

First Quarter Business Results for Fiscal 2023

August 4, 2023

Director, and CFO

Muneki Handa

01

First Quarter Business Results for FY 2023

02

Initiatives and Progress for Domestic Business

03

Initiatives and Progress for China Business

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



1st stage
FY2022-2024
—Germination—

2nd stage
FY2025-2027
—Growth—

3rd stage
FY2028-2031
—Flowering—

Prescription Kampo Products

Standardization of Kampo treatments
Personalized Kampo treatments

Over 50% physicians write 10 or more Kampo prescriptions

50% of physicians write basic prescriptions in all treatment areas

R&D

Personalized Kampo treatments
Scientific study of pre-symptomatic diseases



Chinese operations

- Formulation platform
- Crude drug platform
- Research platform

Traditional Chinese medical products business
Crude drugs, drug pieces and Yakushokudogen products
Traditional Chinese Medicine Research Center



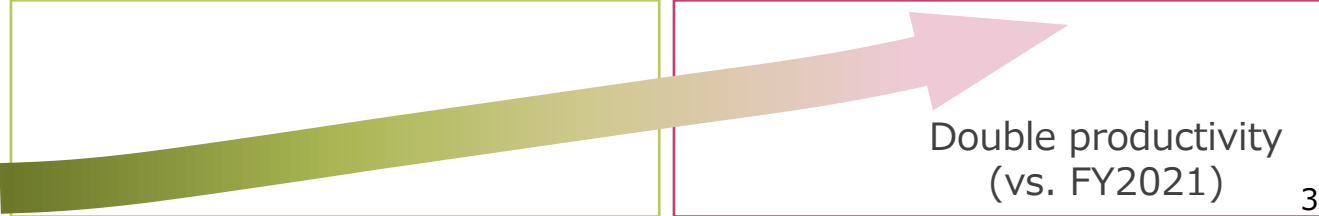
Smart factory



Labor productivity

- Sales
- Production
- Crude drugs

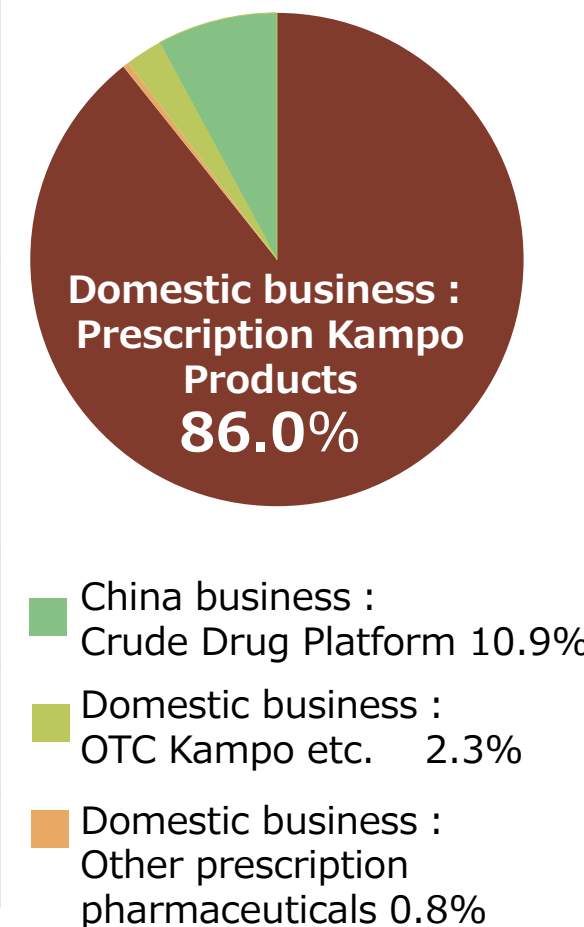
Sales per MR (Yen/MR)
Physical labor productivity
Personnel expenses per crude drug arranging volume



1Q Business Results for FY 2023

【Million yen】	1Q FY 2022 results	1Q FY 2023 results	YoY		1H plan	Progress Rate (vs. 1H plan)
			Amount	Change		
Sales	34,417	37,036	+2,618	+7.6%	74,000	50.0%
Domestic business	31,562	32,988	+1,426	+4.5%	65,900	50.1%
China business	2,855	4,047	+1,191	+41.7%	8,100	50.0%
Operating profit	6,353	4,684	(1,668)	(26.3)%	9,500	49.3%
Domestic business	6,404	4,684	(1,719)	(26.9)%	9,900	47.3%
China business	(50)	0	+51	—	(400)	—
Ordinary profit	8,665	5,989	(2,676)	(30.9)%	9,800	61.1%
Profit attributable to owners of parent	6,632	4,332	(2,300)	(34.7)%	6,800	63.7%
PL translation rate (CNY)	18.32	19.36	+1.04	—	—	—

Ratio to total sales



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

Key Points in Performance

- Net sales rose reflecting growth in the domestic and China businesses
- Profit declined chiefly due to impact from unrealized gains, a rise in the cost of procuring crude drugs, and impact from a depreciation in the yen's value

Net sales	37,036	million yen	YoY	+7.6%	Progress rate (vs. 1H plan)	50.0%
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- Domestic business Total sales for the 129 prescription Kampo products: 31,838 million yen, up 5.2% year-on-year
Total sales of the OTC Kampo formulations and other healthcare products: 837 million yen, down 7.2% year-on-year
- China business Raw material crude drugs, drug pieces, Yakushokudogen products, etc. : 4,047 million yen, rose 41.7% year-on-year

Operating profit	4,684	million yen	YoY	(26.3)%	Progress rate (vs. 1H plan)	49.3%
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Operating profit margin	12.6	%	YoY	(5.9)pt
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- Cost-to-sales ratio: 54.9%, +7.1pt YoY: In the same period of the previous year, unrealized gains contracted due to the lockdown of Shanghai; Unrealized gain is expected to rise in FY2023 owing to an increase in inventory; In addition, there is impact from crude drug procurement costs and devaluation of the yen
- SG&A ratio: 32.4%, (1.3)pt YoY: Sales growth offset growth investments, mainly in the DX transformation for Kampo value chain

