

Business Results for Fiscal 2022

May 10, 2023
TSUMURA & CO.

01

Business Results for Fiscal 2022 and
Earnings Forecast for Fiscal 2023

02

Outlook for China Business

Business Results for Fiscal 2022 and Earnings Forecast for Fiscal 2023

Director, and CFO
Muneki Handa

Hello, my name is Muneki Handa.

I would like to start by thanking everyone participating here today for their constant support of Tsumura and its activities to promote the use of Kampo.

I would like to start today's presentation by explaining our business results for FY 2022 and our earnings forecast for FY 2023.

01

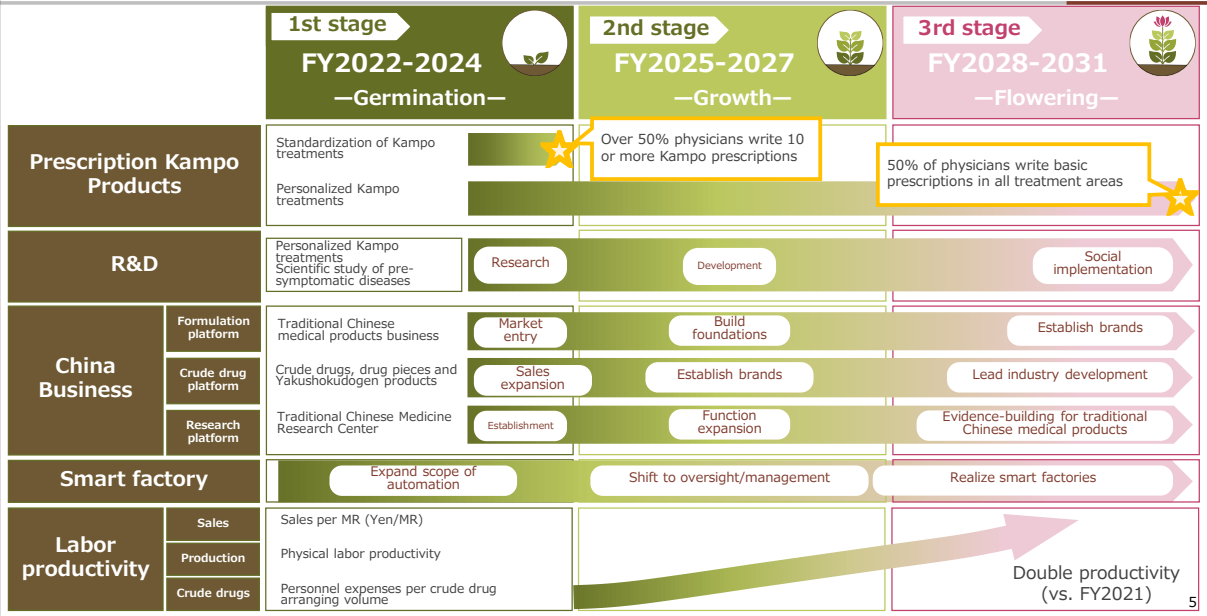
FY 2022 Business Results Overview

02

FY 2023 Earnings Forecast

Firstly, I will give an overview of business results in FY 2022.

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



This is our roadmap we announced in May 2022 for realizing the TSUMURA VISION "Cho-WA" 2031.

The First Medium-Term Management Plan, which spans the three fiscal years up to FY 2024, is positioned as a stage for conducting upfront investments and building foundations to realize our vision.

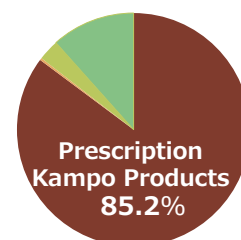
FY2022 Business Results Overview



[Million yen]	FY 2022 Plan	FY 2022 Results	Achievement rate	YoY	
				Amount	Change
Sales	138,500	140,043	101.1%	+10,497	+8.1%
Domestic business	124,300	124,698	100.3%	–	–
China business	14,200	15,345	108.1%	–	–
Operating profit	20,800	20,916	100.6%	(1,460)	(6.5)%
Domestic business	21,200	21,190	100.0%	–	–
China business	(400)	(273)	–	–	–
Ordinary profit	21,200	23,453	110.6%	(2,451)	(9.5)%
Profit <small>attributable to owners of parent</small>	15,000	16,482	109.9%	(2,354)	(12.5)%
PL translation rate (CNY)	19.50	19.55	–	+2.51	–

*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 11.6%
- OTC Kampo etc 2.9%
- Other prescription pharmaceuticals 0.3%

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Here is an overview of our business results in FY 2022.

We achieved all our plans set at the start of FY2022 for sales and at each profit level.

Net sales totaled ¥140.0 billion, 101.1% versus our plan and an increase of 8.1% year-on-year.

This breaks down to sales in the domestic business of ¥124.6 billion and sales in the China business of ¥15.3 billion.

The sales breakdown ratio is shown in the graph to the right.

Operating profit came to ¥20.9 billion, 100.6% versus our plan and a decline of 6.5% year-on-year.

Ordinary profit was ¥23.4 billion, 110.6% versus our plan but a decrease of 9.5% year-on-year.

Meanwhile, profit attributable to owners of parent totaled ¥16.4 billion, 109.9% versus our plan but a drop of 12.5% year-on-year.

I will explain the key points of our performance in FY 2022.

Key Points in Performance



Achieved plans for sales and at each profit level.

Net sales	140,043 million yen	Achievement rate 101.1%	YoY +8.1%
<ul style="list-style-type: none"> Domestic business Total sales for the 129 prescription Kampo products: 119,362 million yen, rose 4.6% year-on-year Total sales of the OTC Kampo formulations and other healthcare products: 3,966 million yen, grew 3.2% year-on-year China business sales: 15,345 million yen 			
Operating profit	20,916 million yen	Achievement rate 100.6%	YoY (6.5)%
Operating profit margin	14.9 %	vs. Plan (0.1)pt	YoY (2.4)pt
<ul style="list-style-type: none"> Cost-to-sales ratio: 51.2%, up 0.8pt vs. plan and a rise of 2.5pt year-on-year; Versus plan: Mainly due to negative impact from soaring energy and raw material expenses SG&A ratio: 33.8%, down 0.8pt vs. plan and a fall of 0.2pt year-on-year; Versus plan: Implemented cost control in response to a rise in cost-to-sales that outperformed the plan 			
Ordinary profit	23,453 million yen	Achievement rate 110.6%	YoY (9.5)%
<ul style="list-style-type: none"> Foreign exchange gain primarily related to loans to overseas subsidiaries: 1,508 million yen, down 965 million yen year-on-year; foreign exchange impact 			
Profit attributable to owners of parent	16,482 million yen	Achievement rate 109.9%	YoY (12.5)%
<ul style="list-style-type: none"> Extraordinary income: Refund margin owing to a reduction in paid-in capital at affiliates: 463 million yen Extraordinary loss: Impairment loss in tandem with revision to construction plans for the Traditional Chinese Medicine Research Center: 597 million yen 			

This slide shows the key points in our performance.

In the domestic business, sales of the 129 prescription Kampo products stood at ¥119.3 billion, an expansion of 4.6% year-on-year. Although there was negative impact from restricted shipments, in addition to growth reflecting e-promotion benefits, there was an increase in demand for formulations related to the treatment of symptoms from COVID-19, including fever and coughing, and after-effects such as fatigue and anxiety.

Sales of OTC Kampo products climbed 3.2% year-on-year to ¥3.9 billion, reflecting an expansion in the number of pharmacies and drugstores carrying Tsumura products and a growth in COVID-19-related formulations.

Sales in the China business were ¥15.3 billion, owing to an expansion in the sales of raw material crude drugs in the crude drug platform business.

The cost-to-sales ratio was 51.2%, a climb of 0.8pts year-on-year.

This primarily reflects soaring energy and raw material costs, which surpassed estimates.

The SG&A ratio was 33.8%, a decrease of 0.8pts year-on-year.

There were one-off expenses for full-fledged operations at the Tianjin Plant but we controlled SG&A expenses to offset the rise in the cost-to-sales ratio.

Consequently, operating profit totaled ¥20.9 billion, nearly on a par with plans.

Ordinary profit was ¥23.4 billion, slightly in excess of plan owing to the impact from a foreign exchange rate gain related to loans to overseas subsidiaries reflecting a depreciation in the yen's value, and profit attributable to owners of parent was ¥16.4 billion, which was marginally higher than planned.

As an extraordinary income, we posted ¥400 million from a refund margin owing to a reduction in paid-in capital at affiliates, and as an extraordinary loss we booked ¥500 million in impairment loss in tandem with a revision to construction plans for the Traditional Chinese Medicine Research Center.

The Traditional Chinese Medicine Research Center was originally scheduled to be constructed on the premises of Shenzhen Tsumura Medicine Co., Ltd. However, to enhance investment benefits, we switched our policy to promote research into crude drugs and traditional Chinese medicine through the use of external talent and know-how, and by collaborating with partners that have their own research facilities.

