

Business Results for Fiscal 2021

May 11, 2022

President and Representative Director, CEO

Terukazu Kato

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FY2021 Business Results Overview

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Third Medium-Term Management Plan
(FY2019 – FY2021) Summary

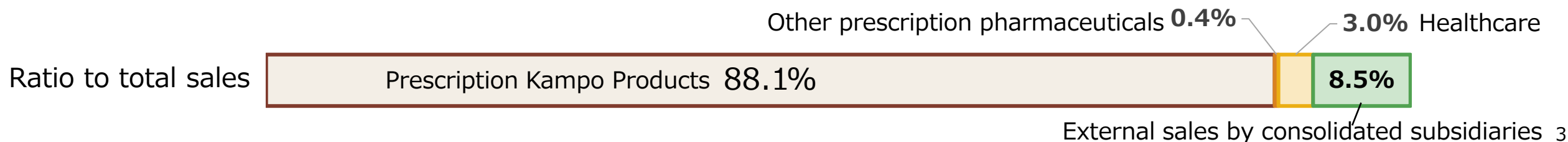
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First Medium-Term Management Plan
(FY2022 – FY2024)

FY2021 Business Results Overview

Both sales and profit exceeded the revised plan, sales and profit growth year-on-year.

【Million yen】	FY 2021 Revised Plan	FY 2021 Results	Achievement rate	FY 2020 Results	YoY	
					Amount	Change
Net sales	127,500	129,546	101.6%	116,413	+13,132	+11.3%
Domestic	117,800	119,567	101.5%	110,053	+9,514	+8.6%
Overseas	9,700	9,978	102.9%	6,360	+3,618	+56.9%
Operating Profit	21,100	22,376	106.1%	19,382	+2,994	+15.4%
Operating Profit Margin	16.5%	17.3%	—	16.6%	—	—
Ordinary Profit	23,400	25,904	110.7%	20,866	+5,038	+24.1%
Profit attributable to owners of parent	16,600	18,836	113.5%	15,332	+3,504	+22.9%

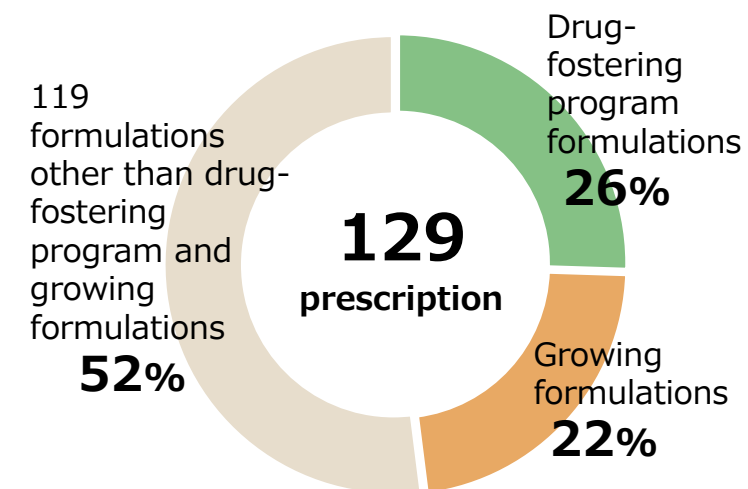


Sales of Drug-fostering Program Formulations/Growing Formulations

(Million yen)

	Net sales Ranking	Product No./formulation name	FY 2020	FY 2021	YoY	
Drug-fostering program formulations	1	100 Daikenchuto	9,251	9,569	+318	+3.4%
	2	54 Yokukansan	7,017	7,379	+362	+5.2%
	4	43 Rikkunshito	6,676	7,231	+555	+8.3%
	8	107 Goshajinkigan	3,229	3,509	+279	+8.6%
	23	14 Hangeshashinto	1,257	1,358	+101	+8.0%
Total sales for drug-fostering program formulations			27,432	29,048	+1,616	+5.9%
Growing formulations	3	41 Hochuekkito	6,793	7,232	+439	+6.5%
	5	17 Goreisan	4,413	5,298	+884	+20.0%
	6	24 Kamishoyosan	4,336	4,833	+496	+11.4%
	7	68 Shakuyakukanzoto	4,524	4,763	+238	+5.3%
	10	29 Bakumondoto	3,127	3,258	+130	+4.2%
Total sales for growing formulations			23,196	25,385	+2,189	+9.4%
Total sales for 119 formulations other than drug-fostering program and growing formulations			54,938	59,730	+4,792	+8.7%
Total sales for 129 prescription Kampo products			105,567	114,165	+8,597	+8.1%

Ratio to total sales



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

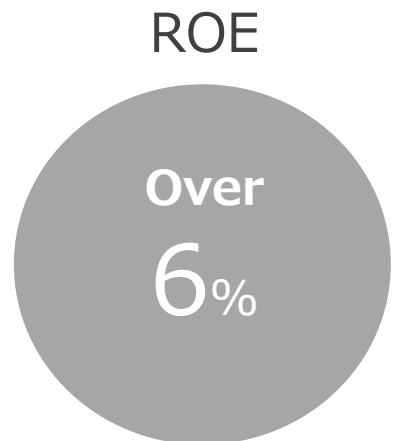
Third Medium-Term Management Plan (FY2019 – FY2021) Summary

Achieved all numerical targets in 2021

Plan

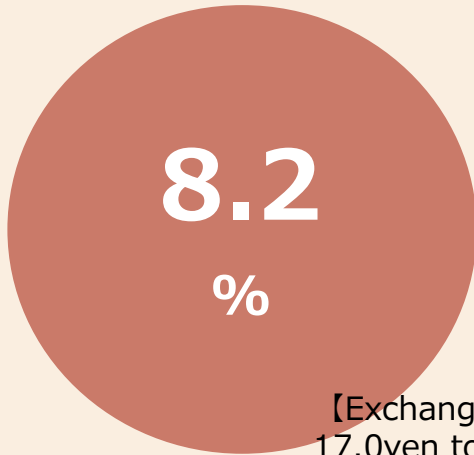
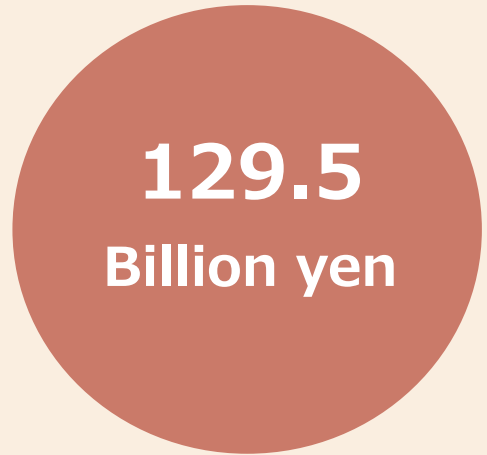


After applying revenue recognition accounting standards
(Disclosed initial plan: over 135billion yen)



【Exchange rate】
16.5yen to the Chinese yuan

Results



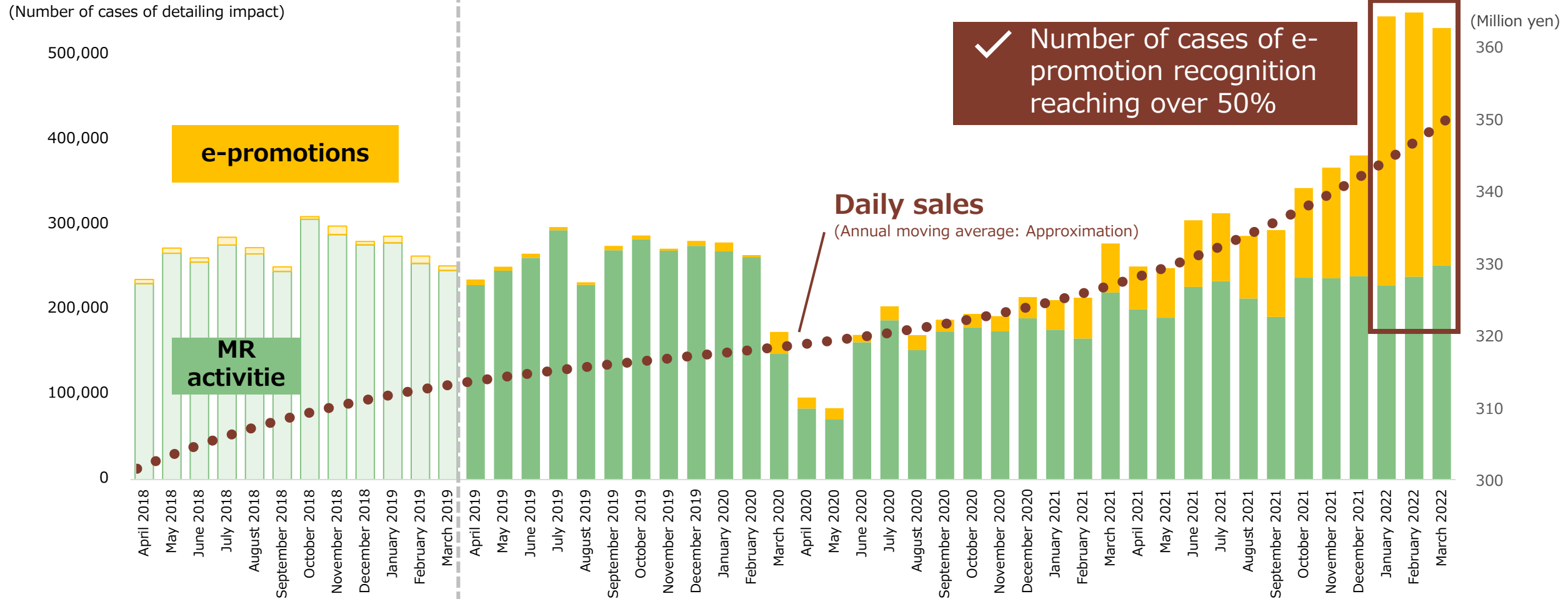
【Exchange rate】
17.0yen to the Chinese yuan

Creating New Value Through Innovations in Kampo – Next Stage –

- 1 Ongoing expansion of the Kampo market and establishment of presence therein
- 2 Investing in growth and building business foundations in China
- 3 Improving productivity using new technology (AI, Automation, RPA)
- 4 Fostering a corporate culture through philosophy-based management and developing diverse human resources
- 5 Promoting SDGs through the Kampo Value Chain

①-1. Sales Growth Underpinned by e-promotions

Sales growth in tandem with an increase in the number of cases of information recognition owing to e-promotions



*Number of cases of detailing impact: Number of cases of information recognition from various channels, including MR activities and the Internet

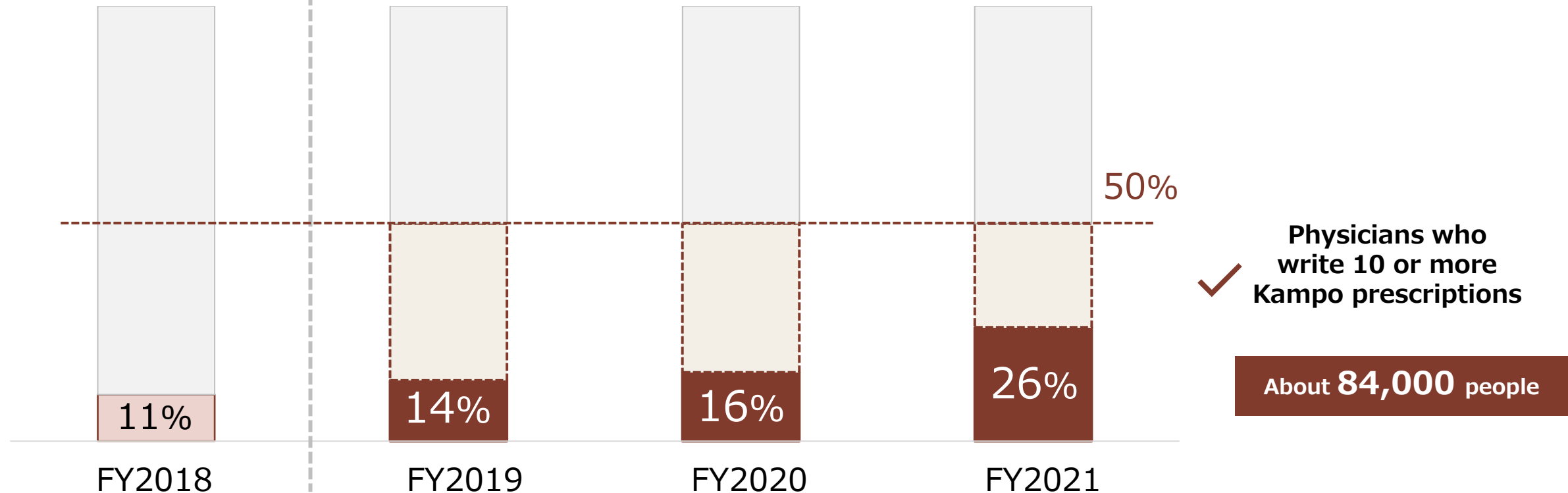
*MR activities: Detailing, online interviews, in-hospital briefings, etc. conducted by MRs e-promotion: Activities to provide information online that does not go through MRs.

