

Second Quarter Business Results for Fiscal 2021

November 8, 2021

President and Representative Director, CEO

Terukazu Kato

Today's agenda

1. 2 Q Business Results for FY2021 Overview
2. Domestic Business
3. Chinese Business
4. ESG/Sustainability
5. FY2021 Forecast

■ Today's Agenda

Today's agenda

- 1. 2 Q Business Results for FY2021 Overview**
- 2. Domestic Business**
- 3. Chinese Business**
- 4. ESG/Sustainability**
- 5. FY2021 Forecast**

- Second Quarter Business Results for Fiscal 2021 Overview

Second Quarter Business Results for FY 2021



(Million yen)

	FY 2021 2Q Plan (Before Revision*)	FY 2021 2Q Results	Achievement rate	FY 2020 2Q Results	YoY	
					Amount	Change
Net sales	59,400	63,416	106.8%	56,952	+6,464	+11.4%
Domestic	55,500	58,829	106.0%	54,475	+4,353	+8.0%
Overseas	3,900	4,587	117.6%	2,476	+2,110	+85.2%
Operating Profit (Operating Profit Margin)	8,700 (14.6%)	11,684 (18.4%)	134.3%	10,920 (19.2%)	+763	+7.0%
Ordinary Profit	9,000	13,409	149.0%	10,909	+2,499	+22.9%
Profit attributable to owners of parent	6,900	9,965	144.4%	8,002	+1,963	+24.5%

* In the "Notice of Revision of Earnings Forecast" on October 29, we have revised and announced the second quarter earnings forecast as net sales of 63,400 million yen, operating profit of 11,600 million yen, ordinary profit of 13,400 million yen, and net profit attributable to owners of parent of 9,900 million yen.



4

■ Second Quarter Business Results for Fiscal 2021 Overview

The overview of 2Q of FY 2021 denotes the initial plan at the start of the fiscal year prior to revisions, actuals for 2Q, and year-on-year performance. Furthermore, the year-on-year figures have been reshuffled to reflect revenue recognition standards.

Performance is as shown. Profits are expected to achieve the Tokyo Stock Exchange Timely Disclosure Standards. Given this, we revised our earnings forecasts for 2Q and FY 2021, as indicated in the notes.

Key Points in Performance



Sales and profits increased due to growth in domestic and overseas sales.

Net sales	63,416	million yen	Achievement rate	+106.8%	YoY	+11.4%
<ul style="list-style-type: none"> Domestic sales totaled 58,829 million yen, increased 11.4% year-on-year. Sales of the 129 prescription Kampo products totaled 56,377 million yen, increased 7.7% year-on-year. Sales of healthcare products including OTC Kampo medicines totaled 1,713 million yen, increased 24.4% year-on-year. Overseas sales totaled 4,587 million yen, increased 85.2% year-on-year. 						
Operating profit	11,684	million yen	Achievement rate	+134.3%	YoY	+7.0%
Operating profit margin	18.4%		Comparison with the plan at the start of the fiscal year	+3.8pt	YoY	(0.8)pt
<ul style="list-style-type: none"> The expense-to-sales ratio was 48.4%, a climb of 1.3pts year-on-year, mainly impact of increased depreciation burden due to operation of Ibaraki 3rd SD building, and external sales in China. In comparison with the plan at the start of the fiscal year, the expense-to-sales ratio increased 0.3pt. The SG&A ratio totaled 33.1%, a decline of 0.6pt year-on-year. In comparison with plan at the start of the fiscal year, the SG&A ratio dropped 4.1pts, mainly due to decrease in personnel expenses and impact of R&D expenses. 						
Ordinary profit	13,409	million yen	Achievement rate	+149.0%	YoY	+22.9%
<ul style="list-style-type: none"> The impact of the 2Q foreign exchange gain: 1,184 million yen Previous 2Q foreign exchange loss: 485 million yen Mainly affected by foreign exchange gains and losses. 						
Net profit attributable to owners of parent	9,965	million yen	Achievement rate	+144.4%	YoY	+24.5%

■ Key Points in Performance

In Japan, sales of prescription Kampo products climbed 7.7% to ¥56.3 billion year-on-year, and sales in healthcare increased 24.4% to ¥1.7 billion, exhibiting a high level of growth in both of these businesses.

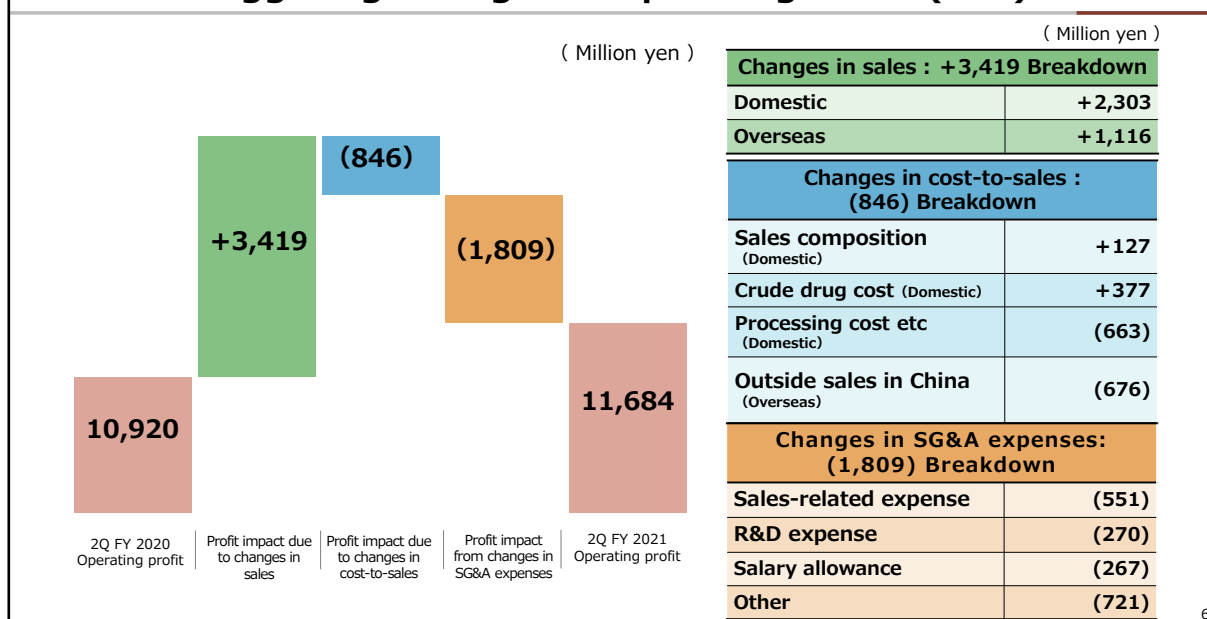
Overseas sales totaled ¥4.5 billion, a rise of 85.2% or ¥2.1 billion year-on-year. As with trends thus far, this was a result of an expansion in sales of raw material crude drugs and drug pieces in the China business.

The expense-to-sales ratio was 48.4%, an improvement of 1.3pt year-on-year. This was primarily attributable to an increase in depreciation expense in tandem with the SD line operations at the Ibaraki Plant in Japan, and a rise in external sales in China. The outcome outperformed the plan by 0.3pt, chiefly reflecting an increase in crude drug-related expense in tandem with product mix.

