

Fiscal Year Ending March 2012
The 2nd Quarter

Results Briefing

Junichi Yoshii

President & Representative Director

Tsumura & Co.

November 11, 2011

Fiscal Year Ending March 2012

The 2nd Quarter

Overview of Results

Overview of Results (Consolidated)

Results reflected the impact of the Great East Japan Earthquake.

(Million yen)

	Plan	2Q 3/2012	Difference from plan		Year on year	
			Amount	Change (%)	Amount	Growth (%)
Net sales	48,300	45,862	-2,437	-5.0%	487	1.1%
Operating profit	10,900	9,831	-1,068	-9.8%	19	0.2%
Recurring income	11,000	9,911	-1,088	-9.9%	92	0.9%
Net income	6,200	5,141	-1,058	-17.1%	-771	-13.1%

	Plan	2Q 3/2012	2Q 3/2011
Operating profit margin	22.6%	21.4%	21.6%
Dividend (Dividend per share)	30 yen	30 yen	28 yen

Overview of Results (Difference from Plan)

(Million yen)

	Difference from plan		Factor
	Amount	Change (%)	
Net sales	-2,437	-5.0%	* Explained in the next page
Cost of sales	-632	-4.3%	Cost of sales ratio: 30.6% → 30.9%
SG&A	-735	-3.3%	<ul style="list-style-type: none"> • Cost cutting (excluding variable costs): 200 million yen • Adjustment of period: 270 million yen
Operating profit	-1,068	-9.8%	-
Recurring income	-1,088	-9.9%	-
Net income	-1,058	-17.1%	<ul style="list-style-type: none"> • Loss on valuation of investment securities: 670 million yen • Disaster loss: 290 million yen

MR Activities After the Great East Japan Earthquake

■ Ibaraki Plant fully resumed operation on May 10.

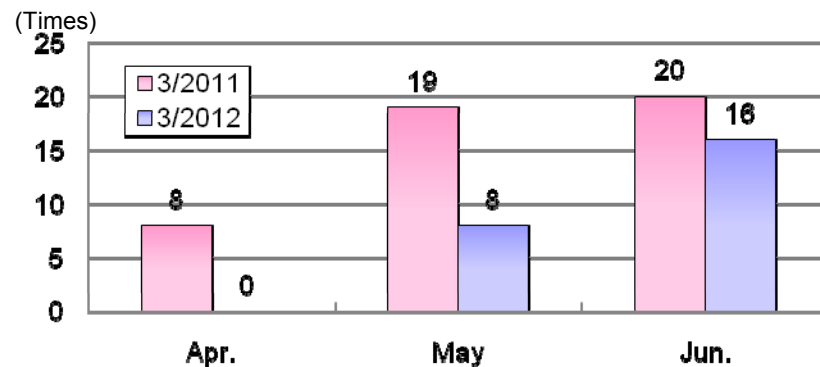
The 1st Quarter

■ However, channel inventories did not return to normal until late June.

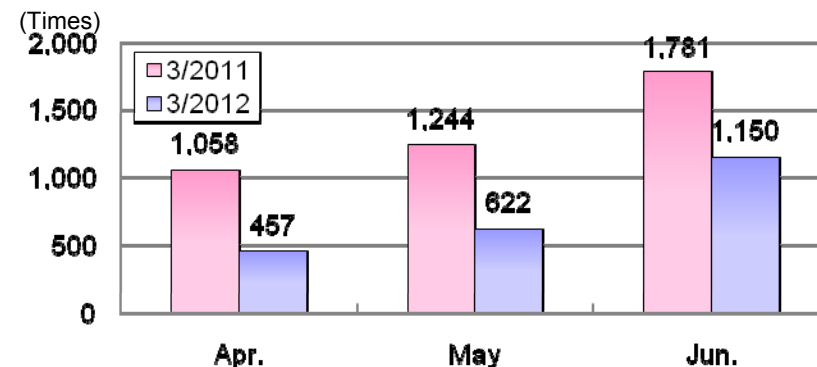
[In the period from the earthquake to late June]

- Requested prescription limits (shorter prescription lengths)
90 days, 60 days, 30 days → 30 days, 14 days
- Apologised to medical institutions and provided them with delivery information for several days running
Reconstruction status and production situation at Ibaraki Plant
- Restraint prevented us from holding Kampo medicine seminars, briefings for dispensaries, etc.

Kampo medicine seminars (No. of times held)



Briefings for dispensaries (No. of times held)



MR Activities After the Great East Japan Earthquake

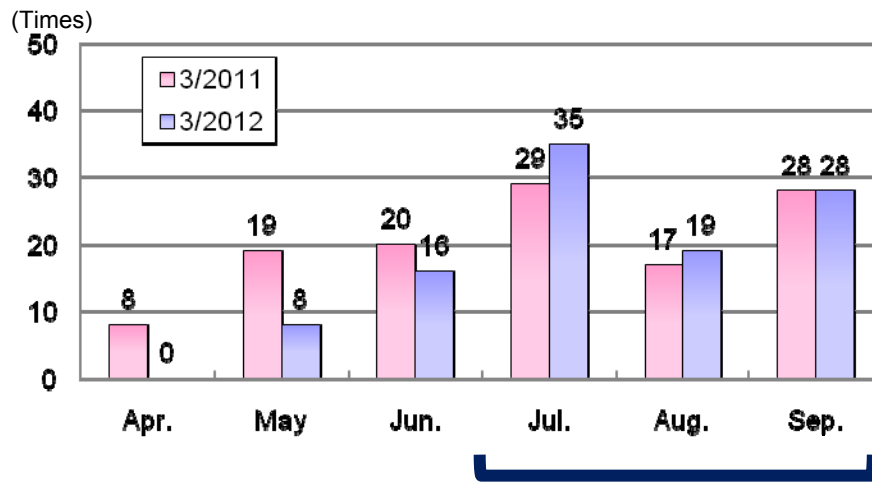
The 2nd Quarter

[In the period from July to September]

