

Presentation on Vision for China Business

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President, Representative Director

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- 1. Long-Term Business Vision**
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- 3. Business Strategy**
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1. Long-Term Business Vision

Long-Term Business Vision “Vision for 2021”

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

The “Kampo” Company

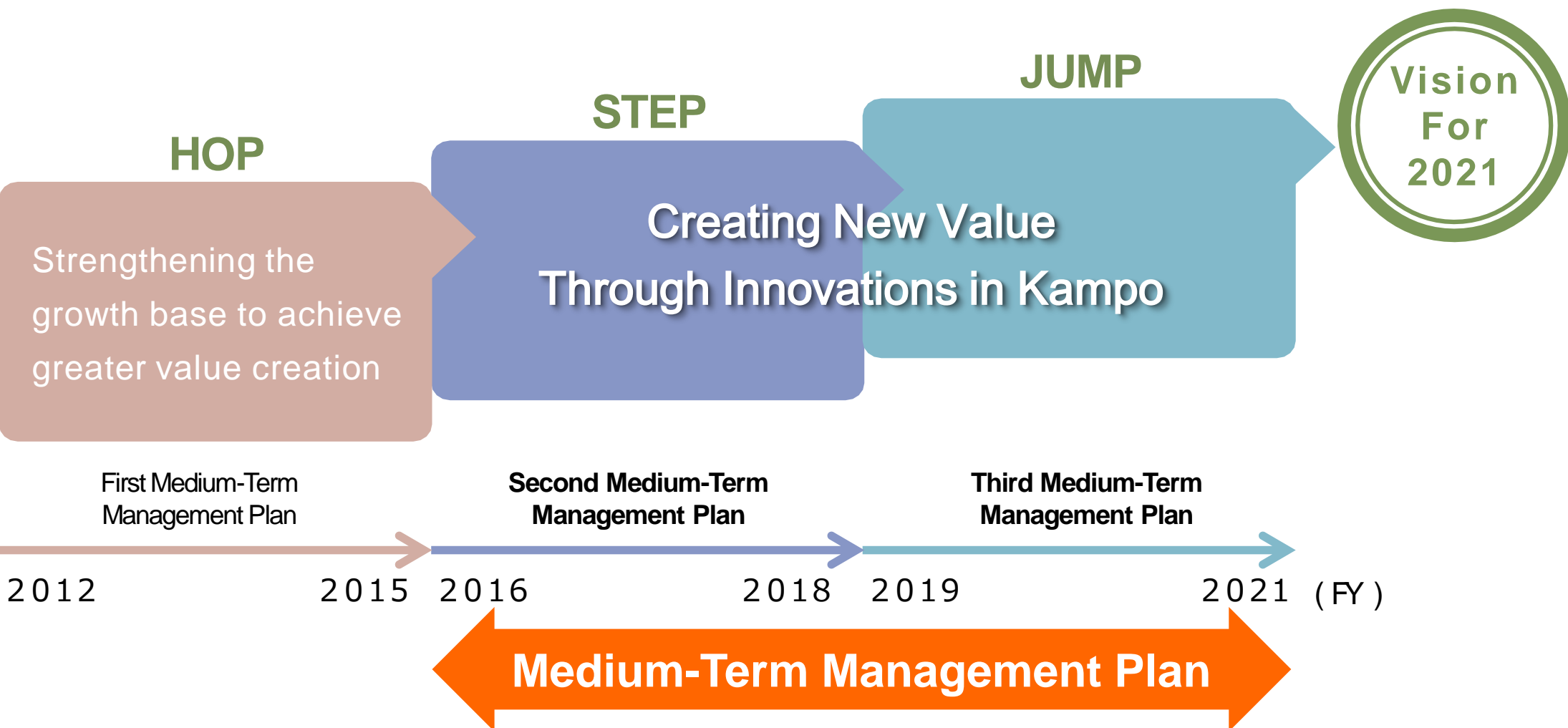
Contributing to creating a healthcare environment where all patients can receive treatment that includes “Kampo” medicine where appropriate in any healthcare institution or medical specialty in Japan.