The SG&A ratio totaled 33.1%, a decline of 0.6pt year-on-year. Although sales growth offset the ¥1.8 billion increase in SG&A expense, in comparison with plan at the start of the fiscal year, the SG&A ratio dropped 4.1pts. Of the ¥1.0 billion in negative impact from SG&A expense, personnel expenses and salary and various allowances decreased around ¥200 million primarily due to a prolonged state of emergency, and a reduction of about ¥200 million owing to a change in the cut-off period for R&D expenses.

Non-operating expenses are as shown. This reflects impact from a reversal to foreign exchange gains (2Q gain was ¥1.2 billion versus a loss of around ¥500 million in the same period a year earlier).

Factors Triggering Changes in Operating Profit (YoY)



6

■ Factors Triggering Changes in Operating Profit (YoY)

Operating profit reached ¥11.68 billion, an increase of ¥760 million year-on-year.

The impact from sales growth was ¥2.3 billion in Japan, ¥1.1 billion overseas, for a total impact of ¥3.4 billion.

The negative impact from an increase in expense-to-sales was ¥840 million. However, in Japan, there was a negative impact of ¥290 million due to an increase in processing expense, which includes a decrease mainly of crude drug-related expenses and depreciations in tandem with the SD line operations at the Ibaraki Plant. Overseas, the negative impact was ¥670 million due to an increase in expense in tandem with a rise in external sales in the China business.

The negative impact from an increase in expenses was ¥1.8 billion in line with the details shown.

Note that in the statement of income used for comparison, the figures are PPA adjusted.

Operating profit in the first quarter of FY 2020 declined ¥2.0 billion after being adjusted for PPA items.

Financial Condition/Cash Flow Position

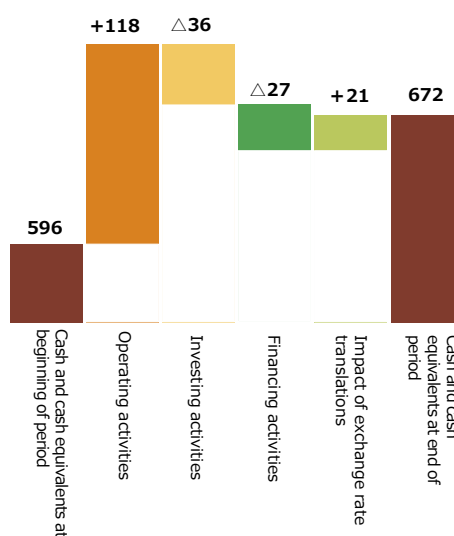


(Million yen)

(Hundred million yen)

	FY 2020 (March 2021)	FY 2021 2Q	Change
Total assets	319,063	335,881	16,817
Current assets	204,273	218,576	14,303
Non-current assets	114,789	117,304	2,514
Total liabilities	85,894	90,240	4,346
Current liabilities	48,380	43,824	△4,556
Non-current liabilities	37,513	46,416	8,902
Total net assets	233,169	245,640	12,471
Equity ratio	68.3%	68.2%	△0.1pt

	FY 2020 (March 2021)	FY 2021 2Q	Change
Inventories	80,755	87,104	6,349
Merchandise and finished goods	13,939	10,073	△3,865
Work in process	13,396	14,043	646
Raw materials and supplies	53,419	62,988	9,568



■ Financial Condition & Cash Flow Position

In comparison with the end of FY 2020, total assets rose ¥16.8 billion. Current assets rose ¥14.3 billion, of which inventory assets increased ¥6.3 billion. In addition, non-current assets increased ¥2.5 billion, of which tangible fixed assets climbed ¥2.38 billion.

The breakdown of the ¥6.3 billion rise in inventory assets comprises a decline of ¥3.8 billion in product inventory due to an increase in sales, and a rise of ¥600 million in work in progress. Meanwhile, raw material inventory was up ¥9.5 billion. Of this, there was a ¥3.0 billion impact reflecting foreign exchange translations for crude drug inventories in China.

Total liabilities rose ¥4.3 billion. Between current and non-current liabilities, the portion of long-term borrowings scheduled to be paid back within a year declined ¥9.37 billion, in tandem with the reshuffling of debt. Meanwhile, long-term borrowings expanded by the same amount. In current liabilities, accounts payable increased ¥4.1 billion, reflecting a ¥3.9 billion rise in purchasing in the China business.

The equity ratio stood at 68.2% and the cash flow is as shown.

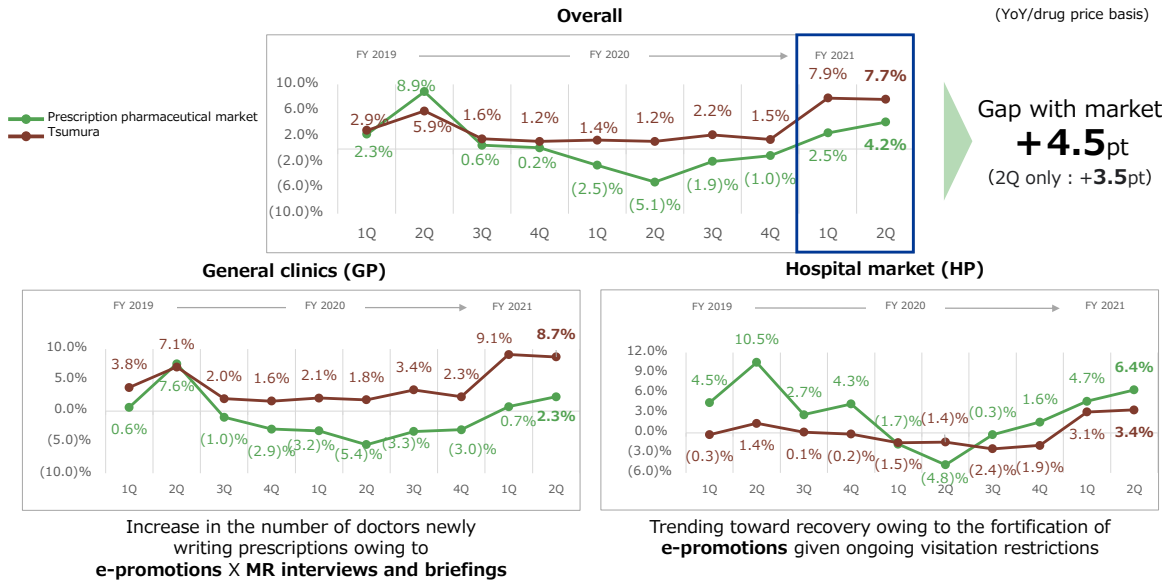
Today's agenda

1. 2 Q Business Results for FY2021 Overview
2. Domestic Business
3. Chinese Business
4. ESG/Sustainability
5. FY2021 Forecast

■ Domestic Business

Comparison with the Prescription Pharmaceutical Market

(YoY/drug price basis)



