November 10, 2016

President, Representative Director

Terukazu Kato
Roadmap to Realizing Long-Term Vision

Strategic Challenges
1. Expansion and stable growth in the Kampo market
2. Continued reinforcement of profitability and maximization of cash flow
3. Taking on the challenge of new businesses in China
Second Quarter Business Results for Fiscal 2016
## 2Q Consolidated Performance for Fiscal 2016

<table>
<thead>
<tr>
<th></th>
<th>FY 2016 2Q Plan</th>
<th>FY 2016 2Q</th>
<th>FY 2015 2Q</th>
<th>Vs. FY 2015 2Q</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Amount</td>
</tr>
<tr>
<td><strong>Net sales</strong></td>
<td>55,700</td>
<td>56,359</td>
<td>54,560</td>
<td>1,799</td>
</tr>
<tr>
<td></td>
<td>(101%)</td>
<td>(101%)</td>
<td>(101%)</td>
<td></td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>6,200 (11.1%)</td>
<td>7,868 (14.0%)</td>
<td>9,855 (18.1%)</td>
<td>-1,987</td>
</tr>
<tr>
<td>(Operating profit</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>margin)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Ordinary income</strong></td>
<td>6,300</td>
<td>7,366</td>
<td>10,072</td>
<td>-2,705</td>
</tr>
<tr>
<td></td>
<td>(117%)</td>
<td>(117%)</td>
<td>(100%)</td>
<td></td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>4,500</td>
<td>5,311</td>
<td>6,538</td>
<td>-1,227</td>
</tr>
<tr>
<td>attributable to</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>owners of parent</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Dividends per share

- **FY 2016 2Q Plan**: ¥32
- **FY 2016 2Q**: ¥32
- **FY 2015 2Q**: ¥32

### Sales by product

- **Prescription Kampo Products**: 95.8%
- **OTC medicines**: 2.0%
- **Other**: 0.5%
- **Other**: 1.7%

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(¥ million)
Key points in Performance

- The financial results exceeded the plan for 2Q. Sales increased, reflecting the steady sales of Kampo products. Profit declined due to the increased procurement costs of raw materials. No changes have been made to the full-year forecast.

<table>
<thead>
<tr>
<th>Consolidated net sales</th>
<th>¥56,359 million</th>
<th>Vs. planned</th>
<th>101%</th>
<th>YoY</th>
<th>3.3%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales increased 1.79 billion yen (up 3.3%) year on year due to the sales increase in Kampo formulation for prescription although this reflects the impact of NHI drug price revision (down 3%). It was 101.2% of the target.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Undertake a continual promotion based on basic and clinical evidence and publication of treatment guideline, focusing on the three important domains of the elderly, cancer (supportive care) and female as well as providing information about the proper use of drugs according to Kampo medicine, etc.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rikkunshito has been particularly successful thanks to the effective use of new evidence, intensive education on the product, enhanced approaches to target customers, and other factors.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operating profit</th>
<th>¥7,868 million</th>
<th>Vs. planned</th>
<th>127%</th>
<th>YoY</th>
<th>-20.2%</th>
</tr>
</thead>
<tbody>
<tr>
<td>The cost of sales ratio was 43.0%. It rose 4.5 percentage points year on year, mainly reflecting influence of NHI drug price revision and the increase in crude drug costs. It decreased by 0.8 percentage points for the plan mainly due to improvement of processing costs through increase in productivity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The SG&amp;A ratio fell 0.4 percentage points year on year to 43.0%, partially reflecting the cost controls that accompanied improvements in operational efficiency. Cost containment and difference in time for payment of research expenses caused a decrease of 0.86 billion yen for the plan (SG&amp;A ratio of 2.1 percentage points).</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ordinary income</th>
<th>¥7,366 million</th>
<th>Vs. planned</th>
<th>117%</th>
<th>YoY</th>
<th>-26.9%</th>
</tr>
</thead>
<tbody>
<tr>
<td>A foreign exchange loss of 0.84 billion yen that was accompanied by loans to the Chinese subsidiaries was recorded as other expense.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net income attributable to owners of parent</th>
<th>¥5,311 million</th>
<th>Vs. planned</th>
<th>118%</th>
<th>YoY</th>
<th>-18.8%</th>
</tr>
</thead>
</table>
## Current sales performance of priority products

