

TSUMURA & CO. Third Quarter Business Results for Fiscal Year 2019

(From April 1, 2019 to December 31, 2019)

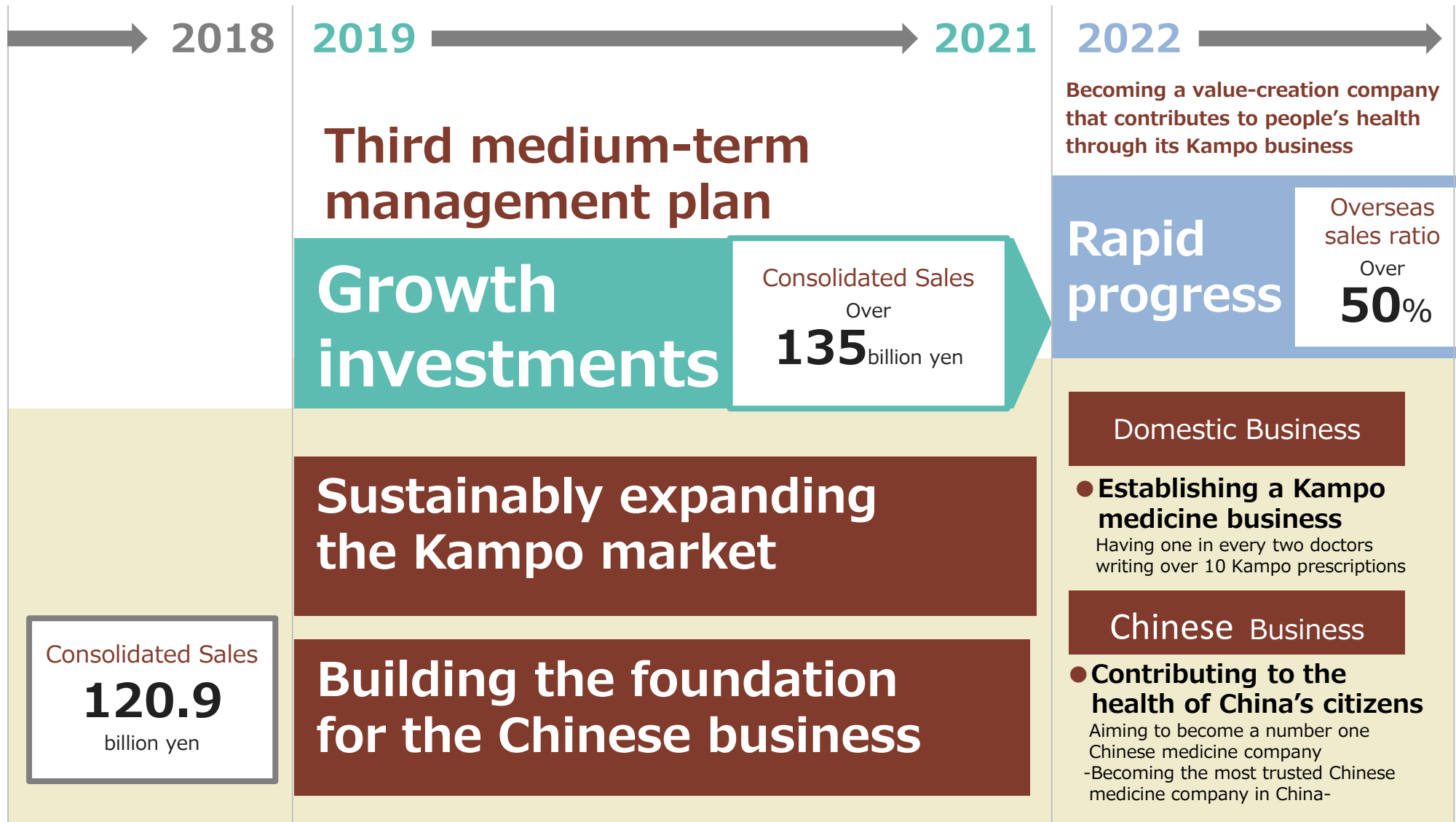
Conference Call

February 10, 2020

Muneki Handa

Director, Managing Executive Officer and CFO

Roadmap to Realizing Our Long-Term Vision

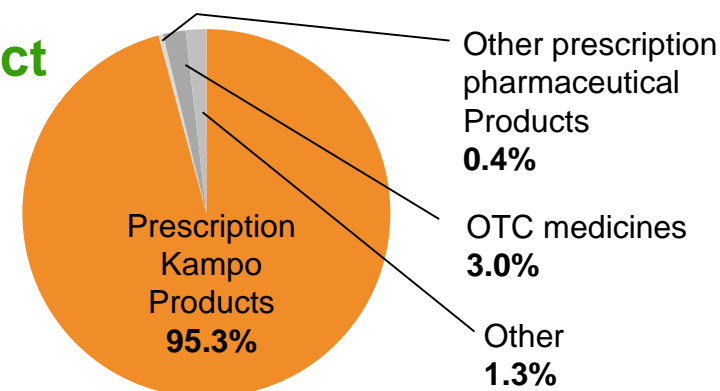


3Q Consolidated Performance for FY 2019

(million yen)

	FY 2018 3Q	FY 2019 3Q	Vs. FY 2018 3Q		FY plan	
			Amount	Change	Amount	Achievement rate
Net sales	92,010	95,185	+3,175	+3.5%	125,000	76.1%
Operating profit	15,280	16,151	+871	+5.7%	17,000	95.0%
Operating profit margin	16.6%	17.0%	—	—	—	—
Ordinary profit	16,094	16,675	+581	+3.6%	18,000	92.6%
Profit attributable to owners of parent	11,731	11,690	(41)	(0.3)%	12,300	95.0%

Sales by product



Key Points in Performance

Net sales were up year-on-year but profits were down marginally.

Net sales	95,185 Million yen	YoY	+3.5%
------------------	---------------------------	-----	--------------

- Net sales of the 129 prescription Kampo products rose 3.3% year-on-year. On a yen-basis, sales rose for 80 prescriptions.
- Net sales of OTC medicines increased 15.6% year-on-year.

Operating profit	16,151 Million yen	YoY	+5.7%
-------------------------	---------------------------	-----	--------------

Operating profit margin	17.0 %	YoY	+0.4pt
--------------------------------	---------------	-----	---------------