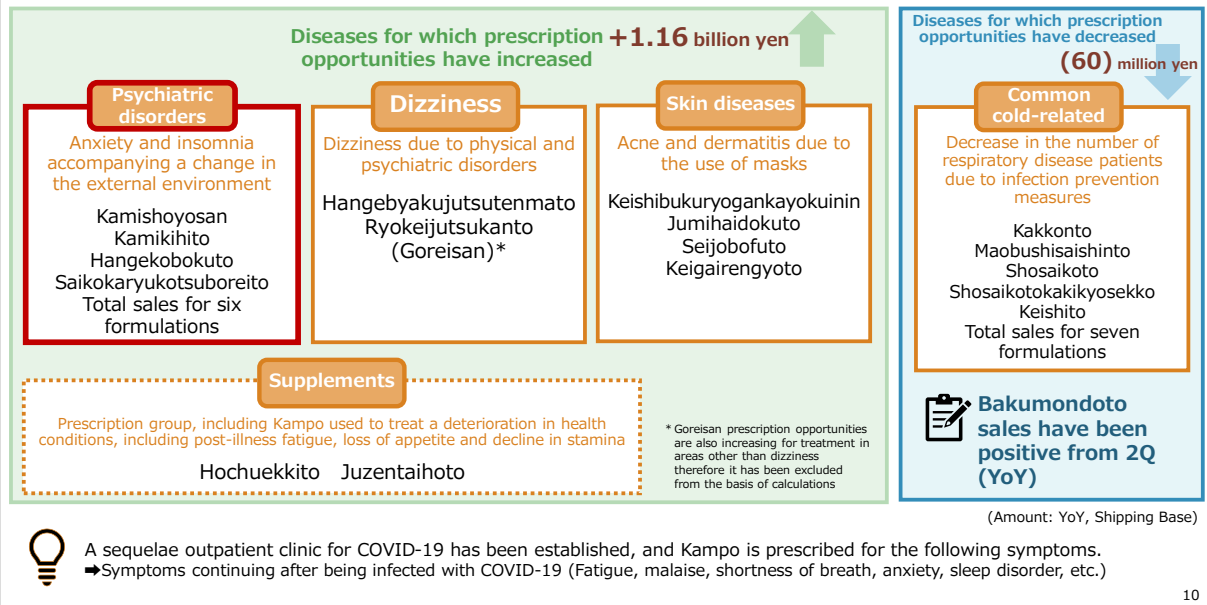
■ Comparison with the Prescription Pharmaceutical Market

The green line in the graphs indicated trends in the prescription pharmaceutical market and the brown line reflects performance trends at Tsumura. These graphs factor in trends of COVID-19 impact which occurred in 1Q FY 2020.

Overall, the green line for the prescription pharmaceutical market indicates a negative trend from 1Q FY 2020. This trend touched bottom in 2Q and exhibits a recovery trend from 3Q. Performance at Tsumura was not as negatively impacted as the market. In 1H FY 2021, Tsumura's performance outperformed the prescription pharmaceutical market by around 4.5pts.

In the general clinics (GP) market, performance is continuing to outperform the prescription pharmaceutical market. Meanwhile, in the hospital market (HP), given tightening of visitation restrictions due to COVID-19, performance has continued to underperform, with the exception of 2Q FY 2020. In addition, in 1H FY 2021, when there was a delay in recovery and the e-promotion system was in place, we began to catch up with the prescription pharmaceutical market.

COVID-19 Related Symptoms and Prescription Opportunities



COVID-19 Related Symptoms and Prescription Opportunities

Among the COVID-19-related symptoms, prescription opportunities are rising for psychiatric disorders, dizziness and skin diseases. In addition, prescriptions are continuing to grow for supplements, mainly Hochuekkito and Juzentaihoto, which alleviate post-illness fatigue and a decline in stamina. Consequently, accordingly to our analysis, prescription opportunities rose ¥1.16 billion year-on-year.

Meanwhile, common cold-related formulations sharply declined thus far. The negative impact is shrinking. In accordance with our analysis, demand contracted ¥60 million year-on-year. Demand for Bakumondoto, which exhibited the largest negative impact among these formulations, is trending toward recovery reflecting the strengthening of information provision activities, triggering year-on-year positive impact from 2Q.

Regarding COVID-19 aftereffects, some outpatient treatment facilities are starting to be set up. There is an increase in opportunities for prescribing Kampo to treat ongoing symptoms after infection as shown.

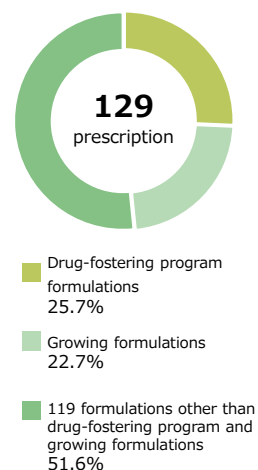
Sales of Drug-fostering Program Formulations/Growing Formulations



(Million yen)

	Net sales Ranking	Product No./formulation name	FY 2020 2Q	FY 2021 2Q	YoY		
Drug-fostering program formulations	1	100	Daikenchuto	4,663	4,790	+126	+2.7%
	3	54	Yokukansan	3,542	3,720	+177	+5.0%
	4	43	Rikkunshito	3,360	3,557	+196	+5.8%
	8	107	Goshajinkigan	1,610	1,736	+126	+7.8%
	24	14	Hangeshashinto	633	678	+44	+7.1%
Total sales for drug-fostering program formulations			13,810	14,482	+671	+4.9%	
Growing formulations	2	41	Hochuekkito	3,543	3,741	+197	+5.6%
	5	17	Goreisan	2,249	2,680	+430	+19.2%
	6	68	Shakuyakukanzoto	2,310	2,426	+115	+5.0%
	7	24	Kamishoyosan	2,150	2,415	+264	+12.3%
	10	29	Bakumondoto	1,468	1,531	+62	+4.3%
Total sales for growing formulations			11,722	12,794	+1,071	+9.1%	
Total sales for 119 formulations other than drug-fostering program and growing formulations			26,810	29,100	+2,290	+8.5%	
Total sales for 129 prescription Kampo products			52,343	56,377	+4,033	+7.7%	

Ratio to total sales



* The 2020 results have been rearranged to the amount after applying new accounting revenue recognition standards.

11

■ Sales of Drug-fostering Program/Growing Formulations

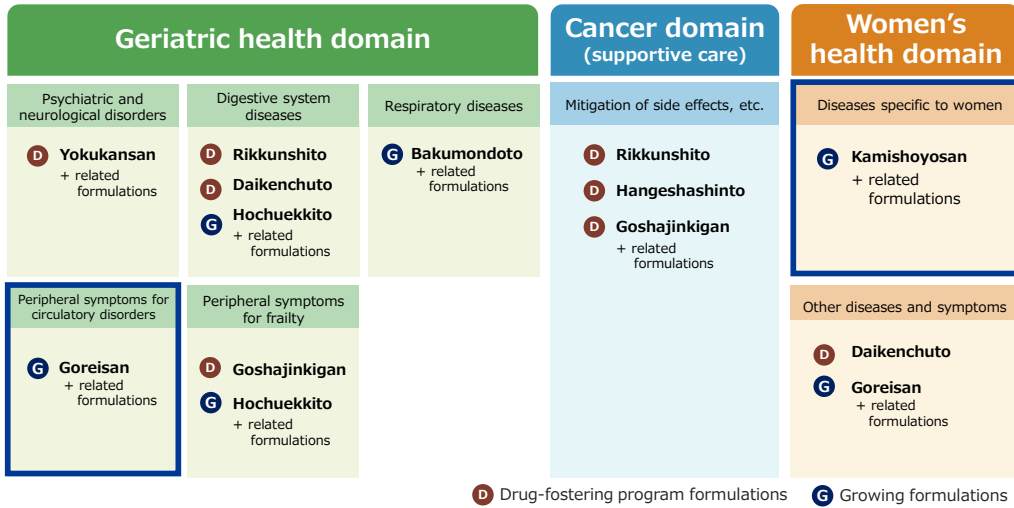
As shown in the pie graph on the right, the five drug-fostering program formulations and the five growing formulations, which account for 48.4% of total sales of the 129 prescription Kampo products are sales drivers and are finally showing their ideal state.

