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Business Results for Fiscal 2013

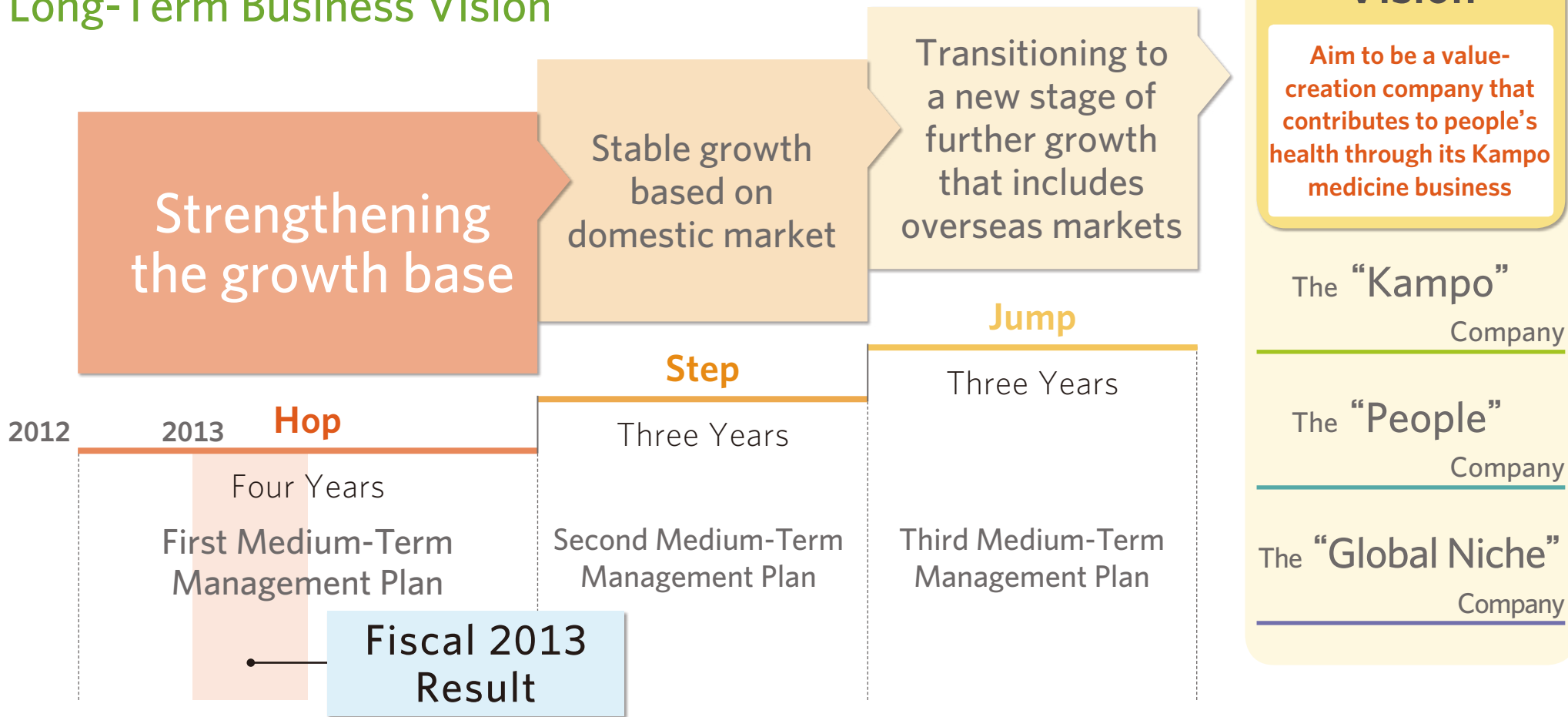
May 13, 2014

President, Representative Director

Terukazu Kato

Strategic Positioning of Fiscal 2013

First Medium-Term Management Plan of Long-Term Business Vision



Medium-Term Management Plan, Three Strategic Issues

1. Expanding the Kampo Medicine Market
2. Enhancing Earning Power
3. Executing Effective Financial and Capital Policies

Strategic Issues

1 Expanding the Kampo Medicine Market

—Expand the prescription Kampo product market in Japan

- Contribute to creating a healthcare environment where all patients can receive treatment that includes Kampo medicine where appropriate in any healthcare institution or medical specialty throughout Japan
- Develop TU-100 (Daikenchuto) in the U.S. pharmaceutical market

2 Enhancing Earning Power

—Reform the Company's cost structure through the introduction of new production technology and other measures

- Achieve “cost structure reform” by introducing new production technology for Kampo products and other measures
- Achieve stable supply of raw material crude drugs in terms of quality, volume, and price by expanding Cultivated Land under Own Management at home and abroad

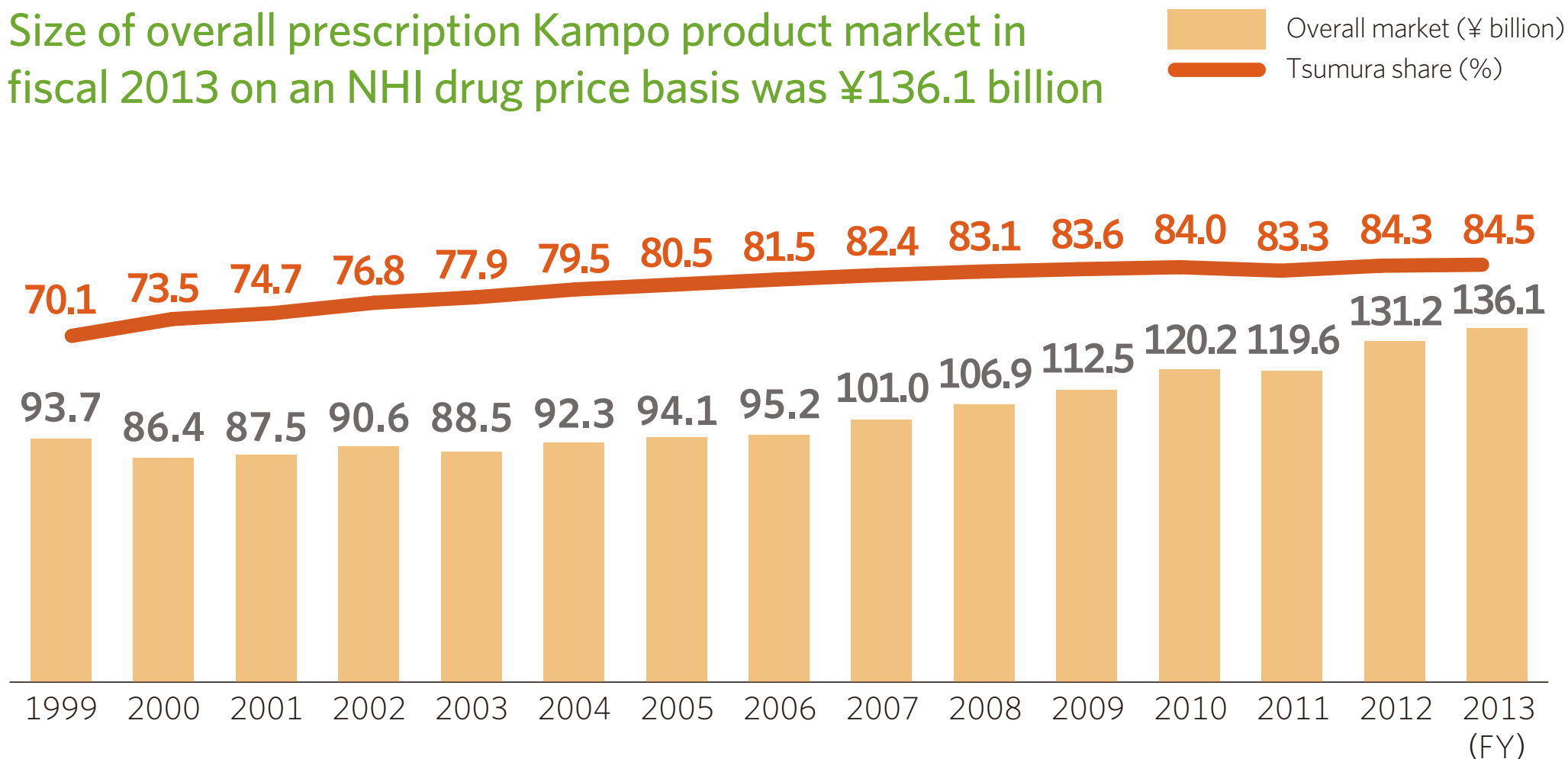
3 Executing Effective Financial and Capital Policies

