THE BEST OF NATURE AND SCIENCE

TSUMURA

Third Quarter Business Results for Fiscal Year 2022

February 6, 2023

Director, and CFO
Muneki Handa

agenda

TSUMURA

01 Third Quarter Business Results for FY 2022

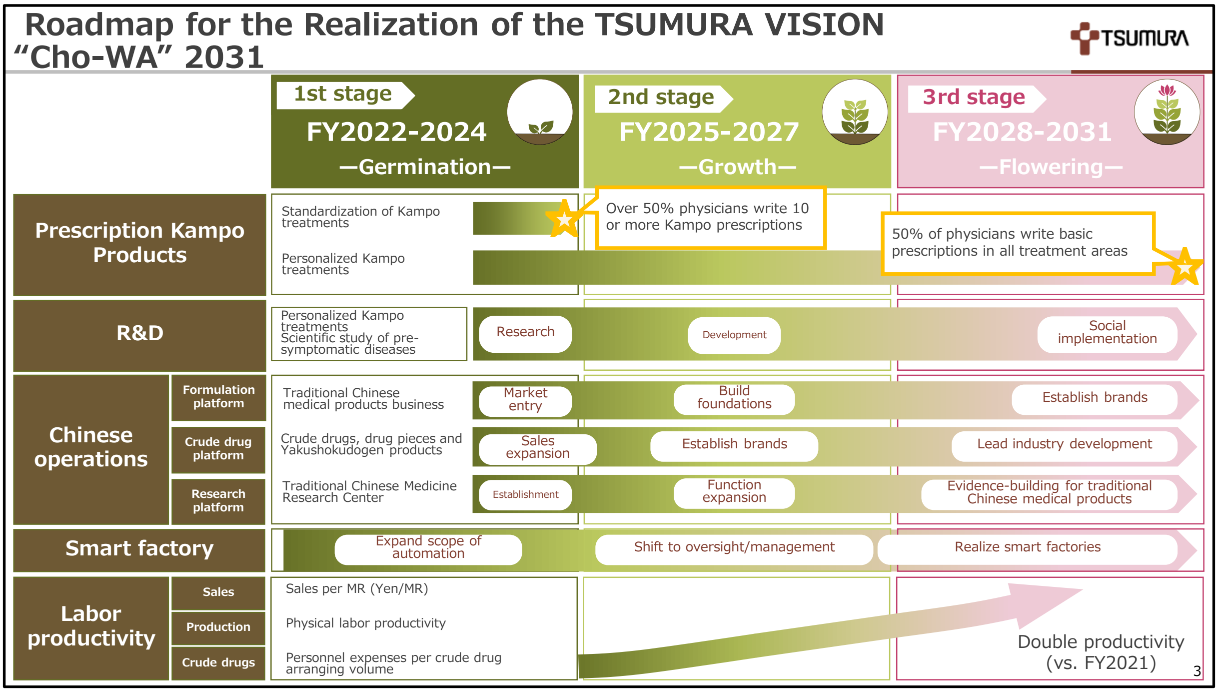
02 Initiatives and Progress for Domestic Business and China Business

03 FY 2022 Earnings Forecast

2

Page 2 is our agenda for today.

Today, I will present a run-down of third quarter business results for FY 2022, initiatives and progress for the domestic business and China business, and our earnings forecasts for FY 2022.



Page 3 outlines our roadmap for realizing the TSUMURA VISION "Cho-WA" 2031, which we announced in May 2022.

The First Medium-Term Management Plan, which will run through FY 2024, is positioned as the stage for making upfront investments and building foundations to realize this vision.

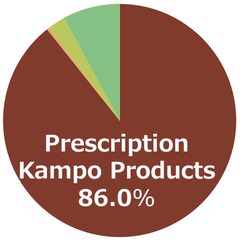
3Q Business Results for FY 2022

TSUMURA

【Million yen】	3Q FY 2021 results	3Q FY2022 results	YoY Amount	YoY Change
Sales	**98,382**	**107,076**	**+8,694**	**+8.8%**
Domestic business	–	96,355	–	–
China business	–	10,721	–	–
Operating profit	**18,829**	**17,723**	**(1,106)**	**(5.9) %**
Domestic business	–	17,882	–	–
China business	–	(159)	–	–
Ordinary profit	**21,074**	**21,410**	**+335**	**+1.6%**
Profit attributable to owners of parent	**15,389**	**15,875**	**+486**	**+3.2%**
PL translation rate (CNY)	16.78	19.41	+2.63	–

*Forex rate at the time overseas subsidiaries' PLs were incorporated; differs from the import rate for raw material crude drugs

Ratio to total sales



External sales by consolidated subsidiaries 10.7%
OTC Kampo etc 3.1%
Other prescription pharmaceuticals 0.2%

4

Page 4 is a summary of earnings performance in the third quarter of FY 2022.

Sales came to 107,076 million yen, a rise of 8.8% year-on-year. This breaks down to sales in the domestic business of 96,355 million yen, and sales in the China Business of 10,721 million yen. The breakdown of sales is shown in the graph above on the right.

Operating profit amounted to 17,723 million yen, a decrease of 5.9% year-on-year.
Meanwhile, ordinary profit was 21,410 million yen, a rise of 1.6% year-on-year,and profit attributable to owners of parent totaled 15,875 million yen, a growth of 3.2% year-on-year.

Key Points in Performance

TSUMURA

Sales and profit attributable to owners of parent rose owing to growth in Japan and in the China business (but operating profit was down)

Net sales	107,076	million yen	YoY	+8.8%

- Domestic business sales of the 129 prescription Kampo products: 91,941 million yen, rose 5.3% year-on-year
  Sales of OTC Kampo formulations and other healthcare products: 3,358 million yen, increased 18.8% year-on-year
- China business sales: 10,721 million yen

Operating profit	17,723	million yen	YoY	(5.9%)
Operating profit margin	16.6	%	YoY	(2.5pt)

- Cost-to-sales ratio: 50.9%, up 2.1pt year-on-year; Mainly impact from an expansion in external sales in China and soaring cost for materials other than raw material crude drugs
- SG&A ratio: 32.5%, up 0.4pt year-on-year; Chiefly reflects one-off expense for full-scale operations at the Tianjin Plant

Ordinary profit	21,410	million yen	YoY	+1.6%

- Foreign exchange gain primarily related to loans to overseas subsidiaries: 2,906 million yen, up 1,485 million yen year-on-year (impact from the yen's devaluation)

Profit attributable to owners of parent	15,875	million yen	YoY	+3.2%

- Extraordinary income: Refund margin owing to a reduction in paid-in capital at affiliates: 463 million yen

5

Page 5 is our key points in performance.