①-2. Trends in the Number of Physicians Writing 10 or More Prescription Kampo Pharmaceuticals

The number of physicians who wrote 10 or more prescriptions are increasing but underperformed target

Target over **50 %** Actual **26 %**

Third Medium-Term Management Plan



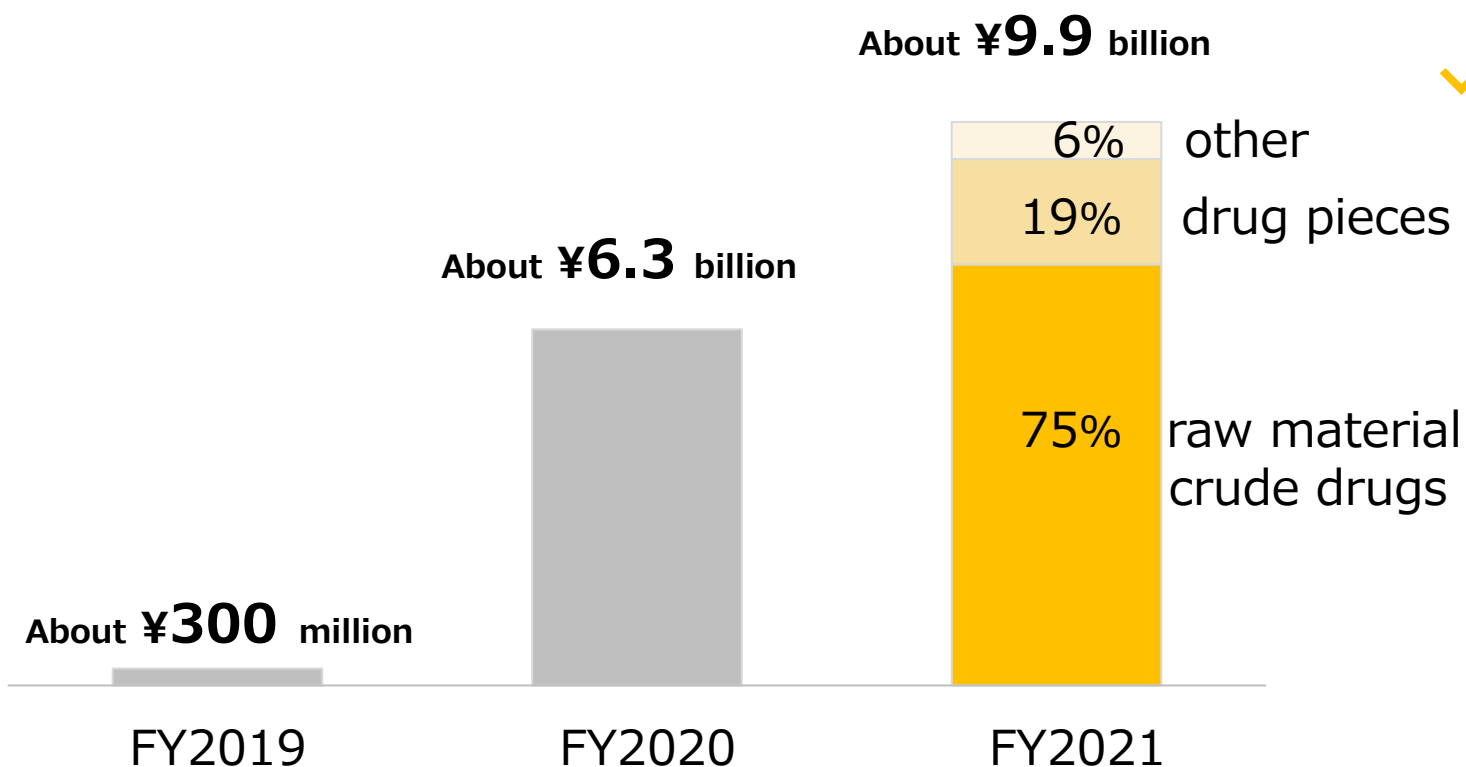
②-1. Overseas Sales Trends

In the China Business, made progress in building a foundation for the crude drug platform and exceeded initial plans

Plan About **¥4.0 billion**



Actual About **¥9.9 billion**



Product lineup and sales channel expansion

- Develop new customers, Expand existing customer sales
- Expand sales of drug pieces via public hospitals and online sales channels (mainly at Ping An Health)

②-2. Investments and Financing in the China Business

Underperformed the scheduled amount reflecting delays in the M&A for traditional Chinese medicine companies, and the construction of the Tianjin Plant and the Traditional Chinese Medicine Research Center

Plan ¥50.0-¥100.0 billion



Actual About ¥29.0 billion

✓ Complete acquisition of Ping An Tsumura Pharmaceutical

Acquisition amount: About ¥18.0 billion



- As the crude drug platform, sales of raw material crude drugs and “Yakushokudogen” products

✓ Construct the Tianjin Plant

Slated to start operations in FY 2022



- Production plant for powdered extracts
- Scheduled manufacturing of traditional Chinese medical products in the future

✓ Construct the Traditional Chinese Medicine Research Center

Slated to start operations in FY 2024



- R&D, analysis and evaluation functions
- Evidence for traditional Chinese medical products further out
- Shoulder the building of packages

③. Capital Investments to Improve Production Capacity and Productivity

Boost production capacity and improve labor productivity

Plan ¥22.0 billion

Actual About ¥17.0 billion

- Domestic plants
- Research/cultivation-related facilities

✓ **No. 3 SD Building at the Ibaraki Plant**



- Introduce robotic technologies into processes, including injecting crude drugs into devices for cutting, weighing and extraction
- Achieve automation/robotization of all manufacturing processes for Kampo formulations

✓ **AI automated crude drug selector**
(Under development)



- Automatically remove defective products during the crude drugs selection process
- Improve the efficiency of selection operations, reduce workers

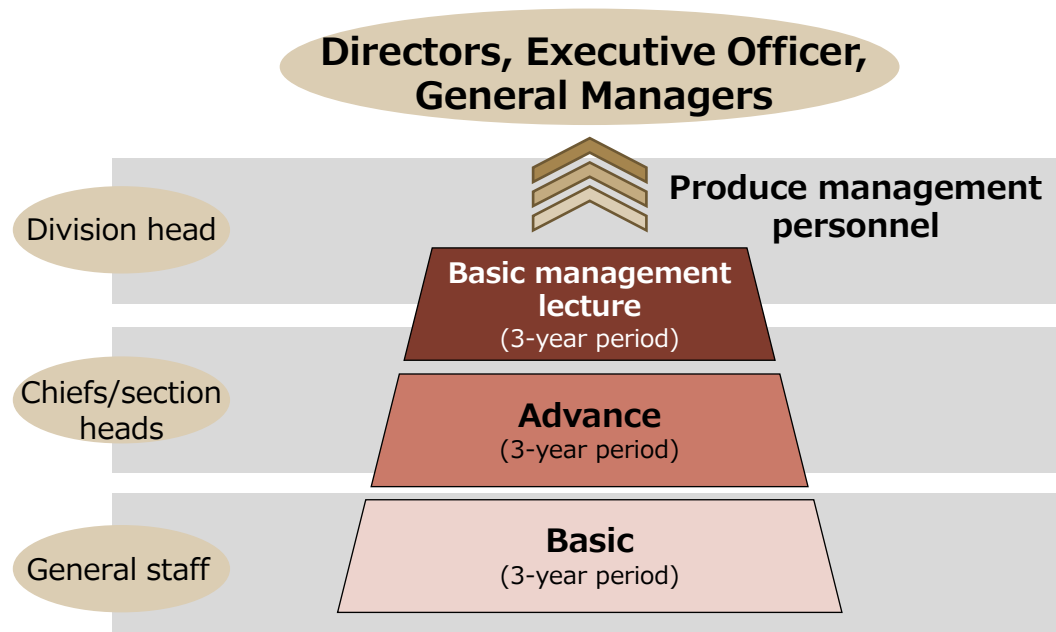
④. Foster a Corporate Culture through Philosophy-based Management and Developing Diverse Human Resources

Established the Tsumura Academy in 2019 as an institution for training personnel internally

- ✓ Implement a program to train management personnel

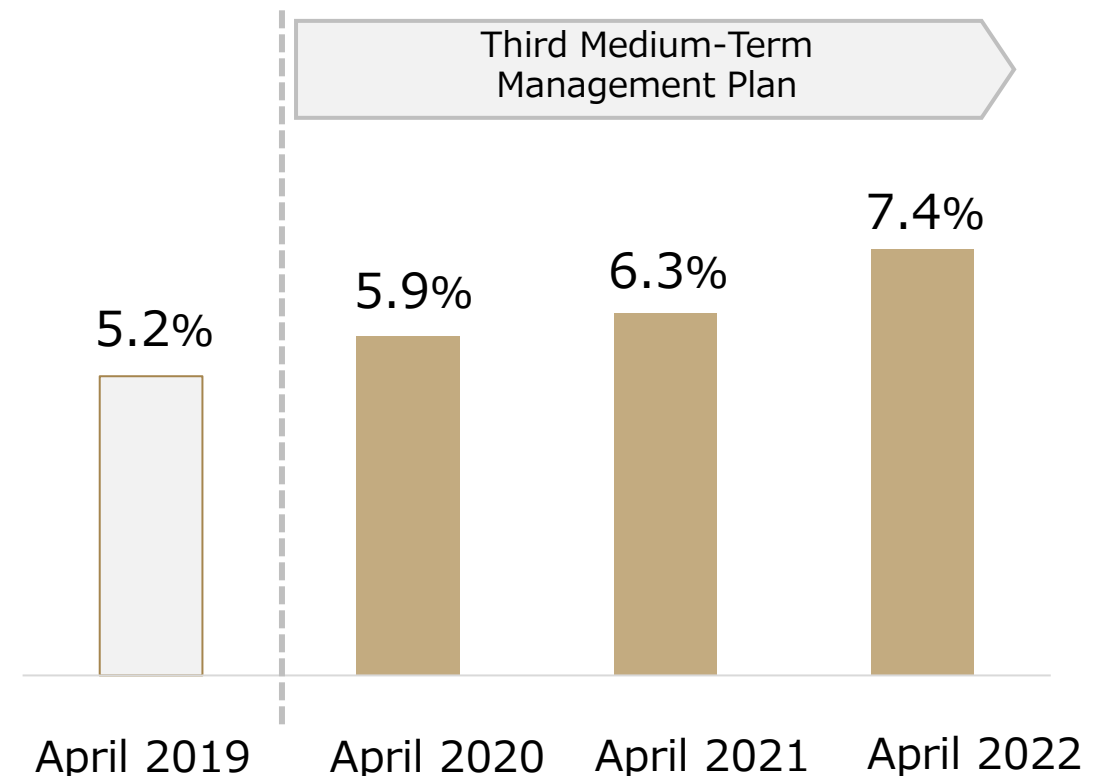
Basic management lecture

- Employees that completed the course **33 people** (of which 5 were women)
- Employees currently taking the course **43 people** (of which 11 were women)



- ✓ Increased ratio of female managers

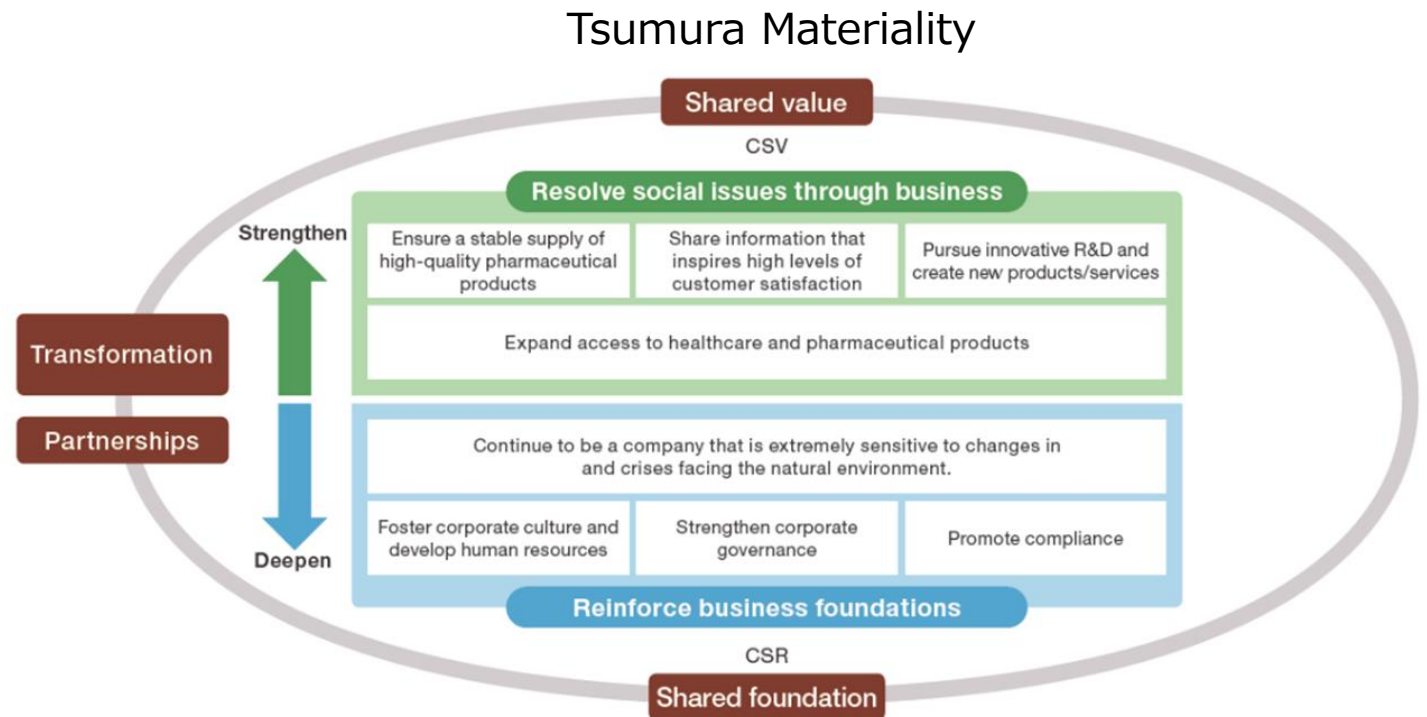
As of April 2022: **7.4%**



*Tsumura standalone figures

⑤. Promoting SDGs through the Kampo Value Chain

- ✓ Upgrade materiality
- ✓ Endorse TCFD
- ✓ Set up the “Sustainability Committee,” chaired by the Co-COO, Director