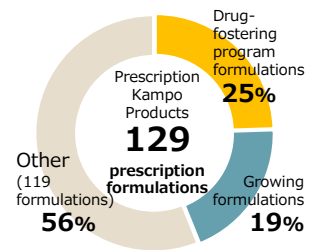
Domestic Business: Sales of Drug-fostering Program Formulations/Growing Formulations



(Million yen)

	Net sales Ranking	Product No./Formulation name	FY 2021	FY 2022	YoY	
Drug-fostering program formulations	1	100 Daikenchuto	9,569	9,739	+169	+1.8%
	3	54 Yokukansan	7,379	7,380	+1	+0.0%
	4	43 Rikkunshito	7,231	7,300	+69	+1.0%
	8	107 Goshajinkigan	3,509	3,421	(87)	(2.5)%
	24	14 Hangeshashinto	1,358	1,390	+32	+2.4%
Total sales for drug-fostering program formulations			29,048	29,223	+184	+0.6%
Growing formulations	2	41 Hochuekkito	7,232	7,727	+494	+6.8%
	5	17 Goreisan	5,298	6,208	+910	+17.2%
	6	24 Kamishoyosan	4,833	5,050	+217	+4.5%
	17	108 Ninjin'yoeito	1,936	2,128	+191	+9.9%
	18	137 Kamikihito	1,722	2,067	+344	+20.0%
Total sales for growing formulations			21,023	23,182	+2,159	+10.3%
Total sales for 119 formulations other than drug-fostering program and growing formulations			64,093	66,946	+2,853	+4.5%
Total sales for 129 prescription Kampo products			114,165	119,362	+5,197	+4.6%

Ratio to total sales



Status of restricted shipments

End-August 2022 onward

- ➔ Start restricted shipments of 28 formulations

As of May 9, 2023

- ➔ Continue restricted shipments of 24 formulations
- * Plan to successively lift restrictions in and after June

This slide outlines the sales of formulations by prescription Kampo products in the drug-fostering program and growing formulations.

Sales of the 129 prescription Kampo products were ¥119.3 billion, a rise of 4.6% year-on-year.

From the end of August 2022, we restricted shipments for some formulations owing to a rapid rise in demand accompanying the spread of COVID-19 and seasonal factors including the intense heat in the months of July and August.

In the drug-fostering program, owing in part to this impact, sales growth was limited to 0.6% year-on-year.

Sales of growing formulations rose 10.3% year-on-year reflecting a substantial growth in sales of Goreisan, Hochuekkito, and Kamikihito.

Sales of Goreisan are continuing to grow at a high rate owing to measures, including the conducting of lectures in the field of cardiology.

Sales of Hochuekkito and Kamikihito expanded reflecting the provision of information in line with needs, including fatigue, anxiety and insomnia related to symptoms from the after-effects of COVID-19.

Meanwhile, sales for 119 formulations other than the drug-fostering program and growing formulations were ¥66.9 billion, an increase of 4.5% year-on-year.

Sales of formulations used for seasonal symptoms, including a loss of appetite and summer weight loss due to the intense heat, and common-cold related prescriptions grew owing to the spread of the Omicron variant.

Note that we initially planned to restrict shipments for 28 formulations but as of May 9 we have restricted shipments for 24 formulations.

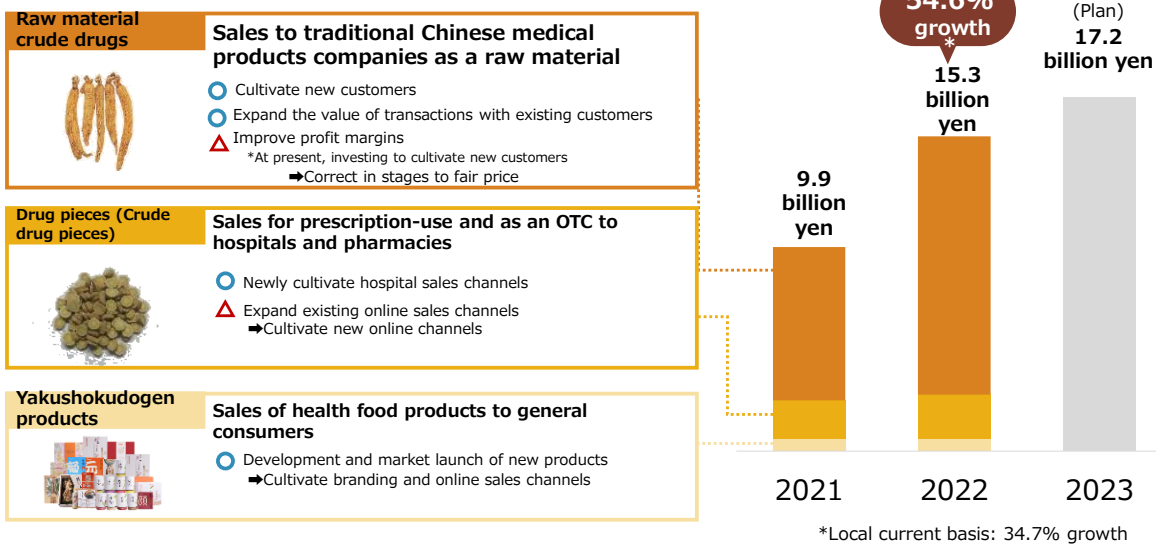
We plan to lift shipment restrictions on these 24 formations in and after June.

I will explain the sales measures and results for FY 2022, and initiatives going forward in the section on earnings forecasts for FY 2023.

China Business: Crude Drug Platform Business



Growth in sales, chiefly of raw material crude drugs



Here are trends in the crude drug platform business.

Sales totaled ¥15.3 billion, a growth of 54.6% year-on-year thanks mainly to an expansion in sales of raw material crude drugs.

In the raw material crude drug business, sales growth was high owing to the implementation of sales activities focusing on quality, the cultivation of new customers and an increase in sales items for existing customers.

Meanwhile, an issue is the improvement in profit margin.

At present, investments for cultivating new customers are taking precedence but profit margins will improve further out owing to a shift in stages to a fair price as customers recognize the value of quality.

New hospital sales channels were developed for drug pieces. However, sales were level with the previous year due in part to a decrease in sales via existing online sales channels.

Going forward, we plan to continue expanding hospital sales channels and aim to develop new online sales channels.

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FY 2022 Business Results Overview

02

FY 2023 Earnings Forecast

Next are the earnings forecasts for FY 2023.

FY 2023 Earnings Forecast



Forecasting an increase in sales and decline in profit year-on-year

[Million yen]	FY 2022 Results	FY 2023 Earnings Forecast	YoY	
			Amount	Change
Net sales	140,043	150,500	+10,456	+7.5%
Domestic business	124,698	133,300	+8,601	+6.9%
China business	15,345	17,200	+1,854	+12.1%
Operating profit	20,916	18,000	(2,916)	(13.9)%
Domestic business	21,190	18,400	(2,790)	(13.2)%
China business	(273)	(400)	(126)	–
Ordinary profit	23,453	18,600	(4,853)	(20.7)%
Profit attributable to owners of parent	16,482	13,000	(3,482)	(21.1)%
Income statement exchange rate (JPY/RMB)	19.55	19.00		
ROE	6.7 %	5.1 %		
EPS	215.63 yen	171.02 yen		

Notes · The impact from the signing of a contract to acquire an equity interest in Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. was not factored into the earnings forecast.

· Foreign exchange impact (non-operating profit) was not factored into the earnings forecast given the difficulty to reasonably calculate this impact based on the status of the forex market.

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This is our forecast for FY 2023.

We forecast net sales of ¥150.5 billion, operating profit of ¥18.0 billion, ordinary profit of ¥18.6 billion, profit attributable to owners of parent of ¥13.0 billion, an ROE of 5.1% and an EPS of ¥171.02.

In the First Medium-Term Management Plan, we previously forecast a growth in sales but a drop in profit in FY 2023 reflecting upfront investments. We are now factoring impact from soaring energy and raw material prices due to inflation.

I will explain factors triggering changes in sales and operating profit on the next page onward.

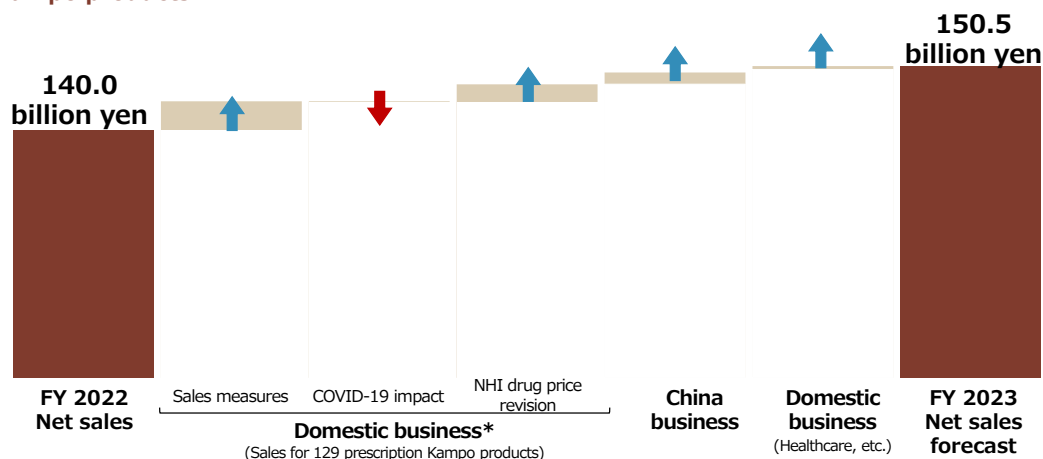
Note, we are currently establishing a detailed business plan for Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd., with which we entered into an equity interest acquisition agreement on April 13, 2023.

In light of this, we have not factored this into our earnings forecast.

Factors Triggering Changes in Sales in FY 2023



- Further create demand for Kampo products by implementing sales measures, mainly the strengthening of e-promotions
- Continue to implement a system to boost production capacity in response to demand for Kampo products



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This slide covers factors triggering changes in sales in FY 2023.

We are aiming for 4% growth on a volume basis by generating additional demand, mainly by strengthening e-promotions in the domestic business.

We plan to continue to implement a system to boost production capacity in response to this demand.

In the “after COVID-19” period, although there are some factors triggering a sales decline due to a reduction in skin disease patients, including skin irritation and acne, as the percentage of people wearing masks declines. The scope of usage of Kampo products by doctors is expanding.

We are anticipating continued strong sales growth owing to the deployment of sales measures that will encourage ongoing use.