<table>
<thead>
<tr>
<th>Product name</th>
<th>Main effectively treatable disorders</th>
<th>FY 2015 2Q</th>
<th>FY 2016 2Q</th>
<th>Y o Y Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1</strong> TJ-100 (Daikenchuto)</td>
<td>Abdominal pain / abdominal flatulence</td>
<td>5,065</td>
<td>5,212</td>
<td>147</td>
</tr>
<tr>
<td><strong>2</strong> TJ-54 (Yokukansan)</td>
<td>Neurosis / insomnia , etc.</td>
<td>3,594</td>
<td>3,712</td>
<td>117</td>
</tr>
<tr>
<td><strong>3</strong> TJ-41 (Hochuekkito)</td>
<td>Reinforcement of physical strength after illness / anorexia , etc.</td>
<td>3,599</td>
<td>3,630</td>
<td>30</td>
</tr>
<tr>
<td><strong>4</strong> TJ-43 (Rikkunshito)</td>
<td>Gastritis / maldigestion / anorexia , etc.</td>
<td>3,257</td>
<td>3,431</td>
<td>174</td>
</tr>
<tr>
<td><strong>5</strong> TJ-68 (Shakuyakanzoto)</td>
<td>Pain accompanying sudden muscle spasms , etc.</td>
<td>2,384</td>
<td>2,506</td>
<td>122</td>
</tr>
<tr>
<td><strong>6</strong> TJ-24 (Kamishoyosan)</td>
<td>Oversensitivity to cold / menstrual irregularity / climacteric disturbance , etc.</td>
<td>2,236</td>
<td>2,258</td>
<td>21</td>
</tr>
<tr>
<td><strong>7</strong> TJ-29 (Bakumondoto)</td>
<td>Coughing / bronchitis / bronchial asthma</td>
<td>1,972</td>
<td>1,986</td>
<td>13</td>
</tr>
<tr>
<td><strong>8</strong> TJ-107 (Goshajinkigan)</td>
<td>Leg pain /low back pain / numbness / dysuria , etc.</td>
<td>1,922</td>
<td>1,901</td>
<td>-20</td>
</tr>
<tr>
<td><strong>9</strong> TJ-114 (Saireito)</td>
<td>Acute gastroenteritis / swelling (edema) , etc.</td>
<td>1,702</td>
<td>1,771</td>
<td>69</td>
</tr>
<tr>
<td><strong>10</strong> TJ-17 (Goreisan)</td>
<td>Edema/ diarrhea / headache / heaststroke, etc.</td>
<td>1,560</td>
<td>1,715</td>
<td>155</td>
</tr>
<tr>
<td><strong>22</strong> TJ-14 (Hangeshashinto)</td>
<td>Fermentative diarrhea / neurotic gastritis / stomatitis , etc.</td>
<td>616</td>
<td>642</td>
<td>26</td>
</tr>
<tr>
<td><strong>Total sales of 129 prescription Kampo products</strong></td>
<td></td>
<td>52,280</td>
<td>53,974</td>
<td>1,693</td>
</tr>
</tbody>
</table>
Factors in Increase / Decrease of Operating Profit (YoY)

**(¥ million)**

**Factors of Sales increase**
- Prescription Kampo 129 products: +1,693
- Other: +106

**Factors of Cost of sales margin**
- NHI drug price revision: +1.5Pts
- Increase in crude drug cost: +2.8Pts
- Improvement of processing cost: -0.6Pts
- Other: +0.8Pts

**Factors in decrease of SG&A expenses**
- Sales promotion expenses: +112
- R&D expenses: -57
- Advertising expenses: +18
- Personnel expenses: +266
- Other: +213

**FY 2015 2Q Operating profit:** 9,855

**FY 2016 2Q Operating profit:** 7,868

Cost of sales margin: 38.5% → 43.0%
+4.5pts
### Financial Condition / Cash Flow Position

