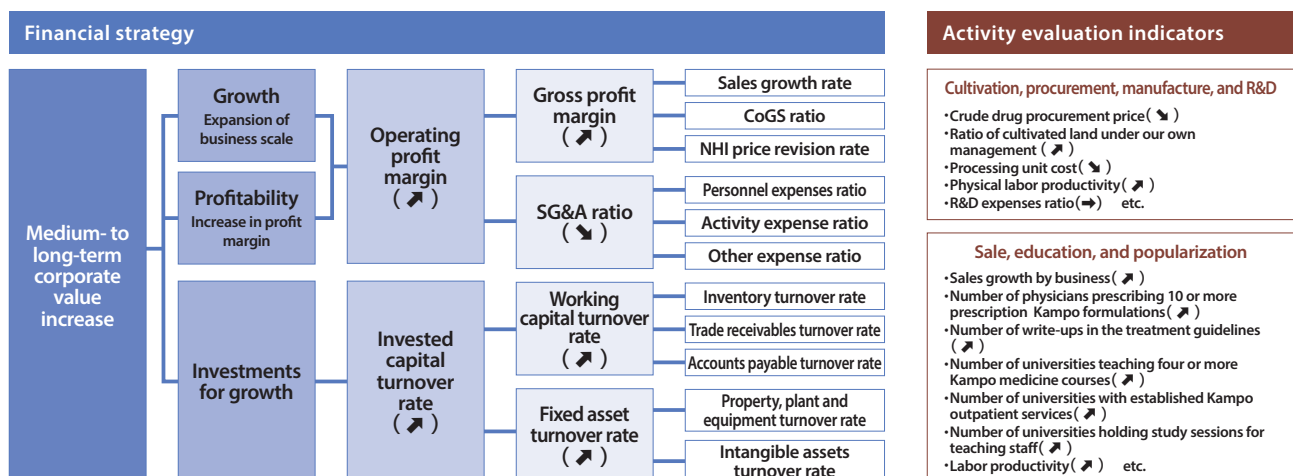


Financial and Pre-financial Highlights

Increasing Corporate Value and Pre-financial Indicators

As a financial strategy for increasing our corporate value over the medium to long term, we are managing action evaluation indicators in our Kampo value chain, aiming to expand our business scale, increase profit margin, and invest for growth. In cultivation, procurement, manufacture, and R&D, we aim to reduce the purchase price of crude drugs by expanding the ratio of cultivated land under our own management and promoting cultivation of wild crude drugs. In addition, we will see efficiency increase with growth in production volume following the expansion of the Kampo market, and we will also increase the labor equipment ratio through the adoption of AI and robotics, including the introduction of automated crude-drug sorting machines with AI. We aim to reduce processing costs by using and enhancing big data pertaining to manufacturing and quality to realize smart factories. We will maintain R&D investment at 5% or higher of

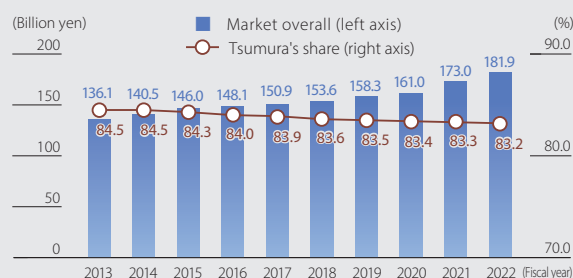
net sales, investing heavily and giving priority to areas such as new disease, promoting personalization of Kampo treatment, and pre-symptomatic disease. In the areas of sale, education and popularization, we are working to expand standardization of Kampo treatment by increasing the number of physicians prescribing 10 or more prescription Kampo formulations and by increasing the number of write-ups in the treatment guidelines. We will also work to personalize medicine and to take on the challenge of pre-symptomatic diseases. Moreover, we will support Kampo medicine education, so that it is a required subject in all university medical departments, Kampo outpatient services are established, and study sessions for teaching staff development are held to enable them to give instructions in Kampo medicine. In the China business, we will work on business expansion towards achieving an overseas sales ratio of 50% or higher.