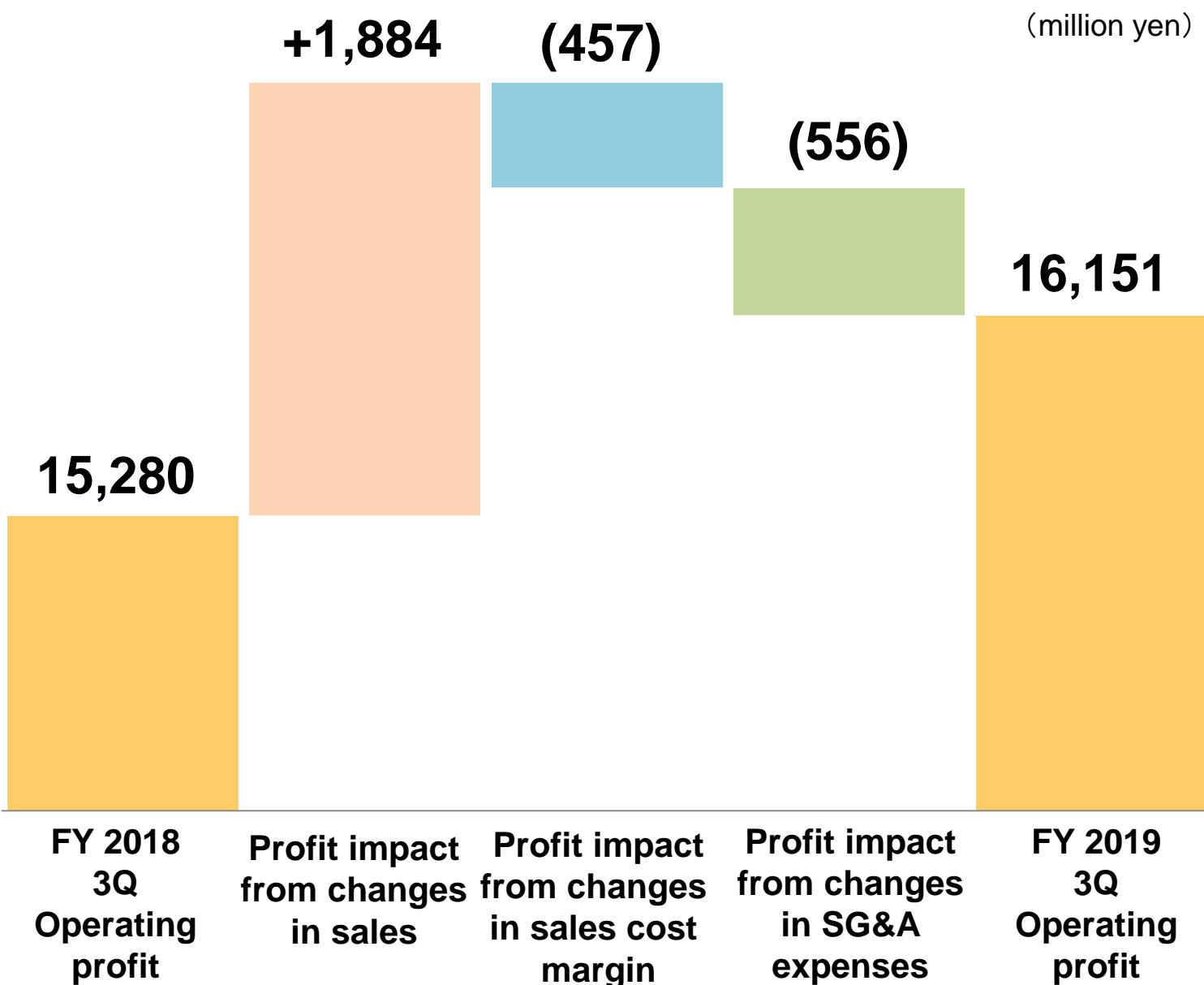
- The cost-to-sales ratio stood at 41.1%, up 0.4pt year-on-year. Although crude drug-related costs were down, this rise reflected impact from unrealized profit.
- The cost-to-SG&A ratio was 41.9%, down 0.8pt from a year earlier, owing to a rise in sales, despite the increase in sales rebates and R&D expenses.

Ordinary profit	16,675 Million yen	YoY	+3.6%
------------------------	---------------------------	-----	--------------

Profit attributable to owners of parent	11,690 Million yen	YoY	(0.3)%
--	---------------------------	-----	---------------

- An extraordinary loss of 419 million yen was recorded as a loss on valuation of equity due to the decision to liquidate an affiliate.

Factors for changes in Operating Profit



Profit impact from changes in sales cost margin		(million yen)
Sales composition		(286)
Crude drug cost		+571
Processing cost		(190)
Unrealized profit		(552)
Profit impact from changes in SG&A expenses		(million yen)
Sales promotion expenses		(298)
R&D expenses		(240)
Personnel expenses		(129)
Other		+111

Financial Condition / Cash Flow Position

Balance Sheet

(million yen)