In comparison with the previous year, of the ¥4.0 billion sales increase for the 129 prescription Kampo products, the growth in sales of the five drug-fostering program formulations and the five growing formulations was ¥1.74 billion, accounting for a 43.2% degree of contribution to sales.

In the five drug-fostering program formulations, for which a high level of evidence is being amassed, the development of new sales channels is mainly being carried out at university hospitals, which place emphasis on evidence. Meanwhile, by carrying out surface development to related formulations, mainly among high growth rate growing formulations, the HP market is expanding. At the same time, by digging in-depth into the GP market, we aim to establish Kampo medicine. This is our consistent business strategy.

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



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

■ Three Important Domains in Sales Activities

Mainly in drug-fostering program and growing formulations businesses, we are continuing activities mainly in our three important domains of geriatric health, cancer (supportive care) and women's health, which are social issues in Japan.

Today, I will explain Tsumura's initiatives for peripheral symptoms for circulatory disorders in the geriatric health domain, and gynecological disorders in women's health domain, as shown in the blue framed boxes.

New initiatives in the geriatric health domain



Geriatric heart failure

Increase in geriatric heart failure in the elderly with the advent of a super-aging

Peripheral symptoms for circulatory disorders (Geriatric heart failure)



Edema, diarrhea, dizziness (Goreisan) G

Loss of appetite with marked fatigue (Hochuekkito) G

Loss of appetite (Rikkunshito) D

Bloating (Daikenchuto) D

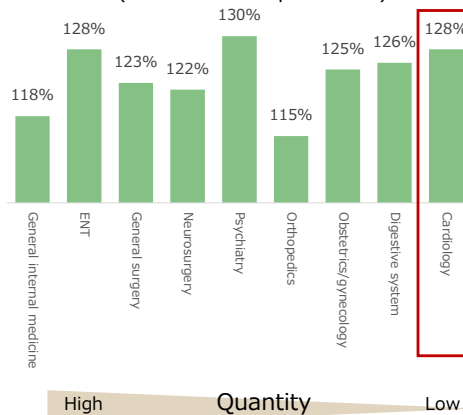
Edema with chills in the limbs (Goshajinkigan) D

Constipation (Mashinginan)

D Drug-fostering program formulations

G Growing formulations

Goreisan growth rate (main clinical departments)



(YoY: Actual sales/quantity basis)

13

■ New Initiatives in the Geriatric Health Domain

Given the increase in cases of heart failure among seniors in tandem with the arrival of a super-aging society, in the geriatric health domain, as shown, we added peripheral symptoms for circulatory disorders as a key measure from FY 2020.

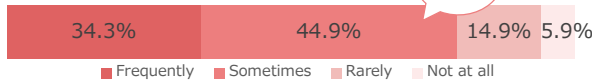
Goreisan exhibited the highest level of sales growth, or 19.2% year-on-year, among the 129 prescription Kampo products. As shown in the graph to the right, the number of Goreisan prescriptions are increasing in many clinical departments, including general internal medicine and ENT departments, where the number of Goreisan prescriptions were the highest.

In addition, although the number of Goreisan prescriptions was still low, reflecting the number of prescriptions for symptoms such as edema, diarrhea and dizziness in seniors with heart failure, the number of Goreisan prescriptions is expected to rise going forward in the area of circulatory disorders, which is outlined in red.

A survey revealed that 80% of females are “concealing their patience”

Work or perform household chores while enduring a disorder

Being patient
79.2%



Top 10 disorders endured even if felt (Multiple choice)

1st	Fatigue/sluggishness	23.8%
2nd	Irritability	16.2%
3rd	Anxiety	15.6%
4th	PMS (premenstrual syndrome)	13.7%
5th	Difficulty falling asleep, do not wake up feeling good, light sleep, insomnia	11.6%
6th	Chills	11.3%
7th	Headache	11.2%
8th	Menstrual pain, menstrual irregularity, abdominal pains before and after menstruation	11.0%
9th	Disorders difficult to describe in words	10.9%
10th	Constipation	10.7%

#OneMoreChoice project



#One More Choice

69th Asahi Advertising Award in the quasi drug, cosmetics and toiletries category
70th Nikkei Advertising Awards in the food, pharmaceuticals and daily goods category: Award for Excellence
2nd Nikkei Women Empowerment Advertising Awards: Nikkei Special Award

Survey by Tsumura

Overall (n=10,000)

14

■ Survey Reveals 80% of Females are “Concealing their Patience”

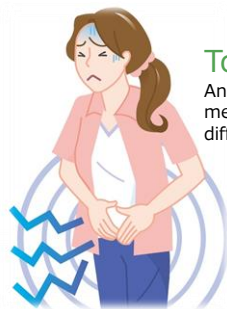
In the women’s health domain, in line with International Women’s Day, held on March 8, 2021, Tsumura launched the “#One More Choice project.” Along with sending out a message to women informing them “they have choices other than simply putting up with pain from female disorders,” the project aims to realize a comfortable and pleasant society where there are choices for mental and physical disorders, other than having to put up with living in pain or discomfort.

According to a fact-finding survey conducted by the project, it was found that around 80% of women endure disorders when carrying out their jobs or housework.

Kampo formulations corresponding to the female life cycle

(Shipping / Amount base)

Major Kampo products that are prescribed for symptoms unique to women



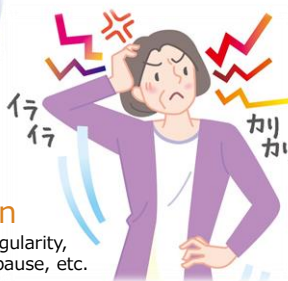
Tokishakuyakusan

Anemia, fatigue, menopause, menstrual irregularity, menstrual difficulties, etc.



Keishibukuryogan

Endometritis, menstrual irregularity, Menstrual difficulties, menopause, etc.



Kamishoyosan

Psychiatric and neurological disorders, including anxiety Menopause, menstrual irregularity, etc.

