine and drug pieces, which are used in classical Chinese medicine, as businesses. The market scale is around ¥3 trillion. There are many doctors dealing in traditional Chinese medicine that are currently prescribing Chinese medicine and drug pieces in this field. I believe that the Tsumura Group can play a role in standardizing specifications for drug pieces and solving quality issues. One of our pillars is the expansion of this traditional Chinese medicine drug piece business, as we are also able to utilize raw material drug pieces owing to our crude drug GACP, which is a strength of the Tsumura Group.

In the same manner, in the drug piece service business, should we be able to add value, then the compensation for these services will grow. From the perspective of customers, in the online market, we are deploying, mainly through Ping An Good Doctor, value added services that take into account benefits and convenience.

In the medium term, we aim to expand sales of drug pieces in the hospital market, which is a large market. There are difficult aspects to developing the public hospital route, therefore one of our focuses is on M&A deals with drug piece companies.

In the medium/long term, one policy we are promoting is the manufacturing and sales of brand products while aiming to boost recognition of the Ping An Tsumura brand among general consumers. At present, the OTC business department of Shenzhen Tsumura is carrying out sales of products such as Yakushokudogen products, raw ginseng and tea bags. We aim to further expand this business.

Future Outlook for the Formulation Platform Business

Formulation platform business vision: Envisage sales in China of 7.0 billion yuan (roughly ¥119.0 billion)



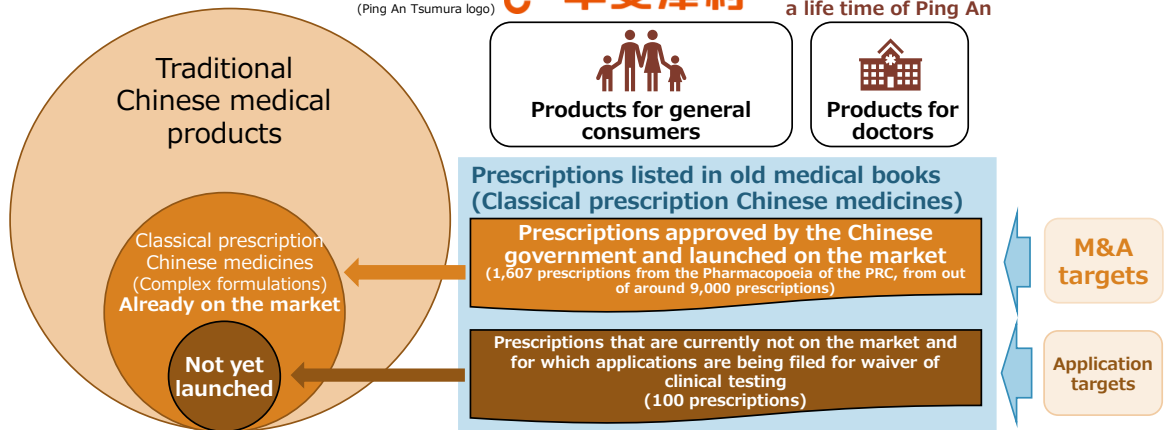
Aim to become a traditional Chinese medicine company that is trusted by the citizens of China by promoting Ping An-Tsumura brand products

Business that places focus on classical prescription Chinese medicine prescriptions
(Originating from prescriptions listed in old medical books)

Traditional Chinese medicine
(Ping An Tsumura logo)



100 years of Tsumura,
a life time of Ping An



■ Future Outlook for the Formulation Platform Business

We are aiming to become a traditional Chinese medicine company that is trusted by the citizens of China by promoting Ping An Tsumura brand products.

We envisage sales of 10.0 billion yuan or higher, and have reached an agreement with President Ma of the Ping An Insurance Group. This is the foundation for this business alliance. In light of this, we visualize a high percentage of sales to general consumers. The Ping An Insurance Group has sales channels other than the Good Doctor and we intend to use those as well.

We have a logo for Ping An Tsumura. Our catchphrase is a “100 years of Tsumura, a life time of Ping An.” In China, we aim to expand sales, mainly for classical prescription Chinese medicine complex formulations for which there is almost no market, through synergies between the strength of Tsumura, a centennial company, and the level of recognition of the Ping An Group, with which consumers have a life time relationship.