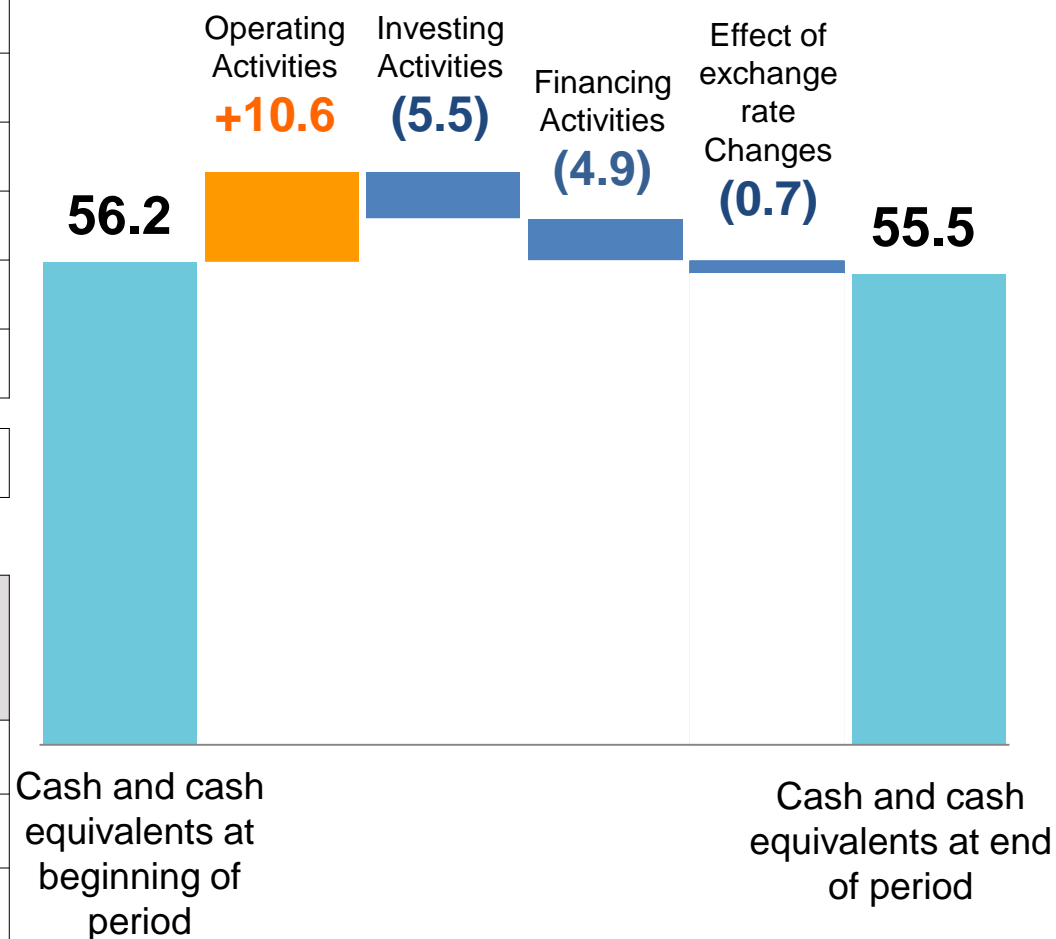
	As of March 2019	As of December 2019	Change
Total assets	287,322	286,183	(1,139)
Current assets	190,027	185,325	(4,701)
Non-current assets	97,295	100,857	3,562
Total liabilities	81,181	77,723	(3,457)
Current liabilities	33,320	30,588	(2,732)
Non-current liabilities	47,861	47,135	(725)
Total net assets	206,141	208,460	2,318
Equity Ratio	70.2%	71.4%	1.2pt

(million yen)

Balance Sheet	As of March 2019	As of December 2019	Change
Inventories	51,808	56,490	4,682
(Merchandise and finished goods)	9,382	7,361	(2,021)
(Work in process)	11,125	12,467	1,342
(Raw materials and stores)	31,299	36,660	5,361

Cash Flow Position

(billion yen)



Sales performance of prescription Kampo products

(million yen)