Market environment in fiscal 2022

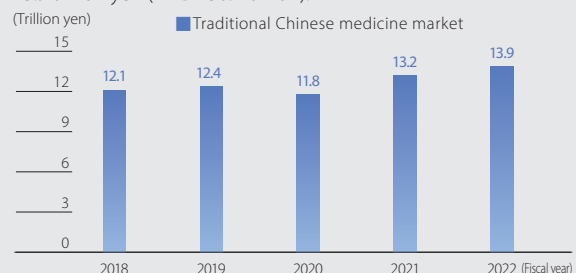
Domestic market

Under the Ministry of Health, Labour and Welfare's "Comprehensive Strategy to Strengthen the Pharmaceutical Industry," Kampo medicine is clearly described as playing an important role in healthcare in Japan, and the need for it is increasing year by year. Against this background, the prescription Kampo formulation market grew 5.1% year on year to 181.9 billion yen.



China market

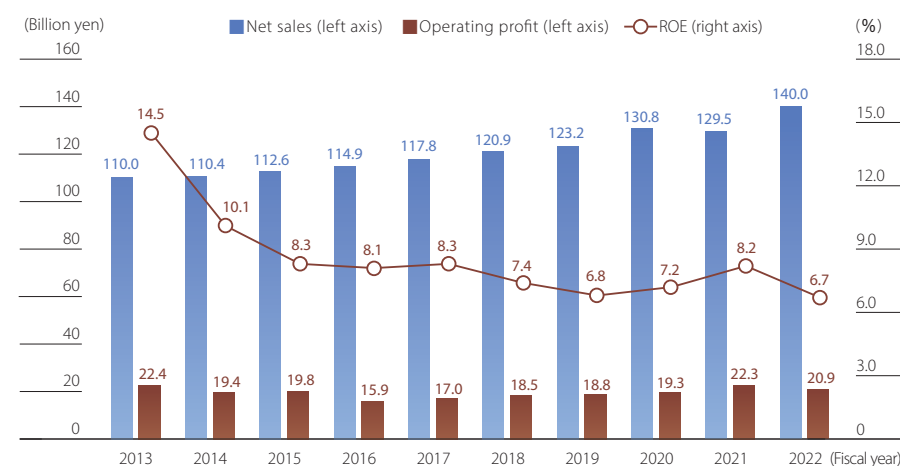
In the Outline of the Healthy China 2030 Plan, importance is placed on both modern medicine and Chinese medicine. It promotes the development of rules regarding traditional Chinese medicine production and also encourages expanding the scale of production, while also implementing measures on theoretical research and drug development. Against this background, the traditional Chinese medicine market grew 5.6% year on year to 13.9 trillion yen (RMB 730.4 billion).



*1 Calculated at 1 RMB = 19.05 JPY (as of the end of December 2022)

*2 Chinese Ministry of Industry and Information Technology, National Bureau of Statistics of China data

Management indicators

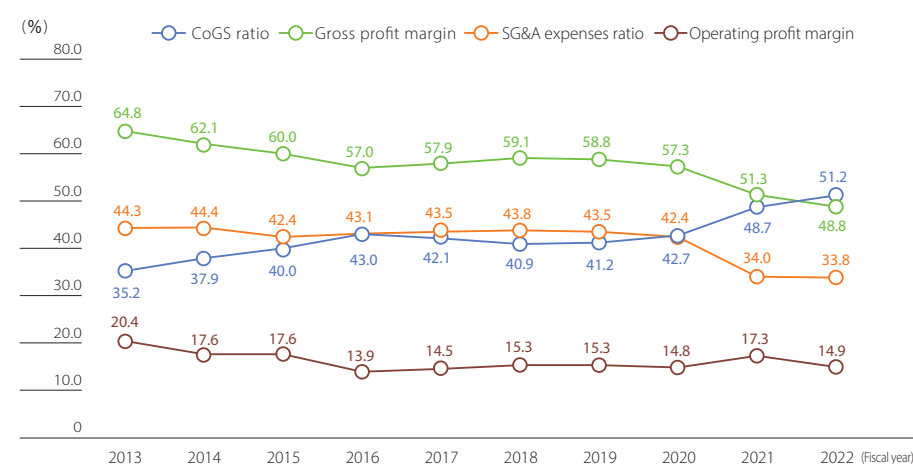


Net sales: Sales of prescription Kampo formulations in the domestic business increased by 4.6% year on year, reflecting the effects of e-promotions and growth in demand for prescriptions related to the symptoms and after-effects of COVID-19 infection. In the China business, sales increased by 54.6% year on year, mainly due to expansion in sales of raw material crude drugs in the crude drug platform.