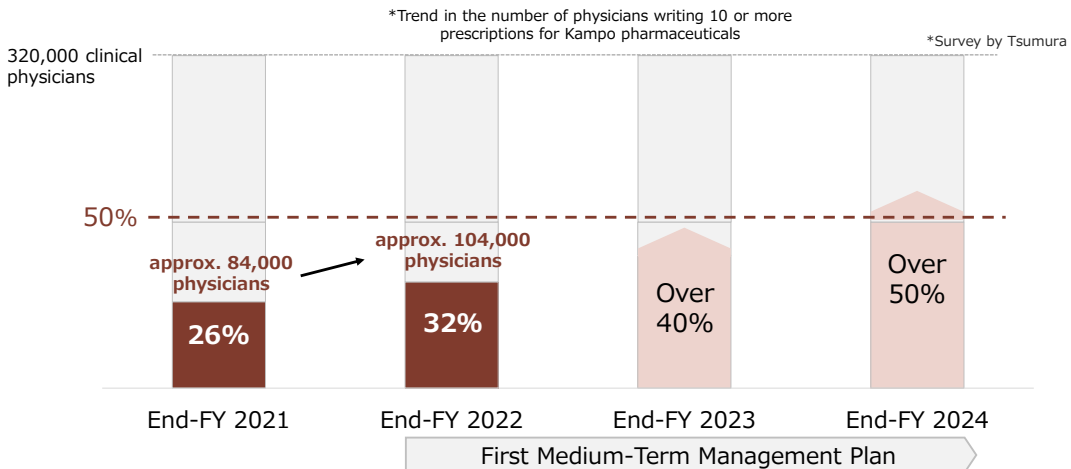
In the interim annual NHI drug price revisions in April 2023, we forecast sales growth of 2.3% year-on-year on a value basis owing to the special re-pricing of products with little-to-no profit margin in tandem with the sharp rise in prices for 40 Tsumura formulations.

From the next page, I will explain measures in the domestic business.

Domestic business: Trends in the Number of Physicians Writing 10 or More Prescriptions for Kampo Pharmaceuticals



- The number of physicians writing 10 or more prescriptions for Kampo pharmaceuticals increased by approximately 20,000 physicians, a ratio of 32%*
- The issue is the increase in physicians writing 10 or more prescriptions for Kampo pharmaceuticals at HP (hospitals)



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In the domestic business, we are aiming to achieve a condition where 50% or more of physicians are writing 10 or more prescriptions for Kampo pharmaceuticals.

In FY 2022, 104,000 physicians were writing 10 or more prescriptions for Kampo pharmaceuticals, an increase of around 20,000 physicians that meet this criteria versus a year earlier owing to the hybrid provision of information via e-promotions and MRs.

This accounts for 32% of all physicians.

Among this 32%, the ratio of physicians that are writing 10 or more prescriptions for Kampo pharmaceuticals at clinics already exceeds 50% but the percentage of physicians at hospitals is less than 50%.

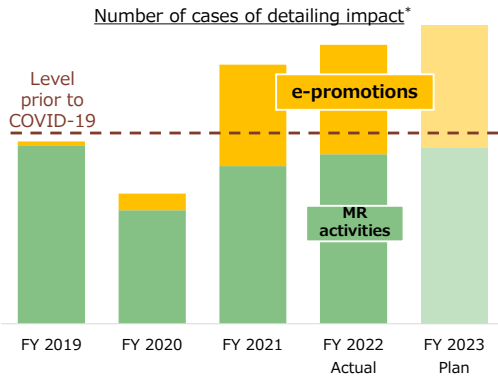
We have already expanded e-promotions thus far to strengthen our approach to physicians working at hospitals.

Moving forward we plan to make further efforts to facilitate the provision of information in line with the needs of each individual physician.

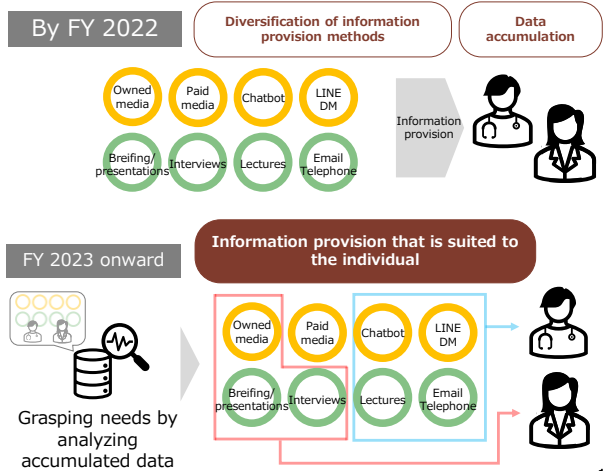
Domestic Business: Information Provision Activities



- The number of cases of information recognition (FY 2022) increased 53% in comparison with the level prior to COVID-19 (FY 2019)
- Aim to improve the quality of activities through information provision that suits each individual medical practitioner



Source: INTAGE Healthcare Inc. survey, Impact Track
 *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



This slide shows information provision activities.

The figure on the left depicts the number of cases of detailing impact, which is the number of cases of information recognition by physicians.

Green represents MR activities and yellow represents e-promotions.

In FY 2022, we planned to enhance the method of information provision mainly through e-promotions, including the streaming of videos and online lectures via owned media. We approached medical practitioners through diverse methods.

Accordingly, the number of detailing impact cases was at a high level, 53% higher in comparison with the level prior to COVID-19.

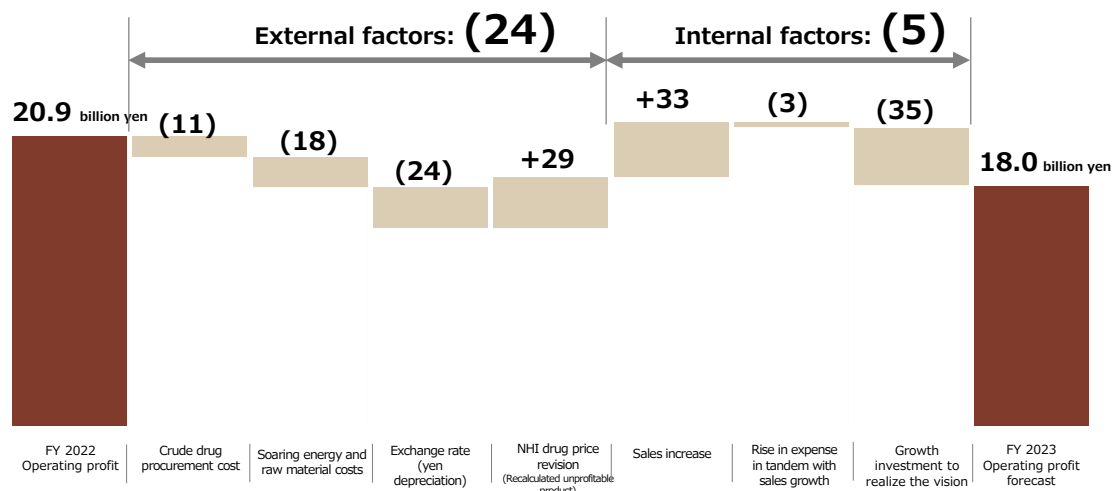
In FY2023, we plan to analyze data accumulated thus far to grasp the individual needs of medical practitioners.

We then plan to improve the quality of our activities another notch by providing information that is in line with individual medical practitioner needs.

Factors Triggering Changes in Operating Profit in FY 2023



• Substantial impact from external factors, including inflation and yen depreciation



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This slide shows factors that we forecast will trigger changes to operating profit in FY 2023.

We are presenting these factors categorized by external and internal factors.

We estimate the negative impact from external factors will be - ¥2.4 billion.

This breaks down to a forecast of a negative ¥1.1 billion due to an increase in crude drug procurement expense reflecting a rise in the price of a portion of crude drugs.

The factors that will likely trigger a rise in price are irregular weather and an increase in China for wild crude drugs. Furthermore, we see a rise in demand in food-use of Japanese peppers in Japan.

We aim to stabilize prices by completing research on the domestication of wild crude drugs as early as possible.

We plan to secure the cooperation of Japanese pepper producers to increase the cultivation area, thereby aiming to improve the balance between supply and demand in the medium/long term.

Next, we forecast a negative impact of - ¥1.8 billion due to soaring prices for energy and raw materials, and a negative impact of - ¥2.4 billion reflecting the impact from forex, due to continued weakness in the yen's value.

These items reflect the impact of global inflation, and therefore it is difficult for us to control. We plan to closely monitor trends going forward and also work to reduce the cost of sales by improving our productivity.

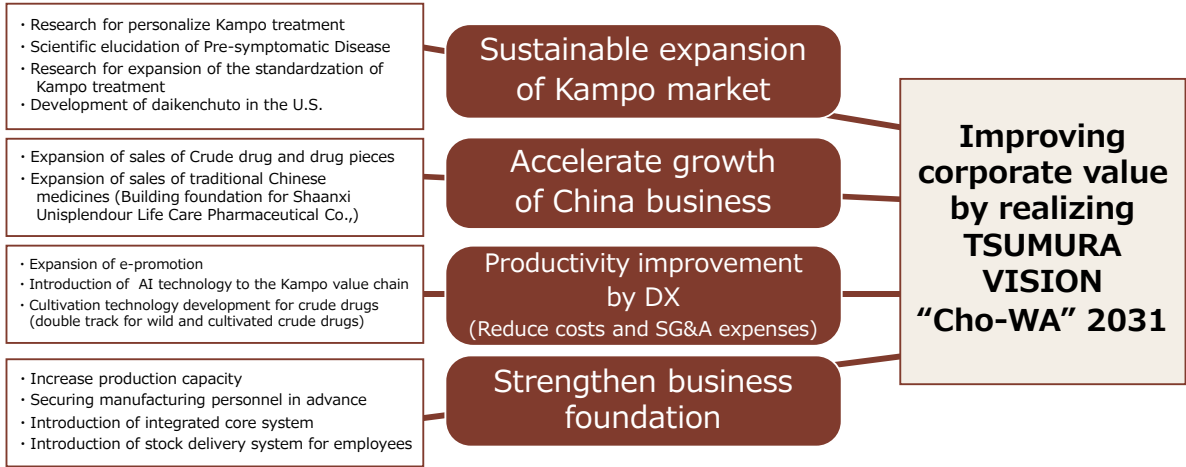
In contrast to our outlook for negative impact, although there will be a positive impact of ¥2.9 billion owing to the NHI special re-pricing of products with little-to-no profit margin, we expect this will not fully offset the negative impact. We estimate a net negative impact of ¥2.4 billion from external factors.