In the domestic business, sales of the 129 prescription Kampo products stood at 91,941 million yen, an expansion of 5.3% year-on-year.
In addition to growth owing to planned e-promotion benefits, there was a growth in prescriptions for the following: heat stroke/summer fatigue formulations due to the intense heat during the summer months, common cold-related formulations, including those for fever an coughs, in tandem with an expansion in the spread of COVID-19, formulations related mainly to cough, fatigue and anxiety due to an increase in the number of patients experiencing after-effects.

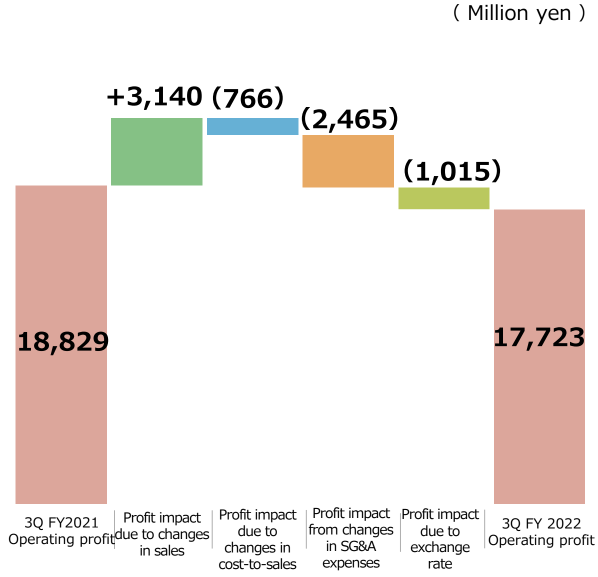
Reflecting this, demand substantially surpassed our forecast. Consequently, owing to the cooperation of pharmaceutical wholesalers and distributors, we restricted shipments of a portion of our products from August 29, 2022.
I will explain the status of restricted shipments later on.
Meanwhile, sales of OTC Kampo formulations and other healthcare products totaled 3,358 million yen, an increase of 18.8% year-on-year owing to an expansion in the number pharmacies and drugstores handling our products, and a growth in COVID-19-related formulations.
Sales in the China business were 10,721 million yen thanks to an expansion in sales of raw material crude drugs in the crude drug platform.

The cost-to-sales ratio was 50.9%, an improvement of 2.1pts year-on-year.
This was chiefly attributable to an increase in external sales in the China business and soaring prices for raw materials other than crude drugs.
The SG&A ratio stood at 32.5%, a rise of 0.4pt year-on-year.
This primarily reflected one-off expenses for full-fledged operations at the Tianjin Plant.

Consequently, operating profit came to 17,723 million yen, a decline of 5.9% year-on-year.
The increase in ordinary profit reflects impact from a gap in forex translations related to loans to overseas subsidiaries due to depreciation in the value of the yen.
In addition, the refund margin owing to a reduction in paid-in capital at affiliates, in tandem with their liquidation, was 463 million yen.
Accordingly, profit attributable to owners of parent totaled 15,875 million yen, a growth of 3.2% year-on-year.

Factors Triggering Changes in Operating Profit (YoY)

TSUMURA



(Million yen)

Breakdown of change in net sales : +3,140	
Domestic	+2,684
Overseas	+456
Breakdown of change in cost-to-sales : (766)	
Crude drug procurement cost	(49)
Raw material expense (other than raw material crude drugs)	(365)
Processing expense, etc.	+17
Outside sales in China	(369)
Breakdown of change in SG&A expense (2,465)	
Depreciation (incl. one-off expense at Tianjin Plant)	(644)
R&D	(403)
Advertising	(140)
Salary allowance (incl. one-off expense at Tianjin Plant)	(116)
Sales promotions	(109)
Other (Mainly rise in volume of activities, system introduction)	(1,053)
Foreign exchange impact : (1,015)	

6

Page 6 covers factors triggering changes in operating profit.
I will only explain the key points.

Operating profit was 17.7 billion yen, a decrease of 1.1 billion yen year-on-year.
A growth in sales had a positive impact of 3.1 billion yen.
This breaks down to a positive impact from domestic sales of 2.6 billion yen and a positive impact from overseas sales of 400 million yen.

There was a negative impact of 700 million yen due to an increase in cost-to-sales.
This primarily breaks down to a negative impact of 300 million yen due to a rise in external sales in the China business, and a negative impact of 300 million yen reflecting soaring prices for raw materials, other than crude drugs.

There was a negative impact of 2.4 billion yen due to an expansion in expenses.

As one-off expense mainly for operations at the Tianjin Plant, there was a negative impact of 1.0 billion yen due to an increase in depreciation expense and salaries and various allowances.

There was also a negative impact of 1.0 billion yen due to the cheap yen.
There was negative impact from forex translations for SG&A costs mainly at overseas subsidiaries.

