TSUMURA & CO.
Second Quarter Business Results for Fiscal 2017
(From April 1, 2017 to September 30, 2017)

November 9, 2017
President, Representative Director
Terukazu Kato
Roadmap to Realizing Long-Term Vision

**Vision For 2021**

- **HOP**
  - Strengthening the growth base to achieve greater value creation

- **STEP**
  - Creating New Value Through Innovations in Kampo

- **JUMP**

**Roadmap**

- **First Medium-Term Management Plan**
  - 2012

- **Second Medium-Term Management Plan**
  - 2015-2016

- **Third Medium-Term Management Plan**
  - 2018-2019

- **2021** (FY)

**Medium-Term Management Plan**

**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**
Interim for Vision for 2021

Long-Term Business Vision “Vision for 2021”

Aim to be a value-creation company that contributes to people’s health through its Kampo business

The “Kampo” Company

Contributing to creating a healthcare environment where all patients can receive treatment that includes “Kampo” medicine where appropriate in any healthcare institution or medical specialty in Japan.

Expand the Kampo Market
Cost Structure Reform

Expand the Kampo Market
- Establish evidence
- Establish Japan Kampo Medicine Education Foundation
- Initiatives for Drug price revision

Cost Structure Reform
- Improve labor productivity
- Stable procurement structure for crude drugs

The “People” Company

“Kampo” medicine is a pioneering field with no previous examples to build on worldwide. Therefore, we shall evolve into a corporate group comprised of “people” with professional skills that can independently pave the way forward for our Kampo business and is trusted by all.

Development of Human Resources
Instill philosophy

“People” creating Tsumura
- Training at subsidiaries in China
  (continually implemented for five years)
- Reinforce various training

Instill philosophy
- Executive off-site meetings
- Events to celebrate 125th anniversary of founding

The “Global Niche” Company

Leveraging the technology and know-how of the Tsumura Group to their full extent, we will take on the challenge of developing and launching TU-100 (Daikenchuto) in the U.S. pharmaceutical market as well as creating new businesses in China.

Development in the U.S.
Development of Chinese Market

Development in the U.S.
- TU-100 Phase II (early stage)
  (FY2018: Finalized development policy)

Development of Chinese Market
- Entering into traditional Chinese medicine business

☆ The Capital and Business Alliance with Ping An Insurance
Summary of the Capital and Business Alliance with Ping An Insurance (Group) Company of China

**TSUMURA & CO.**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of new shares issued</td>
<td>5,986,700 shares</td>
</tr>
<tr>
<td>Number of shares disposed of</td>
<td>1,689,200 shares</td>
</tr>
<tr>
<td>Amount of capital raised</td>
<td>JPY 27,322,366,050</td>
</tr>
</tbody>
</table>

(Number of treasury shares held after disposal : 300,182 shares)

**Ping An Insurance (Group) Company of China, Ltd.**

**Ping An Life Insurance Company of China, Ltd. (Allottee)**

BANK OF CHINA (HK) LIMITED – CUSTODY ACCOUNT

Number of shares acquired: 7,675,900 shares (10% of the total number of issued shares)

【Terms of agreement】

During the period which the capital and business alliance agreement is valid, Ping An Insurance will not increase its shareholding in Tsumura or dispatch a director to Tsumura without the prior consent of Tsumura.

【Outline of the Capital of Business Alliance】

Tsumura and Ping An Insurance decided to form a business alliance, believing that this will allow them to promote the further development of the traditional Chinese medicine business in China, contribute to the health care and health of the Chinese people, and build a business model that covers everything from quality standards for traditional Chinese medicines and the cultivation of crude drugs to final products, and that this will also ensure Tsumura’s stable procurement of crude drugs and raw materials while helping improve the quality of crude drugs in China and protect crude drug resources.

