

Second Quarter Business Results for Fiscal 2021

November 8, 2021

President and Representative Director, CEO

Terukazu Kato

Today's agenda

- 1. 2 Q Business Results for FY2021 Overview**
- 2. Domestic Business**
- 3. Chinese Business**
- 4. ESG/Sustainability**
- 5. FY2021 Forecast**

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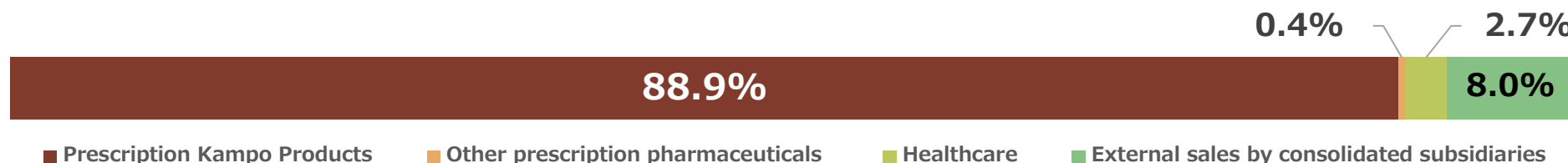
Second Quarter Business Results for FY 2021

(Million yen)

	FY 2021 2Q Plan (Before Revision*)	FY 2021 2Q Results	Achievement rate	FY 2020 2Q Results	YoY	
					Amount	Change
Net sales	59,400	63,416	106.8%	56,952	+6,464	+11.4%
Domestic	55,500	58,829	106.0%	54,475	+4,353	+8.0%
Overseas	3,900	4,587	117.6%	2,476	+2,110	+85.2%
Operating Profit (Operating Profit Margin)	8,700 (14.6%)	11,684 (18.4%)	134.3%	10,920 (19.2%)	+763	+7.0%
Ordinary Profit	9,000	13,409	149.0%	10,909	+2,499	+22.9%
Profit attributable to owners of parent	6,900	9,965	144.4%	8,002	+1,963	+24.5%

*In the "Notice of Revision of Earnings Forecast" on October 29, we have revised and announced the second quarter earnings forecast as net sales of 63,400 million yen, operating profit of 11,600 million yen, ordinary profit of 13,400 million yen, and net profit attributable to owners of parent of 9,900 million yen.

Ratio to total sales



Key Points in Performance

Sales and profits increased due to growth in domestic and overseas sales.

Net sales	63,416	million yen	Achievement rate	+106.8%	YoY	+11.4%
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- Domestic sales totaled 58,829 million yen, increased 11.4% year-on-year.
- Sales of the 129 prescription Kampo products totaled 56,377 million yen, increased 7.7% year-on-year.
- Sales of healthcare products including OTC Kampo medicines totaled 1,713 million yen, increased 24.4% year-on-year.
- Overseas sales totaled 4,587 million yen, increased 85.2% year-on-year.

Operating profit	11,684	million yen	Achievement rate	+134.3%	YoY	+7.0%
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Operating profit margin	18.4%		Comparison with the plan at the start of the fiscal year	+3.8pt	YoY	(0.8)pt
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- The expense-to-sales ratio was 48.4%, a climb of 1.3pts year-on-year, mainly impact of increased depreciation burden due to operation of Ibaraki 3rd SD building, and external sales in China.
In comparison with the plan at the start of the fiscal year, the expense-to-sales ratio increased 0.3pt.
- The SG&A ratio totaled 33.1%, a decline of 0.6pt year-on-year. In comparison with plan at the start of the fiscal year, the SG&A ratio dropped 4.1pts, mainly due to decrease in personnel expenses and impact of R&D expenses.

Ordinary profit	13,409	million yen	Achievement rate	+149.0%	YoY	+22.9%
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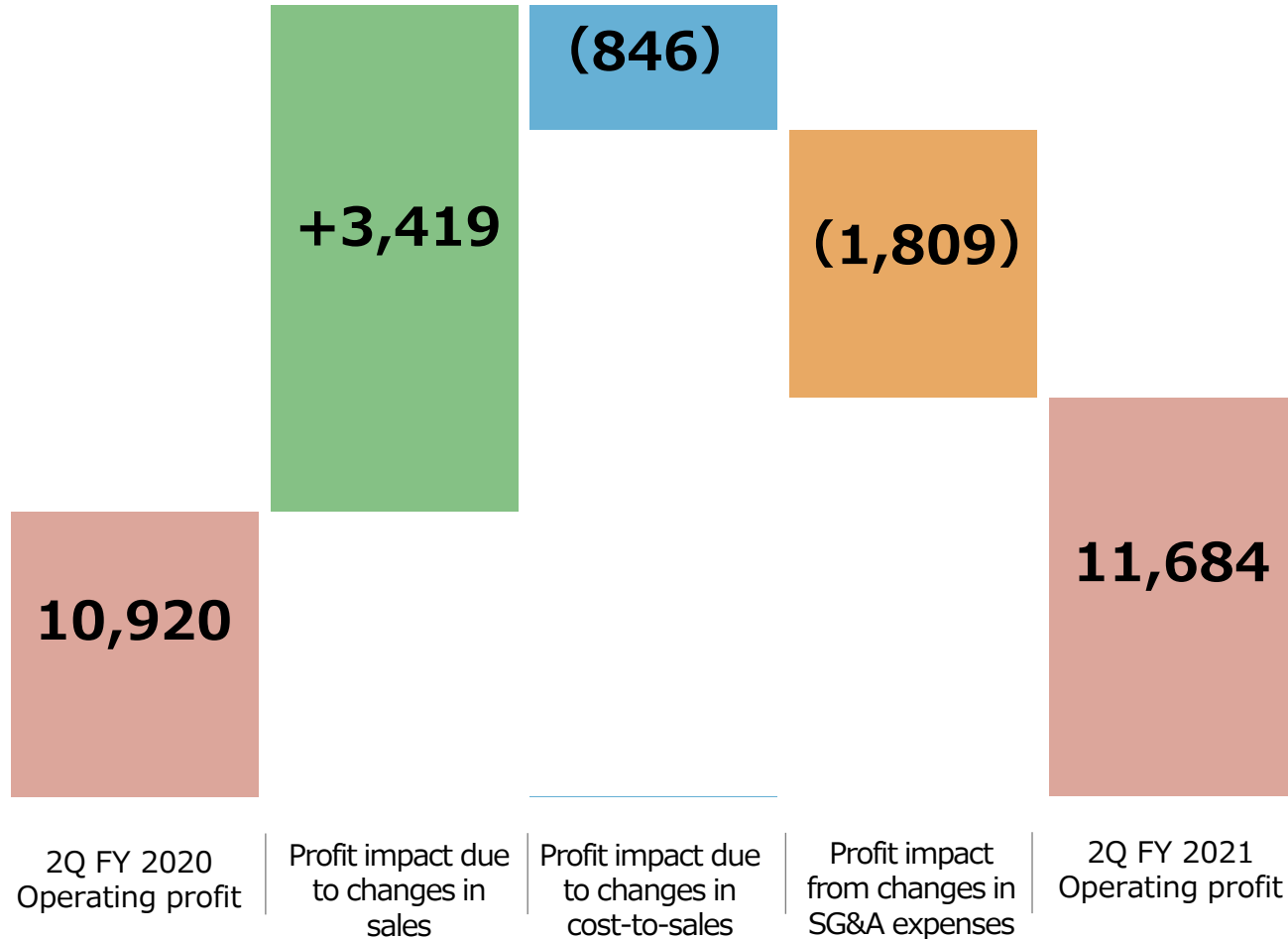
- The impact of the 2Q foreign exchange gain: 1,184 million yen
Previous 2Q foreign exchange loss: 485 million yen Mainly affected by foreign exchange gains and losses.