Financial Condition/Cash Flow Position

TSUMURA

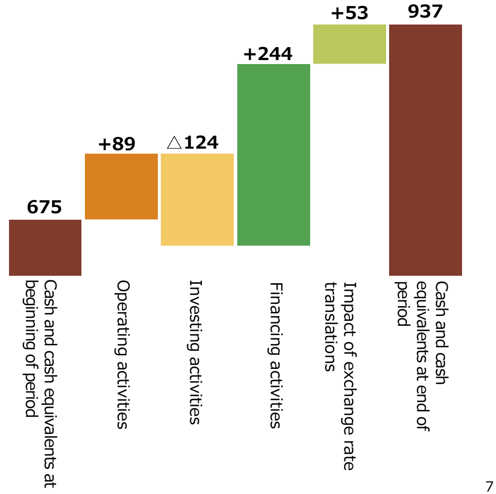
(Million yen)

	FY 2021 (March 2022)	FY 2022 3Q	Change
Total assets	350,981	**400,958**	49,977
Current assets	229,420	**270,962**	41,542
Non-current assets	121,561	**129,995**	8,434
Total liabilities	92,871	**121,276**	28,404
Current liabilities	45,875	**43,696**	(2,179)
Non-current liabilities	46,996	**77,580**	30,583
Total net assets	258,109	**279,682**	21,572
Equity ratio	68.3%	64.3%	(4.0) pt

	FY 2021 (March 2022)	FY 2022 3Q	Change	Of which, Exchange rate
Inventories	92,751	**101,079**	8,327	7,528
Merchandise and finished goods	10,247	**9,077**	(1,169)	406
Work in process	13,614	**14,072**	457	236
Raw materials and supplies	68,889	**77,929**	9,040	6,886

Bond issuance: 30 billion yen (Sep. 8, 2022)

(Hundred million yen)



7

Page 7 displays our financial condition and cash flows.
I will only explain the key points here as well.

Current assets increased 41.5 billion yen, mainly due to a rise of 26.1 billion yen in cash and deposits in tandem with the issuance of bonds and a rise of 8.3 billion yen in inventory assets chiefly due to forex translations.

Non-current assets increased 8.4 billion yen reflecting impact from capex in tandem with plant construction at Tianjin Tsumura and system-related investment in tandem with IT infrastructure reforms.

Non-current liabilities saw an increase due to a 30 billion yen bond issuance, which was implemented in September.

Owing to this, the equity ratio was 64.3%, a decline of 4.0pts.

Our cash flows are shown in the waterfall graph on the right.

agenda

TSUMURA

01 Third Quarter Business Results for FY 2022

02 **Initiatives and Progress for Domestic Business and China Business**

03 FY 2022 Earnings Forecast

8

I will now explain the second item in the agenda for today, the Initiatives and Progress for Domestic Business and China Business.

Domestic Business: Product Supply Trends

TSUMURA

Product supply trends

- **Sharp rise in demand for seasonal prescriptions owing to intense summer heat** (150% YoY)
- **Rapid increase in demand for common cold-related prescriptions due to COVID-19** (130% - 300% YoY)

***Decline in production due to halt in operations at the Shanghai Plant in tandem with the lockdown of Shanghai** (March 21-May 5, 2022)

→ Implemented substitute production at plants in Japan in line with BCP (business continuity plan)

Restricted shipments of some products from August 29, 2022

*At present restricting shipments for 28 products

Measures to lift shipment restrictions

- **Increase in headcount** Expanded number of production workers at each plant (Ibaraki, Shizuoka, Shanghai)
- **Boost the number of work days** In addition to the conventional continuous 24-hour operation manned by three shifts, operating on holidays and during the Lunar New Year holiday, etc.
- **Improve operating capacity** Shortened time for switching products, etc.
- **Move forward the start of shipments at the Tianjin Plant** Complete validation and acquire manufacturing approval earlier than scheduled

From end of March: Expect to successively lift restrictions

*However, possible changes due to the conditions of spread of influenza and COVID-19

9

Page 9 shown product supply trends.

The factors resulting in restricted shipments are:
1) a sharp increase in demand for seasonal formulations, including Seishoekkito, due to the intense summer heat, and
2) a rise in demand for common cold-related formulations in tandem with a sharp increase in COVID-19 Omicron variant patients.
Furthermore, orders for formulations to treat coughs and fatigue, which are after-effects of COVID-19, rapidly surpassed our forecast.

Amid this backdrop, the Shanghai Plant was shut down for around 6 weeks due to the lockdown of Shanghai. Accordingly, this resulted in a drop in production.

Owing to these factors, there are concerns of a risk of retail inventories being unevenly distributed due to new use at medical institutions and large-scale orders, and this situation obstructed the stable supply to patients currently under treatment.

Based on a policy to supply products to patients continuing to undergo treatment and priority on stable supply of product for which there are no alternatives, shipments of some products were restricted from August 29, 2022.

We are addressing the situation to boost production capacity and lift restrictions on shipments.

Specifically, we are undertaking activities to bolster headcount at each plant, increase the number of work days by working on holidays, improving operating capacity mainly by shortening the time for switching product items in production, and accelerating the shipment timing at the Tianjin Plant, which is moving forward with preparations for operations.

Our policy for lifting restrictions on shipments will be decided based on production plans, COVID-19 patient number trends, and influenza epidemic trends.
At present, we plan to successively lift our restrictions from the end of March.

Our employees will continue to work as one and pour energies into establishing a production system that will provide stable supply.

Progress in the Launch of the Tianjin Plant

TSUMURA

In Phase 1, implementing process validation (PV), with plans to commence shipments in 4Q FY2023

Aim to start shipments earlier by speeding up the completion of PV and acquiring manufacturing approval earlier than planned

■Tianjin Plant profile

Purpose of construction	Increase production of Kampo powdered extract (intermediate products) for domestic business Increase production sites to two production sites in Japan (Ibaraki, Shizuoka) and two production sites in China (Shanghai, Tianjin)
Company name	Tianjin Tsumura Pharmaceuticals Co., Ltd.
Location	Tianjin, China
Investment	Phase 1: approx. 15.0 billion yen; Phase 2: approx. 10.0 billion yen; Phase 3: approx. 15.0 billion yen
Production output	2,250t/year *Full-scale production by Phase 3

■Phase 1 launch schedule

Start construction (April 2019)

Commence PV (August 2022)

Launch shipments (slated for 4Q FY2023)

Plant construction → **Trial run** → **Full-scale operations**

Acquire manufacturing approval

■Accounting treatment for manufacturing cost

・Start of trial run up to start of PV
→ **SG&A**

・Start of PV and thereafter
→ **Inventory/cost**

10

Page 10 shows the progress being made in the launch of the Tianjin Plant to boost production capacity.