In the table at the bottom of the slide, we are exploring M&As with traditional Chinese medical product companies at sties that will become our foundation.

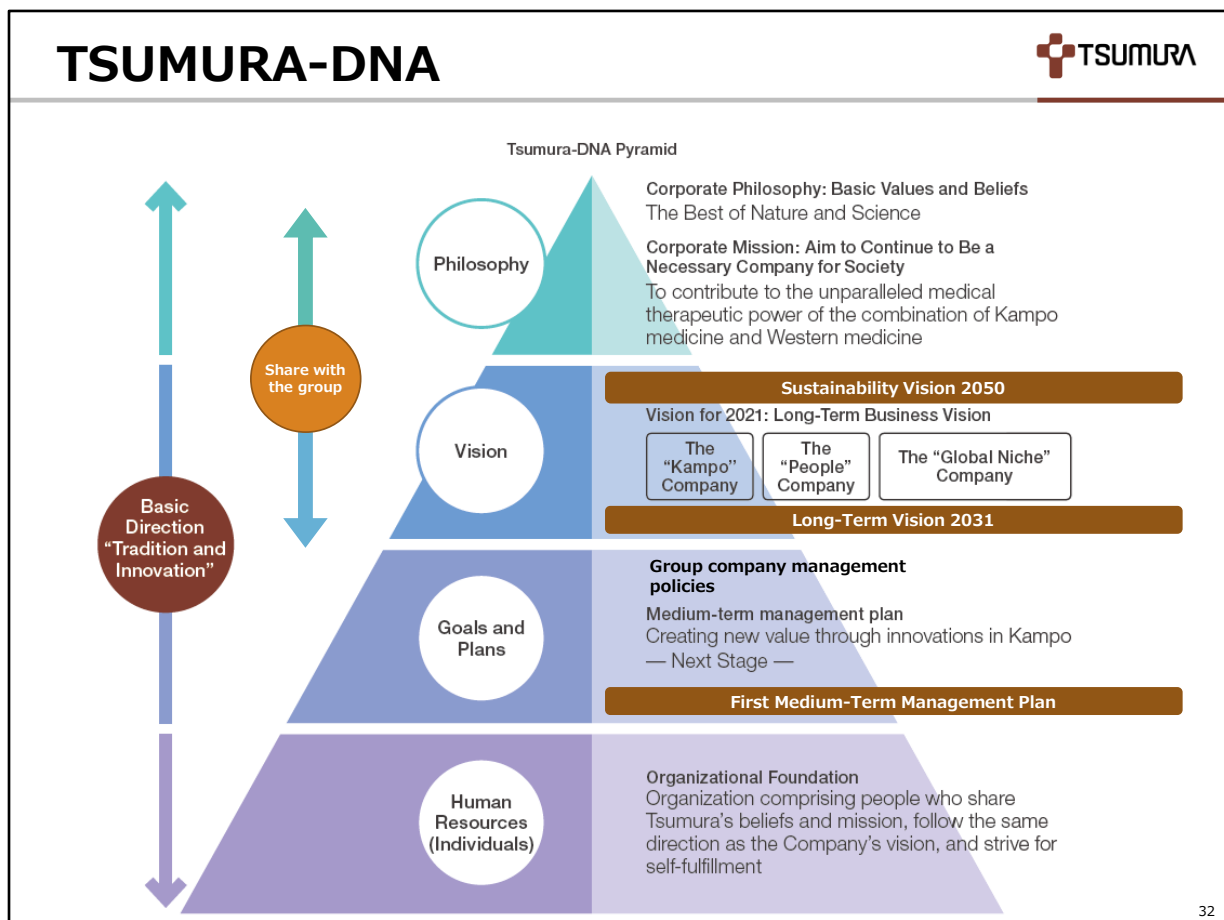
The market for classical prescription Chinese medicine complex formulations is not very large but there are already companies that have formulations that have been launched on the market. We aim to enhance corporate value by using Tsumura’s technology and knowhow to further improve the quality of these mainstay formulations, and by undertaking the establishment of evidence.