This is an investment for the growth of businesses at the Tsumura Group and will contribute to an improvement in corporate value.
Summary of Ping An Insurance’s Healthcare Strategy

Patient
- Healthcare Management Platform
  - Ping An Good Doctor
- Health Service Chain
  - Ping An Wanjia Clinic

Provider
- Hospital
- Clinics
- Physicians
- Pharmacies
- Checkup centers
- Other Medical Institutions

Payment
- Social Health Insurance Platform
  - Ping An Social Health Insurance
- Private insurance
  - Ping An Health
  - Ping An Life
  - Ping An Annuity

Information platform: Ping An Health Cloud
Predict diseases

Services provided by Ping An Insurance Group
Summary of Ping An Insurance’s Healthcare Strategy

Patient
- Healthcare Management Platform
  - Ping An Good Doctor
- Health Service Chain
  - Ping An Wanjia Clinic

Provider
- Hospital
- Clinics
- Physicians
- Pharmacies
- Checkup centers
- Other Medical Institutions

Payment
- Social Health Insurance Platform
  - Ping An Social Health Insurance
- Private insurance
  - Ping An Health
  - Ping An Life
  - Ping An Annuity

Information platform: Ping An Health Cloud

Predict diseases

Services provided by Ping An Insurance Group
Establishment of Joint venture with Ping An Insurance (Plan)

Tsumura and Ping An Insurance plan to establish a joint venture, and to conduct the following business through the joint venture.

Details of main businesses of joint venture

<table>
<thead>
<tr>
<th>i. Business related to strengthening the crude drug procurement structure</th>
<th>The procurement of land for cultivation, the development of cultivation techniques, the construction and development of crude drug processing plants, and the development of processing technologies, etc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>ii. Business related to analysis and research focusing on traditional Chinese medicines</td>
<td>Establish an analysis and research center focusing on traditional Chinese medicines, and the development of analysis and research techniques and the provision of analysis and testing services, etc.</td>
</tr>
<tr>
<td>iii. Business related to traditional Chinese medicines, health food and healthcare-related daily necessities and other operations and markets</td>
<td>Use Tsumura’s Kampo medicine manufacturing knowhow to conduct the business of manufacturing and selling traditional Chinese medicines.</td>
</tr>
</tbody>
</table>
Summary of Future China Business

*We plan to shift our investments in each company to investments from Tsumura China.

- **Investment Ratio 10%**
  - Ping An Insurance (Group) Company of China, Ltd.
  - Ping An Life Insurance Company of China, Ltd.
  - * * * *

- **Joint Venture**
  - SPH TSUMURA PHARMACEUTICALS
  - Investment Ratio 49%
  - Investment Ratio 51%
  - Investment Ratio 34%

- **SHANGHAI TSUMURA**
  - Investment Ratio 100%

- **SHENZHEN TSUMURA**
  - Investment Ratio 100%

- **China Medico Corporation**

**Business for traditional Chinese medicine compound granules**

- **Business related to strengthening the crude drug procurement structure**
- **Business related to analysis and research focusing on traditional Chinese medicines, etc.**

**Manufacturing and Sales of Kampo extract powder for Tsumura**

- Procurement, selection and processing, and storage of raw material crude drug for Tsumura
- The crude drug pieces business

**Procurement, selection and processing, and storage of raw material crude drug for Tsumura**
- The crude drug pieces business
Product of the China Business

**The Crude drug pieces**

- Raw material crude drugs
  - Cutting, etc.
  - Crude drug pieces

**Traditional Chinese medicine compound granules**

- Raw material crude drugs
  - After cutting, etc., become crude drug pieces
  - Extraction/Separation/Concentration
  - Granules

Extract product based on traditional Chinese medicine (traditional Chinese medicine and traditional Chinese medicinal product)
Second Quarter Business Results for Fiscal 2017
### 2Q Consolidated Performance for Fiscal 2017