#### Balance Sheet

<table>
<thead>
<tr>
<th></th>
<th>As of March 2016</th>
<th>As of September 2016</th>
<th>change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total assets</strong></td>
<td>2,224</td>
<td>2,146</td>
<td>-78</td>
</tr>
<tr>
<td>Current assets</td>
<td>1,336</td>
<td>1,291</td>
<td>-45</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>887</td>
<td>855</td>
<td>-32</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>667</td>
<td>651</td>
<td>-15</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>437</td>
<td>419</td>
<td>-17</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>230</td>
<td>232</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>1,557</td>
<td>1,494</td>
<td>-62</td>
</tr>
</tbody>
</table>

#### Equity Ratio

|                      | 68.8% | 68.5% | -0.3pts |

#### Cash Flow

- **Operating Activities**
  - +135
- **Investing Activities**
  - -46
- **Financing Activities**
  - -56
- **Effect of exchange rate**
  - Changes -8
- **Total cash flows**
  - 251
- **Cash and cash equivalents at beginning of period**
  - 278
- **Cash and cash equivalents at end of period**
  - 278
Overall procurement price of crude drugs produced in China

Representation of weighted average of actual prices from production region to affiliated company when 2006 price is set as 100

Expected purchase prices in 2016
Calculated on a used amount basis, instead of a procured amount basis

- Price increase of ginseng, etc.
  1. Local demand in China increased;
  2. Unfavorable weather;
  3. Speculative investment cornering market

- Drop in ginseng prices that exceeded expectations
  1. Declining trend of purchases for speculative gains
  2. Increase in supply to market
FY2016 Performance Forecasts
No changes have been made from the results forecast announced on May 12, 2016. (¥ million)

<table>
<thead>
<tr>
<th></th>
<th>FY2015</th>
<th>FY2016 (announced in May, 2016)</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net sales</strong></td>
<td>112,625</td>
<td>115,400</td>
<td>2,774</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>19,826 (17.6%)</td>
<td>14,500 (12.6%)</td>
<td>-5,326</td>
</tr>
<tr>
<td>(Operating profit margin)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Ordinary income</strong></td>
<td>19,494</td>
<td>15,000</td>
<td>-4,494</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>12,557</td>
<td>10,700</td>
<td>-1,857</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>FY2015</th>
<th>FY2016 (announced in May, 2016)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends per share</td>
<td>¥64</td>
<td>¥64</td>
<td></td>
</tr>
<tr>
<td>E P S</td>
<td>¥178.06</td>
<td>¥151.72</td>
<td></td>
</tr>
<tr>
<td>R O E</td>
<td>8.3%</td>
<td>6.9%</td>
<td></td>
</tr>
</tbody>
</table>
Return of Profits to Shareholders
Return of Profits to Shareholders

**Policy**
- To improve corporate value through capital investments in order to realize the continuous development and growth of “Kampo”
- To consider medium- to long-term profit levels and cash flows as well as carry out a stable dividend
- To acquire treasury stock in a flexible manner after making efforts in shareholder returns based on examinations and revisions for an optimal capital structure as well as giving comprehensive consideration to market trends, etc.

**Dividend history**

The year-end dividend and dividend payout ratio for FY2016 are based on the assumption that the dividend item will be approved at the 81st annual shareholders’ meeting.
Acquisition of treasury stock

Matters regarding the acquisition of treasury stock were resolved at the meeting of the Board of Directors held on August 4, 2016

<table>
<thead>
<tr>
<th>Details of the resolution on August 4, 2016. (announced on same day)</th>
<th>Actual results (announced on November 2, 2016)</th>
</tr>
</thead>
<tbody>
<tr>
<td>■ Type of stock to be acquired: Company’s common stock</td>
<td>Same as left</td>
</tr>
<tr>
<td>■ Number of shares that can be acquired: 1,800,000 shares (maximum) (2.55% of the number of shares outstanding (excluding treasury stock)</td>
<td>1,741,000 shares</td>
</tr>
<tr>
<td>■ Total acquisition cost: 5 billion yen (maximum)</td>
<td>4,999,708,000 yen</td>
</tr>
<tr>
<td>■ Acquisition period: From August 5, 2016 to October 31, 2016</td>
<td>From August 5, 2016 till October 27, 2016 (on an agreed-to trade basis)</td>
</tr>
</tbody>
</table>
To Realizing Long-Term Management Vision (Vision of 2021)

1. Evidence for Kampo — Toward the new stage

2. Topics of the business in China
Evidence for Kampo
— Toward the new stage
Evidence for Kampo — Towards a New Stage

**Concept**
Looking at the recent structure of disease, the Company has selected certain diseases in fields where medical treatment needs are high that are difficult to treat with Western drugs and that Kampo products have demonstrated special efficacy for. The Company will establish a base of scientific evidence related to treating these diseases with Kampo medicine.