We are moving forward with construction of the Tianjin Plant to increase production of Kampo powdered extract, an intermediate product, for the domestic business.

We are planning Phases 1 to 3 for construction of the Tianjin Plant, in anticipation of further expansion of the Kampo market.
Ultimately, this production site will be our largest in China, topping the scale of the Shanghai Plant.

In Phase 1, construction has already been completed. At present, we are implementing process validation to acquire approval.

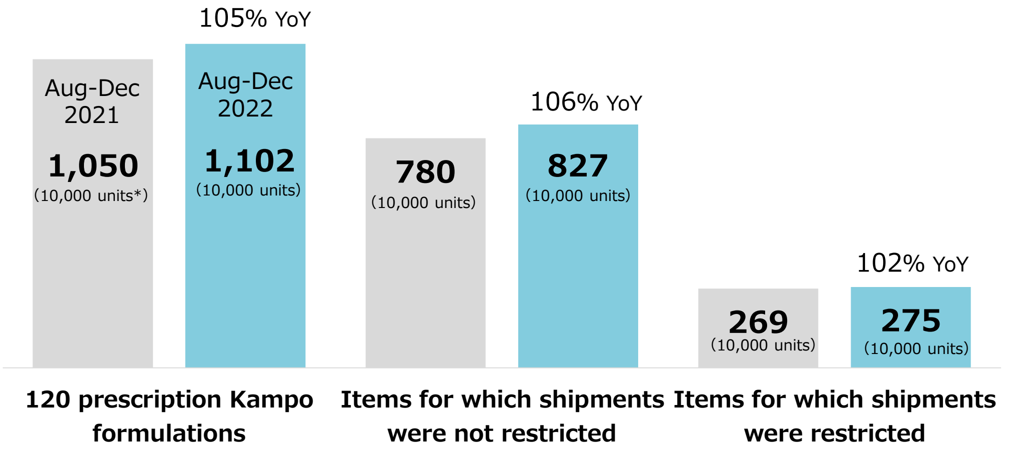
At present, we are planning to start shipments in 4Q FY 2023. We plan to start shipments earlier that planned by completing process validation early and by acquiring approval earlier than scheduled.

We also plan to aggressively introduce automation technology going forward, and replace visual confirmation and machine operations with AI, and to push forward with the automation of inspection operations, with the goal of reducing the number of workers at the plant.

Furthermore, regarding upstream processes such as crude drug selection, we plan to improve productivity by pushing forward with the development of technologies related to automation,and implementing automation and unmanned operations throughout the value chain.

Shipment Volume after Shipment Restrictions (Prescription Kampo Products)

Sales of the 129 prescription Kampo formulations maintained a growth of 105% even after shipment restrictions



*1 unit: Standard package (1 box) (1 box contains 9 weeks dosage)

11

Page 11 covers the shipment volume of prescription Kampo products after shipment restrictions.

We restricted shipments for some products from August 2022. We retained our shipment volume for the 129 prescription Kampo formulations, for which shipment volume was up 105% year-on-year. Of this, the growth in shipment volume for restricted shipment items was 102%.

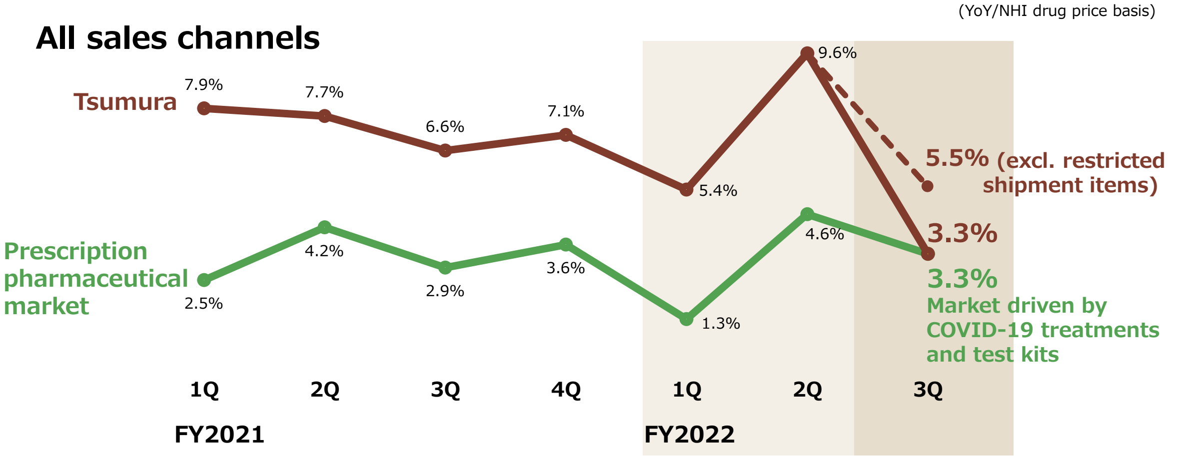
We are shipping a volume that tops the same period a year earlier, in an effort to deliver products to patients that are continuing to undergo treatment. We plan to continue to boost production.

Comparison with the Prescription Pharmaceutical Market

TSUMURA

Grew 3.3% YoY on an NHI drug price basis; growth was sluggish due to impact from restricted shipments

(YoY/NHI drug price basis)



 12

Page 12 shows a comparison with the prescription pharmaceutical market.

This shows the year-on-year growth rate on a NHI drug price basis for all sales channels to hospitals and general clinics.

Up to 2Q, Tsumura beat the market. However, due to the impact from restricted shipments, the growth rate in 3Q was +3.3%, which was on a par with the market.

The growth rate, excluding those products for which shipments have been restricted, was +5.5%.

Growth of the prescription pharmaceutical market was shored up by COVID-19 treatments and test kits owing to the spread of COVID-19.

The appendix contains a comparison by sales channel.