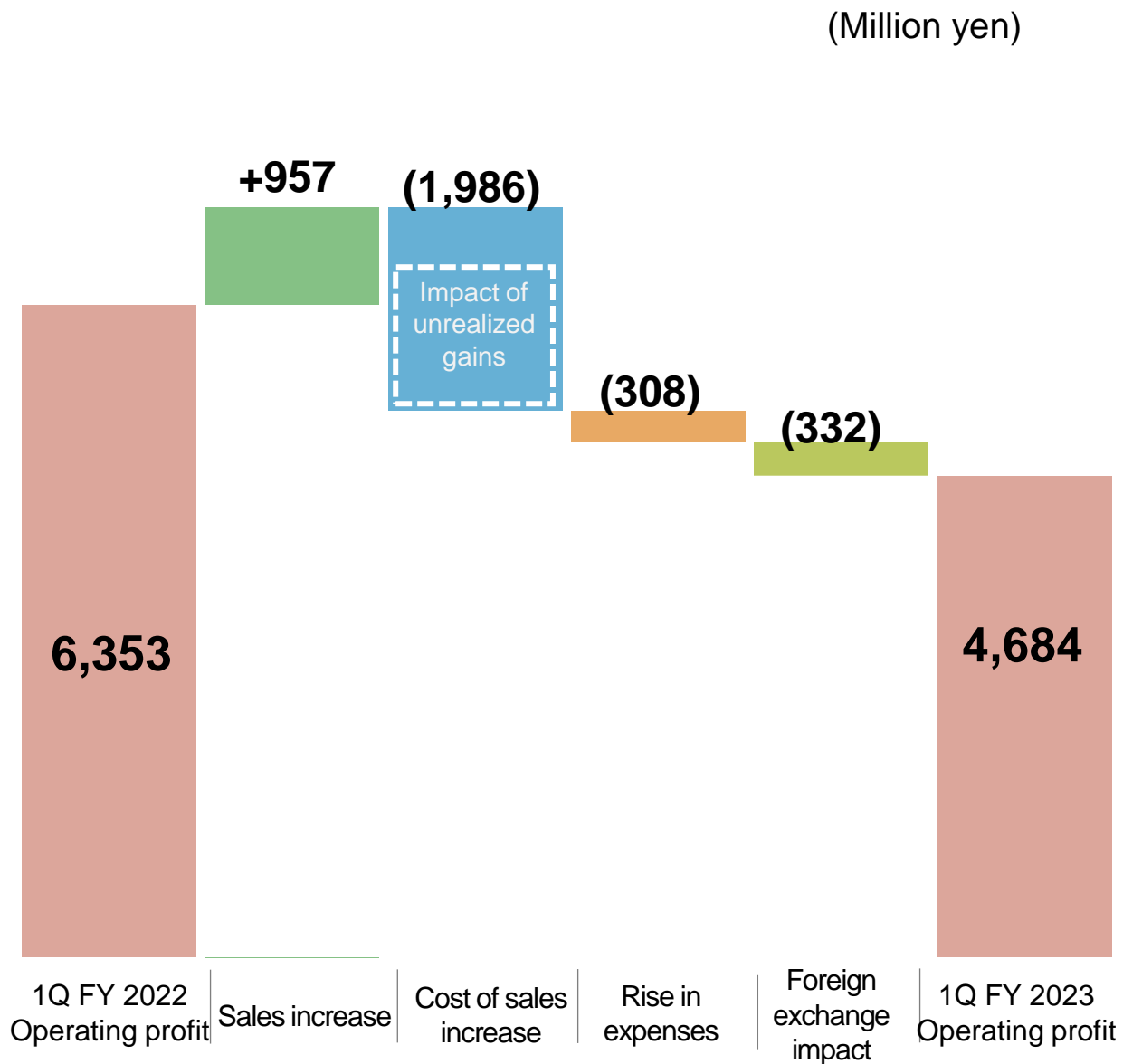
Ordinary profit	5,989	million yen	YoY	(30.9)%	Progress rate (vs. 1H plan)	61.1%
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- Foreign exchange gain primarily related to loans to overseas subsidiaries: 929 million yen, down 1,070 million yen year-on-year

*Foreign exchange gain not posted in plan

Profit attributable to owners of parent	4,332	million yen	YoY	(34.7)%	Progress rate (vs. 1H plan)	63.7%
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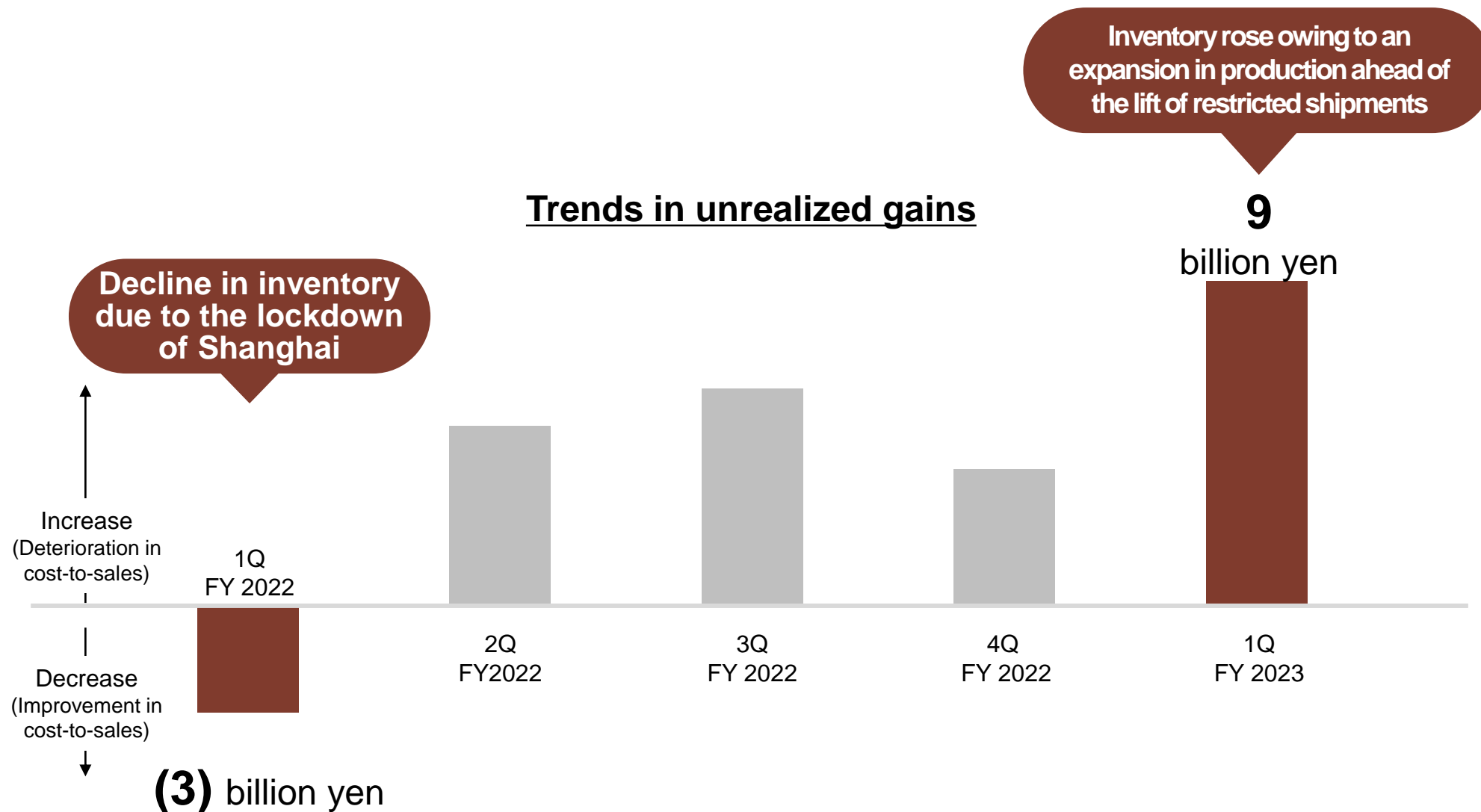
Factors Triggering Changes in Operating Profit (YoY)



