TSUMURA & CO.

TSUMURA & CO.
Business Results for Fiscal 2012

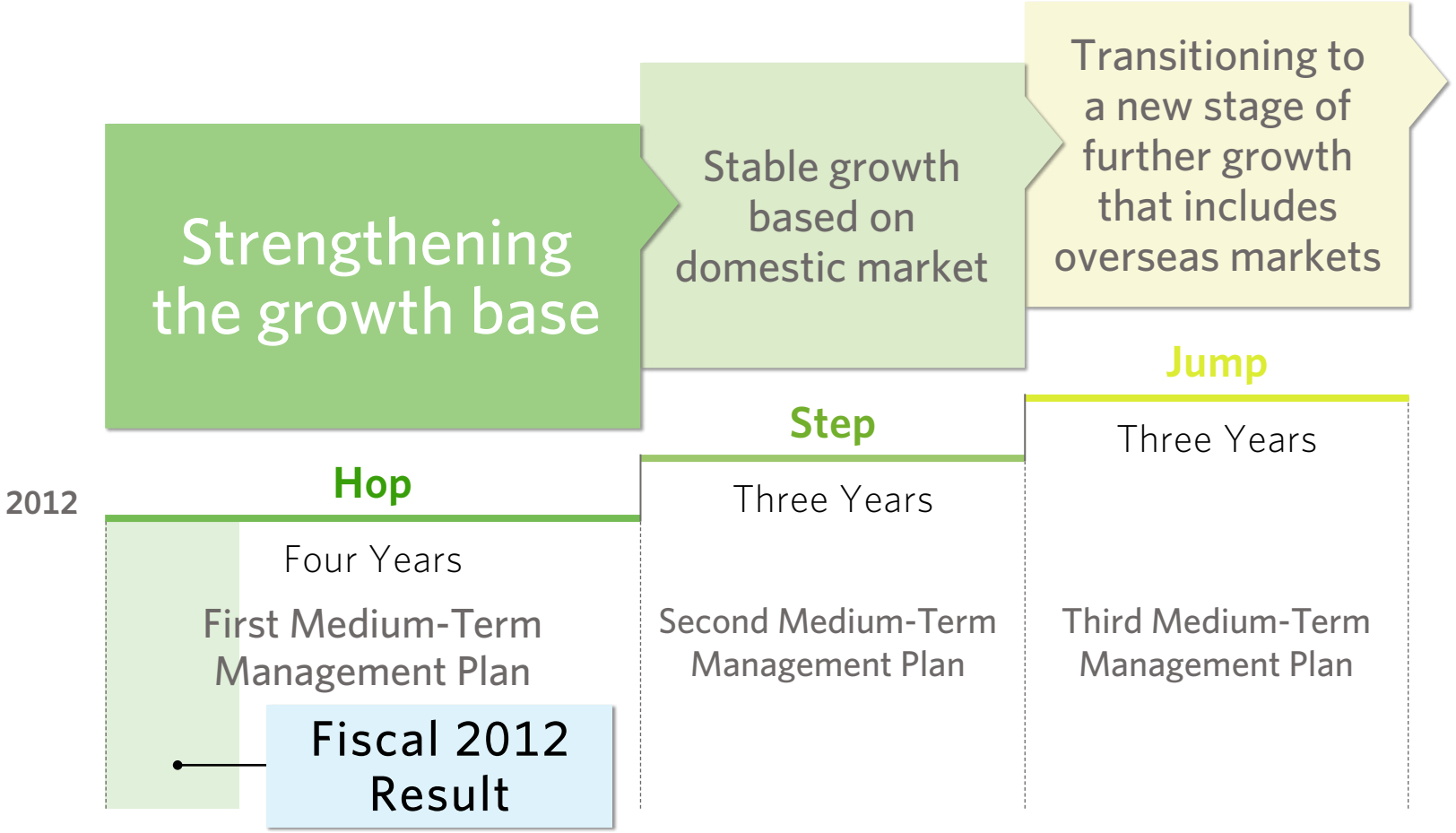
May 10, 2013

President, Representative Director

Terukazu Kato

Strategic Positioning of Fiscal 2012

First Year of Long-Term Business Vision



Long-Term Business
Vision

Aim to be a value-creation company that contributes to people's health through its Kampo medicine business

