

TSUMURA & CO.

Second Quarter (Interim Period) Business Results for Fiscal 2026

November 9, 2026

Event Summary

[Company Name]	TSUMURA & CO.
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[Venue Size]	
[Participants]	
[Number of Speakers]	8

Terukazu Kato	President and Representative Director CEO
Kei Sugii	Representative Director COO and President, Prescription Pharmaceuticals Company
Kaoru Kobayashi	CFO and Head of Corporate Management Division, Prescription Pharmaceuticals Company
Akihito Konda	CTO and Head of Research & Development Division, Prescription Pharmaceuticals Company
Toshio Yamaoka	Executive Officer Head of Pharmaceutical Sales & Marketing Division, Prescription Pharmaceuticals Company
Yasushi Nakagawa	Executive Officer President, Consumer Health Company
Mariko Eguchi	Outside Director

	Makoto Kitamura	Head of Corporate Communications Department, Corporate Management Division, Prescription Pharmaceuticals Company
[Analyst Names]*	Kazuaki Hashiguchi	Daiwa Securities
	Masao Yoshida	Tokai Tokyo Intelligence Laboratory
	Takefumi Kobayashi	BofA Securities
	Kyoichiro Shigemura	Nomura Securities
	Jaeheon Lee	Morgan Stanley MUFG Securities

*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A or whose questions were read by moderator/company representatives.

Presentation

Kitamura: It is now time to begin the TSUMURA & CO. Q2 interim period business results for fiscal 2026.

Thank you very much for joining us today despite your busy schedules. Today's briefing is being held in a hybrid format, with an in-person session at our headquarters and a webcast. Our presentation will be based on the briefing materials posted on our website; please have them ready or refer to the projected slides.

Now, allow me to introduce today's attendees: Kato, President and Representative Director CEO; Sugii, COO and President; Kobayashi, CFO and Head of the Corporate Management Division; Eguchi, Outside Director; Konda, Director, CTO, and Head of the Research and Development Division; Yamaoka, Executive Officer and Head of Pharmaceutical Sales & Marketing Division; and Nakagawa, Executive Officer President, Consumer Health Company. These seven individuals are in attendance.

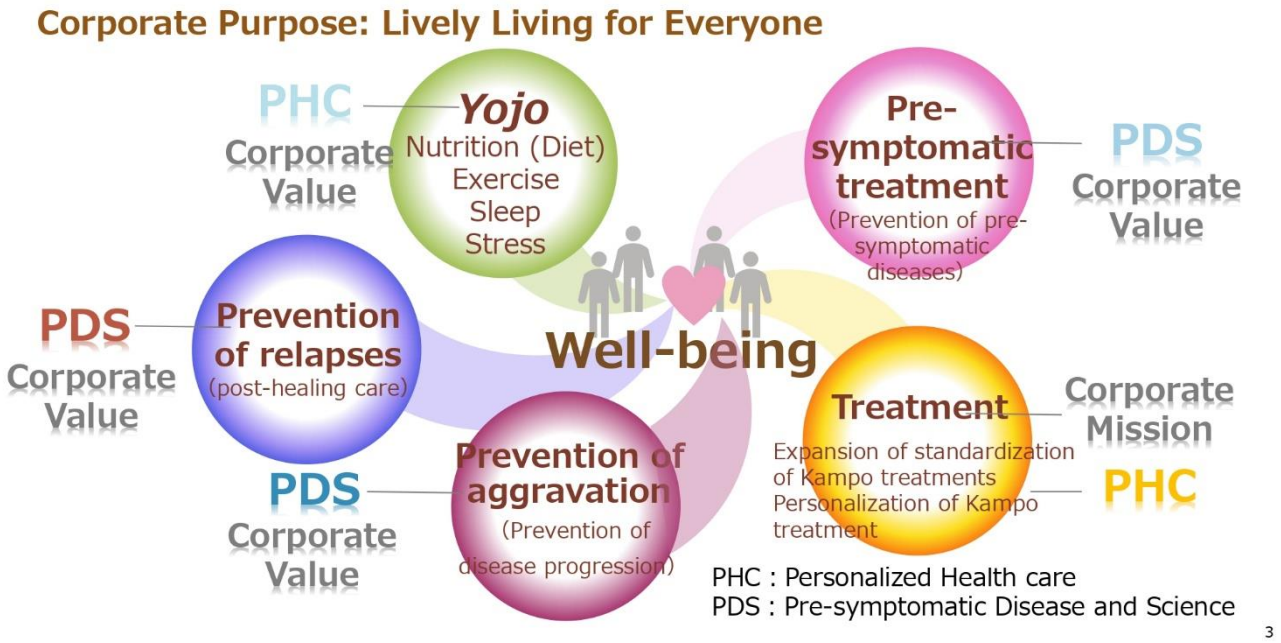
I am Kitamura from Corporate Communications Department, serving as the moderator today. Thank you very much.

Today, the presentation will last about 45 minutes, and after we finish all the explanations, we would like to answer any questions you may have. The briefing is scheduled to conclude at 15:00 PM.

Now, Kato will provide our long-term business vision, Outlook for Achieving TSUMURA VISION "Cho-WA" 2031. Thank you.

Kato: Good afternoon, everyone. This is Kato. Thank you very much for attending our Q2 business results briefing for fiscal year ending March 2027. This might be one of the last times we hold such a meeting at our current headquarters. Furthermore, we would like to express our heartfelt gratitude for your ongoing support of our Company and Kampo.

The acquisition of shares in Yomeishu Seizo Co., Ltd. was completed on September 1, and the Company's results for one month have been included in the consolidated financial results for Q2. Accordingly, on October 28, we announced revisions to Q2 and full-year consolidated earnings forecasts.



To begin, I would like to outline our outlook for achieving TSUMURA VISION "Cho-WA"2031.

Our Group upholds the corporate purpose of lively living for everyone and practices management based on our fundamental philosophy, Corporate Value and Corporate Mission. To embody these principles, what we aim for under TSUMURA VISION "Cho-WA" 2031 is as shown here.

In the area of Treatment, in addition to expansion of standardization of Kampo treatments, we strive to achieve personalization of Kampo treatment through digital innovation.

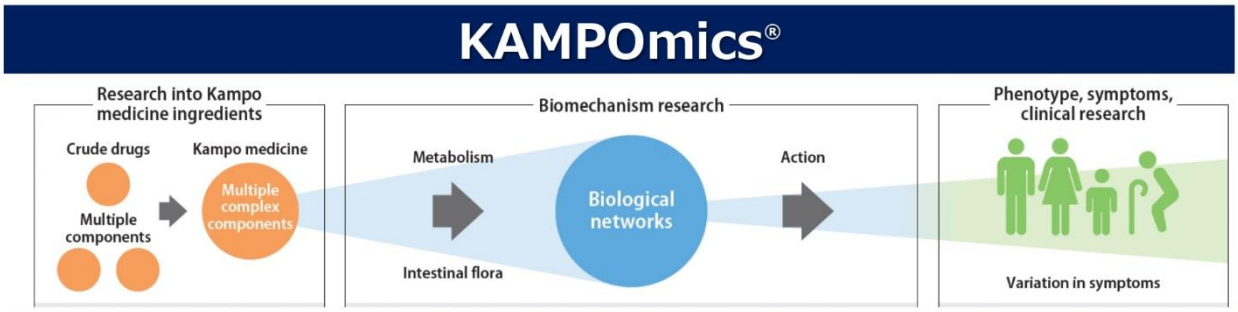
In the area of pre-symptomatic diseases and three preventive measures, we define pre-symptomatic diseases scientifically and work to implement Kampo-based pre-symptomatic disease treatments in society.

Moreover, we aim to establish Yojo, health preservation, as a social norm using cutting-edge evidence and provide products and services that support Yojo. This is the implementation of business activities based on our Corporate Purpose and Corporate Philosophy.

So that every individual can stay healthy and actively participate in society across all life stages, we will continue to create and provide unique value that only our Group can offer. By FY2026, when we reach the midpoint of the 2031 Vision, the path toward achieving this Vision has become fairly clear.

KAMPOmics® Paving the Way for the Scientific Elucidation of Pre-symptomatic Disease and Personalized Kampo Treatment

TSUMURA



KAMPOmics® is TSUMURA's proprietary research framework (registered trademark), developed by combining research in advanced technology fields cultivated by TSUMURA, including metabolomics, genetics, gut microbiota, and systems biology, to enable an integrated understanding of Kampo medicine, Japan's traditional medicine, and the mechanisms of action of complex, multi-component Kampo medicines.

PDS
Pre-symptomatic Disease and Science

PHC
Personalized Health care

- **Scientific elucidation of pre-symptomatic disease through intron retention (pre-symptomatic disease testing services & Kampo treatment)**
- Pre-symptomatic disease and personalized medicine for sensitivity to cold (application of the Kampo diagnostic support system)
- Research and development of responder markers focusing on gut microbiota, metabolomics, and other factors

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In efforts to establish scientific elucidation of pre-symptomatic disease and to personalization of Kampo treatment, it is important to recognize that Kampo medicines are multi-component formulations. Given that some of their components are converted by gut bacteria into forms that are easily absorbed or into active metabolites that are then absorbed through the intestinal tract and further metabolized in the liver and other organs before being distributed throughout the body, the mechanisms of action of Kampo medicines must be understood holistically as a biological network.

Based on KAMPOmics, our Company is advancing three initiatives.

The first is the scientific elucidation of pre-symptomatic diseases through intron retention, namely the creation of pre-symptomatic disease testing services.

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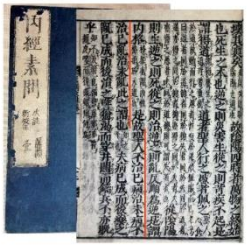
The second is the pre-symptomatic disease and personalized medicine for sensitivity to cold, applying the Kampo diagnostic support system.

The third is the research and development of responder markers focusing on the gut microbiota and metabolomics. Ultimately, we aim to implement these in society and achieve evidence-based Kampo treatment.

Through these efforts, we strive to realize PDS, Pre-symptomatic Disease and Science, and PHC, Personalized Health Care.

“Treating Pre-symptomatic Disease” in Kampo Medicine

TSUMURA



“The sage does not wait until a disease has fully developed before treating a patient, but anticipates its onset and takes preventive action through treatment **(treating pre-symptomatic disease)**.” (**Koteidaikei [Somon]**)

Kampo medicine emphasizes not only the treatment of diseases and symptoms but also the treatment of pre-symptomatic disease, assessing an individual’s condition through the four diagnostic methods based on subjective complaints, physical findings, and other observations.

Pre-symptomatic Disease in Kampo Medicine

A condition in which subjective symptoms are present despite no abnormalities being detected by standard medical examinations

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Pre-symptomatic Disease in Western Medicine

A condition in which health checkup and other test values are near the limits of the reference range but do not meet the diagnostic criteria for a disease

Three Preventive Measures

- **Pre-symptomatic treatment (Prevention)**
- **Prevent disease from becoming serious (Prevent change in existing disease)**
- **Prevent relapses (Post-healing care)**

KAMPOmics®

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As the scientific understanding of Kampo advances, it is astonishing to see that the content described in classical medical texts is now being proven correct by modern science. The same applies to the concept of pre-symptomatic disease. Koteidaikei, the oldest existing medical text, contains descriptions of the pre-symptomatic disease concept as you can see here.

In Kampo medicine, in addition to the Western medical concept of pre-symptomatic diseases recognized in modern healthcare, it also has the characteristic of addressing Kampo-specific pre-symptomatic diseases (disorder), conditions where no abnormalities are detected in test results but patients experience subjective symptoms.

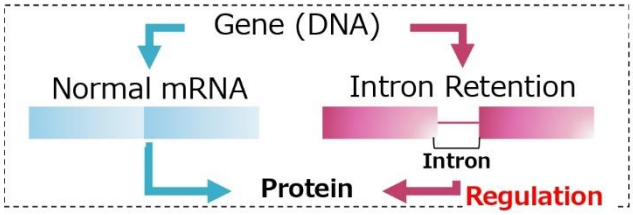
In addition to “pre-symptomatic treatment” preventing illness before it occurs, we view three concepts as part of our early detection; the others are “prevention of disease progression”, which prevents existing illnesses from becoming more severe; and “post-healing care”, which prevents illnesses from recurring after treatment.

To address these, we will use a scientific approach through KAMPOmics to explore biomarkers, develop definitions and diagnostic methods for pre-symptomatic diseases across various diseases, and implement evidence-based Kampo treatments in society.

Scientific Elucidation of Pre-symptomatic Disease through Intron Retention (IR)

Joint Research: **Norihiro Okada**, "Healthy Longevity Genome Course," School of Pharmacy, Kitasato University

Intron Retention (IR)



Evaluation of Intron Retention (IR) Status Using Human Blood Samples

Notice of Publication of a Paper on the Potential of a Novel Molecular Marker for Visualizing "Pre-symptomatic Disease" Using Intron Retention (IR)

May 11, 2026 From the Company's News Release

Through joint research with the "Healthy Longevity Genome Course" at Kitasato University School of Pharmacy, we found that the RNA processing state known as intron retention (IR) is involved in an upstream regulatory layer that reflects disruptions in cellular homeostasis and has the potential to serve as a promising biomarker (molecular marker) for visualizing pre-symptomatic disease.

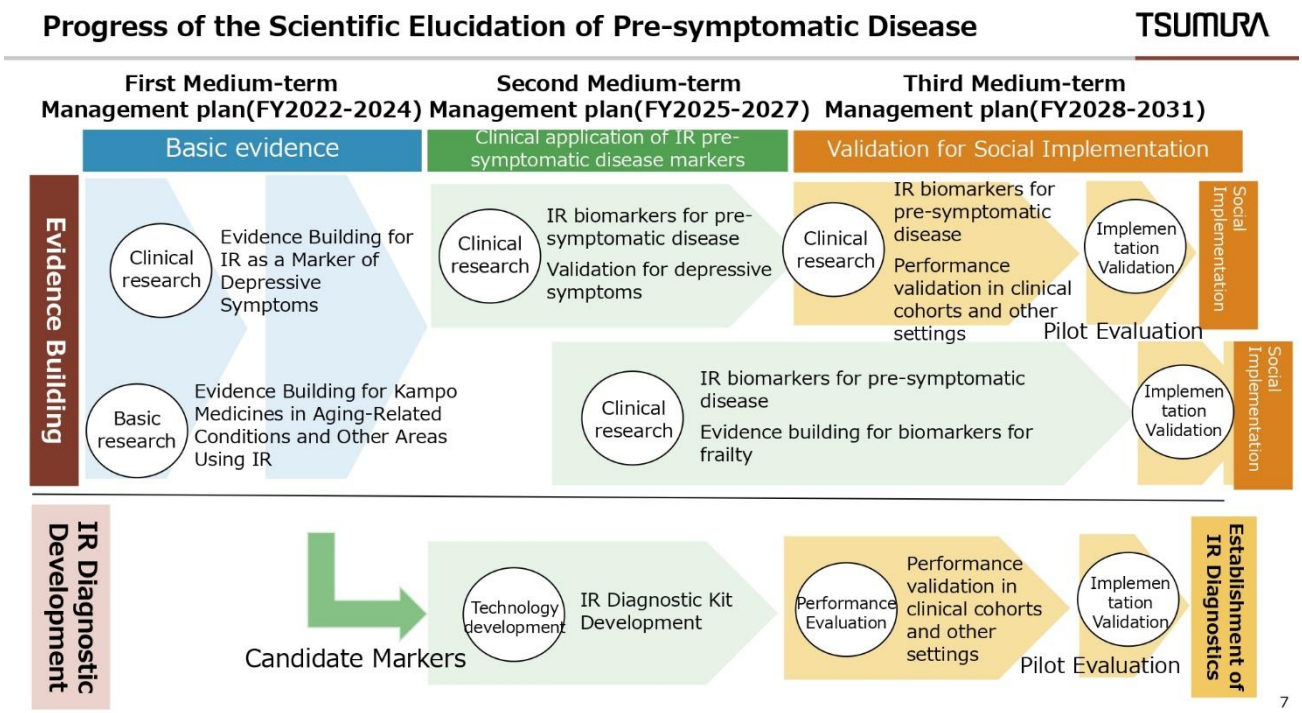
These findings suggest the potential not only to objectively visualize changes in health status but also to evaluate the effects of interventions, and are expected to provide an important research foundation for advancing the social implementation of approaches in the field of pre-symptomatic disease.