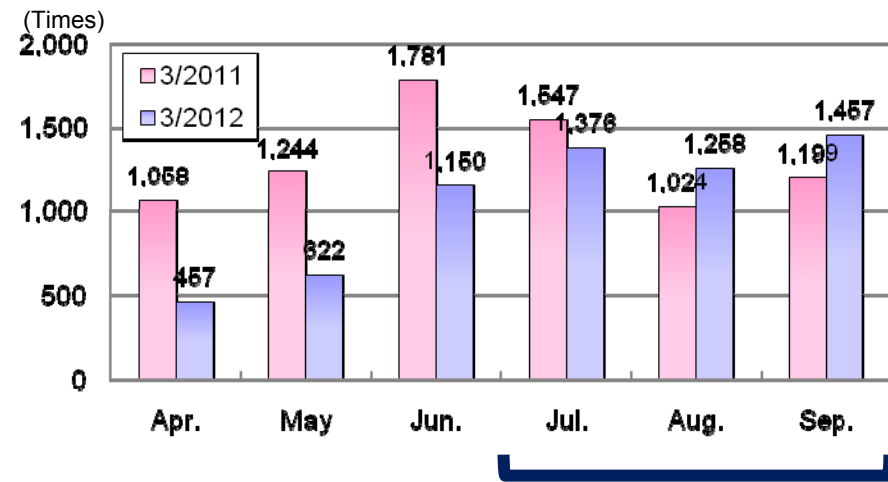
- Explained lifting of prescription limits
 - ◆ Apologized to medical institutions, pharmacies, distributors, etc. for shipment restrictions and thanked them for their understanding.
- Followed up physicians who stopped prescriptions.
- Won back prescriptions that had been lost to competitors.
- Resumed Kampo medical seminars, briefings for dispensaries, etc.

■ Decreased sales in affected areas (centers)

Kampo medicine seminars (No. of times held)

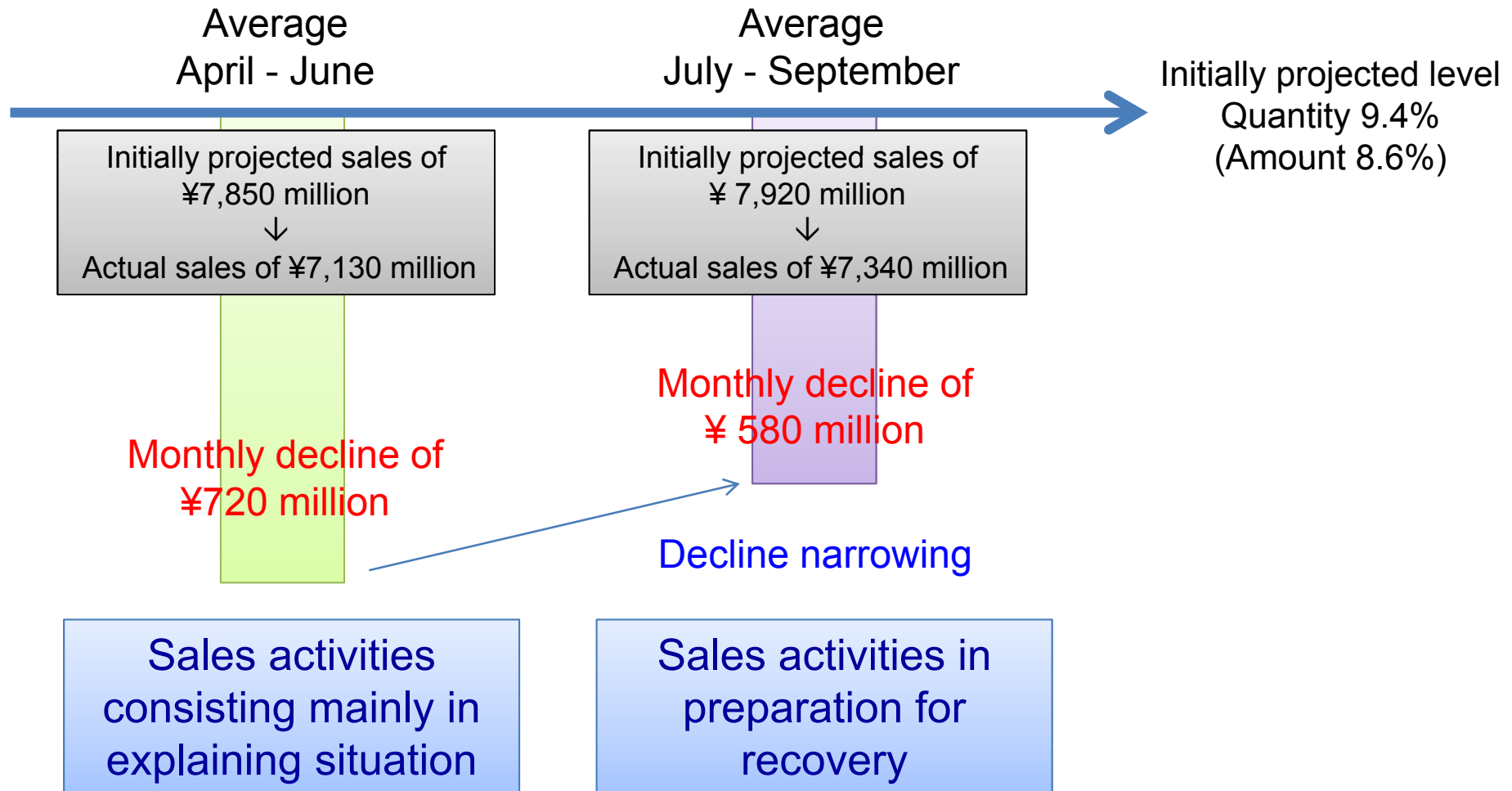


Briefings for dispensaries (No. of times held)