—Increase corporate value by executing effective financial and capital policies

Target increased productivity by actively implementing capital expenditures. Also aim to increase asset efficiency by reviewing holdings of non-operational assets, such as some marketable securities, and securitizing accounts receivable.

Prescription Kampo Product Market Trends

Size of overall prescription Kampo product market in fiscal 2013 on an NHI drug price basis was ¥136.1 billion



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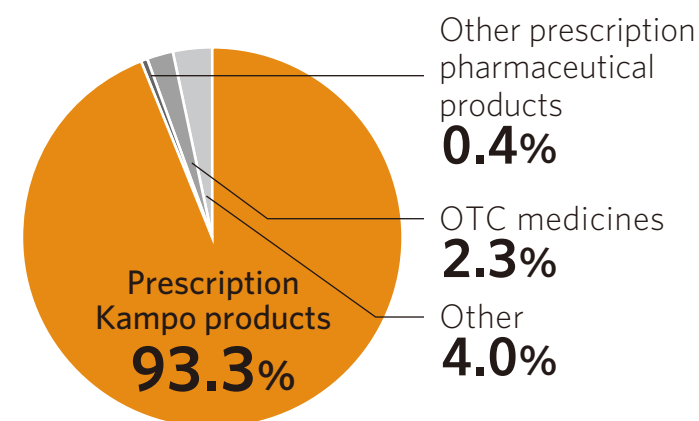
Consolidated Performance for Fiscal 2013, Ended March 31, 2014

(¥ million)

	Plan (Revised Feb. 7, 2014)	FY2013	Vs. planned		YoY	
			Amount	Difference	Amount	Change
Net sales	109,000	110,057	1,057	1.0%	4,418	4.2%
Operating profit	22,000	22,461	461	2.1%	-663	-2.9%
Recurring income	23,400	23,966	566	2.4%	-344	-1.4%
Net income	17,700	18,050	350	2.0%	2,677	17.4%

	Plan (Revised Feb. 7, 2014)	FY2013	FY2012
Operating profit margin	20.2%	20.4%	21.9%
Dividends per share	¥64	¥64	¥62
EPS	—	¥255.94	¥217.98
ROE	—	14.5%	14.1%

Sales by product



Key Points in Fiscal Performance

Sales were up but profits down (operating profit and recurring income) in fiscal 2013 because of higher prices for raw material crude drugs. Nonetheless, sales and profit still ended the year above revised targets (announced Feb. 7)

Net sales **¥110,057 million** Vs. planned **+1.0%** YoY **+4.2%**

Sales of core pharmaceutical Kampo products up ¥3.2 billion (+3.2%) YoY, ¥500 million (+0.5%) above target

- Strengthened Kampo medicine study groups and information meetings for medical department specialists in the hospital market (designated hospitals for clinical training and university hospitals) for core prescription Kampo products. Also gave high priority to visiting, face-to-face meetings, and follow up activities with previously visited institutions.
- Sales of five “Drug Fostering Program” formulations increased 6.9% YoY, sales of all other formulations grew 1.9%

Due to the impact of differences in inter-company balances and transactions caused by currency exchange rate fluctuations in consolidation, net sales increased ¥1.62 billion

Operating profit **¥22,461 million** Vs. planned **+2.1%** YoY **-2.9%**

Operating profit margin **20.4%** Vs. planned **+0.2 pt** YoY **-1.5 pt**

- Sales cost ratio was 35.2% (plan 35.0%) Greater efficiency due to increased production contributed to sales cost ratio improvement, but the impact of price hikes for raw material crude drugs and other factors pushed the ratio up 1.2 pt
- SG&A expenses ratio was 44.3% (plan 44.8%) Increases in sales-related and research expenses (Drug Fostering Program, US development program) caused ratio to edge up 0.2 pt

Recurring income **¥23,966 million** Vs. planned **+2.4%** YoY **-1.4%**

- Foreign exchange gains on loans to Chinese subsidiary booked in non-operating income

Net income **¥18,050 million** Vs. planned **+2.0%** YoY **+17.4%**

- ¥4.41 billion gain on sale of investment securities booked as extraordinary gain