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A promising candidate for such a biomarker is intron retention; this aligns with the notice released on May 11 of this year regarding a paper on the "Potential of a Novel Molecular Marker for Visualizing Pre-symptomatic Disease Using Intron Retention (IR)".

In the joint research shown here, it was revealed that the RNA processing state of intron retention acts as an upstream regulatory layer reflecting disruptions in cellular homeostasis, making it a potential promising biomarker for visualizing pre-symptomatic stage. Currently, we are evaluating the status of intron retention in human blood.

These findings not only enable the objective visualization of changes in health status but also hold promise for assessing the effectiveness of Kampo medicine interventions. We consider this an important research foundation for promoting the societal implementation of pre-symptomatic disease-related applications.

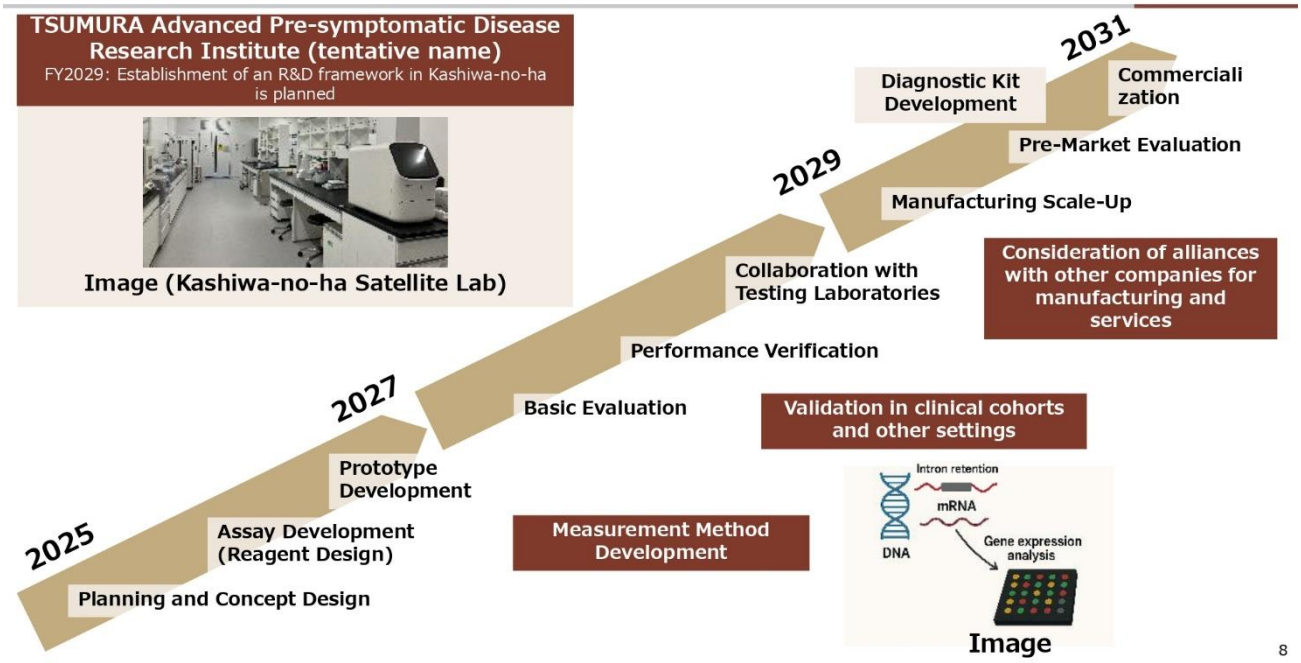


During the First Medium-term Management plan period, we accumulated evidence on Kampo medicines related to aging using intron retention as a basis for basic research, as well as evidence on pre-symptomatic disease markers for depressive symptoms through clinical research.

In the Second Medium-term Management plan period, we will verify the role of the intron retention pre-symptomatic diseases marker in relation to depressive symptoms. In the third Medium-term Management plan period, after performance verification, demonstration testing, and pilot evaluation in clinical cohorts, we will simultaneously advance the development of an IR diagnostic kit, aiming for societal implementation by FY2031.

In the future, we aim to group multiple diseases into pre-symptomatic diseases categories based on the level of IR production, adopt different approaches for each group, and incorporate this into health checkups and medical screenings to identify pre-symptomatic diseases conditions and enable early treatment.

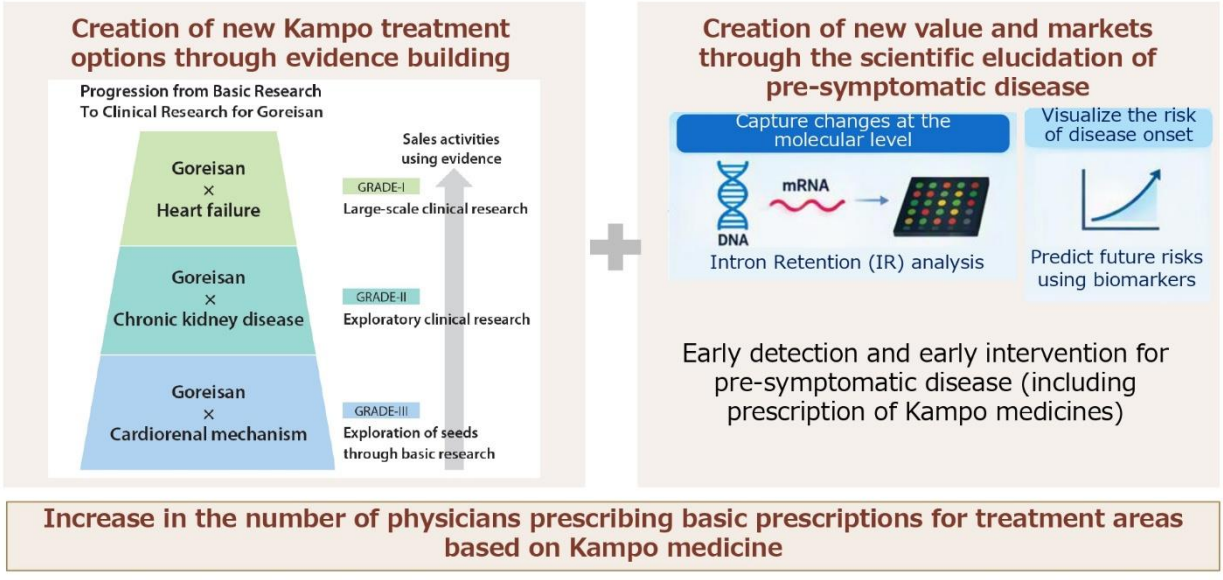
Advancing from Research Outcomes to Development and Implementation



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To become a leader in the scientific research of pre-symptomatic diseases, we plan to expand the functions of our Kashiwa-no-ha Satellite Lab in Chiba Prefecture and establish a research and development system under the name “Tsumura Advanced Pre-Symptomatic Diseases Research Institute”, which is a provisional name, by FY2029 to accelerate the research, development, and implementation of pre-symptomatic diseases-related applications. We will systematically prepare to reliably deliver the results of our research as products and services to society.

Domestic business: Sustainable Growth of the Prescription Kampo Market



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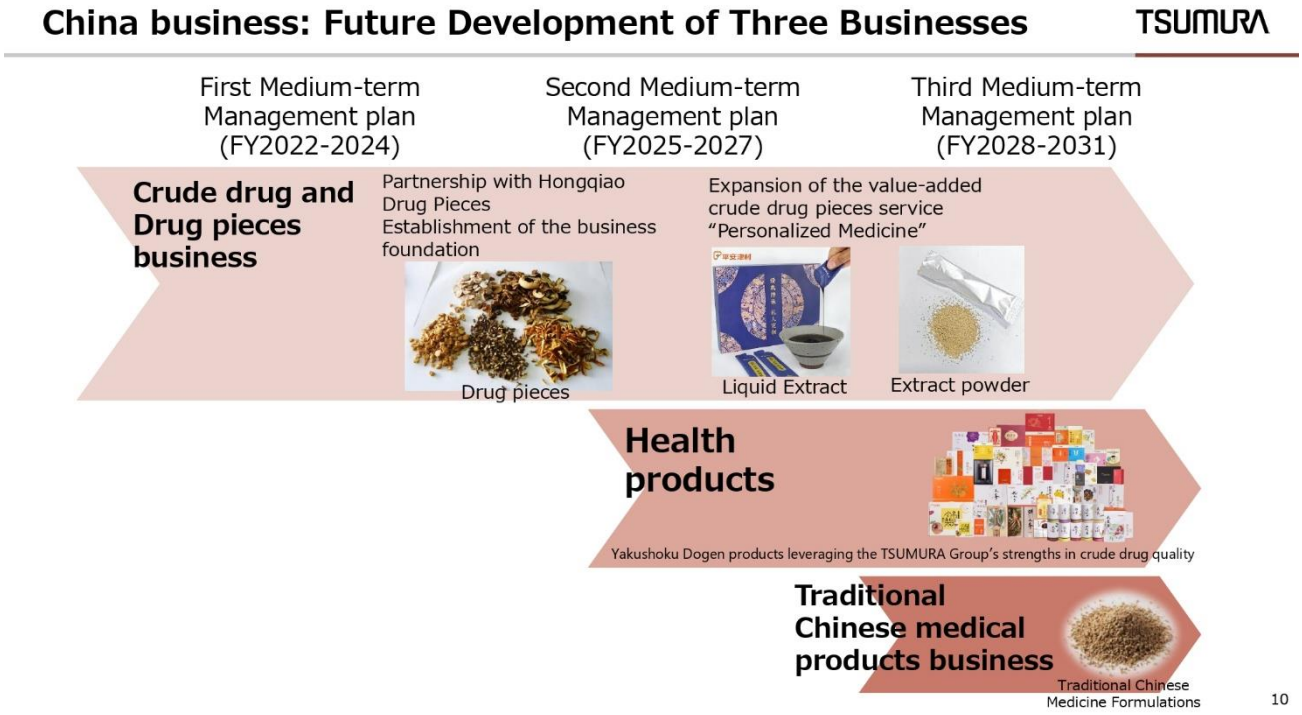
So far, we have focused on explaining the prospects of scientific elucidation of pre-symptomatic disease; this also serves as one strategy for expanding the market size of prescription Kampo business in Japan. The

strategy for the prescription Kampo product is, based on Kampo medicine as the foundation shown at the bottom of the diagram, to achieve a healthcare environment where at least one in every two prescribing physicians uses basic Kampo medicine for specific treatment areas.

In addition, creating new Kampo treatment options through evidence building on the left side, and generating new value and markets through the scientific elucidation of pre-symptomatic disease on the right side, will drive the growth of the prescription Kampo product business.

Creating new Kampo treatment options through evidence building includes initiatives akin to drug development, such as those involving Yokukansan and the example with Goreisan presented here.

Goreisan is a Kampo medicine that regulates the body's fluid balance and has primarily been used to treat edema and headaches. In recent years, thanks to advances in research, new therapeutic areas such as heart failure and chronic kidney disease have attracted attention for their potential benefits, and large-scale clinical studies are currently underway. In addition to our core strategies, we will drive the sustainable growth of the Kampo market by creating new Kampo treatment options to expand prescription opportunities and establishing Kampo treatments for the concept of pre-disease mentioned earlier.



Next, regarding our China business, we are currently working on building a foundation for the traditional Chinese medicinal products business, the crude drug and traditional Chinese medicine drug pieces business, and the health products business.

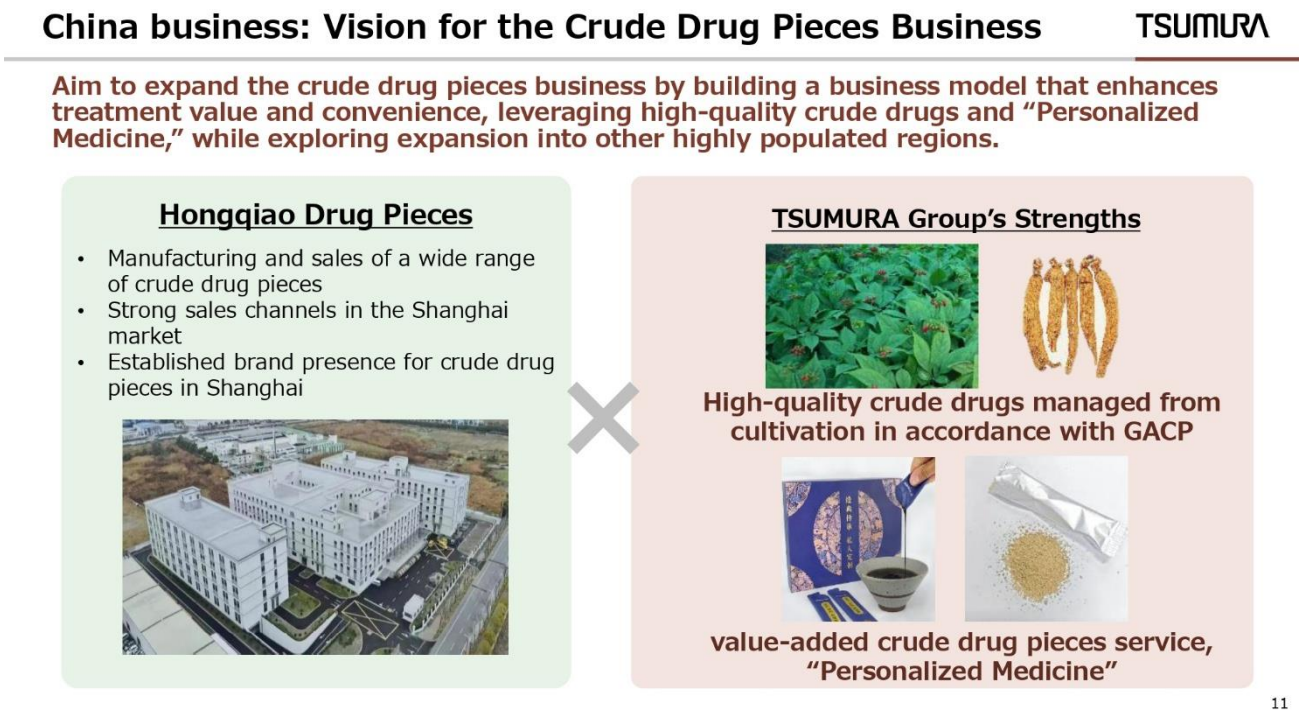
Ideally, we should leverage our expertise and know-how in Kampo product to develop a traditional Chinese medicinal products business based on identical prescriptions and mass production; however, unfortunately, given the current political situation between Japan and China, we have reversed the order and are proceeding with the crude drug and traditional Chinese medicine drug pieces business first, followed by the health products business.

For the traditional Chinese medicinal products business, we are currently applying for one product that qualifies for clinical trial exemption using classical prescriptions, and preparations for applying for four

additional products are underway. We are also continuing our efforts to identify potential business partners for traditional Chinese medicinal products.

In the crude drug and traditional Chinese medicine drug pieces business, although we will be somewhat affected by centralized procurement in the short term, we believe that in the medium to long term, companies unable to supply high-quality crude drugs and drug pieces through advanced production systems will be phased out. We are confident that our Group, with its advantages in raw material crude drugs under GACP management and cutting-edge technologies such as Personalized Medicine, has great opportunities.