**Started promoting drug fostering**
[Approach in a Western medical way]

- Intensively specialized in 3 preparations

**2004**

- Started promoting drug fostering
- [Approach in a Western medical way]
- Intensively specialized in 3 preparations

**2009**

- Added 2 more preparations for drug fostering

**2013**

- Established Kampo Scientific Strategies Division
- (Introduced the concept of promoting the priority field)

**2016-**

- Evidence package
- Treatment guidelines
- References to Kampo in the national medical policy
- The future vision forum for Kampo as Japanese traditional medicine contributing to public welfare. [organized by the JSOM and JKMA]

**Respond to people who insist Kampo preparations lack scientific evidence**

**Accumulation of basic and clinical evidence**

- Large scale RCTs, DKT forum, etc.
- Top authorities from home and abroad
- Research on Kampo using Health and Labour Sciences Research Grant

**Use of evidence in the treatment setting**
Evidence for Kampo — Towards a New Stage

- Tsumura’s effort to build evidence
  
  **Clinical study**
  - Report on efficacy (conference presentation, article publication, etc.)
  - Top authorities, including physicians and medical institutions
    - Conducting an explorative study
  - Report on efficacy from multiple institutions
    - Verification of utility (double-blind trial)
    - Monitoring of side effects frequency surveys
  
  **Basic study**
  - Tsumura Research Laboratories
    - Conducting a pharmacokinetic study
    - Identification of active ingredients
    - Drug interactions
    - Understanding of action mechanism

- Enhance of package insert
- References in disease treatment guidelines
### Evidence for Kampo — Towards a New Stage

#### Current status of evidence building of priority preparations

Clinical EBM, action mechanism, monitoring of frequency of side effects, ADME, medical economics data

<table>
<thead>
<tr>
<th>Preparation name / Product No.</th>
<th>Meta-analysis</th>
<th>RCT</th>
<th>action mechanism</th>
<th>Monitoring of side effects frequency surveys</th>
<th>ADME</th>
<th>Publish guidelines</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daikenchuto TJ-100</td>
<td>Paper submitted</td>
<td>25</td>
<td>◎</td>
<td>◎</td>
<td>◎</td>
<td>Pediatric chronic functional constipation disease, systemic sclerosis</td>
</tr>
<tr>
<td>Yokukansan TJ-54</td>
<td>2</td>
<td>12</td>
<td>◎</td>
<td>◎</td>
<td>◎</td>
<td>Dementing illnesses, Use of psychotropic drugs for BPSD for primary care physicians</td>
</tr>
<tr>
<td>Rikkunshito TJ-43</td>
<td>—</td>
<td>18</td>
<td>◎</td>
<td>On going</td>
<td>◎</td>
<td>Functional gastrointestinal diseases, the diagnosis and treatment of psychosomatic diseases, GERD, systemic sclerosis</td>
</tr>
<tr>
<td>Goshajinkigan TJ-107</td>
<td>—</td>
<td>14</td>
<td>△</td>
<td>—</td>
<td>◎</td>
<td>Benign prostatic hyperplasia, overactive bladder syndrome, the pharmacologic management of neuropathic pain</td>
</tr>
<tr>
<td>Hangeshashinto TJ-14</td>
<td>—</td>
<td>5</td>
<td>◎</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Hochuekkito TJ-41</td>
<td>—</td>
<td>9</td>
<td>◎</td>
<td>—</td>
<td>—</td>
<td>Female lower urinary tract symptoms</td>
</tr>
<tr>
<td>Shakuyakukanzoto TJ-68</td>
<td>—</td>
<td>8</td>
<td>△</td>
<td>◎</td>
<td>◎</td>
<td>Amyotrophic lateral sclerosis</td>
</tr>
<tr>
<td>Bakumondoto TJ-29</td>
<td>—</td>
<td>5</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>Cough, EBM practice guidelines for asthma</td>
</tr>
<tr>
<td>Kamishoyosan TJ-24</td>
<td>—</td>
<td>4</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>Diseases in obstetrics and gynecology, the treatment and diagnosis of psychosomatic disorders</td>
</tr>
<tr>
<td>Goreisan TJ-17</td>
<td>—</td>
<td>2</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>Chronic headache</td>
</tr>
</tbody>
</table>