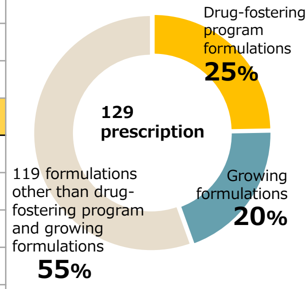
Sales of Drug-fostering Program Formulations/Growing Formulations

TSUMURA

(Million yen)

	Net sales Ranking	Product No./formulation name	FY 2021 3Q	FY 2022 3Q	YoY	
Drug-fostering program formulations	1	100 Daikenchuto	7,334	7,482	+147	+2.0%
	3	54 Yokukansan	5,678	5,687	+9	+0.2%
	4	43 Rikkunshito	5,548	5,644	+96	+1.7%
	8	107 Goshajinkigan	2,687	2,633	(54)	(2.0) %
	24	14 Hangeshashinto	1,052	1,078	+26	+2.5%
Total sales for drug-fostering program formulations			22,301	22,527	+225	+1.0%
Growing formulations	2	41 Hochuekkito	5,655	6,096	+441	+7.8%
	5	17 Goreisan	4,111	4,821	+710	+17.3%
	6	24 Kamishoyosan	3,752	3,935	+183	+4.9%
	16	108 Ninjin'yoeito	1,488	1,624	+135	+9.1%
	17	137 Kamikihito	1,332	1,600	+267	+20.1%
Total sales for growing formulations			16,340	18,078	+1,738	+10.6%
Total sales for 119 formulations other than drug-fostering program and growing formulations			48,650	51,335	+2,684	+5.5%
Total sales for 129 prescription Kampo products			87,293	91,941	+4,648	+5.3%

Ratio to total sales



*Shipments of Goshajinkigan restricted from August 2022

13

Page 13 outlines the sales of the drug-fostering program formulations/growing formulations.

Sales for the 129 prescription Kampo products totaled 91.9 billion, a growth of 5.3% year-on-year.

Sales of drug-fostering program formulations only grew 1.0% year-on-year, due to impact from restricted shipments.

Sales growth for Growing Formulations was 10.6% year-on-year owing to the sharp rise in demand for Goreisan, Hochuekkito and Kamikihito.

Demand for Goreisan is continuing to grow owing to measures we have been implementing, such as the hosting of lectures in the cardiovascular domain. Hochuekkito and Kamikihito sales are continuing to grow to address the need to treat fatigue, psychological anxiety and insomnia related to the after-effects of COVID-19.

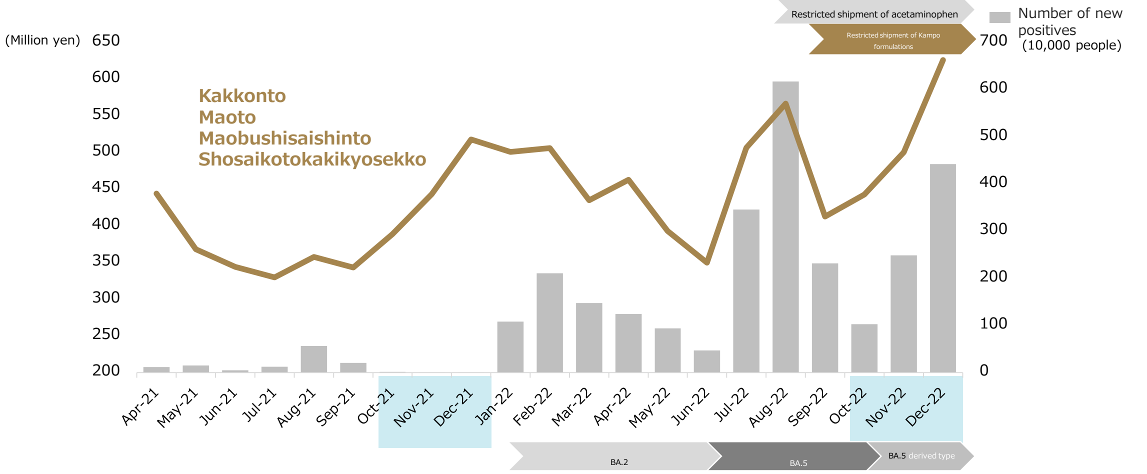
Total sales for 119 formulations other than drug-fostering program and growing formulations were 51.3 billion yen, a rise of 5.5% year-on-year.
Sales of common cold-related formulations also grew. This reflected seasonal symptoms such as a lack of appetite and summer weight loss due to the intense heat in July and August, and also due to an expansion in the spread of the Omicron variant.

COVID-19 Impact (1)

TSUMURA

Rise in demand for common cold-related formulations due to increase in COVID-19 patients

Number of new COVID-19 patients & total sales for the 4 common cold-related Kampo formulations



*Shipments of Kakkonto, Maoto, Maobushisaishinto, and Shosaikotokakikyosekko were restricted from August 2022

Bar graph: MHLW open data: Number of new positives (by day)
Line graph: Actual sales (Invoice price: Tsumura data)

14

Page 14 outlines the impact to common cold-related formulations due to COVID-19.

Demand rose for common cold-related formulations in tandem with an increase in the number of COVID-19 patients.

There was special demand for the four representative common cold-related formulations during the summer months from July to September, when infections spread due to the Omicron BA.5 variant.

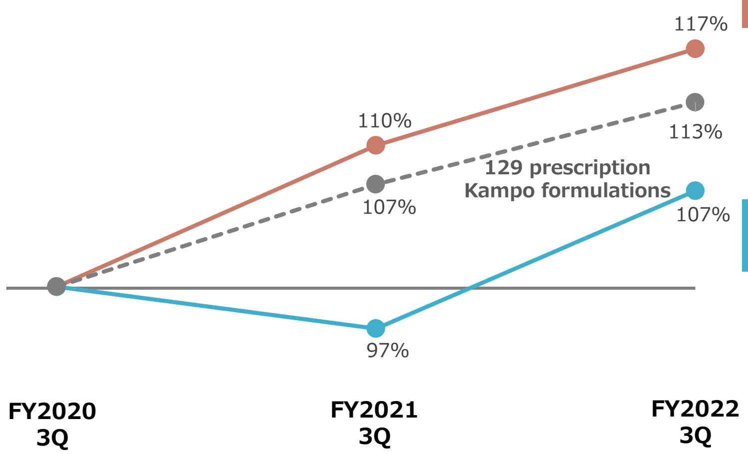
Although this one-off demand wound down due to a decline in patients, in and after November, when COVID-19 spread due to the BA.5-derivative, demand once again climbed.