	Sales rank	Product No. / name		FY 2018 3Q	FY 2019 3Q	YoY Change	
Drug-fostering program formulations	1	100	Daikenchuto	8,053	8,023	(30)	(0.4)%
	2	54	Yokukansan	5,916	6,028	111	1.9%
	3	43	Rikkunshito	5,564	5,726	161	2.9%
	9	107	Goshajinkigan	2,794	2,813	18	0.7%
	22	14	Hangeshashinto	1,030	1,094	64	6.2%
Total sales of the five Drug-fostering program formulations				23,360	23,685	325	1.4%
Growing formulations	4	41	Hochuekkito	5,597	5,589	(7)	(0.1)%
	5	68	Shakuyakukanzoto	3,970	4,112	141	3.6%
	6	29	Bakumondoto	3,530	3,682	151	4.3%
	7	24	Kamishoyosan	3,533	3,621	88	2.5%
	8	17	Goreisan	3,199	3,522	323	10.1%
Total sales of the five Growing formulations				19,830	20,528	698	3.5%
Total sales 119 prescription kampo products except the five Drug-fostering, the five Growing formulations				41,395	42,759	1,364	3.3%
Total of 129 prescription Kampo products				87,834	90,722	2,888	3.3%

Growth rate of 129 prescription Kampo formulations

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019 1Q	FY2019 2Q	FY2019 3Q
Amount base	2.4%	2.3%	1.9%	2.4%	2.7%	3.3%	4.2%	3.3%
Number of items with higher ven sales	81	68	95	63	83	80	87	80

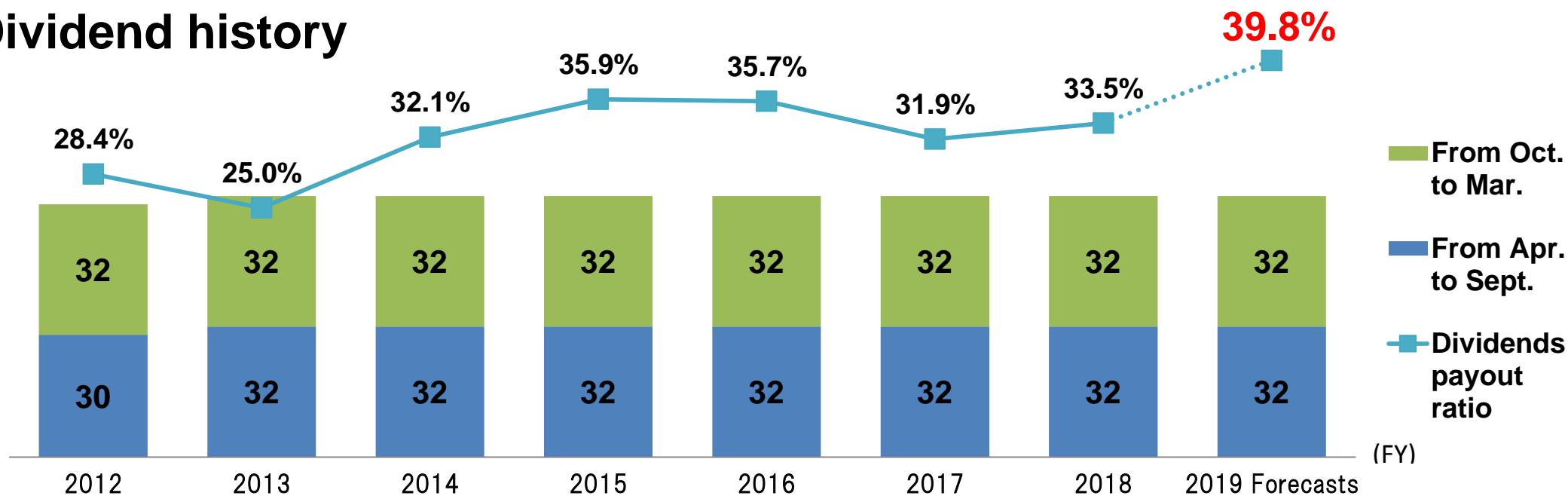
Return of Profits to Shareholders

Return of Profits to Shareholders

Policy

- We seek to increase corporate value through the sustainable expansion of the Kampo business and investments to build business foundations in China
- We will bear in mind the state of the mid-to-long term profit levels and cash flow to ensure stable dividends

Dividend history



The year-end dividend and dividend payout ratio for FY2019 are based on the assumption that the dividend item will be approved at the 84th annual shareholders' meeting

TSUMURA & CO.
Investor Relations Group
Corporate 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.