Operating profit: Profit decreased due to impacts such as high prices for raw materials and energy coupled with the yen's depreciation and temporary expenses related to the start of operations at the Tianjin Plant.

Note: From fiscal 2021, the Accounting Standard for Revenue Recognition has been applied.

Indicators for net sales



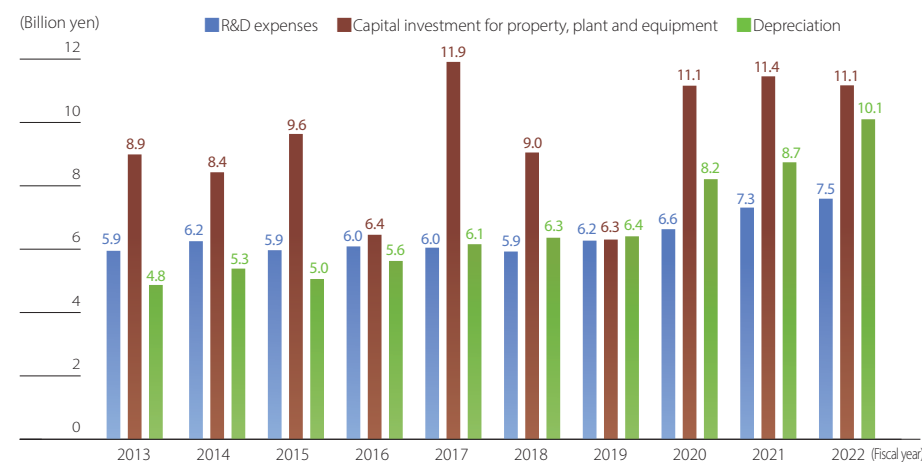
Gross profit margin: The CoGS ratio rose as the impacts of NHI drug price revisions, high prices for raw materials and energy, and the yen's depreciation exceeded that of higher productivity associated with an increase in production.

SG&A expenses ratio: The ratio declined, mainly reflecting increased efficiency in sales promotion expenses, despite temporary expenses incurred for the start of operations at the Tianjin Plant.

Operating profit margin: The margin decreased as an increase in the CoGS ratio exceeded the decrease in the SG&A expenses ratio.

Note: From fiscal 2021, the Accounting Standard for Revenue Recognition has been applied.

R&D expenses, capital investment for property, plant and equipment, and depreciation

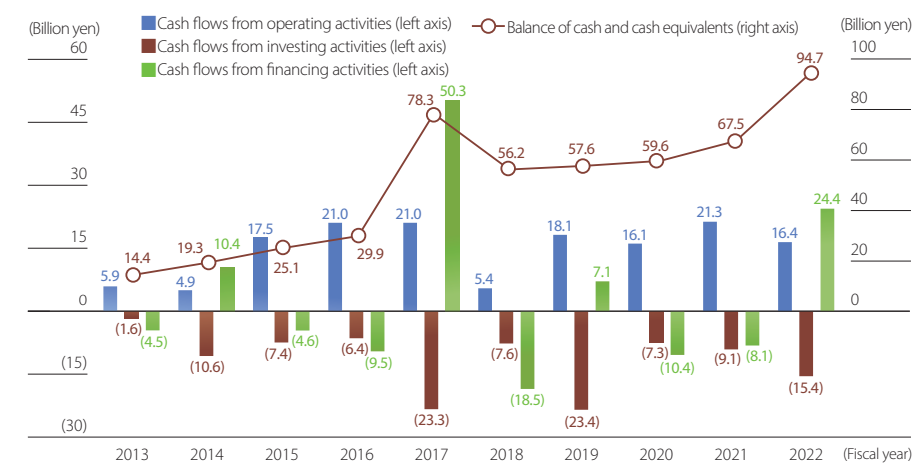


R&D expenses: Expenses increased, mainly for building evidence for Kampo formulations and the market launch of Daikenchuto in the United States.