#### (¥ million)

<table>
<thead>
<tr>
<th></th>
<th>FY 2017 2Q Plan</th>
<th>FY 2017 2Q</th>
<th>FY 2016 2Q</th>
<th>Vs. FY 2016 2Q</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Achievement</td>
<td></td>
<td>Amount</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Change</td>
</tr>
<tr>
<td>Net sales</td>
<td>58,600</td>
<td>58,282</td>
<td>56,359</td>
<td>1,923</td>
</tr>
<tr>
<td></td>
<td></td>
<td>99.5%</td>
<td></td>
<td>3.4%</td>
</tr>
<tr>
<td>Operating profit</td>
<td>8,200 (14.0%)</td>
<td>8,985 (15.4%)</td>
<td>7,868 (14.0%)</td>
<td>1,116</td>
</tr>
<tr>
<td>(Operating profit margin)</td>
<td></td>
<td></td>
<td></td>
<td>14.2%</td>
</tr>
<tr>
<td>Ordinary profit</td>
<td>8,400</td>
<td>9,248</td>
<td>7,366</td>
<td>1,882</td>
</tr>
<tr>
<td></td>
<td></td>
<td>110.1%</td>
<td></td>
<td>25.6%</td>
</tr>
<tr>
<td>Profit attributable to owners of parent</td>
<td>6,100</td>
<td>6,614</td>
<td>5,311</td>
<td>1,302</td>
</tr>
<tr>
<td></td>
<td></td>
<td>108.4%</td>
<td></td>
<td>24.5%</td>
</tr>
</tbody>
</table>

#### Sales by product

- Prescription Kampo Products: 95.7%
- Other prescription pharmaceutical Products: 0.4%
- OTC medicines: 2.1%
- Other: 1.8%
### Key points in Performance

#### Underperformed sales goal but sales and profits grew year-on-year

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>Vs. planned</th>
<th>YoY</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated net sales</td>
<td>¥58,282 million</td>
<td>99.5%</td>
<td>3.4%</td>
<td></td>
</tr>
<tr>
<td>Sales of 129 prescription Kampo products increased 3.4% year on year, and sales of 77 formulations increased in amount basis.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales of OTC drugs, mainly Kampo products sold at pharmacies, rose 6.3%.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating profit</td>
<td>¥8,985 million</td>
<td>109.6%</td>
<td>14.2%</td>
<td></td>
</tr>
<tr>
<td>Operating profit margin</td>
<td>15.4%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Cost of Sales ratio fell 1.1 percentage points year on year to 41.9%, reflecting in part to an improvement in processing costs owing to an increase in production volume. However, this was 0.3 percentage points higher than we planned due to the cost of crude drugs and a temporary gap in production capacity owing to the launch of a new manufacturing line.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The SG&amp;A ratio fell 0.3 percentage points year on year to 42.7%, 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 1.1 billion yen, 1.7 percentage points, for the plan.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ordinary profit</td>
<td>¥9,248 million</td>
<td>110.1%</td>
<td>25.6%</td>
<td></td>
</tr>
<tr>
<td>Profit attributable to owners of parent</td>
<td>¥6,614 million</td>
<td>108.4%</td>
<td>24.5%</td>
<td></td>
</tr>
</tbody>
</table>
## Sales performance of prescription Kampo products

### FY 2017 2Q

<table>
<thead>
<tr>
<th>Product No. / name</th>
<th>Main effectively treatable disorders</th>
<th>FY 2016 2Q</th>
<th>FY 2017 2Q</th>
<th>Y o Y Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 △ 100 Daikenchuto</td>
<td>Abdominal pain / abdominal flatulence</td>
<td>5,212</td>
<td>5,351</td>
<td>138</td>
</tr>
<tr>
<td>2 △ 54 Yokukansan</td>
<td>Neurosis / insomnia, etc.</td>
<td>3,712</td>
<td>3,864</td>
<td>151</td>
</tr>
<tr>
<td>3 ☆ 41 Hochuekkito</td>
<td>Reinforcement of physical strength after illness / anorexia, etc.</td>
<td>3,630</td>
<td>3,699</td>
<td>68</td>
</tr>
<tr>
<td>4 ☆ 43 Rikkunshito</td>
<td>Gastritis / maldigestion / anorexia, etc.</td>
<td>3,431</td>
<td>3,577</td>
<td>146</td>
</tr>
<tr>
<td>5 G 68 Shakuyakukanzoto</td>
<td>Pain accompanying sudden muscle spasms, etc.</td>
<td>2,506</td>
<td>2,660</td>
<td>153</td>
</tr>
<tr>
<td>6 G 24 Kamishoyosan</td>
<td>Oversensitivity to cold / menstrual irregularity / climacteric disturbance, etc.</td>
<td>2,258</td>
<td>2,342</td>
<td>84</td>
</tr>
<tr>
<td>7 G 29 Bakumondoto</td>
<td>Coughing / bronchitis / bronchial asthma</td>
<td>1,986</td>
<td>2,002</td>
<td>16</td>
</tr>
<tr>
<td>8 G 17 Goreisan</td>
<td>Edema/ diarrhea / headache / heartstroke, etc.</td>
<td>1,715</td>
<td>1,921</td>
<td>206</td>
</tr>
<tr>
<td>9 ☆ 107 Goshajinkigan</td>
<td>Leg pain / low back pain / numbness / dysuria, etc.</td>
<td>1,901</td>
<td>1,889</td>
<td>-12</td>
</tr>
<tr>
<td>10 114 Saireito</td>
<td>Acute gastroenteritis / swelling (edema), etc.</td>
<td>1,771</td>
<td>1,812</td>
<td>40</td>
</tr>
<tr>
<td>21 ☆ 14 Hangeshashinto</td>
<td>Fermentative diarrhea / neurotic gastritis / stomatitis, etc.</td>
<td>642</td>
<td>692</td>
<td>49</td>
</tr>
</tbody>
</table>