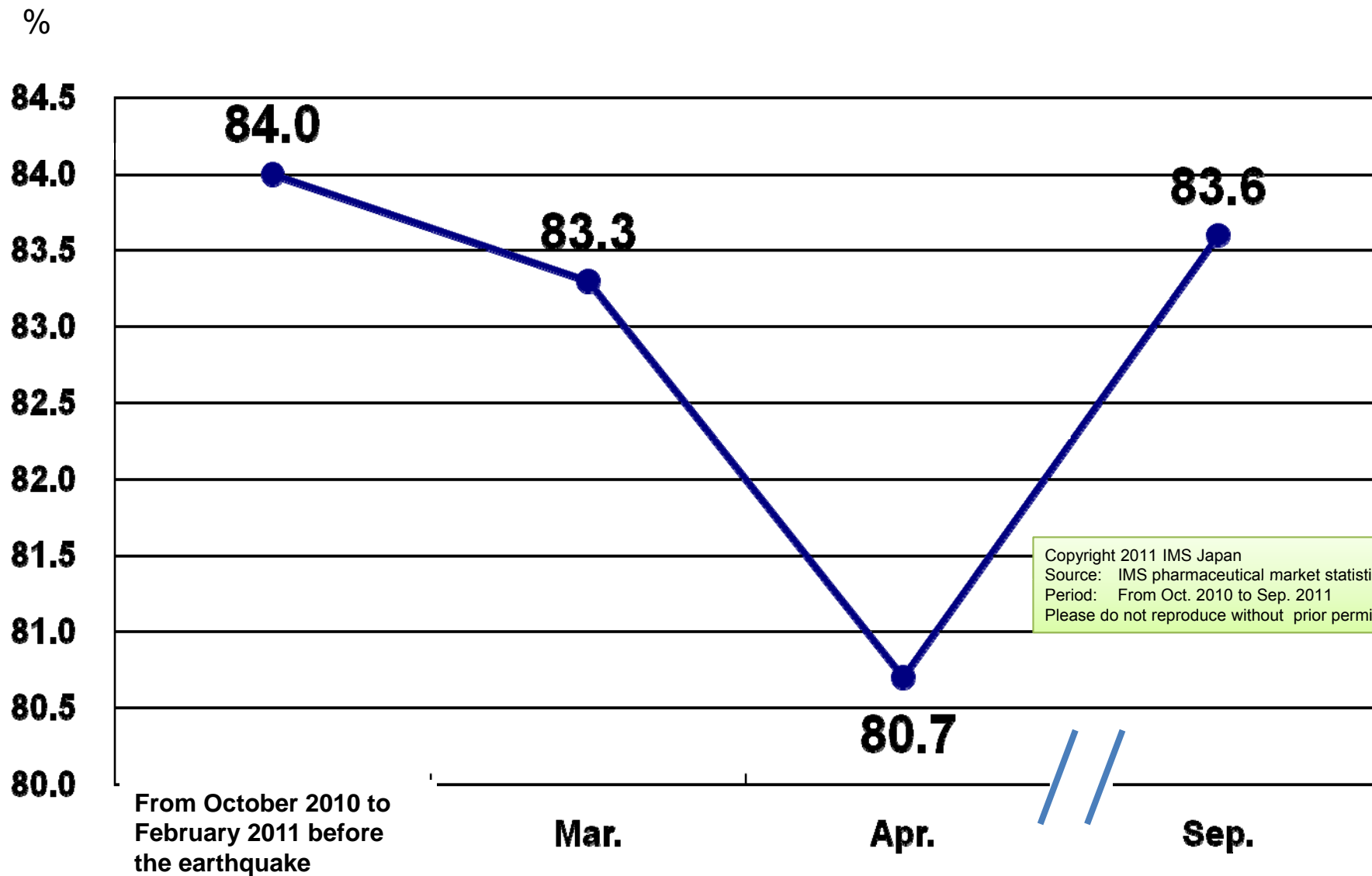


Upward Trend of Monthly Sales (Actual Sales)

Monthly sales (**actual sales**) show upward trend, with narrowing declines compared with projected level.



Tsumura Prescription Kampo Preparations: Market Share Based on Sales



Forecast for the Fiscal Year Ending March 2012

Forecast for Second Half of Fiscal Year Ending March 2012

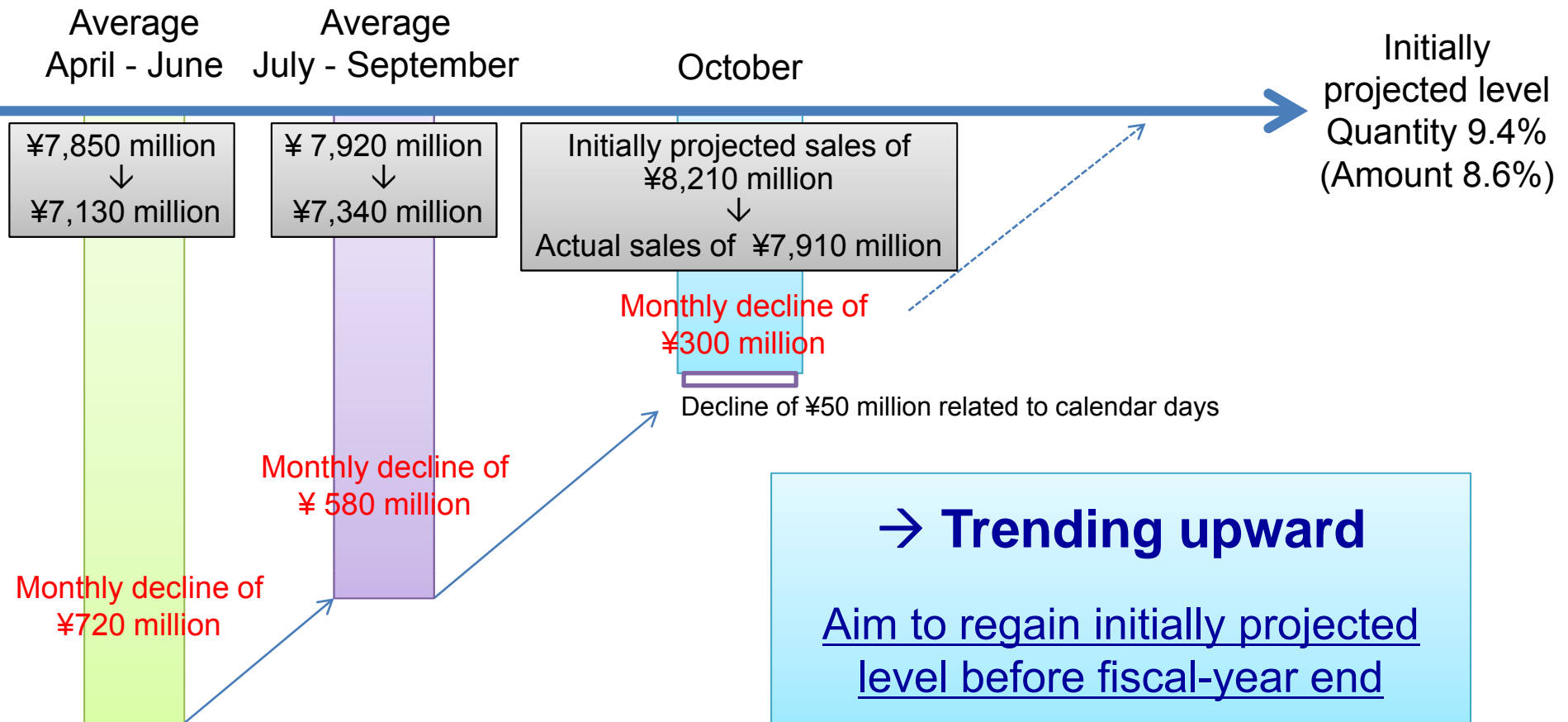
Analysis of second half (Oct. - Mar.) ~ Comparison with initial projection