COVID-19 Impact (2)

TSUMURA

Prescriptions being written for symptoms related to COVID-19 and a recovery in common cold-related prescriptions

(Shipment basis: Growth rate)



✓ Rise due to a change in living environment ↗

- Anxiety, insomnia (6 formulations)
- Fatigue (2 formulations)
- Dizziness (2 formulations)
- Skin irritation and acne due to wearing a mask (4 formulations)

✓ Rise due to spread of Omicron ↗

- Common cold, influenza, etc. (13 formulations)

15

Page 15 also focuses on the impact of COVID-19.

There are prescriptions for a variety of symptoms arising related to COVID-19. The demand for common cold-related formulations, which had declined mainly due to the wearing of masks and a voluntary ban on leaving the house, is recovering.

Demand for 14 formulations, mainly those used to treat anxiety, insomnia, fatigue, dizziness, skin irritation and acne, exhibited growth that sharply outperformed the growth of the 129 prescription Kampo products.

Regarding the after-effects from the Omicron variant of COVID-19, in contrast with the after-effects of the Delta variant, there was said to be an in increase in the percentage of people infected with COVID-19 that claimed they experienced sleep disorder symptoms. Consequently, demand for formulations related to the treatment of "anxiety and insomnia" grew 120% in comparison with FY 2020.

Kamikihito is typical example of one of our Growing Formulations.

Provide Kampo Solutions Suited to Each Medical Practitioner

TSUMURA

Build a system that addresses the need for information on how to properly use Kampo products

e-Promotions

Expand the Medical Site

- **Seminars on proper use of Kampo**
- Kampo on-line salon, etc.

MR activities

Activities to promote the writing of prescriptions and to establish use

- **Propose proper use based on Kampo custom file**
- Hold lectures, study groups, etc.

"Kampo custom file" to better understand the proper use of Kampo

【Goal of the First Medium-term Management Plan】

Get 50% or more of doctors to write 10 or more Kampo prescriptions

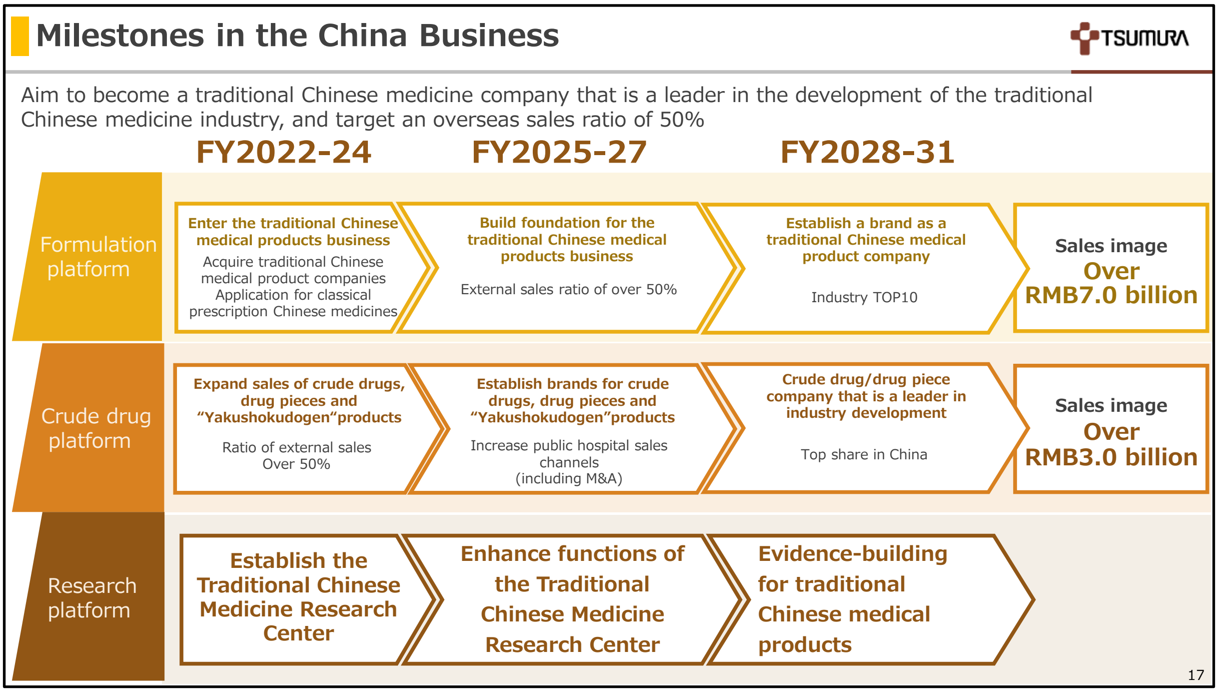
16

Page 16 is on the provision of Kampo solutions that are suited to each medical practitioner.

We are partially limiting those promotional activities that target those products for which shipments are being restricted. Meanwhile, there is an increase in the number of doctors participating in "seminars that address the need for information on how to properly use Kampo products," a series being offered by the Tsumura Medical Site, given the high level of demand for information related to the proper use of Kampo based on symptoms.

We are also seeing a rise in requests from doctors for the provision of "Kampo custom files," a system for filing by symptom leaflets that are being used for instruction in our seminars.

One of our goals in the first Medium-Term Management Plan is to secure more than 50% of doctors who write 10 or more Kampo prescriptions. To achieve this goal, we are building a system that doctors can use to obtain information that is required by each medical practitioner from optimal channels and at the adequate timing.



Page 17 shows the milestones for the China business.

We are pushing forward with the deployment of businesses for the formulation, crude drug and research platforms in the China business. In TSUMURA VISION "Cho-WA" 2031, we aim to achieve an overseas sales ratio of 50%. Our goal is to become a company that supplies and leads the industry for traditional Chinese medical products.

