

Tsumura's business

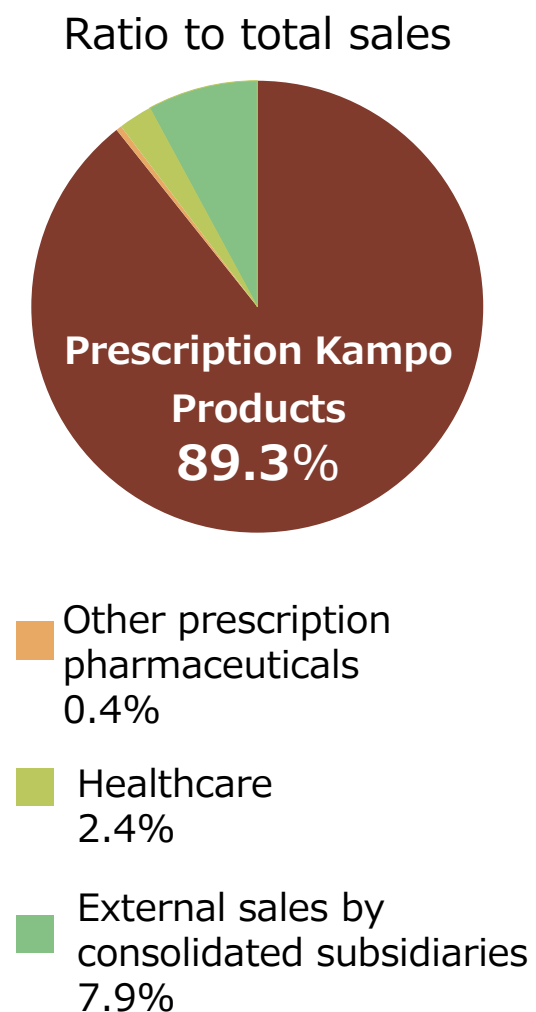
~ Our Performance ~

TSUMURA & CO.
August, 2021

First Quarter Business Results for FY 2021

(Million yen)

	FY 2020 1Q	FY 2021 1Q	YoY		1H FY 2021 plan
			Amount	Change	
Net sales	28,396	31,771	+ 3,375	+ 11.9%	59,400
Domestic	27,413	29,513	+ 2,100	+ 7.7%	55,500
Overseas	982	2,257	+ 1,274	+ 129.7%	3,900
Operating profit (Operating profit margin)	5,657 (19.9%)	6,152 (19.4%)	+ 494	+ 8.7%	8,700 (14.6%)
Ordinary profit	5,674	7,247	+ 1,572	+ 27.7%	9,000
Profit attributable to owners of parent	4,016	5,389	+ 1,372	+ 34.2%	6,900



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

Key Points in Performance

Net sales and profits increased year on year, caused by increase of domestic and overseas sales.

Net sales	31,771	million yen	YoY	+ 11.9%
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- Domestic sales were 29,513 million yen. Overseas sales were 2,257 million yen.
- Sales of the 129 prescription Kampo products increased 7.8% year-on-year.
- Sales of healthcare products including OTC Kampo medicines increased 12.0% year-on-year.

Operating profit	6,152	million yen	YoY	+ 8.7%
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Operating profit margin	19.4	%	YoY	(0.5)pt
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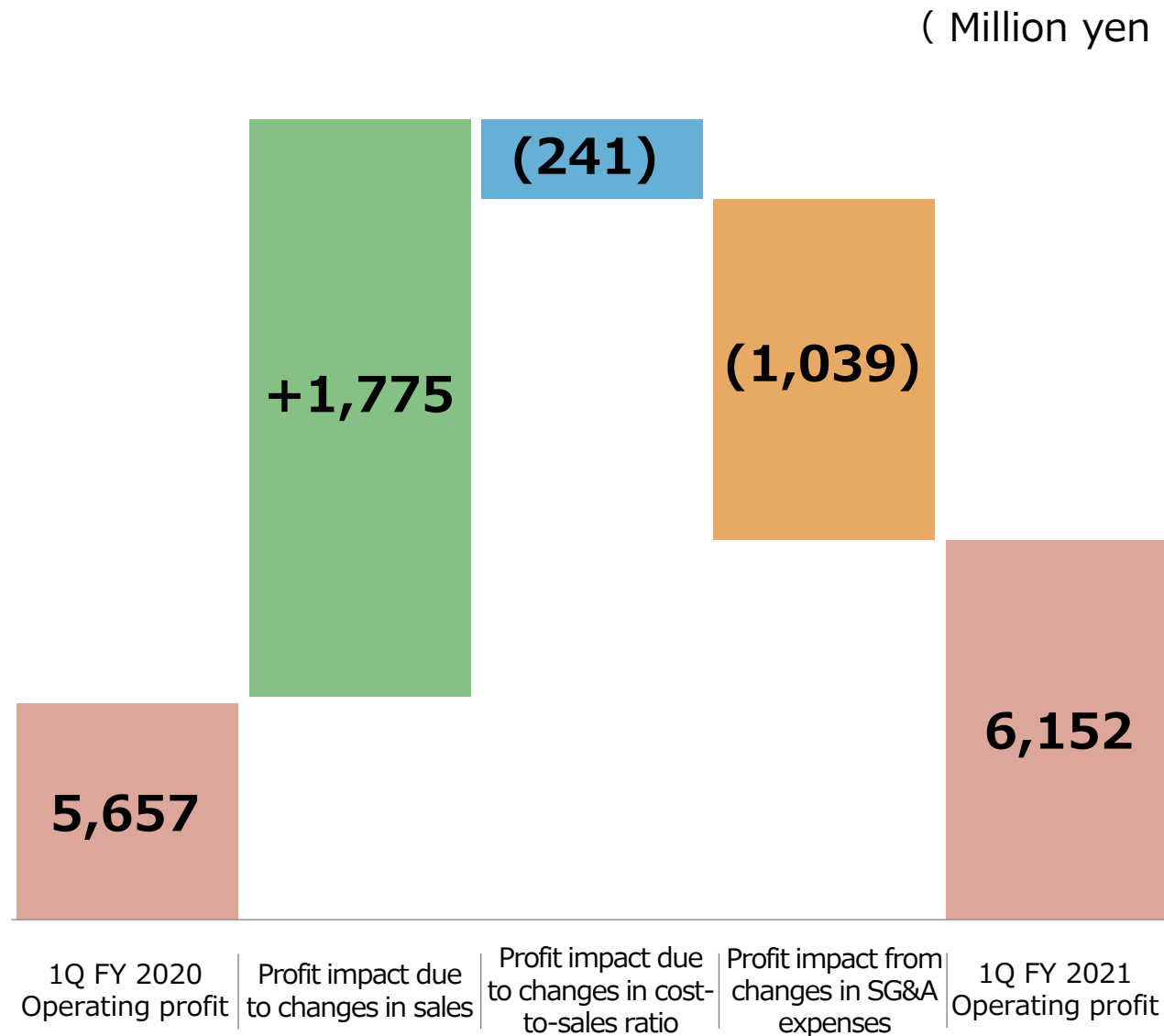
- The cost-to-sales ratio was 48.2%, a rise of 0.8pt year-on-year. The increase in the cost-to-sales ratio reflects impact from external sales in China.
- The SG&A ratio totaled 32.5%, a decline of 0.2pt year-on-year.

Ordinary profit	7,247	million yen	YoY	+ 27.7%
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- Impact of foreign exchange gain of 836 million yen.

Profit attributable to owners of parent	5,389	million yen	YoY	+ 34.2%
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Factors Triggering Changes in Operating Profit (YoY)



(Million yen)

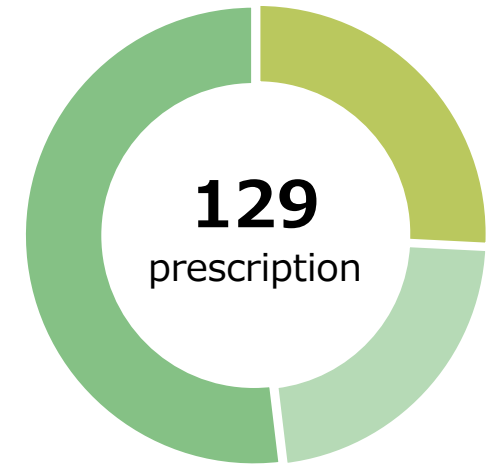
Changes in sales : Breakdown	
Domestic	+ 1,105
Overseas	+ 670
Changes in cost-to-sales ratio: Breakdown	
Sales composition (Domestic)	+ 31
Crude drug-related cost (Domestic)	+ 127
Outside sales in China (Overseas)	(399)
Changes in SG&A expenses: Breakdown	
Sales-related expense	(373)
R&D expense	(143)
Traveling expense	(136)
Other	(387)

Sales of Drug-fostering Program Formulations/Growing Formulations

(Million yen)

	Net sales Ranking	Product No./formulation name		FY 2020 1Q	FY 2021 1Q	YoY	
Drug-fostering program formulations	1	100	Daikenchuto	2,385	2,430	+45	+1.9%
	2	54	Yokukansan	1,779	1,872	+93	+5.2%
	4	43	Rikkunshito	1,665	1,770	+104	+6.3%
	8	107	Goshajinkigan	820	888	+68	+8.3%
	23	14	Hangeshashinto	313	345	+32	+10.2%
Total sales for drug-fostering program formulations				6,965	7,308	+342	+4.9%
Growing formulations	3	41	Hochuekkito	1,766	1,818	+52	+3.0%
	5	17	Goreisan	1,032	1,297	+265	+25.8%
	6	24	Kamishoyosan	1,042	1,205	+162	+15.6%
	7	68	Shakuyakukanzoto	1,131	1,201	+70	+6.2%
	10	29	Bakumondoto	812	806	(5)	(0.7)%
Total sales for growing formulations				5,785	6,330	+545	+9.4%
Total sales for 119 formulations other than drug-fostering program and growing formulations				13,582	14,739	+1,156	+8.5%
Total sales for 129 prescription Kampo products				26,332	28,377	+2,044	+7.8%

Ratio to total sales



■ Drug-fostering program formulations
25.8%

■ Growing formulations
22.3%

■ 119 formulations other than drug-fostering program and growing formulations
51.9%

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

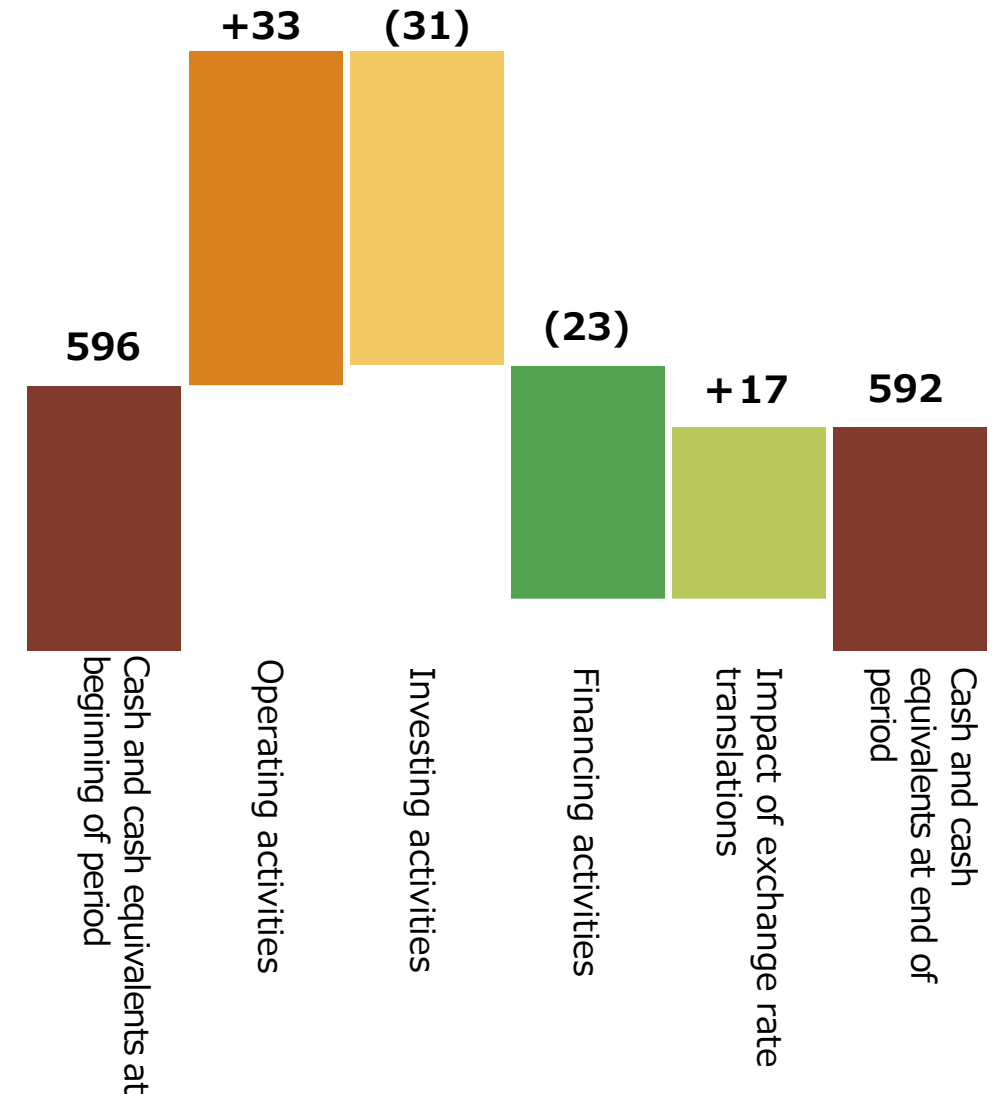
Financial Condition/Cash Flow Position

(Million yen)

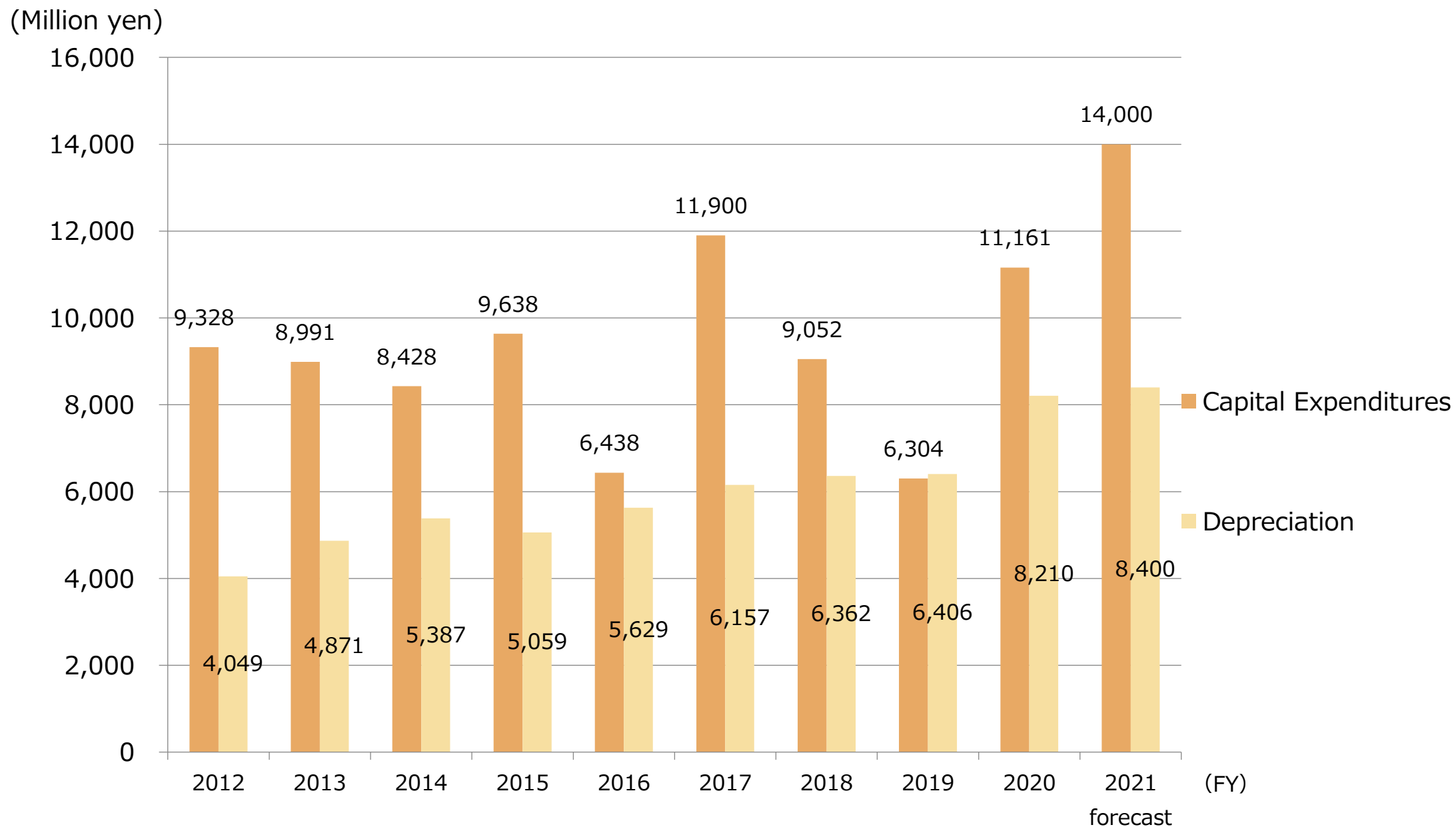
	FY 2020 (March 2021)	FY 2021 1Q	Change
Total assets	319,063	326,956	7,892
Current assets	204,273	211,038	6,764
Non-current assets	114,789	115,918	1,128
Total liabilities	85,894	87,017	1,123
Current liabilities	48,380	50,034	1,653
Non-current liabilities	37,513	36,983	(530)
Total net assets	233,169	239,938	6,769
Equity ratio	68.3%	68.4%	0.1pt

	FY 2020 (March 2021)	FY 2021 1Q	Change
Inventories	80,755	84,471	3,716
Merchandise and finished goods	13,939	10,194	(3,744)
Work in process	13,396	14,336	939
Raw materials and supplies	53,419	59,940	6,521

(Hundred million yen)



Capital Expenditures



FY 2021 Earnings Forecast

(Million yen)

	FY2020 results	FY2021 forecast	Vs. FY 2020	
			Amount	Growth
Net sales	116,413	122,500	+6,086	+5.2%
Domestic	110,053	113,700	+ 3,646	+ 3.3%
Overseas	6,360	8,800	+ 2,439	+ 38.4%
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)%

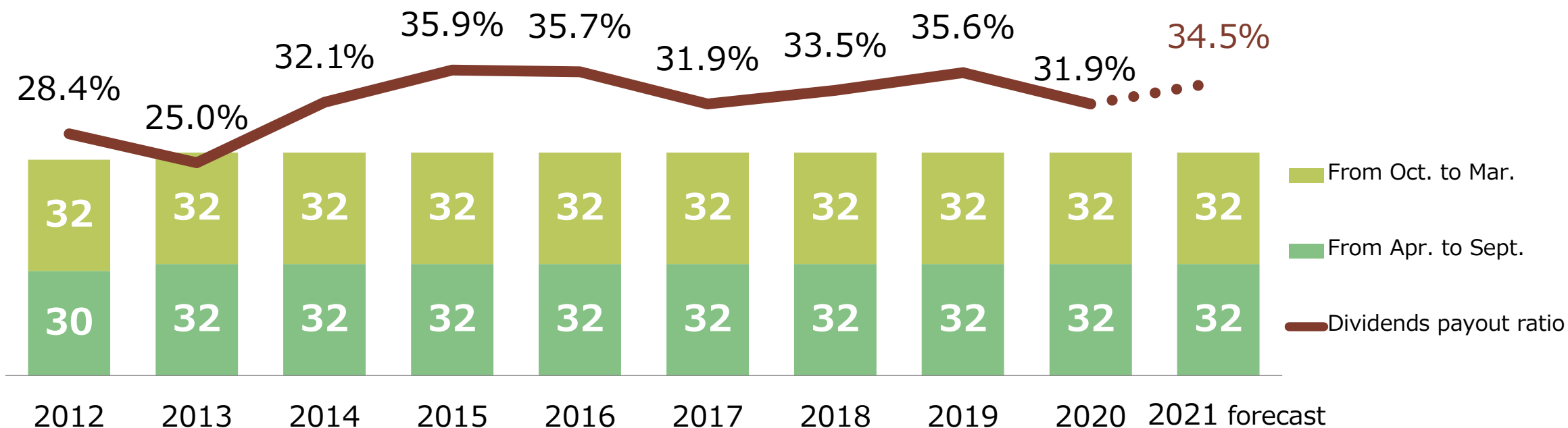
	FY2020 results	FY2021 forecast
Dividend (per share)	¥ 64	¥ 64
EPS	¥200.4	¥185.6
ROE	7.2%	6.4%

* The 2020 results have been rearranged to the amount after applying the PPA adjustment and new accounting 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.