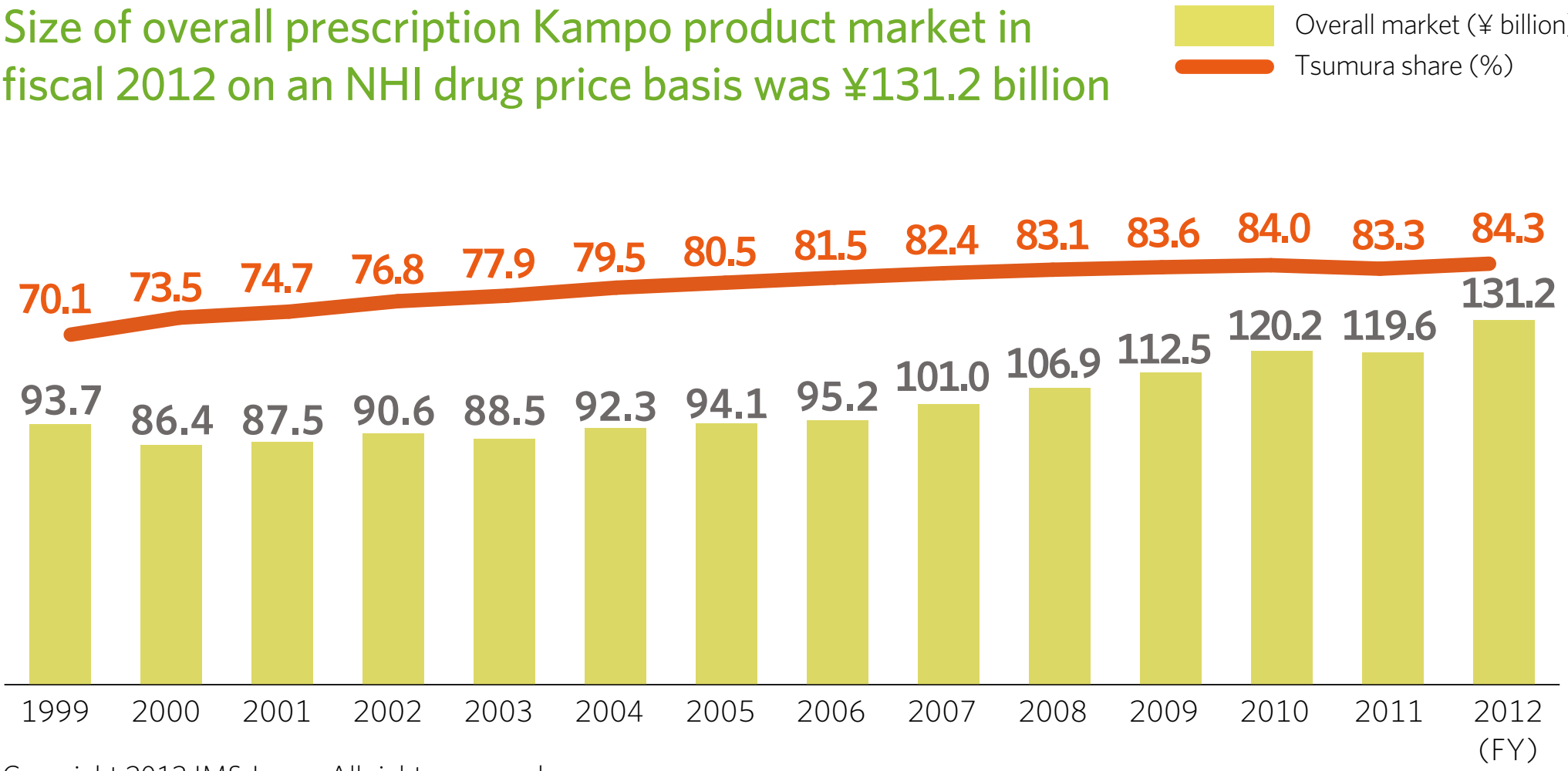
The "Kampo" Company

The "People" Company

The "Global Niche" Company

Prescription Kampo Product Market Trends

Size of overall prescription Kampo product market in fiscal 2012 on an NHI drug price basis was ¥131.2 billion



Estimated based on "IMS JPM Mar. 2000 MAT- Mar. 2013 MAT." Reprinted with permission.

Business Results for Fiscal 2012

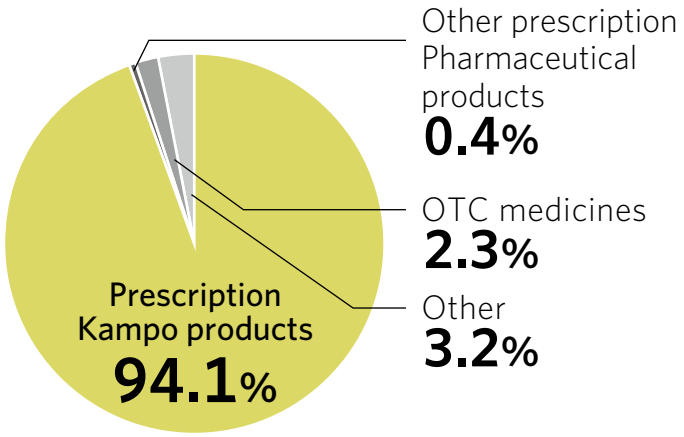
Consolidated Performance for Fiscal 2012, Ending March 31, 2013

(¥ million)

	Plan (Revised Nov. 8, 2012)	FY2012	Vs. planned		YoY	
			Amount	Change	Amount	Growth
Net sales	104,500	**105,638**	1,138	1.1%	10,188	10.7%
Operating profit	22,800	**23,124**	324	1.4%	1,891	8.9%
Recurring income	22,900	**24,310**	1,410	6.2%	2,527	11.6%
Net income	14,400	**15,373**	973	6.8%	1,941	14.5%

	Plan (Revised Nov. 8, 2012)	FY2012	FY2011
Operating profit margin	21.8%	**21.9%**	22.2%
Dividends per share	¥62	**¥62**	¥60
EPS	—	**¥217.98**	¥190.45
ROE	—	**14.1%**	14.1%

Sales by product



Key Points in Fiscal Performance

Net sales ¥105,638 million Vs. planned +1.1% YoY +10.7%

Despite impact of 3.8% cut in NHI-listed drug prices, sales of 125 of Tsumura's 129 prescription Kampo products increased year on year.

Sales exceeded target because of favorable prescription Kampo product sales.

- Strengthened MR sales call activities (calling on as yet unvisited physicians)
- Increased number of Kampo medicine seminars, medical institution information meetings, and other presentations
- Sales of five "Drug Fostering Program" formulations increased 14.4% YoY, sales of all other formulations grew 9.3%

Operating profit ¥23,124 million Vs. planned +1.4% YoY +8.9%

Operating profit margin 21.9% Vs. planned +0.1 pt YoY -0.3 pt

- Sales cost ratio was 34.0% (plan 33.9%), up 2.6 pts because of the drop in NHI-listed drug prices and increases in raw materials costs
- SG&A expenses ratio was 44.1% (plan 44.3%), down 2.3 pts because of sales growth and greater cost efficiency

Recurring income ¥24,310 million Vs. planned +6.2% YoY +11.6%

- Gain on foreign exchange due to weakening yen (on loans to Chinese subsidiary) booked to non-operating income