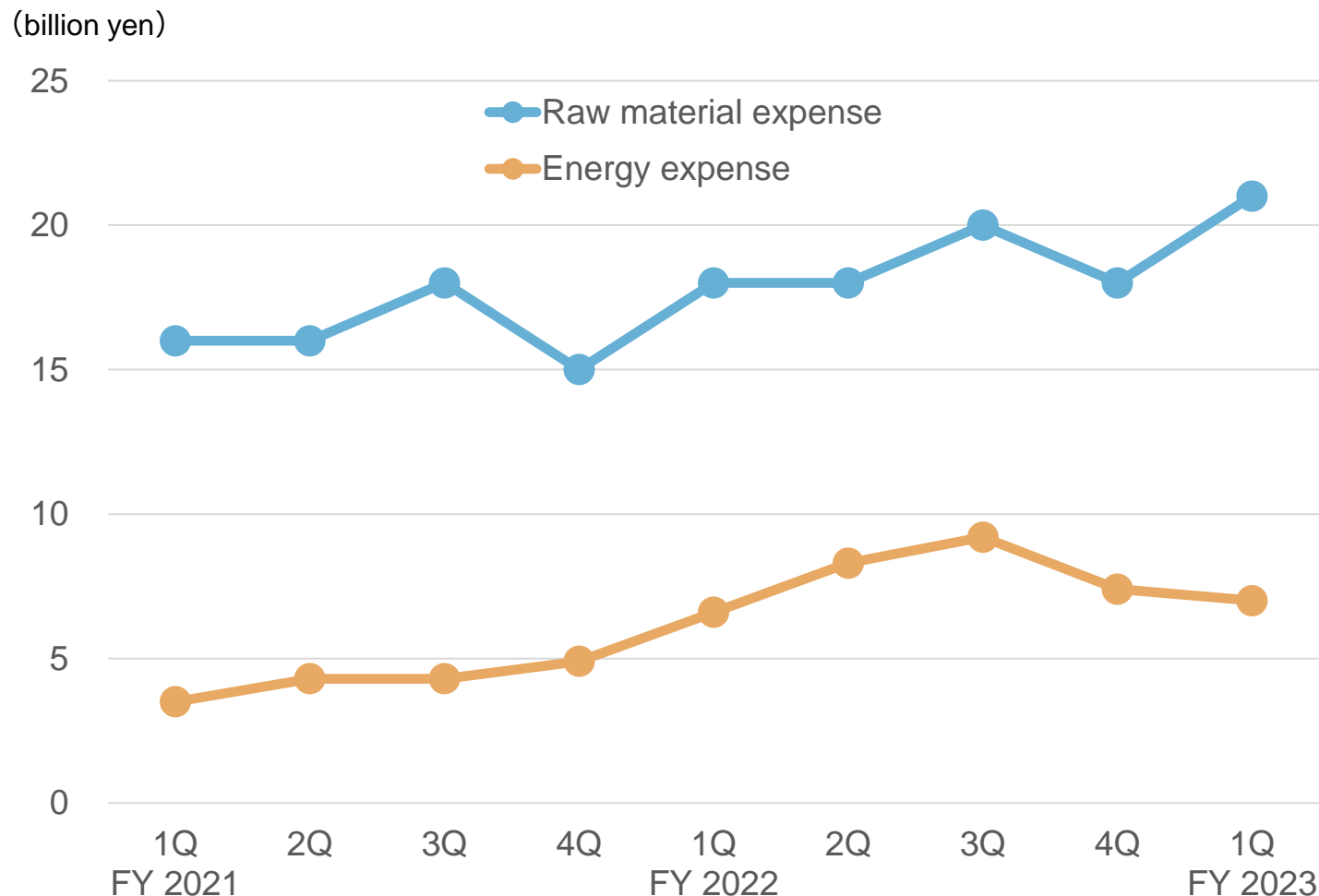
(Million yen)

Sales increase +957	
Domestic business	+789
China business	+168
Cost of sales increase (1,986)	
Domestic business: Unit sales price (of which NHI price revision impact was +395)	+554
Domestic business: Raw material crude drug cost (of which impact of unrealized gains was (1,278))	(1,709)
Domestic business: Raw material expenses	(262)
Domestic business: Processing expense, etc. (of which energy expense was (297); One-off expense at Tianjin Plant (277))	(474)
China business: Increase in crude drug PF sales	(95)
Rise in expenses (308)	
R&D expense	(71)
Salary allowance	(71)
Sales promotion expense	+14
Depreciation (Of which, decrease in temporary expenses at the Tianjin Plant +251)	+246
Other (Of which, system introduction expenses etc(185), activities expenses(127))	(426)
Foreign exchange (yen depreciation) impact (332)	

The one-off increase in unrealized gains owing primarily to the handling of a lift on restricted shipments is expected to head toward a decline in and after 2Q



Raw Material & Energy Expense Trends



Raw material expense

- It's been risen from FY2022 due to the effects of inflation and the depreciation of the yen, and will be expected to be nearly flat after the 2Q of FY2023