Capital investment for property, plant and equipment: Investments were made mainly for the new construction of the Tianjin Plant, renewal of the Shanghai Plant, and expansion of other manufacturing processes.

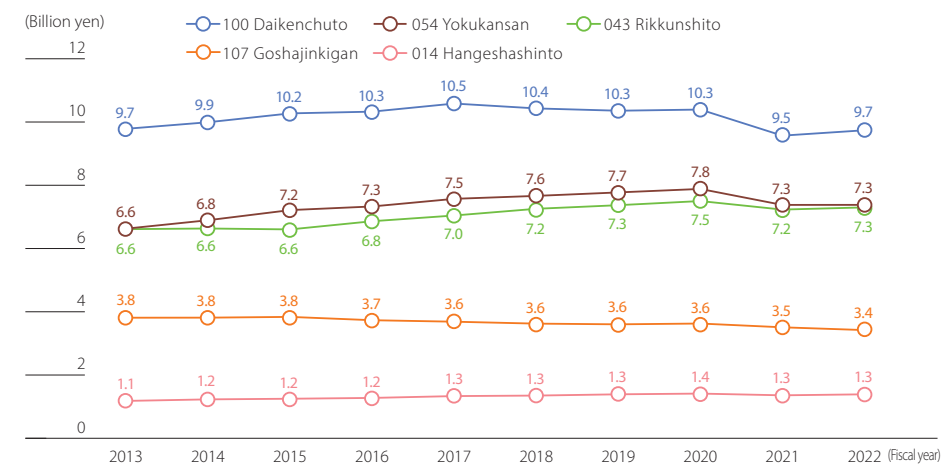
Depreciation: Depreciation increased, mainly in conjunction with the operation of the Tianjin Plant.

Cash flows



Cash flows from operating activities mainly reflected income from profit before income taxes and expenditures for income taxes paid. Cash flows from investing activities mainly reflected expenditures for purchase of property, plant and equipment, while cash flows from financing activities mainly reflected income from the issuance of bonds of 30.0 billion yen. As a result, the balance of cash and cash equivalents at fiscal year-end increased.

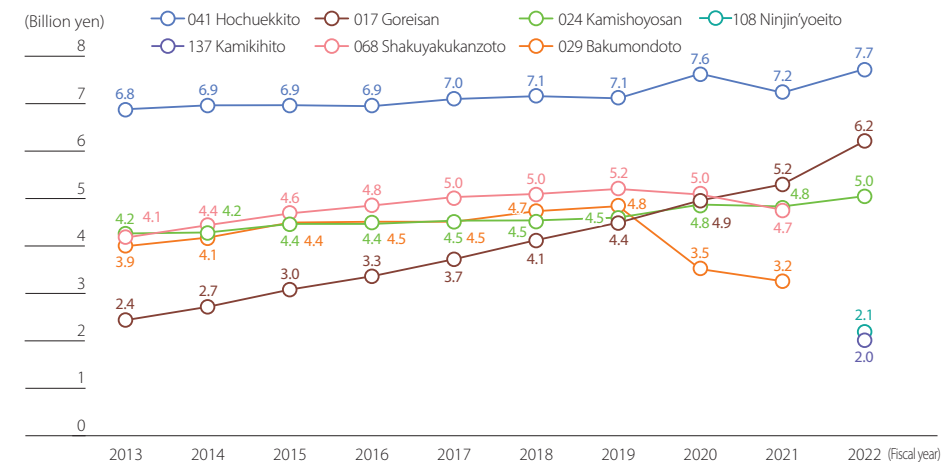
Drug-fostering program formulation net sales



Drug-fostering program formulation net sales rose 0.6% year on year to 29.2 billion yen, mainly reflecting the impacts of a limitation on shipments imposed from August 2022 due to a surge in demand due to the spread of COVID-19 and extremely hot weather, as well as a partial restriction on information provision activities.