Prescription Kampo Products	2Q FY2020 YoY
Tokishakuyakusan	+12.6%
Kamishoyosan	+12.3%
Keishibukuryogan	+8.7%

■ Ongoing Initiatives in the Women's Health Domain

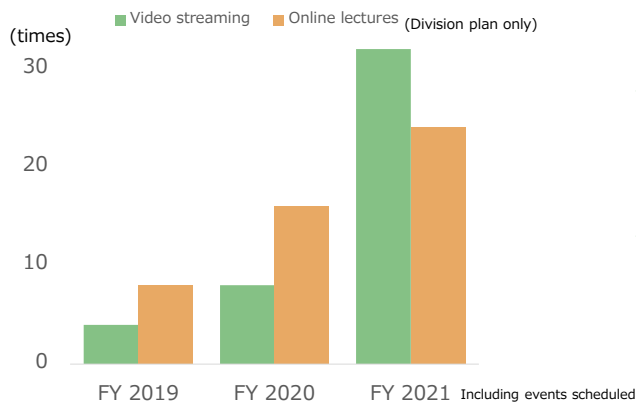
In 1893, Tsumura was founded as a seller of Chujoto, a medicine for women. In the field of gynecology, the ratio of Kampo prescriptions is higher than at other clinical departments. The Ministry of Health, Labour and Welfare's NDB data shows that there is a high ratio of Kampo use among women of all ages.

In particular, Tokishakuyakusan, Kamishoyosan, and Keishibukuryogan, which are shown in the illustration, are the three major Kampo formulations being prescribed for symptoms uniquely experienced by women. As shown, sales growth for all three of these Kampo formulations have grown year-on-year.

Implementing e-promotions



Delivering information to 330,000* clinical physicians



fiscal year	Event theme
FY 2019	Digestive system domain Geriatric health domain Respiratory disease domain Other (general)
FY 2020	Digestive system domain Geriatric health domain Sensitivity to cold Respiratory disease domain Psychiatric disorder domain Other (cancer, general)
FY 2021 Including scheduled	Digestive system domain Psychiatric disorder domain Geriatric health domain (supplements) Respiratory disease domain Women's health domain Orthopedics domain Other (cancer, dizziness)

Web lectures that are lots of viewing by hospital doctors (HP)

※source: 「About doctor's supply and demand estimation」 (Ministry of Health, Labour and Welfare)
<https://www.mhlw.go.jp/stf/shingi2/0000203370.html>

■ Implementing e-Promotions

Earlier, I explained the expansion in the HP market. In particular, we are accelerating e-promotions in the HP market, where there are strict visitation restrictions in place.

Given that information on Kampo is delivered to around 330,000 clinical doctors, we are continuing to carry out activities based on the belief that our vision is to realize a medical care setting where citizens can receive Kampo treatment as needed at any medical facility or clinic in Japan.

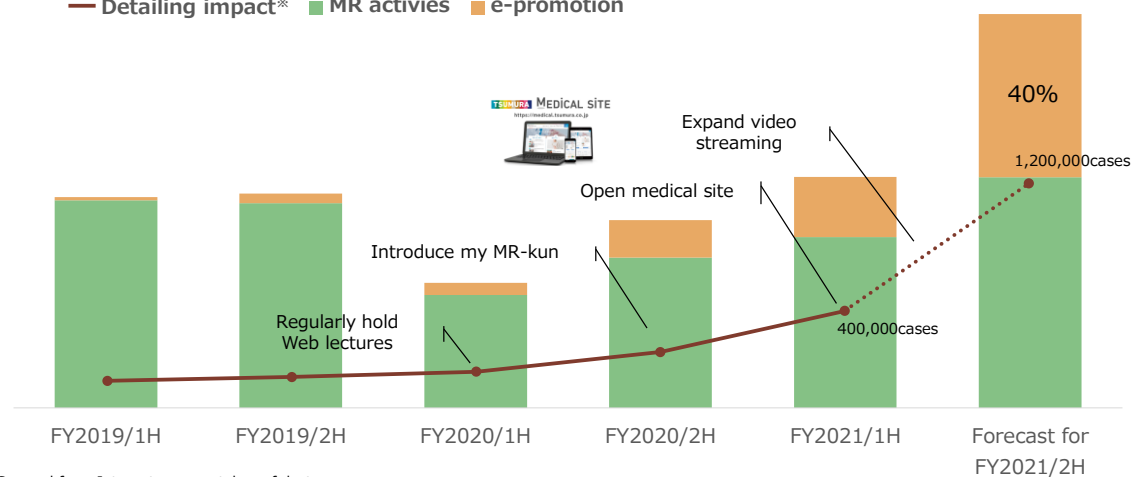
The graph illustrates the number of times the Pharmaceutical Sales Division carried out video streaming of large-scale planning and implementation of one of the themes shown (green bar graph) and an online lecture (orange bar graph). Online lectures are primarily viewed by doctors working at a hospital (HP market).

Effect of e-promotions



Improving awareness of Kampo information by introduction of various digital tools

— Detailing impact* MR activities e-promotion



* Grasped from Internet surveys taken of doctors

Number of information recognition cases from each channel, including MR activities and Internet

INTAGE Healthcare Inc. survey (Tsumura Internet impact) 17

■ e-Promotion Benefits

This slide shows the ratio of information provision activities conducted via MR activities and e-promotions. In addition, the line graph outlines the number of cases for the degree of information recognition owing to the impact of detailing.

The definition for MR activities is “face-to-face and online interviews with and presentations for doctors). e-promotions are defined as video streaming and online lectures, formats for information provision activities that are not conducted through MRs.

In 2H FY 2020 to 1H FY 2021, owing to the necessary concentrated investment in e-promotions, we are delivering information on Kampo medicine to many doctors. In 2H FY 2021, we aim to boost the impact of details by more than 3-times the level in 1H. We also plan to invest in digital, including matters related to e-promotions.

A recent top priority has been to provide many doctors with valuable information. We are implementing a “new form” of information provision activities through a policy of improving the productivity of sales activities by arousing the interest of doctors with e-promotions, conducting a follow-up by MRs and tying this into prescriptions.

Increase in doctors using Kampo owing to initiatives to promote use, mainly e-promotions



Number of doctors who newly prescribed Kampo*1

About **7,000** people*3



Number of doctors for which there was an increase in prescription use*2

About **15,000** people*3

*1 : Confirmed number of doctors converted from non-prescribing to Kampo prescribing doctors

*2 : Confirmed number of growth in prescriptions written by doctors already writing Kampo prescriptions

*3 : Increase up to September 30, 2021, starting from April 1, 2021

Survey by Tsumura

18

■ Increase in Prescription Opportunities

According to our own survey, the outcome of e-promotion activities implemented has resulted in around 7,000 doctors newly prescribing Kampo in 1H FY 2021. In addition to this, there were around 15,000 doctors that increased the number of Kampo prescriptions they wrote.

Naturally, each year there is a decline in a certain number of doctors prescribing Kampo and Kampo prescriptions. However, despite this, we believe the current environment has become conducive for providing information to a larger number of doctors through e-promotions.

This can likely be interpreted as the “early arrival of the future due to COVID-19.”