The “People” Company

“Kampo” medicine is a pioneering field with no previous examples to build on worldwide. Therefore, we shall evolve into a corporate group comprised of “people” with professional skills that can independently pave the way forward for our Kampo business and is trusted by all.

The “**Global Niche**” Company

Leveraging the technology and know-how of the Tsumura Group to their full extent, we will take on the challenge of developing and launching TU-100 (Daikenchuto) in the U.S pharmaceutical market as well as creating [new businesses in China.](#)



- Strategic Challenges
1. Expansion and stable growth in the Kampo market
 2. Continued reinforcement of profitability and maximization of cash flow
 - 3. Taking on the challenge of new businesses in China**

2. Business Goals

➤ 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

Business Goals (Background & External Environment)

Increase in medical costs due to aging society

Change in disease structure

(Example: obesity among the young, etc.)

Stability and safety of the quality of crude drugs and products

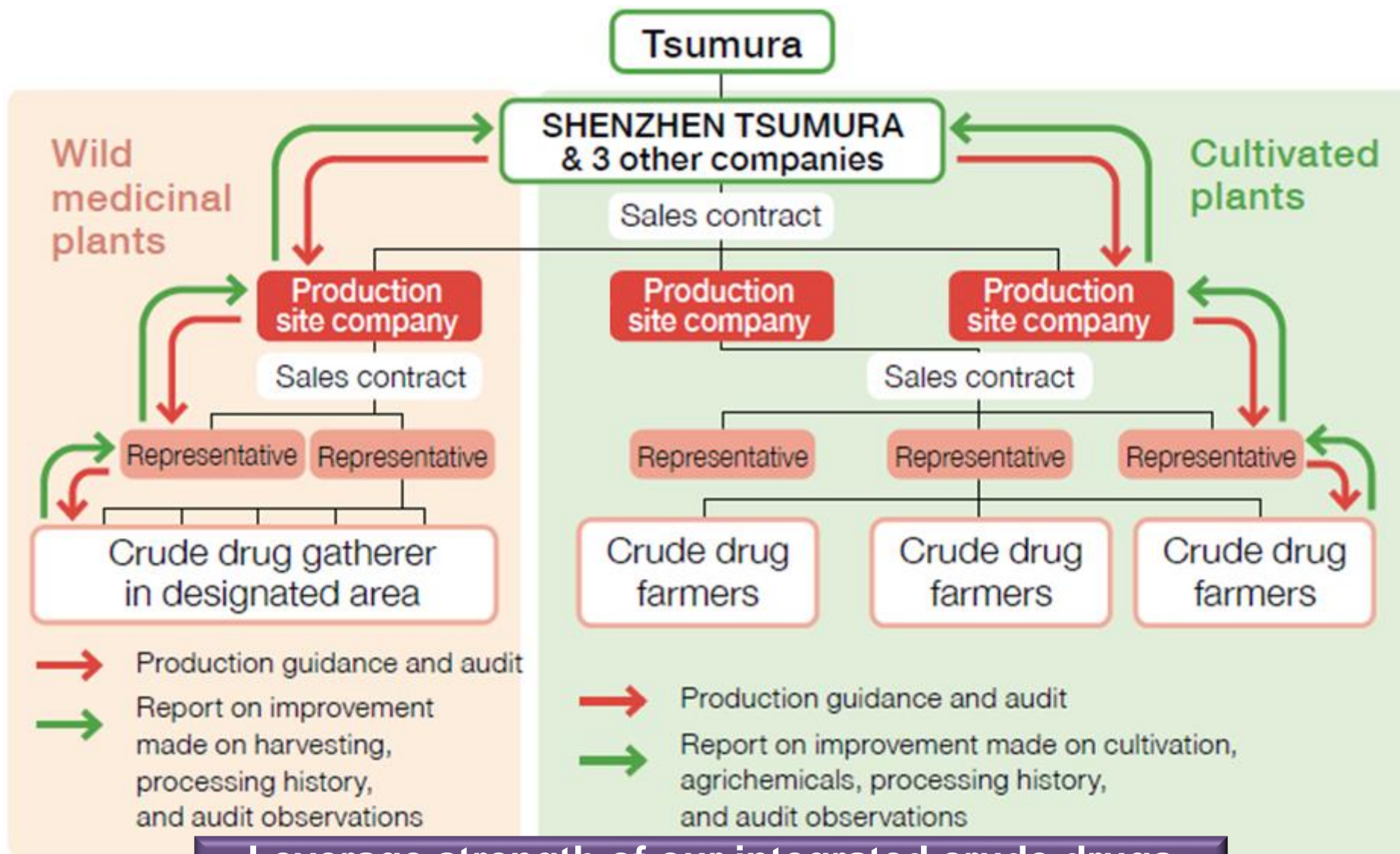


Contribute to the health of the people of China

Play a role in improving the quality of crude drugs, securing safety, and protecting crude drug resources

Stability & Safety of the Quality of Crude Drugs/Products

< Crude Drug Production in China According to the Crude Drug GACP* >



Leverage strength of our integrated crude drugs production and management system

* GACP : Good Agricultural and Collection Practice

3. Business Strategy

Summary of China Business

TSUMURA China

Investment Ratio

100%

63%

56%

49%

70%

**TSUMURA SHENGSHI
PHARMACEUTICALS**
(Tianjin)

- Kampo Extract powder
- traditional Chinese medicinal product