Regarding the health products business, we are collaborating with Japan's healthcare business, including Yomeishu, and aiming to form business partnerships with global distributors targeting not only the Chinese market but also ASEAN and Indian markets.



In the crude drug and drug pieces business, which is laying the groundwork for our operations first, we will shift the sales mix from raw material crude drugs to drug pieces and then to Personalized Medicines, thereby enhancing both the therapeutic effects and convenience for patients while improving the profitability of the business.

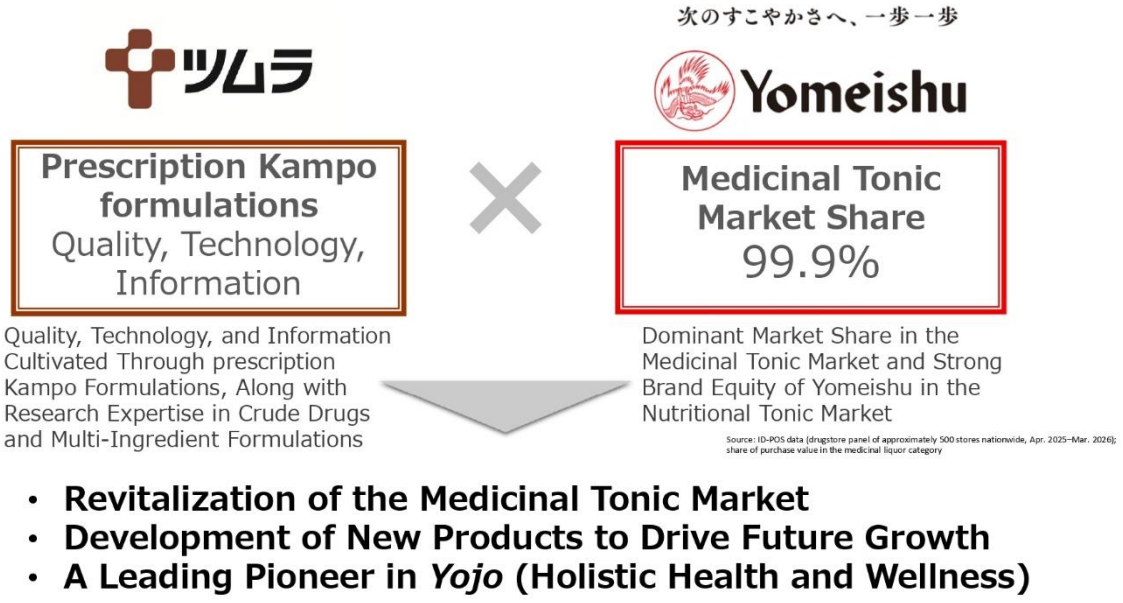
Our current challenge is to develop and introduce automation technology to process decocted herbal liquid produced by automated systems into convenient forms such as fluid extracts and extract granules.

By establishing an automated system capable of handling approximately 1,000 prescriptions per day, we expect to realize an industry-first technology that balances responses to individual needs with low-cost operations by next summer.

First, we will strive to build a solid track record in the Shanghai region and gain positive feedback from patients and doctors, before expanding this business to other regions with large populations in need of such products and services.

Strengthen the business foundation for *Yojo* through collaboration with Yomeishu Seizo

TSUMURA



- **Revitalization of the Medicinal Tonic Market**
- **Development of New Products to Drive Future Growth**
- **A Leading Pioneer in *Yojo* (Holistic Health and Wellness)**

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With the integration of Yomeishu Seizo, we will strengthen value creation not only in the field of pre-symptomatic diseases but also in the area of Yojo.

Yomeishu is a Class 2 over-the-counter medicine that holds a 99.9% share of the medicinal tonic market. Its indicated uses include treating weak digestion, loss of appetite, poor complexion, cold intolerance, physical fatigue, weak constitution, and providing nourishment and strengthening during or after illness. Given these indications, it is an excellent product suitable for both pre-symptomatic diseases and three preventive measures and supporting Yojo.

Although this is based solely on our own surveys, the reported frequency of side effects over the past 20 years has been less than 0.001%, confirming that it is a suitable product for Yojo.

Through collaboration between Yomeishu Seizo and TSUMURA's R&D teams, we will uncover the scientific basis of Yomeishu as a medicinal product and conduct specialized analysis, research, and development focused on its constituent crude drugs to create new value. By scientifically validating the concept of Yojo and making it a social norm, we will promote lifestyles incorporating Yojo and help people lead healthy, energetic lives by disseminating evidence-based accurate information and developing and providing products and services that support Yojo.

We will capture the needs of markets not only in Japan but also in China, ASEAN, India, and other regions to create new value.

Yojo Hub: Yomeishu *Yojo* no Mori

TSUMURA

A hub for learning about and experiencing *Yojo*, connecting these experiences to the realization of well-being



Komagane City, Nagano Prefecture

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As a hub for promoting Yojo and a sacred site for Yojo, we will make full use of Yojo no Mori, located adjacent to the Komagane Factory of Yomeishu Seizo.

Situated between the Central Alps and Southern Alps, it offers a place where people can learn about Yojo and cultivate balance in body and mind through various experiences, thereby encouraging deep reflection on their own way of life and engagement with life itself. Furthermore, by developing and providing products and services that support Yojo, we aim to nurture them into the next pillar of Yomeishu products.

That concludes my explanation of the outlook for our domestic and international operations in the areas of treatment, pre-symptomatic diseases and three preventive measures, and Yojo, as outlined in our 2031 Vision. Thank you for your attention.

Kitamura: Thank you very much. Next, Kobayashi will provide an overview of the Q2 business results for FY2026. Thank you.

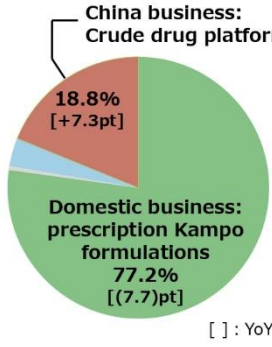
H1(Interim Period) Business Results for Fiscal 2026

TSUMURA

[billion yen]	Fiscal Year 2026 H1 Initial Plan	Fiscal Year 2026 H1 Actual	Achievement Rate	Year-on-Year Comparison	
				Amount	Rate of Increase/Decrease
Sales	**102.5**	**103.4**	**100.9%**	**+13.5**	**+15.1%**
Domestic business	81.7	83.9	102.7%	+4.4	+5.5%
China business	20.8	19.4	93.7%	+9.1	+88.2%
Operating Profit	**17.2**	**18.8**	**109.6%**	**+1.7**	**+10.1%**
Domestic business	16.3	17.3	106.6%	+0.2	+1.4%
China business	0.9	1.4	163.5%	+1.4	–
Ordinary Profit	**16.4**	**20.3**	**123.9%**	**+3.8**	**+23.7%**
Attributable to Parent Company Shareholders **Interim Net Profit**	**11.1**	**16.2**	**146.0%**	**+3.7**	**+29.9%**

* Yomeishu Seizo has been consolidated into the Company's financial statements since September 2026

Sales Composition Ratio



[ ] : YoY

Domestic business:
Healthcare products
(OTC Kampo medicine, etc.)
3.5% [+0.5pt]

Domestic business:
Other prescriptions 0.5%[(0.1)pt]

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Kaoru Kobayashi: I am Kobayashi, CFO. Next, I will explain FY2026 H1 Financial Results Overview and the Revision of FY2026 Earnings Forecast.

First, let me outline the business results.

We achieved our targets for sales and all profit levels. I'll go through each item one by one.

Sales totaled JPY103.4 billion, representing 100.9% of the target and a 15.1% increase YoY. Specifically, the domestic business generated JPY83.9 billion, meeting the plan, while the Chinese business recorded JPY19.4 billion, falling short of the plan.

Operating profit was JPY18.8 billion, with an achievement rate of 109.6%, reflecting a 10.1% increase YoY.

Ordinary profit reached JPY20.3 billion, with an achievement rate of 123.9%, a 23.7% increase YoY; Interim net profit attributable to parent company shareholders was JPY16.2 billion, with an achievement rate of 146%, representing a 29.9% rise from the previous year.

Key Points in Performance

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Sales	103.4	billion yen	FY2026 H1 achievement rate*	100.9%	YoY	+15.1%
■ Domestic Business: Total sales for 129 prescriptions Kampo formulations: 79.8 billion yen, up 4.7% YoY Total sales of healthcare products (OTC Kampo medicine, Yomeishu etc.) : 3.6 billion yen, up 32.8% YoY ■ China Business: Raw material crude drug , drug pieces , health products: 19.4 billion yen, up 88.2% YoY						
Operating profit	18.8	billion yen	FY2026 H1 achievement rate*	109.6%	YoY	+10.1%
Operating profit margin	18.2	%	versus FY2026 H1 plan*	+1.4pt	YoY	(0.8)pt
■ Cost rate:53.0% Vs plan*: (0.5) pt (Decline in the Share of Revenue from the China Business) YoY :+1.4pt (Impact of exchange rates and higher sales contribution from the China Business) ■ SG&A expense ratio: 28.8% Vs plan*: (1.0)pt (review of various activities and timing shifts) YoY: (0.5)pt (Increase in sales offset higher R&D expenses and other costs)						
Ordinary profit	20.3	billion yen	FY2026 H1 achievement rate*	123.9%	YoY	+23.7%
■ Foreign exchange gain on loans to overseas subsidiaries: 2.0 billion yen ■ Foreign Exchange Loss in the Same Period of the Previous Year: 0.7 billion yen						
Interim Net Profit attributable to owners of parent	16.2	billion yen	FY2026 H1 achievement rate*	146.0%	YoY	+29.9%
■ Gain on Bargain Purchase Arising from the Acquisition of Yomeishu Seizo Shares: 1.7 billion yen (Provisional Amount Prior to Completion of PPA) ■ Gain on Sale of Cross-Shareholdings: 1.3 billion yen YoY: (0.6) billion yen						

* vs. Initial Plan Announced on May 13

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Let me highlight the key points in performance.

First, regarding the breakdown of sales. Sales for prescription Kampo product in Domestic Business was JPY79.8 billion, a 4.7% increase YoY. Healthcare products saw a 32.8% increase to JPY3.6 billion YoY, driven not only by the growth of OTC Kampo medicine but also the consolidation of Yomeishu Seizo Co., Ltd. effective September 1.

China Business generated JPY19.4 billion in sales, representing an 88.2% increase YoY, primarily due to the consolidation of Shanghai Hongqiao Drug Pieces.

Next, I will explain the cost rate and SG&A expense ratio in the middle section.

The sales cost ratio was 53%, which is 0.5 percentage points lower than planned and 1.4 percentage points higher than the same period last year. Factors contributing to the shortfall compared to the plan include a decrease in the proportion of sales from the China business due to that business falling short of its sales target; factors contributing to the YoY increase include the consolidation of Hongqiao Drug Pieces and foreign exchange effects.

The SG&A expense ratio was 28.8%, which is 1 percentage point lower than planned and 0.5 percentage points lower than the same period last year. The deviation below plan is attributable to the review of various activities and timing differences. Although expenses, particularly R&D costs, increased YoY, they remained within the range of the sales growth rate.

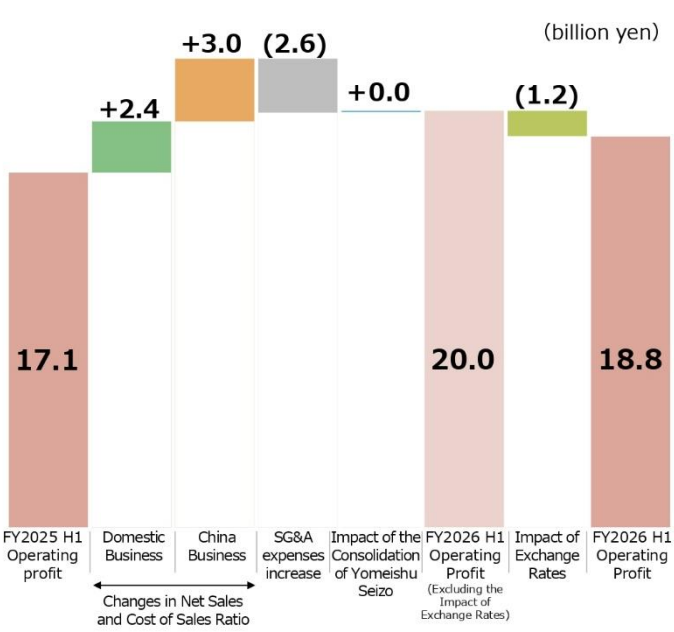
As a result, the operating profit margin was 18.2%, which is 1.4 percentage points higher than planned and 0.8 percentage points lower than the same period last year.

Ordinary profit reached JPY20.3 billion, or 123% of the plan, as a JPY2 billion exchange gain related to loans to overseas subsidiaries was recorded due to the weaker yen.

Interim net profit attributable to owners of parent was JPY16.2 billion, or 146% of the plan, partly due to a JPY1.7 billion gain from negative goodwill arising from the acquisition of Yomeishu Seizo shares.

Factors for Changes in Operating Profit (YoY)

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Domestic Business +2.4 billion yen *1	
Increase in Sales (Sales Volume, Sales Mix)	+1.9
Decrease in Cost of Sales Ratio	+0.5
Crude Drug Costs	+0.6
Raw Material and Packaging Costs	(0.4)
Processing Costs	+0.3
China Business +3.0 billion yen	
Increase in Sales	+0.9
Decrease in Cost of Sales Ratio	+2.0
Increase in SG&A expenses (2.6)billion yen *1	
Consolidation of Hongqiao drug pieces (including amortization of intangible assets and goodwill: (0.7))	(1.6)
Salary and allowances *2	+0.1
Research and Development Expenses *2	(0.4)
Others *2	(0.5)
Impact of the Consolidation of Yomeishu Seizo +88 million yen	
Impact of exchange rates (1.2) billion yen	

*1 Excluding the Impact of the Consolidation of Yomeishu Seizo
*2 Excluding the Impact of the Consolidation of Hongqiao Drug Pieces

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The next slide shows the factors for changes in operating profit YoY.

Excluding the impact of consolidating Yomeishu Seizo, I will now explain the factors affecting each business segment.

For Domestic Business, the combined effect on sales and cost of sales was a JPY2.4 billion positive impact. The increase in sales contributed a JPY1.9 billion positive effect, and the cost of sales ratio also improved, excluding exchange rate effects, resulting in a JPY0.5 billion positive impact.

Let us now break down the factors behind the decline in the cost of sales ratio.

Crude drug costs had a JPY0.6 billion positive effect due to a drop in average procurement prices, while raw material and packaging costs had a JPY0.4 billion negative effect due to rising prices of lactose and film. Processing costs had a JPY0.3 billion positive effect; although domestic labor costs increased, this was offset by expense reductions and higher utilization rates at the Tianjin plant.

Moving on to China Business, the combined effect of sales and cost of sales ratio was a JPY3 billion positive impact. Specifically, the sales increase contributed JPY0.9 billion positively, while the improvement in the cost of sales ratio, driven by a higher proportion of drug pieces and a customer-focused strategy emphasizing profitability, along with an improved sales mix, accounted for JPY2 billion of the positive impact.

The impact of the increase in SG&A expenses resulted in a negative impact of JPY2.6 billion on a consolidated company-wide basis. The impact of increased SG&A expenses related to Hongqiao Drug Pieces resulted in a JPY1.6 billion decrease; this includes JPY0.7 billion in amortization expenses for intangible assets and goodwill. Apart from the impact of Hongqiao Drug Pieces, R&D expenses increased by JPY0.4 billion, contributing to a negative effect.