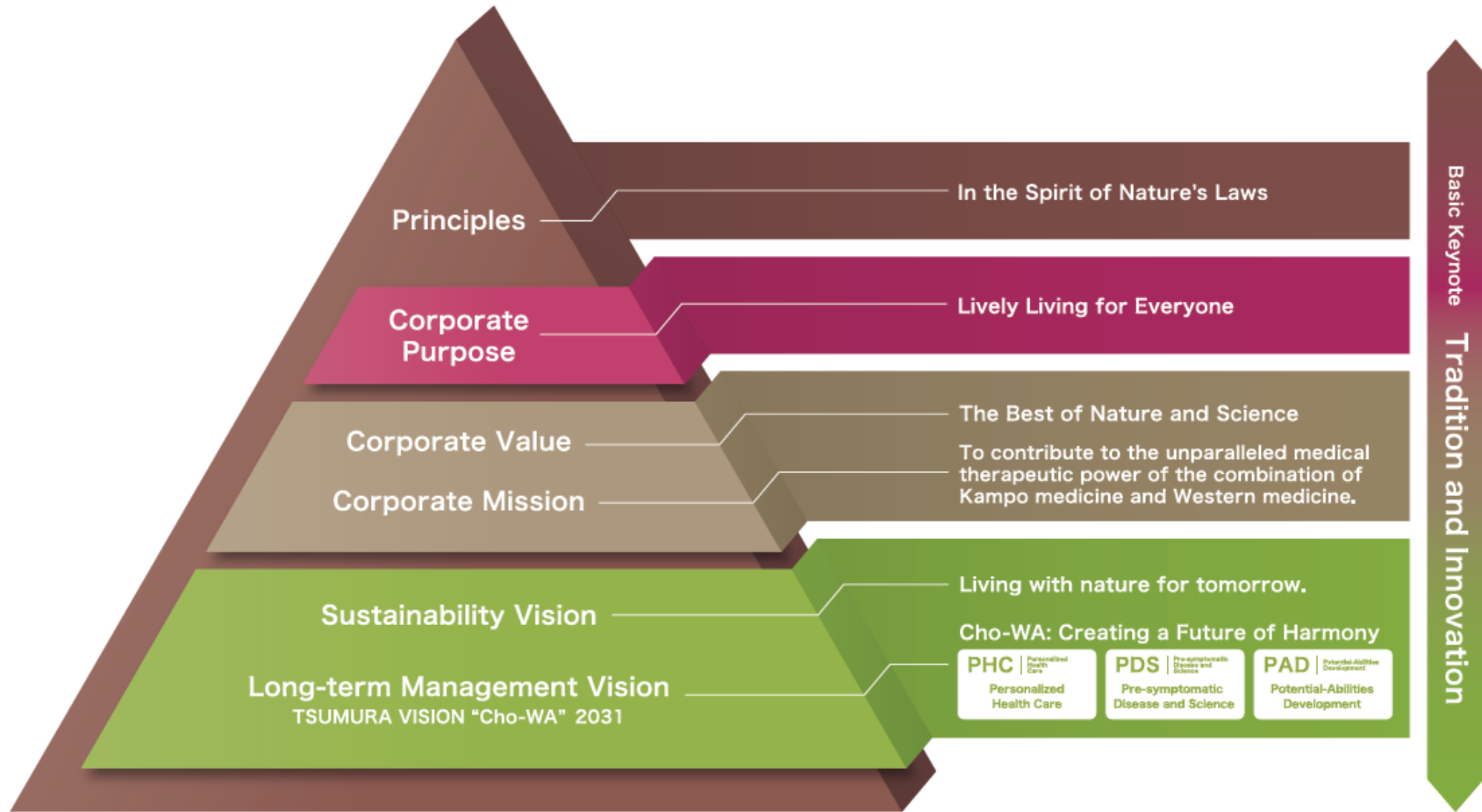


Total investment and financing: About ¥66.0 billion


	Plan	Actual	Main topics
Existing businesses, capital investment <ul style="list-style-type: none"> ● Domestic plants ● Facilities related to research/cultivation 	¥22.0 billion	About ¥17.0 billion	<ul style="list-style-type: none"> • Construction of the No. 3 SD Building at the Ibaraki Plant
China Business Investments and Financing <ul style="list-style-type: none"> ● Traditional Chinese Medicine Research Center ● Tianjin Plant ● Traditional Chinese medical products business (M&A, etc.) 	¥50.0 - 100.0 billion	About ¥29.0 billion	<ul style="list-style-type: none"> • Acquire Ping An Tsumura Pharmaceutical • Delays with the Tianjin Plant, Traditional Chinese Medicine Research Center • M&A postponement
R&D <ul style="list-style-type: none"> ● Basic/clinical research ● US development ● Crude drug cultivation research 	¥20.0 billion	About ¥20.0 billion	<ul style="list-style-type: none"> • Increase in number of write-ups in clinical guidelines • Embark on late Phase II in US development (TU-100) • Implement the upland cultivation of ginseng • COVID-19-related research

First Medium-Term Management Plan (FY2022-2024)
**Laying the Foundations for Creating a
Future that Achieves “Cho-WA” (harmony)**





Vision & Strategy Diagram

Sustainability Vision	Living with nature for tomorrow.		
Long-term management vision	TSUMURA VISION “Cho-WA” 2031 Creating a Future that Achieves “Cho-WA” (harmony)		
Business vision	<p style="text-align: center;">Prescription Kampo Products</p> <p style="text-align: center;">Patients can receive Kampo treatments suited to them individually at any medical institution/clinical department</p>	<p style="text-align: center;">Chinese operations</p> <p style="text-align: center;">Contributing to the health of the citizens of China</p>	Vision for each division/department
Business strategy	<p style="text-align: center;">Establish the Kampo medicine business</p> <p>Realize a medical setting where one-in-two physicians will write “basic prescriptions in all treatment areas” in accordance with Kampo medicine</p>	<p style="text-align: center;">Become a trusted traditional Chinese medicine company in China</p> <p style="text-align: center;">Contributing to the health of the citizens of China</p> <p style="text-align: center;">Recognized as a traditional Chinese medicine company</p> <p>Realize a business scale/sales worth RMB10 billion</p>	Strategies for each division/department
Medium-Term Management Plan	Strategic challenges 		KGI/KPIs for each division/department

Roadmap for the Realization of the TSUMURA VISION "Cho-WA" 2031



1st stage
FY2022-2024
—Germination—

2nd stage
FY2025-2027
—Growth—

3rd stage
FY2028-2031
—Flowering—

Prescription Kampo Products

Standardization of Kampo treatments
Personalized Kampo treatments

Over 50% physicians write 10 or more Kampo prescriptions

50% of physicians write basic prescriptions in all treatment areas

R&D

Personalized Kampo treatments
Scientific study of pre-symptomatic diseases



Chinese operations

Formulation platform

Traditional Chinese medical products business



Crude drug platform

Crude drugs, drug pieces and Yakushokudogen products



Research platform

Traditional Chinese Medicine Research Center



Smart factory



Labor productivity

Sales

Sales per MR (Yen/MR)

Production

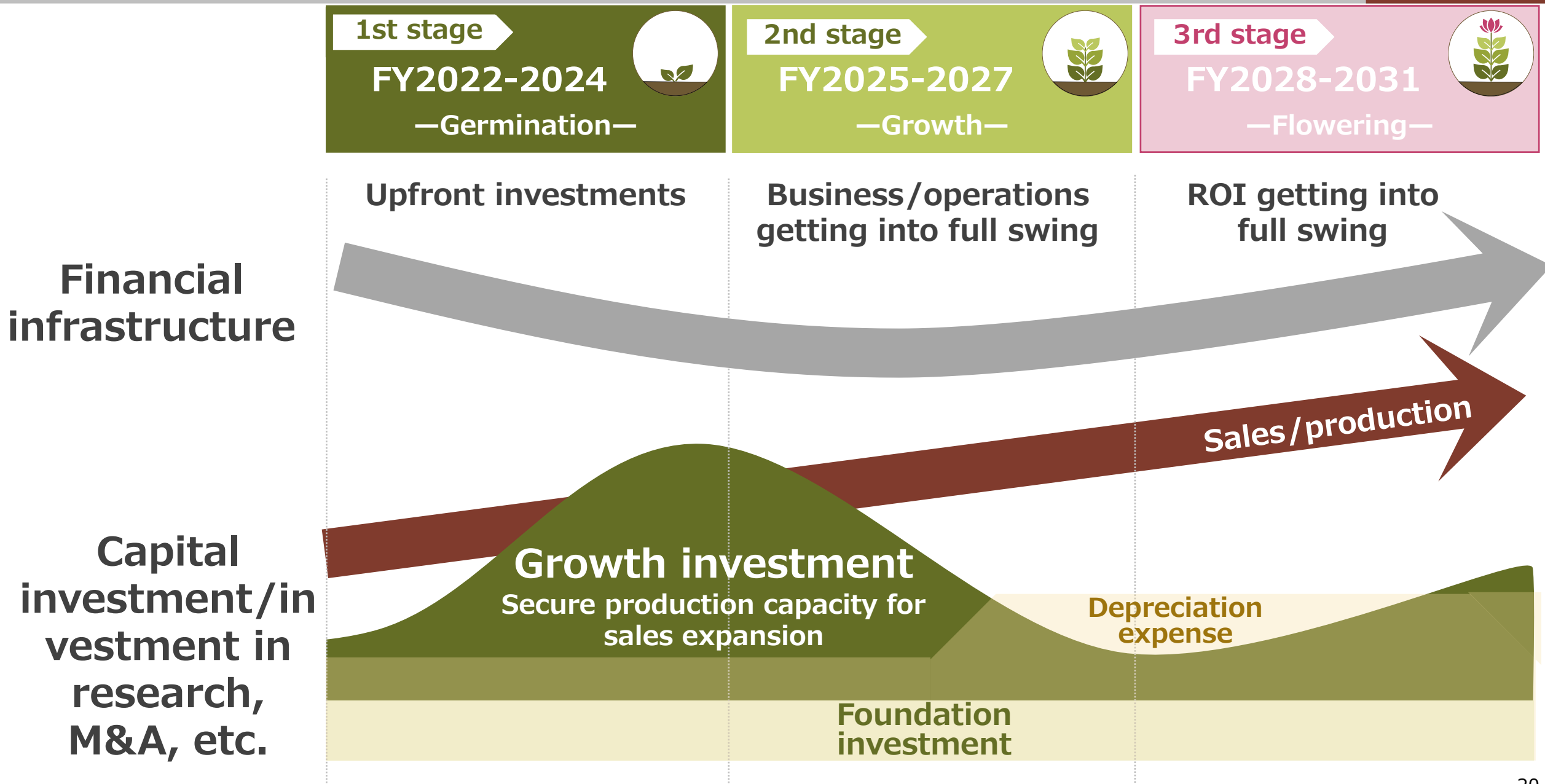
Physical labor productivity

Crude drugs

Personnel expenses per crude drug arranging volume



Long-term Image of Investments and Finances



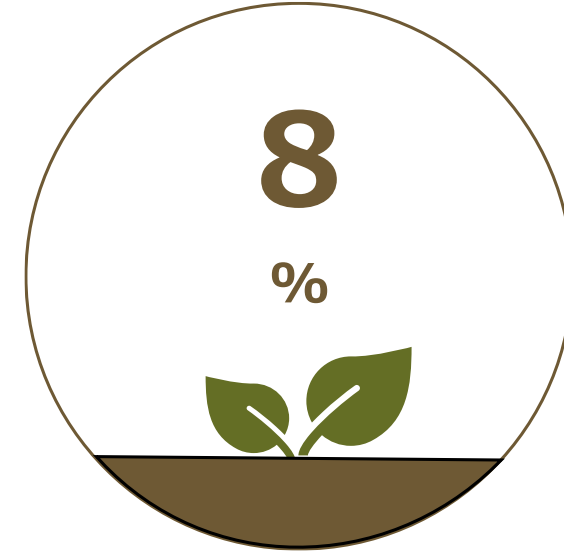
Net sales



Operating profit



ROE



Assumption: (NHI price revisions) FY2022, FY2023, FY2024

(Exchange rate) FY2022 19.5 yen/RMB, 125.0 yen/USD
FY2023-2024 19.0 yen/RMB, 120.0 yen/USD

Improve medium/ long-term corporate value

Growth
(Expand business scale)

Earnings power
(Enhance profit margins)

**Growth investments
for the future**

**Operating profit
margin**

Improve

**Invested capital
turnover rate**

Maintain

Gross profit rate

Curb
decline

SG&A ratio

Reduce

**Working capital
turnover rate**

Maintain

**Fixed asset
turnover rate**

Curb
decline

Sales growth rate
CoGS rate
NHI drug price revision rate

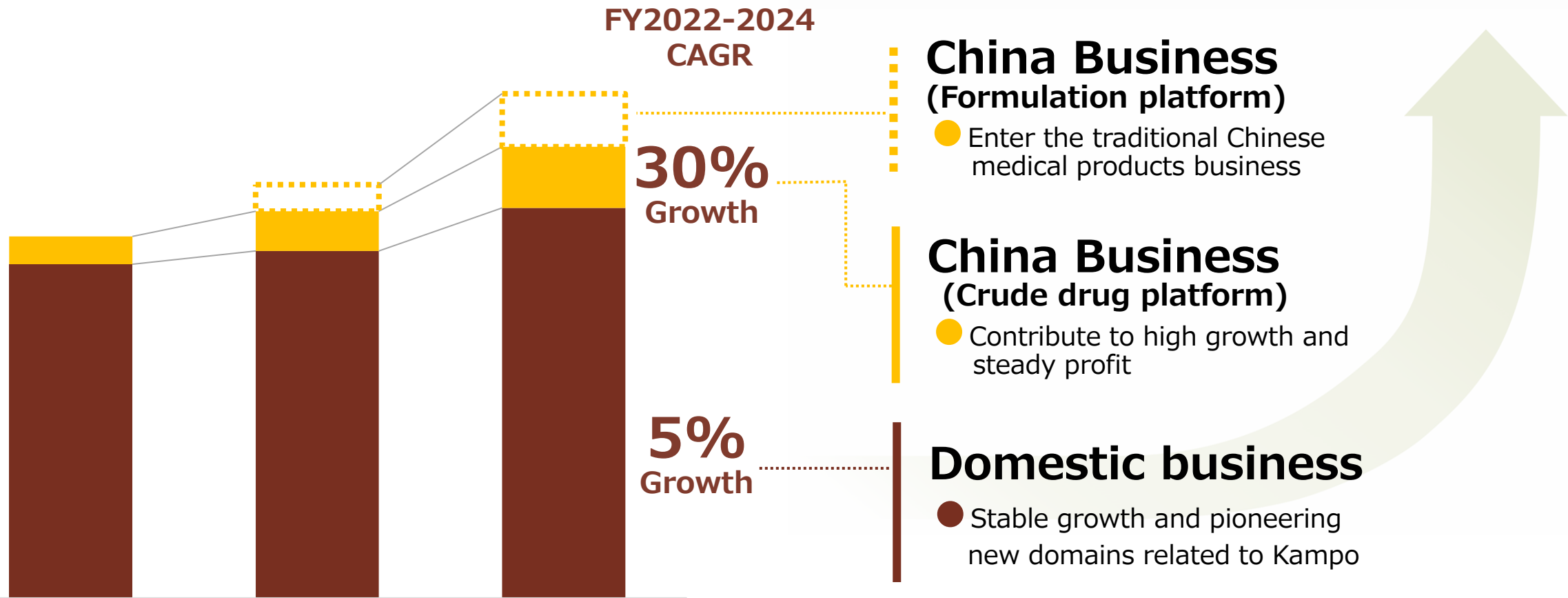
Personnel expense rate
Activities expense
Other expenses

Inventory turnover rate
Accounts receivable turnover rate
Accounts payable turnover rate