Net profit attributable to owners of parent	9,965	million yen	Achievement rate	+144.4%	YoY	+24.5%
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Factors Triggering Changes in Operating Profit (YoY)

(Million yen)

(Million yen)



Changes in sales : +3,419 Breakdown	
Domestic	+2,303
Overseas	+1,116
Changes in cost-to-sales : (846) Breakdown	
Sales composition (Domestic)	+127
Crude drug cost (Domestic)	+377
Processing cost etc (Domestic)	(663)
Outside sales in China (Overseas)	(676)
Changes in SG&A expenses: (1,809) Breakdown	
Sales-related expense	(551)
R&D expense	(270)
Salary allowance	(267)
Other	(721)

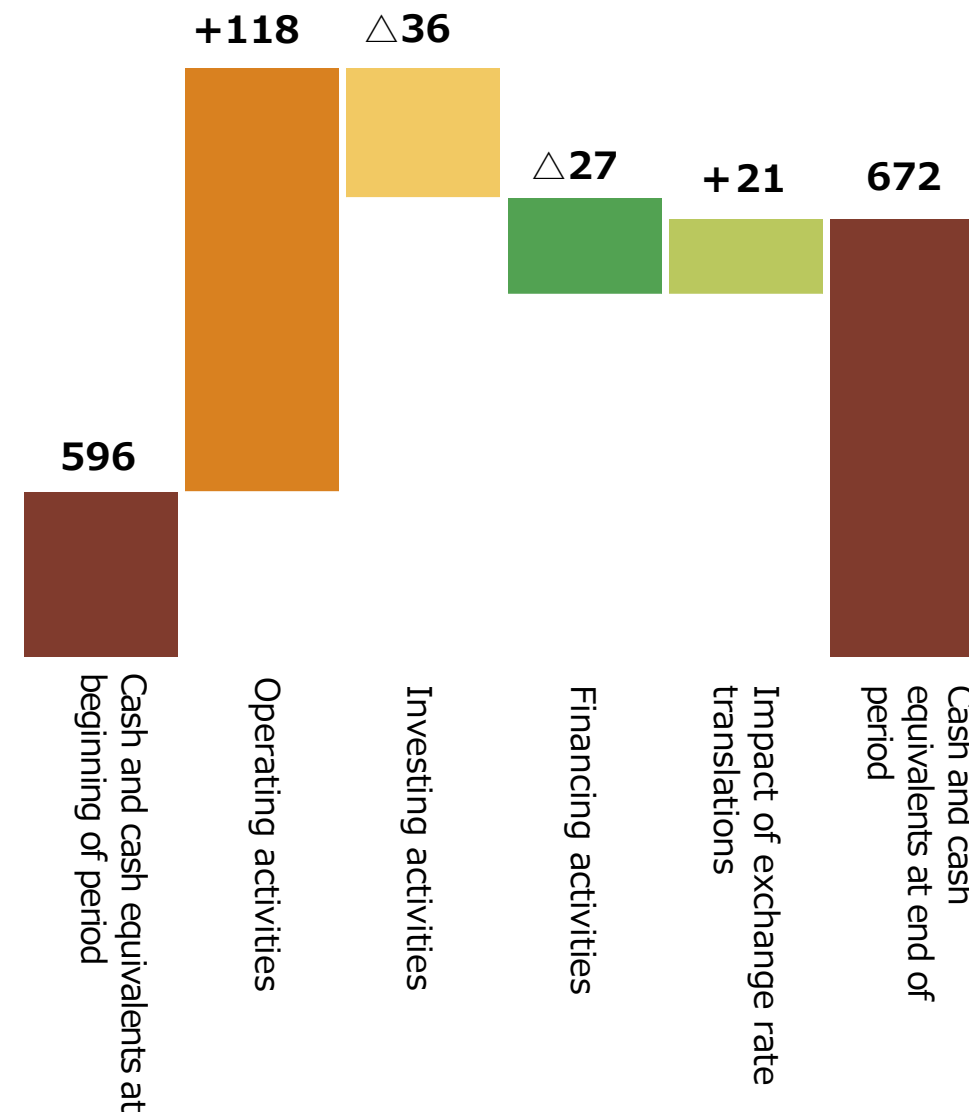
Financial Condition/Cash Flow Position

(Million yen)

	FY 2020 (March 2021)	FY 2021 2Q	Change
Total assets	319,063	335,881	16,817
Current assets	204,273	218,576	14,303
Non-current assets	114,789	117,304	2,514
Total liabilities	85,894	90,240	4,346
Current liabilities	48,380	43,824	△4,556
Non-current liabilities	37,513	46,416	8,902
Total net assets	233,169	245,640	12,471
Equity ratio	68.3%	68.2%	△0.1pt

	FY 2020 (March 2021)	FY 2021 2Q	Change
Inventories	80,755	87,104	6,349
Merchandise and finished goods	13,939	10,073	△3,865
Work in process	13,396	14,043	646
Raw materials and supplies	53,419	62,988	9,568

(Hundred million yen)



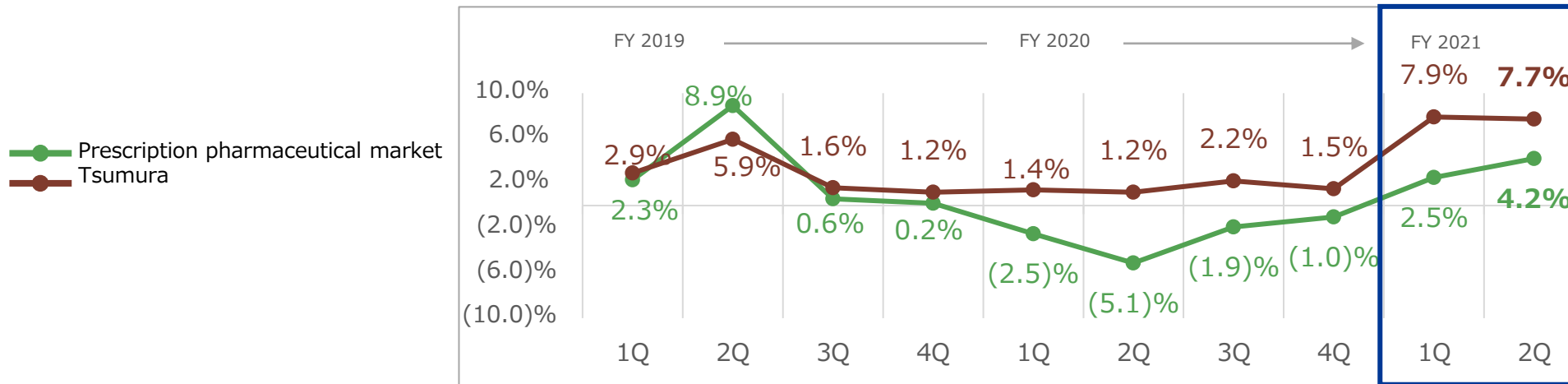
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Comparison with the Prescription Pharmaceutical Market

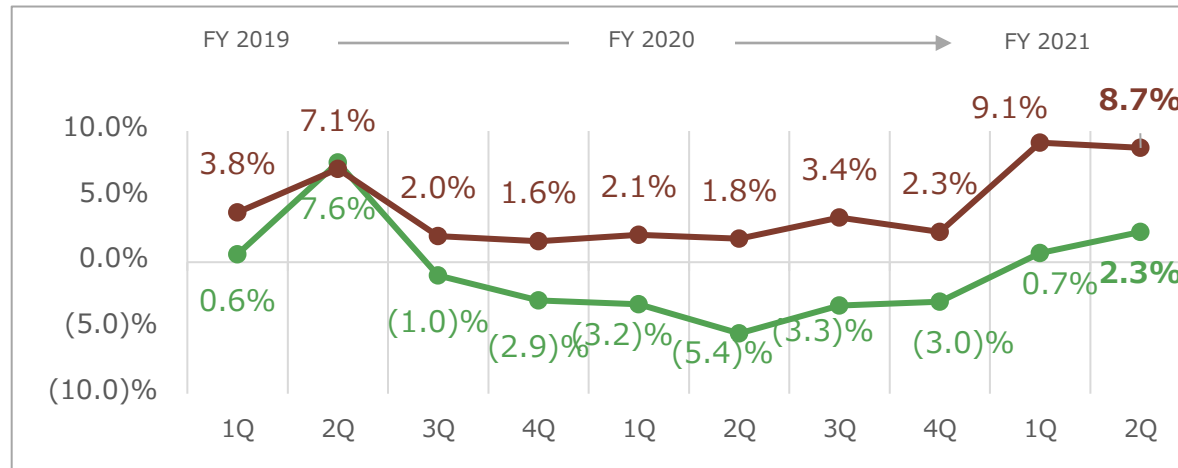
Overall

(YoY/drug price basis)