Today's agenda

1. 2 Q Business Results for FY2021 Overview
2. Domestic Business
3. Chinese Business
4. ESG/Sustainability
5. FY2021 Forecast

■ China Business

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



■ Outlook for China Business

In the traditional Chinese medicine market in China, our goal is to provide stable, safe and good quality raw material crude drugs and drug pieces as products, which is a market said to be worth a mere ¥3 trillion, by leveraging crude drug cultivation contracts as a strength based on the Tsumura GACP management system for cultivation and processing. Our sales plan at the end of FY 2021 is ¥9.7 billion. We analyze that this demand will increasingly grow going forward.

Next, in the traditional Chinese medical products market, which is estimated to be worth around ¥7 trillion, our targets are classical prescriptions and prescriptions mentioned in the Pharmacopoeia of the People’s Republic of China, which is underpinned on a national level legal basis, as a part of China’s pharmaceutical quality assurance. This is equivalent to Japanese Pharmacopoeia (JP). This is similar to Japan’s Kampo formulation. This field allows the Tsumura Group to utilize its technology, knowhow and human resources. However, although many Chinese companies have already acquired approval, many of these companies do not carry out manufacturing and sales. The scale of this market is said to be around 10%-20% of the traditional Chinese medical products market. Meanwhile, many of the companies serve general consumers. These classical prescription Chinese medical products are a target for our M&A activities.

There are 100 classical prescriptions that have not hit the market and are under the control of China. Of these 100 classical prescriptions that are exempt from clinical trials, seven are targets for development launch. The Tsumura Group is preparing to submit applications after narrowing down candidates to 1-2 prescriptions. This is also similar to Kampo formulations in Japan, therefore we first aim for approval for use by doctors.

In other words, it is not our goal to capture a share of the current traditional Chinese medical products market. We aim to deliver a Ping An Tsumura brand of products, mainly in the field of classical prescription Chinese medicines, which has a small market scale, to citizens we have not yet reached.

Long-term Business Vision 2031 and Sustainability Vision 2050

Date

Late March 2022 (Scheduled for 90 minutes)

Program details

- Sustainability Vision 2050
- Long-term Business Vision 2031 (Domestic Business/China Business)
- R & D Policy/Strategy
- Q&A

21

■ Information on Conducting a Briefing

At present, we are formulating the Long-term Business Vision 2031 and the Sustainability Vision 2050, which starts in FY 2022.

In late March 2022, we are scheduled to implement a briefing for the Long-term Business Vision 2031, Sustainability Vision 2050, and R&D policies and strategies.

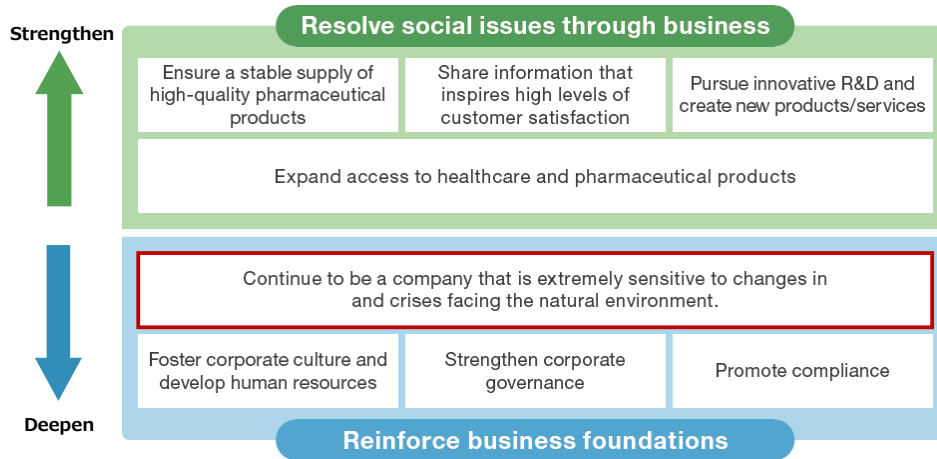
The local management of the China business will take this opportunity to directly present the policies and strategies for the China business that are included in the Long-term Business Vision 2031, and I would like to hold a dialogue with everyone. We are scheduled to have key persons participating in the management of Ping An Tsumura, from the Ping An Insurance Group, take the podium.

Today's agenda

1. 2 Q Business Results for FY2021 Overview
2. Domestic Business
3. Chinese Business
4. ESG/Sustainability
5. FY2021 Forecast

■ ESG & Sustainability

Upgraded Tsumura Group Materiality from both aspects of
 “Resolve social issues through business” and “Reinforce business foundations”



■ Tsumura Group Materiality

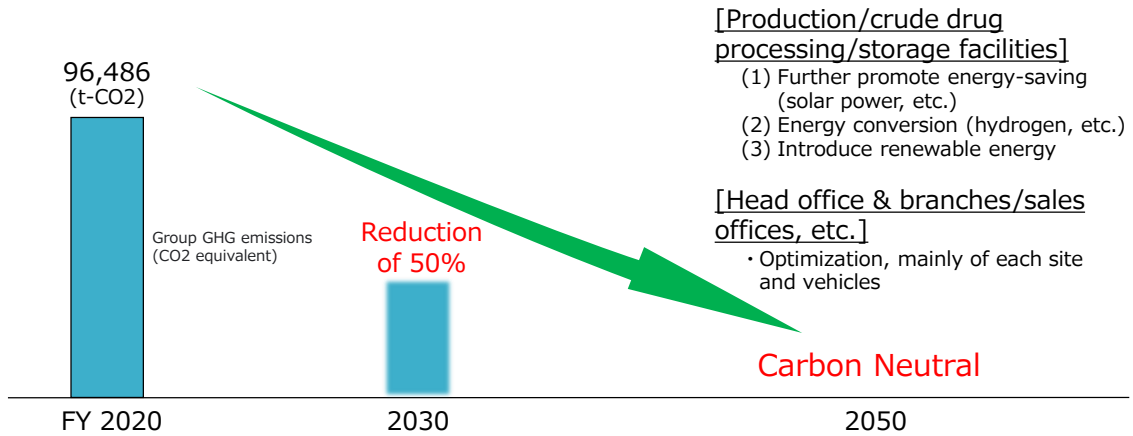
This topic can be found in the Integrated Report 2021 on pages 17 and 18. We are embarking on an upgraded version of the Tsumura Group Materiality.

In addition to strengthening “solutions to social issues through business activities” for Kampo, traditional Chinese medicines and crude drugs, Tsumura aims to become a company that is highly sensitive to changes and crisis in the global and natural environment, in other words the “enhancement of the corporate infrastructure.” To this end, the Tsumura Group is positioning the deepening of various initiatives as its utmost, key issues.

While this naturally applies to the Kampo business in Japan, Tsumura plans to newly pour energies into expanding access to medical care and pharmaceutical products through the traditional Chinese medicine and crude drug businesses in China. As multi-component complex formulations derived mainly from plants, these pharmaceutical products offer unique value that is not provided by other pharmaceutical products. In particular, we plan to tackle businesses with the resolution to lead the world in these fields, given they are helpful in treating multiple symptoms suffered by geriatric patients and diseases unique to women.