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.

Tsumura's business

~Kampo and crude drug business~

TSUMURA & CO.
August 2021

Current as of
December 31, 2020

Founded	April 10, 1893
Head Office	2-17-11, Akasaka, Minato-ku, Tokyo 107-8521, Japan
Representative	President and CEO Terukazu Kato
Capital Stock	¥30,142 million
Business content	Manufacture and sale of pharmaceutical products (Kampo medicine preparations, crude drug preparations, etc.)
Number of Employees	3,852 people (consolidated)

Prescription Kampo Products



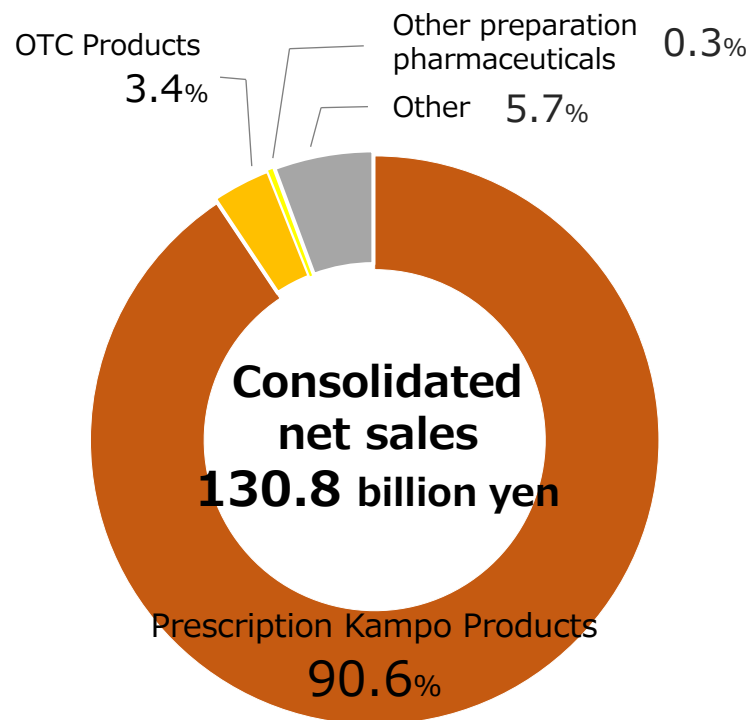
OTC Products



Tsumura's Kampo Products sales Best 10

Current as of
March 31, 2021

■ Composition of Sales(Consolidated)





Other preparation pharmaceuticals :
Includes Metalite, a drug for treating Wilson's
disease, and crude drug pieces for dispensaries.

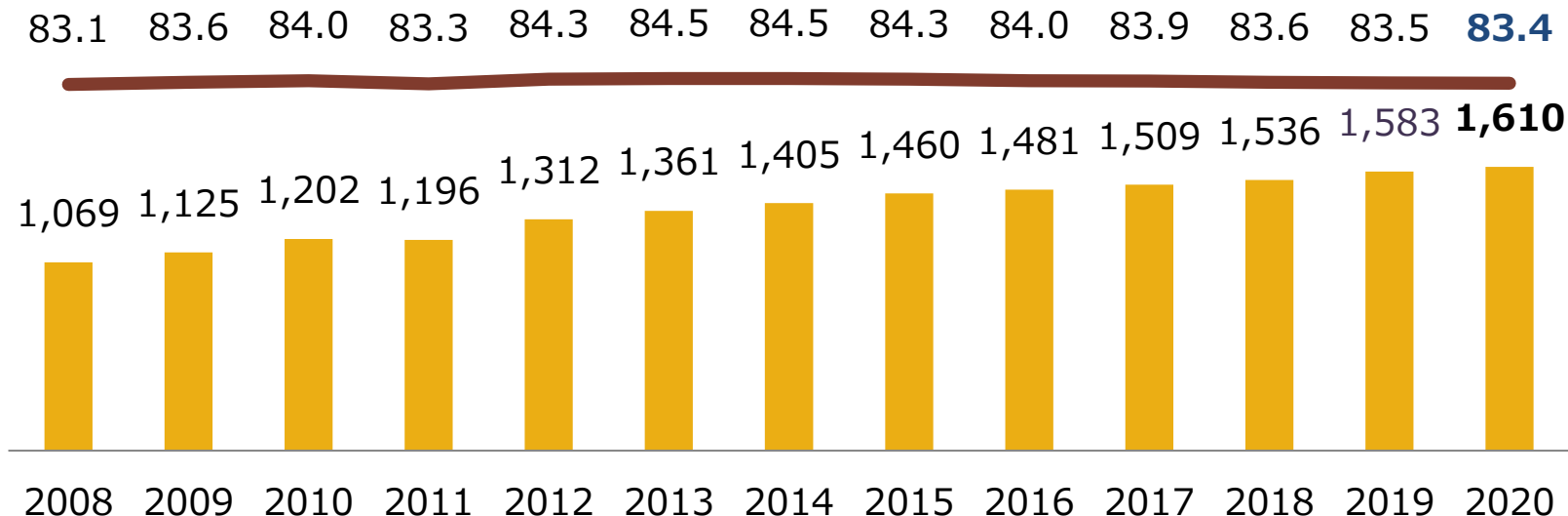
Other : Includes sales by subsidiaries.

■ Prescription Kampo Products Best 10 products by sales

Product Name	Sales (million)	Sale composition ratio
1 Daikenchuto	10,394	8.8%
2 Yokukansan	7,884	6.6%
3 Hochuekkito	7,632	6.4%
4 Rikkunshito	7,501	6.3%
5 Shakuyakukanzoto	5,084	4.3%
6 Goreisan	4,960	4.2%
7 Kamishoyosan	4,873	4.1%
8 Goshajinkigan	3,628	3.1%
9 Kakkonto	3,566	3.0%
10 Bakumondoto	3,513	3.0%
Total of 129 prescription Kampo products	118,612	100.0%

- Sales of prescription Kampo products, Tsumura's included, in FY 2019 amounted to **161.0 billion yen**.
- Tsumura share in the Prescription Kampo medicine market is **83.4%**.

 Tsumura's share (%)
 Prescription Kampo medicine market (billion yen)



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NHI price revision

	4/2002	4/2004	4/2006	4/2008	4/2010	4/2012	4/2014	4/2016	4/2018	10/2019	4/2020	4/2021
TSUMURA KAMPO	△3.6%	△2.8%	△4.2%	△3.3%	△4.5%	△3.8%	△3.0%* ¹	△3.0%	△3.1%	△1.8%* ²	△0.4%	0%
All pharmaceuticals	△6.3%	△4.2%	△6.7%	△5.2%	△5.75%	△6.0%	△5.64%* ¹	△5.57%	△7.48%	△4.35%* ²	△4.38%	Undisclosed* ³

*¹ Price revision rate excluding consumption tax.
 The drug price revision rate of Tsumura including consumption tax is -0% and that of all pharmaceutical market is -2.65%.

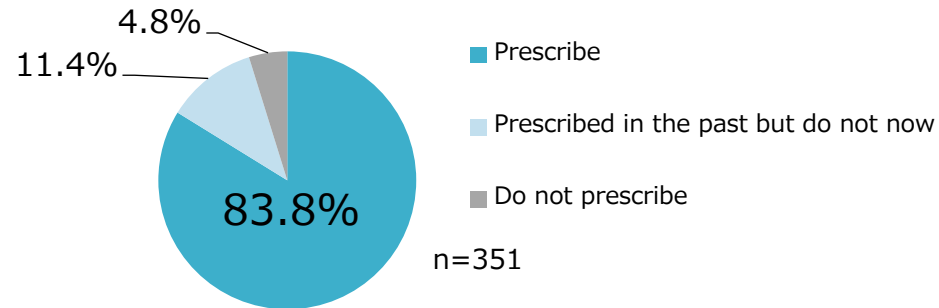
*² Price revision rate excluding consumption tax.
 The drug price revision rate of Tsumura including consumption tax is -0% and that of all pharmaceutical market is -2.4%.

*³ For mid-year revision of 2 years.

80% of physicians prescribe Kampo medicine

Nikkei Medical Publishing, Inc. Survey

Proportion of Kampo products prescribed in daily medical practice



Basic policy when prescribing Kampo products

- Prescribe Kampo products and drugs independently or in combination (57.8%)
- Prescribe Kampo products when desired result not achieved with drugs (30.5%)
- Prescribe drugs, but use Kampo products if necessary (side effects, etc.) (5.1%)
- Kampo medicine treatment is first choice except for organic diseases (2.4%)

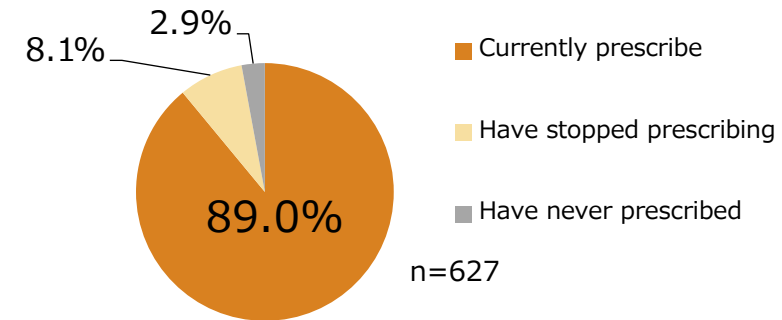
Reason for starting to prescribe Kampo products

- Limited results with only drug treatment (62.9%)
- Increase in elderly and other patients with multiple illnesses (28.4%)
- Increase in scientific evidence of efficacy announced at medical conferences (26.9%)
- Patients strongly requested Kampo products (20.5%)
- To provide holistic medical treatment that improves patient QOL (20.4%)

Source: Kampo Medicine Use Survey and Kampo Medicine Education Awareness Survey 2012

Japan Kampo Medicines Manufacturers Association (JKMA) Survey

Prescription of Kampo products



Basic policy regarding Kampo products prescription

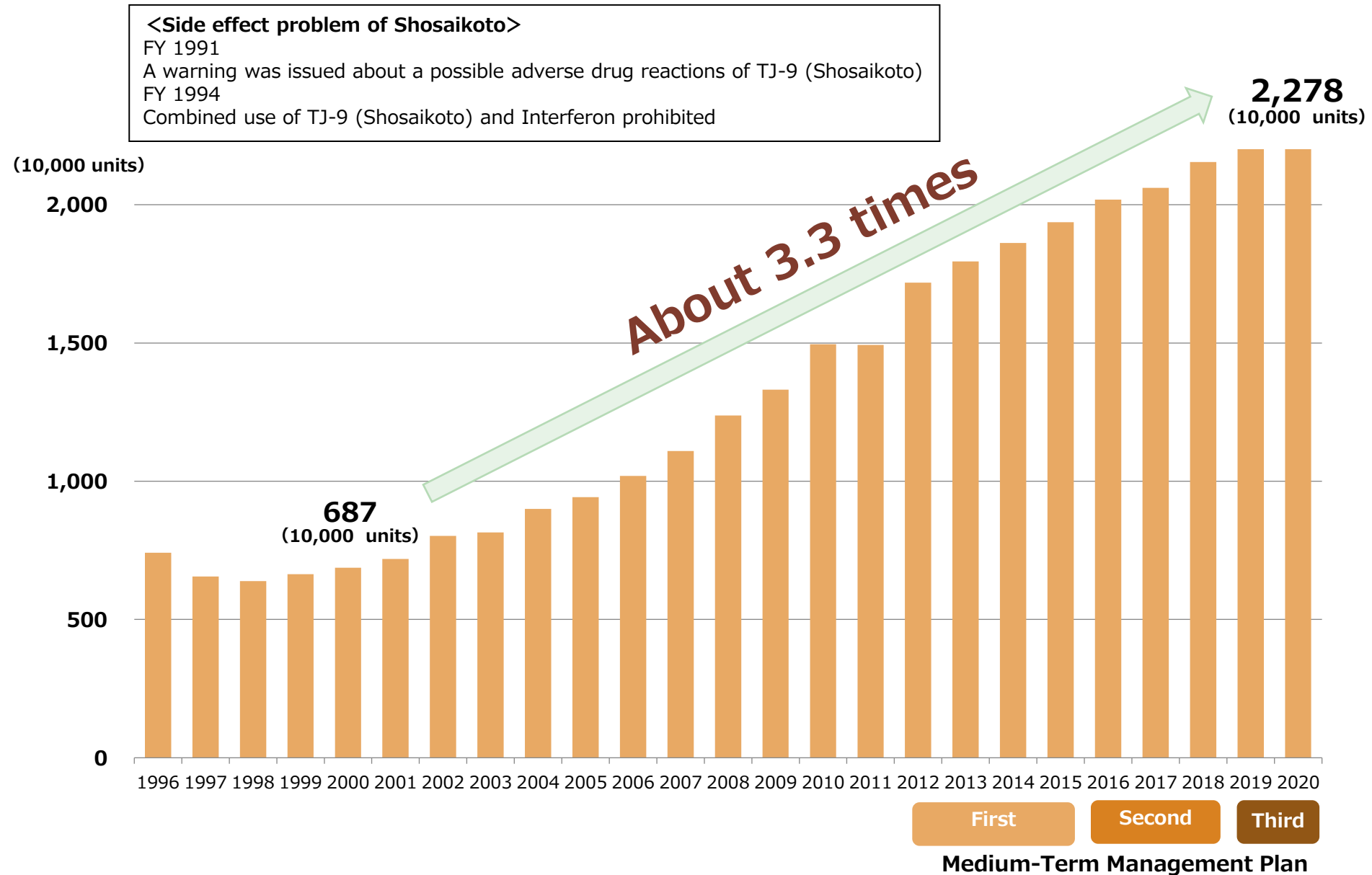
- First choice for treatment of certain patients (59.0%)
- Only prescribe as a complement to drugs (39.8%)
- Use to mitigate side effects of drug treatment (0.7%)

Top three reasons for prescribing Kampo products

- Kampo medicine is effective in cases where drugs are not (56.6%)
- Requested by patient (42.8%)
- Scientific evidence of efficacy announced at medical conference (34.1%)

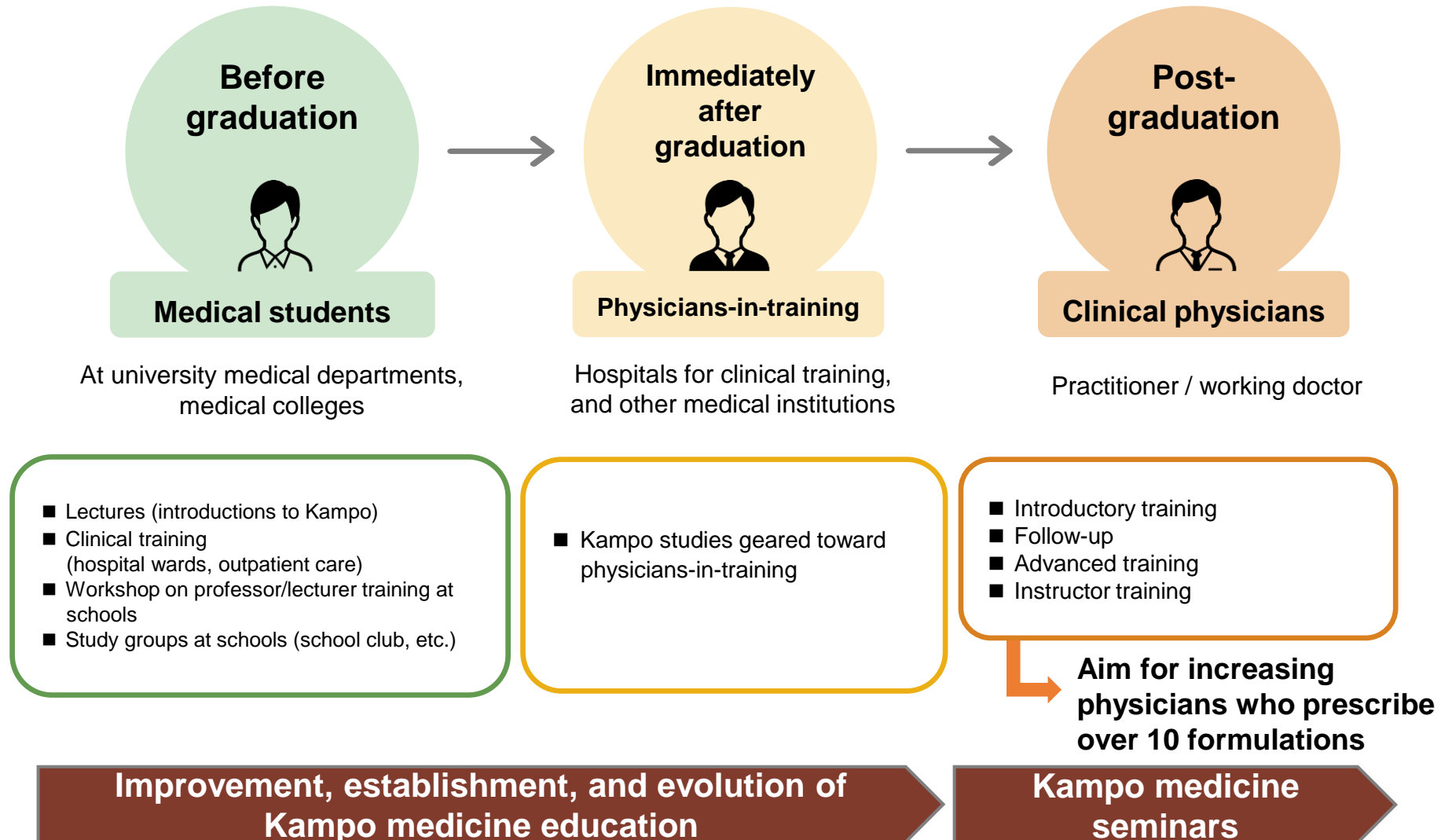
Source: 2011 Survey on Prescribing Kampo Products

Changes in 129 prescription Kampo products sales volume



Supporting education related to Kampo medicine for doctors

Supporting Kampo medicine education before, immediately after, and post-graduation



Drug-fostering program formulations and Growing formulations

Drug-fostering program formulations

Daikenchuto

Yokukansan

Rikkunshito

Goshajinkigan

Hangeshashinto

2004-

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.