In cases where a company appears to already have many formulations on the market but is not selling them, I believe we can build a brand starting from quality and manufacturing design and also handle sales. These are our targets for M&A.

At present, in China we are tackling 100 formulations that are not yet on the market but for which applications have been filed for exemption from clinical trials. Of these, 7 formulations have been announced in advance. And we plan to narrow this down to 1-2 formulations for which applications will be filed.

Today's agenda

1. FY2020 Business Results Overview
2. Impact of COVID-19
3. Domestic Business
4. Overseas Business
5. FY2021 Forecast
6. Prospect of Chinese business
- 7. ESG / Sustainability**



■ TSUMURA-DNA

The Tsumura-DNA Pyramid should be called the organizational capital of the Tsumura Group.

We aim to share the basic philosophy and vision with the group, and as the animating force for Kampo, our goal is to deeply instill the basic philosophy and vision into the organization and carry out activities.

From FY 2022, as the next important position for the basic philosophy, we plan to establish the Tsumura Group Sustainability Vision 2050, based on which we will formulate a Long-term Vision 2031.

Furthermore, we will set milestones for the Long-term Vision and establish a new First Medium-Term Management Plan.

Under a system of management based on the philosophy and vision, and a system where the majority of Board members consist of outside directors, we plan to implement management that prioritizes ESG.

自然と健康を科学する



Nature

Continue to be a company that is highly sensitive to changes in the natural environment and crisis

Pursue an environment that focuses on a return to nature for everything, naturally for crude drugs but also including water and air

Health

Contribute to people's health and medical care by maximizing the use of nature's blessings

Get close to the mental and physical health of each person based on crude drugs

Science

Illuminate the mechanism of action and prove the therapeutic results of “traditional medicine,” which is the wisdom of humankind

Create happiness and social value for people through the preventive, presymptomatic and therapeutic treatments on a scientific basis

As a corporate group dealing in traditional medical products, become a presence that people cannot do without

■ “Intrinsic value” of the Tsumura Group

I believe the intrinsic value of the Tsumura Group is integrated into the Best of Nature and Science, which is the corporate philosophy of Tsumura.

Tsumura Juntendo

➔ **Obey the heavens**

Origin	<p>“Mengzi”, classical Chinese literature Those who obey the Heavens will survive, those against the Heavens will perish (Those who follow the heavenly law will prosper while those who oppose will perish)</p>
	<p>“I Ching” 「順天応人」 (Obey the will of heaven, respond to people’s wishes)</p>

■ Spirit of Junten

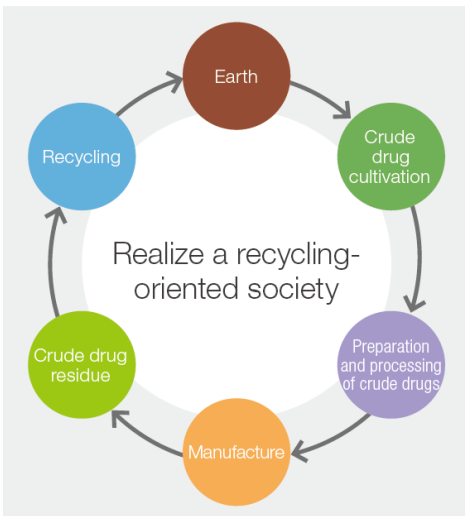
We plan to implement management based on our philosophy, in accordance with the Spirit of Junten, which was incorporated in the company name, Tsumura Juntendo, at the time of its founding in 1893.

Our DNA since the company’s founding is to “obey the will of heaven and respond to people’s wishes.”