Tangible fixed asset turnover rate
Intangible fixed asset turnover rate

Execute strategic challenges ■■■■■■

Sales by business



2021

2022

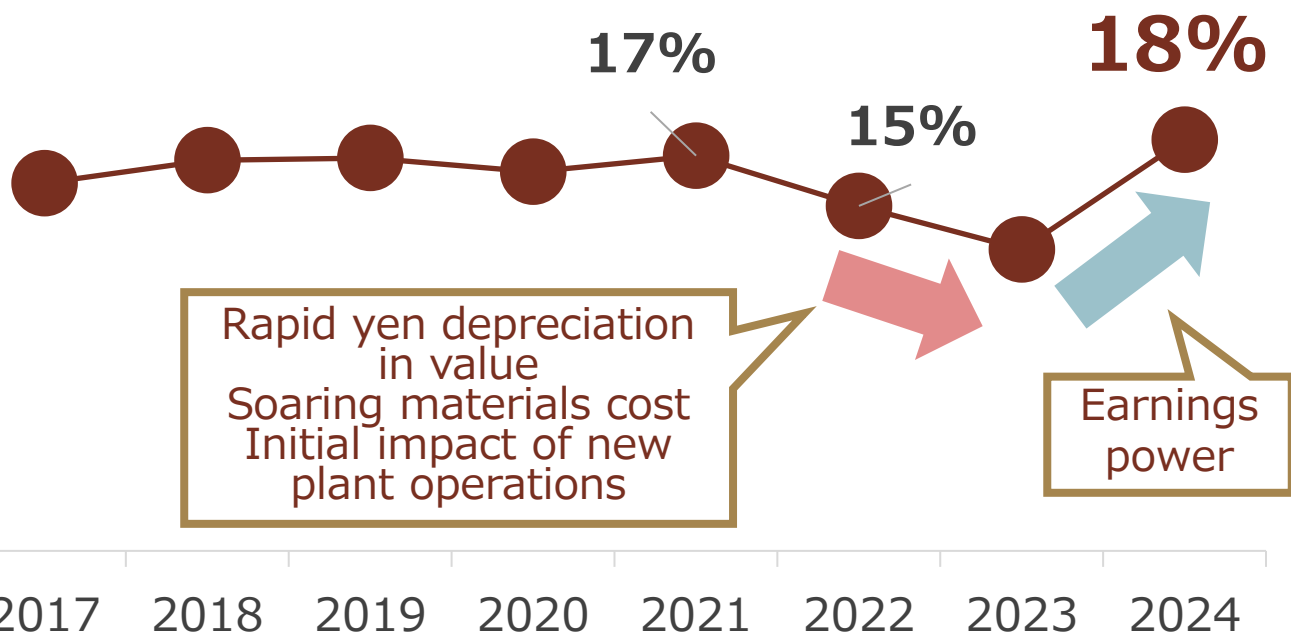
2024

First Medium-Term Management Plan

Second/Third Medium-Term Management Plan (2025-2031)

Earnings power (Enhance profit margins)

Consolidated operating profit margin
Operating profit margin



Rapid yen depreciation in value
Soaring materials cost
Initial impact of new plant operations

Earnings power

First Medium-Term Management Plan

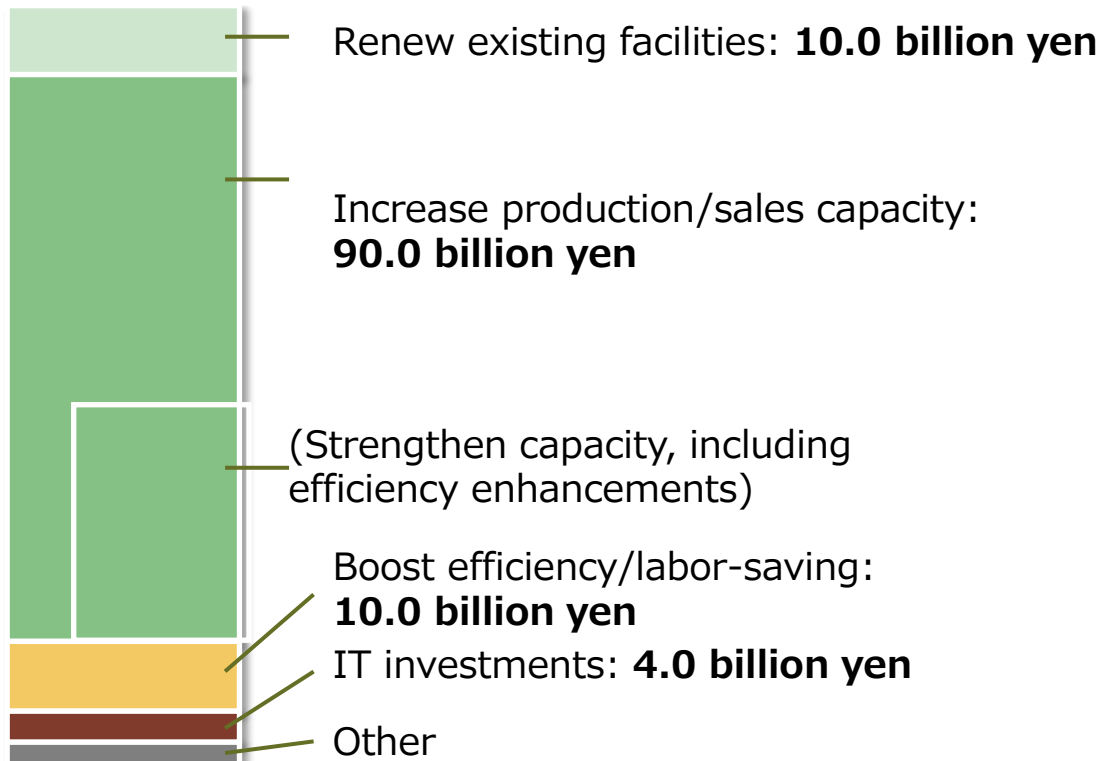
*In 2017-2019, estimates applied retroactively for revenue recognition standards

Further improve earnings power in the domestic business

Sales	Realize sales growth that outperforms previous performance Sales growth rate for the 129 prescription Kampo products (annual average) 2017-2021: +3.8% ⇒ 2022-2024: +5.4%
Selling price	Continue to promote selling prices for Tsumura Kampo formulations
Cost of goods sold	Curb the rise in CoGS by improving productivity
R&D	Implement controls by planting seeds for the future and narrowing down R&D themes
Personnel	Improve added value per person and implement controls for optimum personnel
Expense	Realize a full-fledged management of cost benefits and scale down expense to proper levels

■ Boost production capacity and improve productivity via automation and DX

Capital investment/DX investment:
approx. **115.0 billion yen**



Domestic business investments: (approx. 100.0 billion yen)

- Domestic plants (extracting/drying/granulation/packaging)
- Tianjin Tsumura Pharmaceuticals (extracting/drying)

China Business capital investment: (approx. 15.0 billion yen + M&A)

- Traditional Chinese Medicine Research Center
- Build an IT infrastructure

Strengthen production capacity

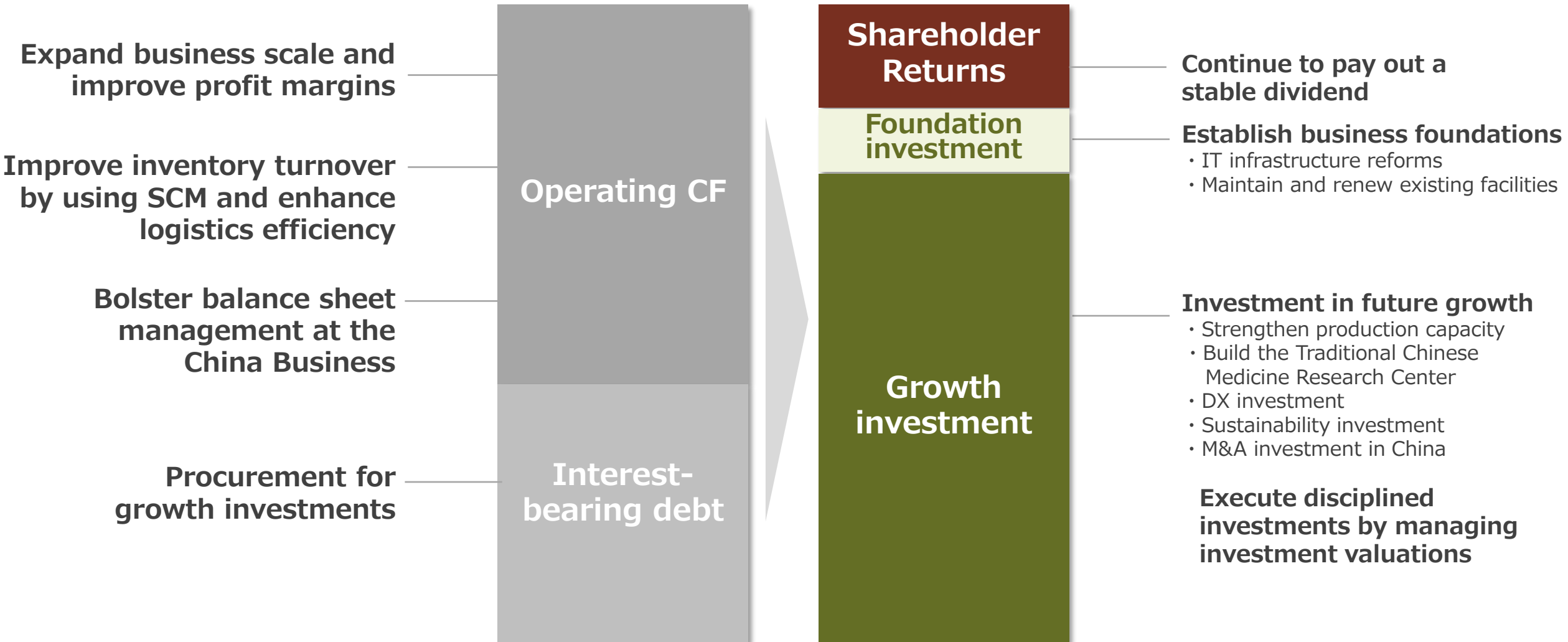
Build a production system that will support the expansion of the Kampo market

Improve productivity leveraging automation and DX

Develop innovative automation facilities
Boost efficiency/realize labor saving/suppress a rise in CoGS

- **R&D: Allocate funds mainly to new disease domains, to personalize Kampo treatments, and in pre-symptomatic disease domains**
Total R&D investment: **approx. 24.0 billion yen**

Aim to improve corporate value by creating cash flows from operating activities and through growth investments



Growth (Expand business scale)		Earnings power (Enhance profit margins)		Growth investments for the future	
Operating profit margin		Invested capital turnover rate			
Gross profit	SG&A ratio	Working capital turnover rate	Fixed asset turnover rate		
✓	✓		✓		
✓	✓				
✓	✓	✓	✓		
		✓	✓		
✓	✓	✓	✓		
✓	✓	✓	✓		

[Strategic challenges]

- 1 Continuous expansion of the Kampo market through the provision of Kampo solutions to suit individual physicians
 - 2 Establishment of Kampo evidence and promotion of scientific study of pre-symptomatic diseases through KAMPOMics
 - 3 Expansion of sales of crude drug and drug pieces in China and entry to business of traditional Chinese medicinal products
 - 4 Revamp of IT platform and promotion of utilization of AI and robots in crude drug sorting and manufacturing processes for transformation of the Kampo value chain
 - 5 Creation of value through organization capital and human capital and implementation of job satisfaction reform
- Initiatives for realization of the Sustainability Vision

1

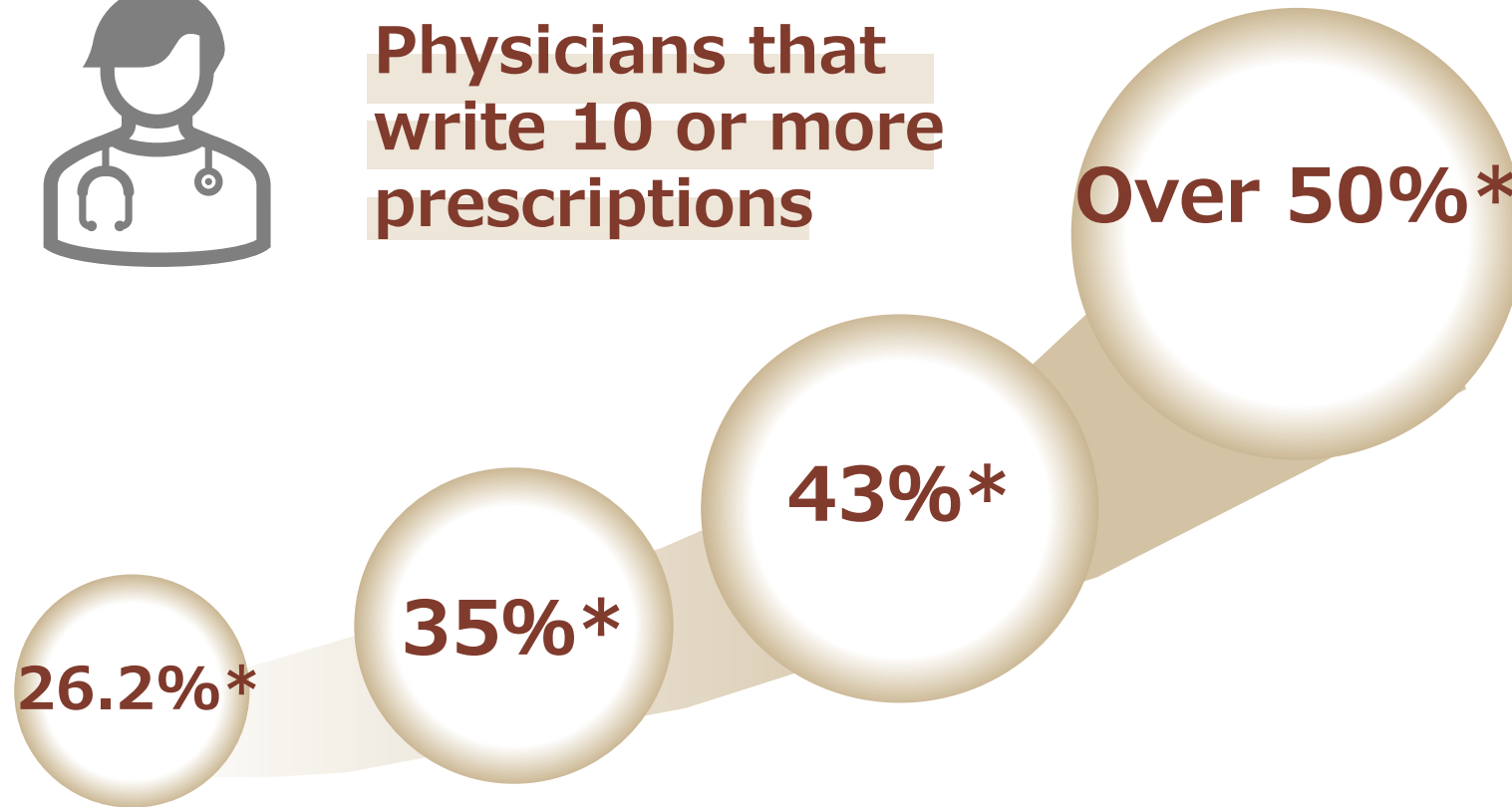
Continuous expansion of the Kampo market through the provision of Kampo solutions to suit individual physicians



Increase the percentage of physicians that write 10 or more Kampo prescriptions to over 50%



Physicians that write 10 or more prescriptions



Physicians that write basic prescriptions in all treatment areas

- FY2031

Number of clinical physicians	320,000 people	330,000 people	330,000 people	330,000 people
	FY2021	FY2022	FY2023	FY2024

*Survey by Tsumura

Source: <Number of clinical physicians> Prepared by Tsumura based on "Physician Supply and Demand" data from the 19th Subcommittee on Physician Supply and Demand, which is part of the Ministry of Health, Labour and Welfare's Study Group on Medical Practitioner Supply and Demand

Realize first-rate customer-oriented experiences through optimal channels for information required by individual medical practitioners and provision at the appropriate time

MEDICAL SITE

Efficacy

Dissemination of online lectures
Video library
Product information

Safety

Side-effect information
Storage/management method
Raw material crude drug information

Quality

Tsumura crude drug
GACP
Formulation homogeneity

- Online Kampo salon
- Online Kampo MR interviews
- Tsumura virtual Kampo MRs
- Kampo AI chat bot

Data collection and integration

Data analysis

Optimal measures/proposals

Actions

- Integrated data base

- Customer information
- Site views
- Lecture participation
- Market, competitors
- Proprietary sales
- Activities history



Important Domains & Drug-Fostering Program/Growing Formulations

Rapid improvement in quantitative and qualitative information provision, mainly in the drug-fostering program and growing formulations and basic prescriptions for treatment areas in the three important domains of “geriatric health,” “cancer (supportive care)” and “women’s health.”