Notes:
1 Daikenchuto, Yokukansan, and Rikkunshito were designated as drug-fostering program formulations in fiscal 2004.
2 Goshajinkigan and Hangeshashinto were designated as drug-fostering program formulations in fiscal 2009.
3 From fiscal 2021, the Accounting Standard for Revenue Recognition has been applied.

"Growing" formulation net sales

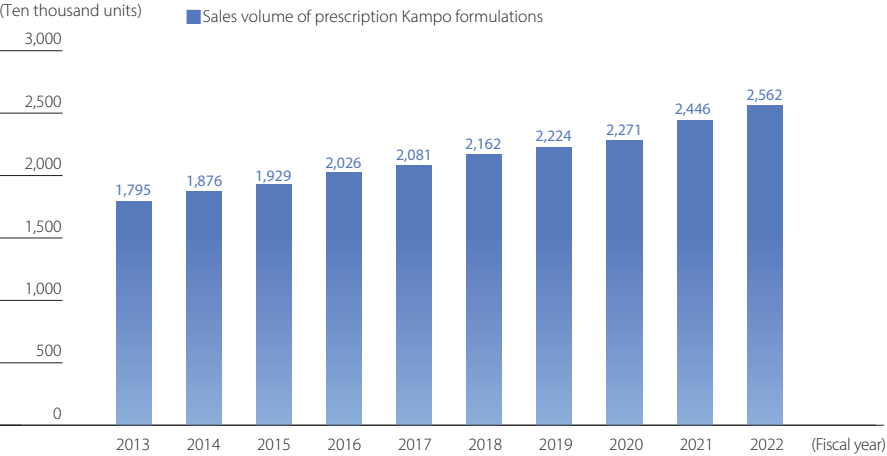


Notes: 1 From fiscal 2021, the Accounting Standard for Revenue Recognition has been applied.
2 From fiscal 2022, Ninjin'yoeito and Kamikihito were added in place of Shakuyakukanzoto and Bakumondoto.

"Growing" formulation net sales grew 10.3% year on year to 23.1 billion yen due to significant growth in sales of Hochuekkito, Goreisan, and Kamikihito.

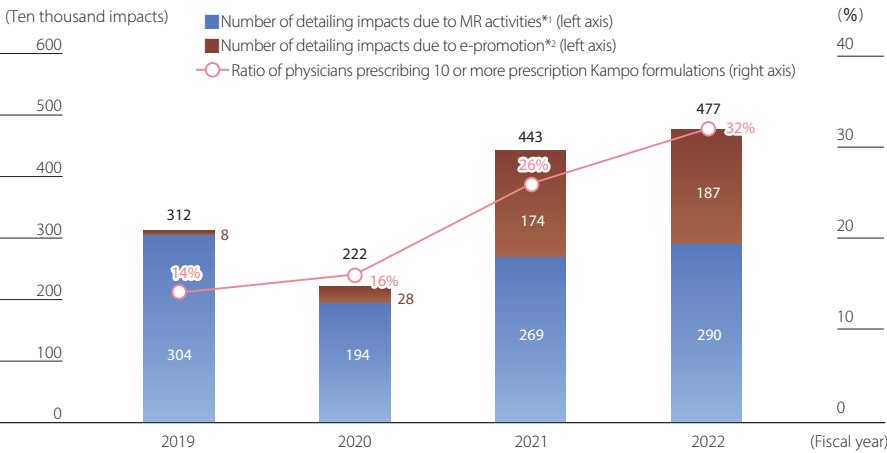
Goreisan grew due to measures such as holding seminars in the cardiovascular field, while Hochuekkito and Kamikihito grew through information provision activities aligned with needs such as fatigue, anxiety, and insomnia related to the after-effects of COVID-19.

Growth in the sales volume of prescription Kampo formulations (129 formulations)



The Company supported the establishment of Kampo medicine in university medical departments, medical colleges, and designated hospitals for postgraduate clinical training, as well as enhancement of education. In addition we have been building evidence for Kampo formulations since 2004 to promote drug-fostering. By accumulating a large quantity of evidence, we have increased the number of write-ups in treatment guidelines, mainly of drug-fostering program and “Growing” formulations. Furthermore, by working to reform information provision activities, such as e-promotion using digital technology, sales volumes have increased by 1.4 times over 10 years.