The consolidation of Yomeishu Seizo had a positive impact of JPY 88 million.
As a result, operating profit excluding foreign exchange effects amounted to JPY20 billion; adding the JPY1.2 billion negative impact of foreign exchange, the operating profit was set at JPY18.8 billion.

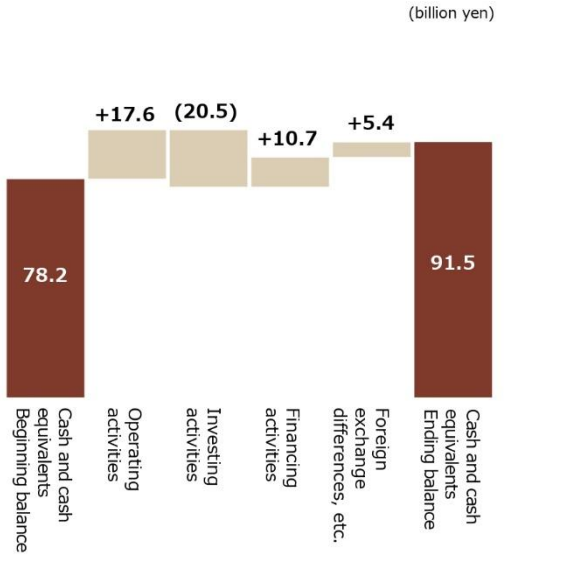
Financial condition and cash flow

TSUMURA

(billion yen)

	FY2025 (as of the end of March 2026)	FY2026 2Q	Amount of increase/ decrease	(Reference) Yomeishu Seizo Non-Consolidated Balance Sheet*
Total Assets	**592.7**	**657.3**	**64.6**	**19.4**
Current Assets	349.2	388.2	39.0	13.7
Non-current Assets	243.5	269.1	25.6	5.7
Total Liabilities	**221.1**	**261.6**	**40.4**	**10.7**
Current liabilities	83.2	118.8	35.6	10.6
Non-current liabilities	137.9	142.7	4.8	0.0
Total Net Assets	**371.6**	**395.7**	**24.1**	**8.7**
Equity Ratio	54.3%	51.7%	(2.6)pt	

	FY2025 (as of the end of March 2026)	FY2026 2Q	Amount of increase/ decrease	Of which, foreign exchange
Total inventory assets	**164.0**	**173.7**	**9.7**	6.1
Merchandise and Products	24.2	23.5	(0.7)	0.4
Work in Progress	25.1	30.9	5.8	0.3
Raw materials and stored goods	114.6	119.2	4.5	5.3



* Figures for Yomeishu Seizo are based on its non-consolidated balance sheet and do not reflect the impact of consolidation adjustments or other related entries

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Next slide is about the financial condition and cash flow.

Current Assets increased by JPY39 billion compared to the end of the previous fiscal year. Of this amount, JPY13.7 billion was due to the new consolidation of Yomeishu Seizo; an additional JPY12.1 billion came from an increase in cash and deposits, while a JPY9.7 billion rise in inventory was driven by higher production volumes and the effects of a weaker yen.

Non-current Assets increased by JPY25.6 billion. This was primarily due to investments in equipment for Building 4SD of the granulation and packaging facility at the Ibaraki Plant, as well as the consolidation impact of Yomeishu Seizo, leading to an increase in tangible fixed assets.

In the Liability section, JPY15 billion of corporate bonds due for repayment within one year were reclassified from non-current liabilities to current liabilities; however, new long-term borrowings resulted in a JPY4.8 billion increase in non-current liabilities. The actual increase in interest-bearing debt, combining short-term and long-term items, amounted to JPY17.6 billion.

Net assets increased by JPY24.1 billion.

As a result, the equity ratio reached 51.7%.

Cash flows are presented on the right side.

Domestic business:
Sales by prescription of prescription Kampo formulations

TSUMURA

(Million yen)

	Sales Ranking	Product No. / Formulation Name	FY2025 H1 Results	FY2026 H1 results	YoY		[Reference: Actual Sales Volume*] YoY
Drug-fostering program formulations	1	100 Daikenchuto	7,361	7,684	+322	+4.4%	+3.3%
	2	54 Yokukansan	5,600	5,755	+154	+2.8%	+1.1%
	5	43 Rikkunshito	3,600	3,792	+192	+5.3%	+2.8%
	7	107 Goshajinkigan	2,783	2,999	+215	+7.8%	+5.3%
	25	14 Hangeshashinto	759	837	+78	+10.3%	+7.7%
Total of drug-fostering program formulations			20,105	21,069	+963	+4.8%	+3.0%
"Growing" formulations	3	17 Goreisan	4,299	4,949	+649	+15.1%	+16.2%
	4	41 Hochuekkito	3,866	3,875	+9	+0.2%	(1.6)%
	9	24 Kamishoyosan	2,513	2,719	+206	+8.2%	+5.0%
	17	137 Kamikihito	1,207	1,345	+137	+11.4%	+9.0%
	20	108 Ninjin'yoeito	1,003	1,089	+86	+8.6%	+2.5%
Total of "growing" formulations			12,889	13,978	+1,088	+8.4%	+8.3%
Total of 119 prescriptions excluding Drug-fostering program formulations and "Growing" formulations			43,277	44,796	+1,518	+3.5%	+2.1%
Total of 129 prescription Kampo formulations			76,273	79,843	+3,570	+4.7%	+3.2%

*Actual sales quantity refers to the quantity delivered from pharmaceutical agents and wholesalers to medical institutions.

19

The next slide shows sales by prescription; drug-fostering program prescription Kampo formulations and Growing formulations.

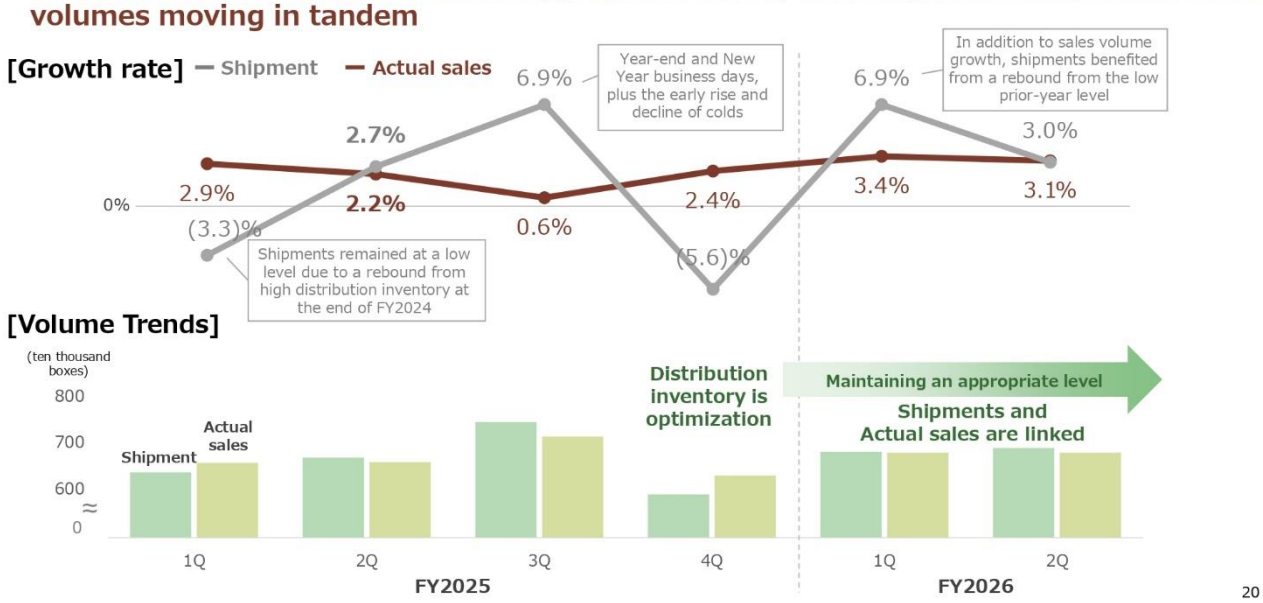
Total sales reached JPY79.8 billion, a 4.7% increase YoY; specifically, Drug-fostering program formulations generated JPY21 billion, up 4.8% YoY, while Growing formulations accounted for JPY13.9 billion, reflecting an 8.4% rise. Following Q1, sales increased significantly due to growth in Goreisan sales and the effects of ongoing initiatives.

The actual sales volume, shown as a reference on the right side, also remained robust, with total sales across 129 prescriptions rising by 3.2% YoY.

Domestic business:
Quarterly trends in Shipment and Actual sales volumes

TSUMURA

Distribution inventories remain at appropriate levels, with shipments and Actual Sales volumes moving in tandem



20

This slide shows the shipment volume from our Company to pharmaceutical distributors and the subsequent actual sales volume from distributors to medical institutions.

First, please take a look at the growth rate trends shown in the upper section. During Q2, since the gap between shipments and actual sales was small during the same period last year, both shipments, shown by the gray line, and actual sales, shown by the red line, increased by approximately 3%, remaining at nearly the same level.

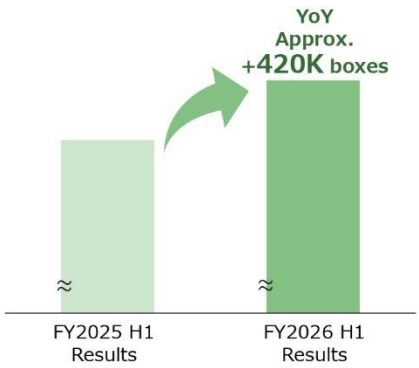
In terms of the quantity trends shown in the bar chart below, shipments and actual sales also moved in tandem. As explained in Q1, the market has already returned to a normal supply-demand environment, and distribution inventory remained at an appropriate level during Q2.

Domestic business:
H1 Actual Sales of Prescription Kampo Formulations

TSUMURA

Negative impact of external factors was more than offset by the effects of various measures, resulting in significant growth

H1 Actual Sales Volume Trends



	YoY
[Key Drivers of Increase]	
● Significant growth in Goreisan due to increased rainfall	Approx. +130K boxes
● Continued effects of Existing Measures (including cancer- and women's health-related areas)	Approx. +290K boxes
● Growth from New Measures	Approx. +50K boxes
[Key Drivers of Decrease]	
● Decrease in prescriptions for summer heat- and weight loss-related conditions due to unfavorable summer weather and a shorter period of lingering heat	Approx. -30K boxes
● Cold-related prescriptions remained lower than usual	Approx. -20K boxes

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Next, I will explain H1 actual sales.

The actual sales volume of prescription Kampo product increased by approximately 420,000 boxes compared to the same period last year. The main factors behind this increase were the growth of Goreisan due to headaches and dizziness caused by rainy weather, along with the continued effectiveness of existing initiatives involving cancer-related and women's health-related prescriptions, which led to steady growth in actual sales.

Although still limited, the effects of new initiatives targeting sleep disorders and other conditions are gradually becoming apparent.

On the other hand, the decline was attributed to reduced demand for prescriptions related to summer heatstroke and summer-related weight loss due to poor summer weather and a short lingering heatwave; prescriptions for colds also performed below average compared to previous years.

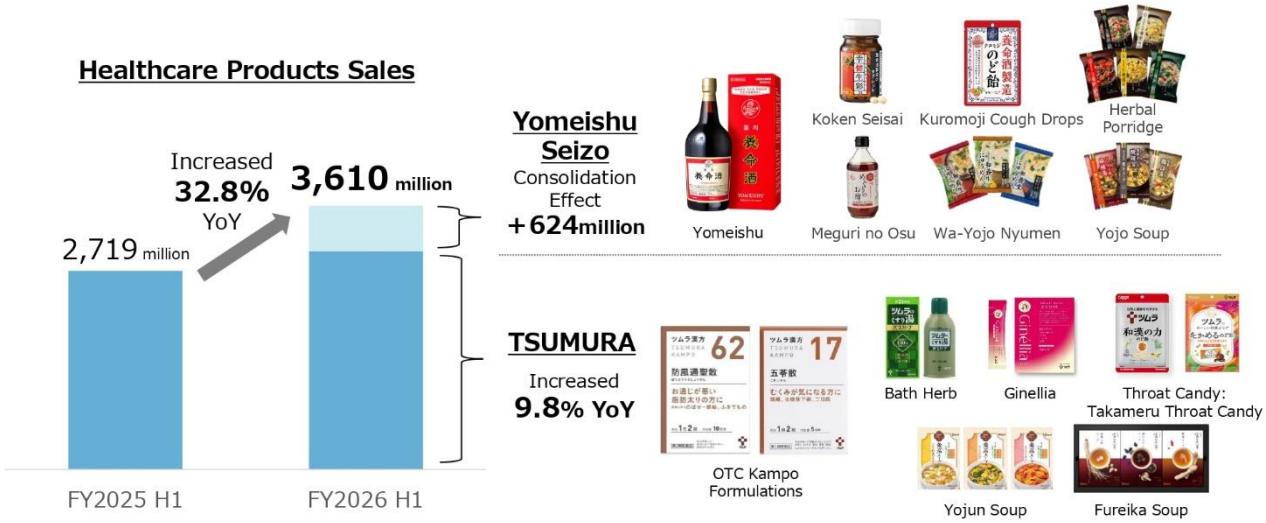
While some prescriptions declined due to weather and disease prevalence, others, such as Goreisan, benefited from weather conditions and achieved even greater growth. Overall, these positive developments offset the negative impacts, resulting in significant growth that exceeded expectations.

Even though some prescriptions are affected by external environments, having a wide range of 129 different prescriptions enables us to meet diverse needs and drive growth, this is one of the strengths of our Company and Kampo products.

Domestic business: Healthcare Products

TSUMURA

- Yomeishu Seizo has been consolidated since September 2026
- Healthcare Products sales increased 32.8% YoY



22

Next, I will discuss healthcare products within our domestic business.

As explained in the key points of the business results, sales of healthcare products increased by 32.8% YoY to JPY3.6 billion. Of this amount, the consolidation effect from Yomeishu Seizo contributed JPY0.6 billion to sales growth.

Additionally, TSUMURA's existing standalone healthcare products, primarily OTC Kampo medicines, saw a 9.8% YoY increase in sales, driven by an expansion in the number of retail stores carrying these products and an increase in the number of items offered.

The addition of product lines such as medical use Yomeishu from Yomeishu Seizo has expanded the healthcare product lineup, marking a major step forward for the growth of our healthcare company. Moving forward, we will focus on restoring the growth trajectory of medical use Yomeishu while leveraging the strengths and foundations of both companies to reinforce and expand our business base in the healthcare sector.

Initiatives related to medical use Yomeishu will be explained later.

Revision of Performance Forecast for Fiscal Year 2026

TSUMURA

Revised earnings forecasts to reflect the new consolidation of Yomeishu Seizo and the sales outlook for the Domestic and China businesses

[billion yen]	FY2026 Initial Plan	FY2026 Revised Plan	Increase/Decrease Amount	Increase/Decrease Rate of Increase/Decrease	Reason for Revision
Sales	**213.6**	**218.5**	**+4.9**	**+2.3%**	Domestic Business: Upward Revision to the Sales Forecast, Reflecting the New Consolidation of Yomeishu Seizo and Higher Sales Outlook for Prescription Kampo Formulations
Domestic business	167.6	174.4	+6.8	+4.1%	
China business	46.0	44.1	(1.9)	(4.1)%	China Business: Downward Revision to the Sales Forecas
Operating Profit	**37.5**	**38.4**	**+0.9**	**+2.4%**	Domestic Business: New Consolidation of Yomeishu Seizo and Review of SG&A Expenses, etc.
Domestic business	34.8	35.6	+0.8	+2.3%	
China business	2.7	2.8	+0.1	+3.7%	China Business: Cost Reductions and Review of SG&A Expenses, etc.
Ordinary Profit	**35.5**	**36.4**	**+0.9**	**+2.5%**	Profit Attributable to Owners of Parent: Gain on Sale of Cross-Shareholdings and Gain on Bargain Purchase Arising from the Acquisition of Yomeishu Seizo Shares
Attributable to Parent Company Shareholders **Net Profit**	**26.2**	**29.3**	**+3.1**	**+11.8%**	

EPS	**351.46yen**	**393.03yen**
ROE	**8.0%**	**8.9%**

(Reference)	FY2026 Initial Plan	FY2026 Revised Plan
Operating Profit Before Goodwill Amortization＊2	**38.6 billion yen**	**39.5billion yen**
EPS on the Same Basis＊2	**366.20yen**	**407.78yen**
ROE on the Same Basis＊2	**8.3%**	**9.2%**
EBITDA (Same Margin)	**52.0 billion yen (24%)**	**52.9 billion yen (25%)**

＊1 Exchange rate revised from ¥22.6/yuan (Initial Plan) to ¥23.5/yuan (Revised Plan)

＊2 Adjusted only for goodwill amortization arising from the consolidation of Ping An Tsumura Pharmaceutical and Hongqiao Drug Pieces

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The next slide shows Revision of performance forecast for FY2026.