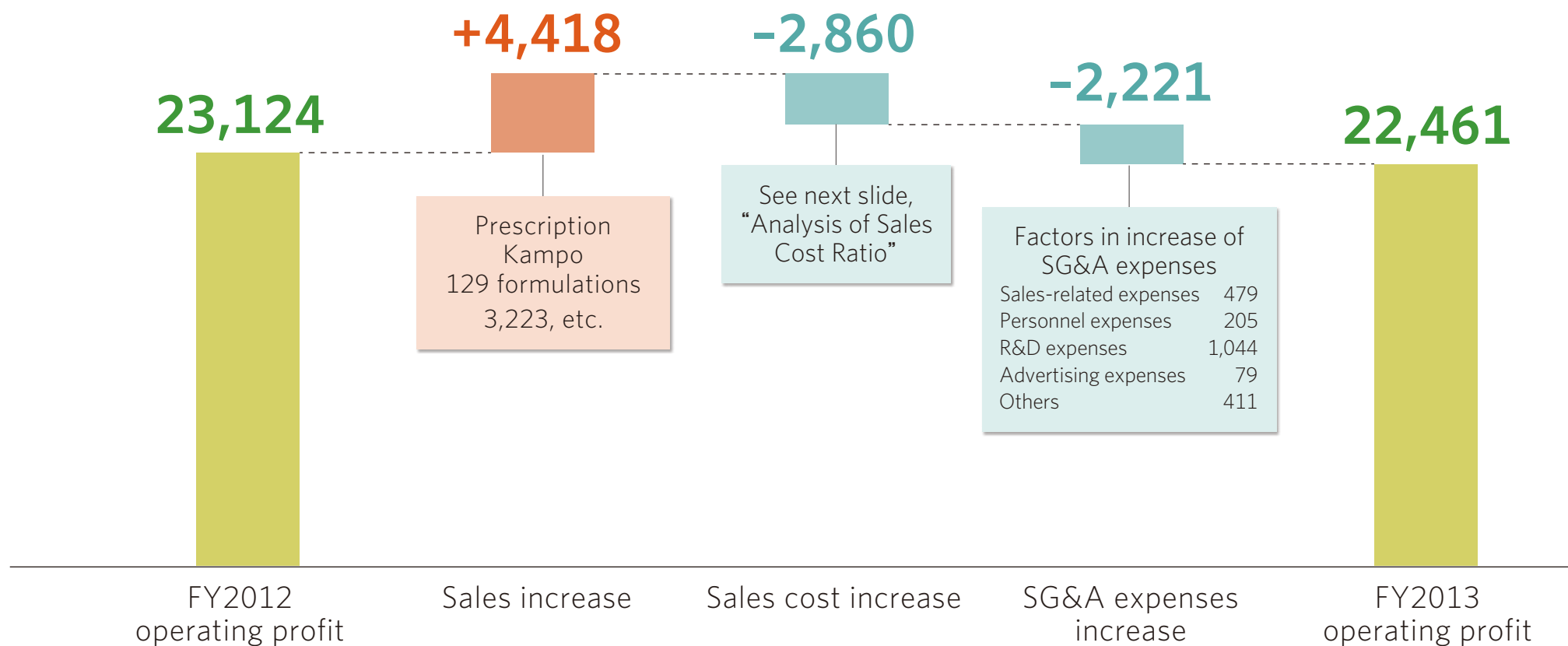
Top 10 Kampo Products by Sales Amount

■ “Drug Fostering Program” formulations (¥ million)

	Product name	Main effectively treatable disorders	FY2013	FY2012	YoY change	
1	TJ-100 (Daikenchuto)	Abdominal pain / abdominal flatulence	9,785	9,094	691	7.6%
2	TJ-41 (Hochuekkito)	Reinforcement of physical strength after illness / anorexia	6,883	6,567	316	4.8%
3	TJ-54 (Yokukansan)	Neurosis / insomnia	6,628	6,041	586	9.7%
4	TJ-43 (Rikkunshito)	Gastritis / maldigestion / anorexia	6,612	6,163	448	7.3%
5	TJ-24 (Kamishoyosan)	Oversensitivity to cold / climacteric disturbance / menstrual irregularity	4,264	4,102	161	3.9%
6	TJ-68 (Shakuyakukanzoto)	Pain accompanying sudden muscle spasms, myalgia or arthralgia, gastric pain and abdominal pain	4,179	3,803	376	9.9%
7	TJ-29 (Bakumondoto)	Coughing / bronchitis / bronchial asthma	3,996	3,879	117	3.0%
8	TJ-107 (Goshajinkigan)	Low back pain / leg pain / numbness / dysuria	3,812	3,783	29	0.8%
9	TJ-114 (Saireito)	Swelling (edema) / acute gastroenteritis	3,343	3,358	-14	-0.4%
10	TJ-19 (Shoseiryuto)	Bronchitis / bronchial asthma / rhinitis / allergic rhinitis / allergic conjunctivitis	2,717	2,949	-231	-7.9%
—	TJ-14 (Hangeshashinto)	Stomatitis / neurotic gastritis / fermentative diarrhea	1,181	1,120	61	5.5%
Total sales of 129 prescription Kampo products			102,680	99,457	3,223	3.2%
Total sales of five “Drug Fostering Program” formulations			28,020	26,203	1,817	6.9%

Factors in Increase / Decrease of Operating Profit

(¥ million)



Analysis of Sales Cost Ratio


Plan (Revised Feb. 7, 2014) **35.0%** ▶ FY2013 **35.2%** **Almost according to plan**
 YoY **34.0%** ▶ FY2013 **35.2%** **+1.2 pt**

Factor	Effect
Increase in crude drug prices	1.1 pt
Exchange rate impact of crude drugs	0.5 pt
Others (increase in productivity, etc.)	-0.4 pt
Total	1.2 pt

Analysis of Inventories Increase

(¥ billion)

B/S	FY2012 year-end	FY2013 year-end	Impact of volume increase	Impact of crude drug prices	Impact of exchange rate and others	YoY change
Inventories	35.5	43.4	3.8	2.4	1.7	7.9
(Merchandise and finished goods)	6.8	8.8	1.5	0.6	-0.1	2.0
(Work in process)	8.3	10.5	1.6	0.8	-0.2	2.2
(Raw materials and supplies)	20.3	24.0	0.7	1.0	2.0	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

Holding of Study Groups and Seminars for All Medical Specialty Fields at Designated Hospitals for Clinical Training

Designated hospitals for clinical training (including university hospitals)

1. Kampo study groups for early-stage physicians-in-training

Hold study groups at facilities with five or more physicians-in-training

2. Kampo medical seminars for all medical specialty fields at designated hospitals for clinical training

Efficacy and benefits of 129 Kampo formulations enables approaches to diverse areas

Medical facilities with five or more physicians-in-training: approx. 630

Record: Study groups held at 396 facilities (approx. 62%)