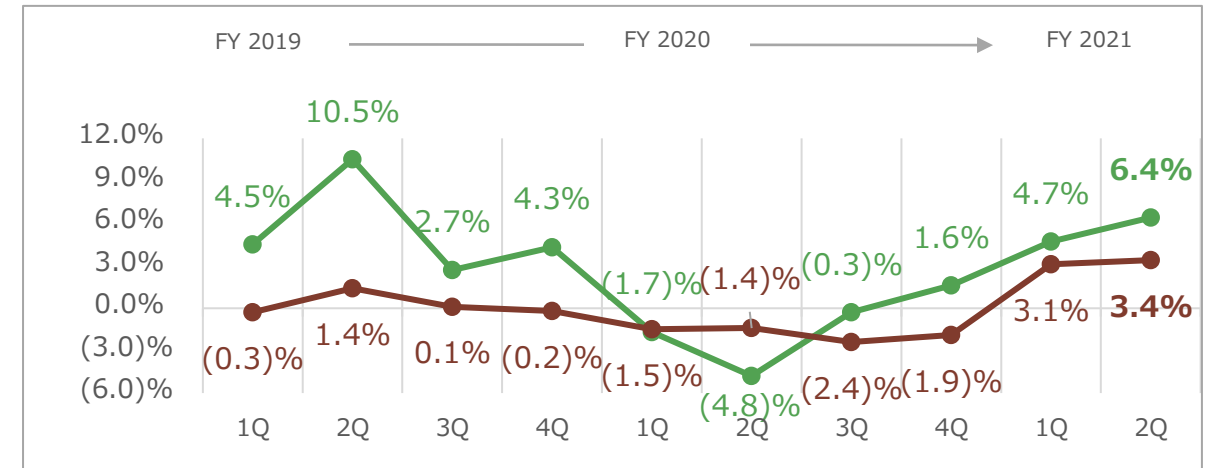
Gap with market
+4.5pt
(2Q only : +3.5pt)

General clinics (GP)



Increase in the number of doctors newly writing prescriptions owing to **e-promotions X MR interviews and briefings**

Hospital market (HP)



Trending toward recovery owing to the fortification of **e-promotions** given ongoing visitation restrictions

Diseases for which prescription opportunities have increased **+1.16 billion yen** 

Psychiatric disorders

Anxiety and insomnia accompanying a change in the external environment

Kamishoyosan
Kamikihito
Hangekobokuto
Saikokaryukotsuboreito
Total sales for six formulations

Dizziness

Dizziness due to physical and psychiatric disorders

Hangebyakujutsutenmato
Ryokeijutsukanto
(Goreisan)*

Skin diseases

Acne and dermatitis due to the use of masks

Keishibukuryogankayokuinin
Jumihaidokuto
Seijobofuto
Keigairengyoto

Supplements

Prescription group, including Kampo used to treat a deterioration in health conditions, including post-illness fatigue, loss of appetite and decline in stamina

Hochuekkito Juzentaihoto

* Goreisan prescription opportunities are also increasing for treatment in areas other than dizziness therefore it has been excluded from the basis of calculations

Diseases for which prescription opportunities have decreased

(60) million yen 

Common cold-related

Decrease in the number of respiratory disease patients due to infection prevention measures

Kakkonto
Maobushisaishinto
Shosaikoto
Shosaikotokakikyosekko
Keishito
Total sales for seven formulations



Bakumondoto sales have been positive from 2Q (YoY)

(Amount: YoY, Shipping Base)



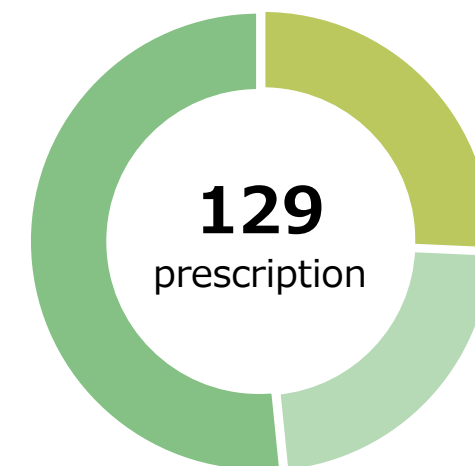
A sequelae outpatient clinic for COVID-19 has been established, and Kampo is prescribed for the following symptoms.
➔Symptoms continuing after being infected with COVID-19 (Fatigue, malaise, shortness of breath, anxiety, sleep disorder, etc.)

Sales of Drug-fostering Program Formulations/Growing Formulations

(Million yen)

	Net sales Ranking	Product No./formulation name	FY 2020 2Q	FY 2021 2Q	YoY	
Drug-fostering program formulations	1	100	Daikenchuto	4,663	4,790	+126 +2.7%
	3	54	Yokukansan	3,542	3,720	+177 +5.0%
	4	43	Rikkunshito	3,360	3,557	+196 +5.8%
	8	107	Goshajinkigan	1,610	1,736	+126 +7.8%
	24	14	Hangeshashinto	633	678	+44 +7.1%
Total sales for drug-fostering program formulations			13,810	14,482	+671	+4.9%
Growing formulations	2	41	Hochuekkito	3,543	3,741	+197 +5.6%
	5	17	Goreisan	2,249	2,680	+430 +19.2%
	6	68	Shakuyakukanzoto	2,310	2,426	+115 +5.0%
	7	24	Kamishoyosan	2,150	2,415	+264 +12.3%
	10	29	Bakumondoto	1,468	1,531	+62 +4.3%
Total sales for growing formulations			11,722	12,794	+1,071	+9.1%
Total sales for 119 formulations other than drug-fostering program and growing formulations			26,810	29,100	+2,290	+8.5%
Total sales for 129 prescription Kampo products			52,343	56,377	+4,033	+7.7%

Ratio to total sales

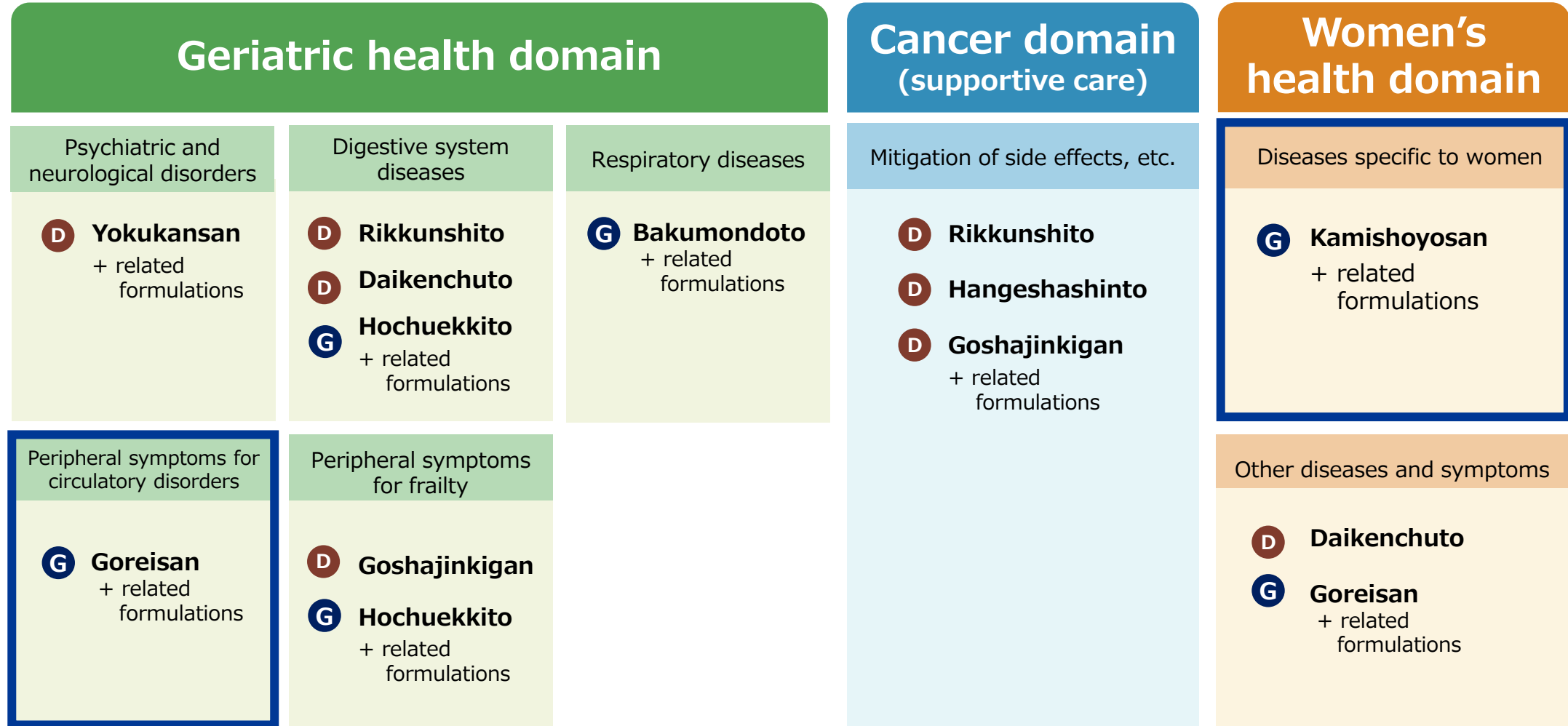


- Drug-fostering program formulations 25.7%
- Growing formulations 22.7%
- 119 formulations other than drug-fostering program and growing formulations 51.6%

* The 2020 results have been rearranged to the amount after applying new accounting revenue recognition standards.