Growing formulations

Hochuekkito

Shakuyakukanzoto

Bakumondoto

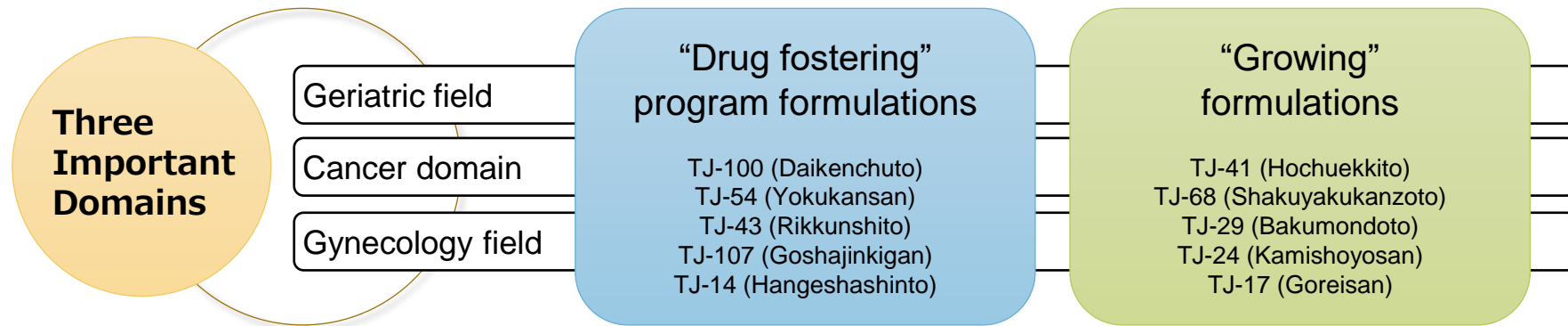
Kamishoyosan

Goreisan

2016-

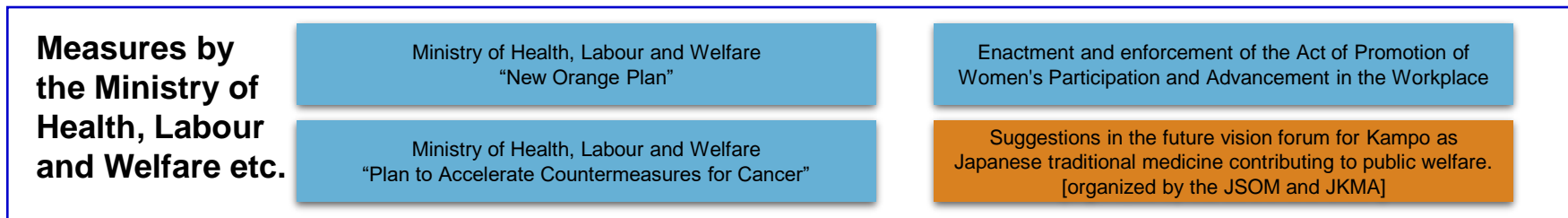
A growth driver that aims to be listed in medical treatment guidelines as a strategic formulation following the five “drug fostering” program formulations through the establishment of scientific evidence (data on safety, efficacy, etc.) in fields where satisfaction toward treatment and the contribution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

Growth driver and important domains



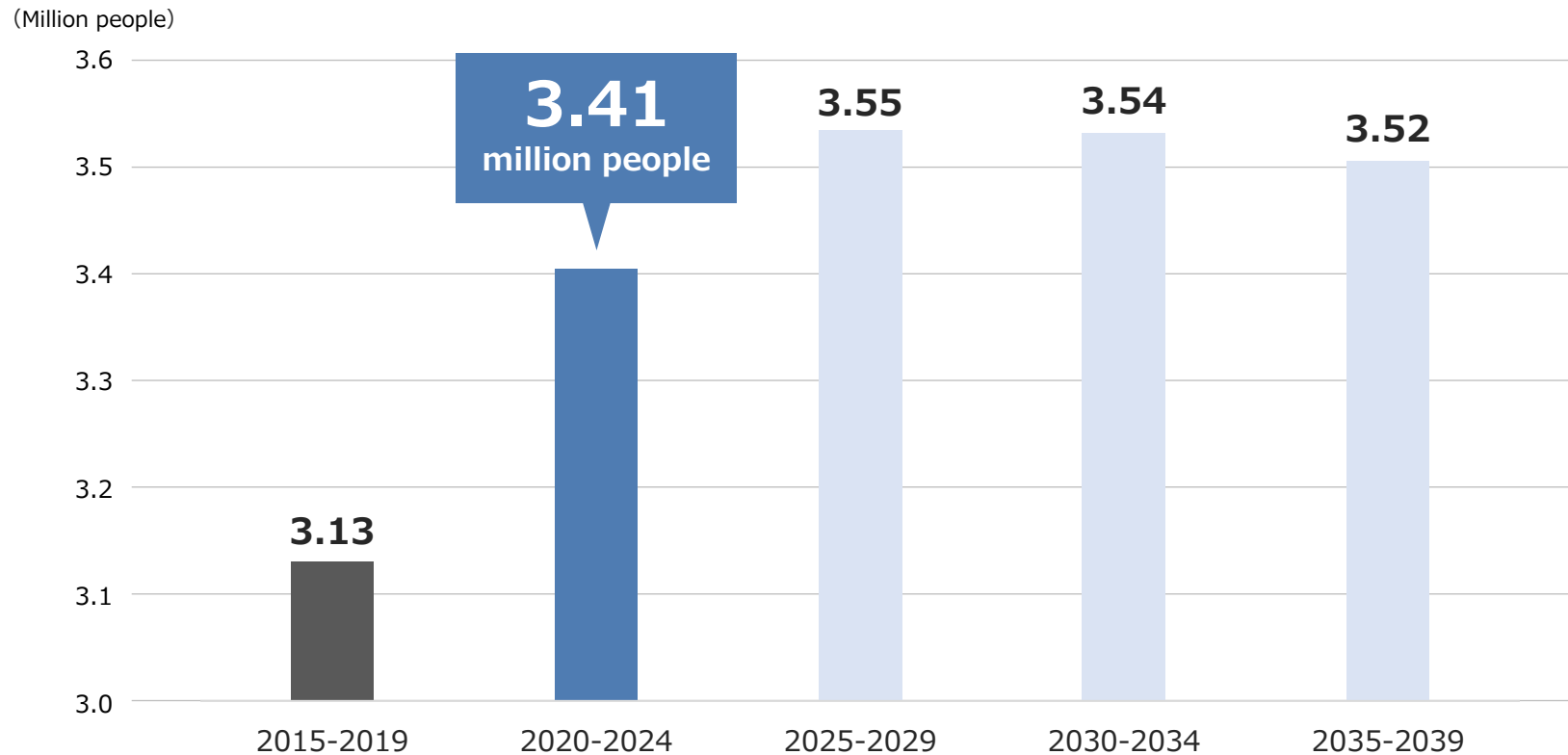
Prioritize unmet medical needs

BPSD, frailty, supportive care for cancer (postoperative dysfunction, loss of appetite, stomatitis), menopausal disorders, etc.



Business Environment : The Number of Cancer Sufferers In Japan

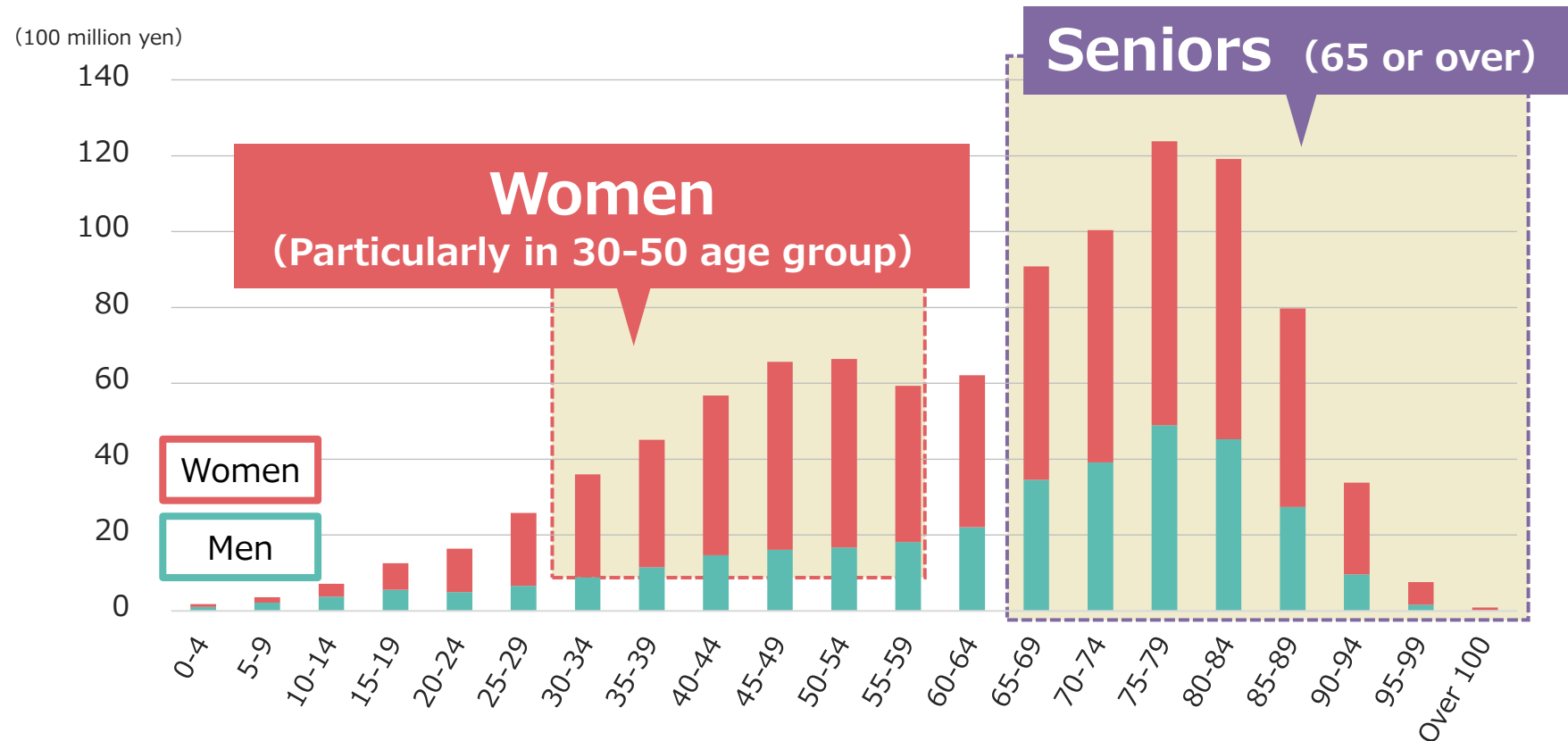
The number of cancer sufferers will increase until 2029



Source: Cancer Registry and Statistics. Cancer Information Service, National Cancer Center, Japan
The number of people suffering from cancer defined as "the number of living people who have been diagnosed with cancer within the past five years."

Business Environment: Demand for Kampo preparations for medical use in Japan

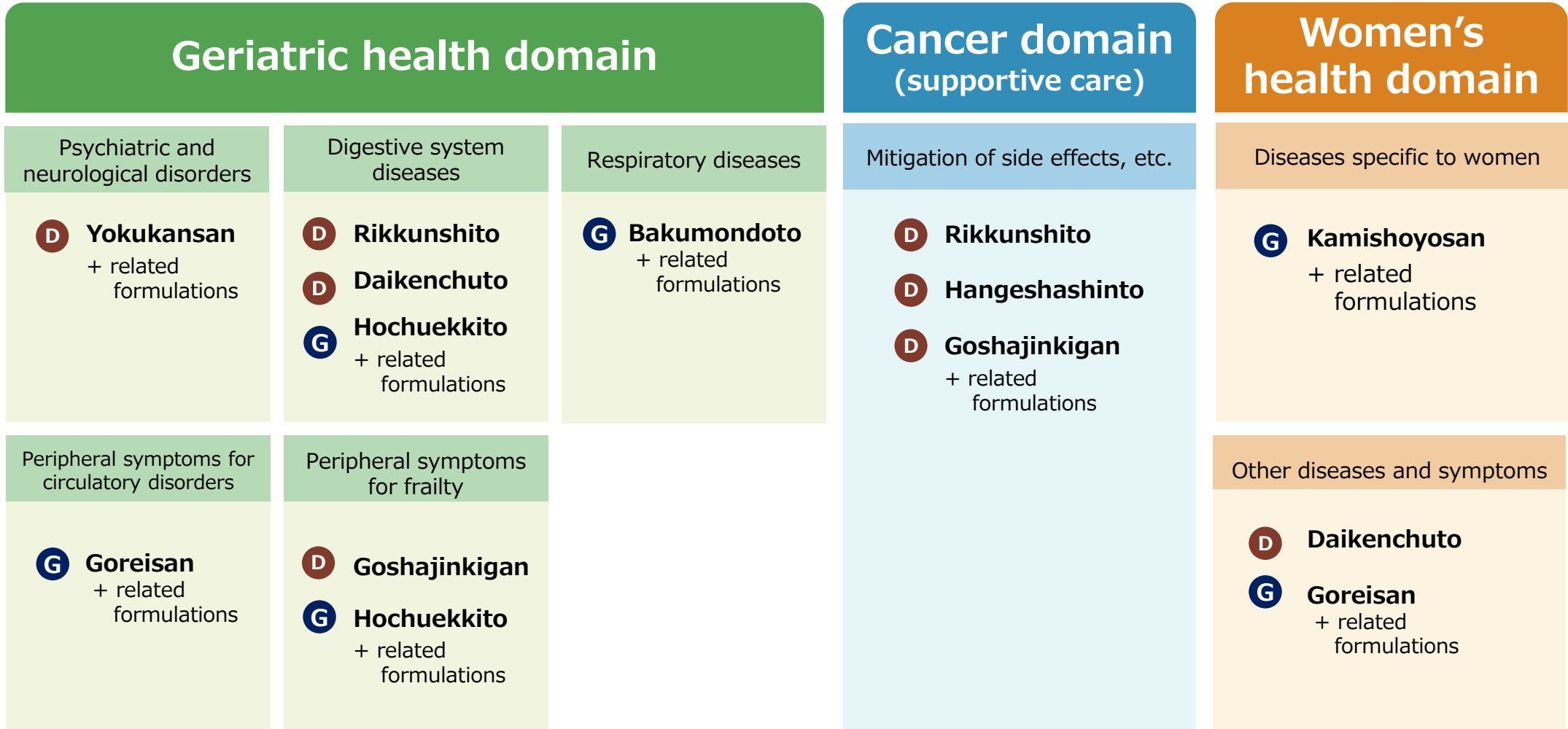
Seniors and women have high prescription ratios



Source: Third NDB Open Data by the Ministry of Health, Labour and Welfare
Calculation based on top 100 products of prescription Kampo manufacturers

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



“Drug fostering” program formulations and “Growing” formulations ➡ Publish medical treatment guidelines

Collect clinical EBM, action mechanisms, adverse drug reaction(ADR) frequency surveys, ADME, and health economic data

	No.	Product name	Meta – analysis	RCT	Action mechanisms	ADR frequency Surveys	ADME	Health economic data	Publish guidelines (include recommendations for Kampo medicine)
“Drug Fostering” Program Formulations	100	Daikenchuto	4	34	○	○	○	○	Pediatric chronic functional constipation disease, Systemic sclerosis, Dementing illnesses, Clinical practice of chronic constipation, Spinocerebellar degeneration / multiple system atrophy medical treatment, Irritable bowel syndrome
	54	Yokukansan	4	15	○	○	○	○	Dementing illnesses, Use of psychotropic drugs for BPSD for primary care physicians(2nd edition), Chronic pain
	43	Rikkunshito	1	25	○	○	○	-	Functional gastrointestinal diseases, The diagnosis and treatment of psychosomatic diseases, GERD, Systemic sclerosis
	107	Goshajinkigan	2	14	○	-	○	-	Overactive bladder syndrome, The pharmacologic management of neuropathic pain, Male lower urinary tract symptoms and benign prostatic hyperplasia, Female lower urinary tract symptoms, Diseases in obstetrics and gynecology, Chronic pain
	14	Hangeshashinto	1	10	○	-	-	○	Irritable bowel syndrome
“Growing” Formulations	41	Hochuekkito	-	14	○	Scheduled investigation	-	-	Female lower urinary tract symptoms, Diseases in obstetrics and gynecology, Atopic dermatitis, Allergic diseases
	68	Shakuyakukanzoto	-	11	○	○	○	-	Amyotrophic lateral sclerosis, Diseases in obstetrics and gynecology, Chronic pain
	29	Bakumondoto	-	5	○	-	-	-	Cough, Overactive bladder syndrome
	24	Kamishoyosan	-	6	○	-	-	-	Diseases in obstetrics and gynecology, The treatment and diagnosis of psychosomatic disorders, Chronic pain
	17	Goreisan	-	10	-	-	-	○	Chronic headache, Overactive bladder syndrome

○ : There are relevant papers e.t.c.