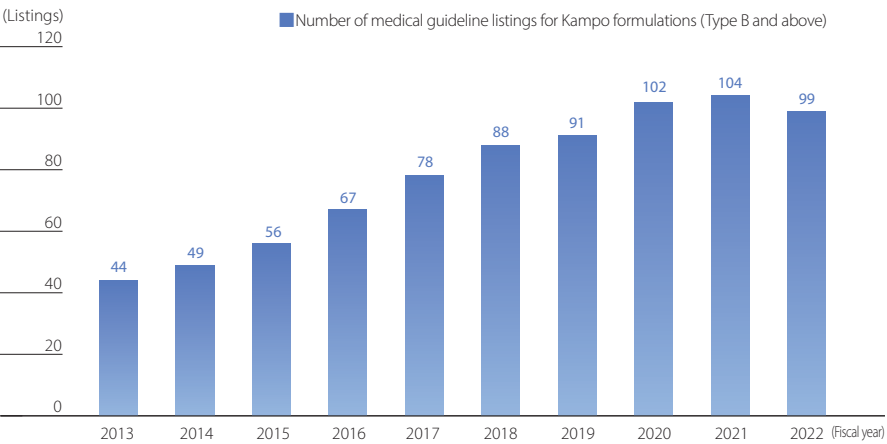
Effects of reforms in information provision activities



From fiscal 2021, we have strengthened e-promotions and enhanced information provision methods, including video streaming on owned media and online seminars, approaching medical professionals via a variety of methods. As a result, we have significantly increased the “detailing impact,” which is the number of times that physicians have recognized information, with accompanying growth in the percentage of physicians who have prescribed 10 or more prescription Kampo formulations.

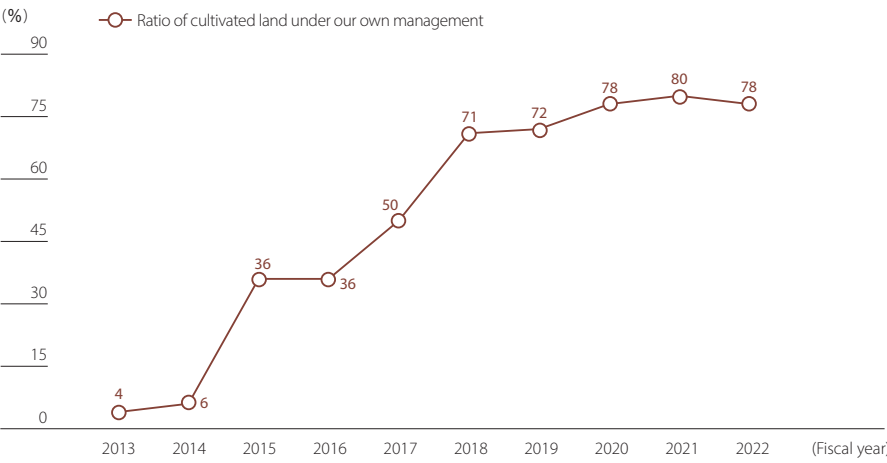
*1 Detailing, online interviews, in-hospital briefings, etc. provided via MRs
*2 Activities to provide information via online means, without the involvement of MRs

Establishment of evidence of efficacy of Kampo formulations



To address claims of a lack of scientific evidence for Kampo medicine, we have been establishing evidence through research, mainly on drug-fostering program and “Growing” formulations. These efforts have resulted in a yearly increase in the number of write-ups in treatment guidelines*3 and an understanding among physicians that Kampo formulations are a kind of standard treatment. Going forward, to further expand Kampo as a standard treatment, we will work to create research results with the aim of increasing new write-ups and recommendation levels of Kampo formulations in treatment guidelines.
*3 Guidelines created by physicians to determine appropriate diagnosis and treatment methods based on scientific evidence.