Energy expense

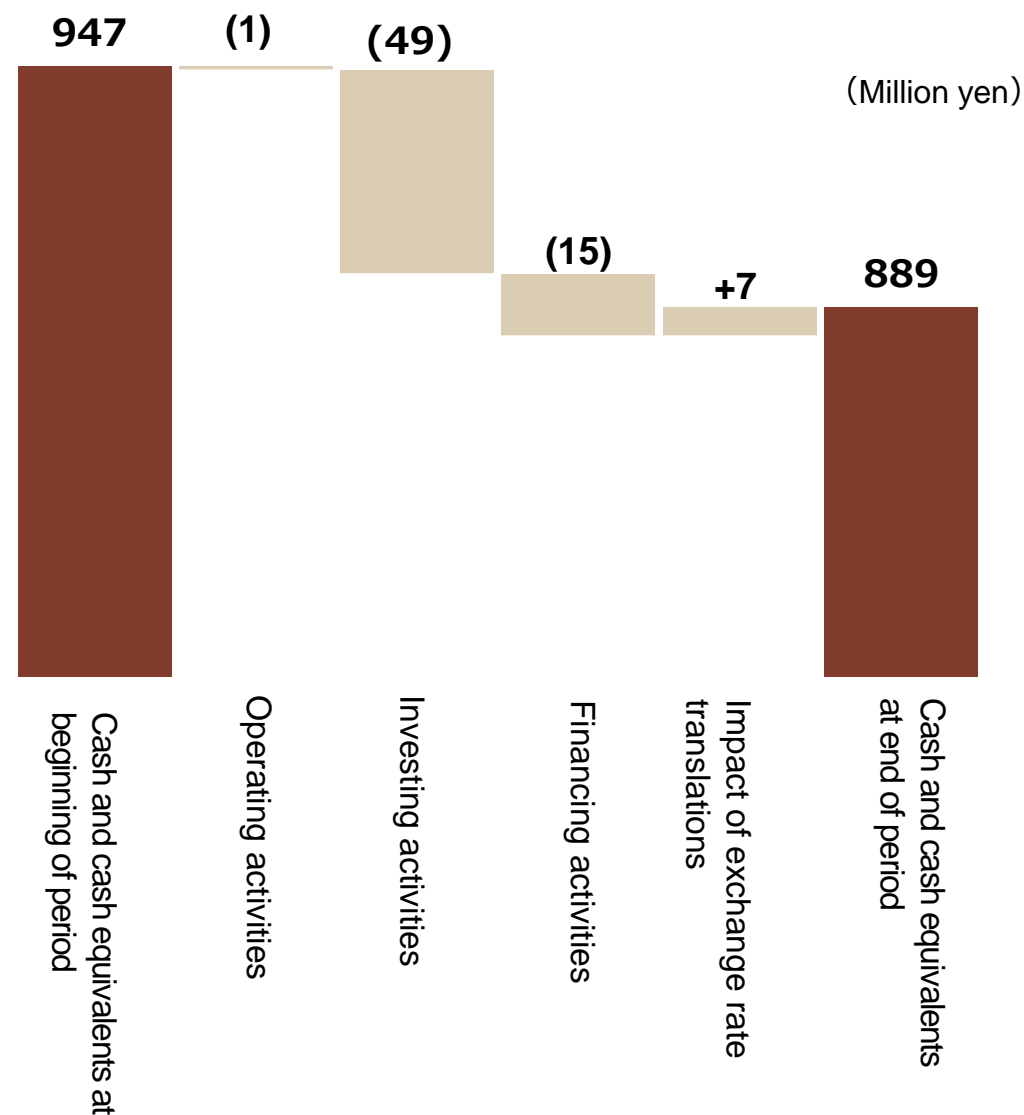
- Sharp rise started from FY 2022, and peaked in 3Q FY 2022
- Level in 2Q FY 2023 expected to be on par with the level in 1Q FY 2023

Financial Condition/Cash Flow Position

(Million yen)

	FY 2022 (March 2023)	FY 2023 1Q	Change
Total assets	396,813	405,437	8,623
Current assets	268,320	272,369	4,048
Non-current assets	128,492	133,067	4,574
Total liabilities	124,566	126,345	1,779
Current liabilities	47,205	49,402	2,197
Non-current liabilities	77,361	76,943	(418)
Total net assets	272,246	279,091	6,844
Equity ratio	63.5%	63.2%	(0.3)pt

	FY 2022 (March 2023)	FY 2023 1Q	Change	Of which, Exchange rate
Inventories	101,726	107,501	5,774	1,306
Merchandise and finished goods	11,257	12,659	1,402	83
Work in process	14,430	17,064	2,633	66
Raw materials and supplies	76,038	77,777	1,738	1,156



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Initiatives and Progress for Domestic Business