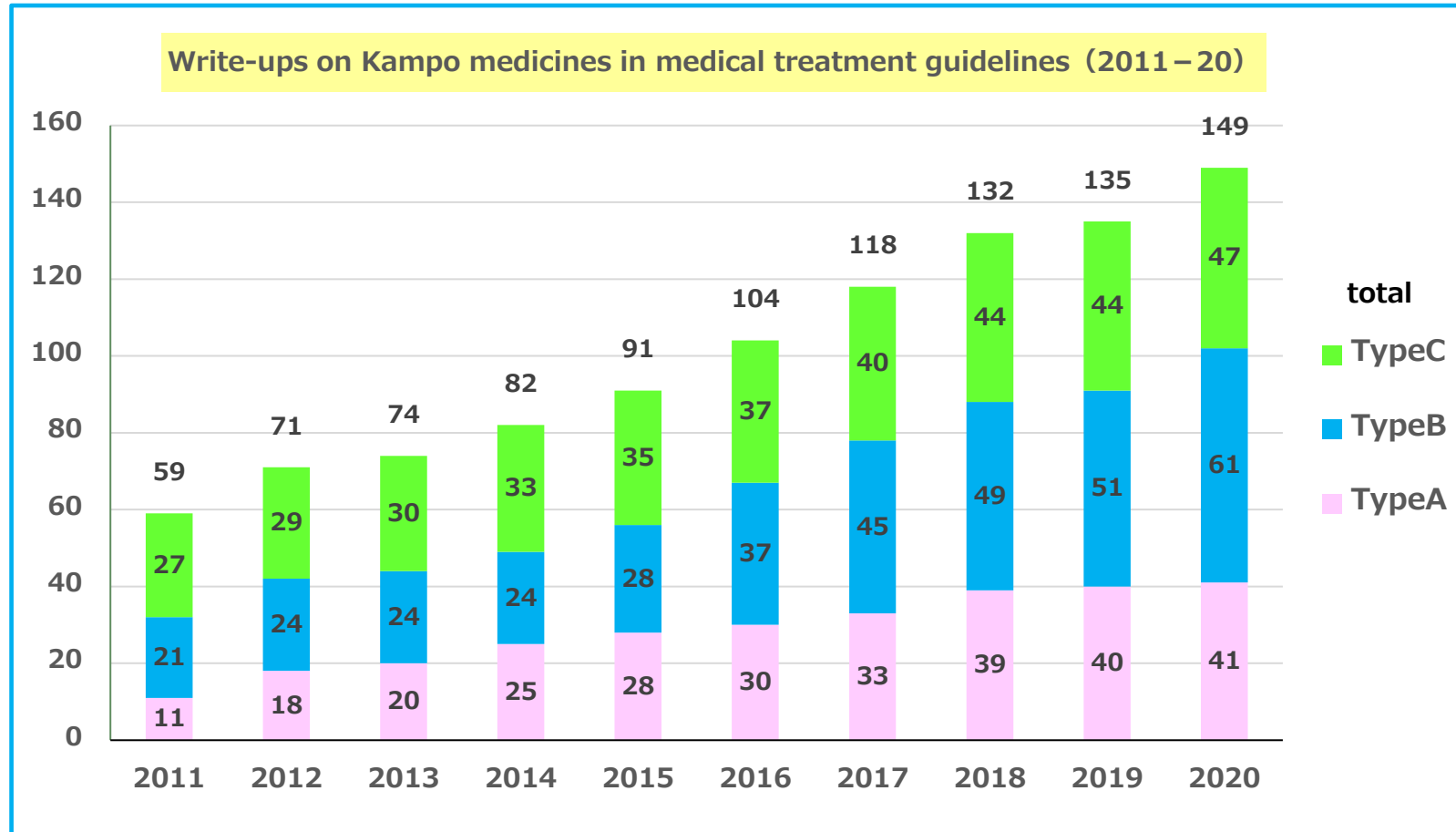
Accumulation of evidence

Type A : Cited papers, evidence and recommendation grading with descriptions

Type B : Cited papers but no evidence grade and recommendation grading

Type C : No cited papers, evidence grade and recommendation grading ^{*1}

^{*1}Those with a description of Kampo

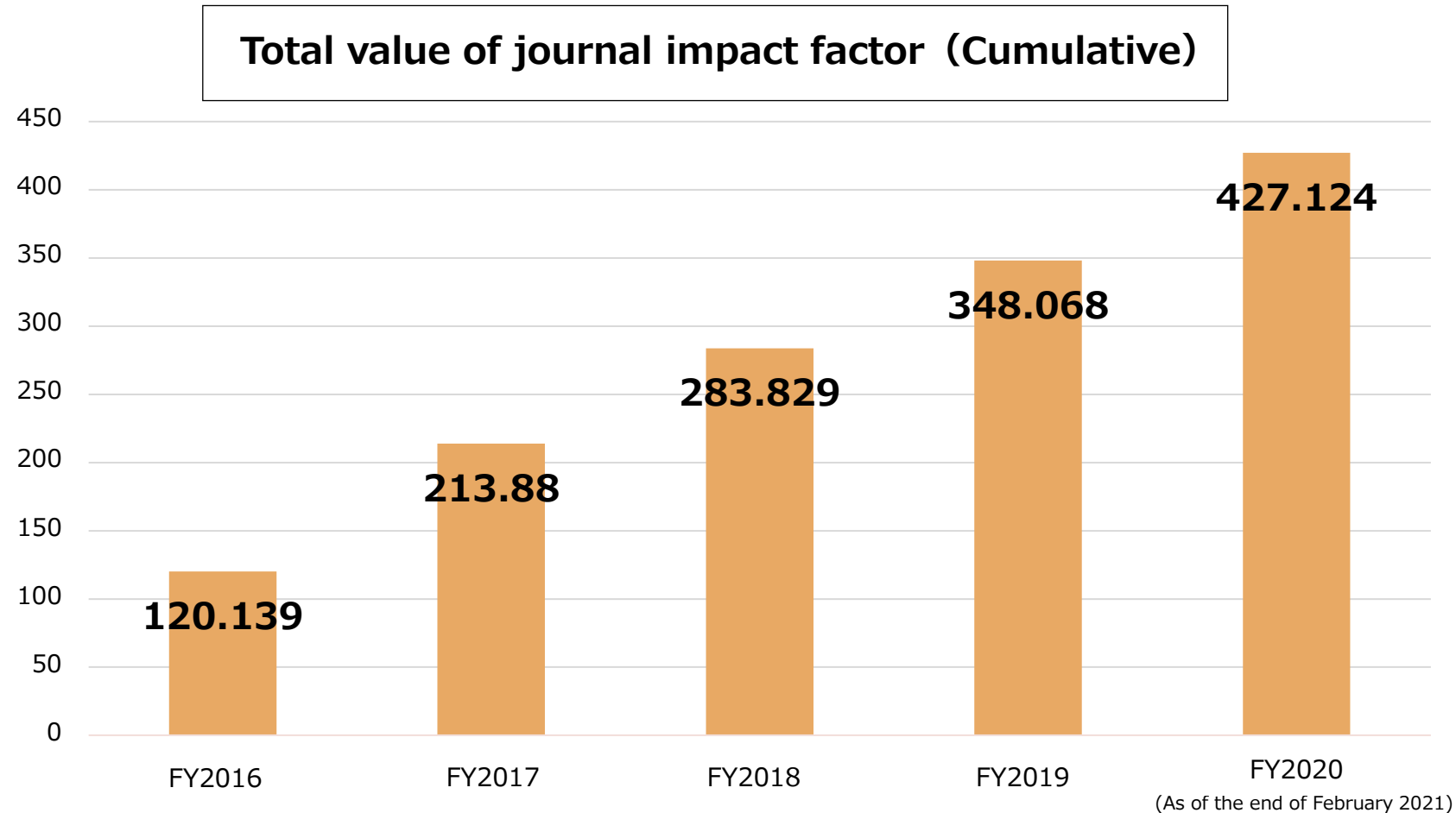


Source: The Japan Society for Oriental Medicine: JSOM (<http://www.jsom.or.jp/medical/ebm/cpg/index.html> (Japanese only))
Japan Kampo Medicines Manufacturers Association: JKMA (<https://www.nikkankyo.org/serv/serv2.htm> (Japanese only))

Evidence of Kampo abroad

(Impact factor of Kampo in foreign treatises)

In a well-known overseas research journals with an impact factor many Kampo treatises are published



Research papers on our drugs only

Evidence of Kampo abroad

(Impact factor of Kampo in foreign treatises)

Number of publications by journal impact factor

Ranking	Research journal	IF	Number of publications
1	GASTROENTEROLOGY	19.233	3
2	JOURNAL OF HEPATOLOGY	18.946	5
3	BLOOD	16.562	2
4	HEPATOLOGY	14.971	5
5	MOLECULAR PSYCHIATRY	11.973	1
6	EUROPEAN RESPIRATORY JOURNAL	11.807	1
7	BIOLOGICAL PSYCHIATRY	11.501	1
8	AMERICAN JOURNAL OF GASTROENTEROLOGY	10.241	1
9	ANNALS OF SURGERY	9.476	1
10	CANCER RESEARCH	8.378	1

Research papers on our drugs only

Maintaining a stable supply of pharmaceuticals

We strive to provide and collect appropriate information in Japan and China and other regions.
There is no problem in supplying products for the time being.

Contribution to research and development

Against the backdrop of the expansion of COVID-19, We will carry out research in response to requests for cooperation from external organizations regarding Kampo.
We will continue to cooperate with related organizations and promptly take appropriate measures.

October 7, 2020 Press conference held by the Japan Society for Oriental Medicine

Research related to Kampo treatments

- 1) Medical fact-finding investigation of COVID-19 patients registered for a retrospective study
(Dr. Shin Takayama, Tohoku University)
- 2) Treatment benefits reflecting prospective intervention in COVID-19 patients
(Dr. Shin Takayama, Tohoku University)
- 3) Preventive benefits for healthy individuals reflecting prospective intervention for COVID-19
(Dr. Takao Namiki: Chiba University)

October 9, 2020

**Yakuji Nippo
website**

Dr. Takao Namiki (Chiba University), Dr. Shin Takayama (Tohoku University), etc.

Commence large-scale clinical studies to confirm benefits of Kampo to prevent development of COVID-19, targeting 6,000 medical practitioners, mainly at Chiba University and Tohoku University

Rising expectation that Kampo will alleviate symptoms(Physicians and patients)

Insomnia (Yokukansankachimpihange,Kamikihito)

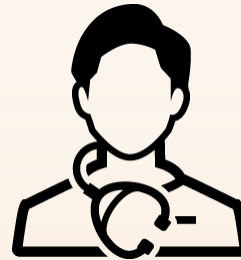
Many patients who are seniors are suffering from sleep disorders, mainly due to anxiety over infection.

Anxiety (Hangekobokuto,Kamikihito)

Increase in the number of patients claiming they suffer from anxiety in tandem with changes in the external environment

Loss of appetite (Rikkunshito,Hochuekkito)

Prescribed to patients concerned about a decline in stamina due to fatigue and a loss of appetite due to changes in the external environment



Obesity (Bofutsushosan)

Many people are stuck at home or in self-isolation. As a result many patient are concerned of obesity.

Fatigue (Hochuekkito, Juzentaihoto)

Many patients claim they cannot get rid of the fatigue after being treated for COVID-19.

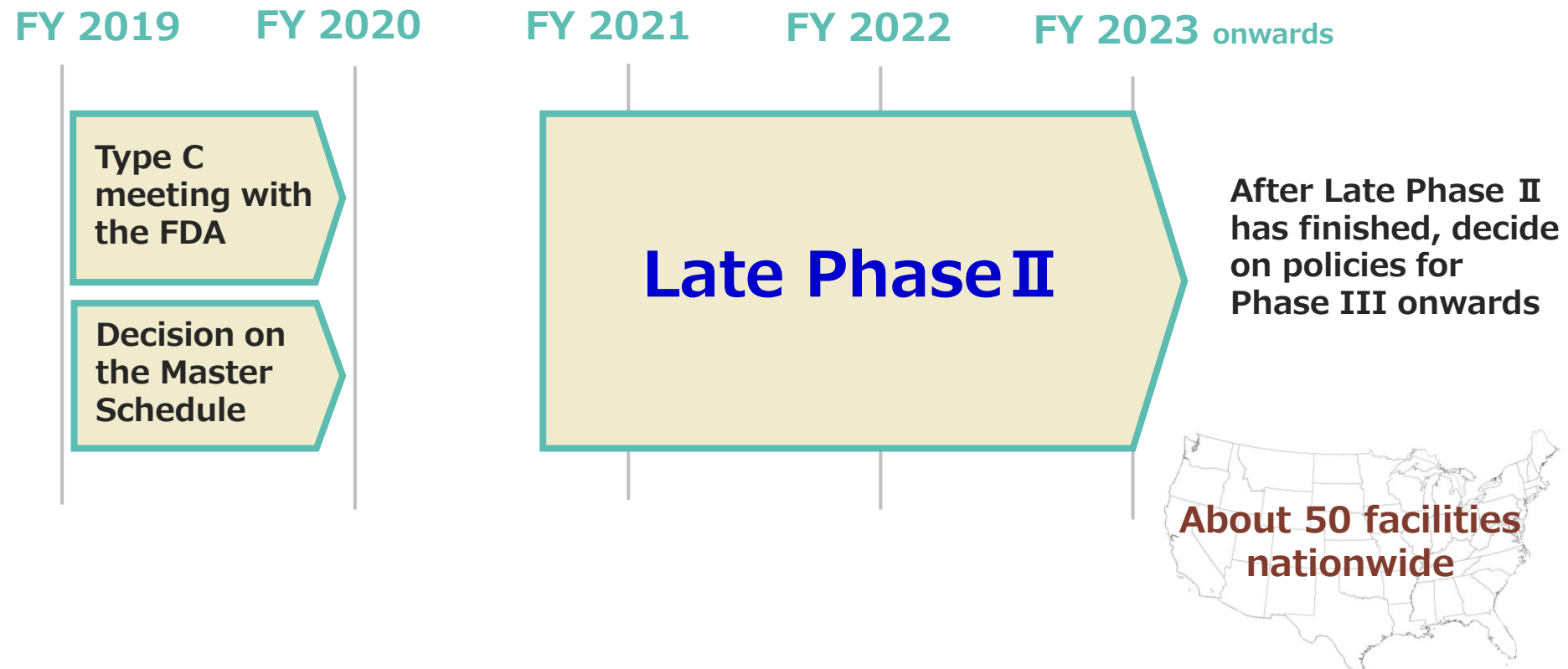
Acne (Jumihaidokuto,Seijobofuto)

As many patients are wearing masks to prevent infection so there is a pronounced increase in acne consultations.

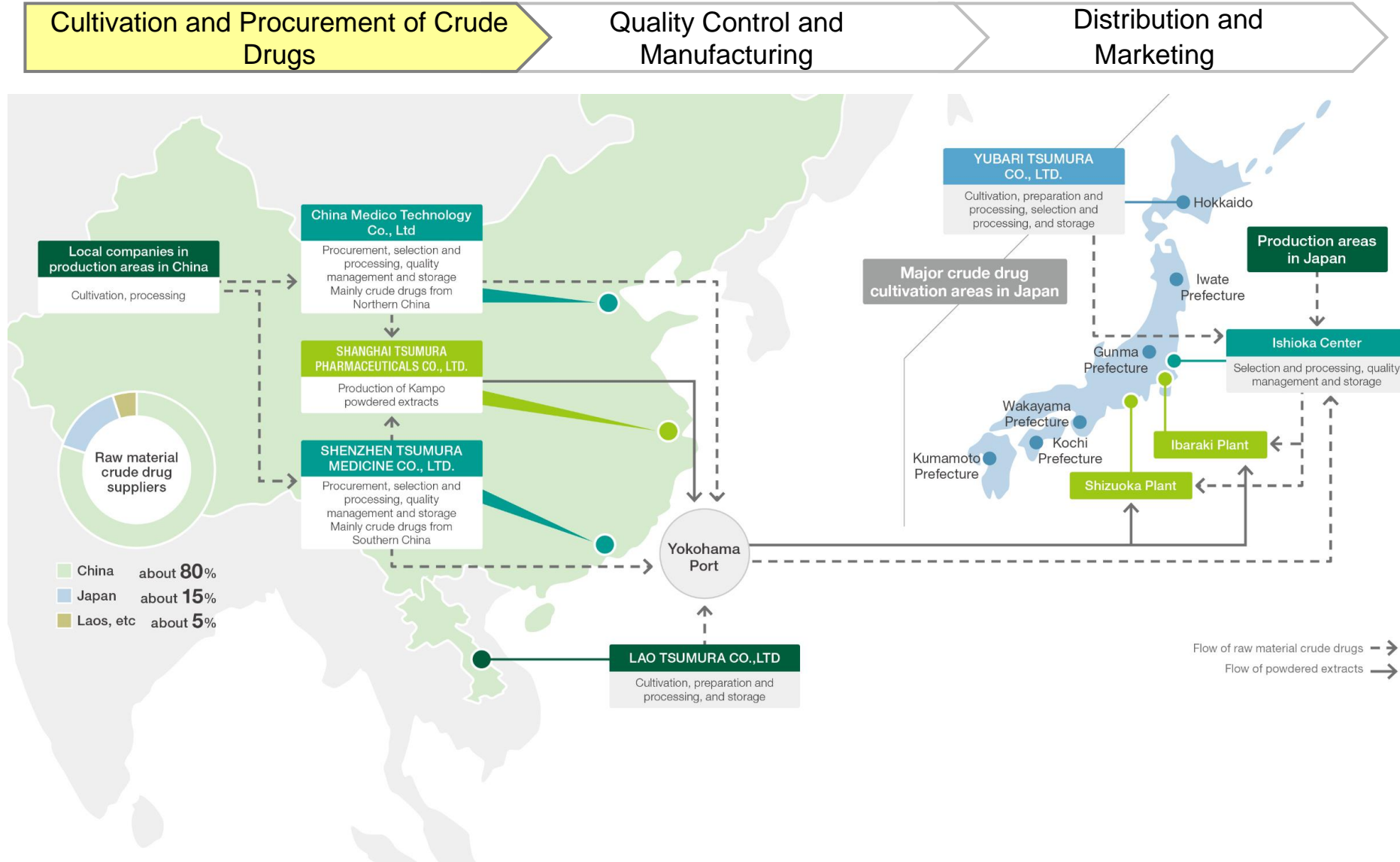
Policies for TU-100 (Daikenchuto) development in the United States