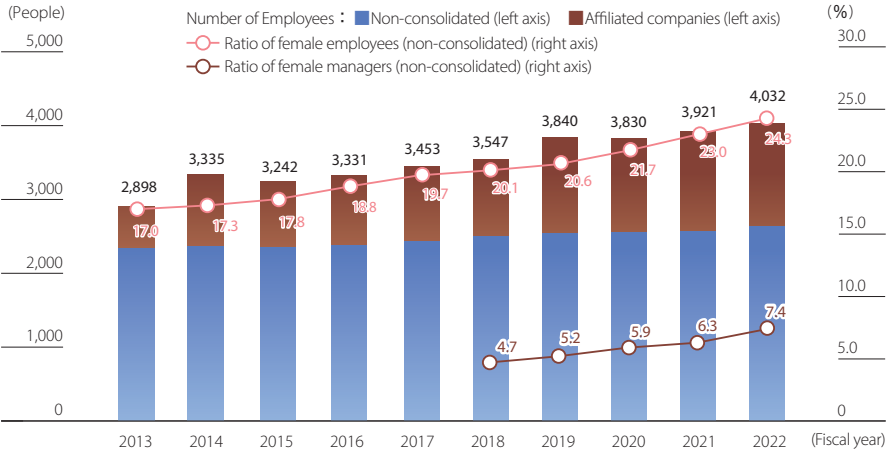
Expand cultivated land under own management



As a measure to stabilize the prices and quantities of raw material crude drugs and to strengthen quality assurance, we are continuously working to expand cultivated land under our own management,**4 which has brought the ratio to around 80%. We aim to continue expanding the ratio of cultivated land under our own management going forward. By managing the entire process from cultivation and procurement of crude drugs used as raw materials for Kampo formulations through to manufacturing and sale of extract formulations, we are able to provide a stable, efficient supply of high-quality Kampo formulations, which is a source of competitive advantage.

*4 Land with regard to which Tsumura can provide direct cultivation guidance, maintain an understanding of cultivation costs, and set crude drug procurement prices.

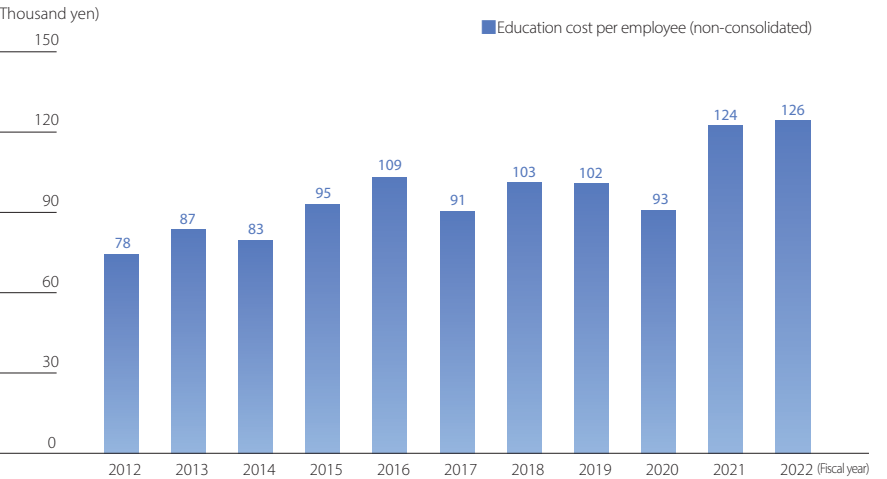
Status of employees



Under a policy of continuing fair and equitable hiring and promotion practices emphasizing diversity, we are working to maintain and continue a 50% ratio of female hires, and the ratio of female employees has been increasing. Furthermore, we encourage proactive participation of women in the basic management course, a program for fostering management personnel and management candidates, and hold development seminars for female managers. Through these and other efforts to support early career development and formation, we aim to achieve a 30% ratio of female managers by fiscal 2035.

Note: The ratio of female managers is as of April 1 each fiscal year

Education cost per employee



Guided by the concept that the organization and human capital is the real source of value creation by a company or business, we invest proactively in human capital, and we are increasing our per-employee expenditure on education. In fiscal 2020, the amount of expenditure dipped temporarily due to COVID-19, but recently the number of training sessions itself has increased due to factors such as Internet-based sessions.

Note: Non-consolidated education cost per employee is calculated as non-consolidated education cost / number of non-consolidated employees (number of employees as of March 31 each fiscal year).