Three Important Domains of Sales Activities

- Positioned geriatric health; cancer (supportive care) and women's health as the three important domains and aim to concentrate our activities in these domains
- We plan to deploy a sales approach in the drug-fostering program formulations, growing formulations and three important domains



Geriatric heart failure

Increase in geriatric heart failure in the elderly with the advent of a super-aging

Peripheral symptoms for circulatory disorders (Geriatric heart failure)



Edema, diarrhea, dizziness (Goreisan) G

Loss of appetite with marked fatigue (Hochuekkito) G

Loss of appetite (Rikkunshito) D

Bloating (Daikenchuto) D

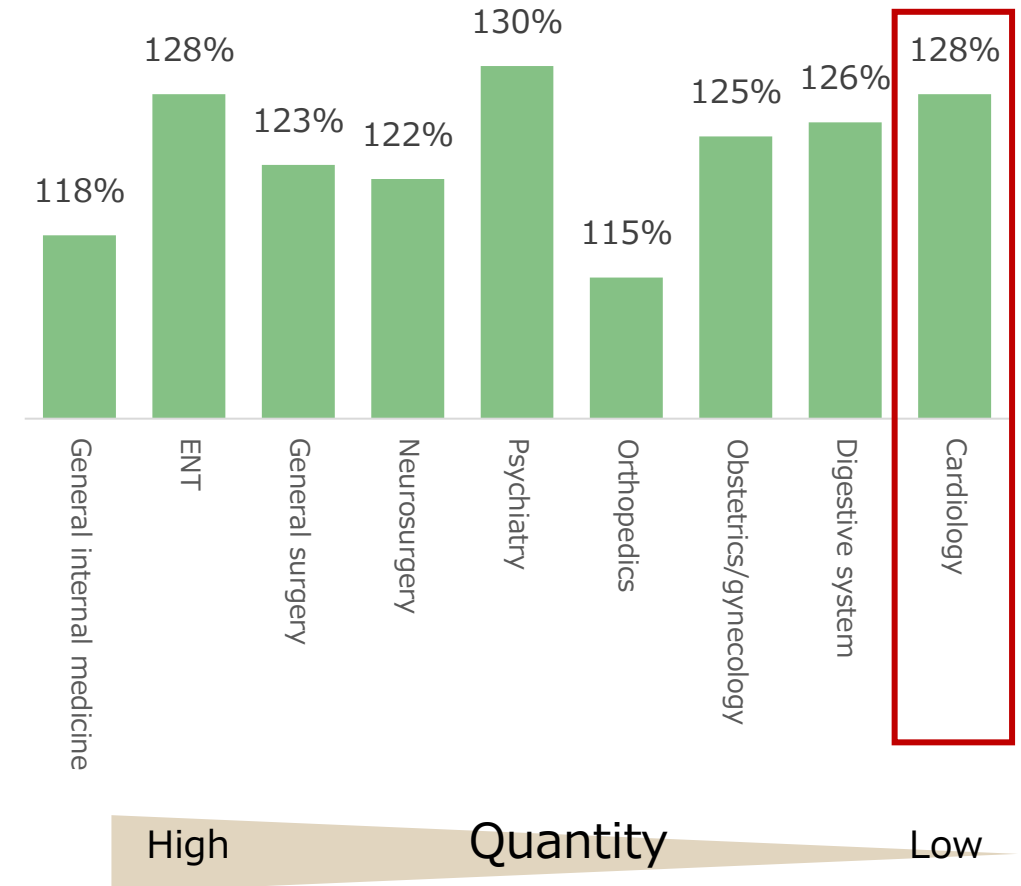
Edema with chills in the limbs (Goshajinkigan) D

Constipation (Mashiningan)

D Drug-fostering program formulations

G Growing formulations

Goreisan growth rate (main clinical departments)

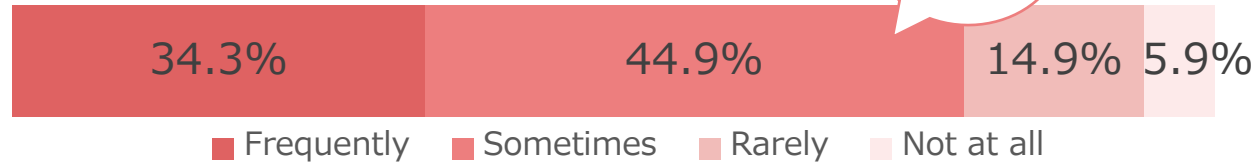


(YoY: Actual sales/quantity basis)

A survey revealed that 80% of females are “concealing their patience”

Work or perform household chores while enduring a disorder

Being patient
79.2%



#OneMoreChoice project

Top 10 disorders endured even if felt (Multiple choice)		
1st	Fatigue/sluggishness	23.8%
2nd	Irritability	16.2%
3rd	Anxiety	15.6%
4th	PMS (premenstrual syndrome)	13.7%
5th	Difficulty falling asleep, do not wake up feeling good, light sleep, insomnia	11.6%
6th	Chills	11.3%
7th	Headache	11.2%
8th	Menstrual pain, menstrual irregularity, abdominal pains before and after menstruation	11.0%
9th	Disorders difficult to describe in words	10.9%
10th	Constipation	10.7%



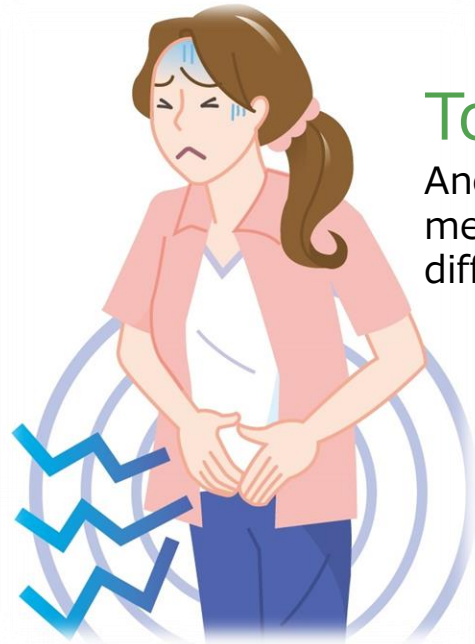
#One More Choice

69th Asahi Advertising Award in the quasi drug, cosmetics and toiletries category
 70th Nikkei Advertising Awards in the food, pharmaceuticals and daily goods category: Award for Excellence
 2nd Nikkei Women Empowerment Advertising Awards: Nikkei Special Award

Kampo formulations corresponding to the female life cycle

(Shipping / Amount base)

Major Kampo products that are prescribed for symptoms unique to women



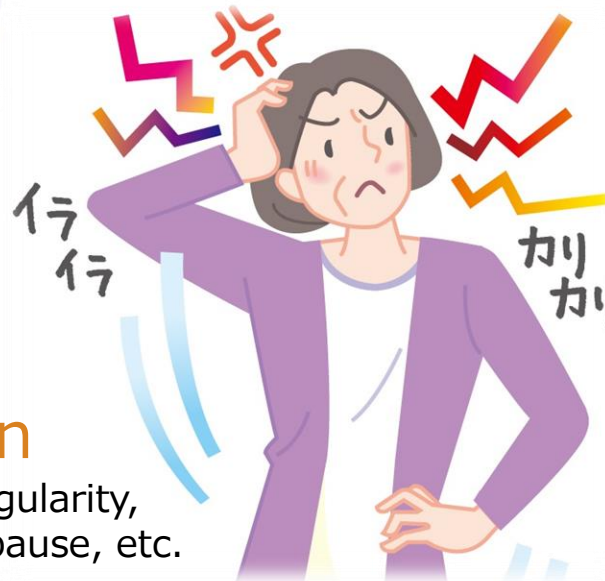
Tokishakuyakusan

Anemia, fatigue, menopause, menstrual irregularity, menstrual difficulties, etc.



Keishibukuryogan

Endometritis, menstrual irregularity, Menstrual difficulties, menopause, etc.