Next, I will explain the impact of internal factors which we estimate will be a negative ¥500 million.

We look forward to a positive impact of ¥3.3 billion owing to an increase in gross profit in tandem with a rise in sales in the domestic business and China business, but forecast a negative impact of ¥300 million due to an increase in expenses in tandem with a rise in sales, and a negative impact of ¥3.5 billion reflecting growth investments to realize our vision.

Investing in growth to improve corporate value by realizing the vision

Growth Investment



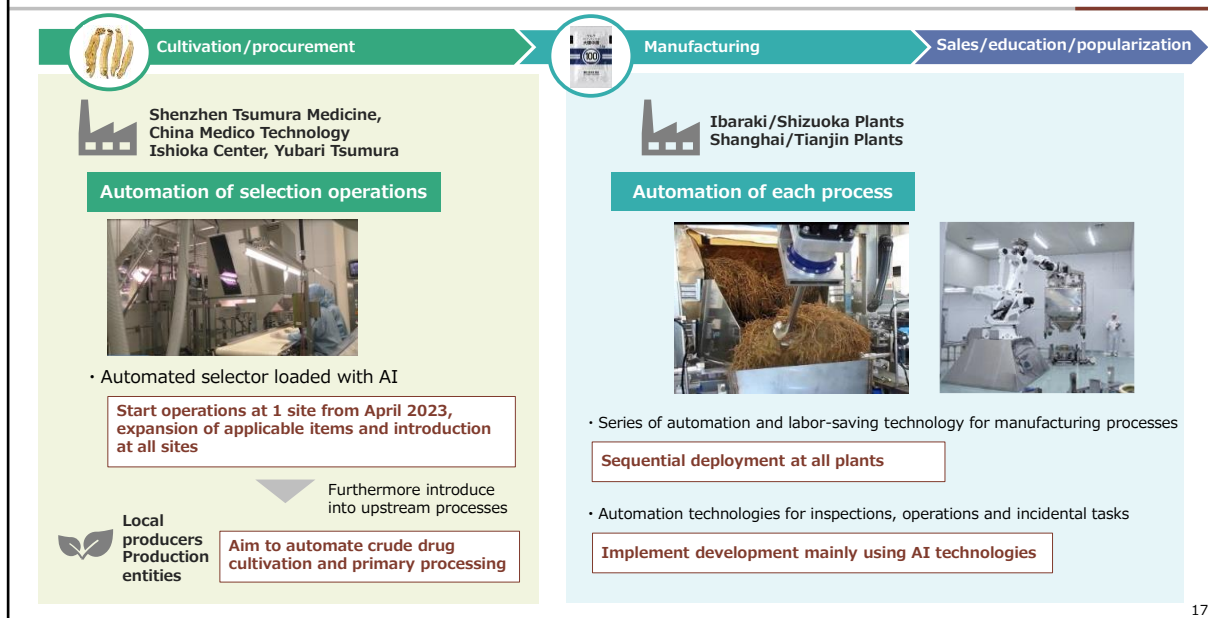
This slide illustrates growth investments necessary for realizing our long-term vision.

In specific, these are investments for research and development, systems and to bolster production capacity.

Through these growth investments, we aim to continue to expand the Kampo market, accelerate growth of the China business, reduce cost of sales and SG&A expenses by enhancing productivity via digitalization, and strengthen the foundations that support our businesses.

Conditions in the business environment in which the Tsumura Group operates are extremely harsh due to factors such as a continued depreciation in the value of the yen versus major currencies, and skyrocketing energy and raw material expenses. Nonetheless, we plan to implement growth investments to improve our corporate value through the realization of our vision.

Improve Productivity via Introduction of DX in the Kampo Value Chain



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We are aiming to implement the digitalization of the Kampo value chain which supports the Kampo Group to improve productivity.

We plan to implement a series of automation technologies we developed and deploy energy-saving technologies at all of our plants. We also aim to develop processes using advanced technologies, including AI, for inspections, operations and supplemental operations for which automation has been difficult thus far due to complex tasks.

We are pushing forward with the automation of selection operations in cultivation/procurement.

The entire volume of raw material crude drugs that are delivered to each site by crude drug production entities go through a visual sorting process, and defective and anomalous raw material crude drugs are removed. As development of an AI-driven automated selection device has been completed, we launched operations of the automated selection device at one site from April 2023.

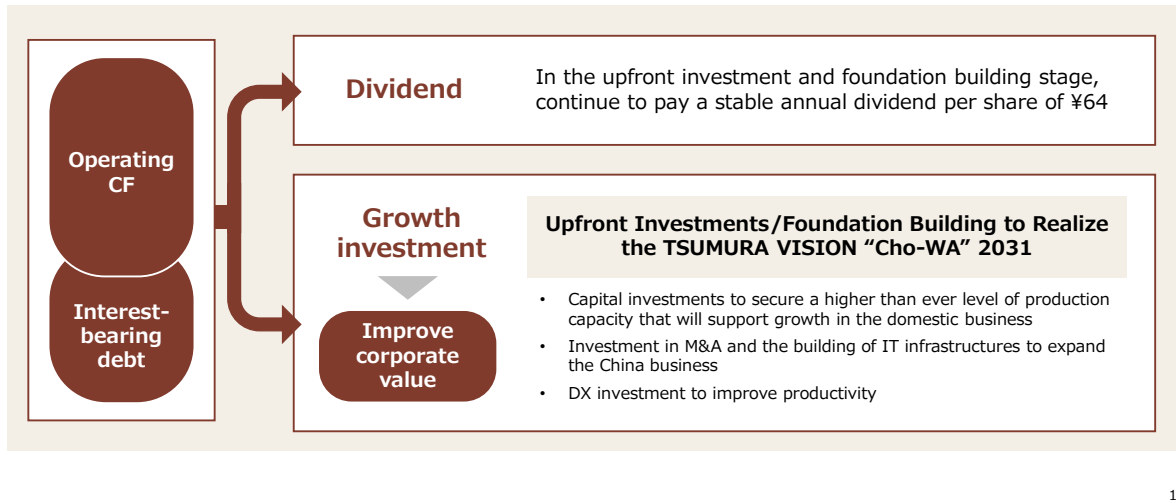
We plan to introduce the device at four sites by FY 2024. We are gradually expanding the crude drugs that can be sorted using the device.

In addition, we look to embark on research to reduce the manpower required for crude drug cultivation and primary processing, which are processes that are further upstream, by utilizing knowledge accrued from development carried out thus far.

Shareholder Return Policy



- Aim to improve corporate value through growth investments after continuing to payout stable dividends



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This is our shareholder return policy.

At present, we are in the foundation building stage for the realization of our FY 2031 vision. On top of continued stable dividends, we are implementing growth investments to improve our corporate value through the realization of the TSUMURA VISION "Cho-WA" 2031.

Given our current situation, we are recognizing our PBR, which is below 1x, and an ROE of under 8%, are critical management issues.

We are taking steps to realize an improvement in our corporate value in the medium/long term to meet the expectations of our stakeholders, including investors.

This ends my portion of today's presentation.

Basic Policy for the China Business

President and Representative Director, CEO
Terukazu Kato

My name is Terukazu Kato.

I would like to start by thanking everyone for their constant support.

I will begin my portion of today's presentation by going over the "Outlook for the China Business."

As we announced on April 13, 2023, in our formulation platform business in the China business, we acquired 100% equity in Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd.

01

China Business/Manufacturing Platform:
M&A Overview

02

Basic Policy for the China Business

First off, I will give an overview of this M&A deal and then explain the basic policy going forward for our China business overall.

01

China Business/Manufacturing Platform:
M&A Overview

02

Basic Policy for the China Business

This is an overview of this M&A deal in the formulation platform business of the China business.

Formulation Platform: M&A Overview



Company name: Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. (Unisplendour)

Location: Baoji, Shaanxi Province

Registered capital: 80.07 million RMB

Number of group employees: More than 200 people (as of May 2023)



Overview of M&A progress

April 13: Entered into contract for transfer of equity interest (news release)

April 23: Completed procedures with the Bureau of Industry and Commerce (completed filing notifications for a change in shareholders, change in legal representative and change to a new Articles of Incorporation, issuance of new business licenses for 3 group companies)

May 9: Completion of closing

Slated for December: Change of pharmaceutical license holder

Completion of construction of new plant (Introduction of smart system in April 2024, corporate name change in and after April, start of smart plant production in 2025)

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This time around, we acquired 100% equity in Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. in Shaanxi Province. Unisplendour Hi-tech Pharmaceutical Co., Ltd. and Shaanxi Daxingtang Pharmaceutical Logistics Co., Ltd. are under the auspice of Shaanxi Unisplendour.

The location of Shaanxi Unisplendour is shown in the map. The company is located in Baoji, which is about two hours drive by car from Xian, the capital of Shaanxi Province.

After we entered into an agreement to transfer equity on April 13, we completed filing procedures with the Bureau of Industry and Commerce on April 23, and the three group companies were issued a business licenses.

In light of this, we transferred funds in accordance with the agreement and completed the closing on May 9, 2023.

Aiming for December, we plan to revise the drug license holders, complete the new plant which is under construction, and carry out production for new brands and quality in stages. At present, existing products are being produced at the Baoji Plant, and we plan to continue selling these products over existing channels, mainly in Shaanxi Province.

We aim to achieve low-cost operations, and therefore plan to introduce a cutting-edge smart system in April 2024.