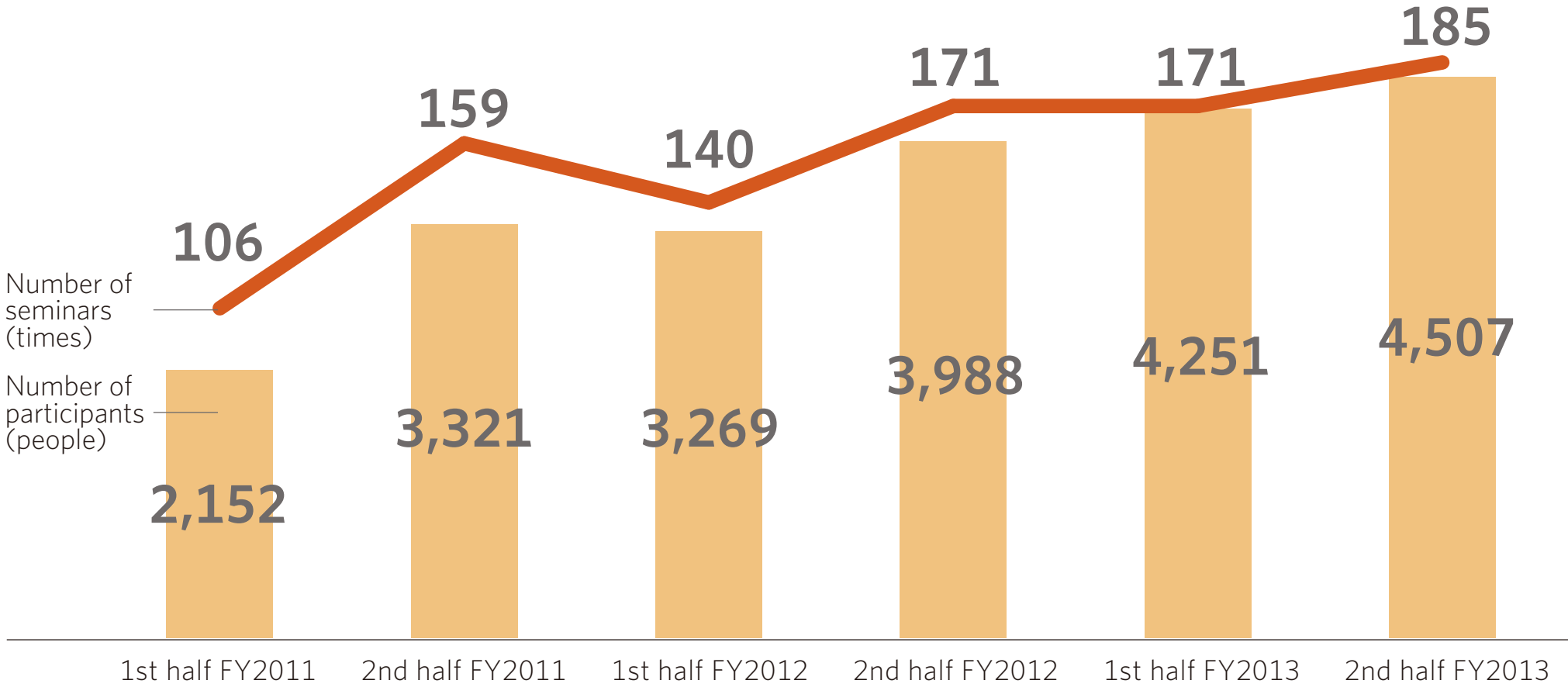
Designated hospitals for clinical training: **Approx. 1,000**

Medical specialty: **Approx. 18,000**

Record: Seminars held at 12,845 facilities (approx. 71%)

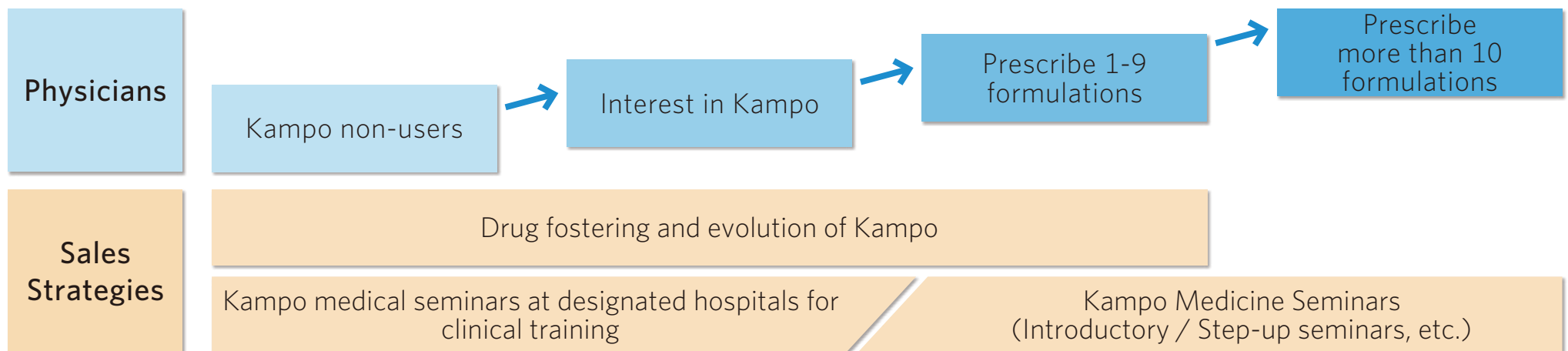
- Continue holding study groups and seminars since implementation needs of medical institutions are high. The program also represents an important activity for Tsumura that leads to future expansion of market by increasing physicians newly prescribing Kampo and number of Kampo prescriptions by physicians
- Strengthen visiting, face-to-face meetings, and follow up activities with previously visited institutions in addition to new potential Kampo users

Kampo Medicine Seminars



Main Sales Strategies and Illustration of Their Results and Increased Use of Formulations

Sales strategies	Analysis of results
Drug fostering and evolution of Kampo	Increased prescribing of “Drug Fostering Program” formulations / related formulations
Kampo medical seminars at designated hospitals for clinical training	<ul style="list-style-type: none"> As a result of information meetings held for all medical specialties in fiscal 2013, while some institutions take a while to start prescribing formulations, there is a sense that these efforts have led to expanded prescribing of formulations in a variety of medical specialties Will continue program while keeping an eye on the results and efficiency of information meetings Strengthen visiting, face-to-face meetings, and follow up activities with previously visited institutions
Kampo Medicine Seminars	<ul style="list-style-type: none"> Partially because of the Kampo medicine information meetings held at designated hospitals for clinical training, the number of participants of Kampo medicine seminars for hospital physicians increased Following attending seminars, an increase in the number of physicians prescribing 10 or more formulations is expected, based on knowing how to use different Kampo products



Kampo Efficacy Scientific Evidence (DB-RCT & Safety)