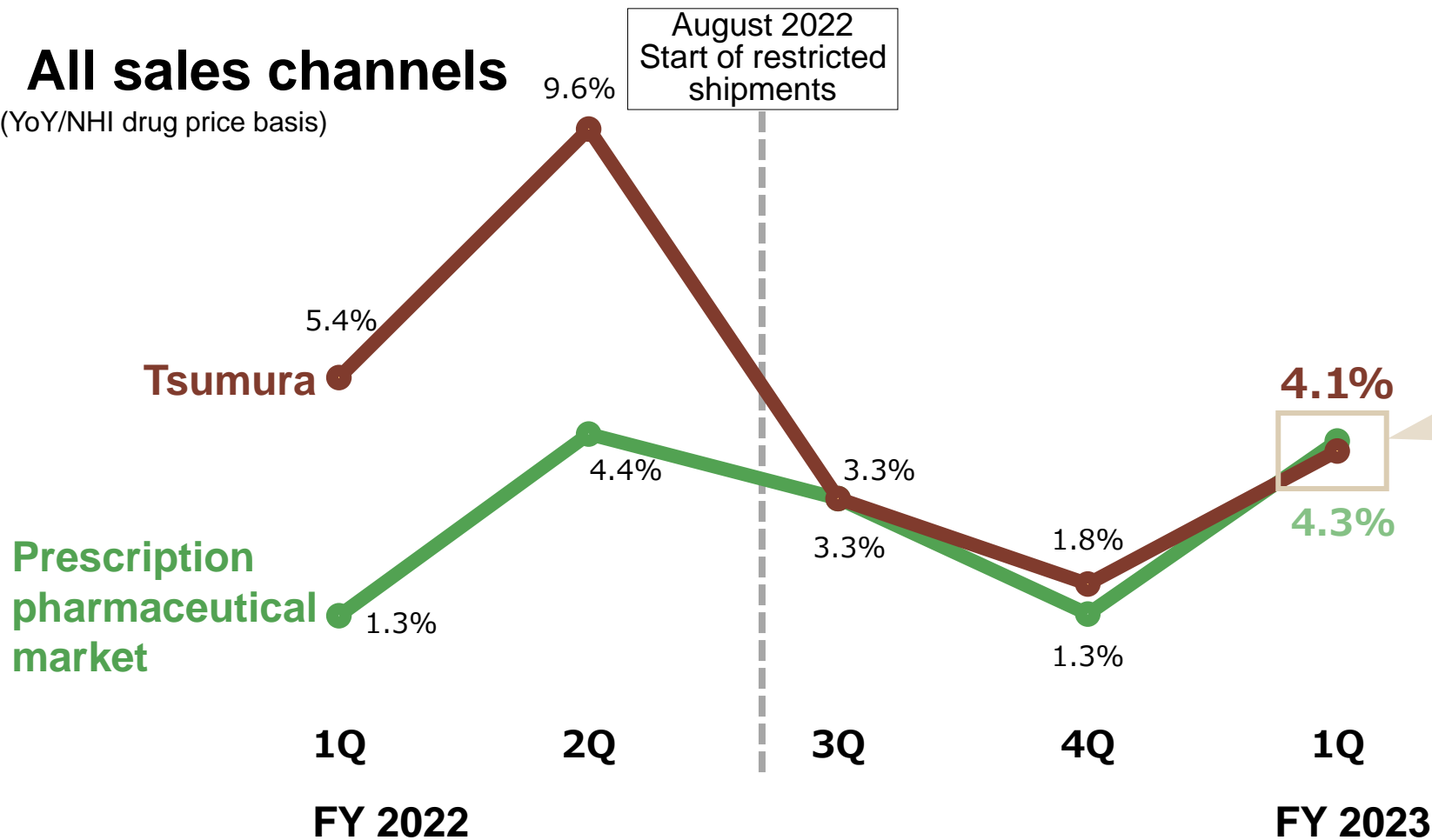
03

Initiatives and Progress for China Business

Growth rate recovered owing to the lifting of restricted shipment items (23 items) in June

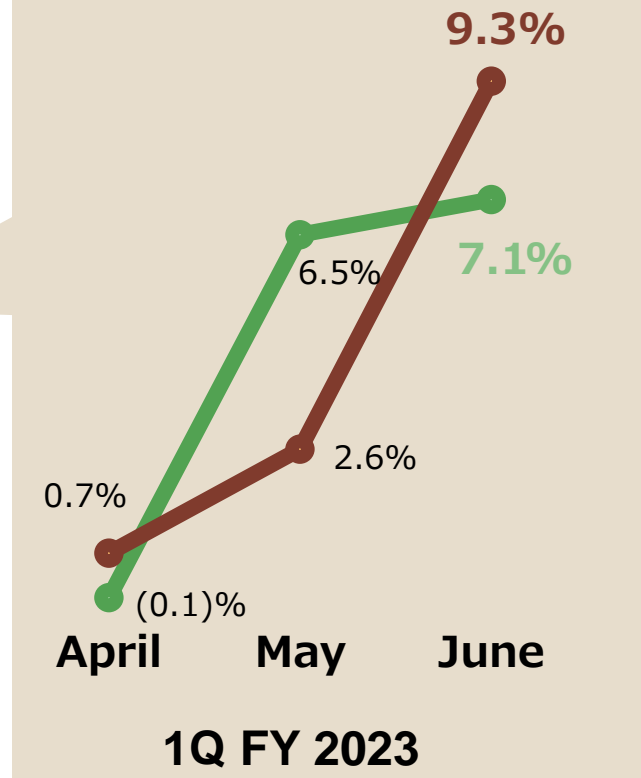
All sales channels

(YoY/NHI drug price basis)



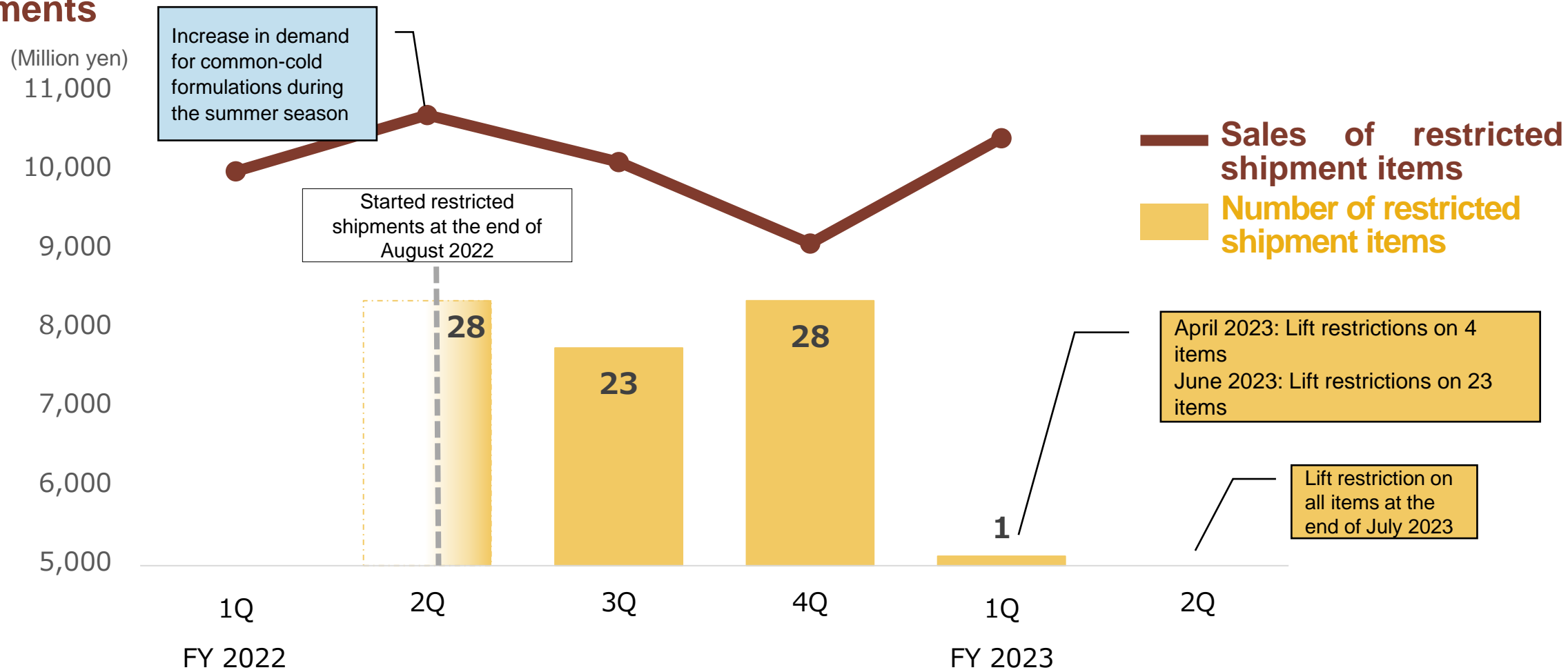
Status for lifting of restricted shipments

June 5: 22 items (restrictions lifted)
 June 30: 1 item (restriction lifted)



Sales of Restricted Shipment Items

- Sales of common-cold formulations declined in the winter months due to the start of shipment restrictions in and after the end of August 2022
- Sales of restricted shipment items recovered from June owing to a lift on restricted shipments