(Note) The marks above, ◎, ○, and △, indicate the results of the three stage evaluation based on the number of articles, achievements, and other factors (on our company basis)

#### Progress in KPI in FY 2016 (as of October)

<table>
<thead>
<tr>
<th>Item</th>
<th>Target</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of articles</td>
<td>50</td>
<td>39</td>
</tr>
<tr>
<td>Impact factors</td>
<td>100</td>
<td>90.061</td>
</tr>
<tr>
<td>Number of references in diseases and treatment guidelines (total sum)</td>
<td>25</td>
<td>23</td>
</tr>
</tbody>
</table>
Evidence for Kampo — Towards a New Stage

- **Evidence** of Kampo in medical care for the elderly
  - Neuropsychiatric disorders in the elderly (BPSD, sleep disorders, etc.) ➔ Yokukansan, etc.
  - Improvement of swallowing reflex and cough reflex in patients with a previous history of aspiration pneumonia, decreased onset of pneumonia ➔ Hangekobokuto
  - Functional constipation in patients with sequelae of stroke, improvement of gastrointestinal peristalsis in patients in the early period after abdominal surgery ➔ Daikenchuto
  - Subjective and objective symptoms in patients with chronic obstructive lung disease, improvement of inflammation markers and nutritional status ➔ Hochuekkito
  - Study outcomes of Ghrelin Research Project ➔ Rikkunshito ...and more

© Management of frailty and sarcopenia with aging ➔ Effective use of Kampo preparations

Ministry of Health, Labour and Welfare “New Orange Plan”

Suggestions in the future vision forum for Kampo as Japanese traditional medicine contributing to public welfare. [organized by the JSOM and JKMA]
Evidence for Kampo — Towards a New Stage

**Evidence for Kampo in the cancer field**

- Reduction in side effects caused by anticancer and other drugs
  - Peripheral nerve disorders accompanied by administration of anticancer drugs (numbness and pain) ➔ Goshajinkigan
  - Disorders of the gastrointestinal tract mucosa accompanied by administration of anticancer drugs and radiation therapy (diarrhea and mouth ulcer) ➔ Hangeshashinto
  - Nausea and loss of appetite accompanied by administration of anticancer drugs ➔ Rikkunshito

- Improvement of QOL in cancer patients
  - Decrease in stamina and immune strength ➔ Hochuekkito, Juzentaihoto
  - Cancer cachexia (loss of appetite) ➔ Rikkunshito
  - Postoperative delirium (neurotic diseases) ➔ Yokukansan

...and more

Ministry of Health, Labour and Welfare
“Plan to Accelerate Countermeasures for Cancer”

Suggestions in the future vision forum for Kampo as Japanese traditional medicine contributing to public welfare. [organized by the JSOM and JKMA]
Evidence for Kampo — Towards a New Stage

Evidence for Kampo in the gynecological field

- Menopausal syndrome including psychoneurotic symptoms, sleep disorders, and vasomotor symptoms ➔ Kamishoyosan
- Symptoms similar to menopausal syndrome (hot flashes) associated with hormonal therapy for breast cancer ➔ Keishibukuryogon
- Dysmenorrhea associated with endometriosis and other diseases ➔ Tokishakuyakusan

Urological field
- Nocturia ➔ Goshajinkigan

Care depending on the stage in women's life ➔ Effective use of Kampo preparations

Enactment and enforcement of the Act of Promotion of Women's Participation and Advancement in the Workplace
Evidence for Kampo — Towards a New Stage