百年品质保证



History

- 1918: Founded as Xingling Drugstore
- 1944: Changed business name to Daxingtang Pharmacy Chain
- 1958: Changed business name to local government-run Baoji Chengyao (Medicinal Product) Factory
- 1963: Changed business name to Baoji Zhiyaochang (Pharmaceutical Factory)
- 1997: Established Shaanxi Chenbao Pharmaceutical Co., Ltd.
- 2001: Shareholder change to the Baoshang Group
- 2003: Changed corporate name to Baoshang Group Shaanxi Chenji Pharmaceutical Co., Ltd.
- 2011: Changed corporate name to Shaanxi Chenji Pharmaceutical Co., Ltd.
- 2013: Shareholder change to Tongfang Pharmaceutical Group Co., Ltd./Shaanxi Xinhuiyuan Technology Co., Ltd.
- 2015: Changed corporate name to Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd.

Main business: Manufacturing and sales of traditional Chinese medical products

Pharmaceutical license: 147 licenses for traditional Chinese medical products
(Of which 67 licenses are for classic prescriptions)
10 licenses for chemical agents

Drug dosage form: Pills, capsules, granules, drug piece, syrup, oral fluids, medicinal compound, medicinal liquor, and tincture

This is the history of Shaanxi Unisplendour. The company is more than a century old, having been founded in 1918.

The company possesses 147 licenses for traditional Chinese medical products, including 67 licenses for classic prescriptions, and 10 licenses for chemical agents.

The Daxingtang Decree, at the bottom left, stipulates the company motto, which lists six rules that must be observed.

- Crude drugs must be straightforward and simple. In other words, plants should be grown in local soil and adapted to and grown in the environment, and used as a crude drug based on its reputation as a medicine.
- Formulations must be unique.
- Weighing must be accurate.
- Crude drugs must be treated in line with regulations prior to their medical use. This refers to the processing for raw material crude drugs, including “steaming,” “simmering,” and “stir frying/sauteing.”
- Quality must be excellent.
- People must be treated like family.

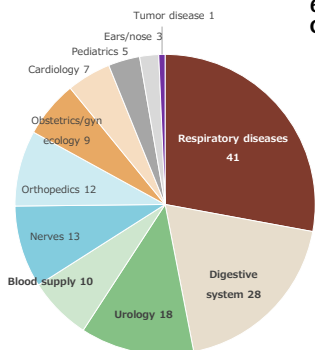
We assessed this company to be in line with the philosophy of Ping An Tsumura and our conditions for an M&A deal.

Unisplendour: 147 License for Traditional Chinese Medical Products



Number of licenses for traditional Chinese medical products by disease

97 licenses in the respiratory, digestive, blood supply and urinary area, which are fields of focus for Ping An Tsumura (66% of the total)

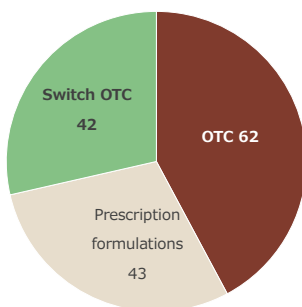


Number of licenses for OTC/traditional Chinese medical products

104 licenses for OTC/switch OTC traditional Chinese medical products (71% of total)

Match with the Tsumura policy of "classical prescription Chinese medicines + OTC"

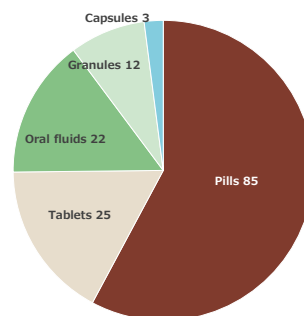
67 licenses for classical prescription Chinese medicine: 45%



Number of license for traditional Chinese medical products by dosage form

There are many classical prescription Chinese medicines for all internal medicines; Pills make up 57%

In the China business, we are tackling quality improvements for dosages forms that exert efficacy/benefits, not only for granules



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The graph on the left shows a categorization of the 147 licenses for traditional Chinese medical products possessed by Shaanxi Unisplendour. Based on diseases, 97 of the licenses are in the fields of respiratory, digestive, blood supply and urological diseases, accounting for 66% of all its licenses. This conforms with the domains that Ping An Tsumura is focused on.

As shown in the pie graph in the middle, Ping An Tsumura possesses 104 licenses for OTCs and switch OTCs, which accounts for 71% of all its licenses. The Company also possesses 67 licenses for traditional Chinese medical products, which represents 45% of all products.

As shown in the pie graph to the right, by dosage form, given classical prescription Chinese medicines are the most prevalent, pills account for 57%. In the China business, we plan to tackle an improvement in quality of dosage forms that exert efficacy/benefits, not only for granules.

Unisplendour: Main Products



Jukankaiigan
(proprietary item)



Shosekigan
(proprietary item)



Yojingokakohukueki
(proprietary item)



Rokumijiougan

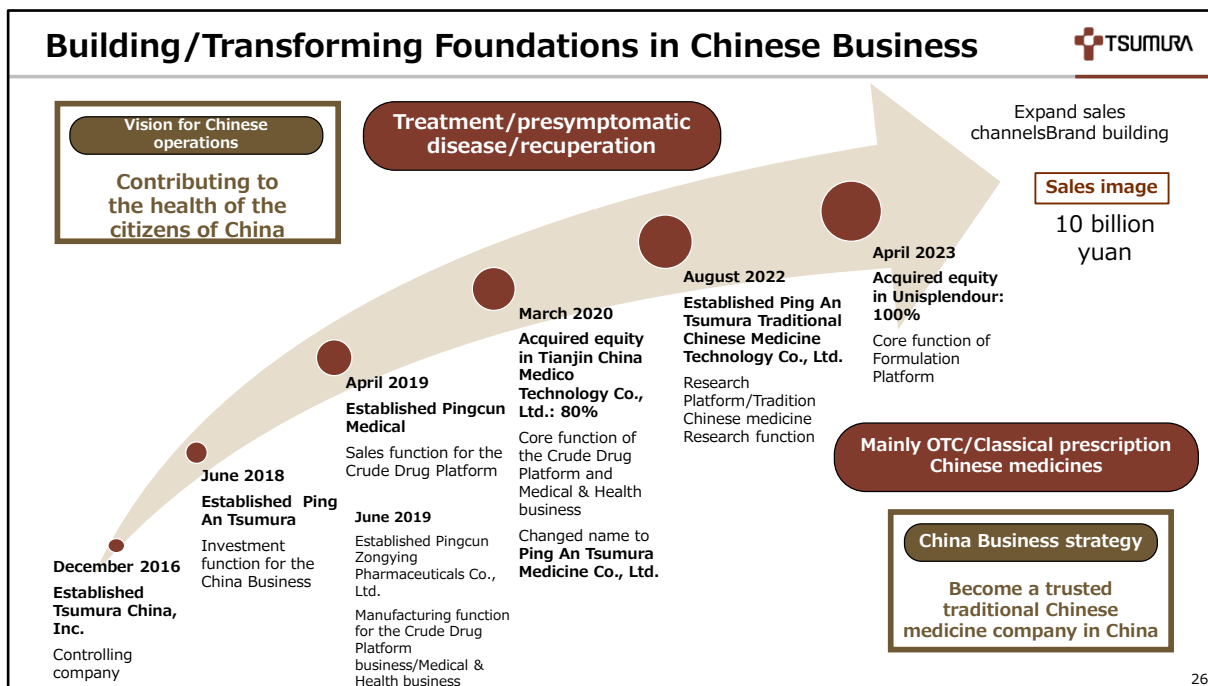


25

This is one example of the mainstays at Shaanxi Unisplendour. As proprietary products, the company possesses unrivaled products.

There are classical prescription Chinese medicines that are similar to Japanese Kampo formulations, but the crude drugs and compounds must conform with traditional Chinese medical science and the Chinese Pharmacopoeia, and the products must be produced using approved manufacturing methods.

It is our policy to revise regulations within an allowable scope further out, and we will also build evidence using a quality design that is highly homogenous.



Looking back on the transformation of the building of foundations in the China business thus far, we established Tsumura China as a controlling company in China in December 2016.

In June 2018, we merged with the Ping An Insurance (Group) Company of China, and established Ping An Tsumura as the function for investing into the China business.

In April 2019, we established Pingcun Medical as the sales function for the crude drug platform, and in June 2019 we created Pingcun Zhongying as the production function for the crude drug platform.

In February 2020, we acquired 80% equity in Tianjin China Medico Technology Co., Ltd. The name was changed to Ping An Tsumura Medicine as the core company of the crude drug platform business.

In August 2022, we established Ping An Tsumura Traditional Chinese Medicine Technology as a Research Platform for traditional Chinese medicine.

In April 2023, we acquired 100% equity in Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd., which has been positioned as a core company in the traditional Chinese medical products business.

First, we aim to become a traditional Chinese medicine company that is trusted in China.