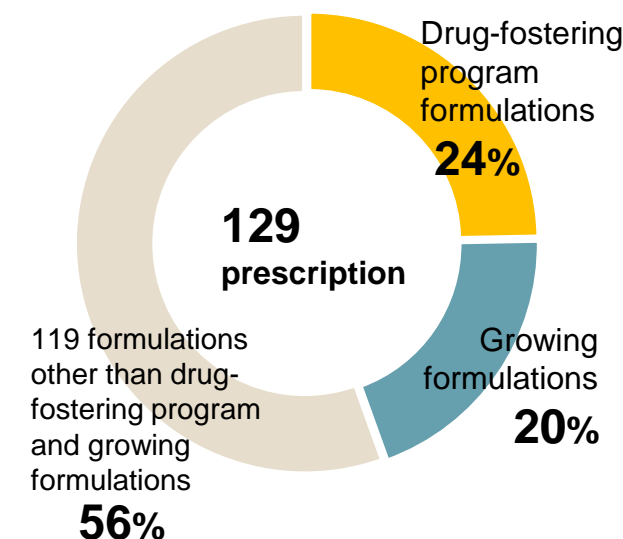


Sales of Drug-fostering Program Formulations/Growing Formulations

(Million yen)

	Net sales Ranking	Product No./formulation name	FY 2022 1Q	FY 2023 1Q	YoY	
Drug-fostering program formulations	1	100 Daikenchuto	2,505	2,515	+9	+0.4%
	2	54 Yokukansan	1,933	1,940	+6	+0.4%
	4	43 Rikkunshito	1,860	1,861	+1	+0.1%
	9	107 Goshajinkigan	932	995	+62	+6.7%
	23	14 Hangeshashinto	359	370	+11	+3.2%
Total sales for drug-fostering program formulations			7,591	7,683	+92	+1.2%
Growing formulations	3	41 Hochuekkito	1,881	1,931	+49	+2.6%
	5	17 Goreisan	1,542	1,801	+259	+16.8%
	6	24 Kamishoyosan	1,296	1,305	+9	+0.7%
	17	137 Kamikihito	501	590	+88	+17.7%
	18	108 Ninjin'yoeito	507	561	+54	+10.6%
Total sales for growing formulations			5,730	6,191	+461	+8.0%
Total sales for 119 formulations other than drug-fostering program and growing formulations			16,956	17,964	+1,007	+5.9%
Total sales for 129 prescription Kampo products			30,277	31,838	+1,560	+5.2%

Ratio to total sales

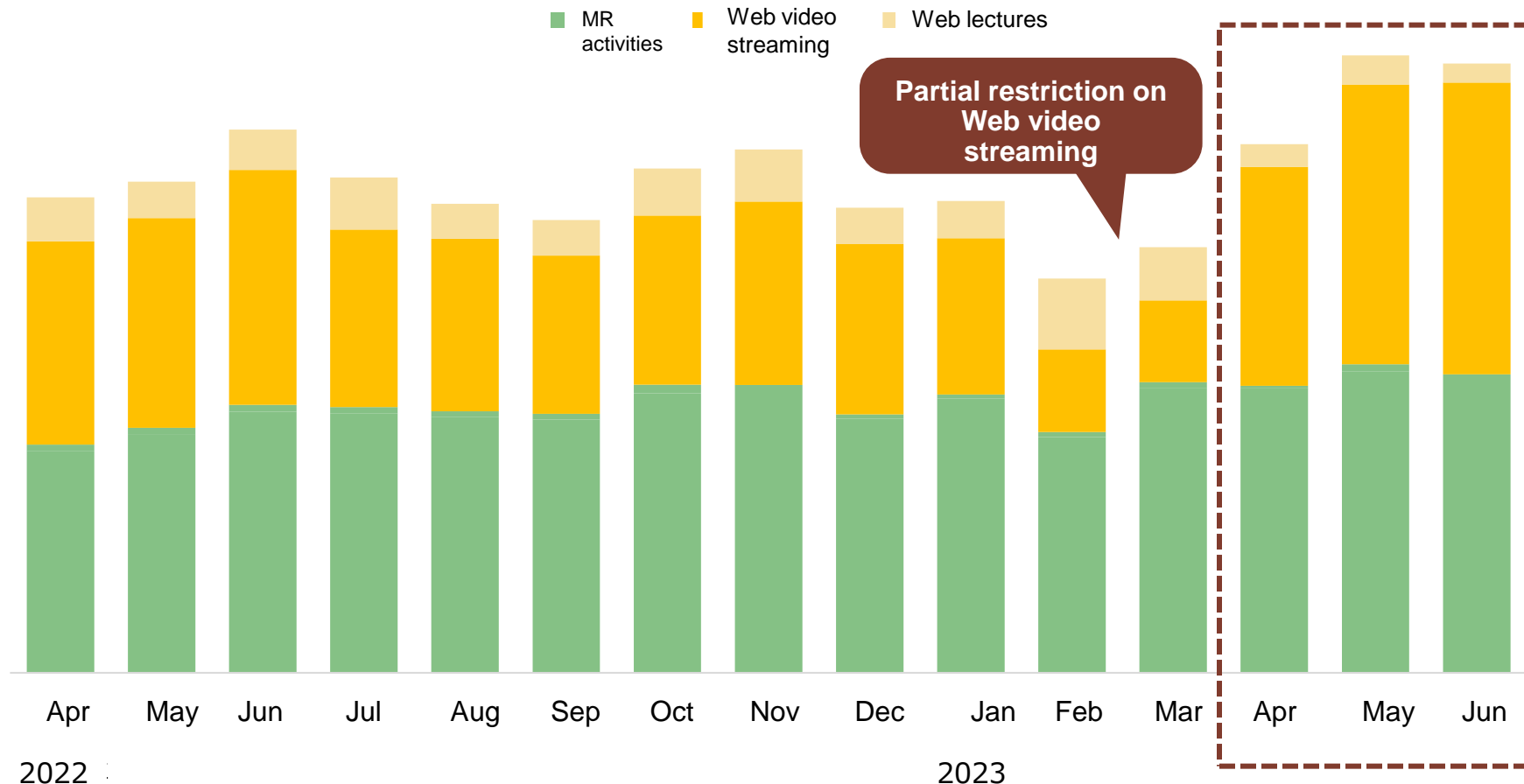


*Restricted shipments of Goshajinkigan to April 2, 2023

Status of Information Provision Activities after the Lift of Shipment Restrictions

Partial restrictions, including Web video streaming, after the implementation of shipment restrictions, and resumption of activities after the lifting of shipment restrictions

Trends of the number of cases of detailing impact



e-promotion

Information provision activities returning to prior levels owing to lifting of shipment restrictions

MR activities

MR activities trending toward recovery as COVID-19 downgraded to a Class 5 common infection disease

* Number of cases of detailing impact: Cases of information perception from each channel, including MR activities and the Internet
 * e-promotion: Information provision, including WEB lectures and video streaming
 * MR activities: Information provision via MRs + in-person lectures