(Million yen)

	Revised projection	vs. initial projection	Factor
Net sales	50,737	-1,362	* Explained in the next page
Cost of sales	16,132	-667	<ul style="list-style-type: none"> • Cost of sales ratio: 32.2% → 31.8% Unrealized profit, etc.
SG&A	22,735	-64	<ul style="list-style-type: none"> • Adjustment of period from first half: 270 million yen • Cost cutting (excluding variable costs): 200 million yen → plus 200 million yen in first half equals: 400 million yen on a full-year basis • <u>Aim to quickly get back on track by allocating budget required for sales measures</u>
Operating profit	11,868	-631	-
Recurring income	11,988	-611	-
Net income	7,058	-341	-

Upward Trend of Monthly Sales (Actual Sales)

Monthly sales (**actual sales**) show upward trend, with narrowing declines compared with projected level.



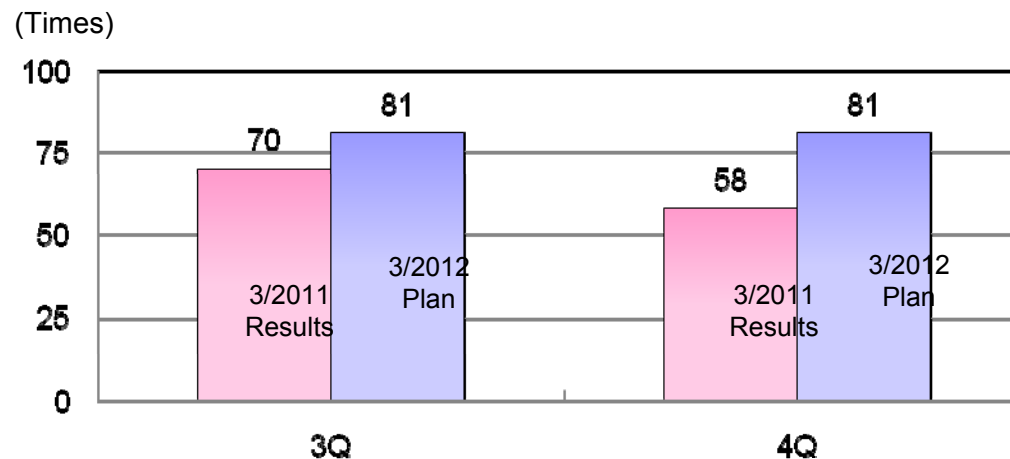
Sales Measures in the Second Half

Sales measures in the second half

- In addition to MR activities normally undertaken,
 - actively hold Kampo medicine seminars (win new contracts);
 - follow up physicians who stopped prescribing;
 - win back prescriptions lost to competitors; and
 - step up visits to physicians yet to be interviewed, etc.

Number of postgraduate Kampo medicine seminars to be held

Plan to increase number of seminars held in second half by around 26% year on year



Fiscal Year March 2012 Plan

(Million yen)

Full-Year Forecast	Original plan	Revised plan	Difference from Original plan		Year on year	
			Amount	Change (%)	Amount	Growth (%)
Net sales	100,400	96,600	-3,800	-3.8%	1,821	1.9%
Operating profit	23,400	21,700	-1,700	-7.3%	146	0.7%
Recurring income	23,600	21,900	-1,700	-7.2%	174	0.8%
Net income	13,600	12,200	-1,400	-10.3%	-745	-5.8%

	Original plan	Revised plan	3/2011
Operating profit Margin	23.3%	22.5%	22.7%
ROA (Return on assets)	16.1%	15.0%	15.6%
Dividend (Dividend per share)	60 yen	60 yen	58 yen

Inventories

< Inventory Management >

Inventories on the Balance Sheet

In the 2nd quarter, inventories rose ¥4,500 million YoY.

	Increase	Months of inventory		Factor
		End of previous fiscal year	The 2 nd quarter under review	
Finished goods inventory	¥1,500 million	Around 1.5 months	Around 2.0 months	(1) Decline in finished goods inventory at end of previous fiscal year (Increase in shipments related to earthquake in March: Around ¥700 million) (2) Upward trend in inventories after earthquake (inventory buildup, decreased sales)
Work-in-process	¥100 million	Around 2.6 months	Around 2.7 months	-
Raw materials	¥2,900 million	Around 14 months	Around 18 months	(1) Bulk procurement of crude drugs for operations in Shanghai (SD process) (2) Rise in unit price of certain crude drugs
Inventories	¥4,500 million	-	-	-

* Calculation of months of inventory

Finished goods inventory, Work-in-process = Ending inventory / Monthly cost of goods sold

Raw materials inventory = Ending inventory / Cost portion of goods sold that is average monthly expenditure on crude drugs

Inventory Management

■ Finished goods inventory

Examining inventory level (around 2 months) since the earthquake

■ Crude drugs inventory

Managing crude drug inventory in light of factors such as production plans for each formula and various risks

■ Inventory management

We will examine reasonable inventory levels for finished products, work-in-process and raw materials, also manage and control these levels as part of total inventories.

Use of Cash Flows

Use of Cash Flows

Make appropriate judgments based on cash flows from operating activities.