**Total sales of the five Drug-fostering formulations**

<table>
<thead>
<tr>
<th></th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>YoY Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>14,900</td>
<td>15,375</td>
<td>474</td>
</tr>
</tbody>
</table>

**Total sales of the five Growing formulations**

<table>
<thead>
<tr>
<th></th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>YoY Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>12,097</td>
<td>12,627</td>
<td>529</td>
</tr>
</tbody>
</table>

**Total of 129 prescription Kampo products**

<table>
<thead>
<tr>
<th></th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>YoY Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>53,974</td>
<td>55,784</td>
<td>1,810</td>
</tr>
</tbody>
</table>

☆ : Drug-fostering formulations, G : Growing formulations
Analysis of Sales Catalysts

Three Important Domains

- Geriatric field
- Cancer domain (supportive care)
- Gynecology field

Concentration and Emphasis

Field of Gastroenterology
(Rikkunshito, Daikenchuto, Hangeshashinto, etc.)

◆ Field of concentration: MR capabilities
   ("Drug-fostering" program formulations)

New evidence of Rikkunshito and Daikenchuto, etc.
Analysis of Sales Catalysts (Rikkunshito)

**FY2021 Sales Goal**: Over 10 billion yen

<table>
<thead>
<tr>
<th></th>
<th>FY 2016 2Q</th>
<th>FY 2017 2Q</th>
<th>Vs. FY 2016 2Q</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>3,431</td>
<td>3,577</td>
<td>146</td>
</tr>
<tr>
<td><strong>4.3%</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Targeting: Improvement of gastrointestinal motility

1. **Pharmacology**
   - Actions on gastric adaptive relaxation (guinea pig, human, etc.)
   - Stimulation of ghrelin secretion (stimulation of appetite) (rat, human)
   - Improve gastric emptying (human)
   - Enhancement of digestive motility (rat, human)
   - Improve stress-induced gastrointestinal function disorders (mouse, human)
   - Improve gastric mucosal blood flow (guinea pig, human)
   - Suppress gastric acid hypersensitivity (rat)
   - Improve esophageal clearance (human)

2. **New evidence**
   - DREAM Study: Clinical trial on FD (Functional Dyspepsia) [Announcement at DDW2017]

**Targeting strategy**

1st Half
- Facilities-specific approach
  - Use of real world data

2nd Half
- Doctor-specific approach

**Education about products**

Regional Branch Manager • Sales Office Manager

Manager
Rikkunshito Pharmacology

Enhancement of digestive motility (rat, human)

Stimulation of ghrelin secretion (stimulation of appetite) (rat, human)

Actions on gastric adaptive relaxation (guinea pig, human, etc.)