Paper publication
 Paper submitted

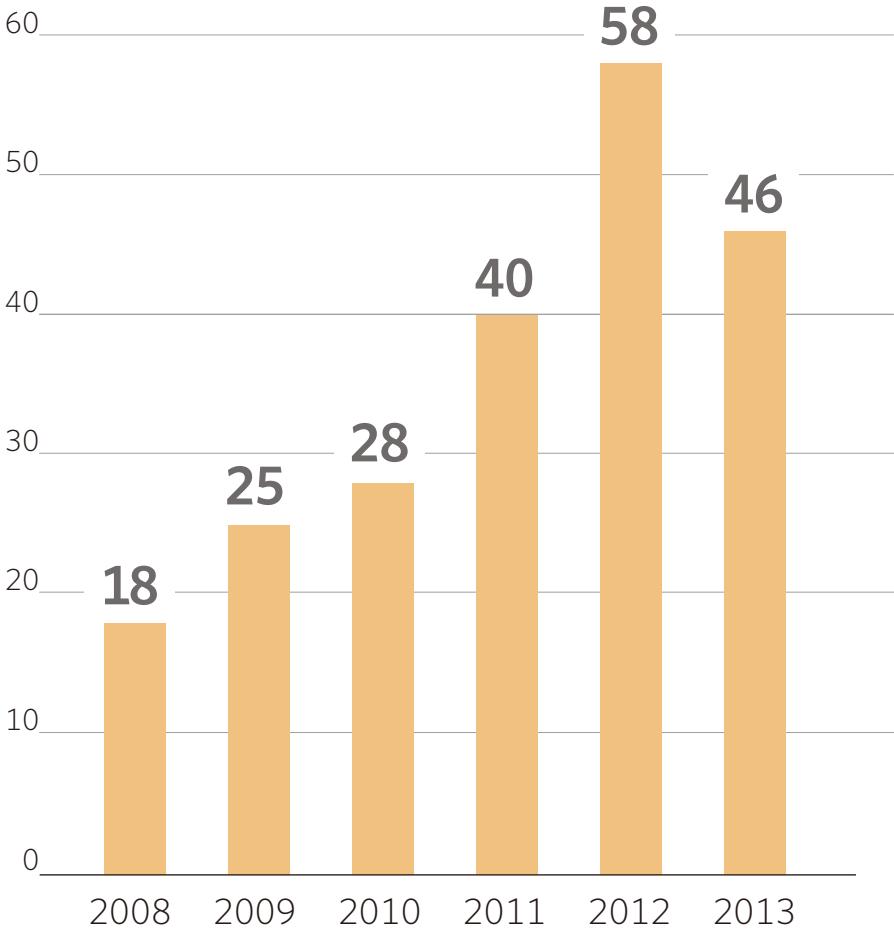
Formulation	Targeted disorder	Institution in-charge	Trial collection period	Public announcements, etc.
TJ-100 Daikenchuto	Postoperative ileus after liver cancer surgery	Tokushima University, other 30 institutions	End of trial	Published in Int J Clin Oncology
	Postoperative ileus after colon cancer surgery (main trial)	Kitasato University, other 64 institutions	End of trial	Paper submitted
	Postoperative ileus after colon cancer surgery (supplemental trial)	Fujita Health University, other 19 institutions	End of trial	Paper submitted
	Postoperative ileus after gastric cancer surgery	Oita University, other 43 institutions	End of trial	Paper submitted and awaiting adoption for DDW*2014
	Paralytic ileus after pancreatic cancer surgery; JAPAN-PD Study	Wakayama Medical University, other 10 institutions	Analysis proceeding	
	Crohn's disease in remission	Keio University, other 9 institutions	- Mar. 2015	Case collection ongoing
	Gastrointestinal dysfunction after liver transplant; BKT-14 Study	Kyoto University, other 14 institutions (scheduled)	June 2014 - May 2016	Scheduled to start in June 2014
TJ-54 Yokukansan	Intractable schizophrenia	Shimane University, other 33 institutions	End of trial	Paper submitted
	Intractable schizophrenia (long-term trial)	Shimane University, other undecided	May 2014 - Apr. 2016	Scheduled to start in May 2014
	BPSD	Tohoku University, other 21 institutions	End of trial	Paper submitted
TJ-43 Rikkunshito	Intractable gastroesophageal reflux disease; G-PRIDE Study	Osaka City University, 75 institutions	End of trial	Published in J.Gastroenterology
	Functional dyspepsia (FD); DREAM Study	Osaka City University, other undecided	Apr. 2014 - Mar. 2016	Case collection started in Apr. 2014
TJ-107 Goshajinkigan	Functional dyspepsia (FD); gastroesophageal reflux (GER) clinical pharmacological trials	University of Leuven	Oct. 2014 - Mar. 2016	Scheduled to start in Oct. 2014
	FOLFOX treatment peripheral neuropathy; GONE Study	Asahikawa Medical University, other 16 institutions	End of trial	Published in Cancer Chemotherapy and Pharmacology
TJ-14 Hangeshashinto	FOLFOX treatment peripheral neuropathy; GENIUS Study	Kyushu University, other 43 institutions	Trial halted (May 2012)	
	Oral inflammation from chemotherapy for colon cancer; HANGESHA-C Study	National Hospital Organization Osaka National Hospital, other 18 institutions	End of trial	Paper submitted
	Oral inflammation from chemotherapy for stomach cancer; HANGESHA-G Study	Kanagawa Cancer Center, other 14 institutions	End of trial	Published in Cancer Chemotherapy and Pharmacology
TJ-54 Yokukansan	Frequency investigation of adverse drug reactions	—	Oct. 2012 - Mar. 2014	Analysis proceeding
TJ-68 Shakuyakuzansoto	Frequency investigation of adverse drug reactions	—	Oct. 2013 - Sept. 2014	Research ongoing

* Digestive Disease Week

Kampo Efficacy Scientific Evidence (English papers: Conference presentations)

Kampo research also drawing attention overseas, particularly for
“Drug Fostering Program” formulations