Net income ¥15,373 million Vs. planned +6.8% YoY +14.5%

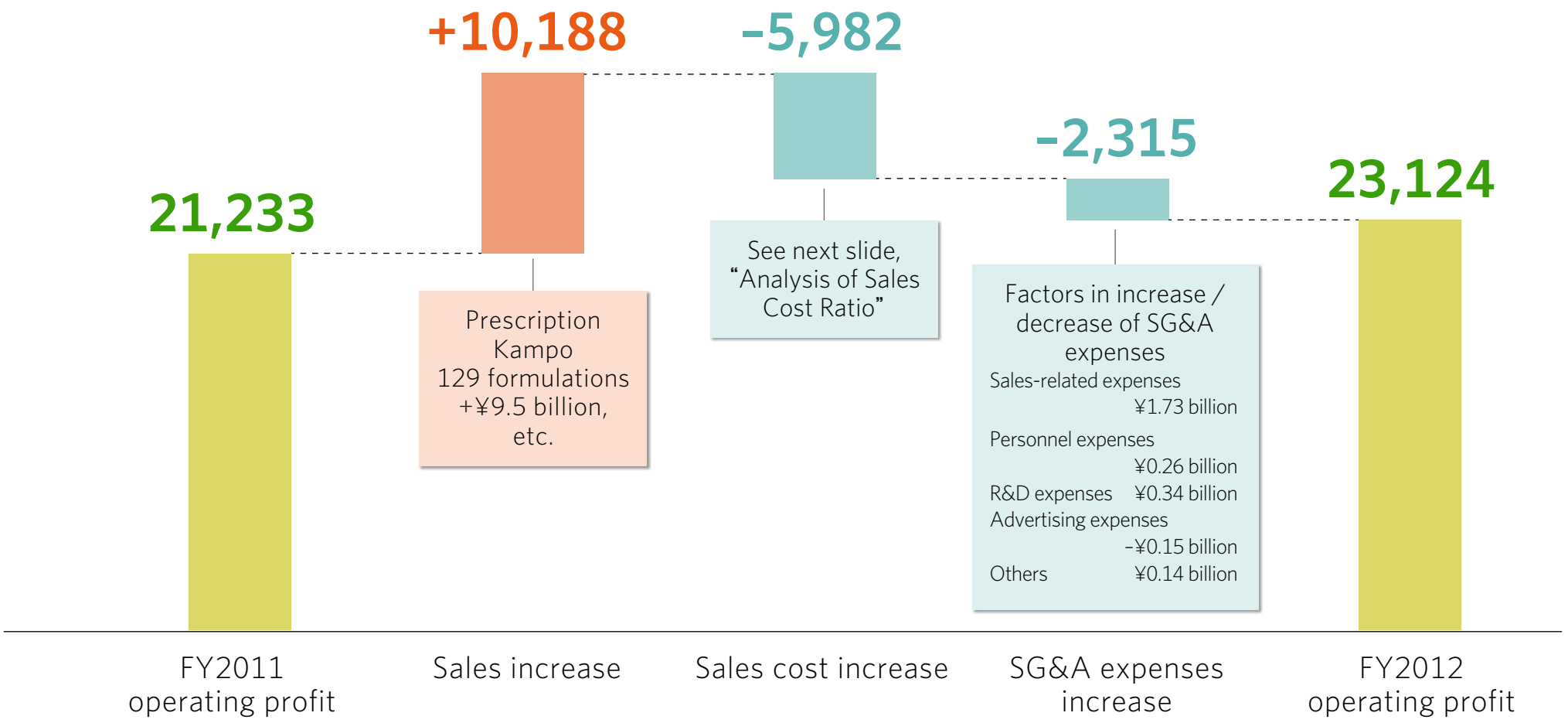
Top 10 Kampo Products by Sales Amount

"Drug Fostering Program" formulations (¥ million)

	Product name	Main effectively treatable disorders	FY2012	FY2011	YoY change	
1	TJ-100 (Daikenchuto)	Abdominal pain / abdominal flatulence	9,094	8,383	710	8.5%
2	TJ-41 (Hochuekkito)	Reinforcement of physical strength after illness / anorexia	6,567	5,885	681	11.6%
3	TJ-43 (Rikkunshito)	Gastritis / maldigestion / anorexia	6,163	5,314	849	16.0%
4	TJ-54 (Yokukansan)	Neurosis / insomnia	6,041	4,748	1,293	27.2%
5	TJ-24 (Kamishoyosan)	Oversensitivity to cold / climacteric disturbance / menstrual irregularity	4,102	3,700	402	10.9%
6	TJ-29 (Bakumondoto)	Coughing / bronchitis / bronchial asthma	3,879	3,453	426	12.3%
7	TJ-68 (Shakuyakukanzoto)	Pain accompanied by muscle spasms	3,803	3,456	346	10.0%
8	TJ-107 (Goshajinkigan)	Low back pain / leg pain / numbness / dysuria	3,783	3,564	218	6.1%
9	TJ-114 (Saireito)	Swelling (edema) / acute gastroenteritis	3,358	3,228	129	4.0%
10	TJ-19 (Shoseiryuto)	Rhinitis / allergic rhinitis / allergic conjunctivitis	2,949	2,608	341	13.1%
—	TJ-14 (Hangeshashinto)	Stomatitis / neurotic gastritis / fermentative diarrhea	1,120	902	217	24.0%
Total sales of 129 prescription Kampo products			**99,457**	**89,964**	**9,492**	**10.6%**
Total sales of five "Drug Fostering Program" formulations			**26,203**	**22,913**	**3,289**	**14.4%**

Factors in Increase / Decrease of Operating Profit

(¥ million)



Analysis of Sales Cost Ratio

Plan (Revised Nov. 8, 2012)	**33.9%**	▶ FY2012	**34.0%**	**Almost according to plan**
YoY	**31.4%**	▶ FY2012	**34.0%**	**+2.6 pt**

Factor	Effect
Jump in crude drug prices	2.0 pt
NHI price revision	1.0 pt
Others (increase in productivity, etc.)	–0.4 pt
Total	**2.6 pt**

Analysis of Inventories Increase

(¥ billion)

B/S	FY2011 year-end	FY2012 year-end	Impact of volume increase	Impact of crude drug prices	YoY difference
Inventories	30.5	35.4	1.6	3.3	4.9
(Merchandise and finished goods)	6.1	6.8	0.3	0.4	0.7
(Work in process)	7.8	8.3	0.2	0.3	0.5
(Raw materials and supplies)	16.6	20.3	1.1	2.6	3.7