- Production
- Sale



Image photo

**SPH TSUMURA
PHARMACEUTICALS**
(Shanghai)

- Traditional Chinese medicine compound granules
- Research and Development
- Production
- Sale



Image photo

Ping An Tsumura
(Shenzhen)

- Business related to strengthening the crude drug procurement structure
- Business related to analysis and research focusing on traditional Chinese medicines
- Business related to traditional Chinese medicines, health food and healthcare-related daily necessities and other operations and markets

**SHANGHAI
TSUMURA**
(Shanghai)

- Kampo Extract powder
- Production
- Sale



**SHENZHEN
TSUMURA**
(Shenzhen)

- Crude drug
- Crude drug pieces
- Procurement
- Selection and Processing
- Storage



Astragali Radix

· ※ For SPH Tsumura Pharmaceuticals, Shanghai Tsumura, and Shenzhen Tsumura, we plan to shift our investments in each company to investments from Tsumura China

Details of Each Business Operation

Analysis

Establish an analysis center for the purpose of establishing high-quality standards related to traditional Chinese medicine.

(→ Establish cornerstone for brand building in each business through analysis business)



Image photo

Crude drug

(Crude drug pieces, etc)

In the business for crude drugs and crude drug pieces, carry out procurement, processing, and sales

(→ Aim to establish a new business that will create a market that handles high quality and high spec crude drugs)



Astragali Radix

Traditional Chinese medicine compound granules

Product made from extract granules taken from crude drug pieces. This is used to prepare traditional Chinese medicine.

Focus is on this becoming a new market for traditional Chinese medicine. Enter the market with an integrated system that encompasses R&D, production and sales.