Activity 1: Reduce greenhouse gas (GHG) emissions

Activity 2: Other sustainability activities



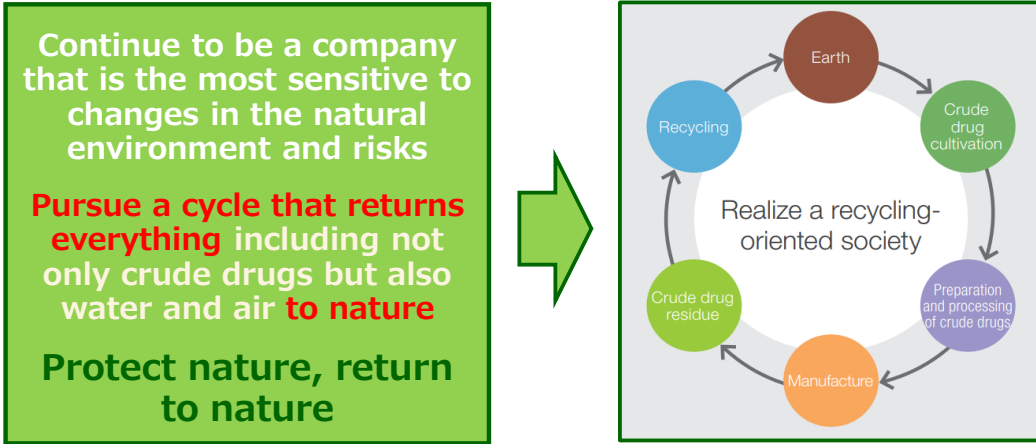
■ Activities Pertaining to ESG and Sustainability

The 26th session of the Conference of the Parties to the UN Framework Convention on Climate Change (COP 26) is being held from October 31 - November 12, 2021. Unfortunately, Japan did not endorse the decarbonization declaration. Based on Japan’s energy policy, the first concern is to spread the use of new technologies and renewable energies. As shown, the Tsumura Group aims to reduce the current level of greenhouse gas (GHG) emissions, which is nearly 100,000 tons, by 50% in 2030 and carbon neutrality by 2050.

Across its Group, Tsumura plans to tackle the reduction of GHG emissions, primarily by further saving the energy used by production facilities, using solar energy at plant facilities, and switching to renewable energies.

Activity 1: Reduce greenhouse gas (GHG) emissions

Activity 2: Other sustainability activities



■ ESG and Sustainability related Initiatives

The Tsumura Group, which conducts business operations that use crude drugs, which are the best of nature, as raw materials, aims to continue to be a company that is highly sensitive to changes and crisis in the natural environment to achieve sustainable growth.

We are pursuing a cycle that returns everything to nature, not only including crude drugs but also water and air.

We have already embarked on some activities, including deplasticization and the further use of crude drug residuals. Going forward, we are boldly challenging these goals mainly by applying new technologies.

Disclosure of climate-related financial information



On October 1, 2021, Tsumura endorsed the Task Force on Climate-related Financial Disclosures (TCFD)



Director study group, including third-party experts

Based on the "Task Force on Climate-related Financial Information (TCFD) Final Report," four disclosure items (governance, strategy, risk management, indicators and goals) will be considered as management issues, and policy planning and disclosure will be implemented.

Executive Review Meeting with External Experts (Photo: FY2021) Extraction of Business Risks and Opportunities Due to Climate Change.

Plan to establish the Sustainability Vision 2050, with the FY 2022 as the first year

■ Disclosing Climate Change-related Financial Information

On October 1, 2021, Tsumura endorsed the Task Force on Climate-related Financial Disclosures (TCFD).

We are recognizing the four disclosure items (governance, strategy, risk management and indexes/goals) as management issues, and considering their implementation.

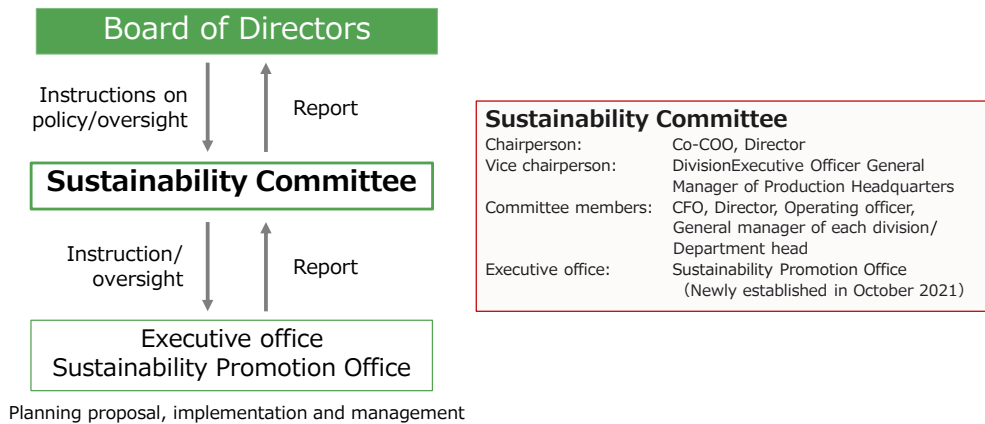
In FY 2021, a director study group, including third-party experts, was implemented and extracted business risks and opportunities related to climate change.

System pertaining to ESG and sustainability



In October 2021, established a Sustainability Committee, chaired by the Co-COO, Director

- The committee receives instruction on direction from the Board of Directors, determines policy, concrete goals, measures and other actions, and reports progress to the Board.
- The committee is monitored by the Board of Directors and reflects the opinions and advice of the Board into sustainability promotion activities.



27

■ System Pertaining to ESG and Sustainability

The Board of Directors of Tsumura recognizes sustainability-related actions as key management issues. In October 2021, we established a Sustainability Committee, chaired by the Co-COO, Director.

The Board of Directors is positioning the Sustainability Vision 2050 as a superordinate concept of Long-term Business Vision 2031. The Board also presents policies and carries out oversight to realize sustainability and materiality actions, and the realization of the long-term business vision/achievement of the Medium-Term Management Plan.

Given the policy of the Board of Directors, the Sustainability Committee, which is comprised of the following members, will serve as the control tower, and will implement, tackle, manage the progress of and report on initiatives in the Group overall.

Today's agenda

1. 2 Q Business Results for FY2021 Overview
2. Domestic Business
3. Chinese Business
4. ESG/Sustainability
5. **FY2021 Forecast**

■ FY 2021 Earnings Forecast

Revision of earnings forecast FY 2021

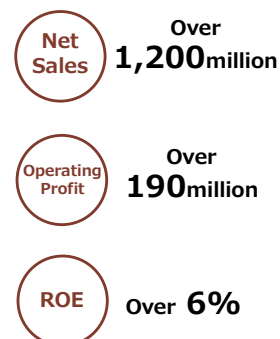


(Million yen)

	Original plan (before revision) 2021.5.11	Revised Plan 2021.10.29	Compared to the original plan	
			Amount	rate
Net sales	122,500	127,500	+ 5,000	+ 4.1%
Domestic	113,700	117,800	+ 4,100	+ 3.6%
Overseas	8,800	9,700	+ 900	+ 10.2%
Operating profit	19,500	21,100	+ 1,600	+ 8.2%
Ordinary profit	20,000	23,400	+ 3,400	+ 17.0%
Profit attributable to owners of parent	14,200	16,600	+ 2,400	+ 16.9%
	Original plan (before revision)	Revised Plan		
Dividend (per share)	¥ 64	¥ 64		
EPS	¥185.60	¥ 216.97		
ROE	6.4%	7.4%		

Third medium-term management plan

FY2019 - FY2021



Numerical targets after applying
revenue recognition standards

(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.