Papers Published or Presented

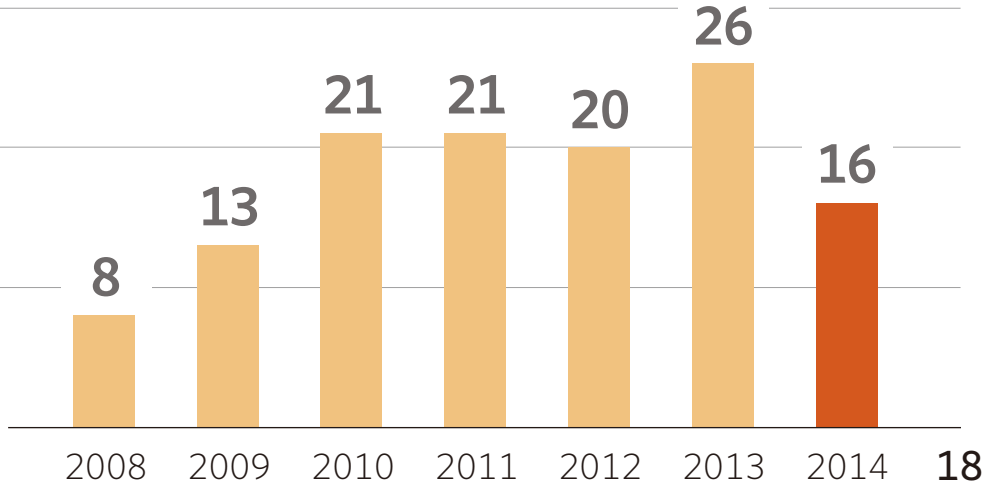


Digestive Disease Week (DDW) Kampo-Related Presentation Topics

DDW 2014

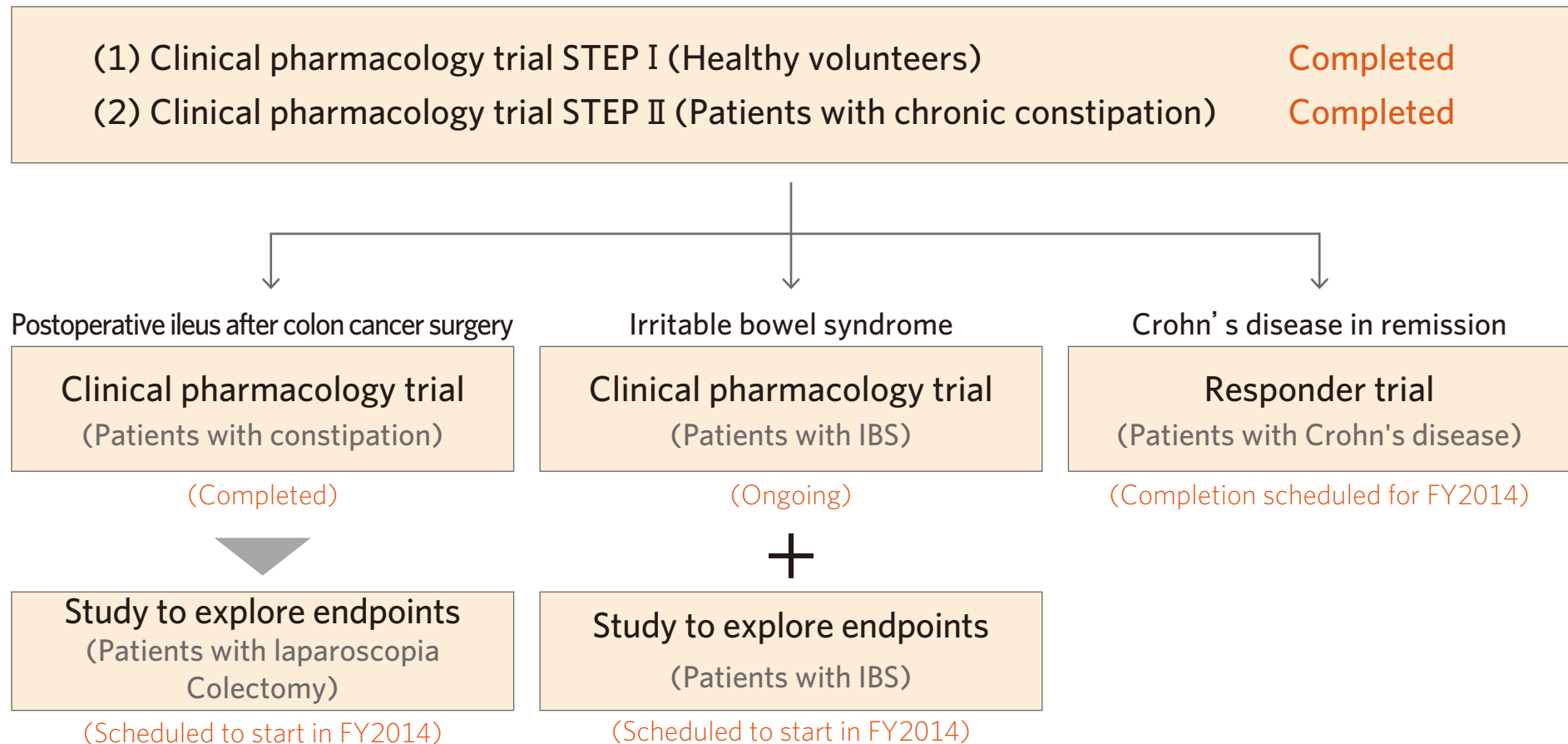
Daikenchuto: 2 topics

Rikkunshito: 14 topics



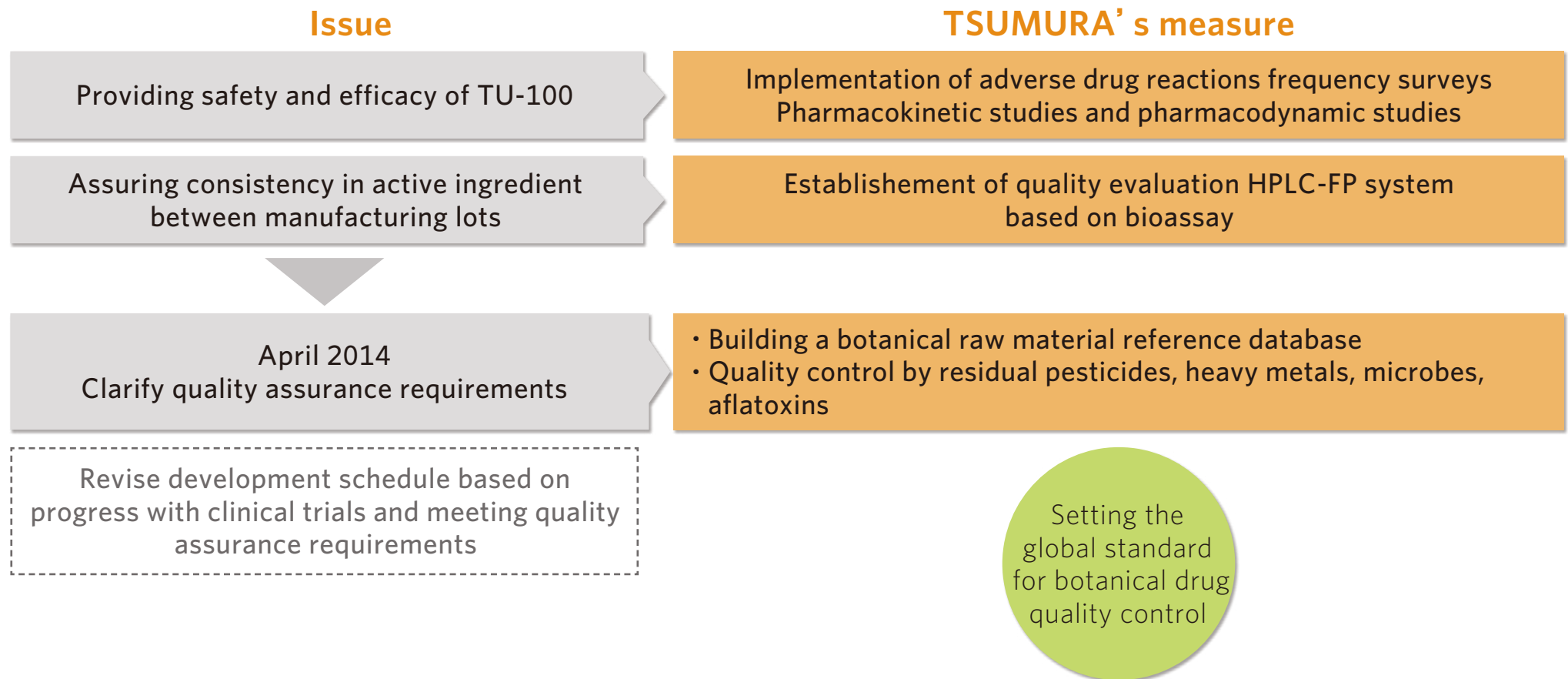
Progress of TU-100 Clinical Trials in the United States

Phase II (Early stage)



Challenge for botanical drugs(TU-100) to overcome in clinical trials in U.S.