Nature

Continue to be a company that is highly sensitive to changes in the natural environment and crisis
Pursue an environment that focuses on a return to nature for everything, naturally for crude drugs but also including water and air

❖ Aim to realize a recycling-oriented society in the Kampo value chain



- ◆ Suigen no Mori (water source forest):
Co2 absorption, water resource reservoir, and water quality purification
· Tosa Tsumura Collaborative Forest
· Yakugi no Mori (medicinal tree forest) in Yubari's far-reaching plan
· Cultivation of cinnamon bark in Laos
- ◆ Crude drug cultivation: Cultivation of wild crude drug
Develop new cultivation methods
- ◆ Resource saving: Rectify distribution of package variety
- ◆ De-plasticization: Use aluminum pouches to replace bottled formulations
Consider new material heat seal
- ◆ Water cycle use: Circular use, including washing water
- ◆ Crude drug residue: Biomass fuel and composting
- ◆ Renewable energy: Convert to solar powered or natural energy power

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■ Nature portion in the Best of Nature and Science (Nature x Health x Science)

We plan to continue to be a company that confronts nature, which forms the basis of our business, and is highly sensitive to changes in the natural environment and crisis.

We aim to pursue a circulatory environment that will return all things back to nature. This naturally applies not only to crude drugs but also to water and air.

We are continuing to implement activities to protect Suigen no Mori (water source forests), to protect resources and the natural environment through crude drug cultivation, to tackle resource saving and deplasticization, to reuse water and energy resources, and to use crude drug residue. We intend to further accelerate these activities.

To realize carbon neutrality in 2050, we aim to further save energy, reduce the volume of energy consumption through the development of technologies, including the improvement of circulation efficiency, while simultaneously reducing manufacturing cost.

Furthermore, we plan to switch to the use of electricity during off-peak hours and to the use of reusable energy.

Health

Contribute to people's health and medical care by maximizing the use of nature's blessings
Get close to the mental and physical health of each person based on crude drugs

❖ **Aim for curative treatment that suits each individual with Kampo made from raw material crude drugs, mainly plants**

Natural healing power

Kampo promotes improvement of symptoms by enhancing natural healing power that people originally possess

[Ideal ultimate medical care]

- ✓ There is no east or west when it comes to treating people's illnesses
- ✓ Treatments that utilize the fortes of both
- ✓ Doctors licensed in Western medicine learn and prescribe Kampo medicine

Mind and body as one

Kampo takes the heart and body as one, and creates balance between the heart and body

Different treatment for same disease and same treatment for different diseases

Different prescriptions are used to treat the same disease depending on the person / the same prescription is used to treat different disease (treatment suited for each individual)



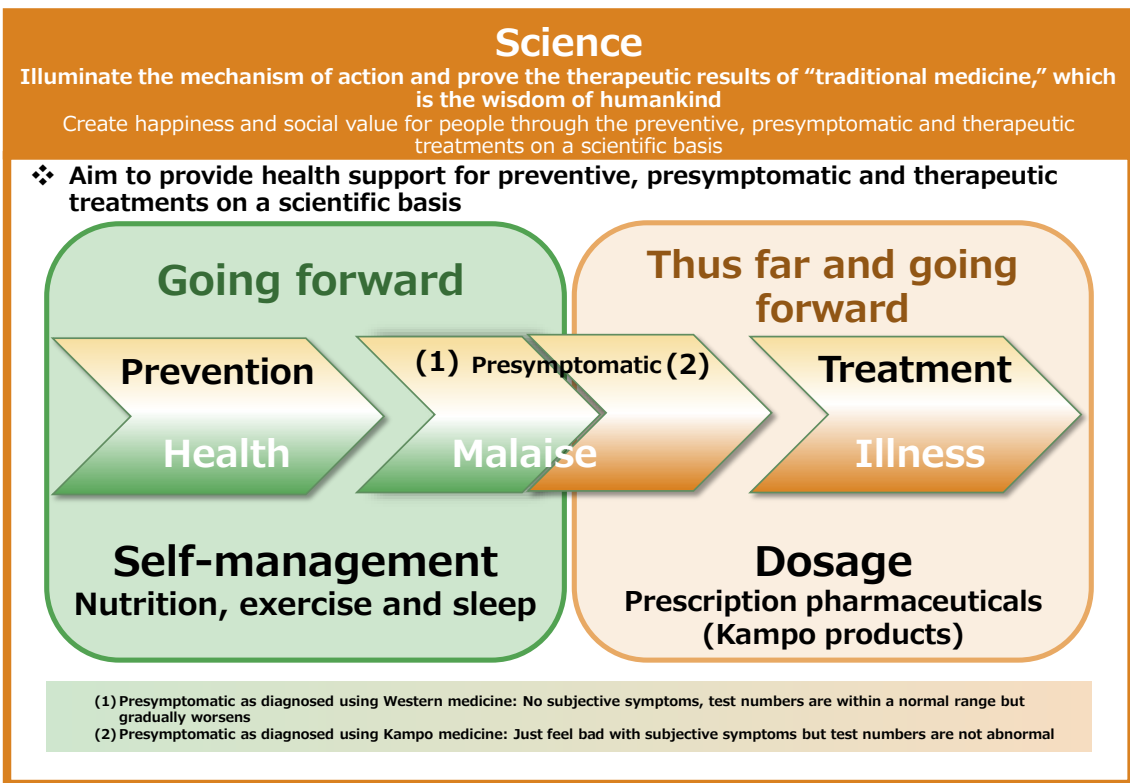
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■ Health portion in the Best of Nature and Science (Nature x Health x Science)