Target disease – **Postoperative Ileus (POI)**

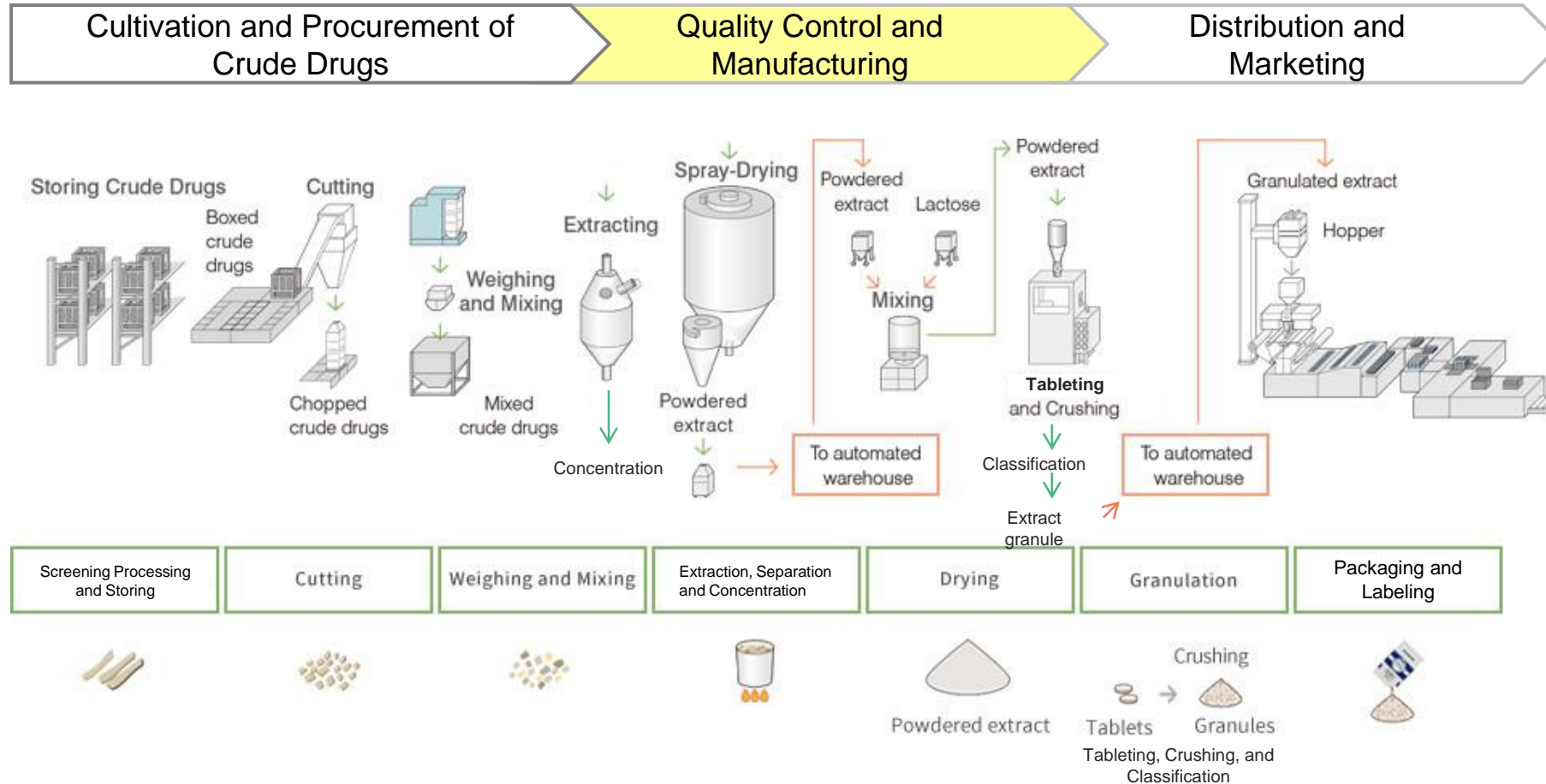
Carry out Late Phase II, aiming for early completion



Main flow from crude drug cultivation to distribution



Manufacturing process of Kampo products

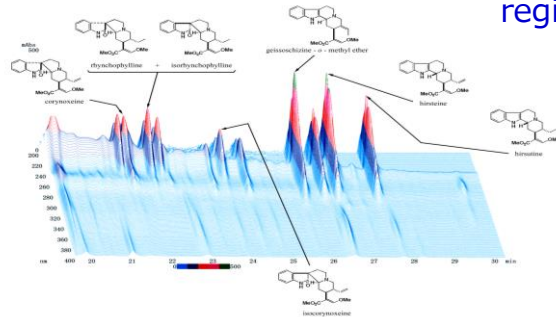


Crude Drug Quality (Difference of content of ingredients depending on production area and varieties)

In the case of Chotoko, one of the crude drugs used in Yokukansan

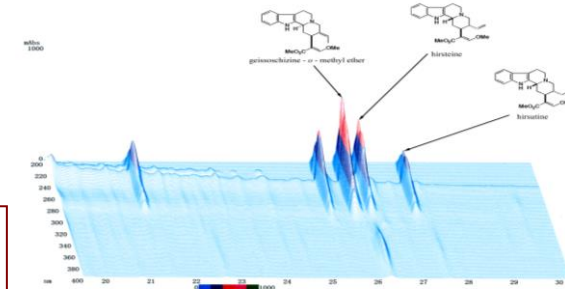
A Type (XX province)

Different
production
region



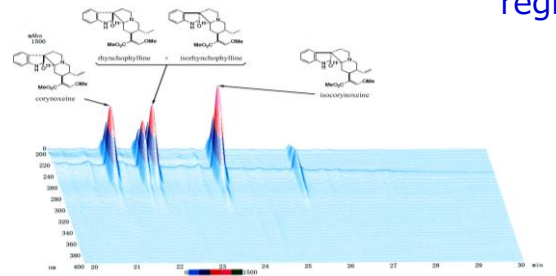
B Type

Plant variety
is different



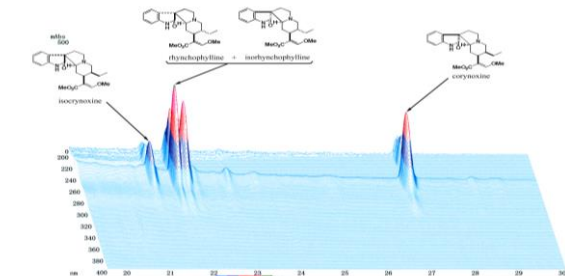
A Type (YY province)

Different
production
region

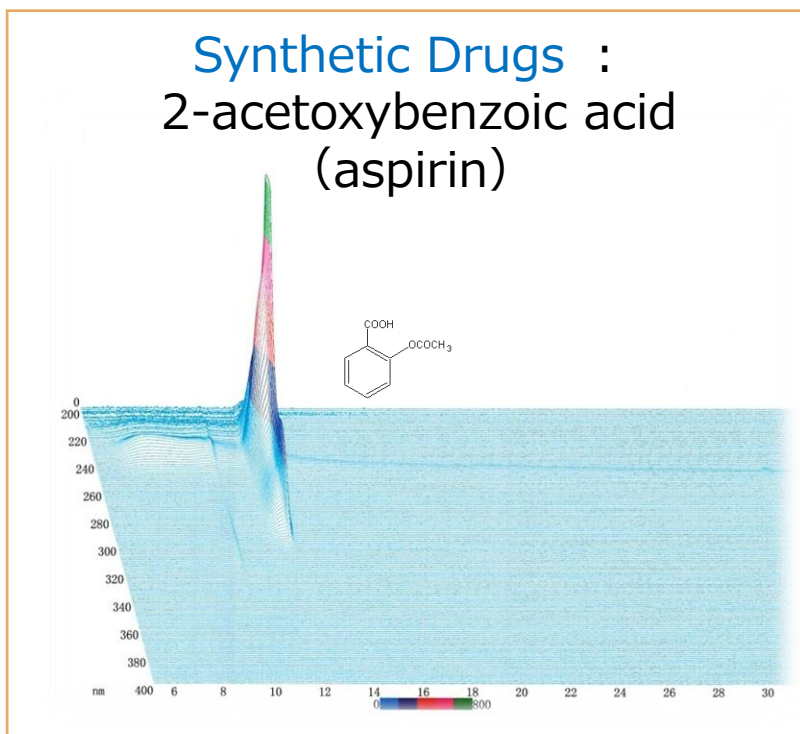


C Type

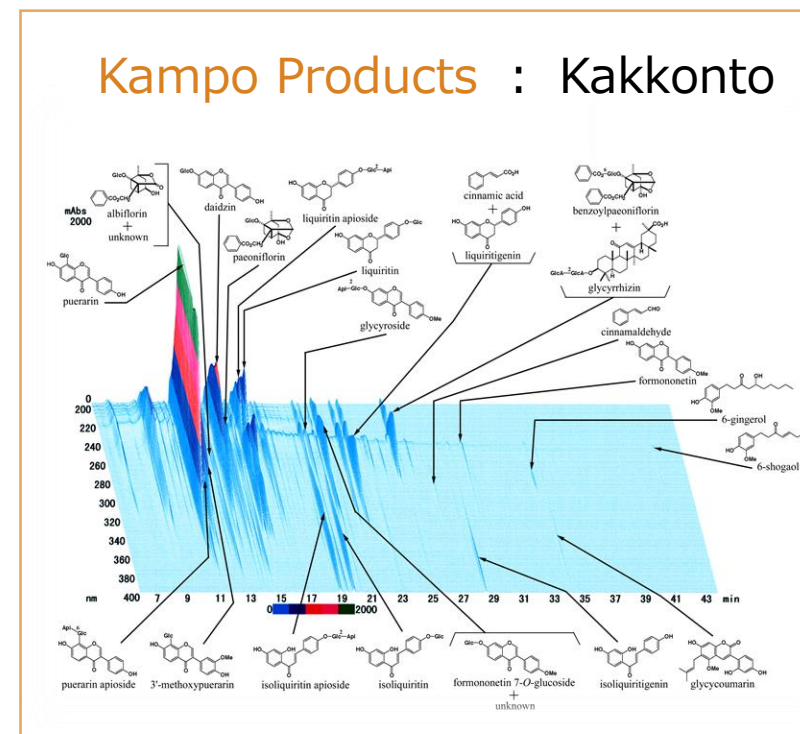
Plant variety
is different



ex) Component distribution comparison by 3D-HPLC Pattern



Characteristics of Synthetic drugs
made from chemically
synthesized active ingredients
➡ **Single compound**



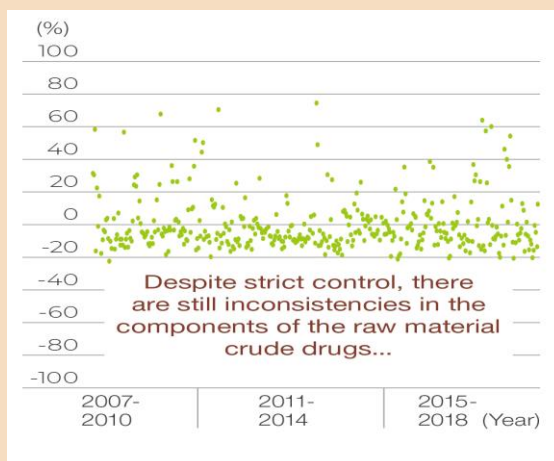
Characteristics of Kampo
Products made from combining
multiple crude drugs
➡ **Multiple components**

Q. Will it be possible to consistently manufacture a uniform product made from natural raw materials?

For instance, even produced with the same variety of grape, taste and aroma of wine differs depending on production areas, growers and growing season.



**Component analysis results for the raw material crude drug “Shakuyaku (peony)”
(Degree of deviation with the average result for paeoniflorin content)**



**Component analysis results for Tsumura’s Shakuyakukanzoto extract granules (prescription Kampo)
(Degree of deviation with the average result for paeoniflorin content)**



Tsumura's business

~China business~

TSUMURA & CO.
August 2021

Procurement and production of crude drugs for prescription Kampo products

For many years, we have been developing mainly 「Shenzhen Tsumura Medicine (1991~) and 「Shanghai Tsumura Pharmaceutical (2001~) as a procurement and production base for crude drugs for Kampo preparations for Japan.

In the future, we will utilize the know-how we have cultivated so far to further develop our business.

We aim to become a trusted traditional Chinese Medicine company in China.

In 2016, Tsumura China Inc. is established as Regional oversight functions for Group companies in China.

In 2017, Capital and business alliance with "Ping An Insurance", one of the four major insurance companies in China.

In 2018, Ping An Tsumura is established, a joint venture with Ping An Insurance.

Full-scale entry into the Chinese business on the occasion of a capital and business alliance with Ping An Insurance in 2017.

➤ **Contributing to China**

**Further development of the traditional Chinese medicine industry
⇒ Contribution to the health of the people of China**

➤ **Stable procurement of crude drugs**

**Contribute to improving the quality of crude drugs and to the preservation of crude drug resources
⇒ Stable procurement of crude drugs and raw materials for crude drugs**

- Give back to China for nearly 40 years of procurement of crude drugs
- The market for traditional Chinese medicine in China is valued at around ¥10 trillion
- Traditional Chinese medicine, as with Kampo, originates from plants and is well recognized
- China's government is easing up on restrictions on foreign investment

- Leverage Tsumura's knowhow
- Ample offers from Chinese citizens and companies to enter the local market



Decided to entry into the Chinese market

August 2016 – China State Council Presentation, “**Healthy China 2030**” Plan Outline

Background – Change in spending views due to aging population issue and increased income

Main Goals

Expand the
scale of the
health service
industry

Extend average
lifespan and
reduce the
death rate

Improve
medical
standards

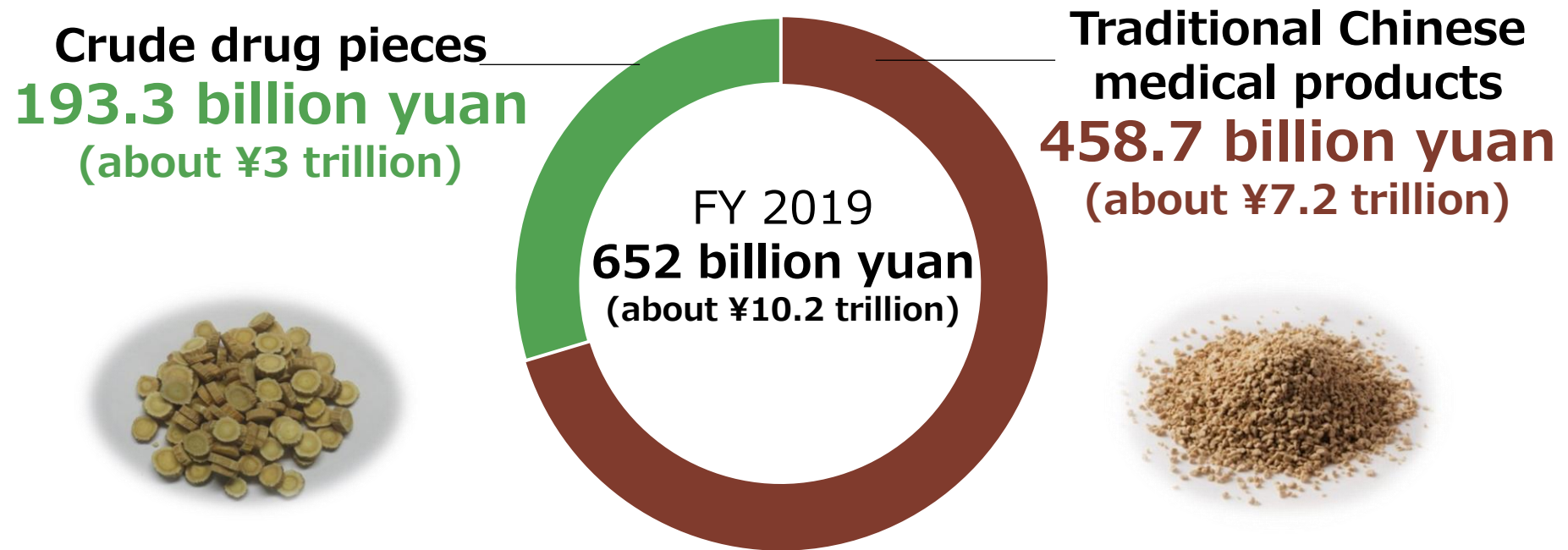
Complete
implementation
of the health
insurance
system

Improve
environment

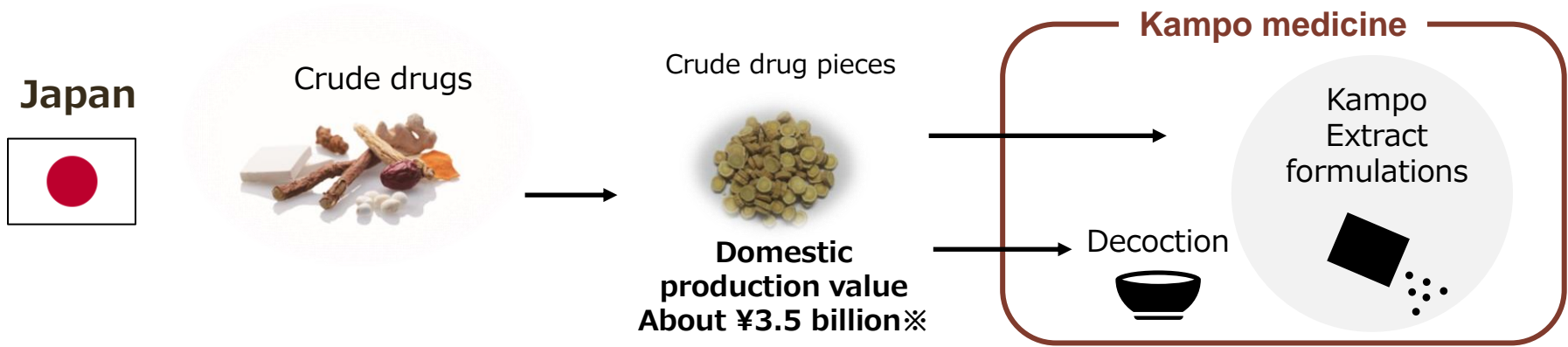
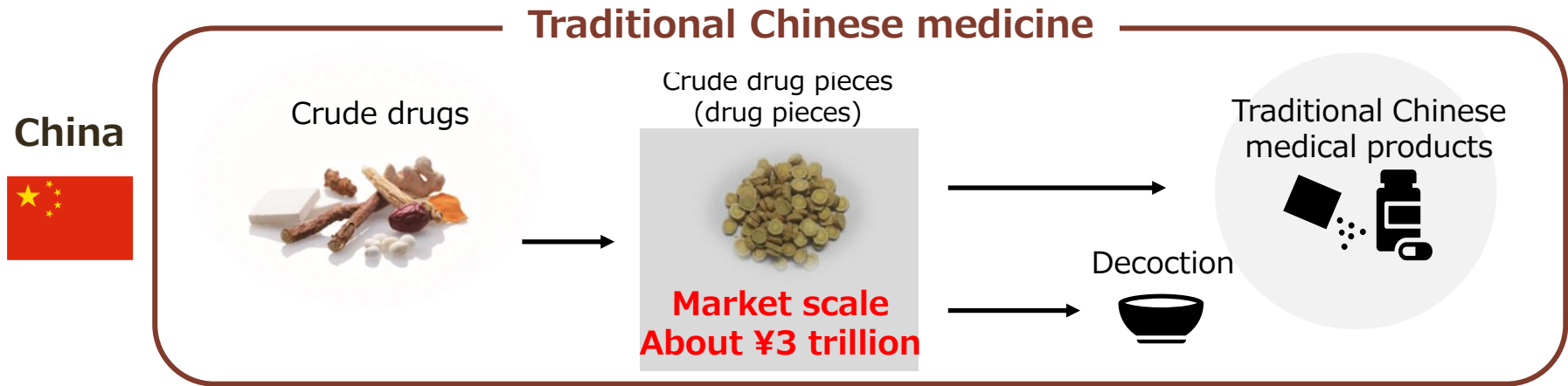
In relation to medical care