Addressing Strategic Issues and Progress Status

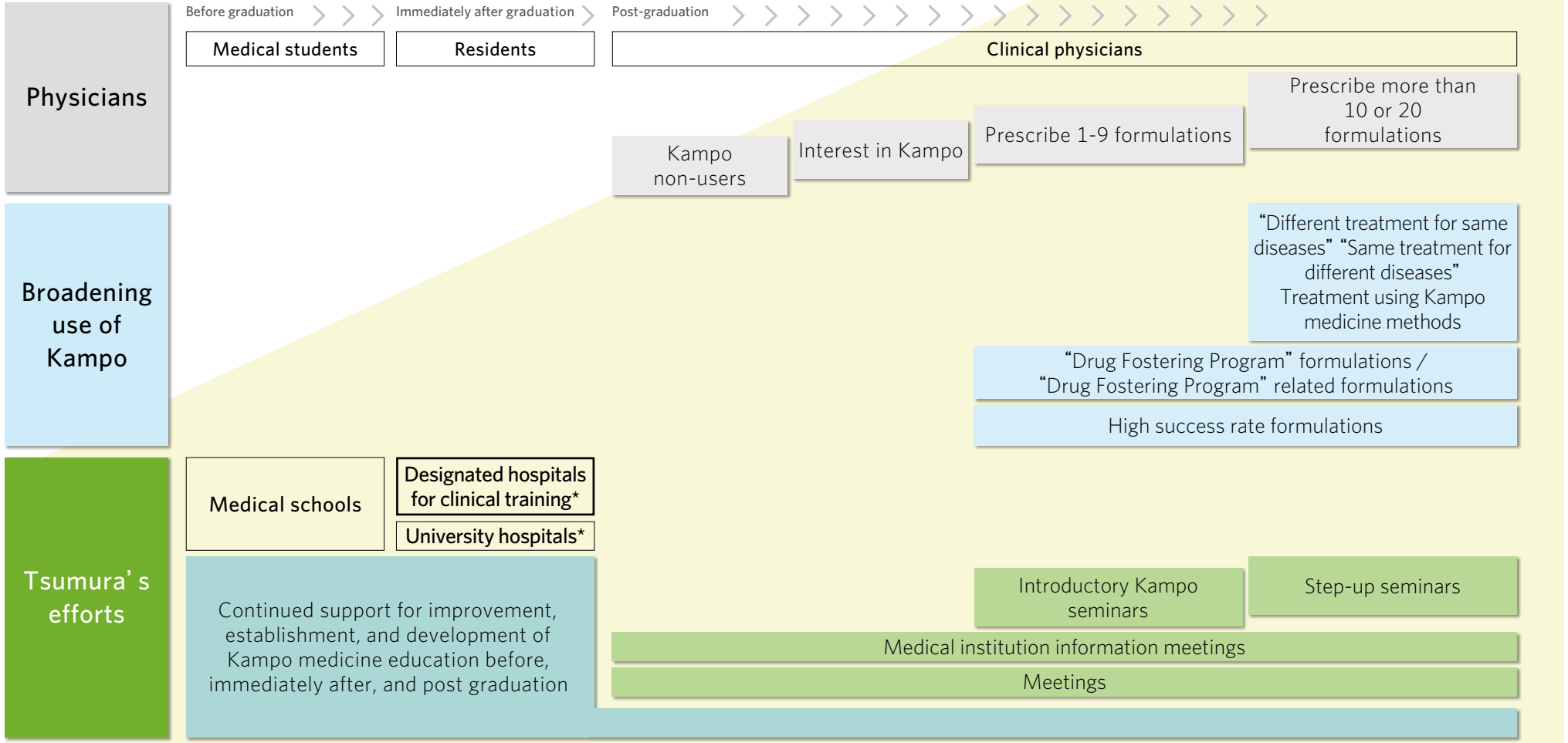
1 Expanding the Kampo Medicine Market

2 Enhancing Earning Power

3 Executing Effective Financial and Capital Policies

Expanding Prescription Kampo Product Market in Japan

Contributing to creating a healthcare environment where all patients can receive treatment that includes Kampo medicine where appropriate in any healthcare institution or medical specialty