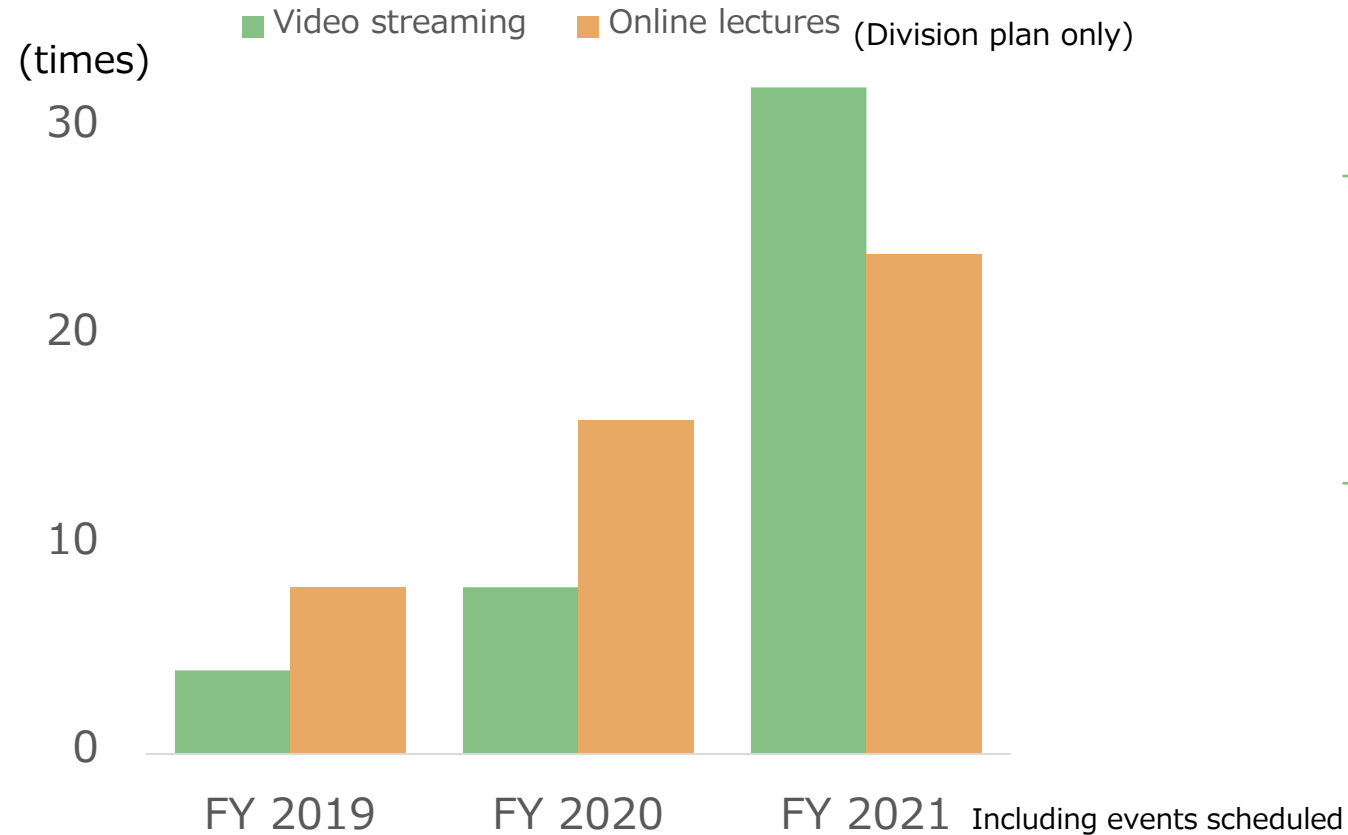


Kamishoyosan

Psychiatric and neurological disorders, including anxiety Menopause, menstrual irregularity, etc.

Prescription Kampo Products	2Q FY2020 YoY
Tokishakuyakusan	+12.6%
Kamishoyosan	+12.3%
Keishibukuryogan	+8.7%

Delivering information to 330,000* clinical physicians



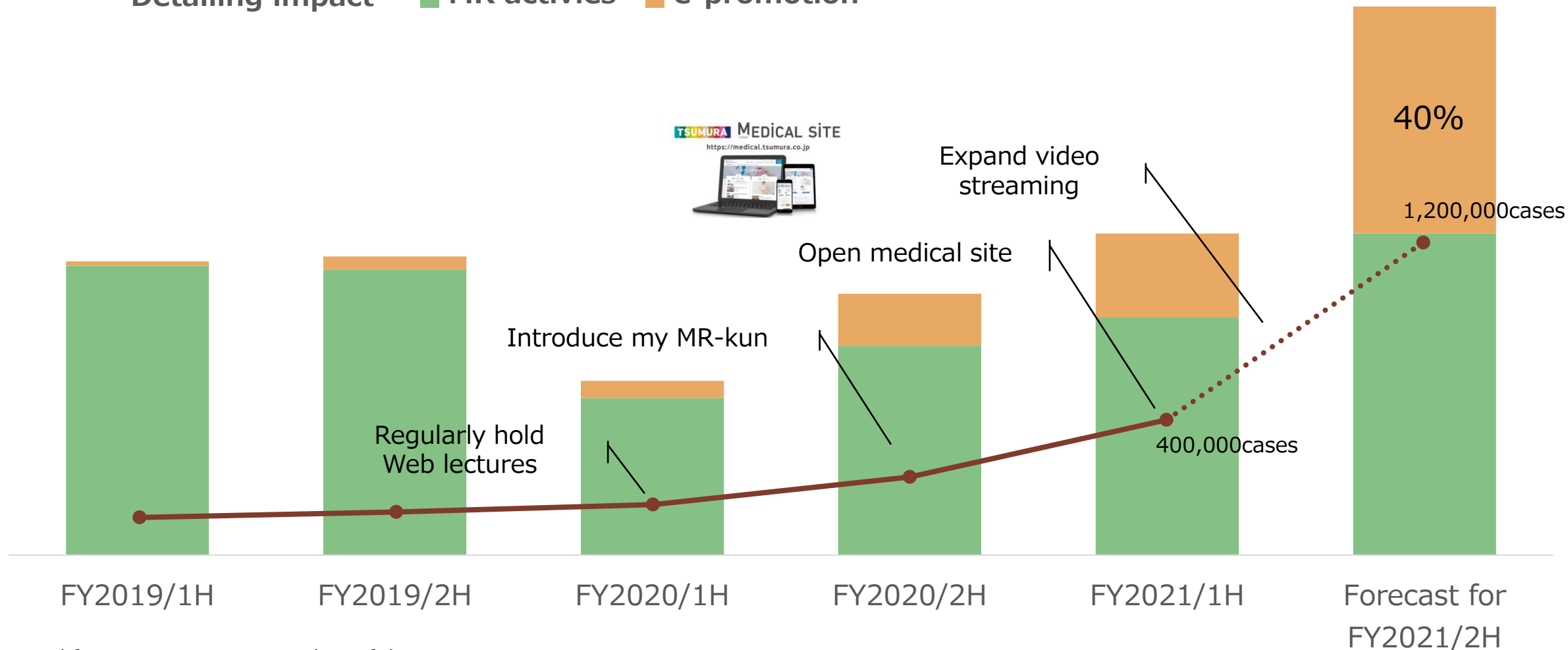
fiscal year	Event theme
FY 2019	Digestive system domain Geriatric health domain Respiratory disease domain Other (general)
FY 2020	Digestive system domain Geriatric health domain Sensitivity to cold Respiratory disease domain Psychiatric disorder domain Other (cancer, general)
FY 2021 Including scheduled	Digestive system domain Psychiatric disorder domain Geriatric health domain (supplements) Respiratory disease domain Women's health domain Orthopedics domain Other (cancer, dizziness)

Web lectures that are lots of viewing by hospital doctors (HP)

※source: 「About doctor's supply and demand estimation」 (Ministry of Health, Labour and Welfare)
<https://www.mhlw.go.jp/stf/shingi2/0000203370.html>

Improving awareness of Kampo information by introduction of various digital tools

— Detailing impact* ■ MR activities ■ e-promotion



* Grasped from Internet surveys taken of doctors
 Number of information recognition cases from each channel, including MR activities and Internet

Increase in doctors using Kampo owing to initiatives to promote use, mainly e-promotions



Number of doctors who newly prescribed Kampo*1

About **7,000** people*3



Number of doctors for which there was an increase in prescription use*2

About **15,000** people*3

*1 : Confirmed number of doctors converted from non-prescribing to Kampo prescribing doctors