Cash flows from operating activities

Investments for further growth

◆ Capital investments

Increasing production facilities, crude drug storage, etc. based on a long-term demand forecast

→ Second-half plan: Revise as appropriate in light of sales situation (move back certain investments around half a year)

Repayment of loans with interest

◆ Repayment

Making judgments on repayment as appropriate in consideration of capital investments, dividends, etc.

→ Second-half plan: ¥1,000 million. Judge as appropriate.

Return to shareholders

◆ Dividend

Aiming to ensure a stable higher dividend, under the perspectives of capital spending, the performance of each term, and the payout ratio, etc.

→ Year-end dividend forecast: ¥30. Maintain dividend payment trend.

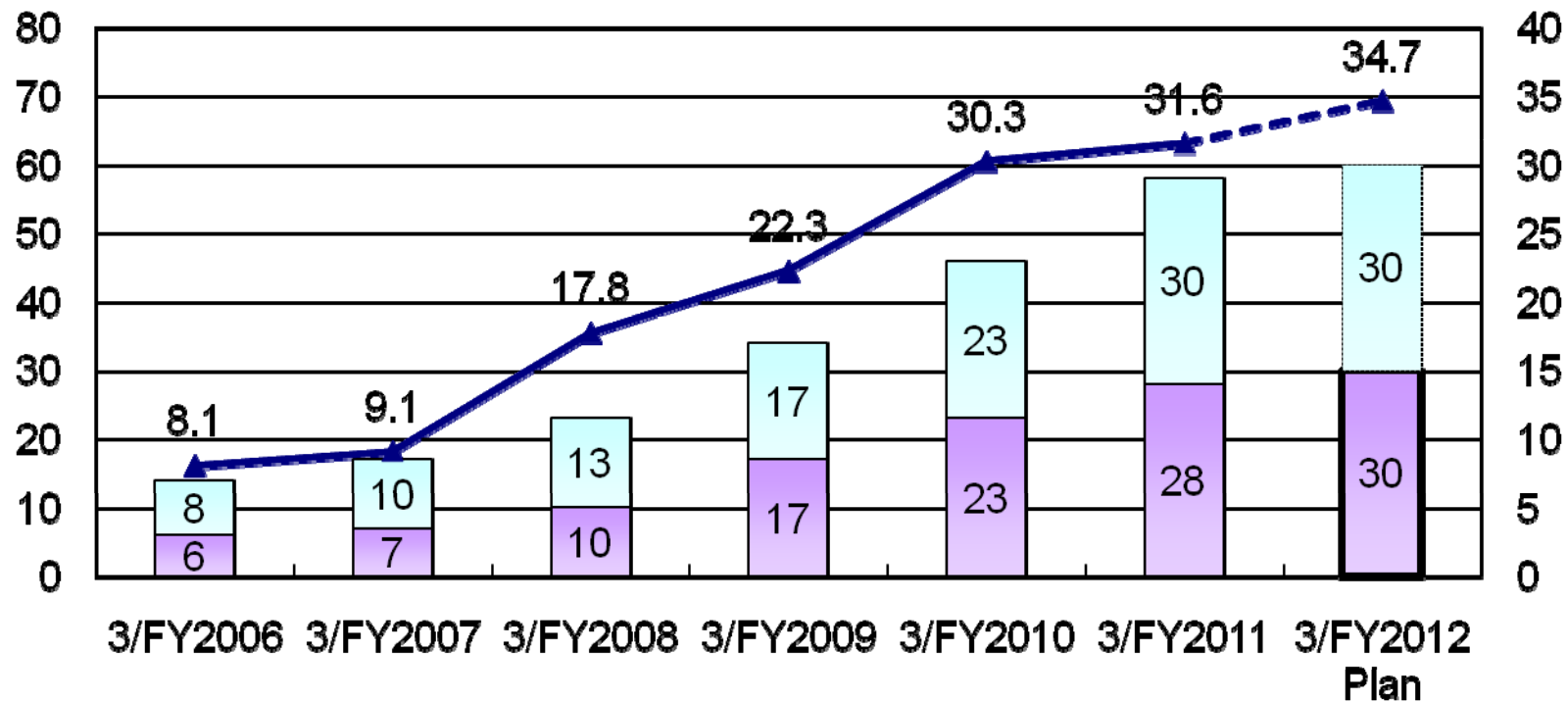
Dividend Policy

[Basic policy]

Aiming to ensure a stable higher dividend, under the perspectives of capital spending, the performance of each term, and the payout ratio etc.

Dividend
(yen)

Dividend
ratio (%)