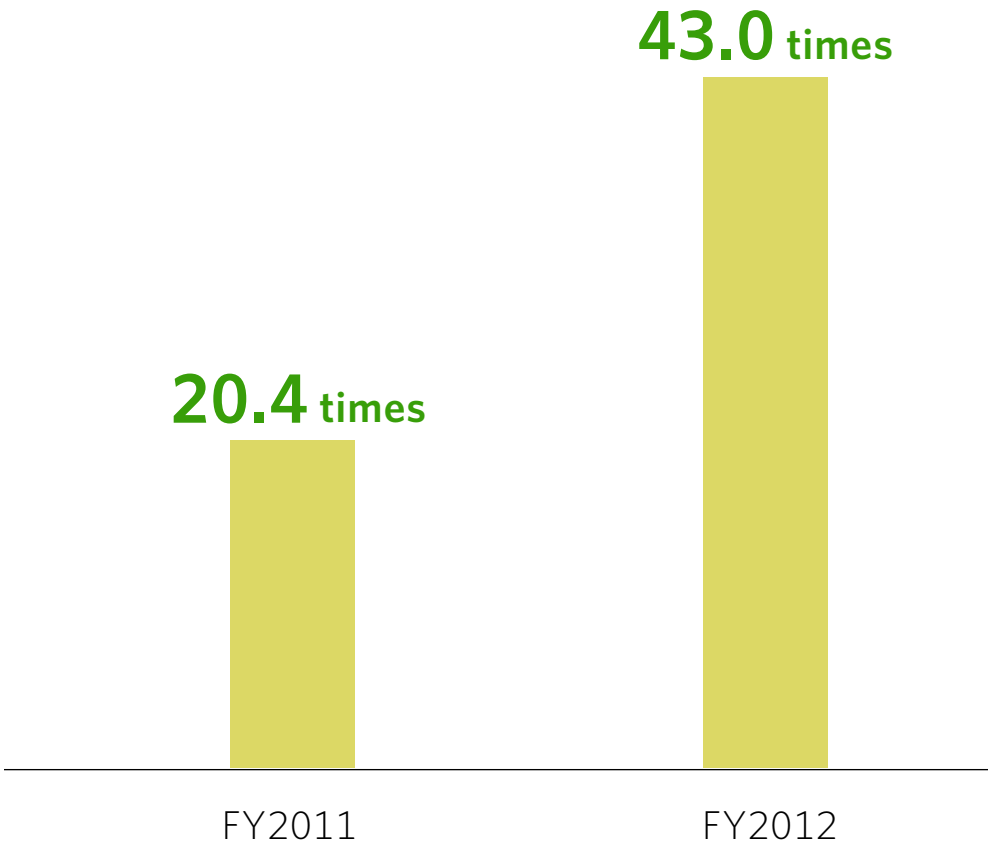


*Major issues: Active hosting of study groups for residents

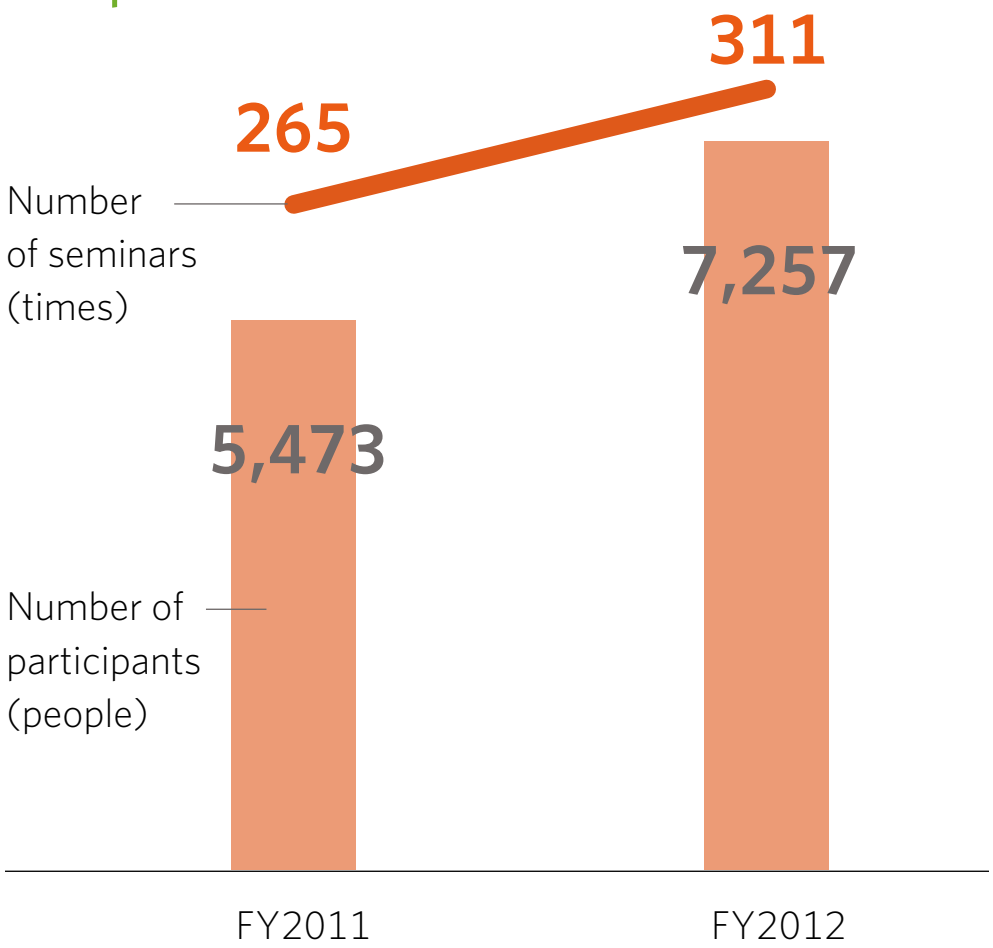
MR Activities

Medical institution information meetings

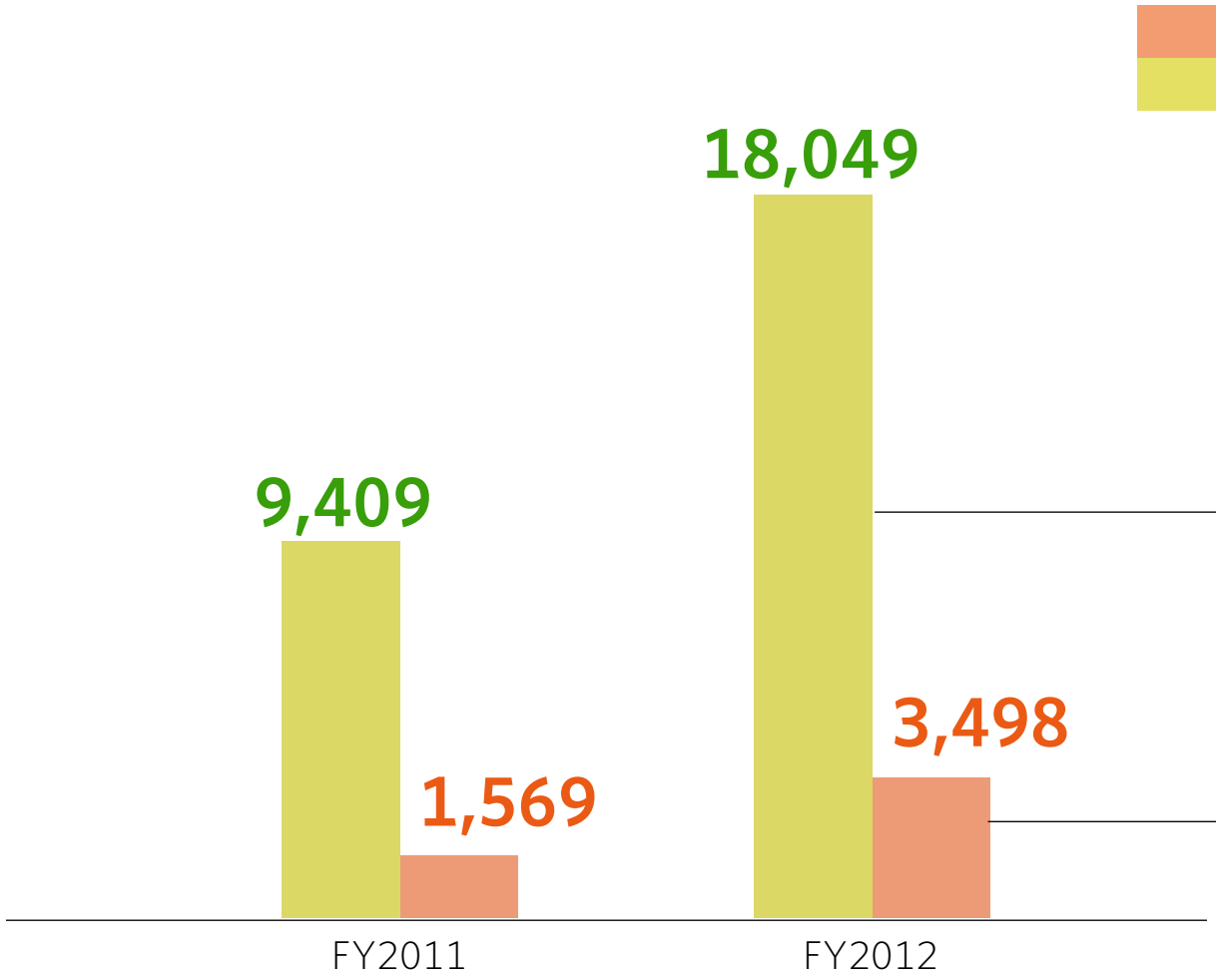
Annual number of meetings per MR



Kampo medicine seminars



Growth in Physicians Prescribing Kampo Medicine

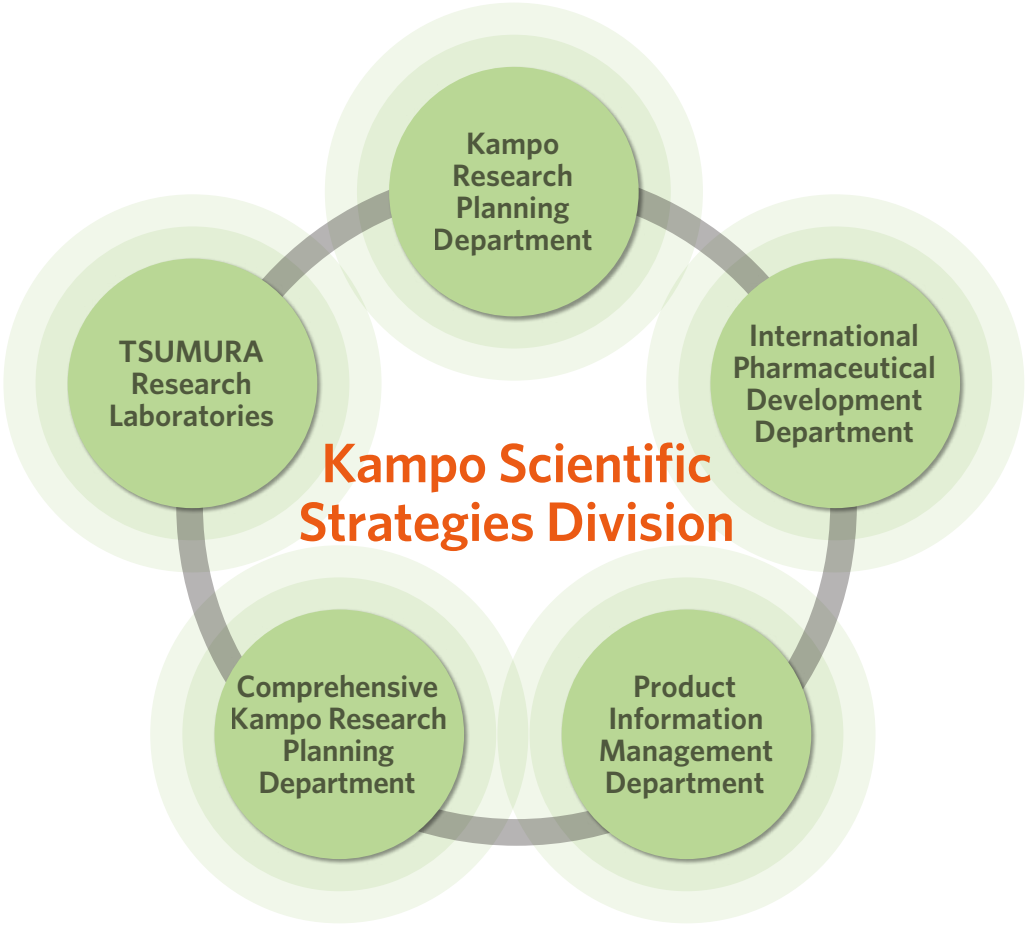


The number of physicians newly prescribing Kampo medicine also is increasing because of sales calls and other marketing efforts

Because of their participation in Kampo medicine seminars, medical institution information meetings, and other events, the number of physicians prescribing 10 or more Kampo products is increasing

Strengthening Scientific Evidence Formation Efforts with New Organization

Stepping up domestic basic and clinical R&D efforts and U.S. development efforts for prescription Kampo products



Establishment of basic and clinical scientific evidence primarily for the five "Drug Fostering Program" formulations

Building Kampo safety data base through frequency investigation of adverse drug reactions and interaction studies, etc.

Discovery of ADME (Pharmacokinetics) for main ingredients of five "Drug Fostering Program" formulations

Evidence Building for Drug Fostering Program Products (DB-RCT & Safety)

Formulation	Targeted disorder/ researchers	Trial group / insitution in-charge	Case collection period	Public annoucements, etc.	Note
TJ-100 Daikenchuto	Postoperative ileus after colon cancer surgery	Kitasato University, others (DKT Forum, Colon Team)	Jan. 2009 - June 2011	Japan Surgical Society Annual Congress (Apr. 2013: Fukuoka)	
	Postoperative ileus after colon cancer surgery (Additional study)	Fujita Health University, others (DKT Forum, Clinical Pharmacology Team)	Jan. 2009 - June 2011	Japan Surgical Society Annual Congress (Apr. 2013: Fukuoka)	
	Postoperative ileus after liver cancer surgery	Kushiro Rosai Hospital, others (DKT Forum, Hepatic Surgery Team)	Feb. 2010 - May 2011	JDDW[1] 2012 (Oct. 2012: Kobe) The American Association for the Study of Liver Diseases (Nov. 2012: Boston)	
	Postoperative ileus after gastric cancer surgery	Oita University, others (DKT Forum, Stomach and Esophagus Team)	Jan. 2011 - Dec. 2012	Case collection completed, preparing for analysis	
	JAPAN-PD STUDY (Postoperative ileus after pancreatic cancer surgery)	Wakayama Medical University, others (ECRIN)	Aug. 2012 - Aug. 2014	Case collection ongoing	
	Crohn's disease	Keio University, others	June 2012 - May 2014	Case collection ongoing	
TJ-43 Rikkunshito	Functional dyspepsia	Keio University, others	Feb. 2011 - Feb. 2013	Analysis proceeding	⋆