As announced on October 28, we have revised our performance forecast based on the new consolidation of Yomeishu Seizo and updated sales outlook for Domestic and Chinese businesses.

We now expect sales to reach JPY218.5 billion, exceeding the initial plan by JPY4.9 billion.

The Domestic business is projected to reach JPY174.4 billion, exceeding the initial plan by JPY6.8 billion, due to the consolidation of Yomeishu Seizo and an upward revision in the sales outlook for prescription Kampo products.

In contrast, the China business has seen its outlook revised downward based on current sales trends; it is now expected to generate JPY44.1 billion, JPY1.9 billion less than the initial plan.

Operating profit is forecast to reach JPY38.4 billion, surpassing the initial plan by JPY0.9 billion.

For the Domestic business, in addition to the consolidation of Yomeishu Seizo and a review of SG&A expenses, operating profit is expected to hit JPY35.6 billion, JPY0.8 billion above the initial plan. For the China business, thanks to cost reductions and tighter cost control, after reflecting exchange rate changes driven by the weaker yen, operating profit is projected to reach JPY2.8 billion, JPY0.1 billion higher than the initial plan.

Ordinary profit is forecast to reach JPY36.4 billion, JPY0.9 billion above the initial plan, owing to the upward revision in operating profit.

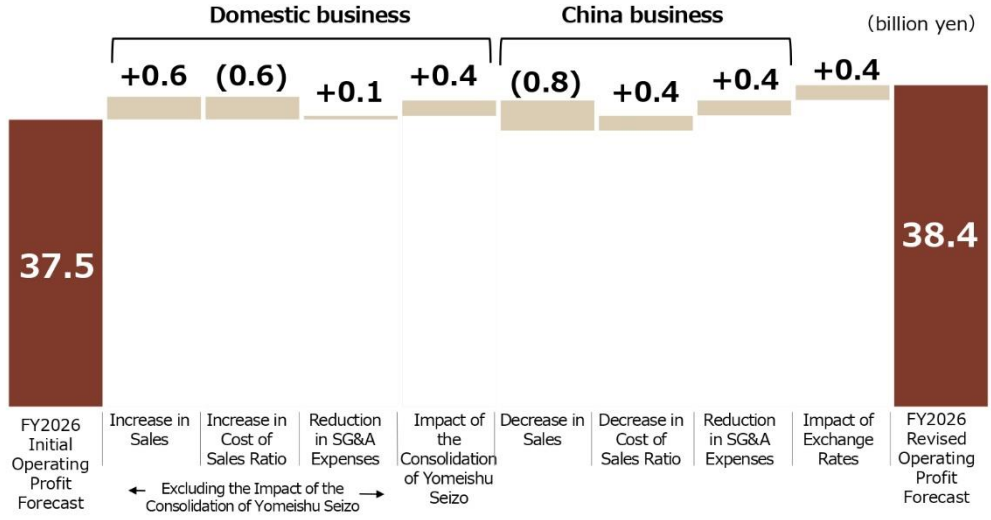
Net profit attributable to parent company shareholders is expected to reach JPY29.3 billion, JPY3.1 billion above the initial plan, thanks to the gains on sales of cross-shareholdings and the gains on bargain purchase arising from the acquisition of Yomeishu Seizo shares.

As a result, EPS is projected to be JPY393.03 and ROE 8.9%.

As shown for reference in the lower right corner, operating profit before goodwill amortization is calculated at JPY39.5 billion, while EPS and ROE before goodwill amortization stand at JPY407.78 and 9.2%, respectively. EBITDA is forecast to reach JPY52.9 billion, with an EBITDA margin of 25%.

Factors Affecting the Operating Profit Forecast (vs. Initial Forecast) TSUMURA

Operating profit forecast revised upward to 38.4 billion yen, reflecting the new consolidation of Yomeishu Seizo and a review of SG&A expenses, among other factors



24

I would like to explain the factors contributing to the increase or decrease in operating profit in this revision to our earnings forecast.

In the Domestic business, while a JPY0.6 billion increase in operating profit is expected due to higher sales, a JPY0.6 billion decrease is anticipated due to rising costs of auxiliary materials such as lactose and film.

Regarding SG&A expenses, although unspent amounts from H1 will be utilized mainly for advertising and promotional expenses, further cost-cutting efforts are underway, resulting in a JPY0.1 billion positive impact.

The consolidation of Yomeishu Seizo is expected to contribute a JPY0.4 billion positive effect, leading to a total JPY0.5 billion increase in operating profit for the Domestic business.

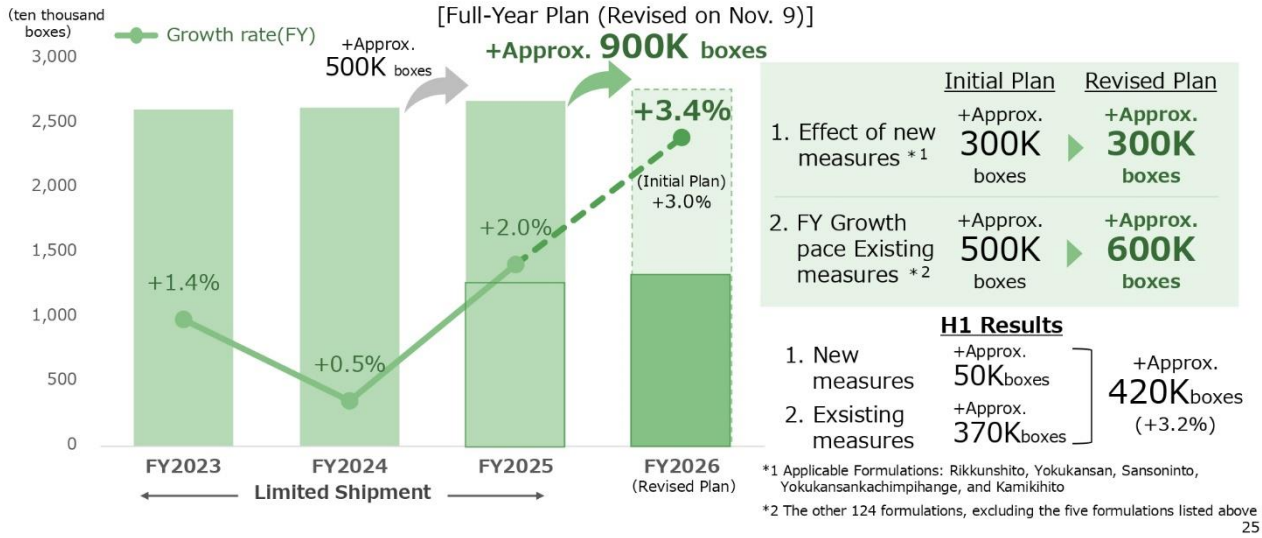
In the China business, the negative impact of declining sales is expected to be offset by cost reductions and cuts in SG&A expenses.

In terms of foreign exchange, the combined Domestic and China businesses are projected to see a JPY0.4 billion positive impact on operating profit.

Domestic business: Actual Sales Volume of 129 Prescription Kampo Formulations (Revised Plan)

TSUMURA

Revised the full-year plan based on H1 results; in H2, Actual Sales volume is planned to grow by 1 million boxes, in line with the Initial Plan



25

Next, I will explain the actual sales plan for the 129 prescription items of prescription Kampo products.

As previously mentioned, existing measures drove sales growth in H1, resulting in performance exceeding the initial plan. Based on this progress, the full-year sales plan has also been revised. Please refer to the box on the right.

First, regarding the five formulations covered by the new measures in (1), namely, Rikkunshito for gastrointestinal symptoms associated with functional gastrointestinal disorders and the four formulations for sleep disorders, we had originally anticipated that the effects of the initiative would become apparent gradually as H2 of the fiscal year progressed. Consequently, we had formulated a plan that placed greater emphasis on H2; therefore, we are maintaining the actual sales growth forecast at 300,000 boxes.

On the other hand, for prescription groups other than the existing initiatives in (2), such as Goreisan and new measures focused primarily on cancer and women's health, we are raising the annual target from a positive 500,000 boxes to 600,000 boxes to reflect the stronger-than-expected performance in H1 of the year. As a result, the annual sales growth target will be increased by 100,000 boxes from the initial plan of an additional 800,000 boxes to 900,000 boxes.

In H2 of the year, while continuing steady growth driven by existing measures, we will accelerate efforts related to new measures to achieve an annual growth target of an additional 1 million boxes.

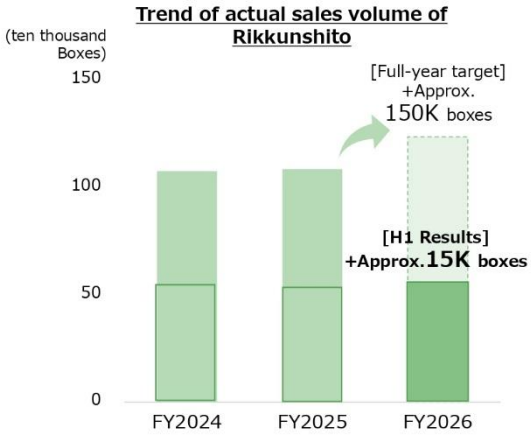
Next, I will explain the progress of each measure and future initiatives on the following slides.

First, let me discuss the two new measures launched this fiscal year.

Domestic business: Strengthened promotion of Rikkunshito for gastrointestinal symptoms associated with Functional Dyspepsia

TSUMURA

Measures gained momentum from Q2; further intensification of activities and greater impact are expected in H2



Key Measures Implemented

Aim to Raise Awareness and Significantly Expand Prescription Opportunities Through Monthly Events

May Continued Publication in ROME V

Aug. New Materials for Physicians Webinar



Oct. New Materials for Patients

Nov. Webinar

Dec. Webinar

Jan. New Materials for Physicians

Feb. Large-Scale Webinar

Invitation of Dr. Jan Tack

- Currently Conducting Clinical Research in Europe
- Leading Authority in Gastroenterology

26

The first is the enhanced promotion of Rikkunshito.

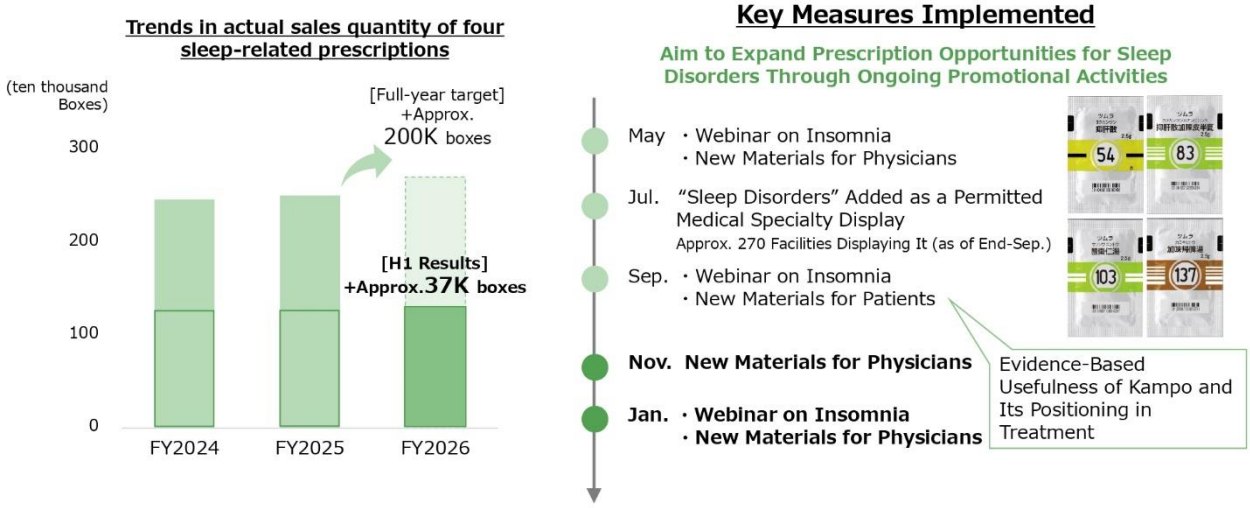
Following its continued inclusion in ROME V, the international diagnostic criteria for functional gastrointestinal disorders, in May of this year, we have strengthened information dissemination activities regarding its efficacy for gastrointestinal symptoms of functional gastrointestinal disorder.

Starting in August, we began full-scale implementation of new promotional materials related to its ROME V listing and webinars hosted by specialists; as a result, sales increased by approximately 15,000 boxes in H1 of the year. Although the scale remains small, progress is generally in line with the plan, and we assess that the effects of this measure are gradually becoming apparent.

As explained at the beginning of the fiscal year, we expect Rikkunshito to see substantial growth in H2. Starting in October, we plan to roll out materials for physicians and patients and hold seminars on a monthly basis; in particular, a large-scale webinar featuring Dr. Jan Tack, a top authority in the field of gastroenterology, is scheduled for February.

Dr. Jan Tack has conducted physician-led clinical research on Rikkunshito for patients with functional dyspepsia in Europe and is deeply involved in building evidence for Rikkunshito. By leveraging such opportunities to reiterate the efficacy of Rikkunshito and raise awareness of it, we aim to secure more prescription opportunities and drive sales growth.

Continue information-providing activities on the usefulness of Kampo for sleep disorders, with gradual growth expected



27

The second is the expansion of Kampo treatment for sleep disorders.

In the field of sleep treatment, the Enforcement Order of the Medical Care Act was amended on June 1, allowing sleep disorders to be officially listed and advertised when combined with the names of basic medical specialties such as internal medicine and psychiatry.

Although the number of facilities listing sleep disorders as a specialty stood at around 270 as of the end of September, the number of insomnia patients, including those undiagnosed, is estimated to be approximately 25 million. Given the high social interest and importance of this area, the number of listing facilities is expected to gradually increase.

Capitalizing on this social context, we have strengthened information dissemination about the efficacy of Kampo treatment for sleep disorders; as a result, sales of the four related prescriptions increased by approximately 37,000 boxes.

Kampo treatment not only improves sleep disorders themselves but also comprehensively addresses various symptoms experienced by patients, such as anxiety and fatigue, making it a valuable treatment option for improving quality of life.

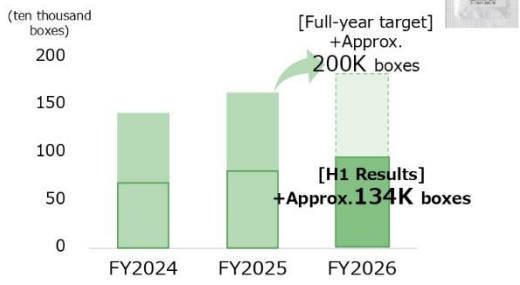
In September, we held a webinar on the efficacy of Kampo based on evidence, which was attended by over 5,000 healthcare professionals. We also plan to continue providing information through webinars and new promotional materials in H2. By steadily implementing these initiatives, we will promote understanding of Kampo treatment for sleep disorders, thereby expanding prescription opportunities and driving further sales growth.