Geriatric health domain			Cancer domain (supportive care*)	Women’s health domain	
Psychiatric and neurological disorders	Peripheral symptoms for frailty	Digestive system diseases	Mitigation of side effects, etc.	Diseases specific to women	Other
Yokukansan D Yokukansankachim pihange I + related formulations	Ninjin’yoeito G Kamikihito G Hochuekkito G Goshajinkigan D + related formulations	Rikkunshito D Daikenchuto D + related formulations	Rikkunshito D Hangeshashinto D Goshajinkigan D Hochuekkito G Kamikihito G Juzentaihoto I + related formulations	Kamishoyosan G Kamikihito G Tokishakuya kusan I + related formulations	Daikenchuto D Goreisan G Shakuyaku kanzoto I + related formulations
Respiratory diseases		Peripheral symptoms for circulatory disorders			
Bakumondoto I + related formulations		Goreisan G + related formulations			

*Supportive care: Treatments, including the alleviation of symptoms associated with cancer and due to cancer therapy

D Drug-fostering program formulations: Focusing on the structure of diseases in recent years, in treatment domains with a high degree of medical needs, there are patients in dire distress of finding new drug therapies; narrow down target to patients in which prescription Kampo formulations are demonstrating specific effects and prescribe to build evidence (scientific basis)

G Growing formulations: As focal formulations to follow the five drug-fostering program formulations, aim for write ups in treatment guidelines by building evidence (safety and efficacy data, etc.) in domains with a low treatment of satisfaction and a low degree of contribution to medicine

I Important formulations: Important formulations following drug-fostering program formulations and growing formulations for the penetration of Kampo in important domains

Geriatric health domain

Necessary support for frailty



Healthy



Pre-frail



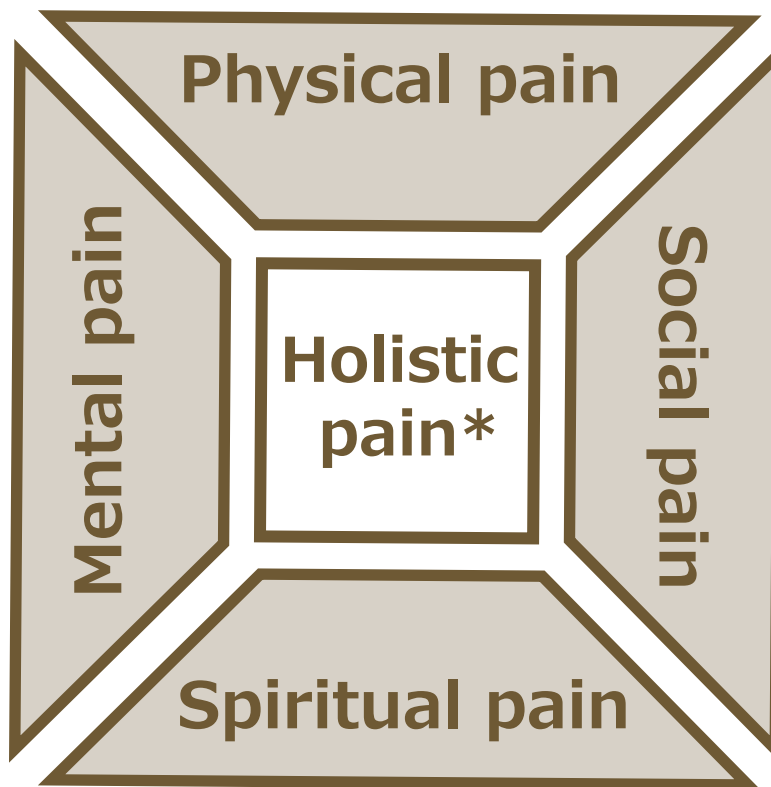
Frail



Requires nursing care

Cancer domain (supportive care)

Necessary support for cancer survivors



*Holistic pain is a concept advocated by British physician Cicely Saunders. The diagram was prepared by Tsumura in accordance with this concept.

Women's health domain

Necessary support for infertility**

- Irregular/difficult menstruation
- Anemia
- Cold sensitivity
- Symptoms during pregnancy and before/after child birth
- Menopause
- **Infertility**



Hinder the activities of women



Low child birth

Insurance coverage of infertility treatments

Flow of support in the society overall

**Require support for both men and women

Establishment of Kampo evidence and promotion of scientific study of pre-symptomatic diseases through KAMPOmics



To build a platform to personalize Kampo treatments



Joint research with academia



Alliances with business partners

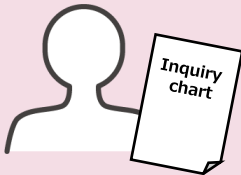


**Development/trial start of
diagnostic support tools**

Exams based on Kampo medicine (four exams)

Inquiry

Made up of various questions, including subjective symptoms, illnesses experienced thus far, food preferences, lifestyle, work, and menstrual conditions.



Inspection

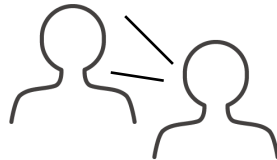
Facial color/expressions, attitude, posture and body shape are mainly examined.

Tongue inspection is also conducted.



Listening and smelling exam

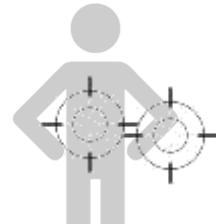
Examination mainly of the volume and tone of the patient's voice, manner of speaking, how the patient coughs, phlegm conditions (manner in which is gets clogged/stopped up), and respiratory sounds. Body odor and halitosis are also checked.



Palpation

Examination of conditions through touching.

This is largely broken down into a "pulse exam" and a "abdominal exam."



Candidate domains

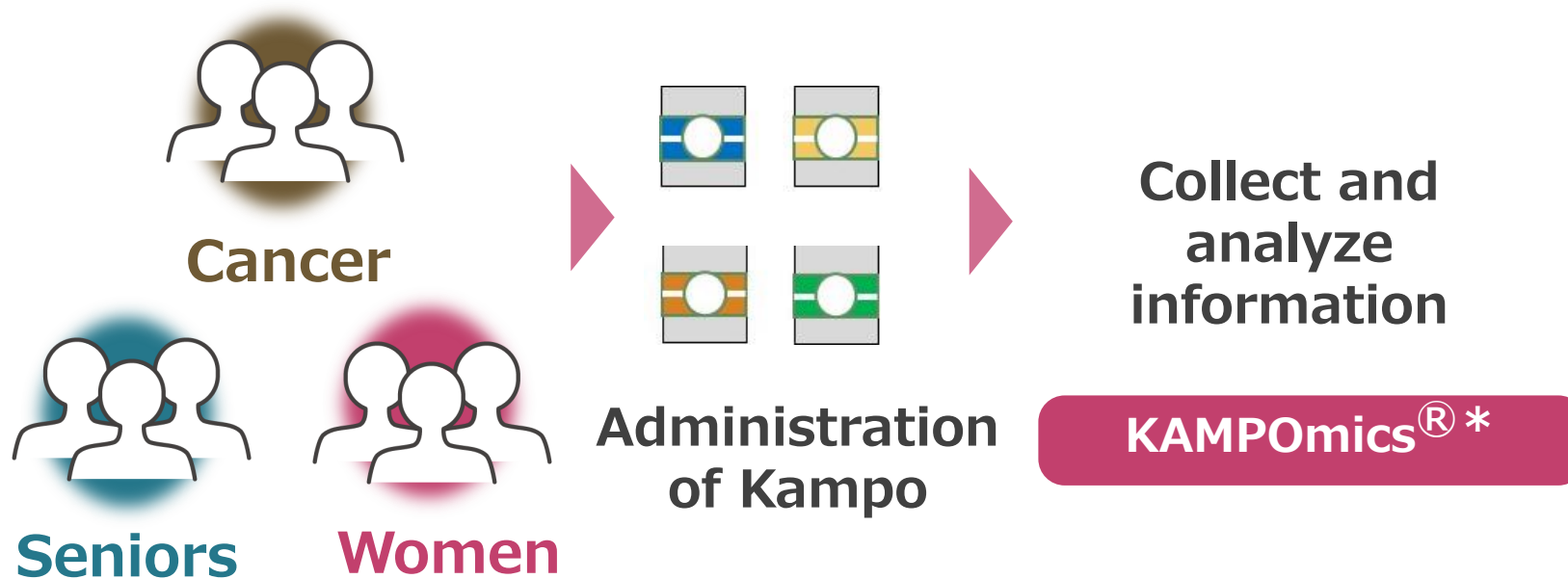


**Women's health
domain**

*Successively deploy to other areas

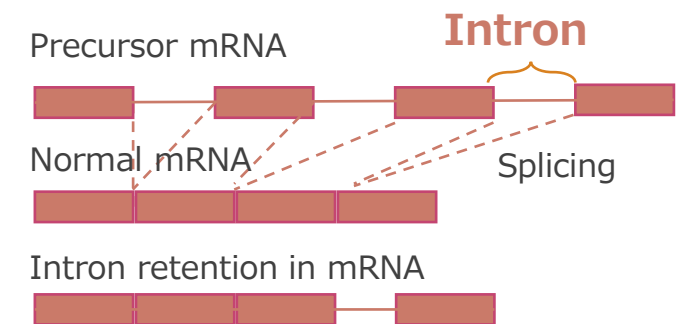
For the three preventive measures for pre-symptomatic diseases (treat disease before symptoms appear, prevent change into existing disease and post-healing recovery)

Scientifically understand pre-symptomatic diseases **Definition**



Example in geriatric health domain

Study using intron retention, a condition of a pre-symptomatic disease that causes aging



There are cases where **intron is retained** due to a splicing error or a biological abnormal response

*Combines research on cutting-edge technologies (metabolome, genetics, intestinal flora, systems biology, etc.), a strength of Tsumura, with Kampo medicine, a traditional medicine practiced in Japan, to form a proprietary research package to comprehensively understand multi-component, complex Kampo medicines. This is registered trademark of Tsumura.

Enrich evidence package

Evidence package	Meta-analysis	RCT (Random comparison trial)	Drugs Pharmacokinetics	Survey on frequency of side-effects
Rikkunshito	○	○	○	○
Yokukansan	○	○	○	○
Daikenchuto	○	○	○	○
***	○	○	○	○

Enrich types of formulations/domain/evidence

Quality improvement

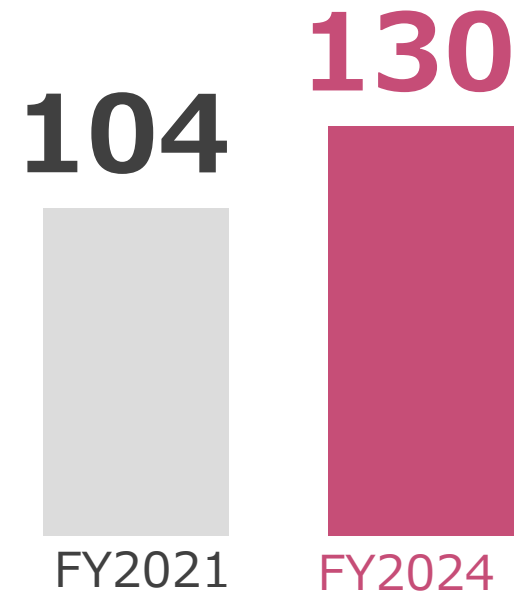
〈Listed formulations/disease〉
Improve degree of
recommendation in
treatment guidelines

Quantity expansion

〈Unlisted formulations/disease〉
New write-ups in
treatment guidelines

Expand treatment guidelines

Number of write-ups in treatment guidelines for Type B* or higher Kampo formulations



*From the "Treatment Guidelines Task Force" of EBM Committee, Japan Society for Oriental Medicine
 Type A: Quoted papers exist, there is grading of evidence and recommendations, also write-ups on this are included
 Type B: Quoted papers exist but there is no grading for evidence and recommendation
 Type C: There are no quoted papers or evidence and recommendation grading

Expansion of sales of crude drug and drug pieces in China and entry to business of traditional Chinese medicinal products



Milestones in the China Business

Aim to become a traditional Chinese medicine company that is a leader in the development of the traditional Chinese medicine industry, and target an overseas sales ratio of 50%

FY2022-24

FY2025-27

FY2028-31

Formulation platform

Enter the traditional Chinese medical products business

Acquire traditional Chinese medical product companies
Application for classical prescription Chinese medicines

Build foundation for the traditional Chinese medical products business

External sales ratio of over 50%

Establish a brand as a traditional Chinese medical product company

Industry TOP10

Sales image Over RMB7.0 billion

Crude drug platform

Expand sales of crude drugs, drug pieces and "Yakushokudogen" products

Ratio of external sales Over 50%

Establish brands for crude drugs, drug pieces and "Yakushokudogen" products

Increase public hospital sales channels (including M&A)