Focus on both contemporary medicine and traditional Chinese medicine, normalize and increase traditional Chinese medicine production, and engage in the theoretical study and medicine development

July 2017 – Enforcement of the Medicine Law of the People’s Republic of China

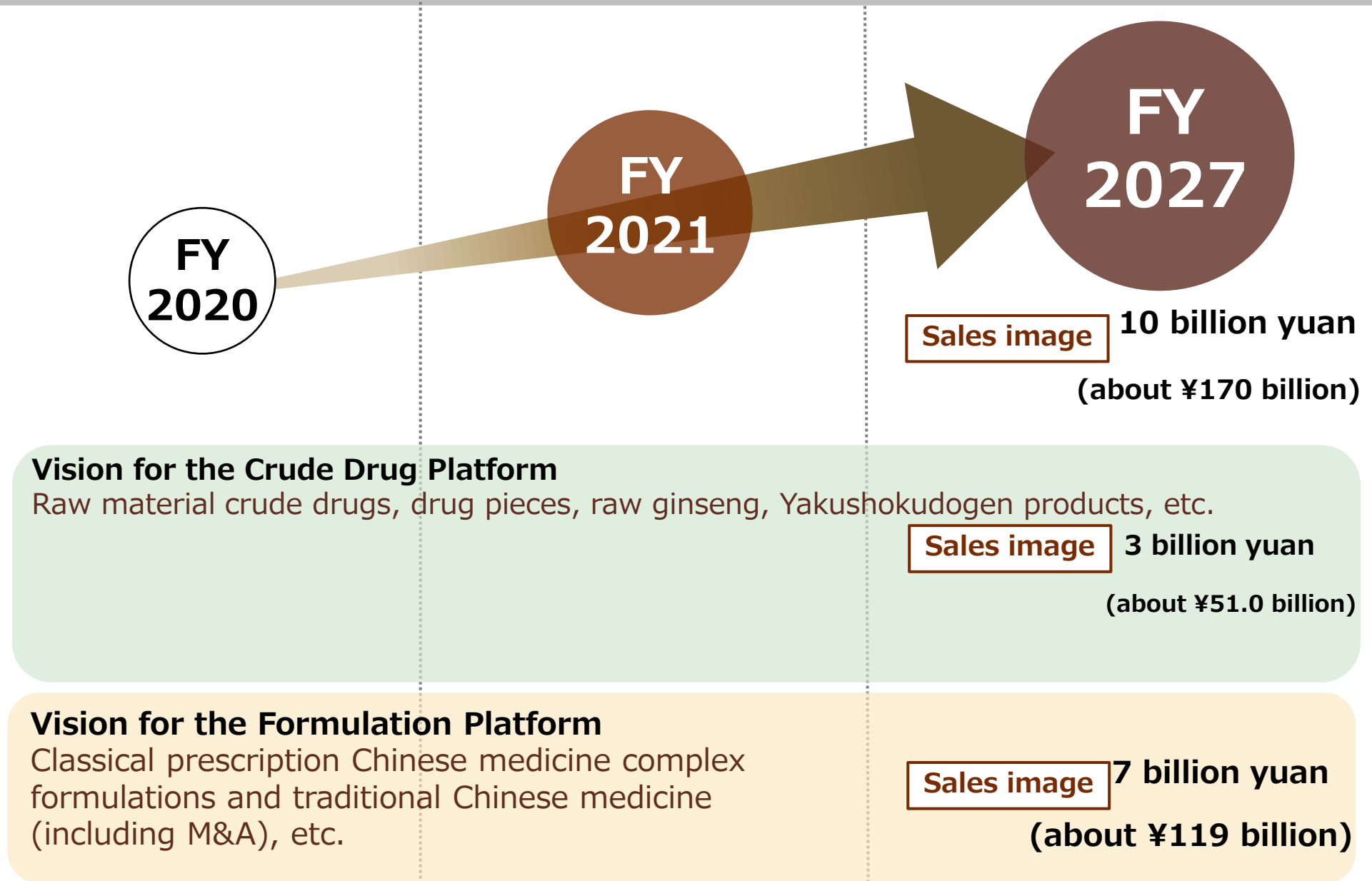


Crude Drug Pieces (Drug Pieces) in China



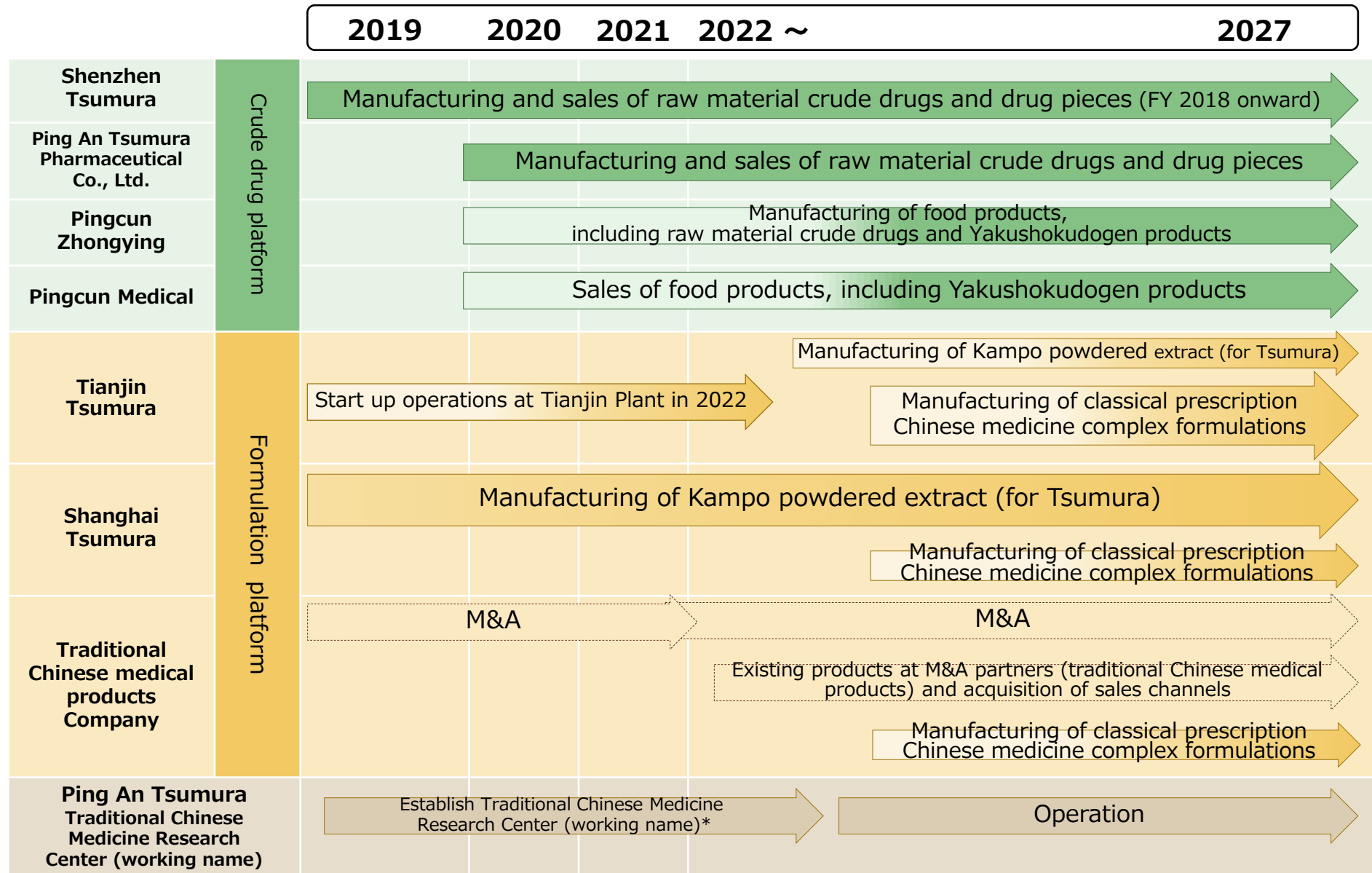
Terminology	Definition	Corresponding terminology for Kampo medicine (Meanings are not always the same)
Chinese medicine	Medicines used in traditional Chinese medicine (traditional Chinese medical products, drug pieces, etc.)	Kampo, crude drug pieces, crude drugs
Drug pieces	Same meaning as crude drug pieces, Use as a decoction	Crude drug pieces
Traditional Chinese medical products (Manufacturing of classical prescription Chinese medicine complex formulations)	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)

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



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


Roadmap for the Chinese Business Vision (image)



*Change name to Traditional Chinese Medicine Research Center (working name)

On February 28, 2020, a news release titled “Tsumura Announces Conclusion of Agreement Regarding Acquisition of Equity Interest in Tianjin China Medico Technology Co., Ltd. by Ping An Tsumura Inc.” was put out. The deal was concluded in March.

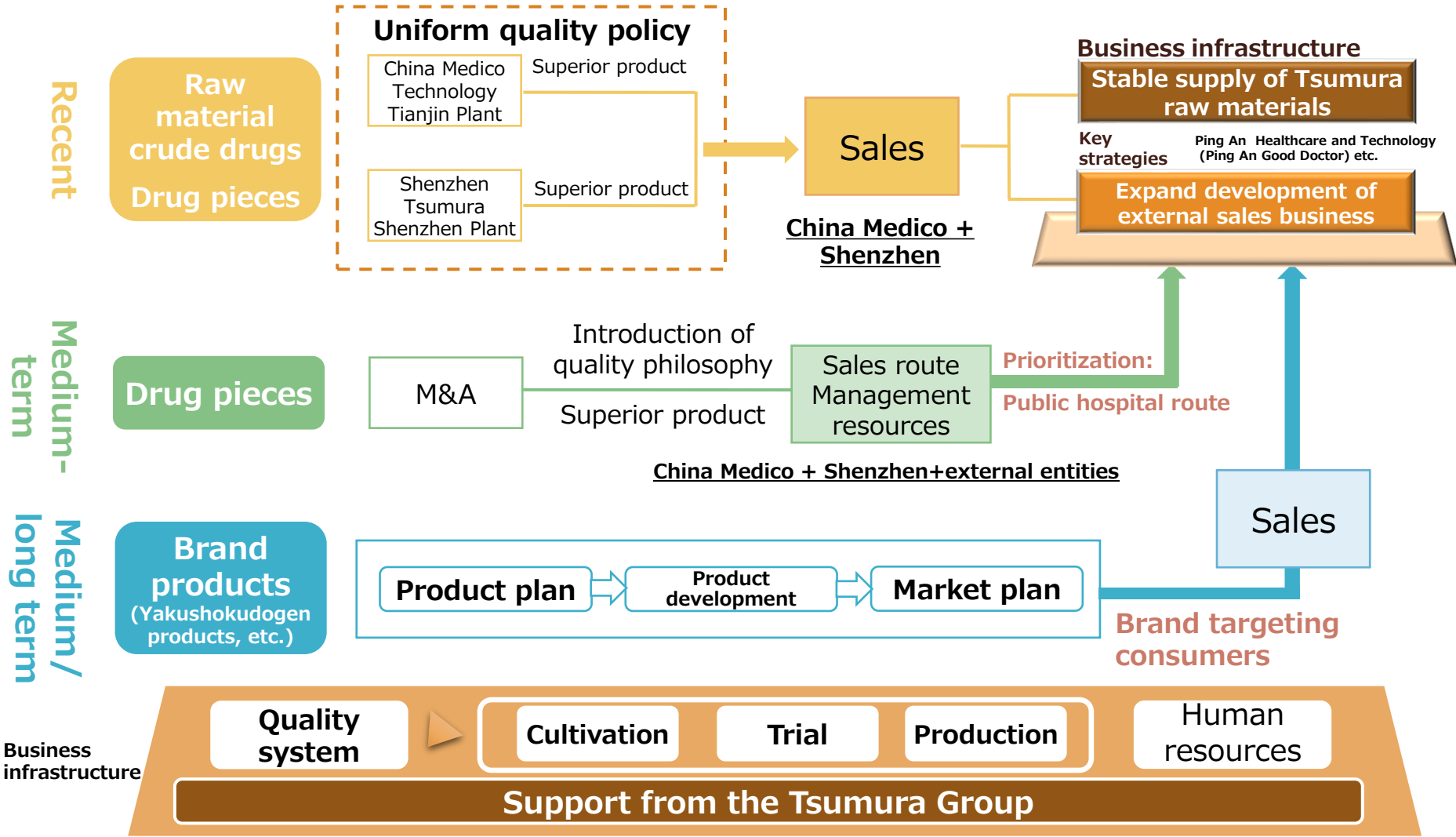
- Purpose of capital tie-up
 - 1) Strengthen the stable supply system for crude drug raw materials for export to Japan
 - 2) Expand China business by acquiring experienced personnel in the Chinese medicine industry
 - 3) Strengthen stable supply system for crude drug raw materials for use by China business (traditional Chinese medicines, etc.)



Strengthen stable supply system of crude drug raw materials by gathering knowhow from the Tsumura Group and China Medico Technology

Promote expansion of the traditional Chinese medicine (crude drug raw materials) and drug pieces (chopped crude drugs) in China to establish a solid position

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



Entry into traditional Chinese medicine market

- 1) Plant construction
- 2) Pharmaceutical manufacturing license
- 3) GMP
- 4) Manufacturing, sales, etc.

(1) Proprietarily acquire license

Implementing (1) and (2)
to achieve early entry

(2) Business partnerships and M&A with traditional
Chinese medicine manufacturers

Potential business partnerships & M&A deals

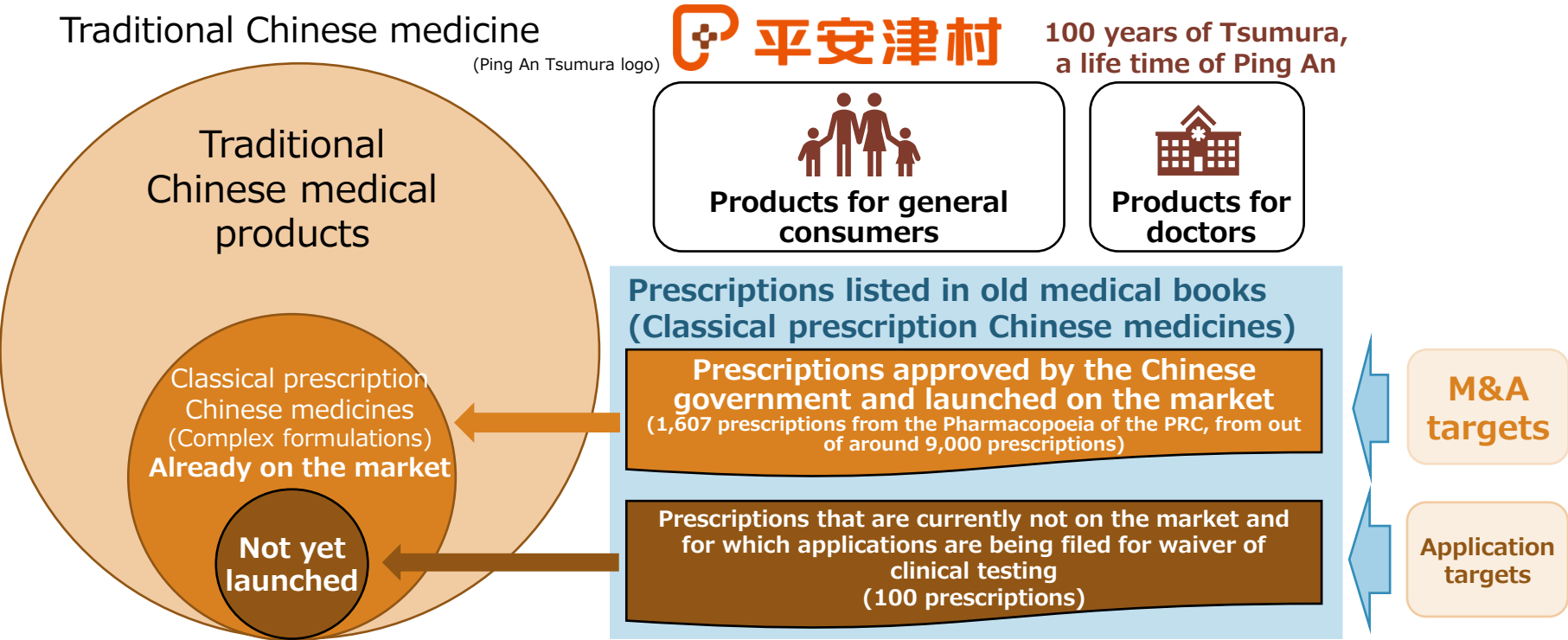
It is of utmost importance that we have the same management philosophy and quality policy, and that we take the majority.

- (1) Companies exceeding a certain scale
- (2) Companies that are leaders in pharmaceutical formulas and traditional Chinese medicinal formulas
- (3) Companies with formulas that resemble the Kampo products we are currently manufacturing

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)



TSUMURA & CO.