	G-PRIDE STUDY (PPI resistent GERD)	Osaka City University, others (Waksman Foundation)	Aug. 2011 - Sept. 2012	DDW[2] 2013 (May 2013: Orlando)	
TJ-54 Yokukansan	Schizophrenia	Shimane University, others	Mar. 2011 - Sept. 2012	U.S. Society of Biological Psychiatry Annual Meeting (May 2013: San Francisco)	⋆
	BPSD	Tohoku University, others	Feb. 2011 - Jan. 2013	Analysis proceeding	⋆
TJ-107 Goshajinkigan	GENIUS STUDY (FOLFOX treatment peripheral neuropathy)	Kyushu University, others	Oct. 2011 - May 2012	Trial halted	⋆
TJ-14 Hangeshashinto	HANGESHA-C STUDY (Oral inflammation from chemotherapy for colon cancer)	National Hospital Organization Osaka National Hospital, others (ECRIN)	Oct. 2010 - May 2012	ESMO[3] (Oct. 2012: Vienna) Japan Society of Clinical Oncology (JSCO) (Oct. 2012: Yokohama)	
	HANGESHA-G STUDY (Oral inflammation from chemotherapy for stomach cancer)	Kanagawa Cancer Center, others (ECRIN)	Oct. 2010 - Sept. 2012	Analysis proceeding	

TJ-100 Daikenchuto	Frequency investigation of adverse drug reactions	—	Apr. 2010 - Mar. 2012	Published in Progress in Medicine journal (Sept. 2012) Revision of package insert (Oct. 2012)	
TJ-54 Yokukansan	Frequency investigation of adverse drug reactions	—	Oct. 2012 - Mar. 2014	Ongoing	

1 Japan Digestive Disease Week 2 Digestive Disease Week 3 European Society for Medical Oncology
*Grants-in-Aid for Scientific Research

Digestive Disease Week (DDW) Kampo-Related Presentation Topics

DDW 2013
26* papers or presentations on Kampo (the most ever)

Daikenchuto:	5* topics
Rikkunshito:	18 topics
Hangeshashinto:	2 topics
Shakuyakukanzoto:	1* topic

Presentations by U.S. institutions

Mayo Clinic:	Daikenchuto
UCLA:	Rikkunshito

* Addition of one extra presentation on Daikenchuto and one presentation on Shakuyakukanzoto that TSUMURA was unaware of at the time of its information meeting

Progress of TU-100 Clinical Trials in the United States

Phase Ⅱ(Early stage)

(1) Clinical pharmacology trial STEP Ⅰ (Healthy volunteers) Completed

(2) Clinical pharmacology trial STEP Ⅱ (Constipated patients) Completed: to be presented at DDW 2013

Colon: POI	Irritable bowel syndrome	Crohn's disease
Clinical pharmacology trial (Constipated patients)	Clinical pharmacology trial (Patients with IBS)	Responder trial (Patients have Crohn's disease)
(Completion scheduled for Sept. 2013)	(Scheduled to start in June 2013)	(Completion scheduled for FY2013)
Study to explore endpoints (Patients with prior laparotomy for colon cancer)	Study to explore endpoints (Patients with IBS)	
(Scheduled to start eary 2013)	(Scheduled to start in Sept. 2013)	