Crude drug/drug piece company that is a leader in industry development

Top share in China

Sales image Over RMB3.0 billion

Research platform

Establish the Traditional Chinese Medicine Research Center

Enhance functions of the Traditional Chinese Medicine Research Center

Evidence-building for traditional Chinese medical products

Crude drug platform

- Increase the number of items supplied by leveraging the strengths (pricing, quality, volume) of Tsumura
- Accelerate market penetration by the Tsumura brand by strengthening management of the crude drug supply chain

Raw material crude drugs

Strengthen highly-competitive items

- ◆ No. 1 Chinese ginseng brand
- ◆ Broaden other superior items
- ◆ Strengthen GACP management
(Safety/security)
- ◆ Be a leader in industry standards

Drug pieces

Establish a brand for high-quality drug pieces

- ◆ Continue to expand public hospital sales channels
- ◆ Boost Ping An Health's online sales
- ◆ Promote drug piece supply services

"Yakushokudogen" products

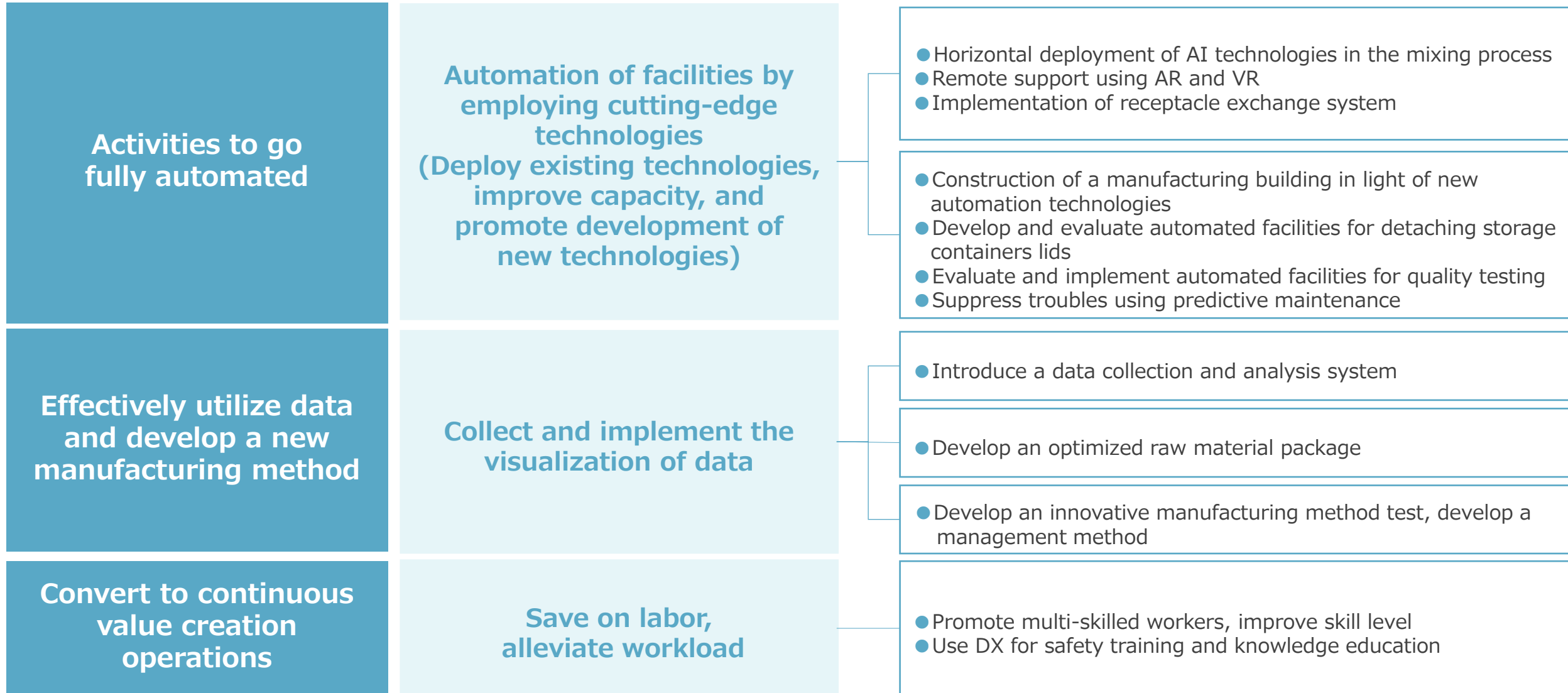
Promote new product development Build the Tsumura brand

- ◆ Develop high added-value products
- ◆ Expand online sales
- ◆ Build a trusted brand

Revamp of IT platform and promotion of utilization of AI and robots
in crude drug sorting and manufacturing processes for
transformation of the Kampo value chain



In anticipation of the realization of a smart factory, improve labor productivity 20% (vs. FY2021)



Crude drug AI automated selector

Implement at 4
manufacturing plants



Ishioka Center
YUBARI TSUMURA
SHENZHEN TSUMURA
CHINA MEDICO COPORATION



- Boost efficiency of selection operations
- Reduce work headcount

Strengthen and employ GACP information



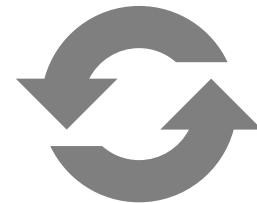
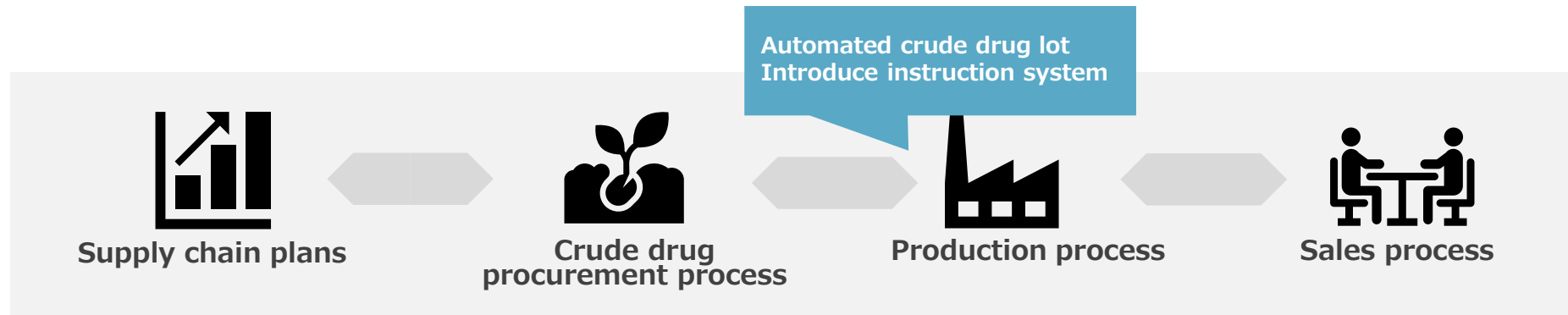
Link crude drug production
information and quality information

- Improve productivity
- Secure quality and safety

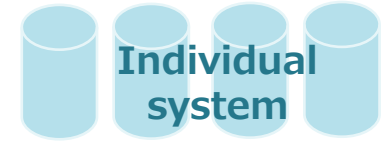
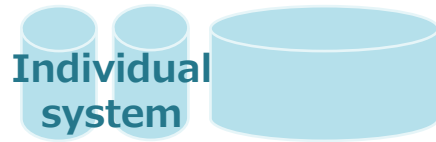
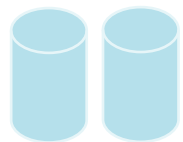
Traceability
Digitalize information

Introduce an integrated core system

- Digitalize the Kampo value chain
- Realize data-driven management



Accumulate/integrate data in real time
Centrally management group company
information on the cloud



Establish a management IT infrastructure that will be the core of DX

5

Creation of value through organization capital and human capital and implementation of job satisfaction reform



Train personnel that will implement philosophy-based management and drive the Tsumura Group



Management personnel



Global management personnel



Candidates for division head

Nurture corporate culture that heightens individual job satisfaction and exerts one's own "potential capabilities" by creating an organization driven by its philosophy

**Instill
philosophy**
Off-site meeting

**Train to be
resourceful**
(Liberal Arts)

**Coaching
Lectures**

Dialogue that focuses on goals and values



**Improve job
satisfaction**



**Exert potential
capabilities**



Initiatives for realization of the Sustainability Vision



● FY2031 Targets in Sustainability Vision

50% reduction in greenhouse gas emissions

Circulation of water and waste (crude drug residue)

Conversion to environmentally friendly packaging materials

	FY2020	FY2024
CO2 emission reduction rate (vs. FY2020)	96,487t	(3)%
Basic unit for energy intensity (year-on-year)	—	(1)%
No. of items using crude drugs grown in the wild (vs. FY 2020)	34 items*	33 items or less
Basic unit for water intake intensity** (vs. FY2020)	113.01t/t	(10)%
Amount of plastic use (vs. FY2020)	3,037.07t/t	(10)%
Basic unit for industrial waste emissions (vs. FY2020)	1.76t/t	(50)%

*Crude drugs grown in the wild only: 18 items;
Crude drugs grown in the wild + cultivated products: 16 items

**Amount of water intake/powdered extract only for the
Shizuoka and Ibaraki Plants

Improve CDP climate change evaluation

- Apply to acquire SBT certification
- Basic content analysis/disclosure for TCFD
- Achieve environmental goals in the First Medium-Term

Management Plan

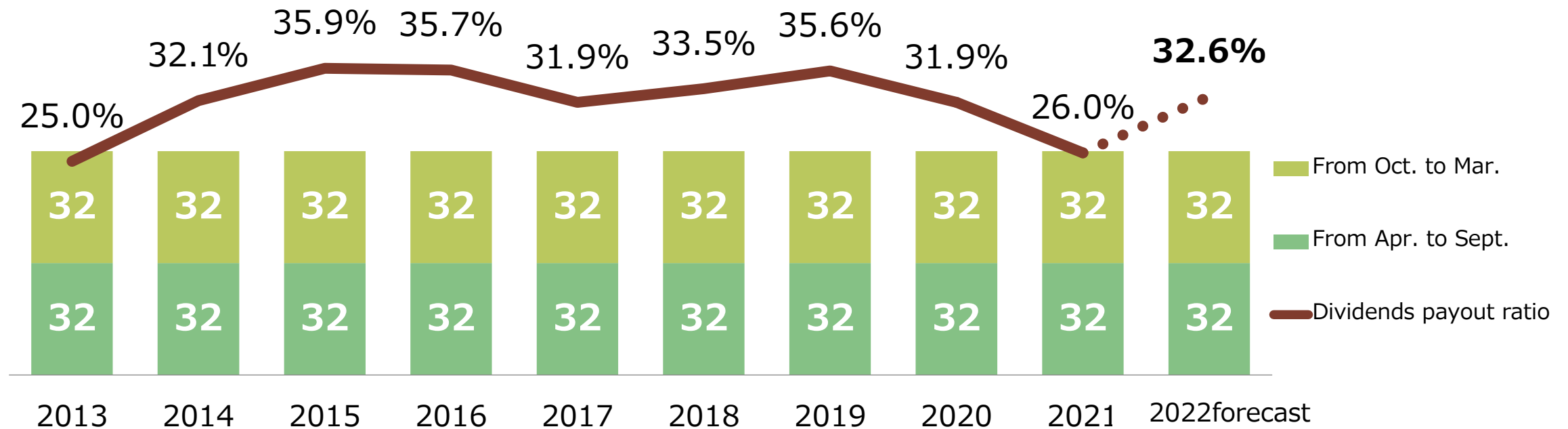
FY 2022 Earnings Forecast

【Million yen】	FY 2021 Results	FY 2022 Forecast	YoY	
			Amount	Change
Net sales	129,546	138,500	+ 8,953	+ 6.9%
Domestic business	—	124,300	—	—
China business	—	14,200	—	—
Operating Profit	22,376	20,800	(1,576)	(7.0)%
Domestic business	—	21,200	—	—
China business	—	(400)	—	—
Ordinary Profit	25,904	21,200	(4,704)	(18.2)%
Profit attributable to owners of parent	18,836	15,000	(3,836)	(20.4)%
Dividends (per share)	64 yen	64 yen		
EPS	246.2 yen	196.1 yen		
ROE	8.2 %	6.0 %		

(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 domestic 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

Key Points in Performance

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

Net sales	129,546	million yen	Achievement rate	101.6%	YoY	+11.3%
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- Domestic sales totaled 119,567 million yen, increased 8.6% year-on-year.
- Sales of the 129 prescription Kampo products totaled 114,165 million yen, increased 8.1% year-on-year.
- Sales of healthcare products including OTC Kampo medicines totaled 3,915 million yen, increased 29.8% year-on-year.
- Overseas sales totaled 9,978 million yen, increased 56.9 % year-on-year.

Operating profit	22,376	million yen	Achievement rate	106.1%	YoY	+15.4%
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Operating profit margin	17.3	%	Comparison with the Revised plan	+0.8pt	YoY	+0.7pt
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- The cost-to-sales ratio was 48.7%, a climb of 0.6pts year-on-year, mainly impact of increased depreciation burden due to Increased manufacturing costs, and external sales in China.
- The SG&A ratio totaled 34.0%, a decline of 1.3pt year-on-year, mainly impact of improvement due to sales growth.