Manufacturing Platform: Enter the Traditional Chinese Medicine Market

TSUMURA

【Goal for the First Medium-term Management Plan】
Enter the traditional Chinese medicine market: M&A of traditional Chinese medicine companies, apply to commercially launch classical prescriptions

M&A process for traditional Chinese medicine companies

TOP 100 Chinese pharmaceutical/traditional Chinese medicine companies, etc.

Long list
approx. **100** companies

Individual data
approx. **40** companies

Selection criteria

- Acquire majority ownership (*to ensure that a quality assurance system is secured)
- Status of ownership of licenses for classical formulations
- Status of existing traditional Chinese medicine business
- Financial indicators
- Understanding of the Tsumura Group philosophy

Continuing concrete negotiations with several companies

*Signed a letter of intent to establish a joint venture with Jianmin Pharmaceutical Group Co., Ltd. (August 3, 2022)

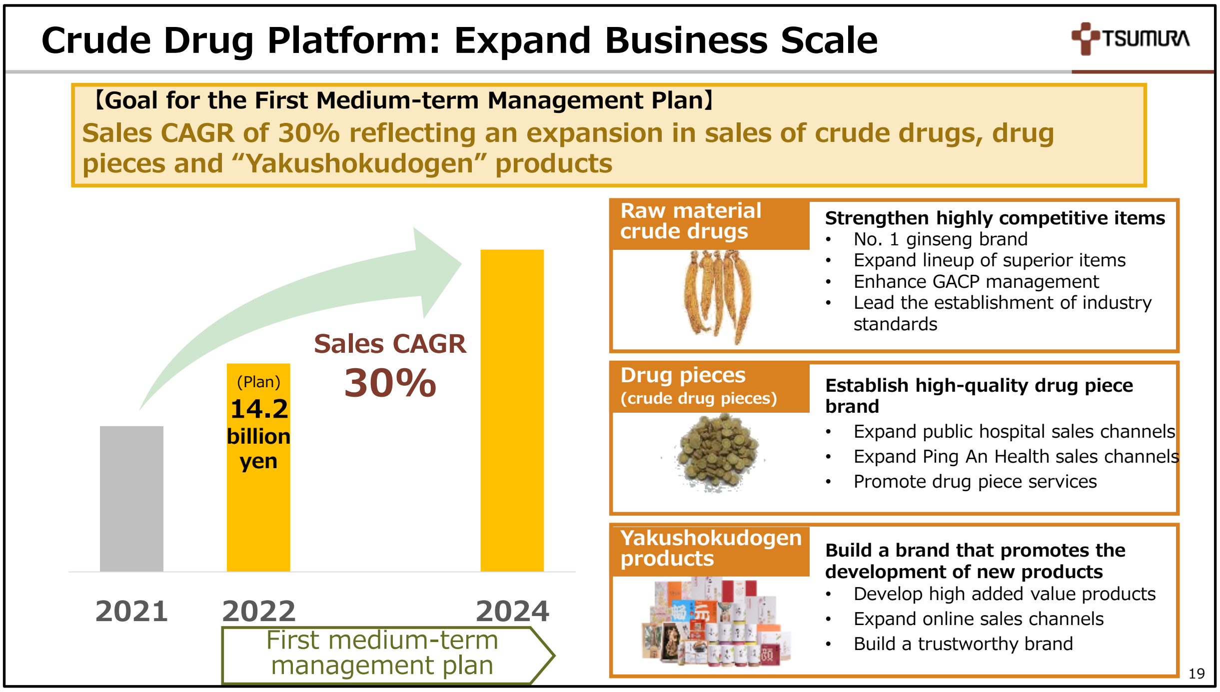
18

Page 18 presents activities for entering the traditional Chinese medicine market via the formulation platform.

In the first Medium-Term Management Plan, our goal is to build a foundation for the traditional Chinese medicine business by quickly implementing the M&A of traditional Chinese medicine companies.

The conditions for our M&A deals are to acquire a majority ownership in a company that possesses the rights to classical prescriptions and has the understanding of the Tsumura Group's philosophy. At present, we are continuing to carry out concrete negotiations with several companies.

We aim to reap the fruit of these negotiations as soon as possible. We are pushing forward with negotiations and will report promptly once we are at the stage where we can make disclosure.



Page 19 is a summary of the activities for expanding business operations in the crude drug platform.

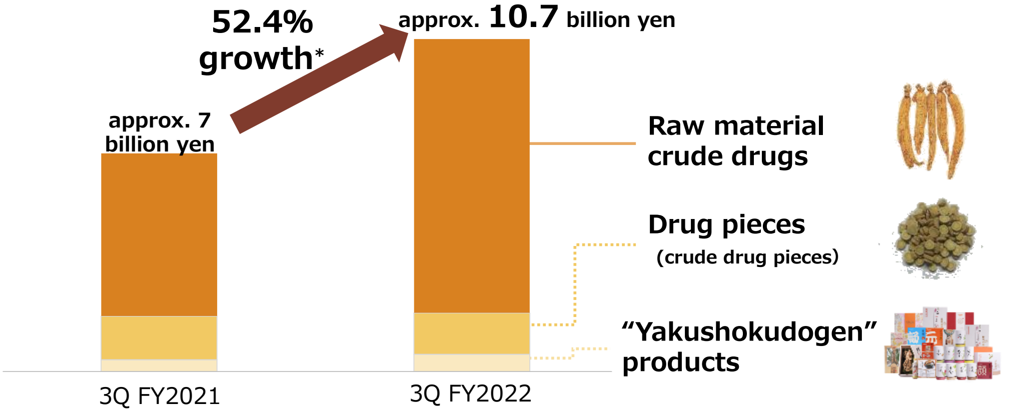
In the crude drug platform, in the first Medium-Term Management Plan we are aiming to achieve a CAGR for sales of 30%.

The crude drug platform business is composed of three categories, as shown on the right, raw material crude drugs, drug pieces and Yakushokudogen products. We are promoting sales activities based on strategies for each of these categories.