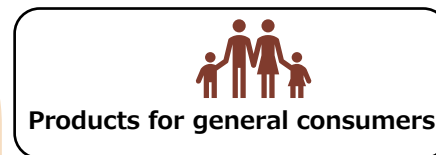
*2 : Confirmed number of growth in prescriptions written by doctors already writing Kampo prescriptions

*3 : Increase up to September 30, 2021, starting from April 1, 2021

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Aim to become a traditional Chinese medicine company that is trusted by the citizens of China by promoting Ping An Tsumura brand products



Traditional Chinese medicine market [approx. 10 trillion yen]

Raw material
crude drugs and
drug pieces
[approx.
3 trillion yen]

Existing market for traditional
Chinese medical products
(approx. 9,000 formulations)
[approx. 7 trillion yen]

Prescriptions listed in the
Pharmacopeia of the PRC
(approx. 1,600 prescriptions)

Prescriptions originated
from classical prescriptions
(approx. 300 prescriptions)

Classical prescriptions not yet launched
(Seven prescriptions issued in advance from among
100 prescriptions exempt from clinical testing)

classical prescription
Chinese medicines
(prescriptions listed in old
Chinese medical books)
Creating markets
and customers

Prescription acquisition
through M&A
Expansion with new
quality design

Create a new market by
launching development

Long-term Business Vision 2031 and Sustainability Vision 2050

Date

Late March 2022 (Scheduled for 90 minutes)

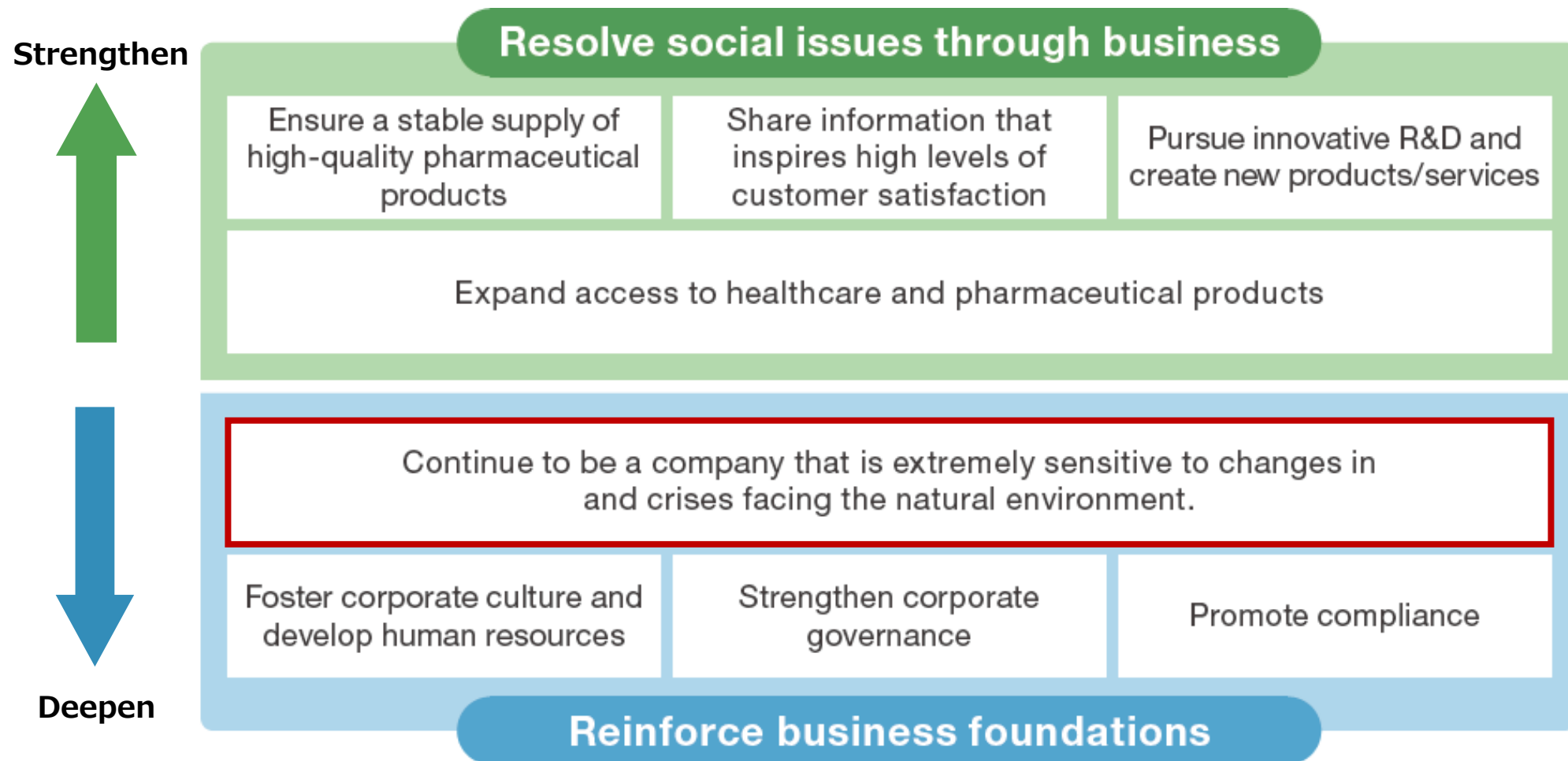
Program details

- **Sustainability Vision 2050**
- **Long-term Business Vision 2031 (Domestic Business/China Business)**
- **R & D Policy/Strategy**
- **Q&A**

Today's agenda

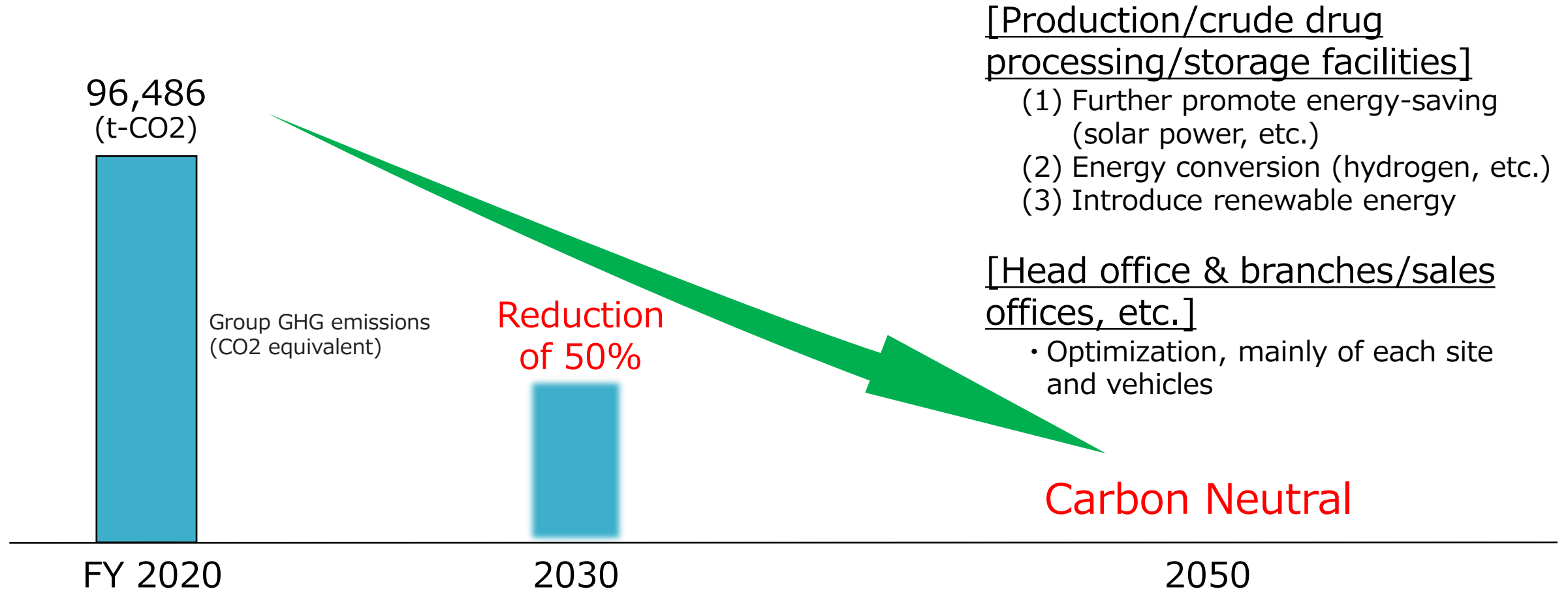
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Upgraded Tsumura Group Materiality from both aspects of
“Resolve social issues through business” and “Reinforce business foundations”