Progress on TU-100 FDA Requirements

Items	Planned duration	Progress
Frequency investigation of adverse drug reactions and safety of long-term treatment	Apr. 2010 - Mar. 2012	Study completed FDA report issued in Oct. 2012
Pharmacokinetic study (Japanese patients)	May 2010 - July 2010	Published in DMD* FDA report issued in June 2012
Pharmacokinetic study (American patients)	June 2011 - Sept. 2011	Published in DMD* FDA report issued in Dec. 2012
Pharmacokinetic study (Ethnic and racial differences) * Intergrated analysis of pharmacokinetics	Apr. 2012 - May 2013	Published in DMD* FDA report scheduled for June 2013
Effect on enteric microbiota * Collaborative study with Chicago University	Started in June 2011	Preparing research results and paper FDA report scheduled for FY2014
Effect on drug transporters	Apr. 2011 - Mar. 2013	FDA report scheduled for June 2013
Scientific quality evaluation method (Bioassay for Kampo products)	Started in Dec. 2009	Sept. 2013 FDA Public Meeting scheduled

* Drug Metabolism and Disposition

- Reach agreement with FDA on quality evaluation methods before the end of FY2015
- Start Phase Ⅲ in FY2016
- Target FY2019 - FY2020 for FDA approval and market launch

Progress with Production Cost Structure Reform

Building a foundation for decreasing the production cost in future through the pursuit of cost structure reform by improving current productivity and by considering and implementing new production technology

Labor productivity (Compared with FY2011)	In FY2012, actual increase was 3.6% In FY2013, actual increase forecast to be 8.9%

Strengthening production capacity throughout, from production of powdered extract to granules and products

Increase the current manufacturing capacity	Pursuing improvements	・Continue to carry out improvement activities for all processes
	Changes in operating structure	・Granulation operations changed to two 12-hour working shifts from three 8-hour shifts as of FY2013 ・Packaging operations changed from three 8-hour shifts for all lines to two 12-hour shifts for 40% of packaging lines as of FY2012
Determine and introduce new production technology	Build a new manufacturing system that is more efficient and uses less manpower	・New powdered extract production system → scheduled to come on stream in FY2016 (Ibaraki Plant) ・New granulation systems → scheduled to come on stream in FY2013 (Ibaraki Plant) → scheduled to come on stream in FY2015 (Shizuoka Plant) ・New packaging system → scheduled to come on stream in FY2015 (Shizuoka Plant) ・Increased use of robot technologies and other measures

Progress toward goal of 20% increase compared with FY2011 in productivity in FY2015 proceeding as planned

Domestic Crude Drug Cultivation Bases

New bases

Cnidii rhizoma farm (Obihiro, Hokkaido)

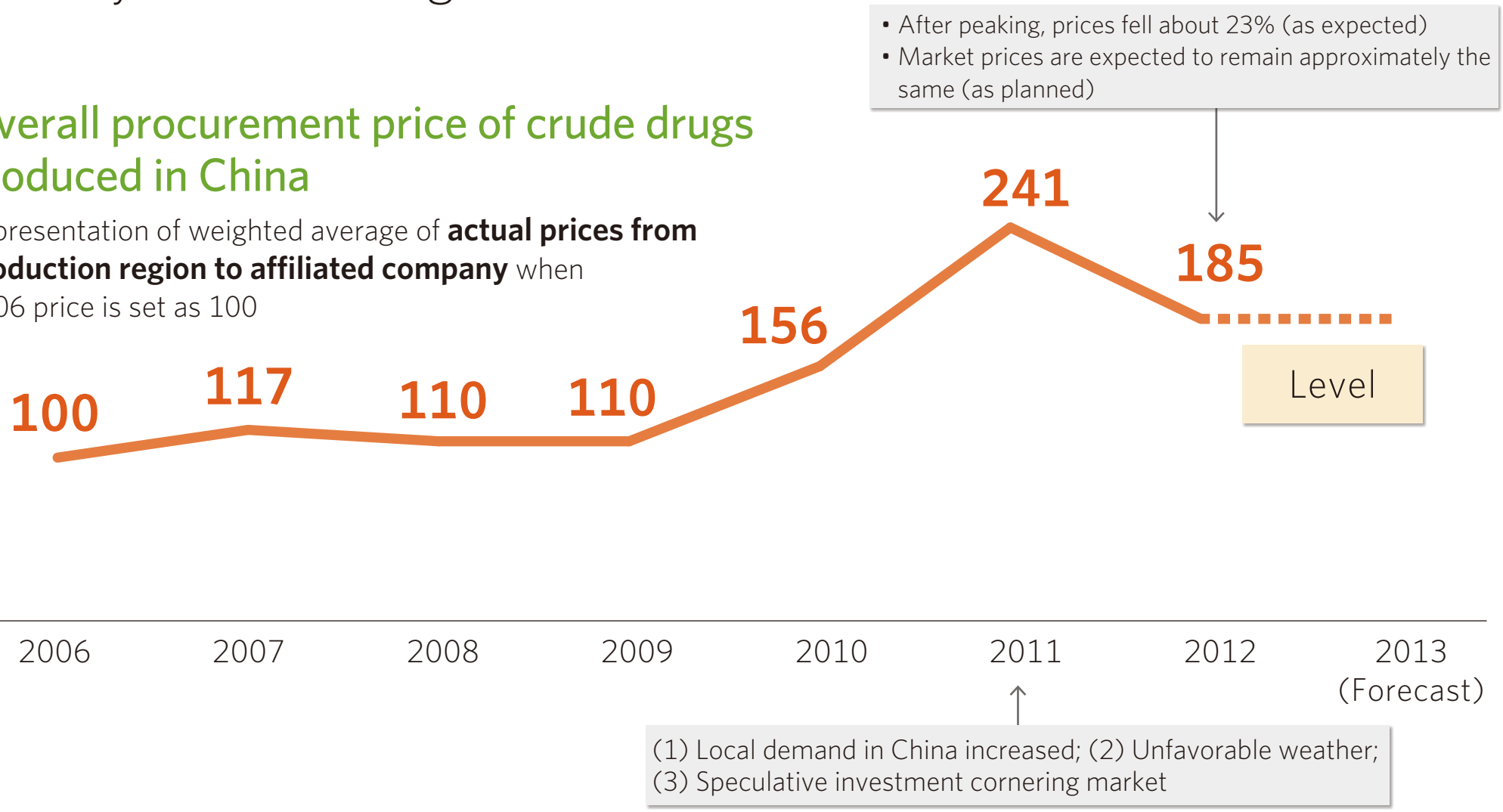
Perillae herba farm (Iwate Prefecture)

Bupleuri radix farm (Kochi Prefecture)