Image photo

Traditional Chinese medicinal product, etc

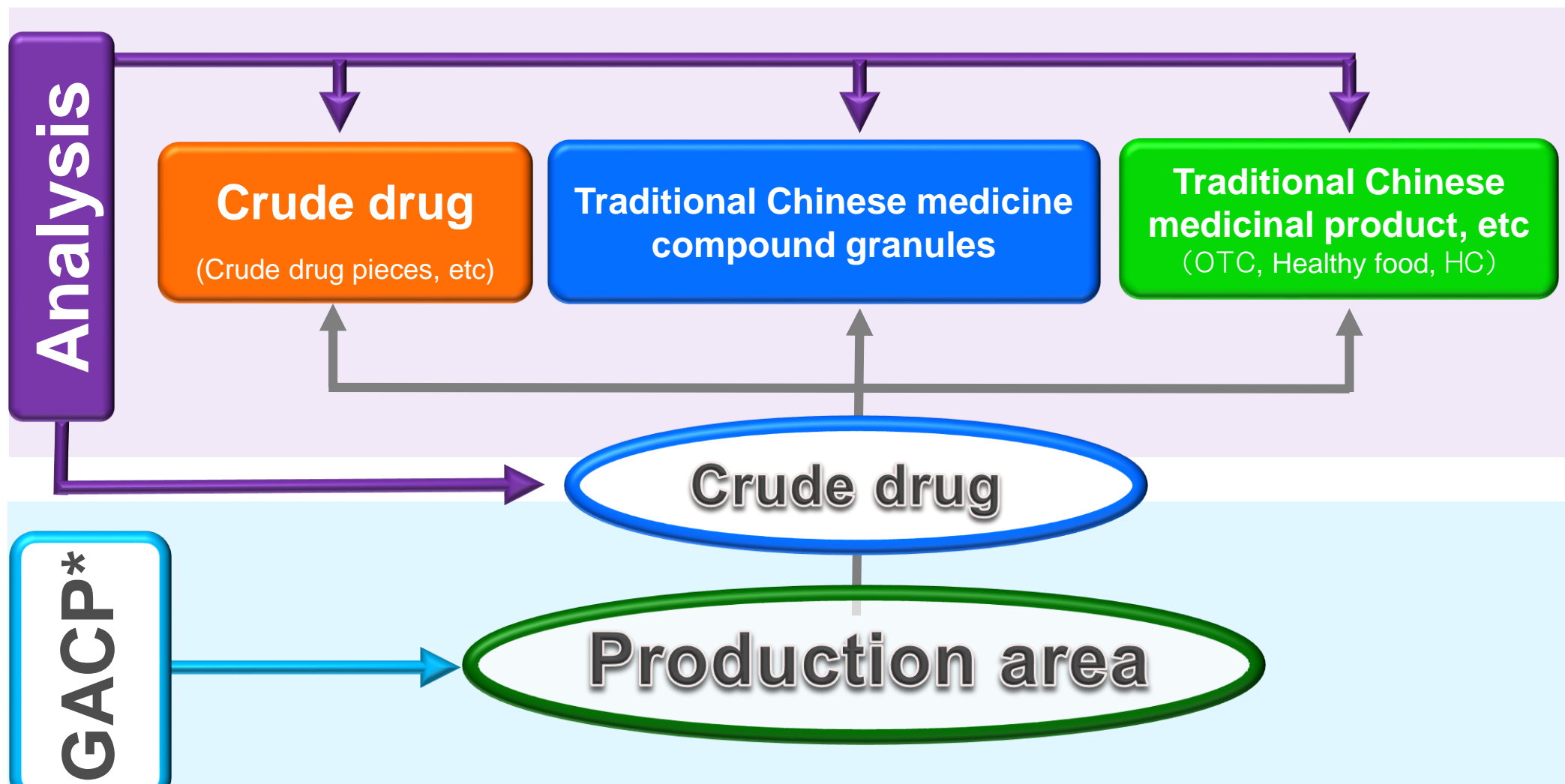
(OTC, Healthy food, HC)

Apply the formulation and commercialization techniques nurtured in the Kampo and crude drug business to develop, produce and sell traditional Chinese medicinal products.