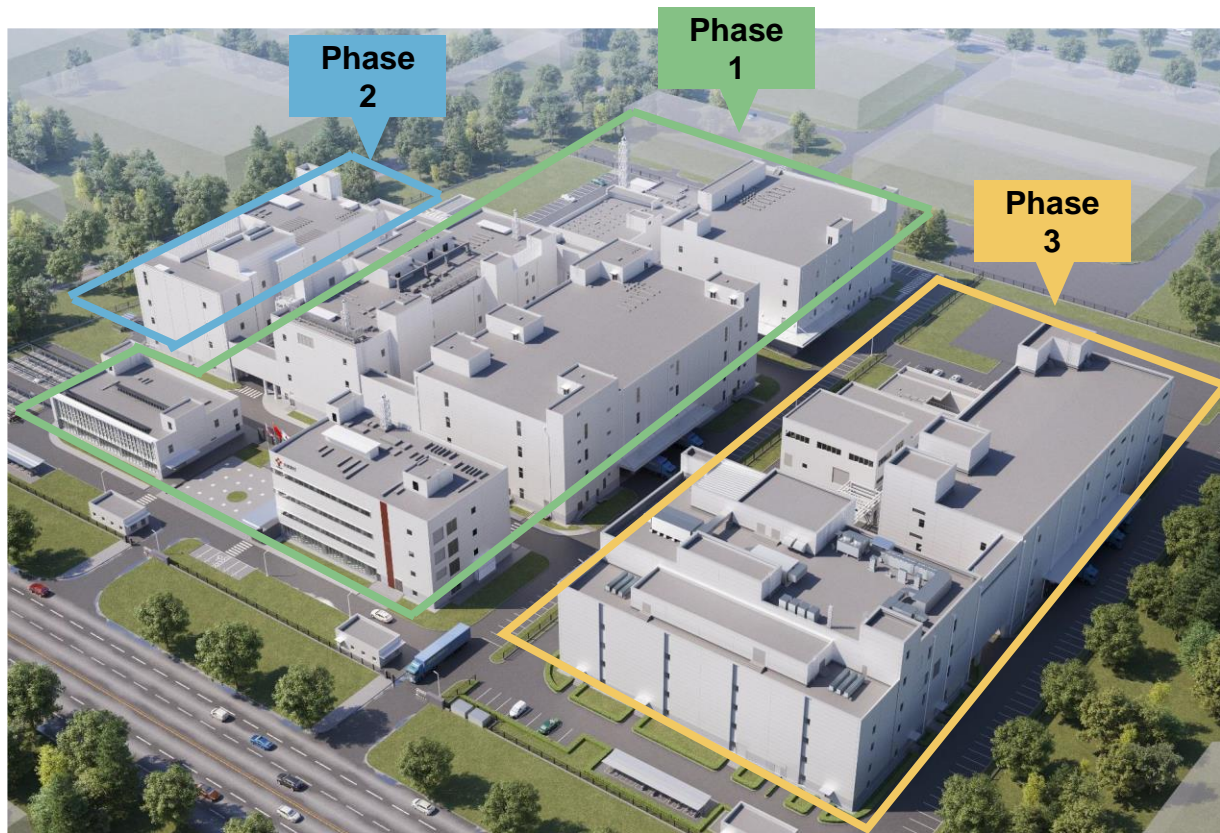
Intage Healthcare Survey "Impact Track"

Boost Production Capacity for Domestic Business: Launching the Tianjin Plant (Tianjin Tsumura Pharmaceuticals Co., Ltd.)

- Phase 1 construction is going through procedures to frontload the timing of the start of shipments
- Phase 2 and Phase 3 construction is in progress as planned



Production capacity for Kampo powdered extract (intermediate product) to rise about 35% owing to full-fledged operations from Phase 1 to Phase 3



Site area of the Tianjin Plant: approx. 60,000m²

Phase 1 construction

- Kampo powdered extract production facilities, warehouse, utilities, etc.
- Investment: approx. 15.0 billion yen
- Scheduled to start shipments in FY 2023

Phase 2 construction

- Kampo powdered extract production facilities
- Investment: approx. 8.5 billion yen
- Complete construction: January 2024 (tentative)

Phase 3 construction

- Kampo powdered extract production facilities, quality control functions, etc.
- Investment: approx. 14.0 billion yen
- Complete construction: March 2025 (tentative)

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Sales growth, mainly for mainstay raw material crude drugs, through quality-oriented sales activities

Raw material crude drugs



Sales to traditional Chinese medical products companies as a raw material

Drug pieces (Crude drug pieces)