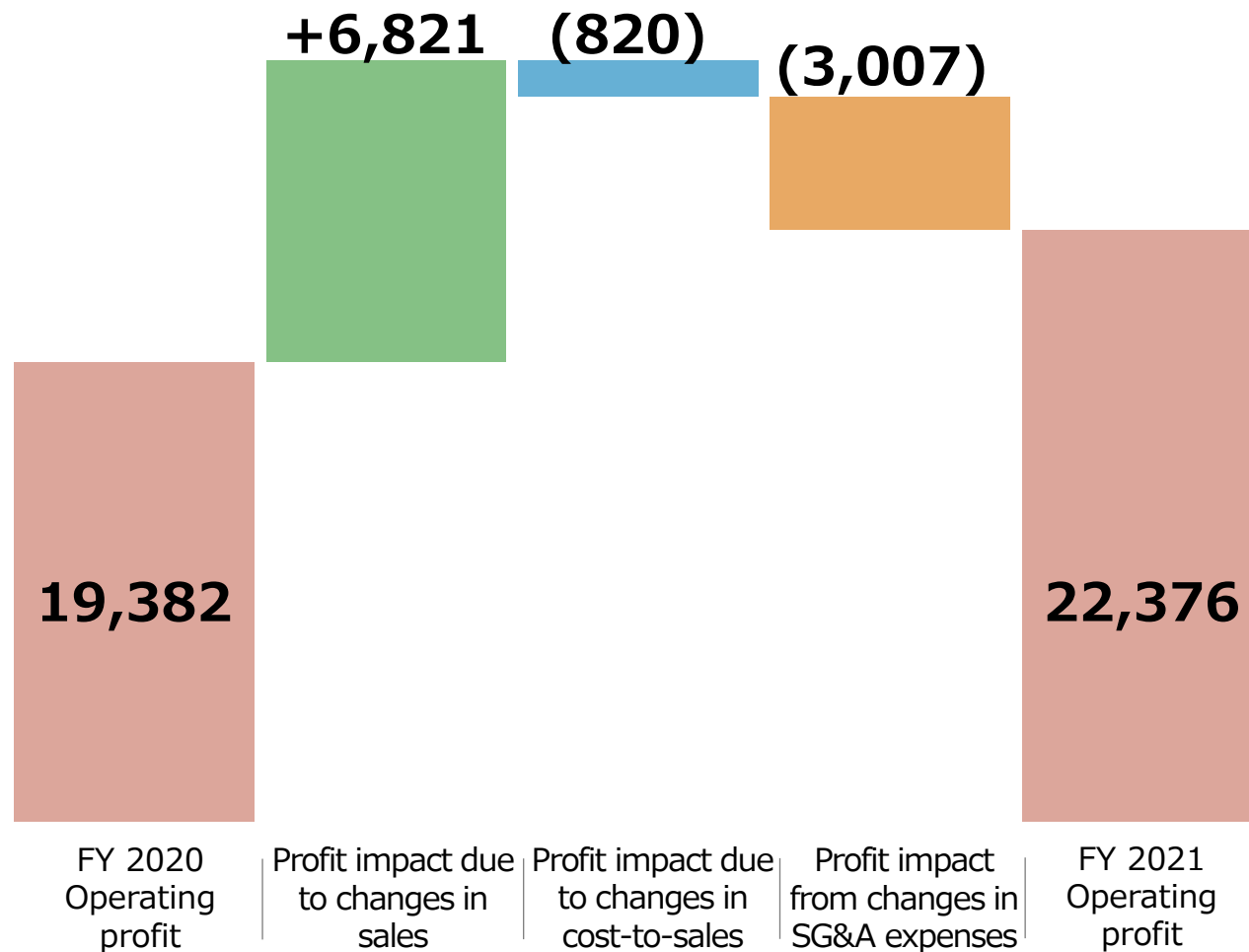
Ordinary profit	25,904	million yen	Achievement rate	110.7%	YoY	+24.1%
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- The impact of the foreign exchange gain: 2,474 million yen

Profit attributable to owners of parent	18,836	million yen	Achievement rate	113.5%	YoY	+22.9%
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Factors Triggering Changes in Operating Profit (YoY)

(Million yen)



Changes in sales : +6,821 Breakdown	
Domestic	+4,942
Overseas	+1,879
Changes in cost-to-sales : (820) Breakdown	
Sales composition (Domestic)	+224
Crude drug cost (Domestic)	+1,744
Processing cost etc (Domestic)	(1,574)
Outside sales in China	(1,214)
Changes in SG&A expenses:(3,007) Breakdown	
Sales-related expense	(736)
R&D expense	(682)
Salary allowance	(340)
Advertising expense	(274)
Other	(972)

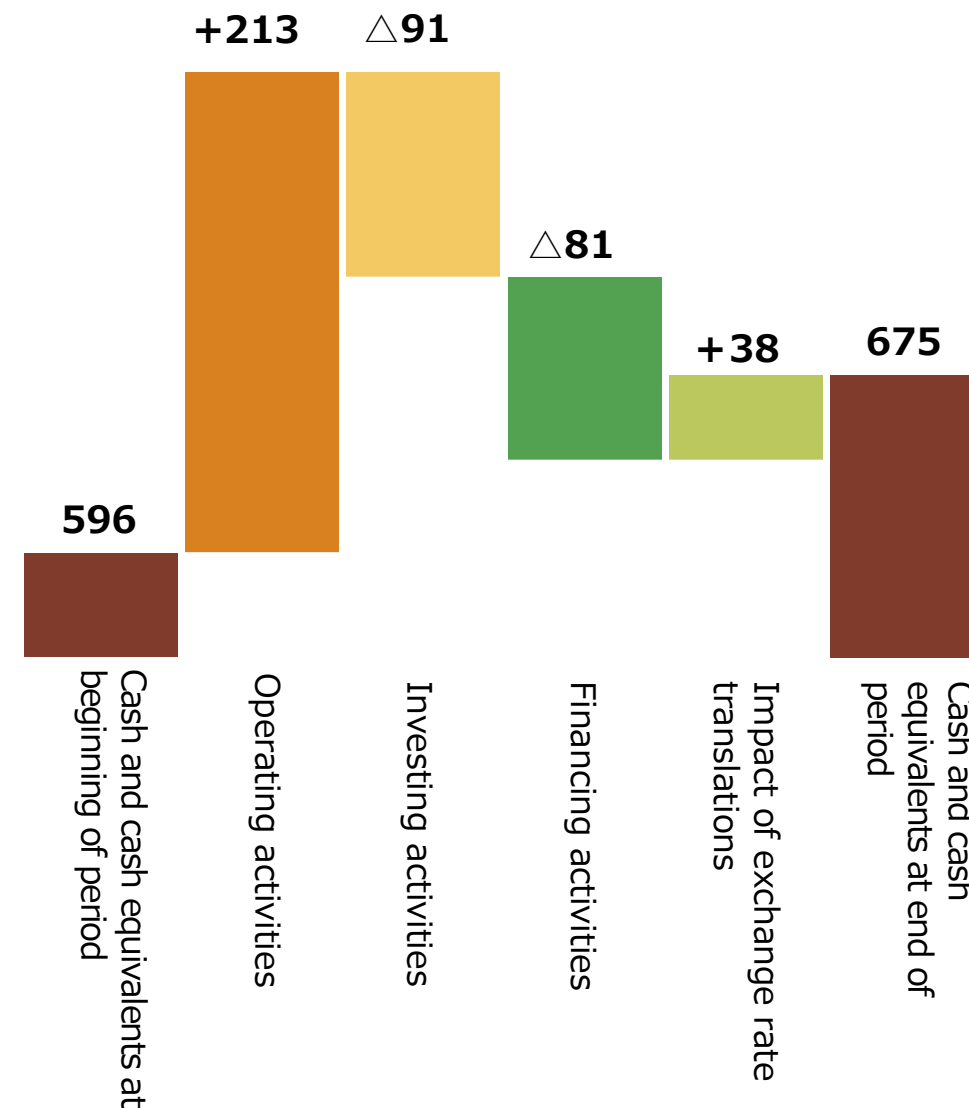
Financial Condition/Cash Flow Position

(Million yen)

	FY 2020 (March 2021)	FY 2020 (March 2021)	Change
Total assets	319,063	350,981	31,917
Current assets	204,273	229,420	25,146
Non-current assets	114,789	121,561	6,771
Total liabilities	85,894	92,871	6,977
Current liabilities	48,380	45,875	(2,505)
Non-current liabilities	37,513	46,996	9,482
Total net assets	233,169	258,109	24,940
Equity ratio	68.3%	68.3%	0

	FY 2020 (March 2021)	FY 2020 (March 2021)	Change
Inventories	80,755	92,751	11,996
Merchandise and finished goods	13,939	10,247	(3,691)
Work in process	13,396	13,614	218
Raw materials and supplies	53,419	68,889	15,469

(Million yen)

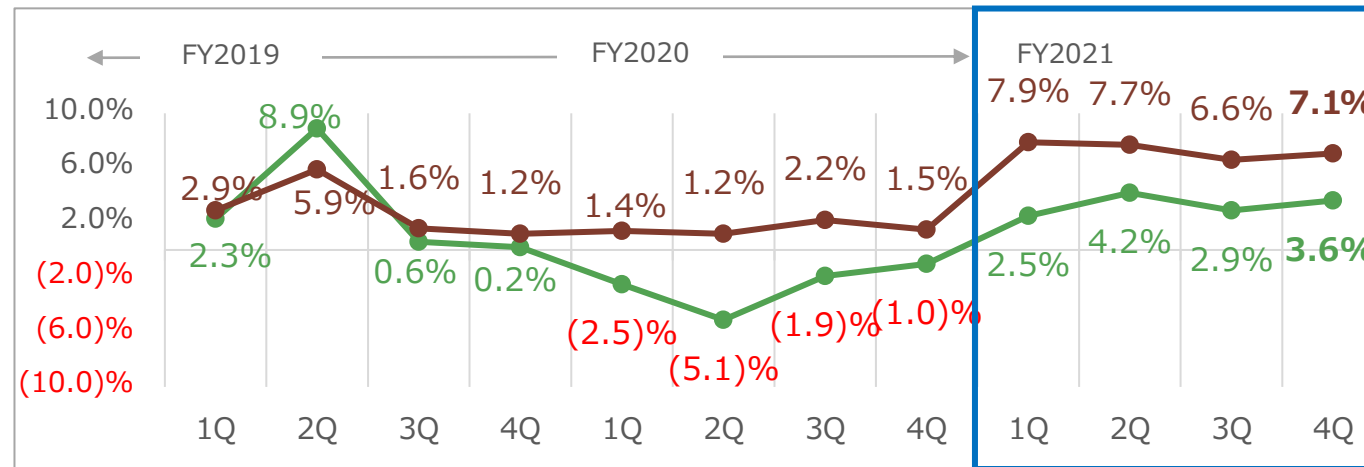


Comparison with the Prescription Pharmaceutical Market



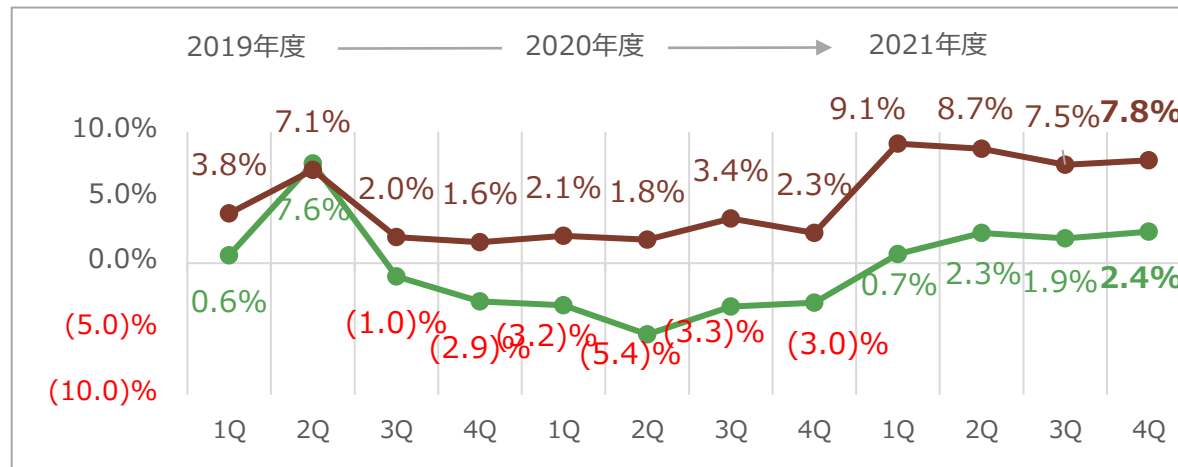
Overall

(YoY/drug price basis)

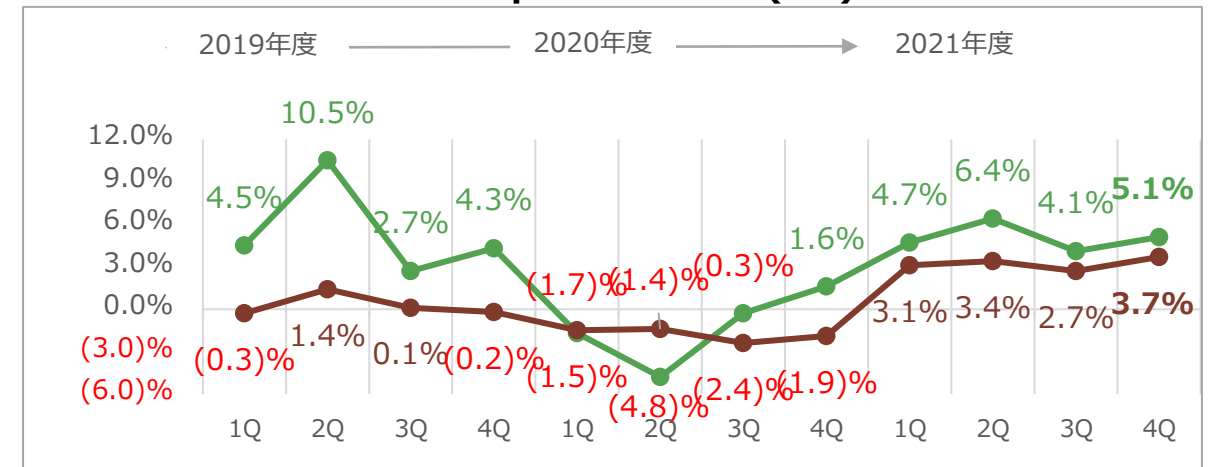


Gap with market
+4.0pt
(4Q only: +3.5pt)

General clinics (GP)