Image photo

Correlation between Each Business



Secure high quality crude drugs / Establish the cornerstone for quality and specifications through analysis business

Supply value-added product & Secure quality assurance, safety, efficacy, and uniformity

*GACP : Good Agricultural and Collection Practice

Strengths of Analysis Technology

Abundant
experience in crude
drug trials

Assay technology that conforms to the
properties of crude drugs
(Residual agrochemicals, toxic mold, microbes)

System for collaborating
with local companies and
research institutes

Technology to identify botanical origins
based on diverse crude drug and plant
specimens **(DNA analysis, classification)**

Vast library of
components derived
from crude drug *

Technology to isolate and refine crude
drug compounds
(Supply reference standard, standard-setting)

Integrated management
from cultivation to quality
inspections

Applied to cultivation and processing
technology based on test results **(Improve
quality of crude drugs)**

* Library: Database on and related to compounds

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

中国平安 PING AN

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)



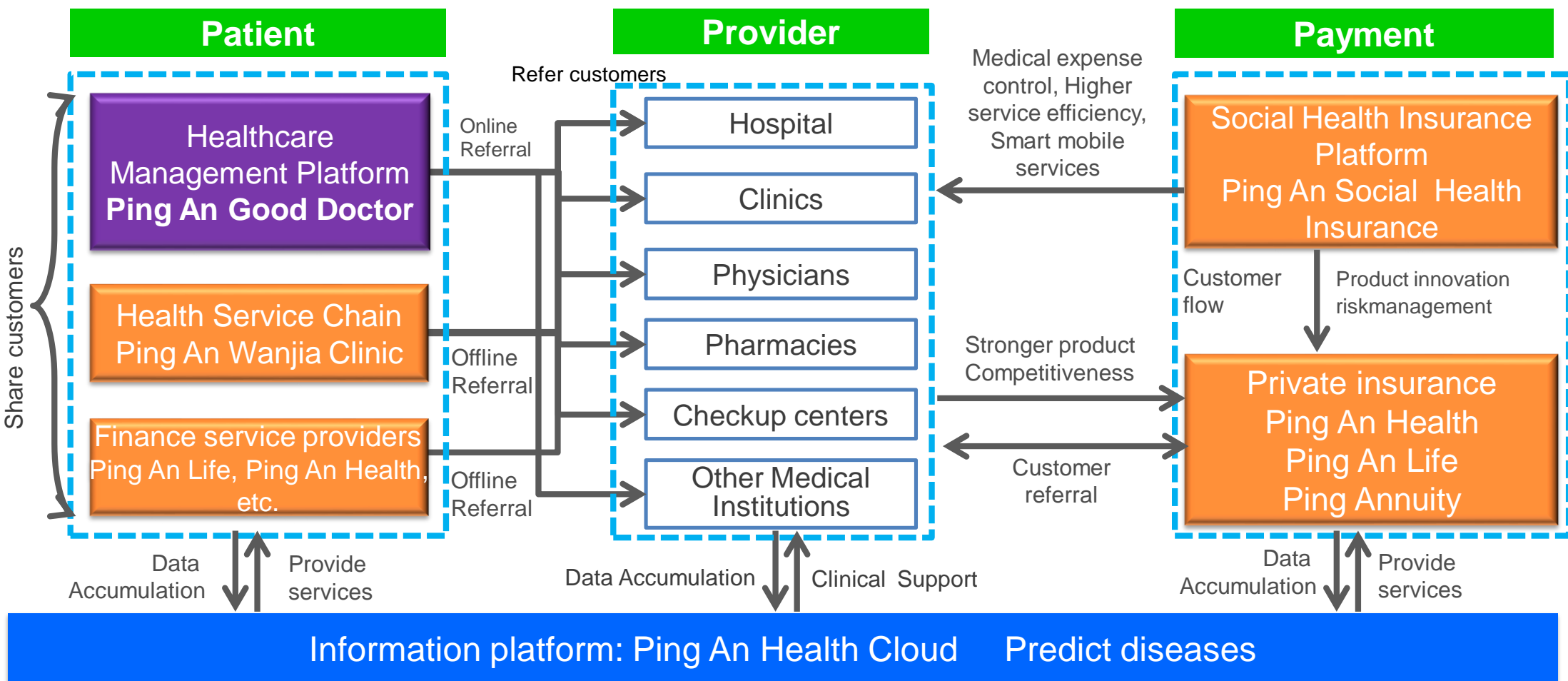
Ping An Tsumura

Aim to become the **No. 1 brand** in the market in China

Business Strategy (Utilize Ping An Group sales channel)