Stability of Crude Drug Prices

Overall procurement price of crude drugs produced in China

Representation of weighted average of **actual prices from production region to affiliated company** when 2006 price is set as 100



Target stable prices for raw material crude drugs through expansion of cultivated land under own management and other measures

Capital Investment Plan

Proceeding as planned

- A total of about ¥55.0 billion to be invested from FY2012-2015
- Capital investment to proceed in line with increase in volume of Kampo products

First Medium-Term Management Plan → Second Plan

		Capital investment project	FY2012	FY2013	FY2014	FY2015	FY2016 and after
Production-related	Shizuoka Plant	New granulation and packaging facilities, etc.				☆	
		New crude drug warehouse		May			
		SD line-related					☆
	Ibaraki Plant	New granulation facility		July			
		New standard-based facilities, etc.					☆
	Technology quality	Production technology / Kampo medicine development	→	→	→	→	→
	STP (Shanghai)	SD facility		October			
	Production, other	Maintenance / renewal	→	→	→	→	→
Crude drug-related	Ishioka	Ishioka Center reconstruction		December			
	STM (Shenzhen)	Warehouse	March				
	Yubari	Yubari Tsumura building				☆	
	Crude drugs, etc.		→	→	→	→	→

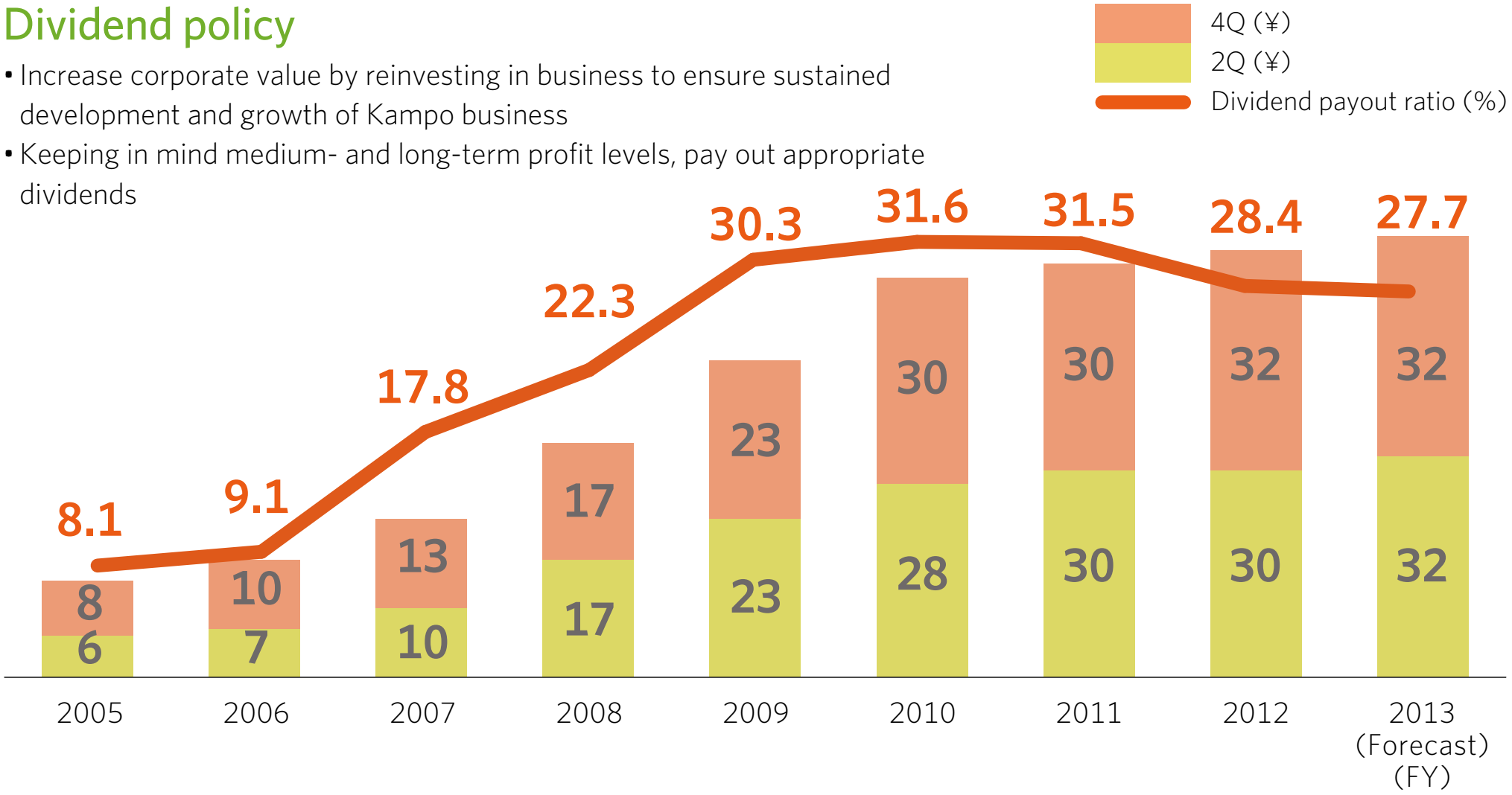
☆ Scheduled start of operations

Capital investment: ¥9.5 billion in FY2012; ¥15.3 billion scheduled for FY2013

Return of Profits to Shareholders

Dividend policy

- Increase corporate value by reinvesting in business to ensure sustained development and growth of Kampo business
- Keeping in mind medium- and long-term profit levels, pay out appropriate dividends



FY2013 (Year Ending March 2014) Performance Forecasts

FY2013 (Year Ending March 2014) Performance Forecasts

(¥ million)

	FY2012	FY2013	YoY change	
Net sales	105,638	**112,000**	6,361	6.0%
Operating profit	23,124	**24,700**	1,575	6.8%
Recurring income	24,310	**25,100**	789	3.2%
Net income	15,373	**16,300**	926	6.0%

	FY2012	FY2013
Operating profit margin	21.9%	**22.1%**
Dividends per share	¥62	**¥64**
EPS	¥217.98	**¥231.12**
ROE	14.1%	**13.3%**

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Cautionary items regarding forecasts

- The performance targets for the medium-term management plan stated in these materials are merely indicators of targeted direction and not official performance forecasts. Please refer to the disclosure provided in the annual business report (*tanshin*) in accordance to the regulations of the Tokyo Stock Exchange for the official performance forecasts.
- The materials and information provided in this presentation contain so-called forward-looking statements. Readers should be aware that realization of these statements can be affected by a variety of risks and uncertainties and that actual results could differ significantly.
- Changes in the 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 impact negatively on the Company' s performance or financial position.
- In the unlikely event that sales of the Company' s core products were halted or declined substantially due to a defect, unforeseen side effect or some other factor, it would have a major impact on the Company' s performance or financial position.