TU-100 Challenges Botanical Drugs face in Clinical Trials for U.S. Drug Development
Batch to batch consistency



Developing Schemes for Raising Labor Productivity

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

Increase the current manufacturing capacity	Pursuing improvements	<ul style="list-style-type: none"> • Continue to carry out improvement activities for all processes
	Changes in operating structure	<ul style="list-style-type: none"> • Granulation process running around the clock since FY2013. In FY2014, 6 out of 10 lines • Packaging process running around the clock since FY2012. In FY2014, 12 out of 20 lines
Determine and introduce new production technology	Build a new manufacturing system that is more efficient and uses less manpower	<ul style="list-style-type: none"> • New powdered extract production system → scheduled to come on stream in FY2018 (Ibaraki Plant) • New granulation systems → came on stream in FY2013 (Ibaraki Plant) → scheduled to come on stream in FY2016 (Shizuoka Plant) • New packaging system → scheduled to come on stream in FY2016 (Shizuoka Plant) • Increased use of robot technologies and other measures

Labor productivity
(Compared with FY2011)

In FY2012, actual increase was **3.6%**
In FY2013, actual increase was **7.6%**
(plan 8.9%)

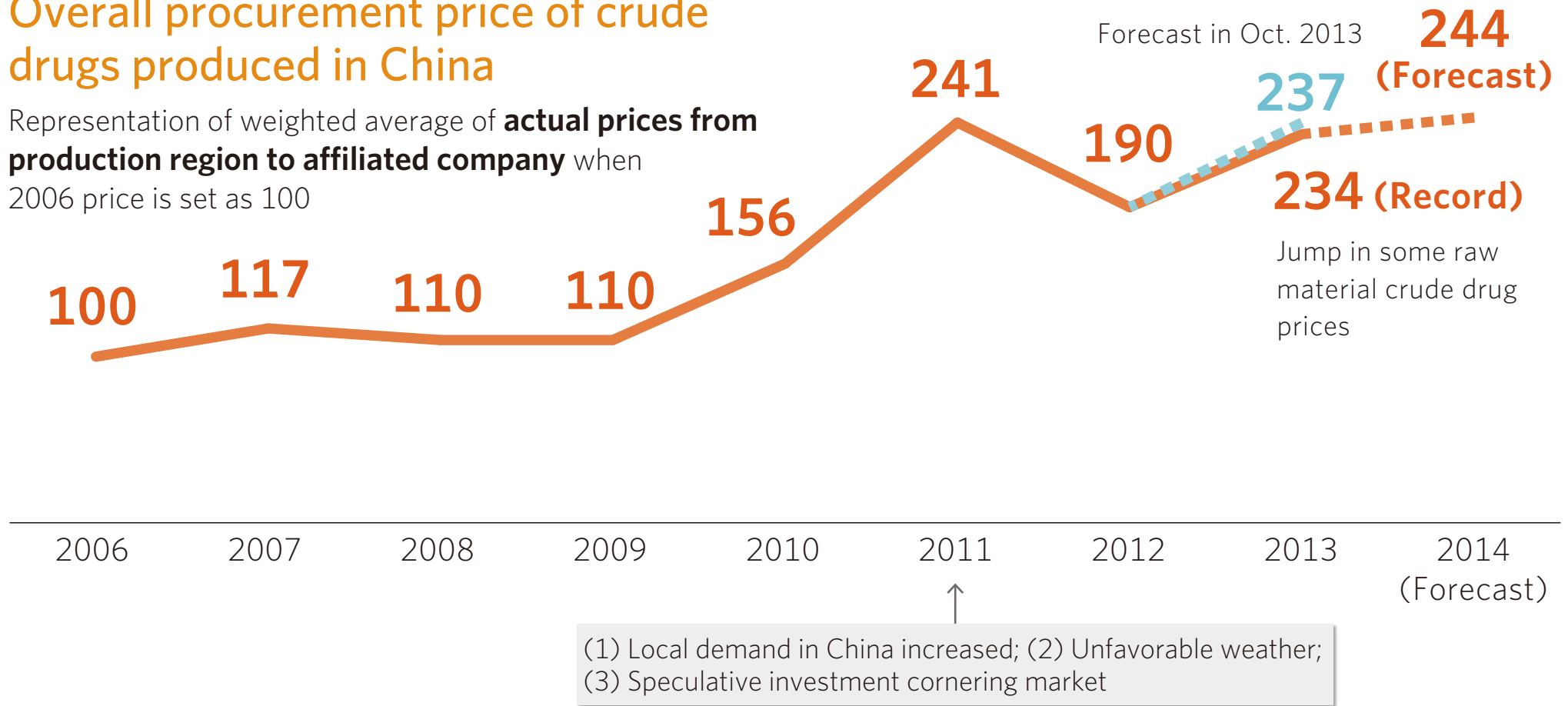
In FY2013, along with revising 4Q sales targets, also reduced production goals
Taking the above into consideration, labor productivity performance was on target

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

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



Measures for Stabilizing Crude Drug Prices (Cultivated Land under Own Management)

What is Cultivated Land under Own Management?

Farms with a certain scale of cultivation area for which Tsumura directly provides cultivation guidance and has an understanding of cultivation costs and can set procurement prices

Specific examples

1. Cultivation farms owned (leased) by Tsumura or affiliated companies (Yubari Tsumura, Lao Tsumura)
2. Cultivation farms owned by farming cooperatives in Japan and regional production companies in China where Tsumura provides cultivation guidance and purchases products at fixed prices based on cultivation costs