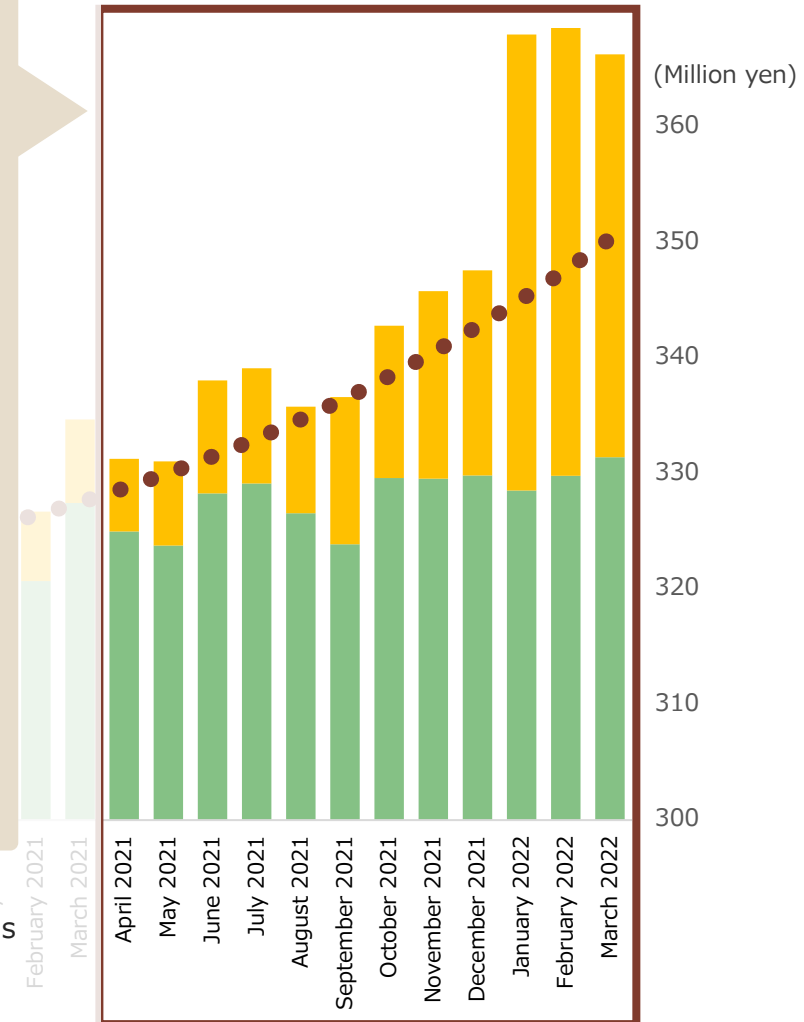
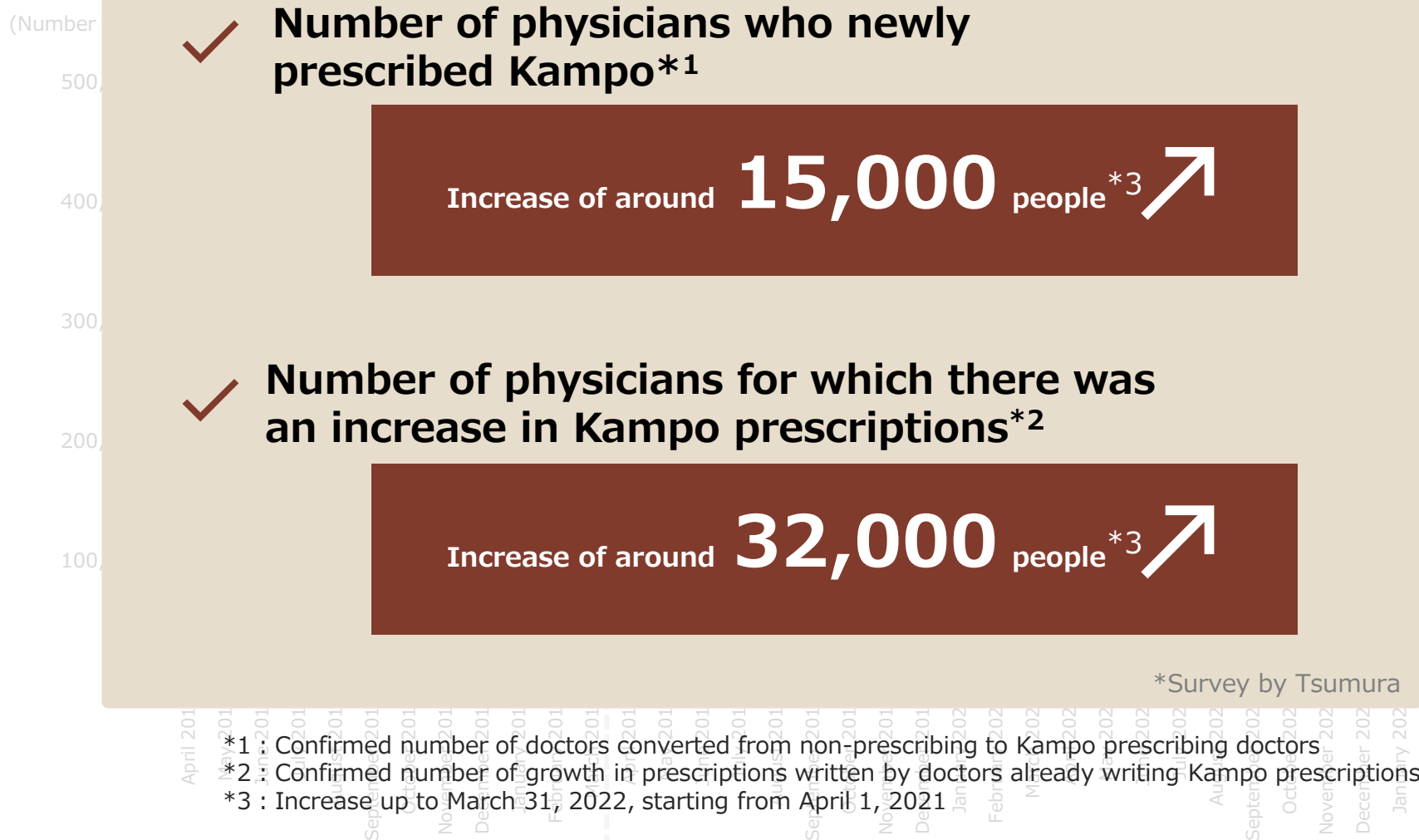
Hospital market (HP)



Increase in prescription opportunities owing to e-promotions

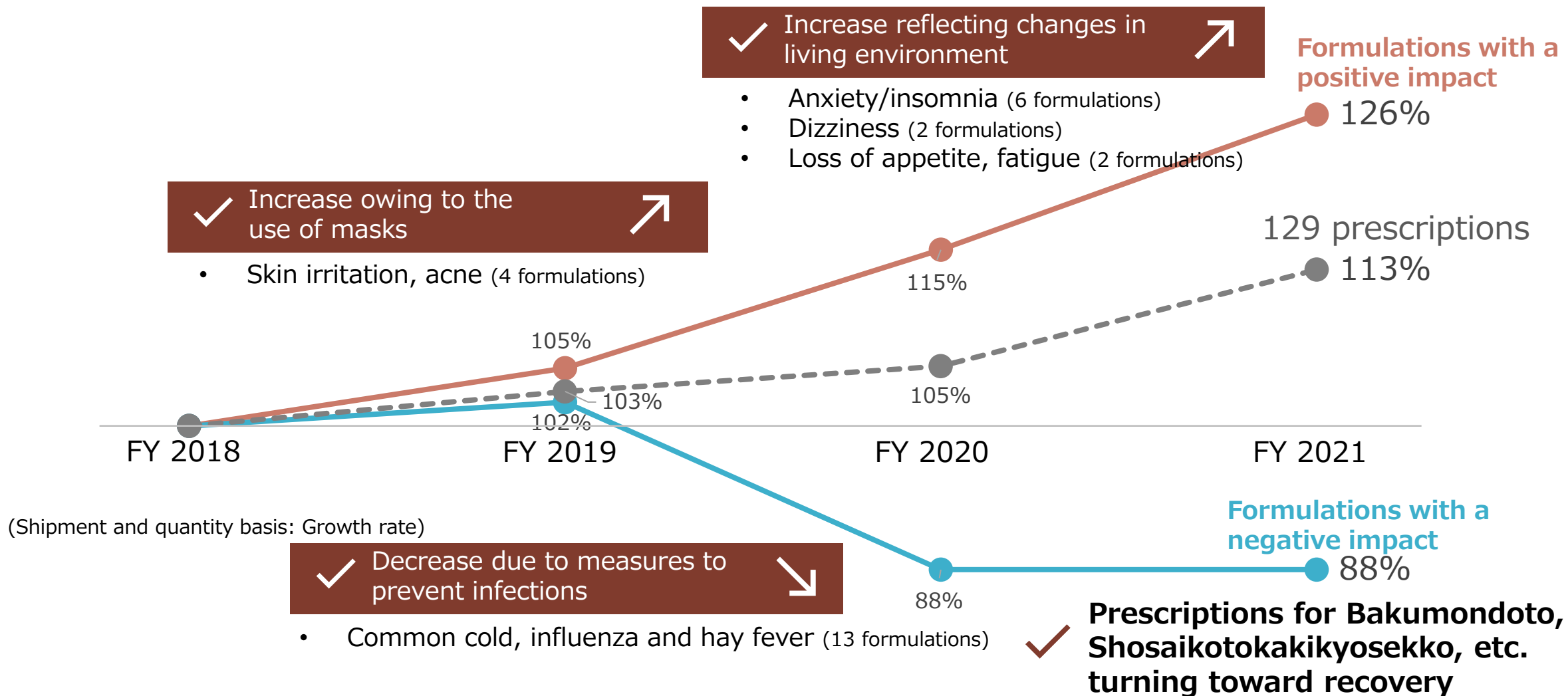
Increase in the number of physicians that write Kampo prescriptions owing to the implementation of e-promotions

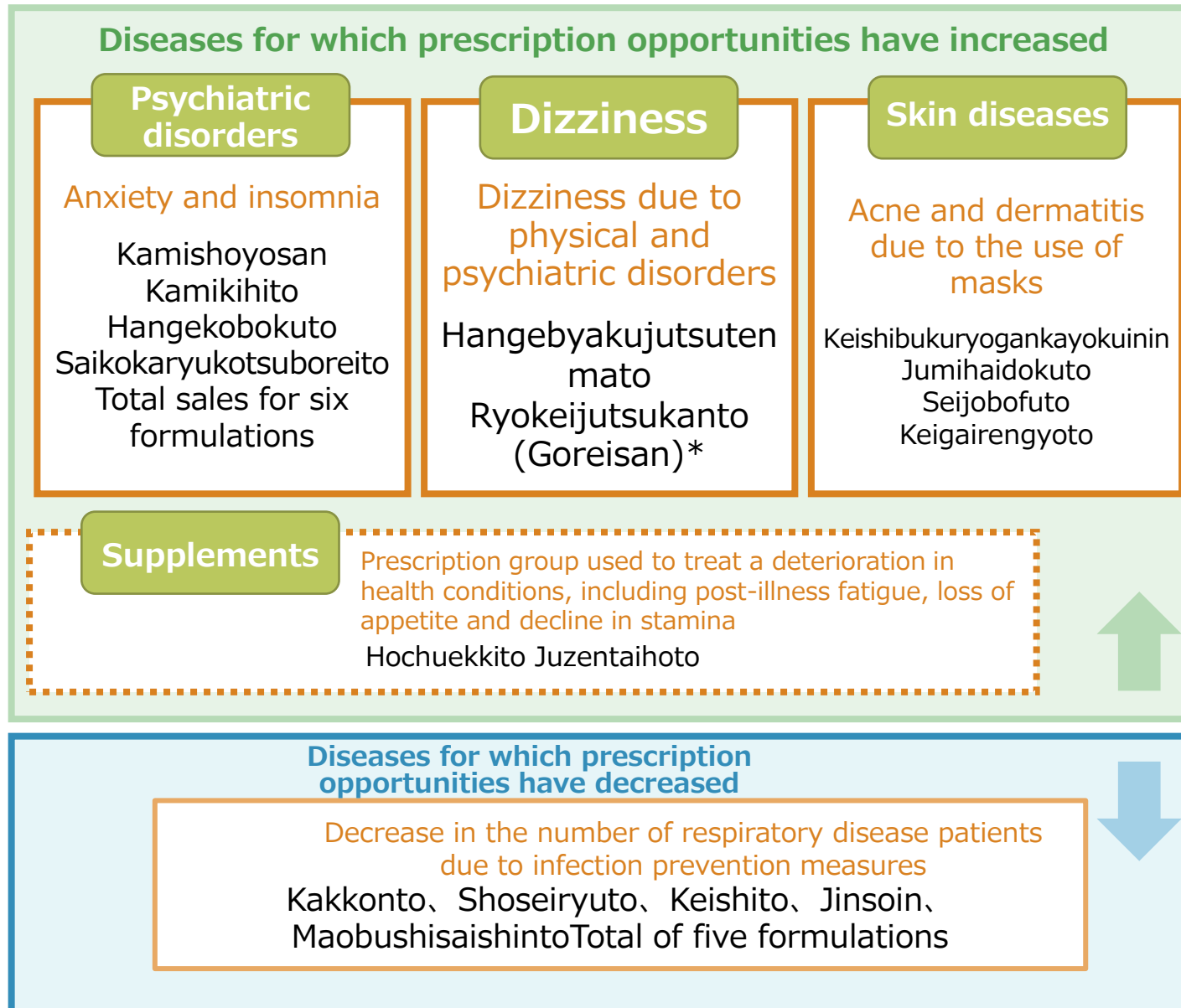
Third Medium-Term Management Plan



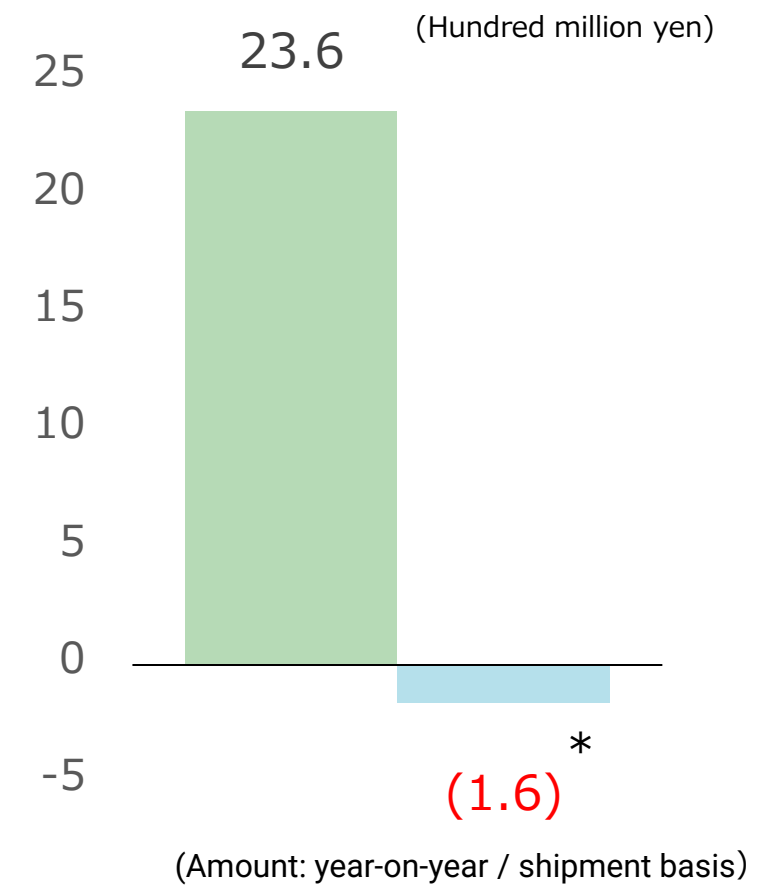
*Survey by Tsumura

Positive impact in FY 2021 by addressing needs with a changes in disease structure





Trends in the monetary impact owing to a fluctuation in prescription opportunities (FY 2021)



*Calculated only for 5 prescriptions decreased from the previous year

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