Ping An Good Doctor: China's largest online medical and healthcare management platform

- 1,000 in-house doctors online, over 60,000 affiliated doctors, and 5,000 affiliated hospitals
- More than 150 million registered users, over 250,000 medical interviews taken daily (more than 1 million daily during the summer epidemic season)
- Plan to invest ¥50 billion into R&D for a smart medical exams, including treatments using Kampo

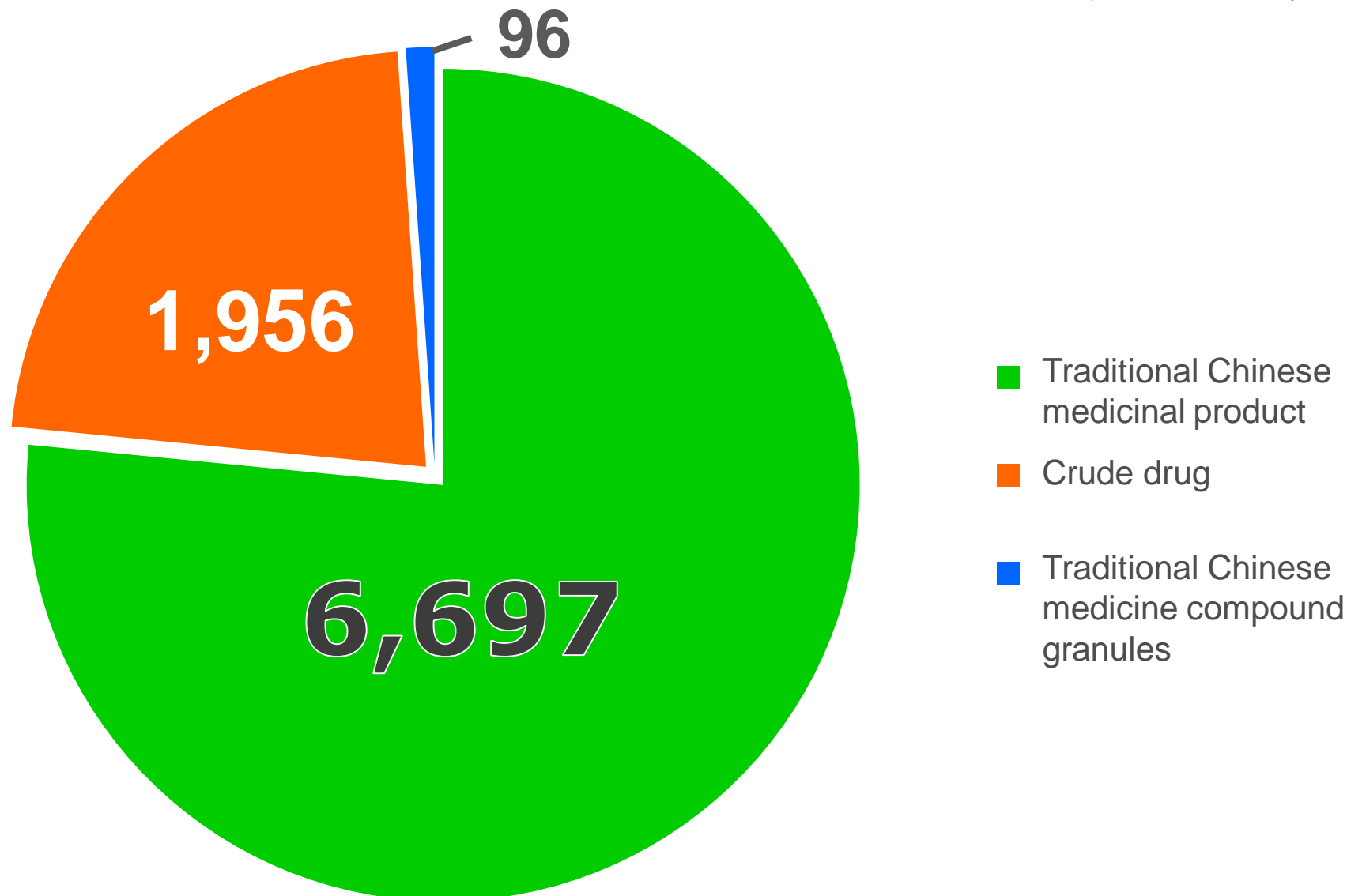


4. Sales Forecast, Market Scale

Size of Market in China (2016)