Quality
Technology
Information

Production and sales of high-quality Kampo developed based on advanced production and analysis technologies cultivated over more than a century

- ◆ Assay technology that conforms to the properties of crude drugs
(Residual agrochemicals, toxic mold, microbes)
- ◆ Technology to identify botanical origins based on diverse crude drug and plant specimens (DNA analysis, classification)
- ◆ Technology to isolate and refine crude drug compounds
(Supply reference standard, standard-setting)
- ◆ Applied to cultivation and processing technology based on test results
(Improve quality of crude drugs)

中国平安 PINGAN

Comprehensive strength
in finance & IT,
scale, brand recognition

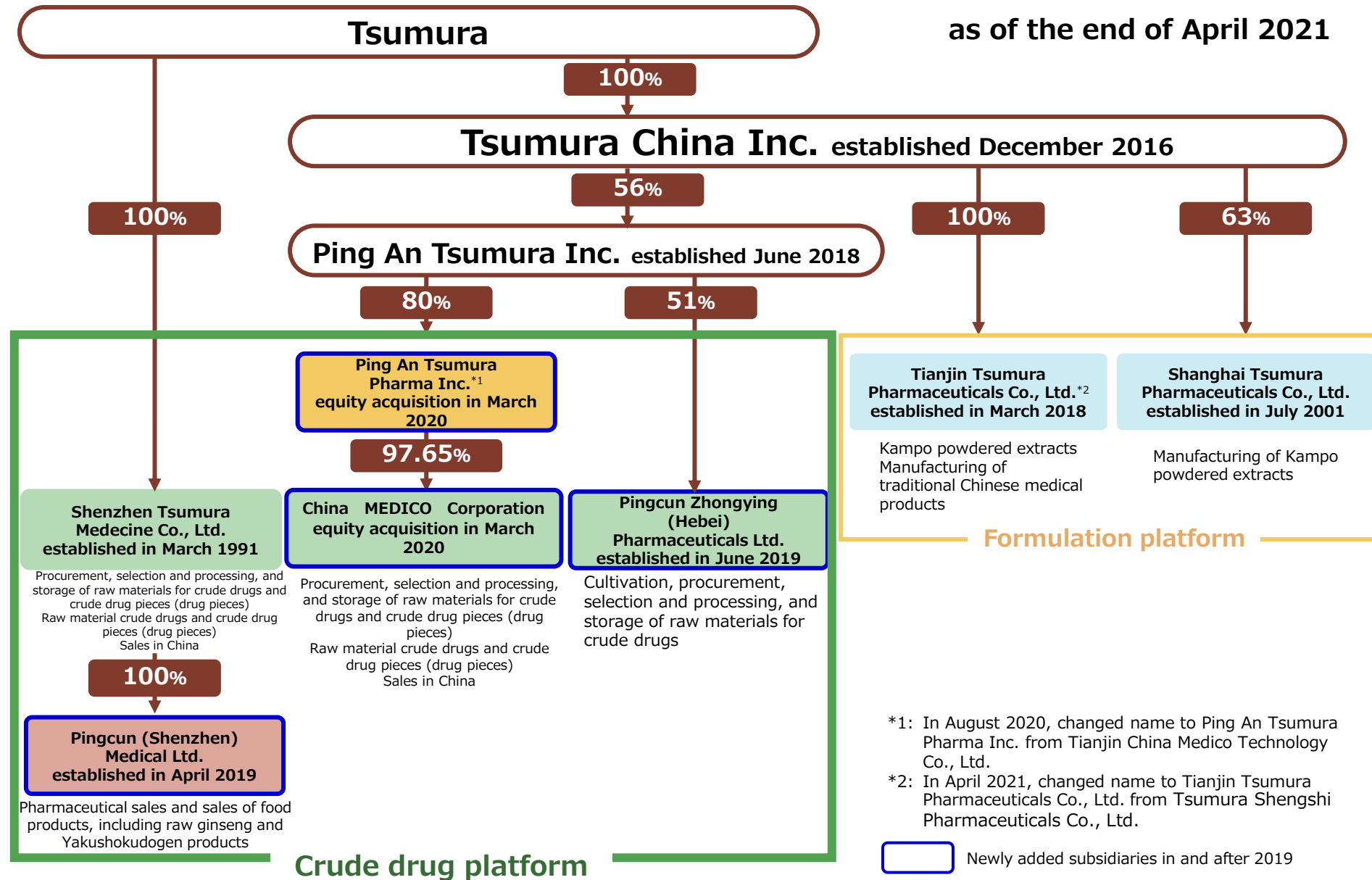
Comprehensive strength in finance and IT, solid presence in China, sales network, etc. (Client base, including online users, of 350 million people)



平安津村

Aim to become a trusted traditional Chinese medicine company in China

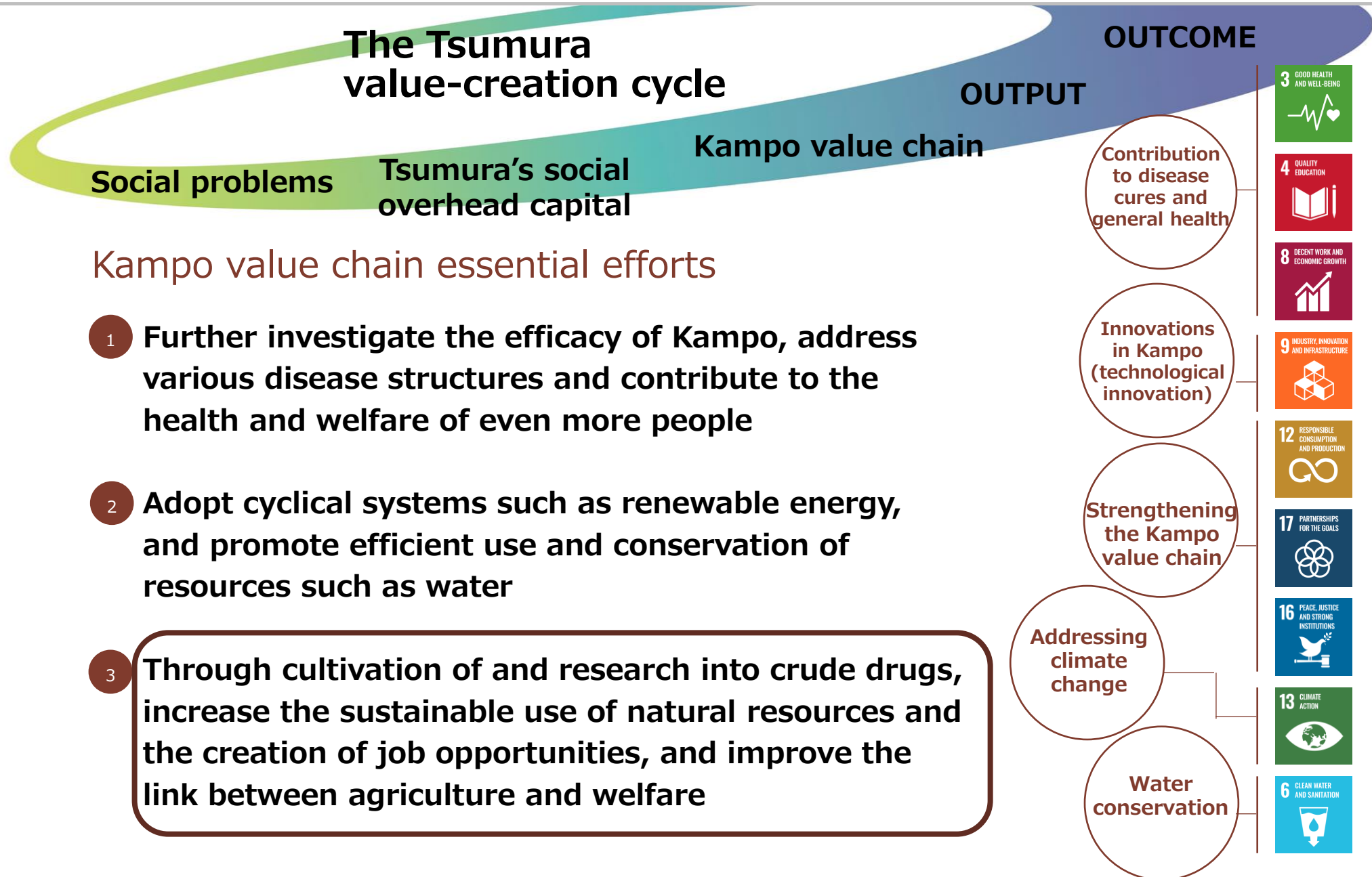
China Business: Diagram of Capital Ties



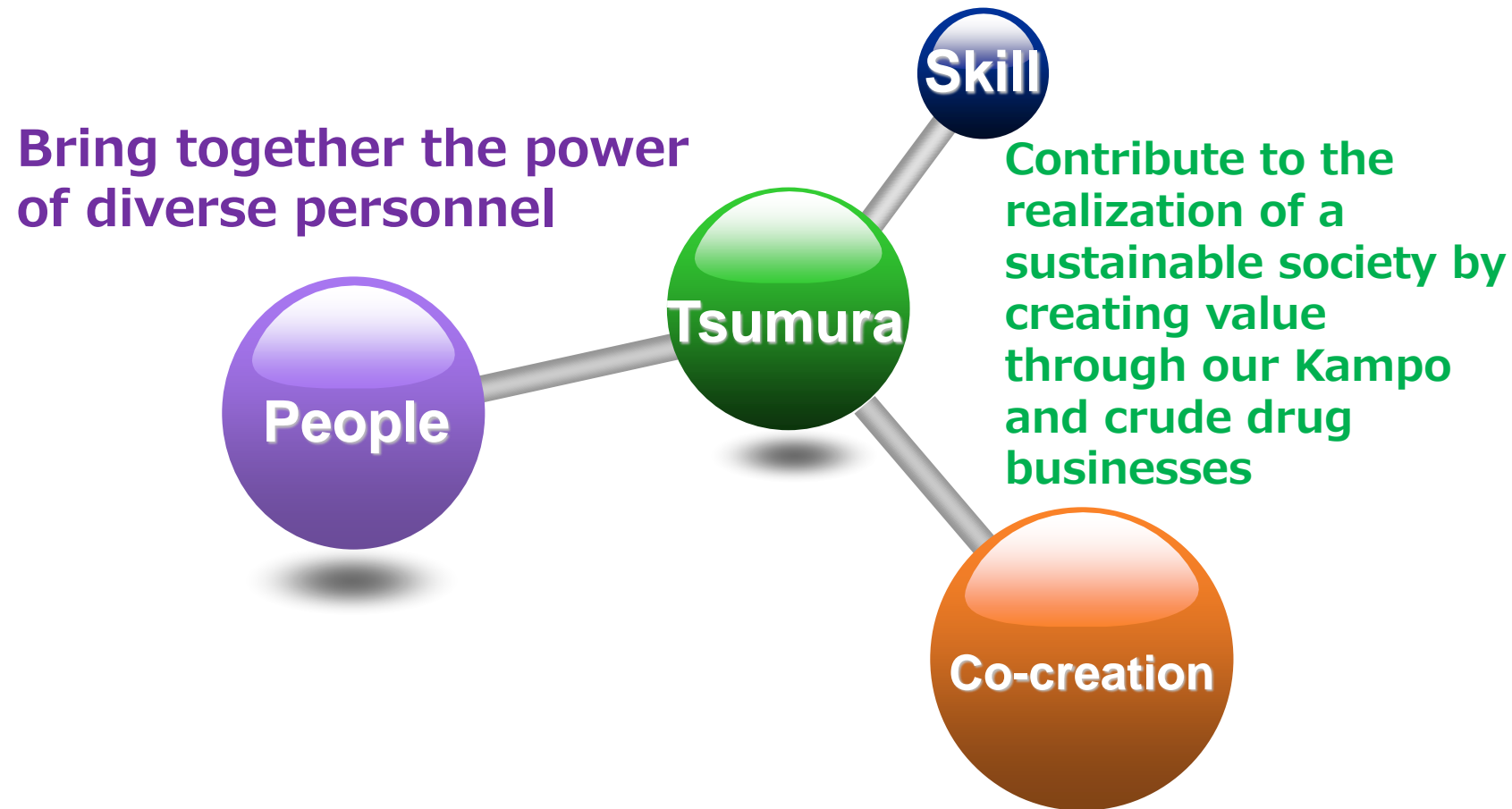
Tsumura's business

~ESG~

TSUMURA & CO.
August 2021



Be No. 1 and possess proprietary technology



Together create a sustainable society

Contribute to medical care and society by creating value through the Kampo and crude drug business



Founder: Meaningful business that is part of the public interest
Jusha Tsumura (second generation; son of founder): Kampo is not “unscientific,” it is **yet** to be scientifically verified

Contribute to the creation of value and to medicine based on the following approach "Kampo" ≠ "synthetic medicine"

"Kampo" balances the body and mind overall and by **enhancing the body's natural healing power, it promotes improvement to symptoms**



Explore efficacy of Kampo medicine in treating COVID-19 patients

Japanese Society of Oriental Medicine and other organizations have requested Tsumura's assistance in researching Kampo for use in treating COVID-19 patients. In response to this request, we will explore the efficacy of prescription Kampo formulations through full-fledged cooperation

Create New Value and Market by Being No. 1 and Leveraging Proprietary Technologies



Create a market using the Ping An Tsumura manufacturing and sales platform

Ex: Manufacture and sale of safe and secure high-quality traditional Chinese medicine



Quality / Technology /
Information



中国平安 PING AN

Comprehensive financial and IT
capabilities
Scale and recognition



Ping An Tsumura

Crude drug platform

Formulation platform

Traditional Chinese Medicine Research Center (working name)



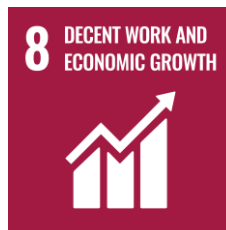
Expand cultivation areas by using the Ping An Tsumura crude drug platform

Ex: Forest and water conservation (nature preservation)



Ex: Develop cultivation of wild crude drugs (environmental preservation, recycling-oriented society)





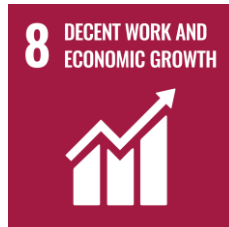
Cultivation in poor areas using the Ping An Tsumura crude drug platform

Ex: Successful case of Chinese rhubarb (da-huang) cultivation (contribution to local economy and job creation)



Impoverished areas (mountainous area)
Poor housing
Inadequate water and sewerage systems
Low income and impoverished farmers
Ethnic minorities have difficulty finding jobs

Contribution to the local economy
Housing maintenance
Safe drinking water and toilet
Stable income for farmers
Create jobs



Co-creation with Yubari Tsumura's "Harunire no Sato," a social welfare corporation

Ex: Crude drug cultivation at "Temiru Farm" in Ishikari City, Hokkaido



Perilla herb cultivation

High-quality perilla herb cultivation
Top-level processing technology
Boost level of skill acquisition
Continued employment in crude drug cultivation



Poria
Cultivation research

Indoor bukuryo cultivation research
Applications for sawdust substrate cultivation technology
Establishment of cultivation technology infrastructure
Research for commercialization

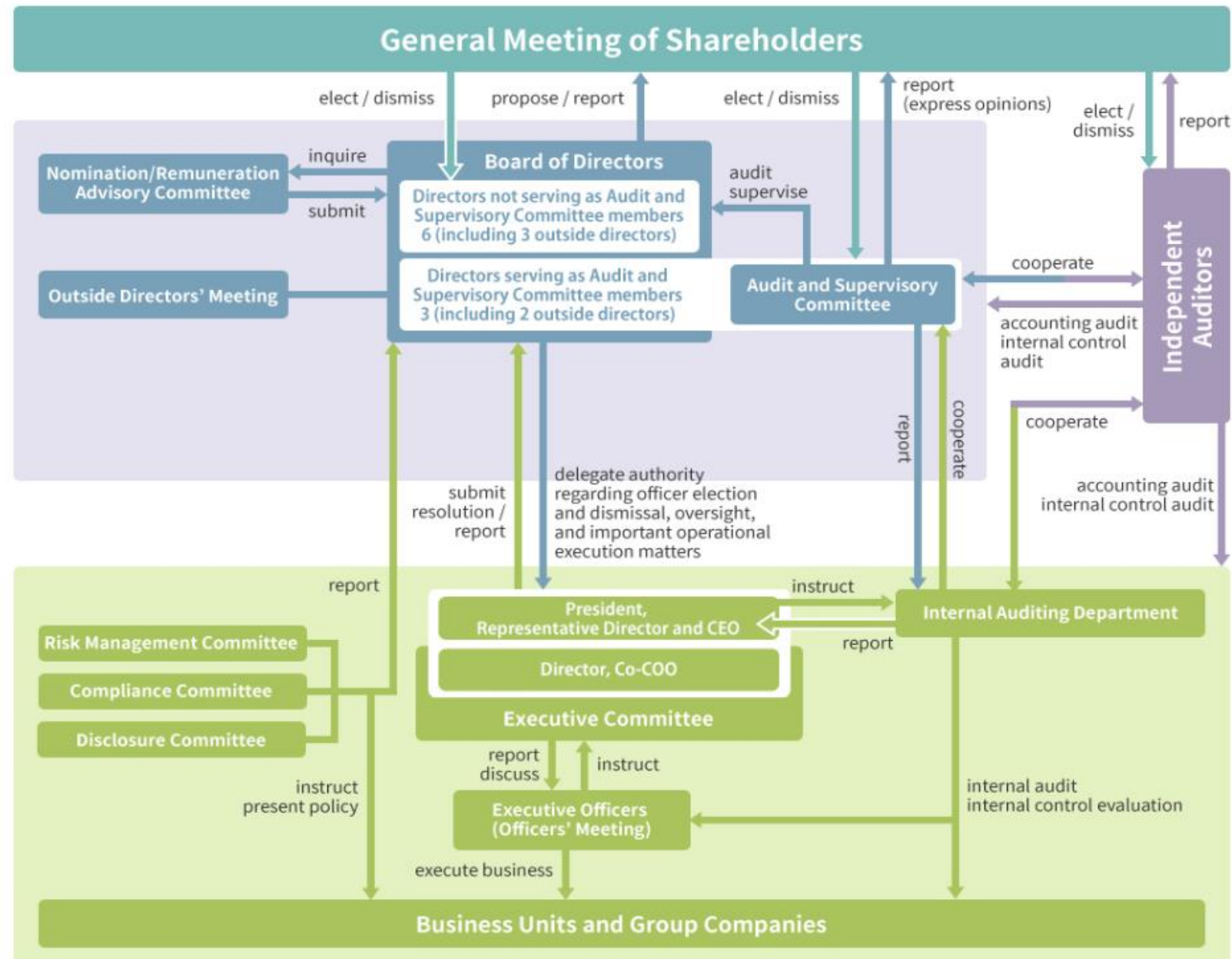
【directors】 9 directors (including 5 outside directors)

President, Representative Director, and CEO	Terukazu Kato
Director, and Co-COO	Susumu Adachi
Director, and CFO	Muneki Handa
Outside Director	Kenichi Matsui
Outside Director	Hiroshi Miyake
Outside Director	Tadashi Okada
Director (Audit and Supervisory Committee Member, Full-Time)	Kimikazu Okochi
Outside Director (Audit and Supervisory Committee members)	Mitsutoshi Matsushita
Outside Director (Audit and Supervisory Committee members)	Akemi Mochizuki

【 Executive officer】

Co-COO (Head of China Coordination Department)	Koin Toda
Executive officer, Manager of Tsumura Academy	Ryoichi Murata
Executive officer, Manager of Personnel Department	Shuji Sugawara
Executive officer, Manager of Sales & Marketing Division	Yukinori Sorada
Executive officer, Manager of Legal & Compliance Department	Hiroshi Hoshi
Executive officer, Manager of Kampo Scientific Strategies Division	Kouji Endo
Executive officer, Manager of Kampo Research & Development Division	Akihito Konda
Executive officer, Manager of Production Division	Kei Sugii
Executive officer, Manager of Quality & Safety Management Division	Mitsutoshi Yuzurihara

Corporate governance system



Attendance at Board of Directors meetings and Audit and Supervisory Committee meetings

		Board of Directors		
		Attendance	Number of times held	Attendance rate
Director	Kenichi Matsui	18	18	100.0%
Director	Hiroshi Miyake	18	18	100.0%
Director	Tadashi Okada	14	14	100.0%
Director (Audit and Supervisory Committee members)	Mitsutoshi Matsushita	18	18	100.0%
Director (Audit and Supervisory Committee members)	Akemi Mochizuki	18	18	100.0%
		Audit and Supervisory Committee		
		Attendance	Number of times held	Attendance rate
Director (Audit and Supervisory Committee members)	Mitsutoshi Matsushita	18	18	100.0%
Director (Audit and Supervisory Committee members)	Akemi Mochizuki	18	18	100.0%

Note: Tadashi Okada was appointed as a Director at the 84th ordinary general meeting of shareholders that was held on June 29, 2020.