Continue to Drive Growth Through the Effects of Existing Measures, Building on First-Half Momentum

Growth of Goreisan

- **Significant Growth, Particularly in Weather-Related Illnesses**
- **Continue Promotional Activities Focusing on Headache and Dizziness**

Goreisan actual sales volume trends



Continued efforts focused on priority areas

Cancer area

Cancer caravan 2026

H1: Conducted in Jul. and Sep.
Over 9,000 Physicians Participated in Each Session
H2: Sessions Planned for Dec. and Feb.
+Regional Forums to Be Held

1H Actual Sales Volume Growth (YoY)


Hangeshashinto +7.7%


Goshajinkigan +5.3%

Women's health

A project to consult about menstrual issues
Participating Facilities: **Over 2,100**
+300 Facilities vs. End-Mar. 2026

Large-scale web lecture on women's health
H1: Conducted in Jun. and Sep.
Over 6,000 Physicians Viewed Each Session
H2: Sessions Planned for Oct. and Jan.


Kamishoyosan +5.0%

28

Next, let's look at our ongoing initiatives under existing strategies.

On the left side of the slide, please see Goreisan. During Q2 as well, we continued to focus on providing information primarily related to headaches and dizziness caused by weather-related illnesses. As a result, due to the impact of typhoons and the stagnant autumn rain front this year, the effectiveness of our information provision activities was significant, leading to a substantial increase to approximately 134,000 boxes. We are progressing ahead of plan, and we expect continued robust growth in H2.

On the right side, we present the status of initiatives in key areas where we have been continuously working, namely the cancer area and women-related areas.

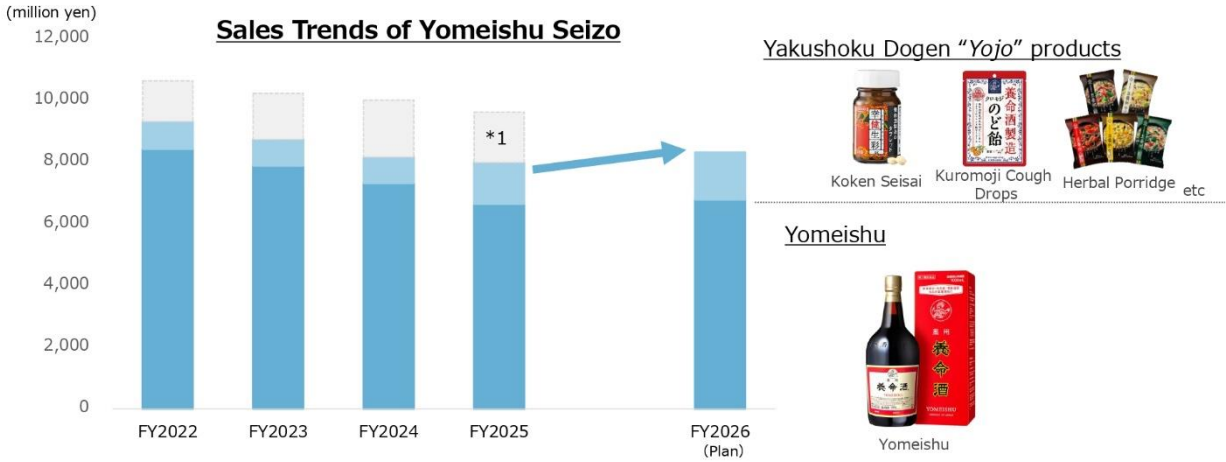
In H1, events such as the cancer caravan in the cancer area and webinars related to women health were carried out as planned, with many physicians participating. The effects of initiatives launched last year are steadily accumulating; as indicated at the far right, this is reflected in the high growth rate of related prescriptions.

In H2, in addition to information provision activities through various events in key areas, we will continue to implement proposals for differentiating prescription use centered on basic prescriptions for treatment areas, our basic strategy, to achieve steady growth across a wide range of prescriptions.

Domestic business (Healthcare): Yomeishu Seizo

TSUMURA

- **Focus management resources on Yomeishu and strategically implement advertising, promotional, and sales measures**
- **Aim to reverse the sales trend from FY2026 and achieve sales of 10 billion yen at an early stage**



*1 Dotted lines indicate businesses that have been transferred or discontinued (including the Clasuwa-related business and solar power generation business)
*2 Consolidation into the TSUMURA Group began in September 2026. The graph covers FY2026 (April 2026 to March 2027)

29

Moving forward, I will explain the initiatives aimed at revitalizing Yomeishu Seizo in our Domestic healthcare business.

As shown, the sales revenue of Yomeishu Seizo has been on a declining trend in recent years. Note that the dotted line in the graph represents businesses that were transferred to other companies or discontinued prior to the integration into TSUMURA Group. Going forward, we plan to concentrate management resources on medical use Yomeishu and Yojo products based on crude drugs.

In particular, regarding medical use Yomeishu, we will strategically deploy advertising and sales initiatives starting this fiscal year to reverse the downward sales trend and get back on track for renewed growth. We will also focus on research into the efficacy and effects of major crude drugs, strengthening evidence-based value promotion activities. Through these various initiatives, we aim to achieve sales revenue of JPY10 billion at an early date.

Rebuild marketing around consumers' health needs and evolve Yomeishu into a brand that supports daily *Yojo* practices

Current Situation

Limited Customer Base Despite High Brand Awareness

- Strongly Associated with Consumers Aged 50 and Above
- High Awareness Has Yet to Translate into Broad-Based Purchasing

Target Position

Evolve into a Brand That Supports Daily *Yojo* Practices

- Sensitivity to Cold
- During and After Illness
- Health Issues Associated with Aging or Physical Constitution, etc.

Indications and Effects of Yomeishu
Nourishment and Invigoration in Cases of: Gastrointestinal Weakness, Loss of Appetite, Poor Blood Circulation, Sensitivity to Cold, Physical Fatigue, Weak Constitution, and During and After Illness

Launch of New TV Commercials and Cross-Media Strategy



Yomeishu TV Commercial (from Nov. 1)



Yojo no Mori TV Commercial (from Nov. 5, airing in Nagano Prefecture)

Launch of a Trial Size (300 mL)



300ml 700ml* 1000ml* ＊Existing Product

30

Next, I will explain the marketing strategy for medical use Yomeishu.

While medical use Yomeishu enjoys high brand awareness, it is perceived mainly as a product for people aged 50 and above; thus, despite its high awareness, the range of customers purchasing it remains limited, which we identify as a challenge.

Therefore, moving forward, we will shift to a marketing approach centered on the health issues faced by consumers. Medical use Yomeishu has a wide range of tonic and invigorating effects, including for cold intolerance, physical fatigue, convalescence after illness, and weak constitutions. By linking the value of medical use Yomeishu to consumers' daily health challenges and promoting it accordingly, we aim to evolve it into a brand that supports daily health maintenance routines, thereby expanding our customer base to include those we have not reached sufficiently until now.

As specific measures, we will launch new TV commercials starting in November; in Nagano Prefecture, we will also air TV commercials for "Yojo no Mori," and strengthen cross-media information dissemination using SNS and other channels.

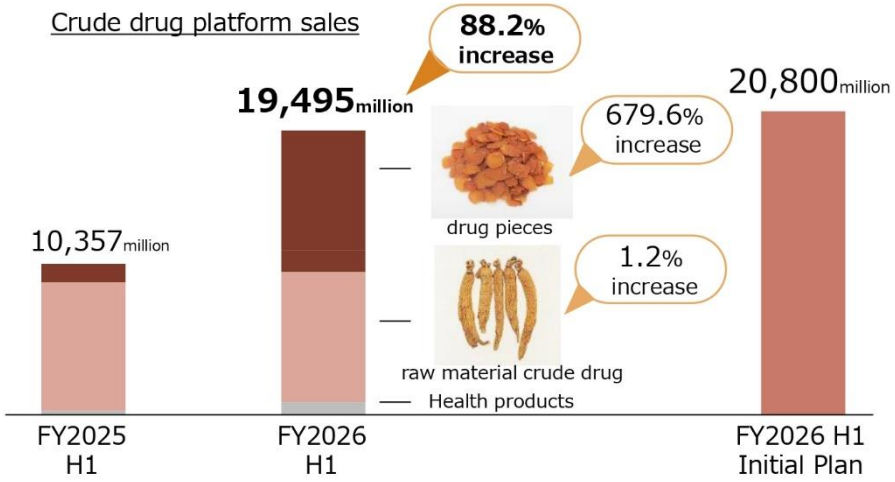
In addition to the existing 700 mL and 1000 mL sizes, we will introduce a new 300 mL trial size primarily through TSUMURA's pharmacy channels, making it easier for first-time buyers to try the product and thus creating new purchasing opportunities.

Through these marketing initiatives, we will expand the base of repeat buyers of medical use Yomeishu and achieve the sales targets explained in the previous slide.

China business: Crude drug platform Sales

TSUMURA

- **Sales of crude drug pieces increased significantly YoY, partly due to the consolidation of Hongqiao Drug Pieces**
- **Sales fell slightly short of plan due to lower selling prices and a decline in patient visits**



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Next, I will explain the operations of the China business company, from actual performance to revisions of the full-year forecast, in sequence.

First, let's look at the sales situation of the China business.

Compared with the same period last year, the sales of drug pieces business increased significantly due to the consolidation of Hongqiao Drug Pieces P&L starting from Q3 of fiscal year 2025; the raw material crude drug business also grew by 1.2%, resulting in an 88.2% increase in overall China business sales. However, this fell short of the initial plan shown in the bar graph on the right.

In the drug pieces business, lower selling prices due to declining crude drug prices and reduced patient visits have had an impact. The raw material crude drug segment has also been affected by falling crude drug prices.

At Hongqiao Drug Pieces, recent sales activities focused on quality have led to the development of new hospitals as customers, expansion of market share in key hospitals, and strengthened sales; the effects of these measures are already becoming evident.

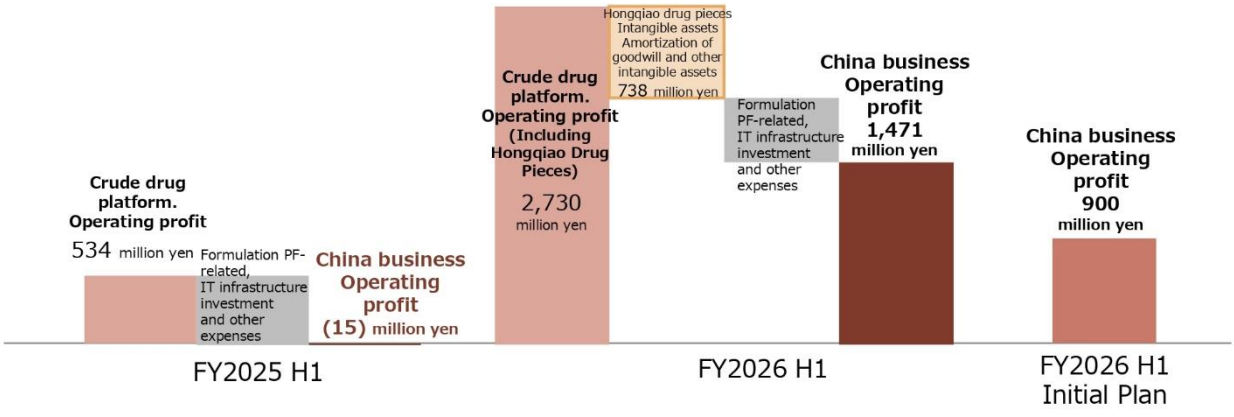
However, from the perspective of strengthening profitability, we are also working to improve the sales mix by re-evaluating some existing customers. Overall, these efforts have not been sufficient to offset the impact of lower selling prices, resulting in performance below the plan.

China business: Crude drug platform Operating profit

TSUMURA

- **Achieved profitability as operating profit from the crude drug platform increased significantly due to the consolidation of Hongqiao Drug Pieces**
- **Achieved the plan through a key account strategy focused on profitability and an improved sales mix**

Crude drug platform Operating profit



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Next, we will explain the operating profit of the China business.

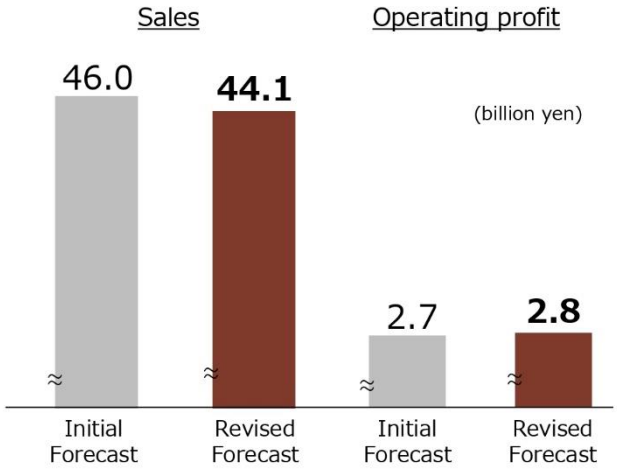
Thanks to a significant increase in the operating profit of crude drug platform, including Hongqiao Drug Pieces, the China business recorded a JPY1.4 billion surplus. This figure includes a JPY 0.7billion negative impact from amortization of intangible assets and goodwill related to Hongqiao Drug Pieces.

When comparing with the initial plan shown in the bar graph on the right, although sales fell short of the target as explained earlier, various efforts to improve gross margins, such as procurement strategies to reflect declining crude drug market prices in purchase costs, a customer strategy prioritizing profitability, and improving the sales mix through re-evaluating existing customers, along with strict cost control, enabled operating profit to exceed the initial plan.

China business: Revision to Full-Year Forecast

TSUMURA

- **Sales forecast revised downward, while the operating profit forecast was revised upward through business operations focused on profitability**
- **Steadily advancing preparations for the full-scale rollout of "Personalized Medicine" from the next fiscal year onward**



External Environment

- Lower Selling Prices Due to Declining Crude Drug Prices
- Lower Sales Volume Due to a Decline in Patient Visits

Countermeasures

Improvement in Cost of Sales Ratio
Review of Key Account Strategy and Sales Mix

Reduction in SG&A Expenses
Thorough Cost Management

Sales Forecast Revised Downward, While Operating Profit Is Maintained

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Next, I will explain the full-year forecast for the China business.

We assume that the challenging business environment described in H1 results will continue into H2. Therefore, we have revised the sales forecast downward from the initial estimate of JPY46 billion to JPY44.1 billion.

On the other hand, in terms of profitability, we will continue our efforts to control costs through sales activities focused on profitability and initiatives related to crude drug procurement. In addition, we will also continue our cost-control measures, including SG&A expenses. Although sales revenue is expected to be revised downward, operating profit is projected to reach JPY2.8 billion, surpassing the initial forecast of JPY2.7 billion after accounting for exchange rate effects.

While steadily advancing these improvements in current profitability, we are preparing for the full-scale rollout of the Personalized Medicine strategy to drive growth in the next fiscal year and beyond. Even amid a challenging business environment, we will continue building a solid business foundation for future growth while maintaining profitability.