The mission behind Tsumura's belief that "Quality Medicine is Guaranteed to Sell," a conviction of our company founder, is to truly create quality medicine that will contribute to people's mental and physical health, as this is definitely become a part of public interest and create a meaningful business.

We aim to contribute to treatments that suit each individual by further enhancing the value of traditional medicine, which is backed by the long history of Kampo, a plant-based medicine that maximizes the use of nature's blessings, and which has been incorporated into the national health insurance system, which is a rarity worldwide.

We plan to accelerate our corporate mission "to contribute to the unparalleled medical therapeutic power of the combination of Kampo medicine and Western medicine."



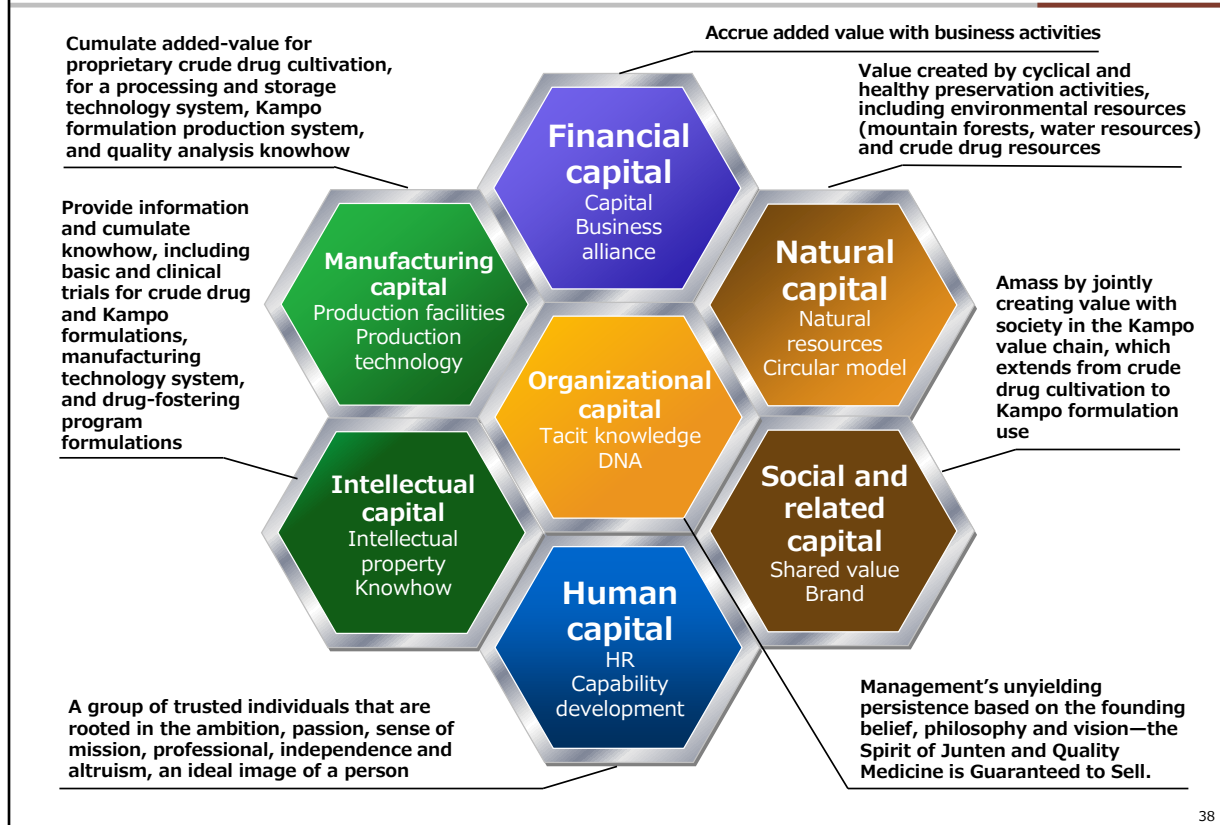
■ Science portion in the Best of Nature and Science (Nature x Health x Science)