1. Improvements to Tsumura quality

Crude drug GACP, stability/homogeneity/dosage form for formulations

2. Establish a production system

Smart system, low-cost operations

3. Expand sales channels

From Shaanxi Province to China nationwide/Southeast Asia, EC & SNS

4. Brand building

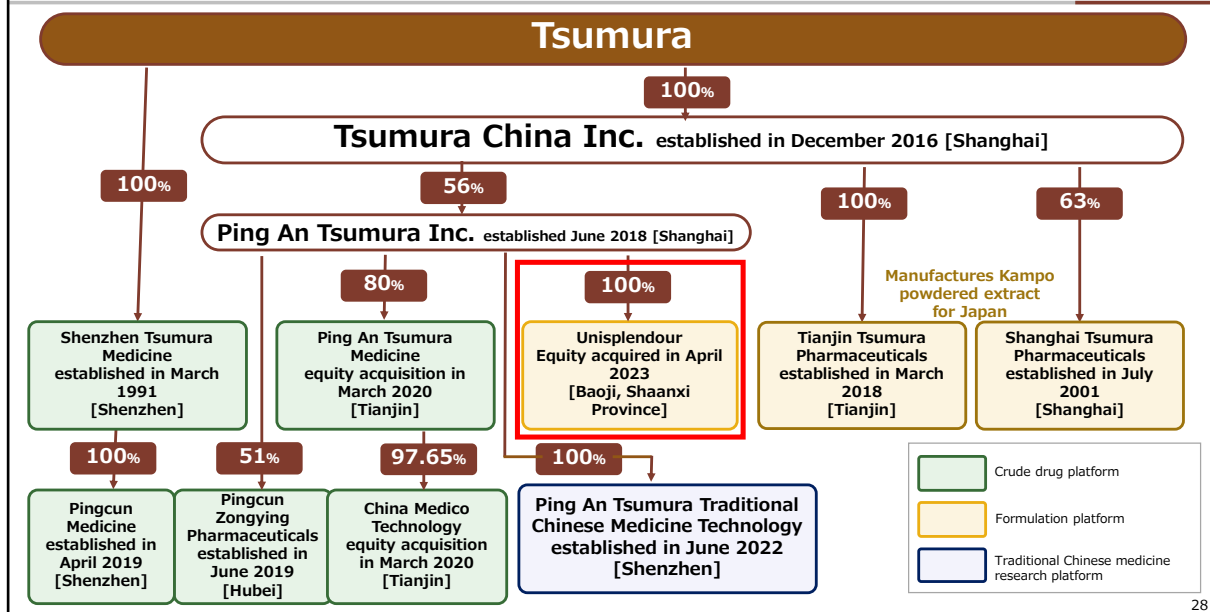
Tsumura quality brand, Ping An Tsumura brand

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The traditional Chinese medical products business, which comprises mainly of classical prescription Chinese medicines, is being carried out based on the basic policies which you can see here.

1. As an improvement to Tsumura quality, we will manufacture and sell high-quality traditional Chinese medical products, including adopting the crude drug GACP, and achieving the stability, homogeneity and dosage form for formulations.
2. We aim to realize low-cost operations by introducing a cutting-edge smart system as the “establishment of a production system.”
3. As the expansion of sales channels, in addition to current store sales channels in Shaanxi Province, we will expand the area, clarify the target diseases, patient ages and gender, and develop new sales channels, including e-commerce and social media.
4. We will rapidly build a Tsumura quality brand and Ping An Tsumura brand, and tackle brand building to become a traditional Chinese medicine company that is trusted.

Figure of Capital Ties between Major Corporate Groups in China



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This diagram on this slide shows the capital ties of the major corporate groups in China. As indicated in the area marked in red, all the functions for the crude drug platform, formulation platform and research platform are now complete owing to the recent acquisition of 100% equity in Shaanxi Unisplendour and its subsequent conversion into a subsidiary in the formulation platform.

In the traditional Chinese medicine research platform, as was explained earlier, we plan to depart from self-sufficiency by establishing a small-scale site in the Greater Bay Area, which straddles Hong Kong, Macao and Guangdong Province and offers access within 30 minutes from Shenzhen, and are also looking to proceed with joint research scheme.

We plan to move forward with the China business by leading crude drug/product quality, manufacturing technology and research and development at business operations in which we have a majority stake.

01

China Business/Manufacturing Platform:
M&A Overview

02

Basic Policy for the China Business

Next, I will explain the basic policy for the China business overall.

Lively Living for Everyone
TSUMURA VISION “Cho-WA” 2031

We aim to create conditions in which the Tsumura Group is contributing to the well-being of all by supplying evidence-based products and services, including Kampo and traditional Chinese medicines, that suits factors including the life stage, symptoms, genetic makeup and daily life environment of each individual



As we are promoting our Corporate Purpose of “Lively Living for Everyone,” we are also aiming to realize the TSUMURA VISION “Cho-WA” 2031 for the China business as well.

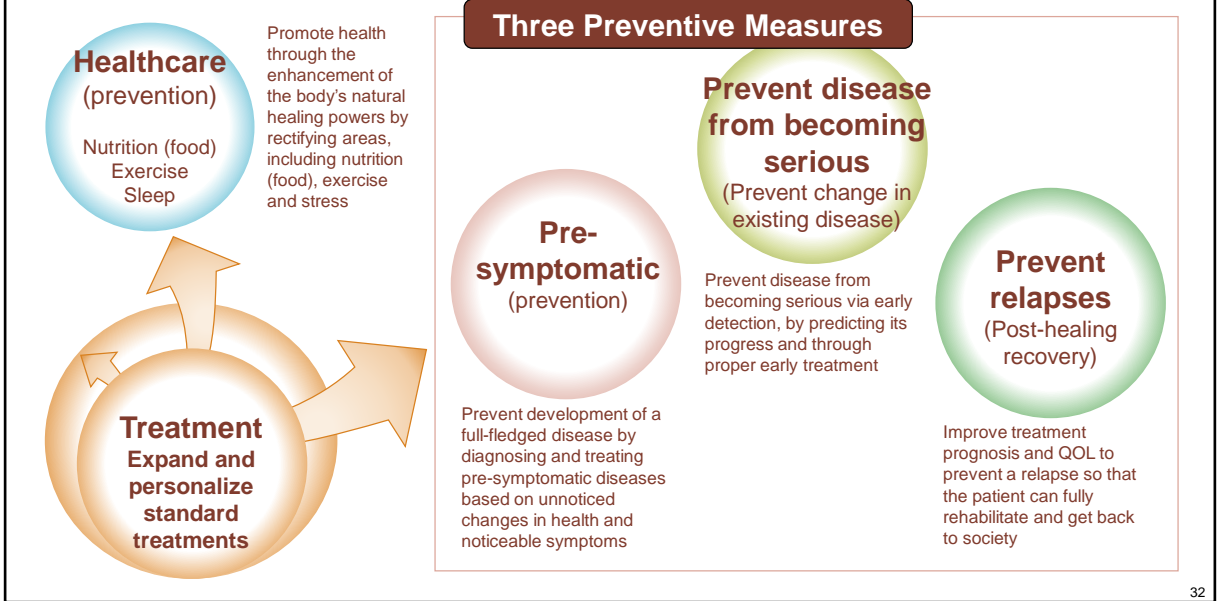
Goals to be realized under VISION 2031

- 1. 50% of physicians will write basic prescriptions in all treatment areas**
- 2. Expand standard Kampo treatments and personalize Kampo treatments**
- 3. Scientific study of pre-symptomatic diseases**
Three preventive measures for pre-symptomatic diseases (treat disease before symptoms appear, prevent change in existing disease and post-healing recovery)
- 4. Build foundation for the China Business (China Business to account for 50%-plus of sales)**
- 5. Digital transformation of the Kampo value chain**
- 6. Implement purpose management, philosophy management and vision management**

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We are pushing forward with the building of foundations in the China business, and aim to make our China business account for 50% of our operations overall in 2031.

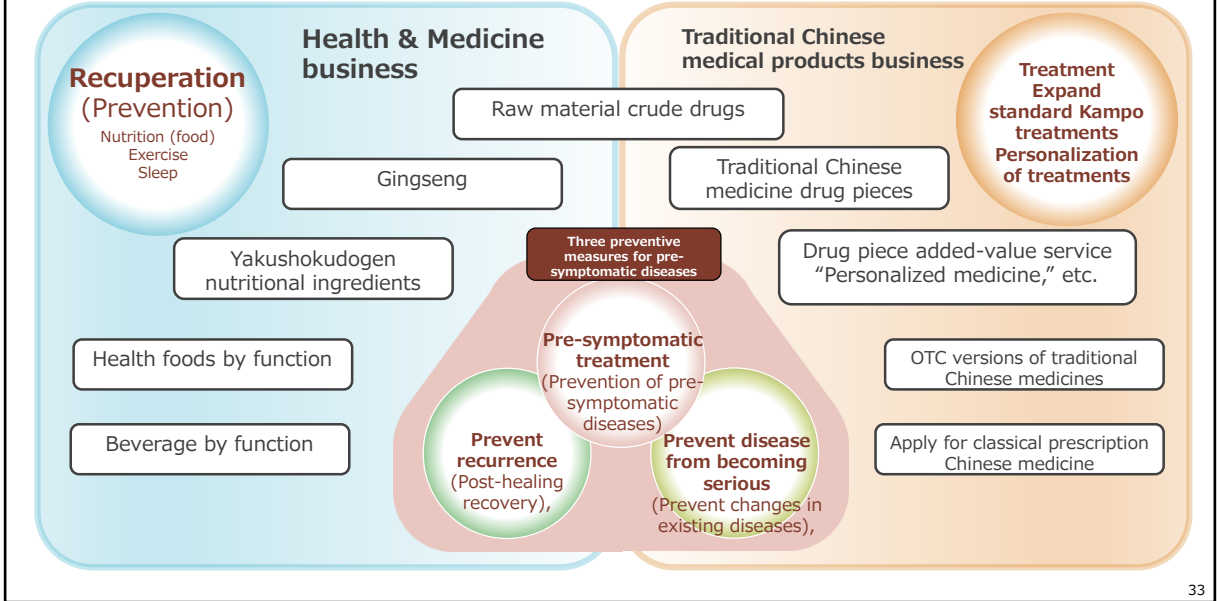


In China as well, the number of metabolic syndrome patients is continuing to increase reflecting the fast pace of aging, the same as in Japan, and due to changes in lifestyle habits.

The three preventive measures for pre-symptomatic diseases is based on the “pre-symptomatic disease concept in traditional Chinese medical science.” Recuperation and pre-symptomatic disease treatment have existed as a concept in traditional Chinese medicine and Kampo medical science since the Yellow Emperor's Classic of Medicine, which is the oldest medical book in China.

In the China business, we aim to realize the aforementioned business, the same as in Japan.

Vision for China Business



In the China business, as you can see, we plan to implement the health & medicine business in the fields of recuperation, prevention and pre-symptomatic diseases, and the traditional Chinese medical products business, in the fields of treatment and pre-symptomatic diseases.