Company-wide and Company-specific ROIC: Financial Targets

TSUMURA

Formulated the Healthcare Company Plan Following the Consolidation of Yomeishu Seizo

ROIC Calculation Unit		Business Positioning and Strategic Direction	FY2026 revised plan	FY2027 Second medium-term management plan	FY2031 Target level
Entire company consolidated (entire group)		-	**6.2%***	↗	**High-8% to around 9%**
Prescription pharmaceuticals Company		**Stable Growth and Profit Expansion**	**7.1%***	→	**High-7% to around 8%**
Healthcare Company			**4.3%**	↗	**TBD**
	OTC Drugs, etc. ・OTC Kampo medicines ・Bath Herbs ・Yomeishu,etc.	**Strategic Development**	**13.2%**	↗	**TBD**
	Yakushoku Dogen/*Yojo* products ・Ginellia, Yojun Soup, Throat Candy, etc. ・Yomeishu Seizo (Kokenseisai, Herbal Porridge, etc.)	**Upfront Investment and Strategic Development**	For the time being, focus on sales growth No ROIC Targets Planned		
China Business Company	For the Prescription Pharmaceuticals Company ・Sales of Crude Drugs and Crude Drug Pieces	・Aligned with the Prescription Pharmaceuticals Company	No ROIC Targets		
	Crude Drug Platform External Sales Business	**Crude Drug and Decoction Piece Business: Key Growth Driver** **Health Products Business: Strategic Development**	**3.2%*** (Reference) Excluding amortization of goodwill **4.0%**	↗	**Around 10%**

*Unchanged from the Forecast Announced on Aug. 6, 2026

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I will now explain the numerical targets for the company-wide and company-specific ROIC.

The ROIC plan presented during H1 earnings briefing remains unchanged despite this revision in the earnings outlook.

The only change this time is that, following the consolidation of Yomeishu Seizo as a subsidiary, we have newly formulated the Healthcare company's ROIC plan to reflect the Company's seven-month consolidated period starting in September of the current fiscal year.

First, the Healthcare company as a whole plans to achieve an ROIC of 4.3% for the current fiscal year. Within this, OTC medicines, including medical use Yomeishu, are targeted to reach an ROIC of 13.2%.

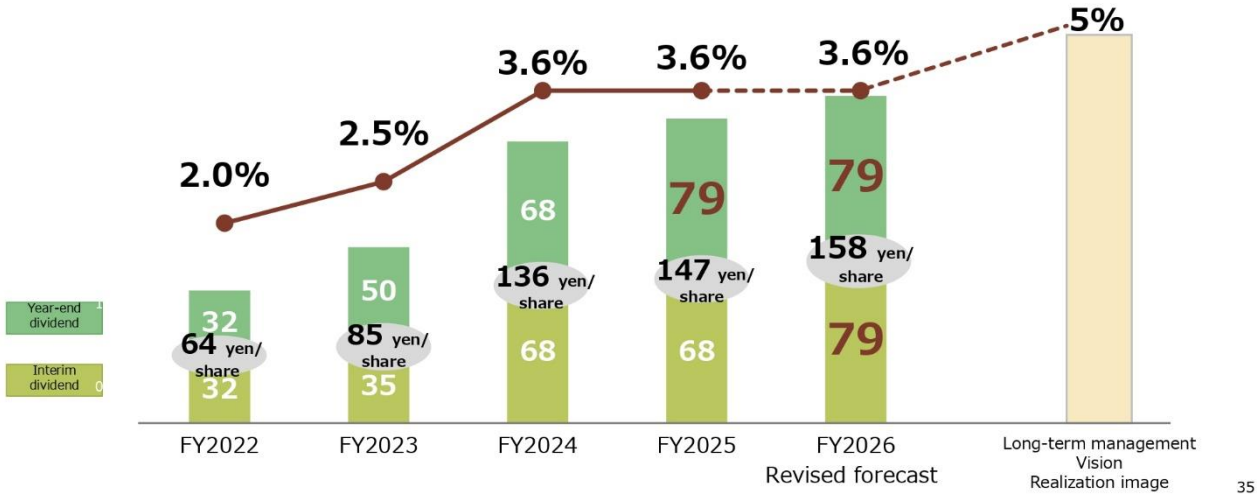
Meanwhile, products based on the concept of Yakushoku Dogen and Yojo products are currently in a stage requiring upfront investment and business development for future growth; thus, no specific ROIC target has been set at this point.

Regarding the future ROIC direction of the Healthcare company, in addition to striving for steady improvement in OTC medicines, we aim to achieve early ROIC contributions from Yakushoku Dogen and Yojo products through sales growth, thereby significantly improving the current 4.3% level. Through this, we will develop the Healthcare company into the third pillar of revenue as part of our multi-pillar strategy. The specific target level for FY2031 will be determined with reference to the long-term plan for Yomeishu.

Shareholder returns

TSUMURA

- Pursue an Optimal Dividend Based on an Optimal Capital Structure While Ensuring Financial Soundness
- Based on the Shareholder Return Policy Focused on Maintaining and Improving DOE, the Annual Dividend Forecast Remains Unchanged from the Initial Plan at ¥158 per Share (DOE: 3.6%)



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Finally, let us discuss shareholder returns.

As our basic policy regarding shareholder returns, we use DOE as an indicator to pursue “an optimal capital structure that ensures financial soundness”. While maintaining a healthy balance sheet, we aim to raise ROE and gradually increase dividends, and we have set the target DOE level of 5% in our long-term management Vision.

Although we have revised our earnings forecast upward, the increase in net income attributable to parent company shareholders includes one-time factors such as gains from negative goodwill arising from the acquisition of Yomeishu Seizo shares and proceeds from the sale of investment securities.

Given this situation, we have left the annual dividend plan unchanged from the initial forecast, expecting a DOE of 3.6% and a dividend per share of JPY158.

Looking ahead to FY2027, regardless of one-time factors, achieving the medium-term ROE target of 9% will serve as a step toward the DOE 4% target, which is itself a stepping stone to reaching the ROE 10% and DOE 5% goals set for the Vision period, goals we aim to achieve earlier than planned.

That concludes my presentation. Thank you for your attention.

Kitamura: Thank you very much.

Question & Answer

Kitamura [M]: Now, we will move on to the Q&A session. Regarding your questions, please note that each person is limited to two questions per session.

Additionally, the content of your questions and the audio recording will be posted on our website along with the presentation materials at a later date, so please be aware of this in advance.

First of all, we will now accept questions from the audience present here. Please state your company name and name before asking your question. Well then, Mr. Hashiguchi.

Hashiguchi [Q]: I'm Hashiguchi from Daiwa Securities. Could you share your current outlook on when the growth pace of the top line in the China business will accelerate? You mentioned that this fiscal year involves efforts to implement a key customer strategy and revise the sales mix.

I think this has a somewhat negative impact on the top line, although it does contribute to profit improvement. Once this cycle is complete, when do you expect it to start showing up in top-line growth?

Regarding the full-scale rollout of the Personalized Medicine model at Hongqiao, I recall Mr. Kato mentioning summer earlier; when will this start contributing to results?

A similar service is currently being offered by Tianjin Shengshi Baicao, but the numbers don't indicate a significant impact on its sales. What's your reasoning for believing it will be effective in Shanghai? Could you please explain how this differs from what's being done in Tianjin?

Kato [Q]: Yes, thank you. Kato will answer your question. First of all, the reason why sales themselves are slightly below plan is that this isn't something happening only at our Shanghai Hongqiao.

In other words, due to the poor economic conditions, patients are delaying medical visits. We've confirmed that other companies are also experiencing a negative impact from this delayed visit trend. First of all, it is true that a recovery trend in this area is necessary.

However, while saying that, what we are aiming for now is precisely this Personalized Medicine service, which traditional Chinese medicines companies still cannot offer as a service. The automation of decocting herbs into liquid form, what we call decoction, has already been achieved, though.

For example, when producing liquid extracts similar to syrups or granule formulations like the extract granules we consume, if automation is not implemented, as I briefly explained earlier, we won't be able to process around 1,000 prescriptions efficiently; otherwise, it would rely on manual labor, leading to high costs.

While there are some companies that operate that way, since no company has yet achieved automation in this area, we want to be the first to move forward with automating it.

Naturally, this allows us to handle a large number of prescriptions, of course, taking into account patients' preferences, as it is much more convenient. We ourselves have actually experienced firsthand how things changed, from a time when only decoctions were available to the current era of granules. Given that, it's clear that for younger generations and working adults in particular, it's definitely more convenient to use a Personalized Medicine service rather than having to brew the medicine themselves at home every morning. So, the key is to quickly capture that demand.

By doing so, we can get a head start over competitors, handle a greater volume of prescriptions, and ensure that both patients and doctors recognize the superior quality of our products. Establishing this situation is crucial.

When I mentioned around summer earlier, it refers to the necessary process of completing validation before putting this automated system into actual operation; keeping this timeline in mind, we must strive to receive Personalized Medicine orders early to approach full capacity. This requires sales efforts on our part.

A typical example is the difference between Shanghai Hongqiao and Shengshi Baicao: Shanghai Hongqiao already had established hospital distribution channels. Since they already had that in place, and because it takes time for us to develop our own sales channels, we essentially bought that time through a business partnership. That means we can use the channel all at once.

On the other hand, Shengshi is currently in the process of developing its own sales channels there; compared to Hongqiao, the market size is indeed very small. Therefore, as I briefly explained earlier, we first want patients, healthcare professionals, and ideally government officials to see the Shanghai case, and have them recognize it as an excellent system service for Chinese patients. Then, we aim to expand it to other regions.

Naturally, since Shengshi operates in the Tianjin and Beijing areas, we're looking into whether partnerships can be formed in these regions. Additionally, Shenzhen TSUMURA is based in Guangdong Province, which includes the Greater Bay Area, a highly modernized region with a large population; so, we're considering whether expansion is possible there.

Furthermore, we have long relied on the support of various regions for the procurement of crude drugs, places like Chengdu, for example, which have large populations. While expanding into such areas is certainly a future consideration, we believe it is important to first focus on providing high-quality service and earning our customers' trust. Once this effort gains momentum, we expect to see the revenue growth I mentioned earlier That concludes my response.

Hashiguchi [Q]: Thank you. One more question, please. It's about the trend in the cost ratio of domestic business. In comparison to the initial plan, on page 24, the revised plan assumes a higher cost ratio than the original plan. Could you please explain how we should interpret this?

On page 43 of the appendix, it is stated that the change in the cost ratio during H1 of the year had no significant impact compared to the plan. Therefore, I would appreciate it if you could explain why the full-year situation differs despite H1 results being as described.

Kaoru Kobayashi [A]: Yes, Mr. Hashiguchi, thank you for your continued support. I would like to answer your question. Basically, the impact on the cost ratio in H2 of the year can largely be attributed to raw materials such as lactose and film.

Apart from that, since this is a comparison to the initial plan, processing costs and crude drug costs generally followed the plan. Regarding these raw materials, although they increased compared to the previous year, just as I mentioned at the beginning, this increase was due to rising unit prices, which we had already factored into the plan.

To put it simply, there has been a slight additional impact on top of that, and since we hadn't factored that part in, it has resulted in a negative impact.

Hashiguchi [Q]: So, the increase in H1 was within expectations, but it seems the increase in H2 will be slightly larger than anticipated, is this what you mean?

Kaoru Kobayashi [A]: Yes, that's correct.

Hashiguchi [M]: I understand. Thank you. That's all.

Kitamura [M]: Thank you. Well then, Mr. Yoshida.

Yoshida [Q]: I'm Yoshida from Tokai Tokyo. Thank you for the explanation. First of all, this might overlap with Mr. Hashiguchi's question, but I'd like to clarify the reason why, despite an upward revision for H1, H2 shows a downward revision when viewed in isolation. On page 43, compared to the H1 plan, a JPY1.2 billion reduction in SG&A expenses due to timing differences was achieved relative to the plan.

I'm not sure how much of this is attributable to timing differences, but could this be affecting H2, causing H2 plan to fall short of initial expectations? In other words, while H1 exceeded expectations, H2 underperforms, resulting in only a slight positive figure for the full year. Could you please explain this to me first?

Kaoru Kobayashi [A]: Yes, Mr. Yoshida, thank you. In general, your assumption is correct. During H1, there was a significant amount of unutilized SG&A expenses. Excluding the Yomeishu Seizo portion, the actual reduction in expenses was around JPY1 billion compared to the plan.

Most of this, slightly over half, is due to timing differences; these funds were intended for use in H1 but were delayed due to factors on the counterparty's side. Advertising and promotional expenses are included as well; however, due to timing issues in launching promotions, where they shift slightly from H1 to H2, these costs are encompassed within this category.

Therefore, regarding the impact of this timing discrepancy on SG&A expenses, H2 starts with an additional JPY500 million to JPY600 million due to this lag. From there, while reviewing the existing budget for SG&A expenses, we are working to keep the overall amount of such expenses as lean as possible. This is the plan we have formulated.

In short, SG&A expenses in H2 inevitably reflect a negative impact from the timing discrepancy in H1; you can consider this as affecting operating profit.

Yoshida [Q]: Thank you. Additionally, as a supplement, the impact of exchange rates, resulting in a JPY400 million increase compared to the initial plan, is indeed mentioned on page 24. But when looking at the full year compared to the previous plan, I believe there's a table showing this remaining effect; I'm sorry, but I'm not quite sure.

Kaoru Kobayashi [M]: Regarding the impact of exchange rates.

Yoshida [Q]: That's right. In H1, it was indeed negative compared to the prior period.

Kaoru Kobayashi [A]: Yes.

Yoshida [Q]: Yet for the full year, it becomes a factor contributing to higher profits by JPY400 million compared to the plan. I recall that a stronger Chinese yuan and weaker yen should generally have a negative effect overall; however, the Chinese yuan is currently stronger than at the beginning of the period, right? So, I'm sorry, but I don't quite understand why it contributes to full-year profit growth compared to the initial plan. Could you please explain this to me?

Kaoru Kobayashi [A]: Yes, Mr. Yoshida, thank you. You're right, it's indeed very hard to follow, and I apologize for that. Ultimately, this depends on the timing of adding crude drugs or extracts, or rather, on which positions

you hold in the foreign exchange market when you add them. It's a little different from simply having recent exchange rate movements directly affect the plus or minus impact of exchange rates; this part is a bit tricky.

On the other hand, compared with the plan, in Q1, the plan reflected the foreign exchange contracts that had been entered into most recently at that time, so we had been able to secure foreign exchange contracts at relatively strong yen levels.

In contrast, the exchange rates applied to the extracts and crude drugs used in production were on the weaker-yen side, so during 1Q, the exchange rate impact was largely negative, leading to an increase in the cost ratio.

At that time, I explained that the exchange rate targets for Q2 and beyond are based on the rates reflected in the forward exchange contracts we've secured for Q2 and beyond. Since the exchange rate has already shifted significantly toward a weaker yen compared to Q1, I did not expect to see the same kind of negative impact, or increase in the cost ratio, that we saw in Q1. I believe I mentioned at the time that the materials would be used in production at rates in line with our projections or even more favorable than projected. That is now becoming evident.

In fact, compared with our initial plan, we expect a positive foreign exchange impact of JPY500 million to JPY600 million on costs for the full year.
On the other hand, SG&A expenses for both the Japan and China businesses are being negatively affected by the depreciation of the yen. After offsetting these impacts, we expect a net positive foreign exchange impact of approximately JPY300 million on operating profit in the Japan business.
In addition, we expect a positive foreign exchange impact of approximately JPY100 million in the China business. As a result, the figure shown on page 24 reflects a total positive foreign exchange impact of JPY400 million.

Yoshida [Q]: I understand, thank you. Next, regarding the second point, I'd like to ask about the sales volume of Kampo in the domestic market.

This time, sales exceeded expectations, leading to an upward revision of the initial plan by 100,000 boxes. Looking at the details, the sales of Goreisan were notably high during Q1, around 130,000 boxes, as seen on page 28.

I believe this constitutes a major part of the plan's overachievement. However, my question is: regarding pages 26 and 27, which indicate a significant increase required in H2 compared to H1 results, could you provide more details about the likelihood of achieving this target? That's all.