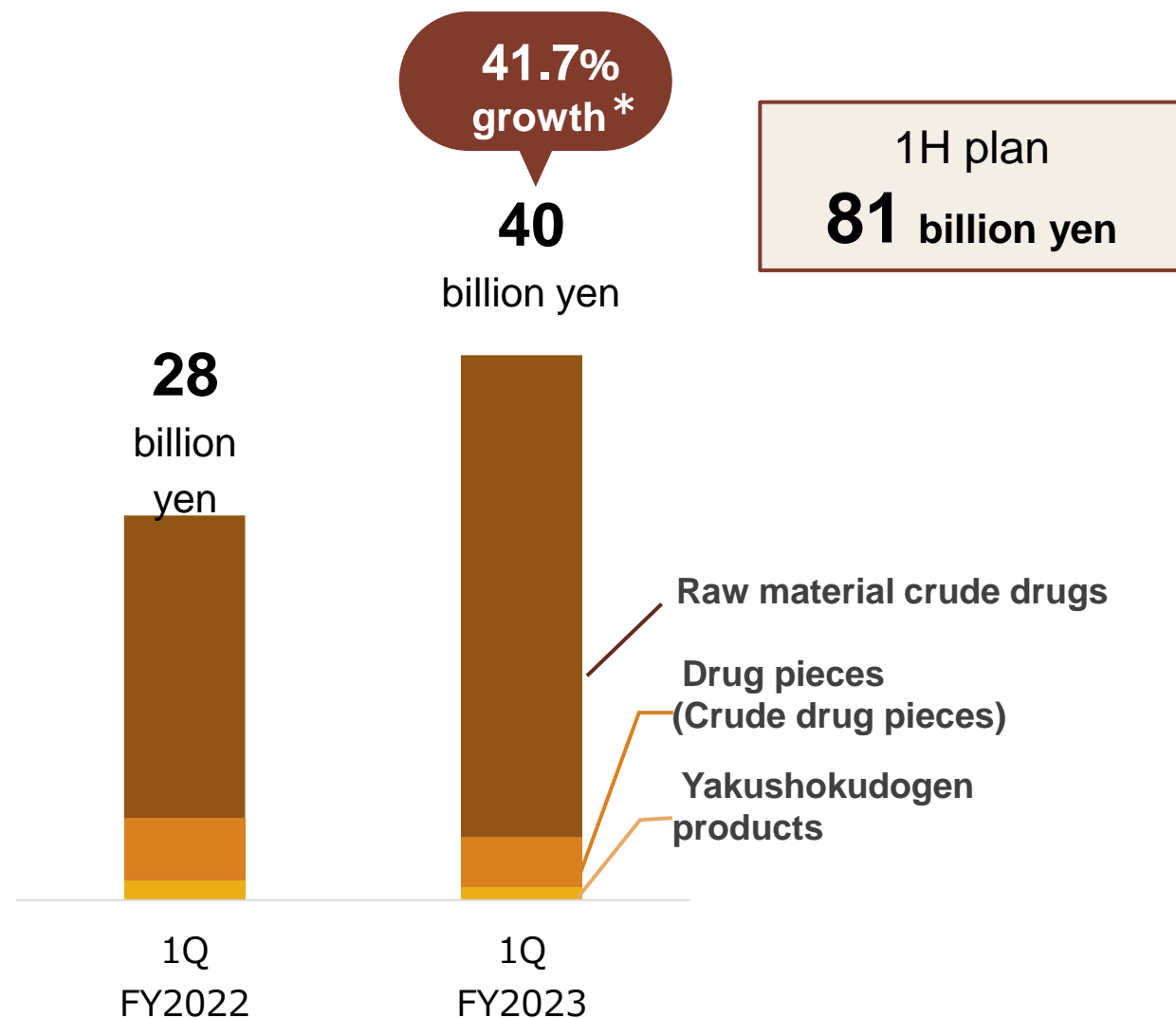


Sales for prescription-use and as an OTC to hospitals and pharmacies

Yakushokudogen products



Sales of health food products to general consumers



*Local current basis: 34.1% growth

Notification of the signing of an agreement related to the transfer of equity interest in Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. by Ping An Tsumura Inc.

Background

- Signed an agreement on the transfer of equity interest on April 13 (acquisition of total equity in Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd (Unisplendour))
- After the completion of all procedures for this project (May 9, 2023), we were contacted by the government of Baoji City, Shaanxi Province regarding differences in interpretation of national policy and related laws and regulations, etc. by the department in charge of the project at the Baoji municipal government.
- Following this, we repeatedly held discussions with the department in charge of the project at the Baoji municipality, and determined that conditions had not been satisfied for the continued implementation of this project.
- We understand and respect the opinions of the Baoji municipal government and transferred equity in Unisplendour.

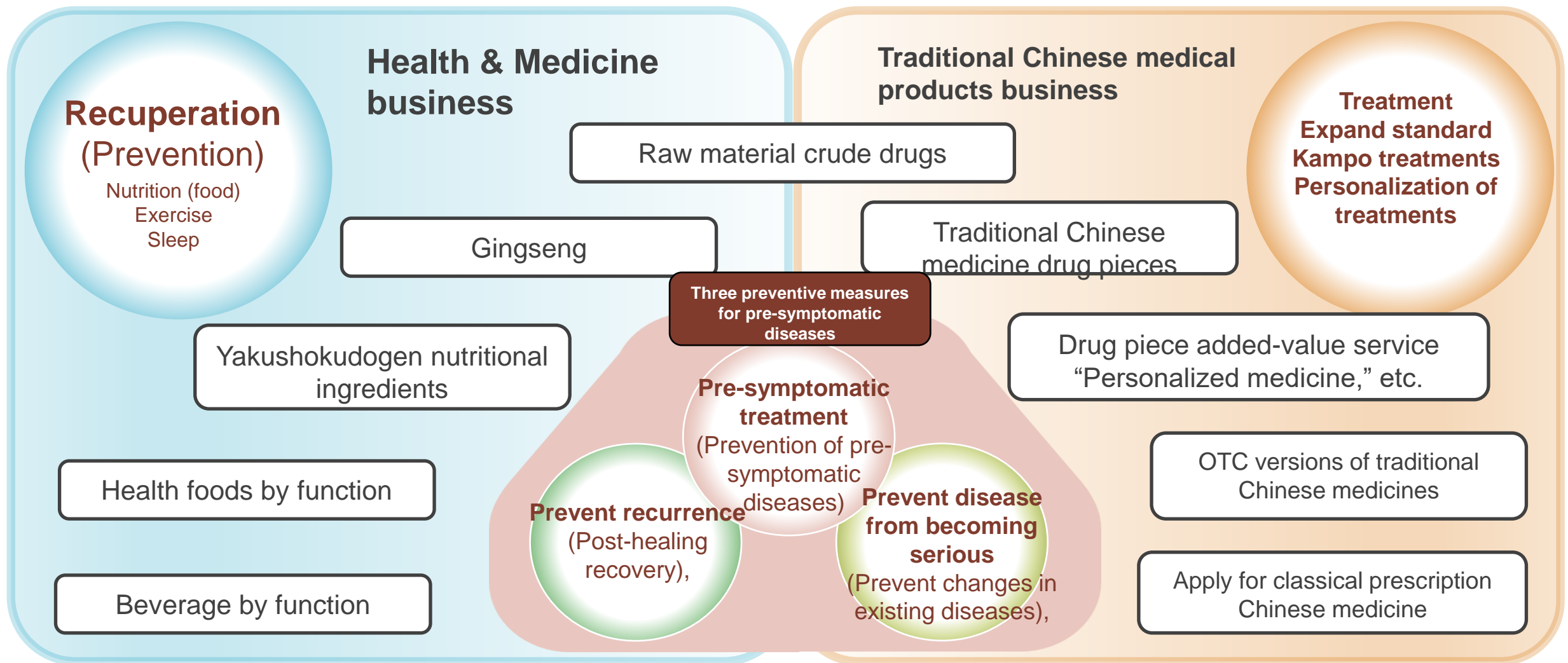
Equity transfer partners	: Shenzhen Hua Yu Tai Asset Management Co., Ltd., Baoji Investment (Group) Co., Ltd.
No. of shares sold	: 100% of the equity interest in Unisplendour
Sales price	: 254,788 thousand RMB
Agreement date	: July 27, 2023
Earnings impact	: Mild impact to FY 2023 consolidated earnings at Tsumura



Contribute to the health of China's citizens



Stable procurement/supply of raw material crude drugs



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Cautionary items regarding forecasts

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

Appendix

Curbing of the NHI Drug Price Revision Ratio

- We plan to continue to promote the “value” of our prescription Kampo products and make proposals to related ministries in collaboration with industry groups
- In recent years, the reduction rate has been curtailed. In April 2023, a positive revision was implemented.