**Recuperation
(Prevention)**
Nutrition (food)
Exercise
Sleep

Yakushokudogen

China
Southeast Asia
Crude drug
platform

Ping An Tsumura
Medicine, etc.



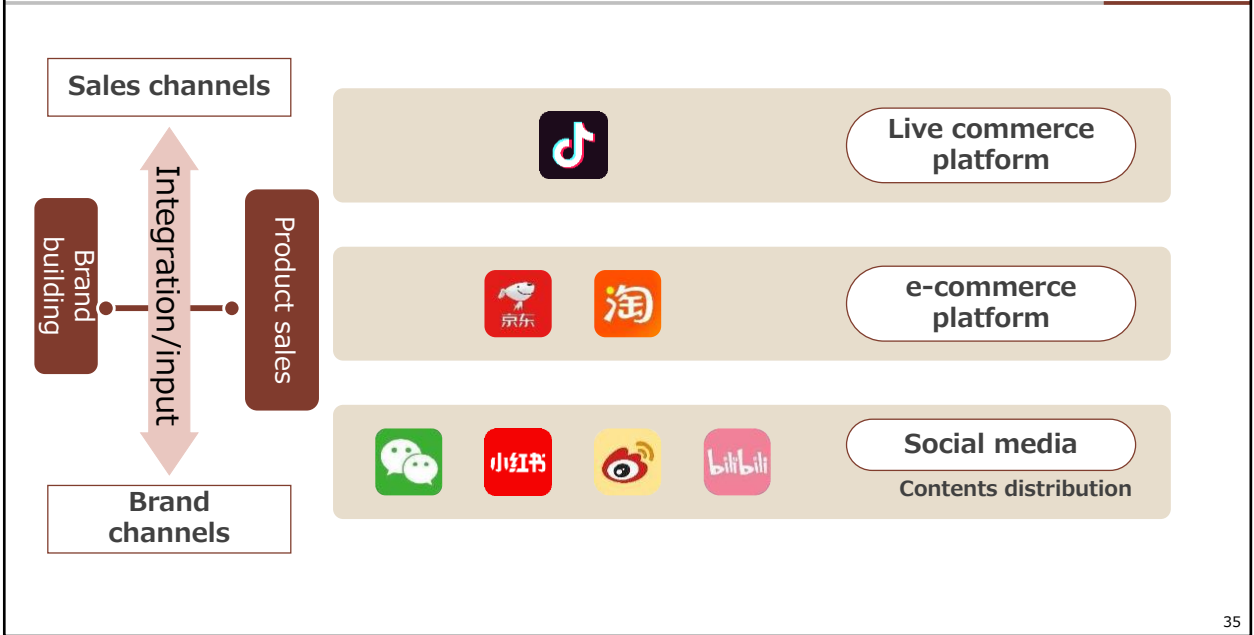
Beverages being sold at
Tsutaya Books
(Shanghai)



The health & medicine business covers the fields of recuperation, prevention and pre-symptomatic diseases. Based on the Yakushokudogen concept, we plan to develop products by function by leveraging crude drugs, engage in business that contributes to health in the crude drug platform, and aim to expand sales channels in Southeast Asia, including through future business affiliations.

The ad on the right shows a "health drink that warms one's mind and body," which is a Ping An Tsumura brand product sold at Tsutaya Books in Shanghai.

This is a Yakushokudogen beverage that is based on a hint from "Jin Gui Yao Lue," a classical Chinese medical book, and contains crude drugs as ingredients, including malt, large jujubes and licorice.



Tsumura China, which is our controlling company in China, has appointed a strategic director, finance director and legal director to implement the China business, including M&A. The marketing director plans the strategies for the health & medicine Business and the traditional Chinese medical products business.

In the health & medicine business, we are hammering out policies to use social media, e-commerce, and live commerce in a coordinated manner to build new sales channels and brands.

Traditional Chinese Medicine/Medical Products Business: Crude Drug/Formulation Platforms



Treatment
Expand standard
Kampo
treatments
Personalization
of treatments

Personalized medicine

China
Crude drug
platform

Ping An Tsumura
Medicine

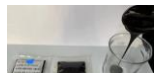


Drug pieces

Drug piece
added-value
service
Personalized
medicine



Fluid extract for
use by traditional
Chinese doctors



Fluid extract



Powdered
extracts



Decoction

Classical prescription Chinese medicines

China
Southeast
Asia

Shaanxi
Unisplendour



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In the traditional Chinese medical products business, which is a field of treatment, we aim to develop both standard treatments and personalized treatments, as is the case in Japan.

In traditional Chinese medical science, “dialectical proof treatment” is the fundamental diagnosis and treatment method. Treatment is carried out using a formulation that is suited for each individual. It is said to be the pioneer of personalized medicine.

It takes time to brew each traditional Chinese medicine drug piece. Drug-homogeneity and portability are among the inconveniences of using traditional Chinese medicine drug pieces. In light of this, at Ping An Tsumura Medicine, it is our policy to expand the “personalized medicine” business as a value-added service for drug pieces.

China being a large country, it may be difficult to access medical institutions in certain cases. Therefore, there are needs for household medicine purchased through online medical consultations, vending machines and e-commerce.

In the field of primary care, mainly OTC medical products and classical prescription Chinese medicines, it is our policy to supply medical products that boast superior efficacy, safety and quality.

Traditional Chinese Medicine Business: “Personalized Medicine” Drug Piece Added-Value Service



Traditional Chinese medicine
Personalization of treatments



Small-lot, high-mix smart production system
Crude drug extract
extraction/concentration/packaging



Ping An Tsumura
Medicine
China Medico
Technology



做到一方一药



汤剂信息零差错



避免了煎好的汤剂灌装采用公共管路

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In this age of digital transformation, it is our policy to introduce a cutting-edge smart system for the production system to realize low-cost operations using labor-saving and automated facilities.

At China Medico Technology, which is under the auspice of Ping An Tsumura Medicine, the crude drug platform, as you can see, we have introduced a small-lot, high-mix smart production system, and are at present at the validation stage.

We aim to expand distribution of high-quality crude drugs, and increase high-quality treatments using traditional Chinese medicine drug pieces at hospitals.

We are positioning personalized medicines as a value-added services. This is a smart service in which digital instructions for traditional Chinese medicine drug piece formulations are received from doctors of traditional Chinese medicine, brewed for the patient in line with prescription, processed into decoction, fluid extract, or powdered extract, and packaged and sent by postal service directly to the patient.

It is our policy to increase the proportion of this service going forward.

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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.

We plan to move forward with the China business in accordance with these basic policies.

We are also embarking on the establishment of a business plan for Shaanxi Unisplendour. We are forecasting corresponding impact from the addition of this new business to our First Medium-Term Management Plan. We aim to establish Version 2 of our First Medium-Term Management Plan, and are considering an opportunity to announce and explain this newly revised First Medium-Term Management Plan.

Moreover, given that the China business has entered the stage for full-scale operations, we plan to supply information to investors and the media in China going forward.

This ends my section of today's presentation.

Thank you for listening.

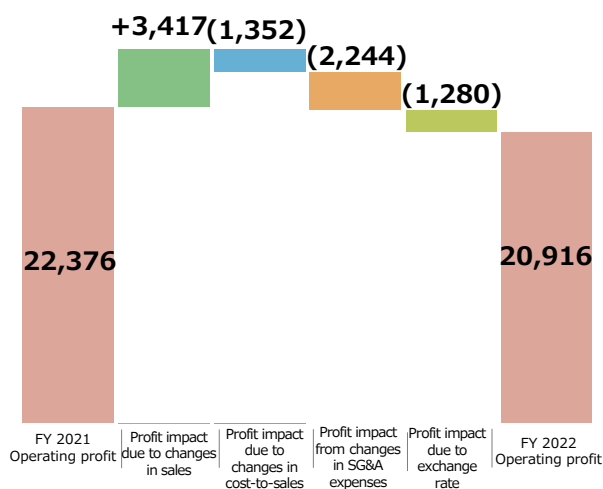
Appendix

Factors Triggering Changes in Operating Profit (YoY)



(Million yen)

(Million yen)



Breakdown of change in net sales: +3,417	
Domestic	+2,737
Overseas	+679
Breakdown of change in cost-to-sales: (1,352)	
Crude drug procurement cost	(619)
Raw material expense (Domestic: Soaring expense for materials other than raw material crude drugs)	(598)
Processing expense, etc.	+235
Outside sales in China	(369)
Breakdown of change in SG&A expense : (2,244)	
Depreciation (incl. one-off expense at Tianjin Plant)	(606)
R&D	(220)
Advertising	+101
Salary allowance (incl. one-off expense at Tianjin Plant)	+140
Sales promotions	+155
Other (system introduction(800), volume of activities(700)etc.)	(1,814)
Foreign exchange impact (1,280)	

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Financial Condition/Cash Flow Position

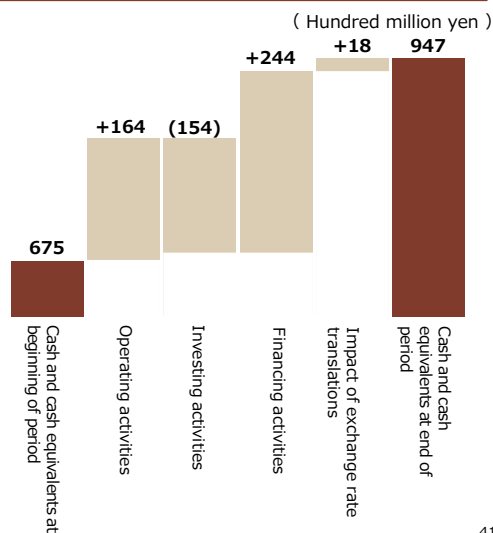


(Million yen)