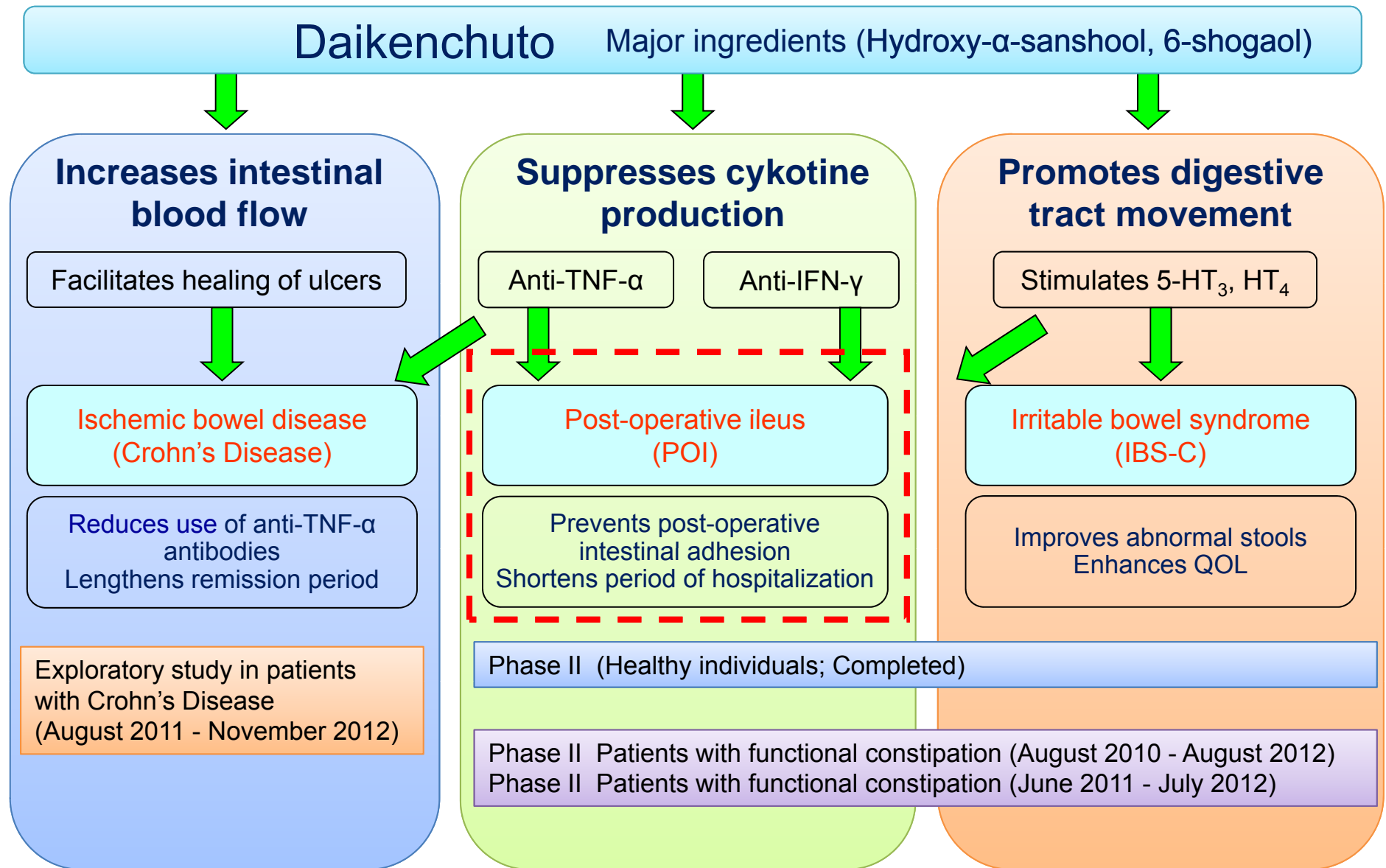


New Indication for Daikenchuto (TU - 100)

< Crohn's Disease >

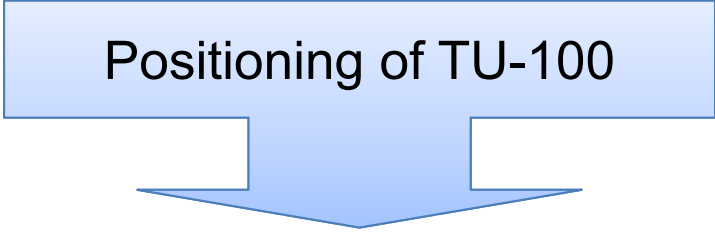
**Norihiro Tanaka
Managing Director &
Chief Director of Medicine Sales**

New Possibilities (Target Diseases) of Daikenchuto (TU-100)



Positioning of TU-100 as Drug for Treating Crohn's Disease

Positioning of TU-100



Remission-inducing drugs

Calm down disease in serious cases
(steroids, immunosuppressants, etc.)

Severe patients 18%
(around 130,000 people)

Remission-maintaining drugs

Prevent recrudescence and lengthen remission period
(There are no effective drugs, and treatment is difficult)

Moderate patients 38%
(around 280,000 people)

Mild patients 44%
(around 320,000 people)

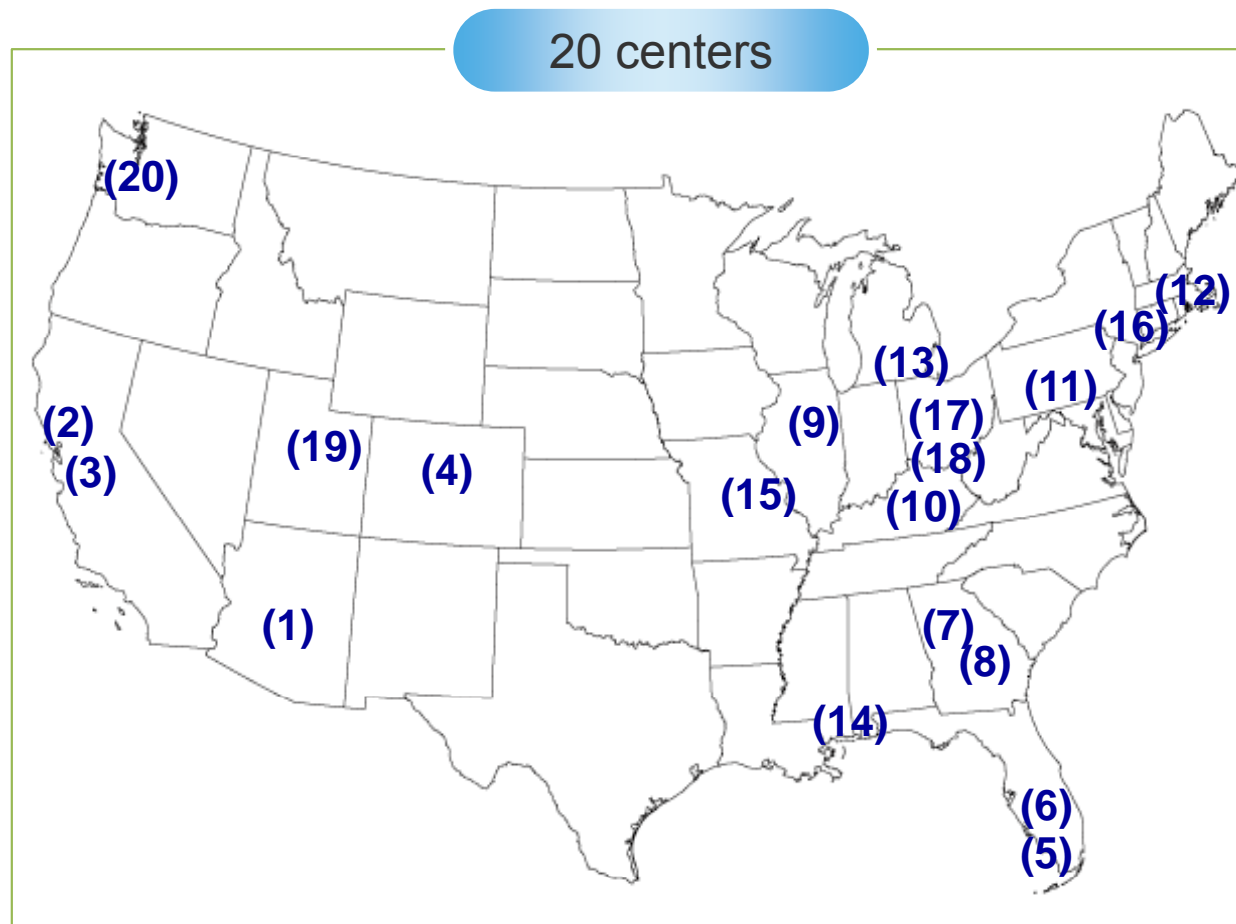
Selection of joint development partner:
To be determined before start of Phase III trial

