Financial Briefing for 2Q Results (for Investors)
13:00-14:00, November 7, 2022
<Q&A Summary>

Q.
You mentioned that restricted shipments were the result of higher-than-expected orders. What was the biggest factor behind this?
A.
According to our analysis, the utmost factor is the growth in sales of common cold-related formulations in tandem with the spread of the Omicron BA.5 variant. For instance, sales of Shosaikotokakikyosekko, which is used to treat tonsillitis, approximately tripled year-on-year in the month of July.

Q.
In and after 2H, will you be able to secure sufficient production volume to meet demand for restricted shipment items?
A.
We are adjusting shipments for restricted shipment items while closely monitoring demand and production volume. We will seriously consider lifting restrictions on shipments should a sharp rise in demand be forecast for reasons such as the simultaneous onset of the eighth wave of COVID-19 and influenza.

Q.
In the infertility domain, what market scale do you forecast for Tokishakuyakusan?
A.
At present, we are at the stage where we are garnering results from basic research. We are considering other matters, including clinical research. As for market scale, it is difficult to specify its size.

Q.
Will the increase in outside sales in China be a factor triggering a rise in the cost-to-sales ratio?
A.
The China Business at present mainly consists of sales of raw material crude drugs. We forecast that the rise in cost-to-sales ratio owing to an increase in outside sales will continue for the time being. We will aim for a profit margin that is equivalent to or higher than the domestic (Japan) business by expanding sales of value-added crude drug pieces and by entering the traditional Chinese medicine business in the medium/long term.

Q.

What COVID-19 related losses were posted as extraordinary loss?

A.

We are posting fixed costs as extraordinary loss. These were fixed costs for the Shanghai Plant that incurred during the period operations were shut down due to the lockdown of Shanghai.

Q.

Why are 2Q sales in the China Business higher in comparison with 1Q? Also, will sales in 2H remain at the levels posted in 2Q?

A.

In 1Q, there was a delay in shipments of some products due to COVID-19 therefore sales were posted to 2Q. We anticipate sales in 2H will trend in line with plans.

Q.

Recently, lockdowns are taking place in some areas in China. Will this have a substantial impact on sales?

A.

At this point, this has not become a situation that will significantly impact sales at Tsumura.

Q.

Can real-world data be used in sales activities carried out by MRs?

A.

Given sales information provision guidelines, it would be difficult to use this data in sales activities.

A.

We are carrying our basic research and clinical research by making estimates based on real-world data. There are plans to publish a paper sometime soon. MRs can use the results of clinical research for sales promotion within the scope of indication and efficacy.

Q.

Is it possible to boost the drug price for prescription Kampo formulations?

A.

Drug price revisions are implemented in line with actual market prices. In light of this, we convey current trends and the value of Kampo formulations to sales agents and medical institutions and are continuing to carry out activities to conduct transactions that are commensurate with Kampo formulations.

In cases where a formulation is subject to the recalculation system for unprofitable products, there is a possibility of a hike to drug prices, but this has only been applied to a few items in the past. However, products must jump high hurdles to be eligible for this system.

Q.

Do you plan to invest in brand building related to femtech?

A.

We believe it is very important to invest in brand building given expectations of the social implementation of the Kampo exam support system in the future.

Q.

Are you introducing a system to eliminate the uneven distribution of inventory? Also, is there biased distribution of inventories going on at designated sales agents or medical institutions?

A.

We are not introducing a specialized system for eliminating inventory bias. We allocate inventory to shipments based on the sales track records of sales agents. We do not believe inventory is being distributed unevenly. Going forward, we plan to strengthen the cooperation system with sales agents and work to achieve stable supply.

Q.

Has your research on menopause produced any results?

A.

We are moving forward with clinical trials on the treatment of menopause, mainly focusing on Tokishakuyakusan, Kamishoyosan and Keishibukuryogan. In the near term, we plan to release several reports, including a clinical paper.

[Important points]
The details in these materials were not transcribed as is from the Q&A session at our financial results briefing. Taking the purpose of these materials into account, this is an abridged version.