Innovation to build evidence

Systems biology
- Innovative Systems Biology Project at University of Oxford
  - In the clinical study of TJ-68 (Shakuyakukanzoto), modeling analysis revealed the action mechanism
- Collaborative study with SBI (The Systems Biology Institute)
  - [Basic] Mapping technologies revealed the action mechanism of drugs including multiple components
  - [Clinical] Results from animal studies were verified in human subjects
  - [Clinical] Analysis of drug interactions and risk factors of high incidence of side effects (clustering and network analysis) and others

Intestinal bacteria / metabolomics
- The University of Chicago
  - Effects of TU-100 (Daikenchuto) on intestinal bacteria: article already published

Big data
- Department of Clinical Epidemiology & Health Economics, The School of Public Health, Graduate School of Medicine, The University of Tokyo
- Department of Health service research, Graduate School of Medicine, The University of Tokyo
- Study of Kampo preparations using medical big data
Evidence for Kampo — Towards a New Stage

- Measures by the Ministry of Health, Labour and Welfare
  - *Kenko Nippon 21* (second stage)  Healthy life expectancies, prevention of outbreak and worsening of lifestyle diseases
  - New Orange Plan  Promotion of measures to care for dementia
  - Comprehensive Regional Care System  Promotion of general physicians and home healthcare
  - Comprehensive Strategy to Strengthen the Pharmaceutical Industry
    - Strategy states that there is a need for the stable provision of high-quality products in regard to the essential and traditional pharmaceuticals that support medical treatment, such as vaccines, intravenous pharmaceuticals, *Kampo products*, and external-use pharmaceuticals.
  - Plan to Accelerate Countermeasures for Cancer
    - Strategy states the importance of promoting research related to supportive care that uses nutritional therapy, rehabilitation, and *Kampo medicine* from the perspective of reducing postoperative complications and prognostic symptoms

To accelerate efforts to further build evidence and improve the clinical efficacy of Kampo preparations for the purpose of contributing to the extension of healthy life expectancy in Japan, a super-aged society, and establish a presence as a therapeutic drug with high cost-therapeutic effectiveness
Topics of the business in China
Start-Up Business in China (traditional Chinese medicine compound granules)

Recent major efforts

- July 2016
  A joint venture was established with Shanghai Traditional Chinese Medicine Co., Ltd., a subsidy of Shanghai Pharmaceuticals Holding Co., Ltd.

- Trial production is ongoing for manufacturing approval

- In preparation for acquiring a factory site (in Shanghai area)

- In preparation for establishing a holding company in China

Control and management of supply chain, human resources, and capital in China spanning from existing businesses to new businesses, such as production of traditional Chinese medicine compound granules and export of crude drugs and extracts to Japan

Contributing to China, where the Company procures crude drugs, and the health of Chinese people

Taking on the challenge of entering the Chinese market
Reference material
1. Expansion and stable growth in the Kampo market

- Making efforts to expand the market through evidence-based promotional activities targeting specialists in priority areas at university hospitals, designated hospitals for clinical training, and others
- Conducting promotional activities for Kampo medicine toward practitioners and doctors at clinics, concentrating on existing customers, to improve the level of knowledge regarding Kampo
- Continuously supporting improvements in Kampo medicine education in schools of medicine at universities, designated hospitals for clinical training, and other institutions
- Improving the evidence package to have the Drug fostering prescriptions and Growing prescriptions, or the subsequent strategic prescriptions, mentioned in practice guidelines
- Establishing innovations to build evidence through Kampo study by taking advantage of novel technologies

2. Continued reinforcement of profitability and maximization of cash flow

- Striving to further improve price stability and quality certification of crude drugs through continuous expansion of cultivated land under own management
- Striving to improve production capacity by increasing the fundamental production capacity at existing facilities as well as continuously introducing and expanding new manufacturing technologies
- Bolstering earning and cash generating capabilities by optimizing the group supply chain
- Effectively allocating resources in selling, general and administrative expenses based on management decisions made from a medium- and long-term perspective

3. Taking on the challenge of new businesses in China

- Aiming to develop a new business in China, where the Company procures crude drugs for many years, with the purpose of contributing to the health of Chinese people.
Cautionary items regarding forecasts

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