China Business Sales (Crude Drug Platform)

TSUMURA

- Sales, mainly of raw material crude drugs, rose
- Although the number of COVID-19 patients rose temporarily, there was not impact on the supply of raw material crude drugs and Kampo extract powder (intermediate products) to Japan and to sales in the China business



*Local currency basis: 31.7% growth

20

Page 20 is a rundown of sales trends in the China business.

Sales in the China business were approximately 10.7 billion yen, a growth of 52.4% year-on-year, owing to the expansion of sales mainly for raw material crude drugs.

In raw material crude drugs, we are implementing sales activities that focus on quality. We continue to retain a high growth rate owing to the success we are having nurturing new customers and expanding the number of sales items among existing customers.

In drug pieces, sales are declining for existing products due to impact from a change in business strategies at Ping An Health, a major sales channel. Meanwhile, in public hospital sales channels, which we aim to expand in the medium/long term, growth is smooth even during COVID-19.
In addition to the development of products that suit the needs of Ping An Health, we also plan to expand sales by developing public hospital sales channels.

In December 2022, COVID-19 spread due to changes in the zero coronavirus policy.
We saw a temporary increase in the number of employees at our affiliates in China that came down with COVID-19. However, we were able to maintain normal operations mainly by reviewing working shifts. At this stage, there has been no major impact to the supply of raw material crude drugs and Kampo extract powder (intermediate products) to Japan and to sales at the China business.
Going forward, we plan to continue to closely monitor these conditions.

agenda

01 Third Quarter Business Results for FY 2022

02 Initiatives and Progress for Domestic Business and China Business

03 **FY 2022 Earnings Forecast**

21

Lastly, this is our earnings forecast for FY 2022.

FY 2022 Earnings Forecast

TSUMURA

【Million yen】	FY 2021 Results	FY 2022 Forecast	YoY Amount	YoY 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)%

	FY 2021 Results	FY 2022 Forecast
Dividends (per share)	64 yen	64 yen
EPS	246.2 yen	196.1 yen
ROE	8.2 %	6.0 %

(Note) Foreign exchange impact (non-operating profit) is not factored into the earnings forecast as it is difficult to make reasonable calculations given trends in the foreign exchange market.

Page 22 outlines full-year earnings forecast for FY 2022.

We have not revised our full-fiscal year forecast for FY 2022, from the forecast we released at the start of the fiscal year, given the ongoing impact from restricted shipments.

We forecast sales of 138.5 billion yen.

In cost-to-sales, raw material prices continue to soar. There is a possibility this will worsen further than expected.
However, we aim to achieve operating profit of 21.2 billion yen by controlling our SG&A expense.

We note that as it is difficult to reasonably estimate non-operating items due to conditions in the forex market, this has not been factored into our earnings forecast.

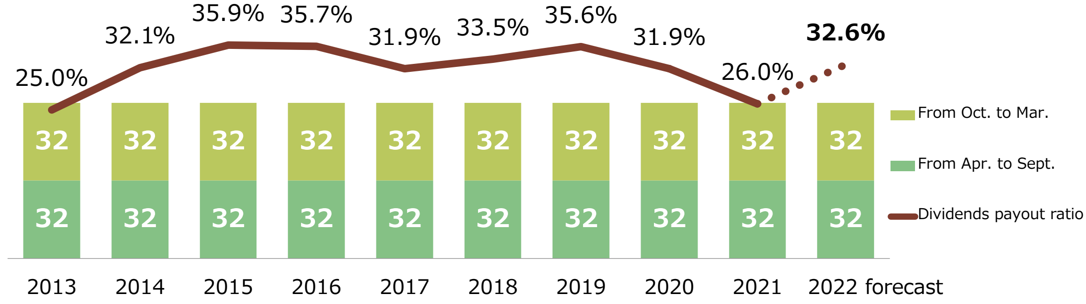
There is a likelihood that ordinary profit and profit attributable to owners of parent will be shored up by gains on forex translations in the event the value of the yen remains low.

Shareholder Returns

TSUMURA

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 2022 year-end dividend and payout ratio (forecast) are an estimate based on the assumption that the dividend resolution is approved at the 87th Ordinary General Meeting of Shareholders.

23

The last slide covers shareholder returns.

In addition to sustainable expansion of the Kampo business in Japan, we plan to improve corporate value through the strengthening of the foundation of the China business, in particular through the implementation of growth investments in M&A in the China business.

It is our policy to pay out a stable dividend by factoring in medium/long-term profit levels and cash flow trends.

We ask for your continued support.

Thank you for listening.

Inquires about these materials

Corporate Communications Dept.

Investor Relations Group

investor_madoguchi@mail.tsumura.co.jp

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.

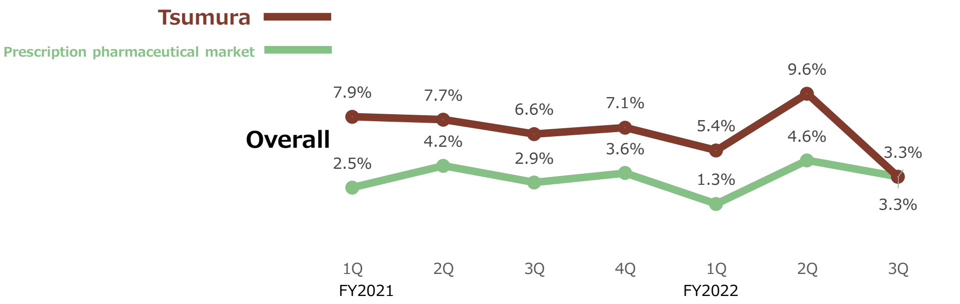
THE BEST OF NATURE AND SCIENCE

TSUMURA

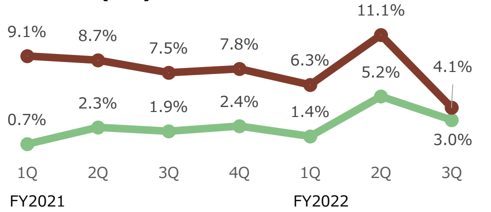
Appendix

Comparison with the Prescription Pharmaceutical Market

(YoY/drug price basis)



General clinics (GP)



Hospital market (HP)