29

■ Revisions to FY 2021 Earnings Forecast

The full-year earnings forecast we disclosed on October 29 is our revised forecast.

We forecast net sales of ¥127.5 billion, operating profit of ¥21.1 billion, ordinary profit of ¥23.4 billion, profit attributable to owners of parent of ¥16.6 billion, an EPS of ¥216.97 and an ROE of 7.4%.

We did not revise our per-share dividend forecast.

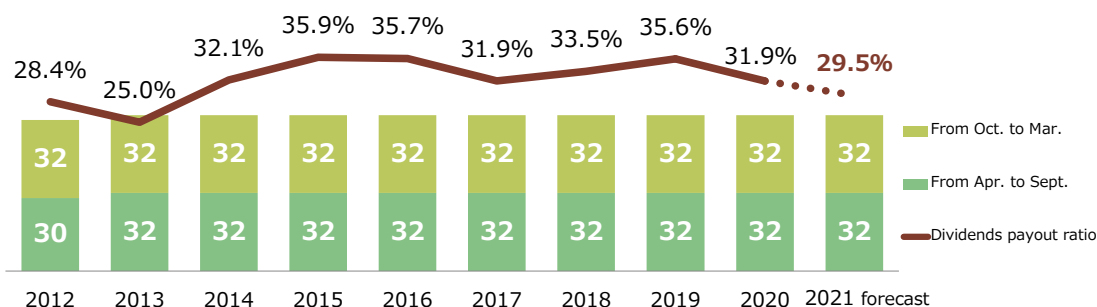
The numeric targets in the Third Medium-Term Management Plan, shown on the right, all top our full-year forecasts.

Shareholder Returns



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 2021 year-end dividend and payout ratio (forecast) are an estimate based on the assumption that the dividend resolution is approved at the 86th Ordinary General Meeting of Shareholders.

■ Shareholder Returns

We plan to continue pursuing the shareholder return policies we have been implementing thus far. In addition to further expanding the Kampo business in Japan, in particular, in the China business, we plan to carry out growth investments, mainly through M&A and in the development market.

Consequently, we aim to improve our corporate value and shareholder value by fortifying business foundations.

Corporate Communications Dept.

Investor Relations Group

investor_madoguchi@mail.tsumura.co.jp

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

**Applying new accounting revenue recognition standards to
The 3rd Medium-Term Management Plan (2019-2021)**

	FY2021 Numerical goals	FY2021 Numerical goals <small>Apply new accounting revenue recognition standards</small>	FY2021 Forecast <small>After Revision</small>
Net Sales	Over 135.0 billion yen	Over 120.0 billion yen	127.5 billion yen
Operating Profit	Over 19 billion yen	Over 19 billion yen	21.1 billion yen
R O E	Over 6 %	Over 6 %	7.4%

Drug-fostering program formulations and Growing formulations

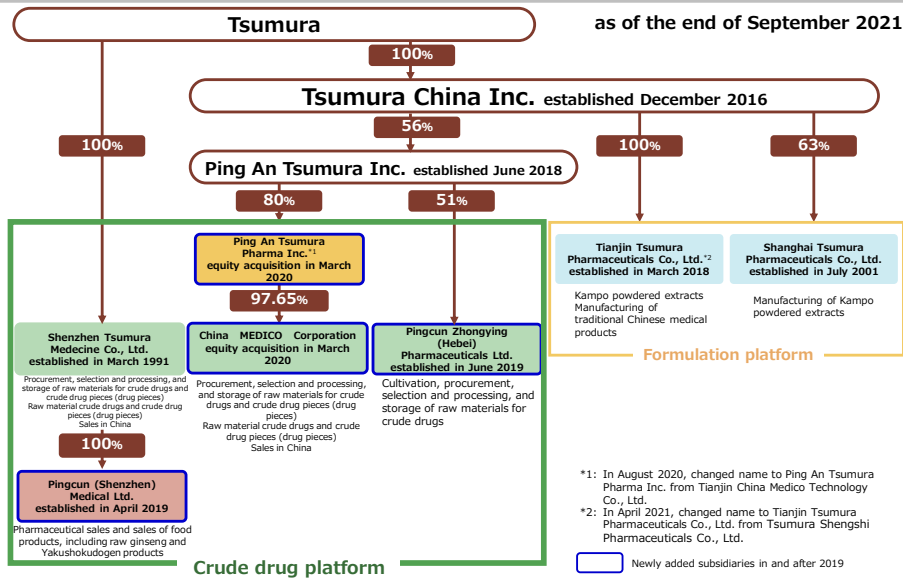
Looking at the recent structure of disease, the Company has selected certain diseases in fields where medical treatment needs are high that are difficult to treat with Western drugs and that Kampo products have demonstrated special efficacy for. The Company will establish a base of scientific evidence related to treating these diseases with Kampo medicine.

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.

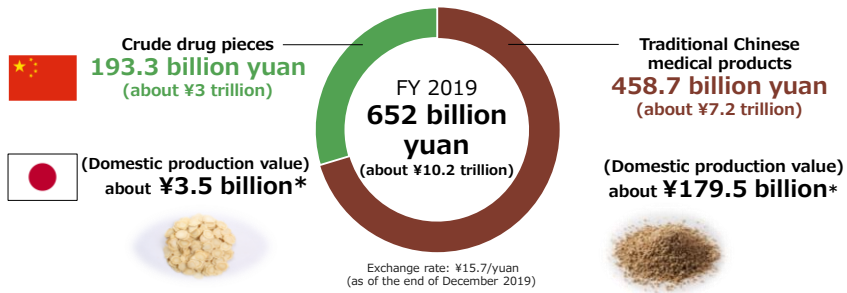
Drug-fostering program formulations
Daikenchuto
Yokukansan
Rikkunshito
Goshajinkigan
Hangeshashinto

Growing formulations
Hochuekkito
Shakuyakukanzoto
Bakumondoto
Kamishoyosan
Goreisan

Diagram of Corporate Group Ties



Scale of the Traditional Chinese Medicine Market in China



Source: National Bureau of Statistics of China, Ministry of Industry and Information Technology (MIIT)

*Source: Production statistics, including for Kampo formulations, Japan Kampo Medicine Manufacturers Association

Terminology	Definition	Corresponding terminology for Kampo medicine (Meanings are not always the same)
Chinese medicine	Medicines used in traditional Chinese medicine (traditional Chinese medical products, drug pieces, etc.)	Kampo, crude drug pieces, crude drugs
Drug pieces	Same meaning as crude drug pieces, Use as a decoction	Crude drug pieces
Traditional Chinese medical products <small>(Manufacturing of classical prescription Chinese medicine complex formulations)</small>	Drugs in the form of granules, pills or other shapes based on the theories of traditional Chinese medicine (Drugs in the form of granules, pills or other shapes based on old traditional Chinese medical books)	Kampo extract formulations, crude drug production (Kampo extract formulations)