Activity 1: Reduce greenhouse gas (GHG) emissions

Activity 2: Other sustainability activities



Activity 1: Reduce greenhouse gas (GHG) emissions

Activity 2: Other sustainability activities

Continue to be a company that is the most sensitive to changes in the natural environment and risks

Pursue a cycle that returns everything including not only crude drugs but also water and air **to nature**

Protect nature, return to nature



Disclosure of climate-related financial information

On October 1, 2021, Tsumura endorsed the Task Force on Climate-related Financial Disclosures (TCFD)



Director study group, including third-party experts

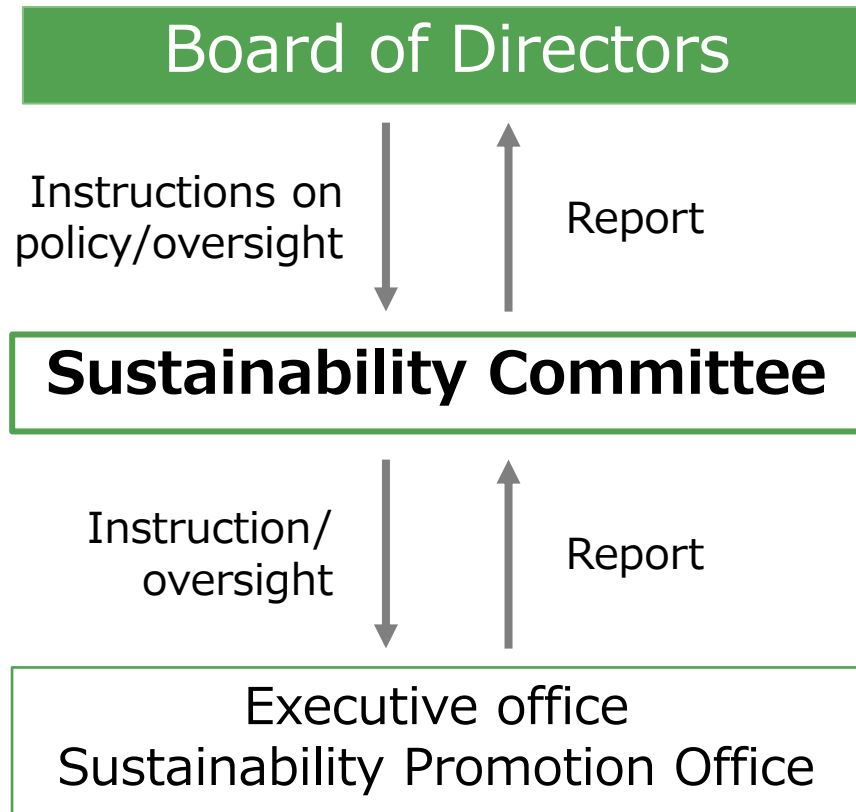
Based on the "Task Force on Climate-related Financial Information (TCFD) Final Report," four disclosure items (governance, strategy, risk management, indicators and goals) will be considered as management issues, and policy planning and disclosure will be implemented.

Executive Review Meeting with External Experts (Photo: FY2021) Extraction of Business Risks and Opportunities Due to Climate Change.

Plan to establish the Sustainability Vision 2050, with the FY 2022 as the first year

In October 2021, established a Sustainability Committee, chaired by the Co-COO, Director

- The committee receives instruction on direction from the Board of Directors, determines policy, concrete goals, measures and other actions, and reports progress to the Board.
- The committee is monitored by the Board of Directors and reflects the opinions and advice of the Board into sustainability promotion activities.



Sustainability Committee

Chairperson:	Co-COO, Director
Vice chairperson:	Division Executive Officer General Manager of Production Headquarters
Committee members:	CFO, Director, Operating officer, General manager of each division/ Department head
Executive office:	Sustainability Promotion Office (Newly established in October 2021)

Planning proposal, implementation and management

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Revision of earnings forecast FY 2021

(Million yen)

	Original plan (before revision) 2021.5.11	Revised Plan 2021.10.29	Compared to the original plan	
			Amount	rate
Net sales	122,500	127,500	+ 5,000	+ 4.1%
Domestic	113,700	117,800	+ 4,100	+ 3.6%
Overseas	8,800	9,700	+ 900	+ 10.2%
Operating profit	19,500	21,100	+ 1,600	+ 8.2%
Ordinary profit	20,000	23,400	+ 3,400	+ 17.0%
Profit attributable to owners of parent	14,200	16,600	+ 2,400	+ 16.9%

	Original plan (before revision)	Revised Plan
Dividend (per share)	¥ 64	¥ 64
EPS	¥185.60	¥ 216.97
ROE	6.4%	7.4%

Third medium-term management plan

FY2019 - FY2021

Net Sales Over **1,200**million

Operating Profit Over **190**million

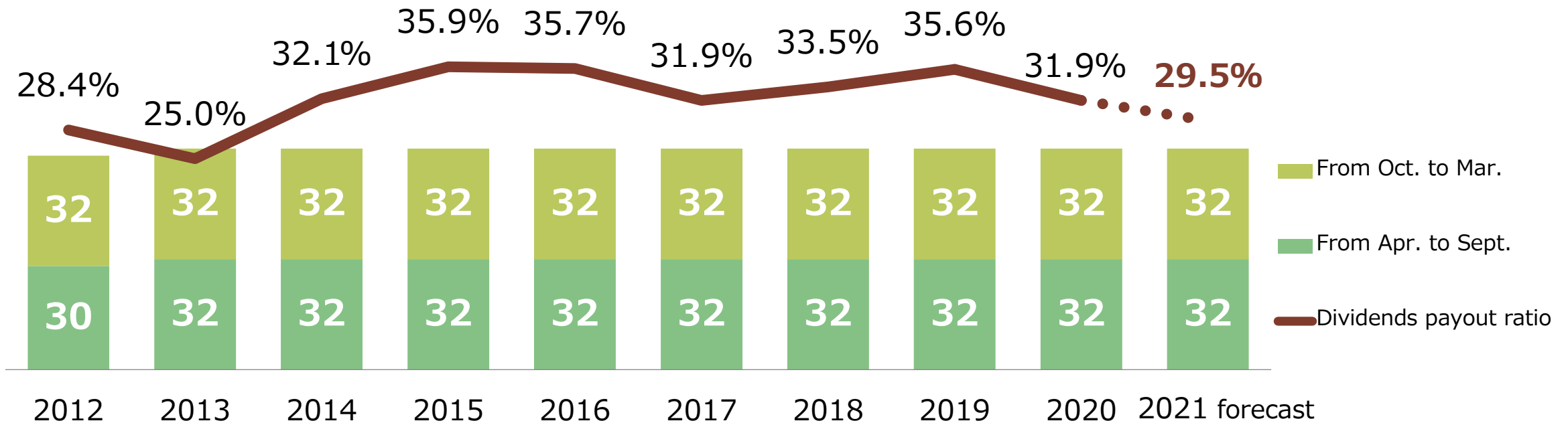
ROE Over **6%**

Numerical targets after applying
revenue recognition standards

(Note) The above forecasts were prepared based on the information available as of the date of publication of this presentation. Accordingly, the impact of risks that cannot be predicted at this time, including the impact on socio-economic activities from the further spread of COVID-19, have not been factored in. Actual earnings performance may differ from the forecasts stated herein owing to various factors going forward. We will disclose trends and conditions in a timely and proper manner should there be any changes in the circumstances surrounding our company.

Policy

- We aim to improve our corporate value by continually expanding our Kampo business and through growth investments in the China business, and by building foundations. Accordingly, we plan to implement stable dividends, taking into account factors such as medium/long-term profit levels and cash flow conditions.



Note: The FY 2021 year-end dividend and payout ratio (forecast) are an estimate based on the assumption that the dividend resolution is approved at the 86th Ordinary General Meeting of Shareholders.

Corporate Communications Dept.

Investor Relations Group

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Cautionary items regarding forecasts

- The materials and information provided in this presentation contain so-called forward-looking statements. Readers should be aware that the realization of these statements can be affected by a variety of risks and uncertainties and that actual results could differ significantly.
- Changes in Japan or other foreign countries related to 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 negatively impact the Company's performance or financial position.
- In the unlikely event that sales of the Company's core products currently on the market be halted or should sales substantially decline due to a defect, unforeseen side effect or some other factor, there could be a major impact on the Company's performance or financial position.

appendix

Applying new accounting revenue recognition standards to The 3rd Medium-Term Management Plan (2019-2021)

	FY2021 Numerical goals	FY2021 Numerical goals <small>Apply new accounting revenue recognition standards</small>	FY2021 Forecast <small>After Revision</small>
Net Sales	Over 135.0 billion yen	Over 120.0 billion yen	127.5 billion yen
Operating Profit	Over 19 billion yen	Over 19 billion yen	21.1 billion yen
R O E	Over 6 %	Over 6 %	7.4%

Drug-fostering program formulations and Growing formulations

Looking at the recent structure of disease, the Company has selected certain diseases in fields where medical treatment needs are high that are difficult to treat with Western drugs and that Kampo products have demonstrated special efficacy for. The Company will establish a base of scientific evidence related to treating these diseases with Kampo medicine.