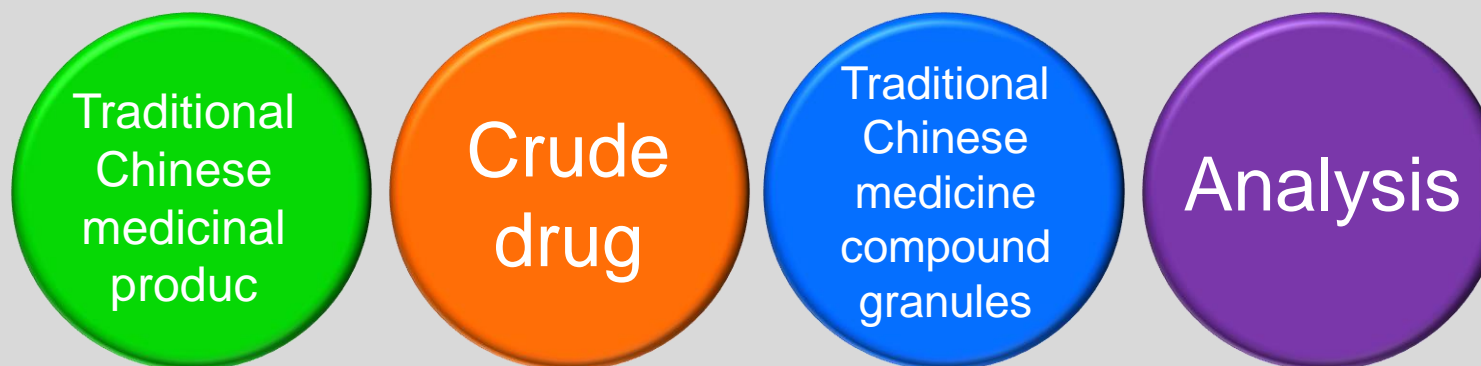
RMB874.9 billion* (roughly ¥14.87 trillion)

* Forex: rate: ¥17/RMB
(current as of February 2018)



RMB 10 billion* (roughly ¥170 billion)

* Forex: rate: ¥17/RMB
(current as of February 2018)