Kampo formulations, which are made from raw material crude drugs, mainly from plants, are multi-component complex formulations and in most cases multiple symptoms cannot be treated with a single agent.

At the same time, given the multiple components of Kampo formulations, we will need to illuminate evidence—the clarification of mechanism of action and proof of therapeutic benefits. We therefore plan to continue our pursuit along this course.

Thus far, we have mainly pushed forward with scientific clarification, mainly in the realm of “treatment.” However, going forward, our policy is to expand our contribution in the areas of presymptomatic, preventive and healthcare regimens, and pour energies into the scientific clarification of these areas.

“Seven Forms of Capital” for Sustainability



■ Seven Forms of Capital for Sustainability

It is our policy to establish “Sustainability Vision 2050” and “ Long-term Vision 2031” by renewing a groupwide shared recognition of the Tsumura Group’s “seven forms of capital,” which are sources of profit to create shared values with society and to contribute to the realization of a sustainable society.

The “Seven Forms of Capital” are financial capital (capital and business alliances), manufacturing capital (production facilities and technologies), intellectual capital (intellectual property and knowhow), human capital (HR and capability development), social and related capital (shared value and brands), natural capital (natural resources and a circular model), organizational capital (corporate DNA and tacit knowledge spanning 128 years since our founding). These seven forms of capital are the foundation for building tradition through continuous innovations. We plan to once again share these profit sources and reflect them into the establishment of a new vision.

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Cautionary items regarding forecasts

- The materials and information provided in this presentation contain so-called forward-looking statements. Readers should be aware that the realization of these statements can be affected by a variety of risks and uncertainties and that actual results could differ significantly.
- Changes in Japan or other foreign countries related to healthcare insurance systems or regulations set by medical treatment authorities on drug prices or other aspects of healthcare or in interest and foreign exchange rates could negatively impact the Company's performance or financial position.
- In the unlikely event that sales of the Company's core products currently on the market be halted or should sales substantially decline due to a defect, unforeseen side effect or some other factor, there could be a major impact on the Company's performance or financial position.