Criteria for determining the independence of outside directors	This is stated in the notice of convocation of the 85th Ordinary General Meeting of Shareholders held on June 29, 2021, which can be viewed on the Company's corporate website.
Accounting auditor	PwC Arata Limited Liability Audit Corporation
Amount of compensation, etc. of the accounting auditor	65 million yen
Outside Directors' Meeting	Number of meetings held: 13 The Outside Directors' Meeting collects and shares the information necessary for management decision-making. At the same time, it acts as a venue for the exchange of opinions regarding the necessity of discussions and other matters with the Board of Directors. Number of Outside Directors' Meeting members: 5

(1) Medical systems	Change in medical systems
(2) Product supply	(1) Risk related to the procurement of crude drugs, secondary raw materials and materials (2) Risk related to manufacturing and distribution
(3) Product safety and side effect issues	In the event that situations such as those described below result in a decline in sales volume, demand for large amounts of damage compensation, or a large-scale recall, among other possibilities (1): Unknown agrochemical residue on crude drugs (2): Product defects or safety issues due to some reason (3): Unexpected adverse reactions
(4) International business	Unforeseeable changes in legal regulations or in political, economic, or other conditions
(5) Research and Development	Cancellation or delay in R&D activities, or a significant increase in cost
(6) Intellectual property	Outflow of intellectual properties related to Kampo products
(7) Human resources	Decline in working population, diversification and growing complexity of the labor environment, occupational safety and health, and harassment
(8) Competition	Entry into prescription Kampo formulation market
(9) Exchange rate fluctuations	Sharp rise in the yuan
(10) Finance	Increase in retirement benefit obligations, etc. due to drop in share price or a cut in the discount rate
(11) Tax affairs	Revisions to tax system in respective country, or difference in opinion with tax authorities when filing taxes
(12) Environment	In the event that corporate activities cause soil, water or other pollution, which triggers an issue, including legal violations
(13) Proceedings	Adverse effects of prescription drugs, including Kampo, damage to a consumer's health, product liability, labor issues, infringement of intellectual property, breach of contract, and environmental pollution
(14) IT information management	IT system malfunction triggered by a disaster, including large-scale earthquake or fire, and system shutdown or leak of confidential information due to a cyber attack by a malicious third party or due to carelessness or an error on the part of an employee
(15) Internal control	Internal control system does not function effectively and cannot ensure the efficacy and effectiveness of operations, and credibility of financial reporting
(16) Other risks	Unexpected spread of infectious diseases, including COVID-19

appendix



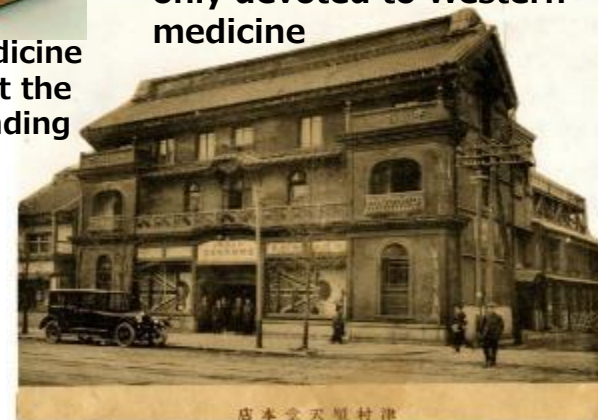
**Founder: Jusha Tsumura
(first president)**

Belief
**Quality medicine is
guaranteed to sell**



**Chujoto medicine
packaging at the
time of founding**

**Meiji era "Out of Asia and into
Europe"**
**Strong opposition to
healthcare reforms that were
only devoted to Western
medicine**



**Tsumura Juntendo head
office (at time of founding)
Nihonbashi, Chuo-ku, Tokyo**

Corporate Philosophy

The Best of Nature and Science

.....

The same basic values that the Tsumura Group should pursue

Corporate Mission

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

.....

Aim to continue to be a necessary company for Society (Purpose)

Basic Direction

Tradition and Innovation

.....

The way of thinking that based on the behavior of the company and its employees,
and ultimately leads to the corporate attitude, and corporate culture.

Tsumura's prescription Kampo formulations and raw material crude drug

148 prescription Kampo formulations are covered under the Japanese National Health Insurance (NHI) plan.

Prescription Kampo formulations

We have **129** prescription Kampo formulations Manufactures and sells.

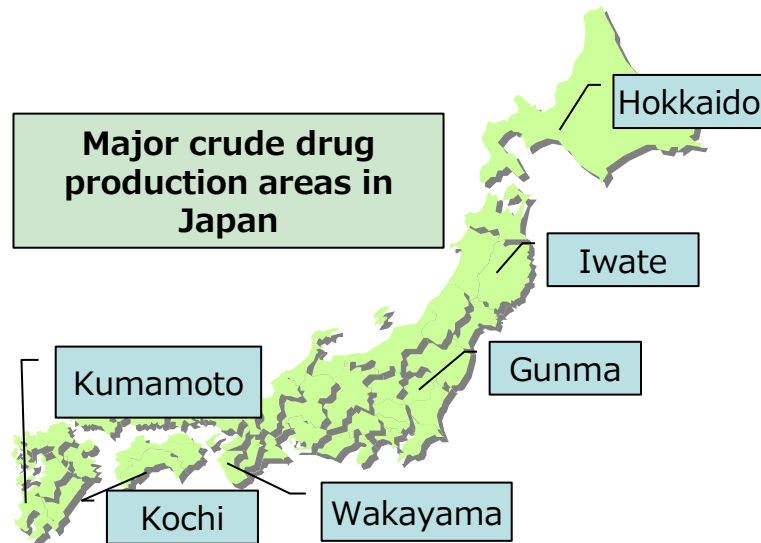
Raw material crude drug

We use about **119** raw material crude drugs in our prescription Kampo formulations.



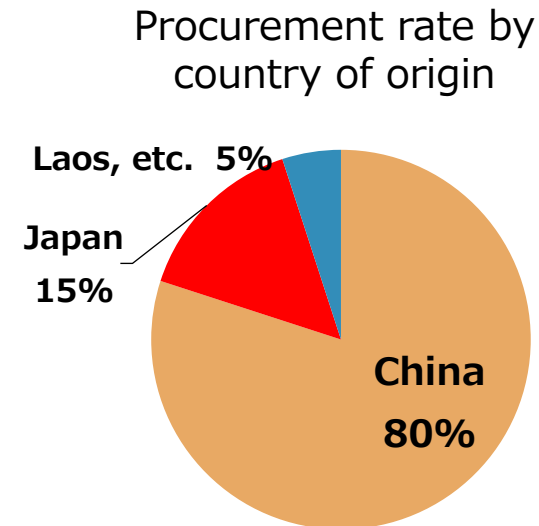
Domestic procurement

In Japan, we have built a procurement network comprised mainly of **Six major crude drug production areas**



Country of origin for raw material crude drugs

Procurement rate by country of origin
China (about 80%), Japan (about 15%), Laos, etc. (about 5%)



Raw material crude drugs are procured in accordance with **Direct contracts with companies in production areas and producer groups**

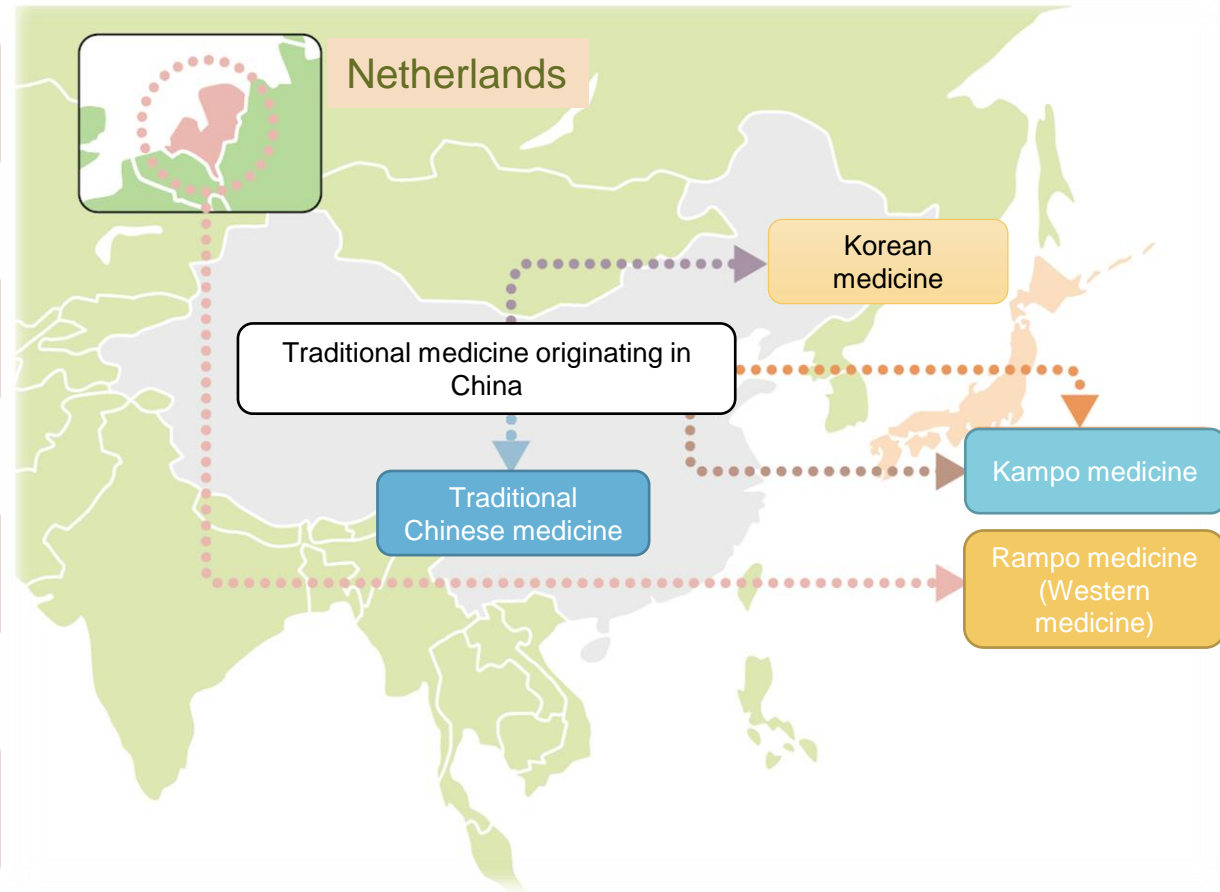
Origin of Kampo medicine

Kampo medicine is a traditional medicine unique to Japan

Traditional Chinese medicine was introduced to Japan in the 5th and 6th centuries

Traditional Chinese medicine developed as Kampo medicine by the Edo period

Dutch Medicine: Orchid
Japanese Traditional Medicine: Kampo



Natural Healing Power

Kampo medicine uses the natural healing powers that the body originally equipped with to maintain a person's health.

The mind and body are one

The entire body, both mentally and physically, is perceived and the body's balance.

“Different treatment for same diseases”
“Same treatment for different diseases”

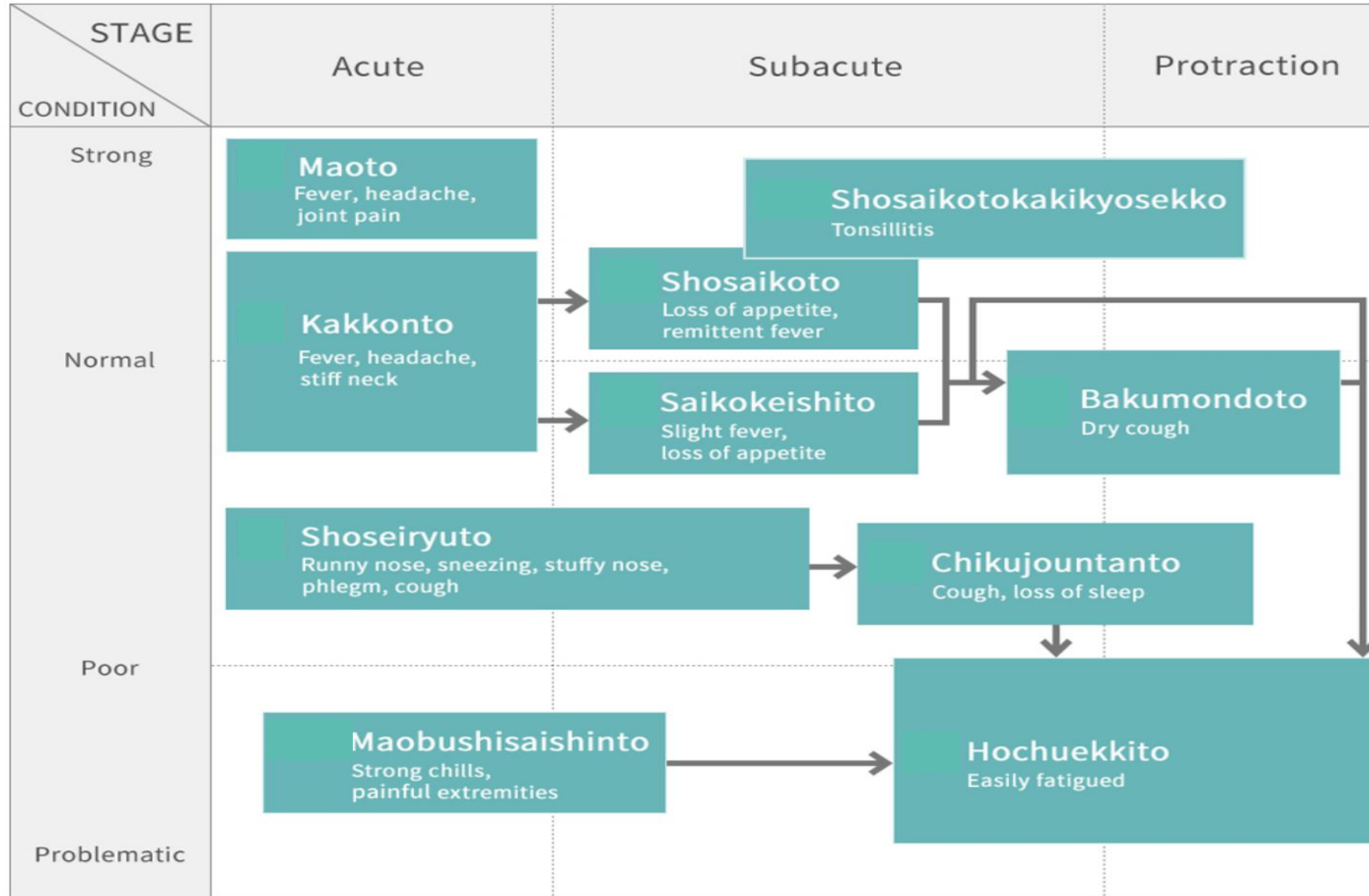
Treat the same illness with different prescriptions by depending on each person / Treat the different diseases with same prescriptions

【The best medical care】

- ✓ East and west does not matter when it comes to treating a person's illness.
- ✓ Treatment that takes advantage of each medicines.
- ✓ Western medicine licensed doctor learns kampo medicine and prescribes Kampo formulations.



Different treatment for same diseases : Prescription Kampo formulations for 「colds」



Source: Kunio Matsuda. ABC of Kampo treatment

Same treatment for different diseases : Kakkonto is a cold medicine?

Kakkonto

Source : Shang Hang Lun



Initial stage of common cold,
Headache, Fever, Chills



Shoulder stiffness,
Pain

The text above is from a Chinese medical book compiled about 1,800 years ago. It specifies the precise proportions of herbal ingredients in a frequently prescribed preparation, kakkonto.

【INDICATIONS】

Following symptoms in person with moderate or more physical strength:
Initial stage of common cold (without spontaneous sweating), coryza, rhinitis, headache, shoulder stiffness, muscle pain, and pain in hands and shoulder.

【INGREDIENTS】

Pueraria Root , Ephedra Herb ,
Cinnamon Bark , Ginger ,
Glycyrrhiza, Peony Root , Jujube

Prescription Kampo formulations for the cold symptoms

1 Kakkonto



41 Hochuekkito



27 Maoto