Outline of Protocol of Early Phase II Trial

Item	Content
Trial title	Randomised, double-blind, placebo-controlled trial of Daikenchuto (TU-100) in patients with mild to moderate Crohn's disease
Target no. of cases	Placebo group: 50 cases, Group administered TU-100 (15g/day): 50 cases
Administration period	8 weeks
No. of centers	20 centers
Development period	18 months (August 2011 - February 2013) * Trial period: Until November 2012
Assessment of efficacy	(1) CDAI (Crohn's Disease Activity Index) (2) IBDQ (inflammatory bowel disease questionnaire) (3) CRP (inflammatory response marker) (4) Faecal calprotectin (inflammatory response marker)

Centers Participating in Clinical Trial

The centers participating in the clinical trial cover the entire United States.



Reference

- Establishing Kampo Medicine**
- Promoting Drug Fostering**

Prescription Kampo Preparations Net Sales of Each Formulation in the 2nd Quarter

Rank	Name of Kampo preparations	Net sales (Million yen)	Change
1	<u>TJ-100</u> Daikenchuto	4,055	4.3%
2	TJ-41 Hochuekkito	2,967	-4.6%
3	<u>TJ-43</u> Rikkunshito	2,529	1.9%
4	<u>TJ-54</u> Yokukansan	2,298	23.8%
5	TJ-24 Kamishoyosan	1,826	1.0%
6	<u>TJ-107</u> Goshajinkigan	1,769	1.2%
7	TJ-68 Shakuyakukanzoto	1,731	3.8%
8	TJ-114 Saireito	1,726	-0.2%
9	TJ-29 Bakumondoto	1,453	-6.3%
10	TJ-62 Bofutsushosan	1,260	3.5%
-	<u>TJ-14</u> Hangeshashinto	444	6.8%
Total of 129 prescriptions of Tsumura prescription Kampo formulations		43,431	1.6%

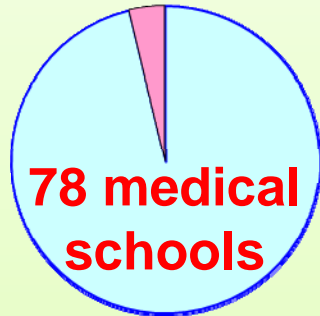
* Preparations underlined are drug fostering formulas.

Establishing Kampo Medicine

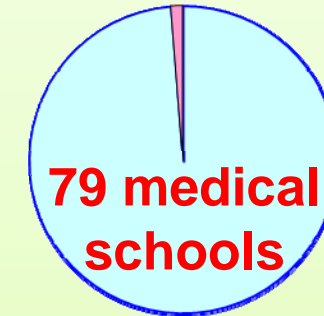
Progress in Kampo medicine education

As of September 30, 2011

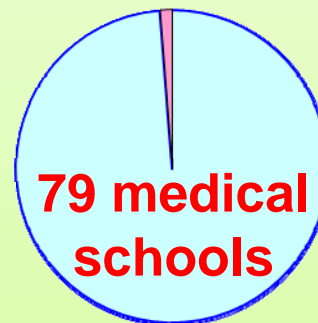
Providing at least 8 compulsory Kampo courses