Kaoru Kobayashi [A]: Yes, thank you. Regarding this, I'll provide an overview, and then Yamaoka will offer additional explanations.

Compared with the assumptions underlying our initial plan, progress has been largely in line with expectations, as we had not anticipated a significant contribution from these initiatives in H1.

Regarding Rikkunshito, its growth rate has been quite sluggish compared to other prescriptions recently. In terms of last year's growth rate, Rikkunshito sales were below 10,000 boxes; however, starting from August this year with the full-scale launch of activities related to this product, sales reached 15,000 boxes. Although the increase is modest, a growing trend has begun to emerge. We had hoped for at least this level in H1 of the year, and currently, the situation matches our expectations.

We aim to build momentum between now and February when Mr. Jan Tack will hold a webinar, Rikkunshito is the first product we believe can achieve this.

Regarding sleep disorders, we expect an increase in hospitals specializing in sleep disorder medicine or psychiatry to lead to more prescriptions and a higher number of patients seeking treatment. However, the number of such specialized facilities is still growing slowly.

That said, we didn't anticipate explosive growth from the start. We expected slow progress in H1 and a significant surge in H2, so overall, we believe we can meet the planned targets in H2 as anticipated. Now, Mr. Yamaoka will provide some additional remarks.

Yamaoka [A]: Thank you for your question. I'm Yamaoka, the responsible executive. The content is largely consistent with what Kobayashi just explained. From a field perspective, Rikkunshito was included in ROMA V this year. For example, last week, there was a gastroenterology-related conference in Kobe called DDW. During that event, presentations emphasized that Rikkunshito should be used as a treatment option among FD drug options. Additionally, during meetings with KOLs, we learned that the FD guidelines will be revised next year.

We've also received comments suggesting that Rikkunshito could effectively address such issues. As for our team, we just started this year, and starting in H2 of the year, we plan to actively carry out information provision activities to boost sales.

Regarding the sleep issue as well, the importance of sleep is now frequently mentioned on TV and other media. Since there are clear medical challenges related to sleeping pills, along with sleep hygiene guidance, we recommend using Kampo such as Yokukansan, Kamikihito, and Sansoninto for sleep treatment as an entry strategy to address insomnia.

Based on feedback from doctors, we feel there's a strong response, so we expect this to contribute to actual sales in H2 of the year.

Yoshida [Q]: Thank you. As a supplement, is Rikkunshito chosen partly because Acofide, a drug for functional dyspepsia, has certain side effects?

Yamaoka [A]: The FD condition involves many interrelated factors, leading to various symptoms. This includes pain, postprandial bloating, and loss of appetite. Since Acofide already has an indication for FD, it's generally used after endoscopic examination rules out abnormalities.

In the case of Rikkunshito, it's introduced as a drug that can address a wide range of symptoms through its diverse pharmacological effects when used alongside such treatments.

Yoshida [M]: Thank you very much.

Kitamura [M]: Yes, thank you very much. Well then, yes, Mr. Kobayashi.

Takefumi Kobayashi [Q]: I'm Kobayashi from Bank of America Securities. I'd also like to ask about the domestic business first. As mentioned earlier, the volume growth rate has slightly exceeded the Company's forecast. On the cost side, while material costs have risen, improvements in crude drug costs are also seen.

So, my question is, looking ahead 2 to 3 years, will both the volume growth rate and cost ratio change positively relative to the Company's forecast in terms of profit growth? Is it correct to assume that the rise in material costs can be adequately offset by lower crude drug costs and effective cost management?

Kaoru Kobayashi [A]: Yes, Mr. Kobayashi, thank you very much. There are several factors involved, so it's a bit difficult to explain simply and clearly. In terms of direction, regarding crude drugs, we expect their prices to remain relatively stable, not necessarily improving significantly, but not deteriorating either, so we believe we can manage them effectively.

As for material costs, these are affected by recent situation in the Persian Gulf region, meaning political factors play a major role, making it hard to predict. However, we don't expect prices to return to previous levels easily.

In particular, the price of lactose has been rising steadily for a long time; therefore, we believe it's necessary to secure a certain amount of it to cope with rising prices.

Regarding processing costs, this fiscal year, the operating rate of the Tianjin plant has increased, leading to an improvement in processing costs. However, on the other hand, we need to recruit sufficient staff domestically. Additionally, when introducing new equipment, the initial efficiency of processing will be somewhat lower, which acts as a factor worsening the cost structure. As a result, in the medium term, we expect some fluctuations in this regard.

That said, looking at the broader direction going forward, as outlined in our 2031 Vision, we are currently pursuing various initiatives aimed at significantly improving labor productivity, by leveraging physical AI and other technologies. In the longer run, we believe processing costs can move toward a downward trend.

However, I should note separately that we are currently making various new investments and capital expenditures. Depreciation expenses resulting from these will inevitably have an impact, so we must take this as a worsening factor and manage the overall situation accordingly.

One of our strengths lies in our ability to control the prices of crude drugs, primarily through the cultivated land under our own management. We can effectively control both quality and prices, which we consider a major advantage. With minimal fluctuations in this point, we aim to improve processing costs by boosting productivity moving forward, this is the overall picture. Thank you.

Takefumi Kobayashi [Q]: Thank you. Second question. I would like to ask about cash flow and capital efficiency. Regarding the inventory of raw material crude drugs, could you tell us if there are any new developments compared to previous efforts to optimize regular inventory and BCP inventory?

Also, do you see any specific pathways emerging to shorten the inventory holding period and improve cash flow in the future? Please share your thoughts.

Kaoru Kobayashi [A]: Yes, thank you. Regarding cash flow and inventory management, we certainly recognize these as challenges. Excluding BCP for now, regarding operational inventory management, we have stated in our medium-term plan and Vision that we aim to reduce the CCC by 3 to 4 months, and we are currently working toward achieving this goal.

In reality, this can be accomplished through the efficient utilization of inventory and shortening the lead times associated with storing inventory in various locations. This can be achieved by building an IT system capable of enabling such efficiency, and we are currently working on this initiative.

As for reducing inventory, the development of the relevant system is progressing steadily, so it will be possible to launch it at a certain point. As for how and when this will lead to a reduction in CCC in terms of inventory, that remains to be seen, but I think I can say right now that we intend to make sure this is done thoroughly during the period covered by our Vision.

Regarding BCP, we have taken steps to ensure a certain level of inventory is secured. This process is largely complete. Therefore, it can be said that BCP-related inventory will not continue to increase indefinitely.

Kitamura [M]: Yes, thank you. Now, we would like to accept questions from those participating online. Hands have already been raised, Mr. Shigemura of Nomura Securities, please go ahead.

Shigemura [Q]: Thank you for the explanation. I'm Shigemura from Nomura Securities. First of all, I would like to ask about ROIC by company. Regarding the figures presented here today, the figures for this fiscal year, based on the current situation, for example, H1 of the year, if we annualize them, is it correct to understand that the revised plan is already in place at roughly this level? Or will you need to work harder in H2 to reach the overall 6.2%, and 7.1% for the medical segment? Let me confirm the current situation.

Kaoru Kobayashi [A]: Yes, Mr. Shigemura, thank you very much. As for this ROIC, this is the annualized figure. In fact, we had already been presenting this figure even before revising our annual outlook this time, while we were unable to show any improvement from that point due to the revision of the plan, the change was not particularly significant.

In conclusion, it's safe to say that achieving this number doesn't require extraordinary effort or a major leap. If things proceed as outlined in the currently published forecast, this figure can indeed be attained.

Shigemura [Q]: Yes, thank you. Based on the additional explanation just given, the Healthcare sector came in at 4.3, while the OTC drugs sector was at 13.2. Given this gap, and considering that Yakushoku Dogen initiative was described as an upfront investment, can this fully account for the discrepancy? Does this mean that OTC drugs including Yomeishu, have exceptionally high profitability? How should we interpret this?

Kaoru Kobayashi [A]: Yes, thank you. As you understand, the OTC drugs category includes OTC Kampo products, medical use Yomeishu, and bath herbs. Basically, these three types make up this category. Regarding these products, including medical use Yomeishu which was newly added, their ROIC figures are extremely high.

Although the factory for medical use Yomeishu is included in the invested capital, even when accounting for that, they generate a very high ROIC. As a result, the overall ROIC stands at 13.2%, which is a very good figure, or rather, a satisfactory number.

On the other hand, the reason the overall figure is 4.3% is that for Yakushoku Dogen and Yojo products segment, which consists of new products, the initial investment including marketing expenses was substantial, while sales and profitability are still pending. Naturally, this results in a negative ROIC, dragging down the overall figure to 4.3%.

As I mentioned earlier, I believe we can further increase both sales and profits, as well as improve efficiency, for these main healthcare product groups within the OTC drugs category.

While working to boost these numbers, we also aim to gradually increase the number of profitable products within Yakushoku Dogen and Yojo product segment, so that the overall ROIC level surpasses the WACC, though we do not publicly disclose our internal WACC figure. Does this answer your question? That's all.

Shigemura [Q]: Yes, thank you. One more question. Since you just explained the China business, I'd like to confirm something, and I apologize if this is a repeat, essentially, I'd like to know when you can expect to see a recovery in sales and profits, or where synergies will come from, and what steps you should take to achieve that. For example, in the raw material crude drugs segment, revenue was up 1.2% in total, so I assume revenue likely declined in Q2. I'd like to ask whether this was simply due to lower unit prices or people postponing

medical visits, or if there are underlying issues such as weak demand or products becoming harder to sell in the first place.

Furthermore, as partially explained earlier, integrating into the Personalized Medicine initiative, and leveraging synergies between Hongqiao, Shengshi Baicao, and Shenzhen through information sharing and strengthened marketing, will this take some time? Should we wait for that stage to arrive? We're eager to know the timeline for accelerating growth in the China business, so please provide an explanation.

Kato [A]: Yes, thank you for your question. I'm Kato. Regarding the China business, regarding current sales, as mentioned earlier about raw material crude drugs, the unit price of these raw material crude drugs has been declining. Naturally, due to China's economic situation, a sort of deflation where the prices of goods are falling, the prices of crude drugs also dropped.

However, when importing, exchange rates come into play, meaning the Japanese side is affected by these exchange rate fluctuations.

Since China does not face this issue, it benefits the procurement of raw material crude drugs; however, the same thing happens when selling raw material crude drugs. Therefore, there are situations where they have to be sold at lower prices than before, and this is the current situation regarding raw material crude drugs in terms of sales.

As for the drug pieces, naturally, the volume sold will increase. As mentioned earlier, while GACP-managed crude drugs are less affected, the impact of centralized purchasing naturally leads to a slight decline in sales.

In the long term, we believe this is beneficial, but in the short term, it acts as a disadvantage, serving as a factor that depresses sales.

On the profit side, through selecting appropriate partners and, of course, procuring crude drugs collectively within the Group, we are working to reduce the cost ratio for greater efficiency, resulting in positive factors for profits. Thus, while we work to establish a structure capable of securing profits steadily, we will then aim to recover sales.

The main catalyst for this will inevitably be Personalized Medicine, so the key lies in how quickly we can achieve this after operations commence next summer. This is the current situation. Does this answer your question?

Shigemura [M]: Yes, thank you. With profit taking priority, we look forward to seeing a recovery thereafter.

Kato [A]: Right, and regarding other aspects, such as synergies with Shenzhen and Shengshi, as I mentioned earlier, the top priority is to ensure that Hongqiao's services gain proper recognition within the Shanghai area.

Once that is achieved, we can expand the same services to Shengshi and Shenzhen. Since distribution channels are the most important, if we can form business partnerships in this regard, we believe growth will accelerate. Therefore, we intend to make such efforts. That concludes my answer.

Shigemura [M]: Thank you for the detailed explanation. That concludes my remarks as well.

Kitamura [M]: Yes, thank you very much. Now, we turn to Mr. Lee from Morgan Stanley Securities.

Lee [Q]: Thank you. Could you please tell us about SG&A for the full fiscal year? I've been reviewing the supplementary materials for this quarter's financial results, which were released at 11:30AM. The full-year SG&A expense was initially estimated at JPY61.4 billion, while the revised budget now stands at JPY64.4 billion.

This seems to contradict previous explanations that cost-cutting measures in SG&A expenses had been achieved, as it appears these expenses have increased by about JPY3 billion. Could you please clarify whether this is solely due to exchange rate fluctuations and provide a detailed breakdown of this JPY3 billion increase?

Kaoru Kobayashi [A]: Yes, Mr. Lee, thank you very much. The actual increase in SG&A expenses this time can largely be attributed to the consolidation effect of Yomeishu Seizo, which accounts for nearly JPY3 billion. Exchange rate fluctuations also contribute several hundred million yen to this increase.

When combined, these factors alone explain the extent of the rise; however, it seems that the actual figure needs to be even higher than this. The portion not covered by these factors reflects the efforts to cut costs that were originally included in the budget. After these reductions, the final figure comes to JPY64.4 billion as planned.

Lee [Q]: Yes, I understand. Thank you. The second point is on page 29 of the document.

Regarding the sales growth potential of this Yomeishu product. I'd like you to explain a bit about the timeline and scale of this growth potential.

Sales are currently around JPY8 billion, and the goal is to reach JPY10 billion early on; but what is the timeline for achieving this?

Also, I understand that you plan to allocate substantial funds for advertising and promotion to support this regrowth. I'd appreciate it if you could tell me about the scale of this investment along with the other point.

Kaoru Kobayashi [A]: Yes, thank you. Regarding this, I will explain what I know, and if necessary, Nakagawa will provide additional details. First off, Yomeishu Seizo has just started formulating its outlook for the current fiscal year and plans for the next fiscal year after being consolidated into the Group.

For the current fiscal year, we intend to proactively invest heavily in advertising and promotion to clearly communicate the benefits of continued purchasing, thereby striving to expand the customer base regardless of age.

To increase the number of loyal customers, we will focus on implementing robust advertising and various other sales initiatives during the current and next fiscal years. By gauging the results of these efforts, Yomeishu Seizo also aims to develop a plan with 2031 as its target year, similar to TSUMURA's Vision plan. It is likely that a clearer picture of this will emerge only after the plan is formulated.

In any case, regarding our statement that we aim to achieve sales of JPY10 billion at an early stage, I believe we must develop a plan that is not a loose, long-term one; one that suggests this goal is unattainable within the timeframe of this Vision. Based on the content of these measures, their effectiveness, and identifying what additional actions are needed, we aim to reach the JPY10 billion target within this timeline; this is the current situation.

Now, I'd like to ask Nakagawa, who is also President of Yomeishu Seizo, to provide some supplementary remarks.

Nakagawa [A]: Yes, Nakagawa from Consumer Health Company will provide a few additional comments. We have now identified that the main challenge in the past business operations of Yomeishu relates to communication with customers.

In the past, Yomeishu was passed down from customers' grandfathers or fathers. However, nowadays, opportunities to drink Yomeishu within such family traditions have diminished. Currently, the main challenge

for Yomeishu is ensuring that customers fully understand our product and use it consistently as part of a regimen for maintaining health and enhancing wellness. This communication aspect represents the biggest challenge we face.

In this sense, as Kobayashi mentioned earlier, rather than focusing on maximizing short-term profits from this year into next year, we will strengthen investments in advertising and sales efforts aimed at revitalizing Yomeishu. Please understand this as an investment phase intended to restore future top-line revenue and profitability.

Yomeishu itself is a brand and product with extremely high operational efficiency. We confirm that as the number of users and customers who experience its health benefits increases, it can make a substantial contribution not only to sales but also to profits. Therefore, we intend to nurture its growth over time.

Lee [M]: Yes, I understand. Thank you. That's all.

Kitamura [M]: Yes, thank you very much. Since our allotted time has come to an end, we will conclude the Q&A session here. Thank you.

With that, the Q2 Business Results for Fiscal 2026 briefing comes to an end. Thank you for attending.

[END]

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