A growth driver that aims to be listed in medical treatment guidelines as a strategic formulation following the five “drug fostering” program formulations through the establishment of scientific evidence (data on safety, efficacy, etc.) in fields where satisfaction toward treatment and the contribution of medicine are low.

Drug-fostering program formulations

Daikenchuto

Yokukansan

Rikkunshito

Goshajinkigan

Hangeshashinto

Growing formulations

Hochuekkito

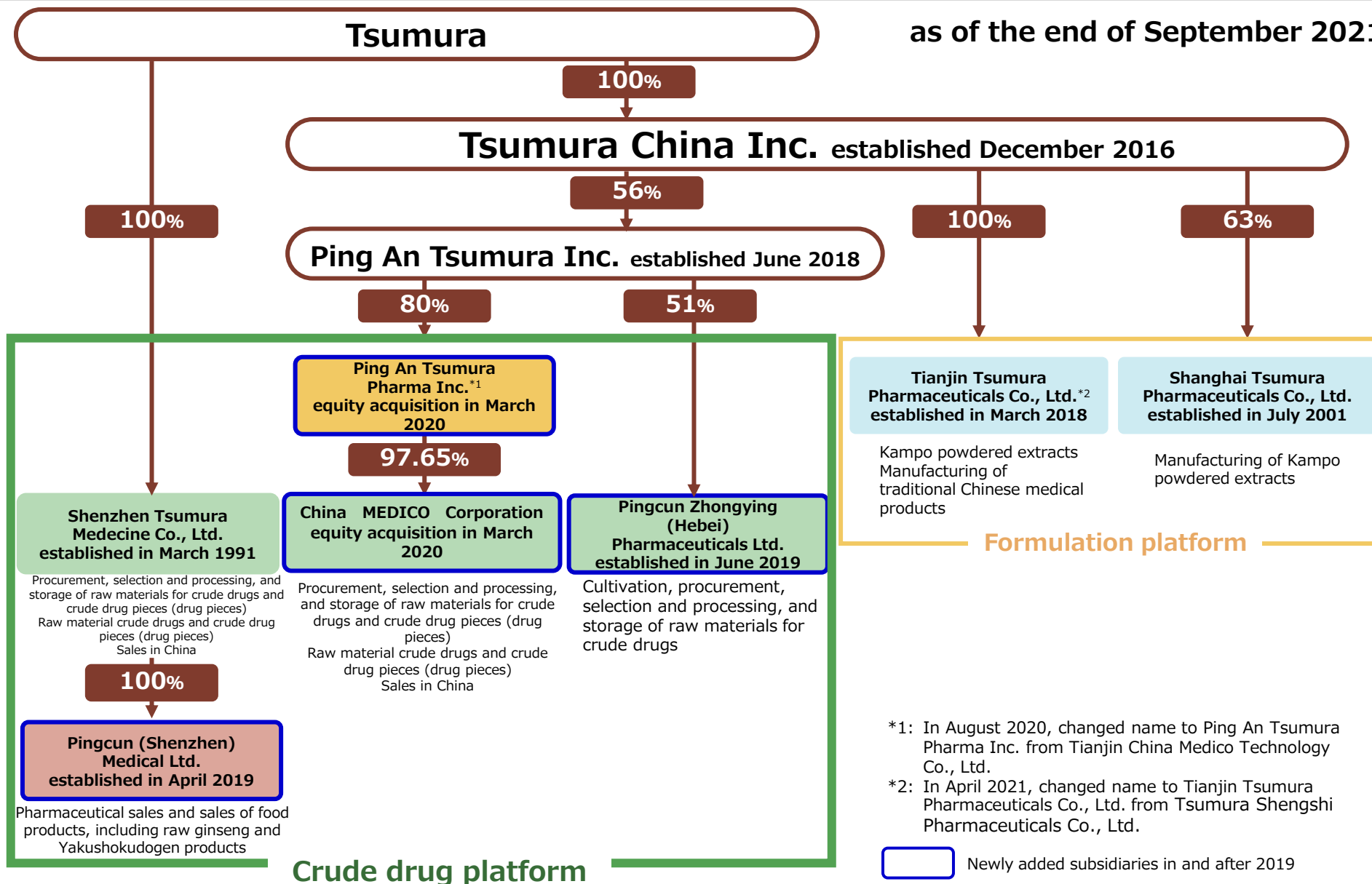
Shakuyakukanzoto

Bakumondoto

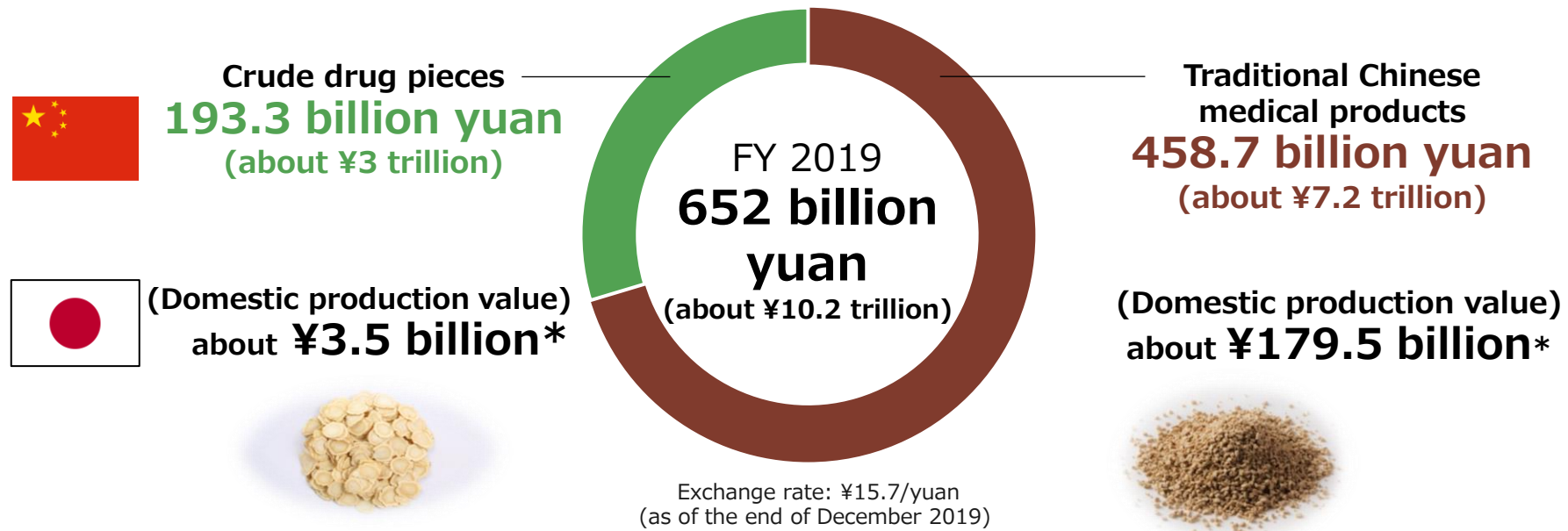
Kamishoyosan

Goreisan

Diagram of Corporate Group Ties



Scale of the Traditional Chinese Medicine Market in China



Source: National Bureau of Statistics of China, Ministry of Industry and Information Technology (MIIT)

*Source: Production statistics, including for Kampo formulations, Japan Kampo Medicine Manufacturers Association

Terminology	Definition	Corresponding terminology for Kampo medicine (Meanings are not always the same)
Chinese medicine	Medicines used in traditional Chinese medicine (traditional Chinese medical products, drug pieces, etc.)	Kampo, crude drug pieces, crude drugs
Drug pieces	Same meaning as crude drug pieces, Use as a decoction	Crude drug pieces
Traditional Chinese medical products └ (Manufacturing of classical prescription Chinese medicine complex formulations)	Drugs in the form of granules, pills or other shapes based on the theories of traditional Chinese medicine (Drugs in the form of granules, pills or other shapes based on old traditional Chinese medical books)	Kampo extract formulations, crude drug production (Kampo extract formulations)