Impact of Expanding Cultivated Land under Own Management

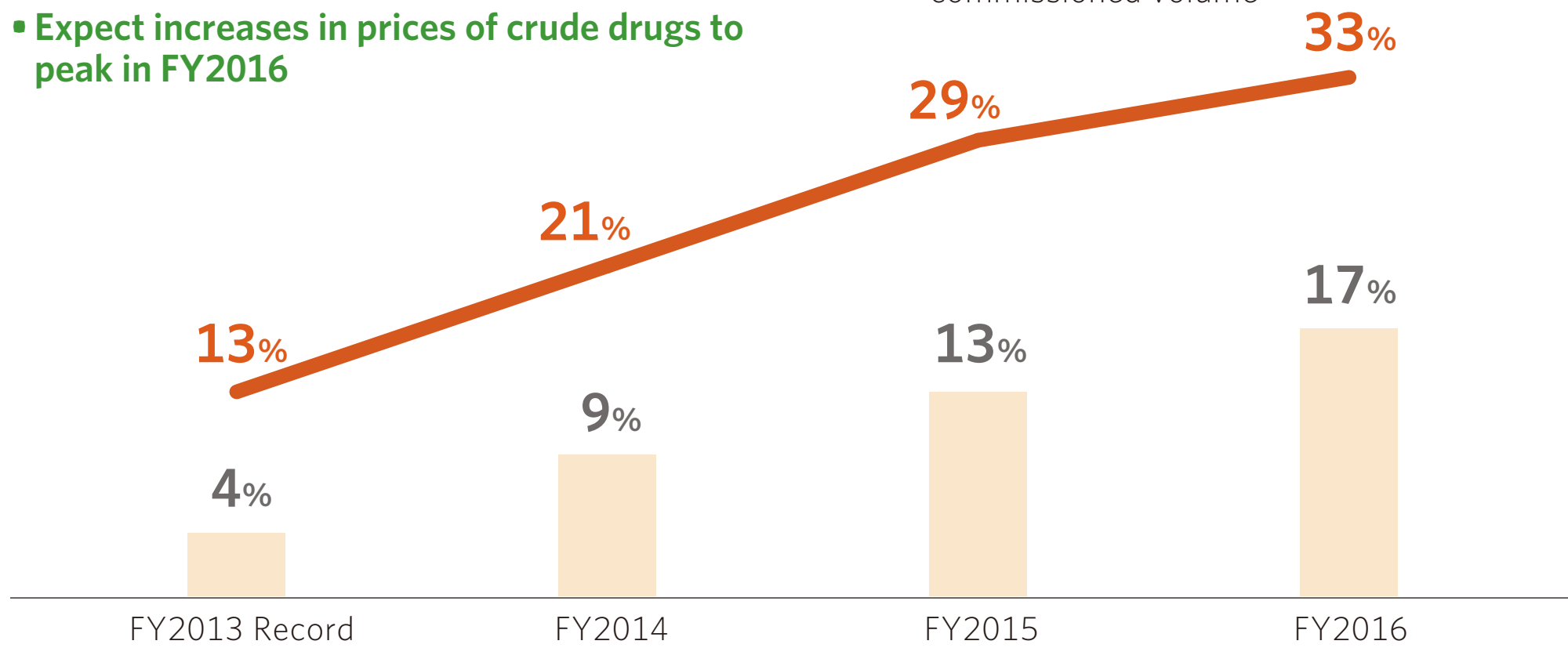
Expected effects

1. Not affected by movement in market prices caused by speculation and other factors
2. Can reduce costs by improving efficiency using large-scale farming and mechanization
3. Can increase yields per unit area by introducing latest cultivation technologies

Cultivated Land under Own Management Plan (2014 - 2016)



- **Expansion of Cultivated Land under Own Management is progressing well**
- **Expect increases in prices of crude drugs to peak in FY2016**

— Ratio of Cultivated Land under Own Management area to total growing area
— Ratio of Cultivated Land under Own Management-produced volume to total commissioned volume



Capital Investment Plan

Capital investment to achieve sustained growth

		← 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		January			
		New standard-based facilities, etc.					☆
	STP (Shanghai)	SD facility		October			
Production, other	Development / maintenance / renewal						
Crude drug related	Ishioka	Ishioka Center reconstruction		January			
	STM (Shenzhen)	Warehouse	March				
	Yubari	Yubari Tsumura building				☆	
	Crude drugs, etc.						

☆ Scheduled start of operations

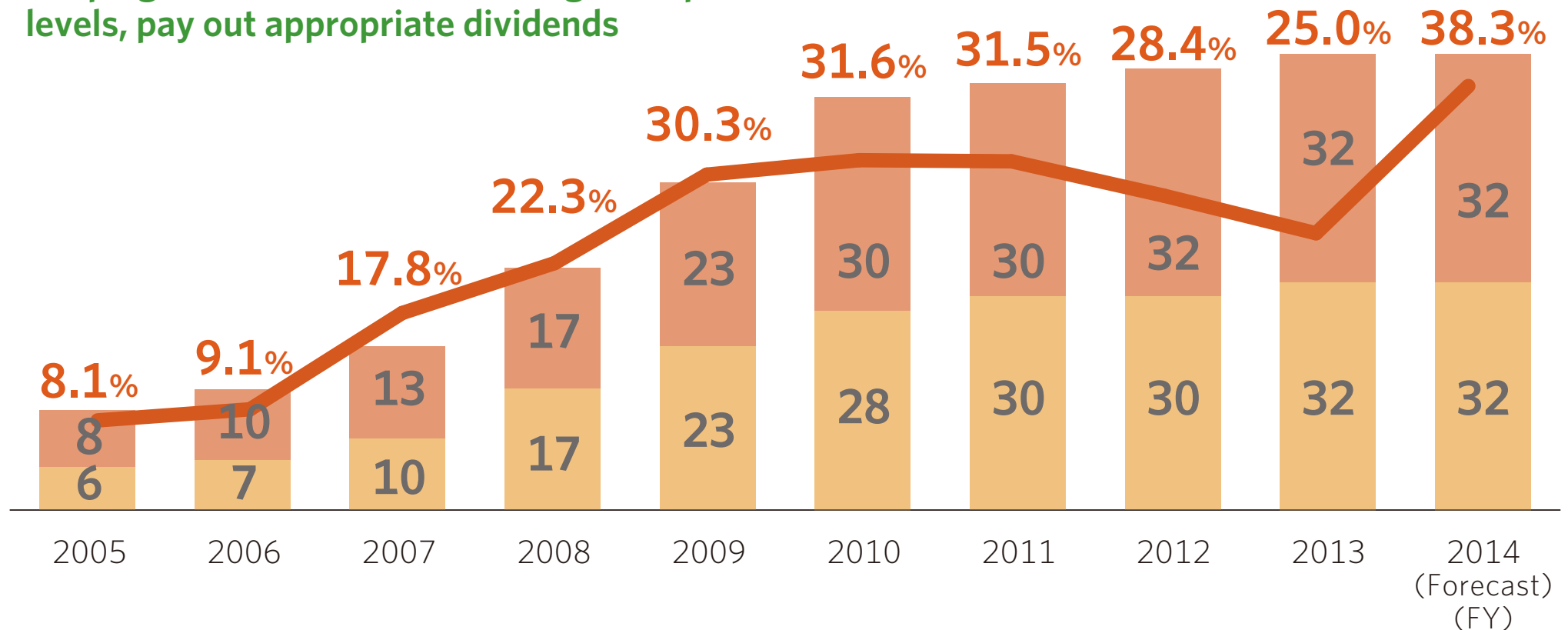
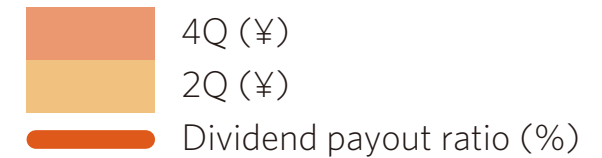
Capital investment: ¥9.5 billion in FY2012 ¥9.2 billion in FY2013


- After revising the timing of adding production facilities based on sales trends, plan capital expenditures of ¥26 billion for 2014/2015
- Consider long-term loans from banks depending on capital demand and supply

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 and cash flow levels, pay out appropriate dividends





FY2014 (Year Ending March 2015)
Performance Forecasts

FY2014 (Year Ending March 2015) Performance Forecasts

(¥ million)

	FY2013	FY2014	YoY change	
Net sales	110,057	111,400	1,342	1.2%
Operating profit	22,461	18,200	-4,261	-19.0%
Recurring income	23,966	18,400	-5,566	-23.2%
Net income	18,050	11,800	-6,250	-34.6%

	FY2013	FY2014
Operating profit margin	20.4%	16.3%
Dividends per share	¥64	¥64
EPS	¥255.94	¥167.32
ROE	14.5%	8.8%

- **Net sales**.....Taking into account unit sales growth trend for prescription pharmaceutical products and official drug price revision
- **Operating profit**.....Considering official drug price revision, rise in prices of some raw material crude drugs, and exchange rate impact, etc.
- **Dividends per share**.....Forecast interim and year-end dividends of ¥32 per share (annually ¥64 per share)



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Cautionary items regarding forecasts

- The performance targets 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.