appendix

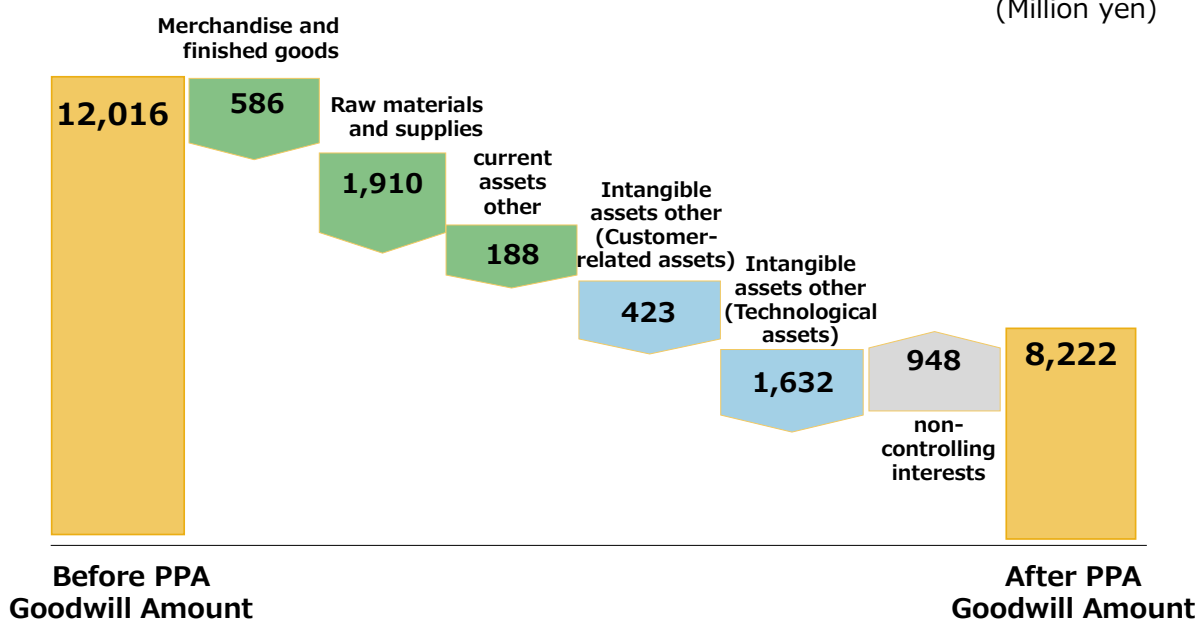
FY2021 The 3rd Medium-Term Management Plan
 (Apply new accounting standards to medium-term plan)

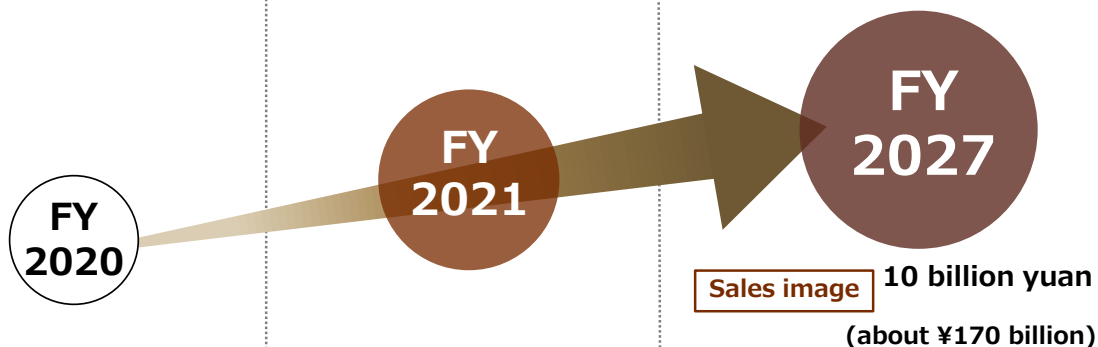
	FY2021 Forecast (The 3 rd Medium-term Management Plan)	FY2021 Forecast (The 3 rd Medium-term Management Plan) New Accounting Standards Base	FY2021 Forecast
Net Sales	Over 135.0 billion yen	Over 120.0 billion yen	122.5 billion yen
Operating Profit	Over 19 billion yen	Over 19 billion yen	19.5 billion yen
ROE	Over 6 %	Over 6 %	6.4%

BS impact of PPA (Purchase Price Allocation) due to acquisition of PINAN TSUMURA MEDICINE Co.,



(Million yen)





FY 2020 Plan & Vision for the Crude Drug Platform
Raw material crude drugs, drug pieces, raw ginseng, Yakushokudogen products, etc.

Sales image 3 billion yuan
(about ¥51.0 billion)

Vision for the Formulation Platform
Classical prescription Chinese medicine complex formulations and traditional Chinese medicine (including M&A), etc.

Sales image 7 billion yuan
(about ¥119 billion)

*Exchange rate: ¥17/yuan (as of the time of the release of the Vision) 43