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

	FY 2021 (March 2022)	FY 2022 (March 2023)	Change
Total assets	350,981	396,813	45,831
Current assets	229,420	268,320	38,900
Non-current assets	121,561	128,492	6,931
Total liabilities	92,871	124,566	31,695
Current liabilities	45,875	47,205	1,329
Non-current liabilities	46,996	77,361	30,365
Total net assets	258,109	272,246	14,136
Equity ratio	68.3%	63.5%	(4.8)pt

	FY 2021 (March 2022)	FY 2022 (March 2023)	Change	Of which, Exchange rate
Inventories	92,751	101,726	8,974	3,347
Merchandise and finished goods	10,247	11,257	1,009	179
Work in process	13,614	14,430	816	118
Raw materials and supplies	68,889	76,038	7,148	3,049



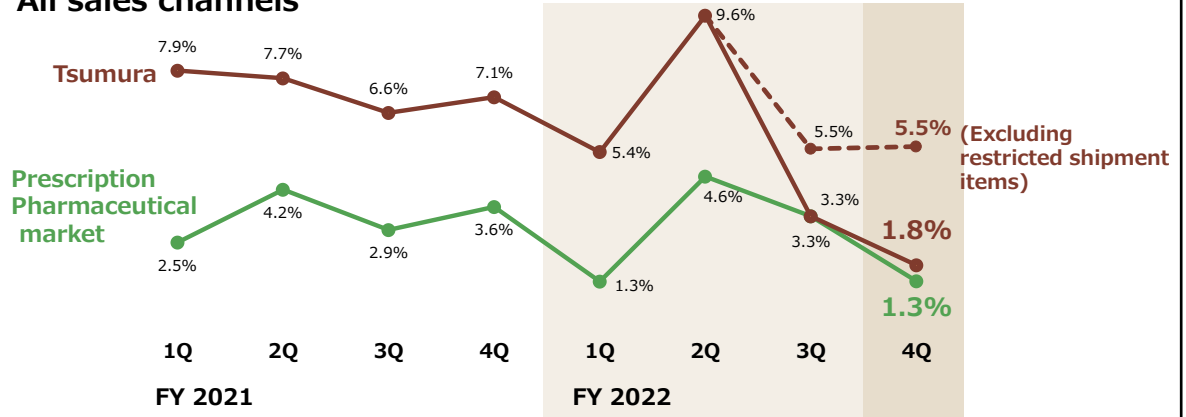
Comparison with the Prescription Pharmaceutical Market



Sales increased 1.8% year-on-year on a NHI drug price basis; the rate of sales growth was sluggish due to the negative impact of restricted shipments

(YoY/drug price basis)

All sales channels



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Comparison with the Prescription Pharmaceutical Market



(YoY/drug price basis)

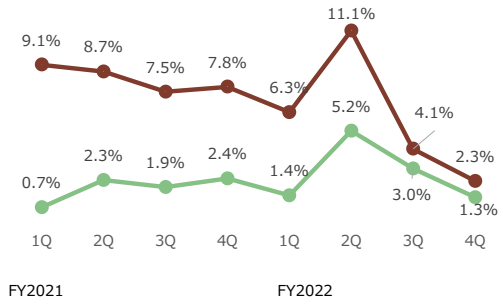
Tsumura



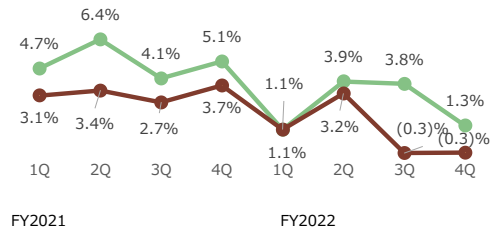
Prescription pharmaceutical market



General clinics (GP)



Hospital market (HP)

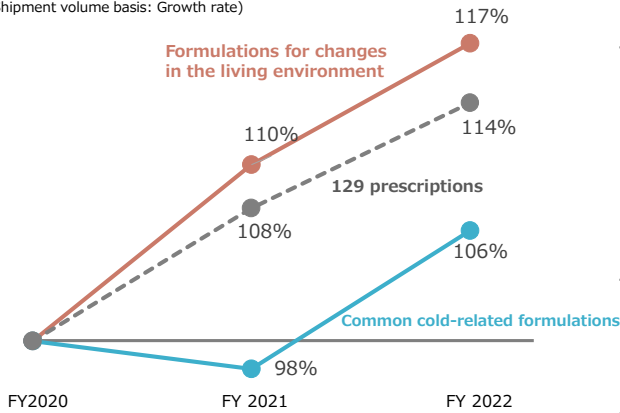


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COVID-19 Impact and Outlook

- Symptoms reflecting changes in the living environment continue to offer prescription opportunities despite a partial decline
- Increase in prescription opportunities for common cold-related formulations due to the spread of common colds during the winter season

(Shipment volume basis: Growth rate)



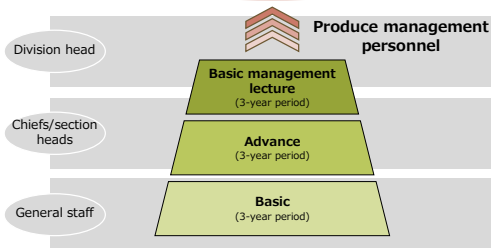
	Symptoms	Demand outlook
Changes in the living environment	Anxiety/insomnia (6 formulations) Fatigue (2 formulations) Dizziness (2 formulations)	The pace of growth is sluggish
	Skin irritation, acne due to the use of masks (4 formulations)	Ease up of measures to control infections
Common cold-related	Common cold, influenza, hay fever, etc. (13 formulations)	Growth owing to the spread of common colds during the winter season

✓ **Cultivate Management Personnel**

Basic management lecture

- Employees that completed the course 52 people (of which 9 were women)
- Employees currently taking the course 49 people (of which 8 were women)

Directors, Executive Officer, General Managers

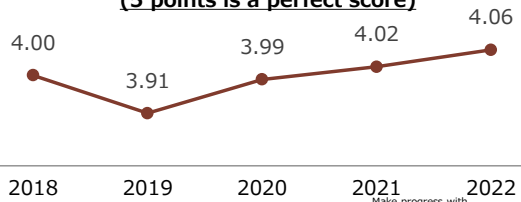


✓ **Foster Corporate Culture**

Long-Term Vision (10-year) Standard KPIs for all executive officers

▶ Survey outcome was Over **4.0**

Average for responses to the 30 items in the survey for instilling philosophy (5 points is a perfect score)



2018: Still waiting-and-seeing Someone else's concern to a certain extent

2019: Be able to see things as one's own concern

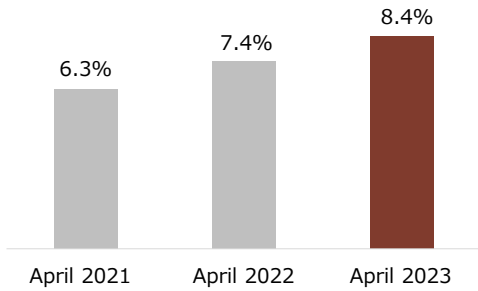
2020: Considering more autonomously what should be done from one's heart

2021: Make progress with internal branding/personalization, and realize a connection between philosophy and action

2022: Realizing that embodying the philosophy contributes to results

✓ Promote diversity and inclusion

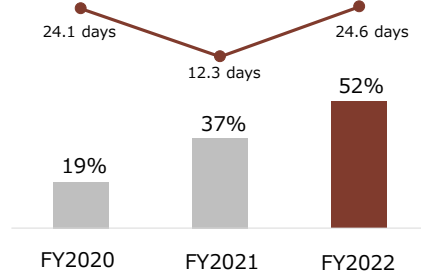
Increased ratio of female managers



Results mainly from the active participation of women in programs, including the basic management lecture and next-generation leader training, and the holding of training seminars for female managers

Encourage male employees to take childcare leave

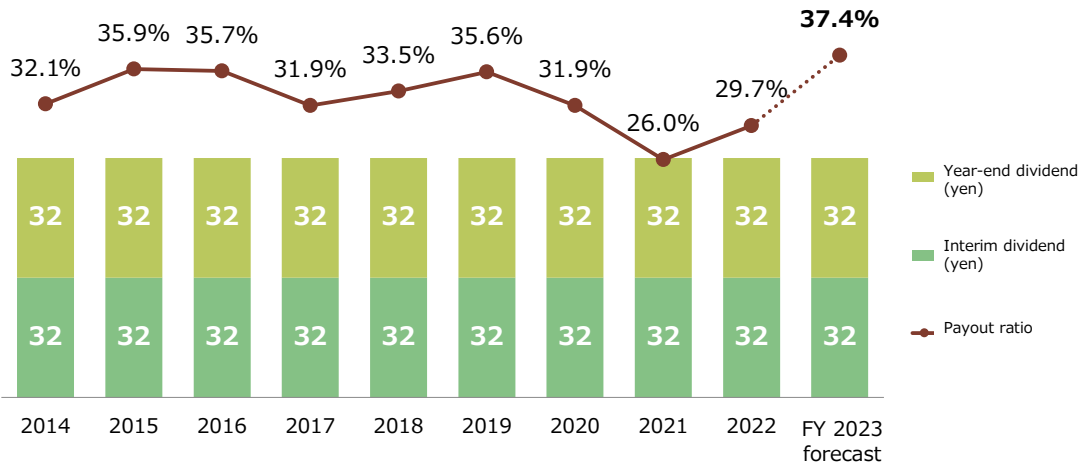
(Acquisition ratio for childcare leave and average period of childcare leave)



Results from the promotion of men taking childcare leave through the further expansion of support systems for childcare/nursing care and work, and through the "Ikumen Promotion Project"

*The figures are standalone for Tsumura

Dividend and Payout Ratio Trends



Note: The fiscal year-end dividend for FY 2022 and the dividend payout ratio (forecast) is a forecast number as it is predicated by the approval of the dividend resolution at the 87th Ordinary General Meeting of Shareholders.