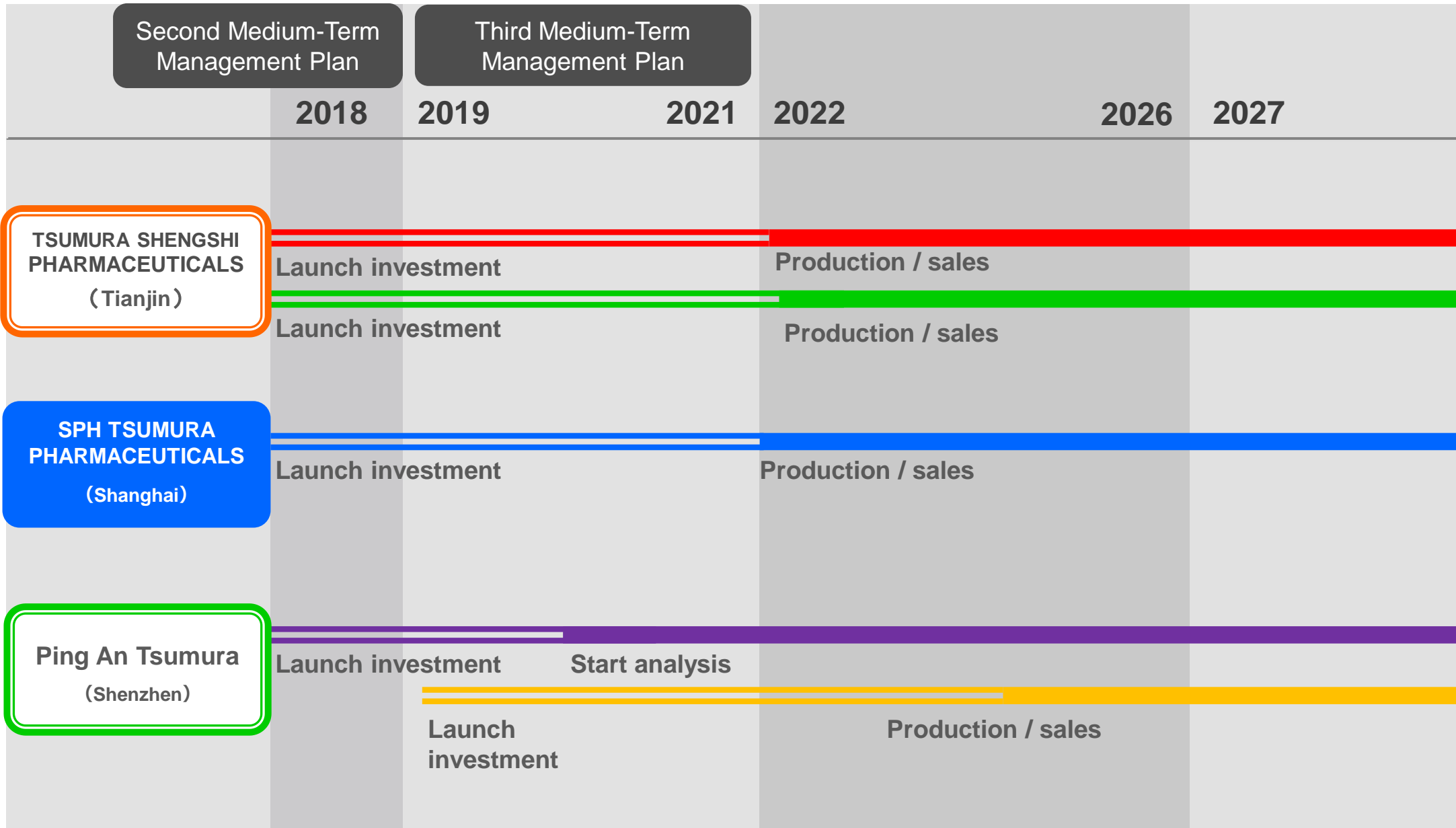
Aim for sales that are equivalent to or higher than sales in Japan on a combined business basis

5. Financing Plan, Schedule

Financing Plan (disclosed on September 22, 2017)

Specific uses for capital at Ping An Tsumura	Amount (JPY billion)
<p>① Business related to strengthening the crude drug procurement structure The procurement of land for cultivation, the development of cultivation techniques, the construction and development of crude drug processing plants, and the development of processing technologies, etc.</p>	<p>10.3 FY2018 to FY2020</p>
<p>② Business related to analysis and research focusing on traditional Chinese medicines Establish an analysis and research center focusing on traditional Chinese medicines, and the development of analysis and research techniques and the provision of analysis and testing services, etc.</p>	<p>2.1 FY2018 to FY2022</p>
<p>③ Business related to traditional Chinese medicines, health food and healthcare-related daily necessities and other operations and markets Use Tsumura's Kampo medicine manufacturing knowhow to conduct the business of manufacturing and selling traditional Chinese medicines.</p>	<p>14.8 FY2018 to FY2022</p>
<p style="text-align: right;">Total</p>	<p>27.2</p>

Schedule (tentative)



- Kampo Extract powder
- Traditional Chinese medicinal product
- Traditional Chinese medicine compound granules
- Analysis
- Traditional Chinese medicine, Healthy food, HC etc

TSUMURA & CO.
Investor Relations Group
Corporation Communications Dept.

Cautionary items regarding 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.