Kampo clinics for outpatients



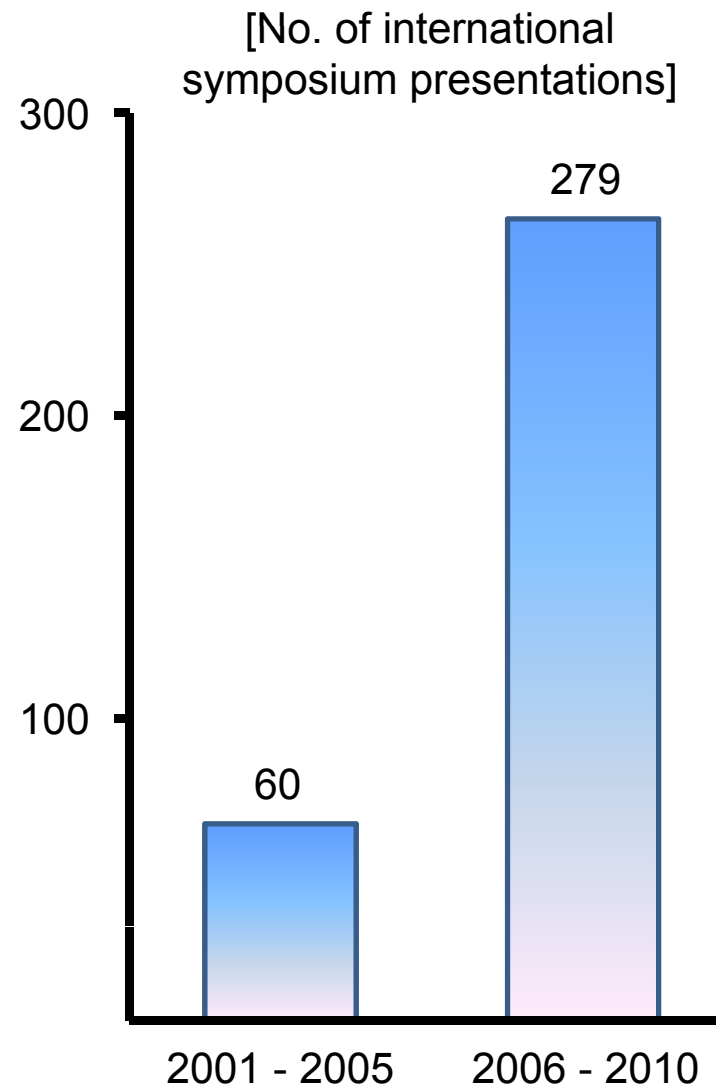
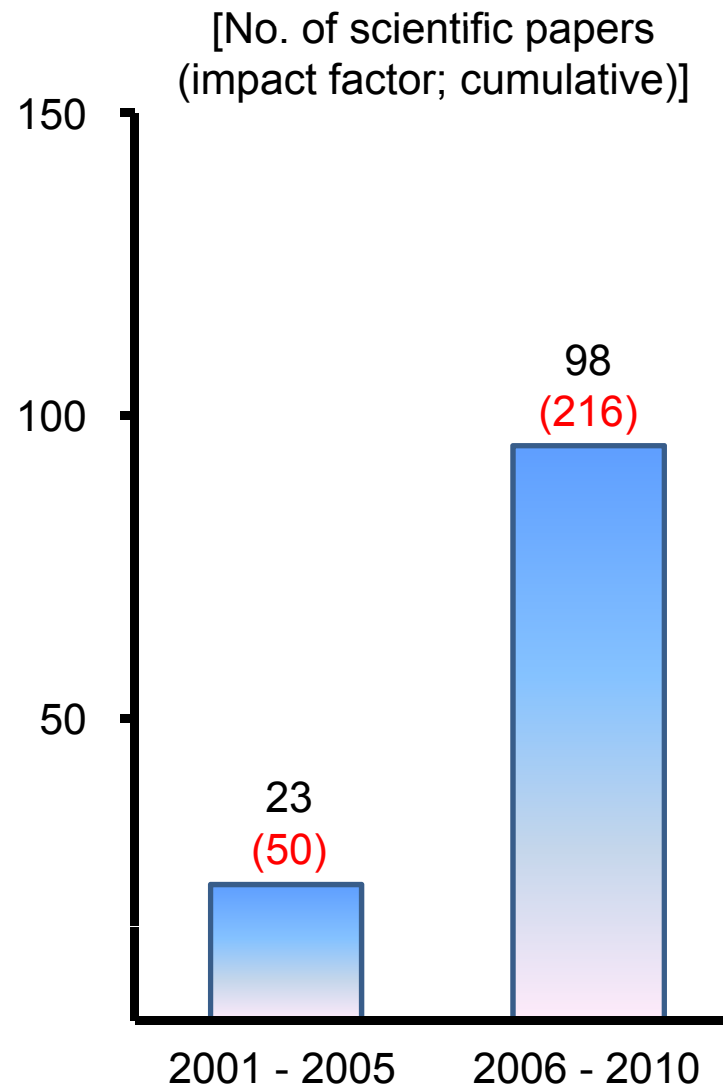
FD: Systems for training lecturers organized by medical schools



Implementation of DBT for Drug Fostering

Formula No	Name of research, etc.	Representative institution, number of institutions, etc.	Number of cases as entries	3/FY2010	3/FY2011	3/FY2012				3/FY2013				3/FY2014			
						Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
TJ-100 DKT Forum	Colon Team (Clinical Pharmacology) Target: 400 cases	Kitasato University Approx. 50 institutions	386 cases (88 cases) (Completed Jun. 2011.)	Jan. 2009 - Jun. 2011													
	Hepatic Surgery Team Target: 200 cases	Kushiro Rosai Hospital Approx. 20 institutions	231 cases (Accumulation of evidence completed May, 9, 2011)	Feb. 2010 - Jan. 2012													
	Stomach and Esophagus Team Target: 240 cases	Oita University Approx. 30 institutions	73 cases Sept. 2011	Jan. 2011 - Dec. 2012													
TJ-43	FD Target: 430 cases	Keio University Scientific research fund	-	Feb. 2011 - Sept. 2012													
	GERD Target: 240 cases	Osaka City University	-	From Aug. 2011													
TJ-54	Schizophrenia Target: 120 cases	Shimane University Scientific research fund	-	Mar. 2011 - Feb. 2012													
	BPSD Target: 140 cases	Tohoku University Scientific research fund	-	Feb. 2011 - Mar. 2013												Analysis: Oct.	
TJ-107	GONE Target: 80 cases	Asahikawa Medical University	-	May 2009 - Oct. 2010													
	GENIUS Target: 310 cases	Kyushu University Scientific research fund	-	Oct. 2010 - Mar. 2013													
TJ-14	Hangesya-C Target: 90 cases	Osaka National Hospital	-	Oct. 2010 - Sept. 2012													
	Hangesya-G Target: 90 cases	Kanagawa Cancer Center	-	Oct. 2010 - Sept. 2012													

Drug fostering formulas: EBM/Accumulation of Evidence



Employment of Workers with Disabilities

Tsumura's Employment rate of Workers with Disabilities (Employment Measures)

Diversity of employment

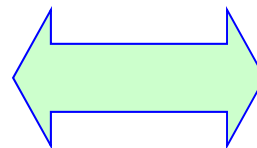
Various persons are employed as appropriate for individual works.



Temiru Farm < Cultivation of Crude Drug >



Yubari Tsumura Co., Ltd.



Ishikari-shi

“Temiru Farm”
farming corporation



Investment

“*Harunire No Sato*” social
welfare corporation

Concluded a consignment contract for the cultivation of crude drug.
Opportunities to be employed for crude drug cultivation are given to workers with disabilities.



Cnidium rhizome



Planting Cnidium rhizome



Corporate Mission

**Contribute to the availability of medicines
of unprecedented quality
by combining Kampo and Western medicine**

For further information, contact

**Investor Relations Group
Corporate Communications Department
Tsumura & Co.**

Notes

Data and information provided in this document include so-called forward-looking statements. Figures relating to forecasts show our judgments and assumptions based on information available and include risks and uncertainty. Actual results might therefore differ from expected figures. The information on pharmaceuticals included is not intended as advertising or medical advice.