Improve gastric emptying (human)

Improve esophageal clearance (human)

Suppress gastric acid hypersensitivity (rat)

Improve gastric mucosal blood flow (guinea pig, human)

Improve stress-induced gastrointestinal function disorders (mouse, human)
Analysis of Sales Catalysts (Rikkunshito)

1. Pharmacology

- Actions on gastric adaptive relaxation (guinea pig, human, etc.)
- Stimulation of ghrelin secretion (stimulation of appetite) (rat, human)
- Improve gastric emptying (human)
- Enhancement of digestive motility (rat, human)
- Improve stress-induced gastrointestinal function disorders (mouse, human)
- Improve gastric mucosal blood flow (guinea pig, human)
- Suppress gastric acid hypersensitivity (rat)
- Improve esophageal clearance (human)

2. New evidence

DREAM Study: Clinical trial on FD (Functional Dyspepsia) [Announcement at DDW2017]

Targeting strategy

- Facilities-specific approach
- Doctor-specific approach

Use of real world data

Education about products

- Regional Branch Manager • Sales Office Manager

Manager

FY2021 Sales Goal: Over 10 billion yen

<table>
<thead>
<tr>
<th></th>
<th>FY 2016 2Q</th>
<th>FY 2017 2Q</th>
<th>Vs. FY 2016 2Q</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>3,431</td>
<td>3,577</td>
<td>146</td>
</tr>
</tbody>
</table>

Targeting: Improvement of gastrointestinal motility
Analysis of Sales Catalysts  (Daikenchuto · Hangeshashintō)

<table>
<thead>
<tr>
<th>Product No. / name</th>
<th>FY2016 2Q</th>
<th>FY 2017 2Q</th>
<th>Vs. FY 2016 2Q</th>
</tr>
</thead>
<tbody>
<tr>
<td>100 Daikenchuto</td>
<td>5,212</td>
<td>5,351</td>
<td>138</td>
</tr>
<tr>
<td>14 Hangeshashintō</td>
<td>642</td>
<td>692</td>
<td>49</td>
</tr>
</tbody>
</table>

Daikenchuto

- Strengthen approach to specialists in gastrointestinal surgery by disseminating evidence by top authorities at academic conferences. Sales rose year-on-year but were lower than we planned.
- The chronic constipation treatment guidelines were released in October so we plan to strengthen sales activities in the second half.

Hangeshashintō

- Owing to activities to communicate the revision to the warning label in the previous fiscal year, there was an increase in cases of usage for stomatitis, which is a side-effect of cancer treatment.
- We will continue gathering evidence to listing in the guidelines.
Measures for Developing New Domains

- **New collaborations with academic conferences**
  - Participate in training programs at nutrition-related academic conferences
  - Seven times from September to December
  - Development mainly for supplements*, including Hochuekkito

*Supplements: Prescribed for use to restore weakened energy

<table>
<thead>
<tr>
<th>Product No.</th>
<th>name</th>
<th>INDICATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>41</td>
<td>Hochuekkito</td>
<td>Conditions of patients having delicate constitution, reduced digestive functions, and severe fatigability of limbs: Summer emaciation, reinforcement of physical strength after illness, tuberculosis, anorexia, gastroptosis, cold, hemorrhoid, anal prolapse, uterine prolapse, impotence, hemiplegia, and hyperhidrosis</td>
</tr>
</tbody>
</table>
Factors in Increase / Decrease of Operating Profit (YoY)

<table>
<thead>
<tr>
<th>Component</th>
<th>FY 2016 2Q</th>
<th>FY 2017 2Q</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit</td>
<td>7,868</td>
<td>8,985</td>
</tr>
<tr>
<td>Sales increase</td>
<td>+1,923</td>
<td></td>
</tr>
<tr>
<td>Sales cost increase</td>
<td></td>
<td>-147</td>
</tr>
<tr>
<td>SG&amp;A expenses increase</td>
<td></td>
<td>-658</td>
</tr>
<tr>
<td>Cost of sales margin</td>
<td>43.0%</td>
<td>41.9%</td>
</tr>
<tr>
<td>Cost of sales margin</td>
<td></td>
<td>-1.1pts</td>
</tr>
<tr>
<td>Factors of Sales increase</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prescription Kampo 129 products</td>
<td>+1,810</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>+113</td>
</tr>
<tr>
<td>Factors of Cost of sales margin</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in crude drug cost</td>
<td></td>
<td>+0.1pts</td>
</tr>
<tr>
<td>Improvement of processing cost</td>
<td></td>
<td>-0.5pts</td>
</tr>
<tr>
<td>Fluctuation of exchange rate</td>
<td></td>
<td>-0.4pts</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>-0.3pts</td>
</tr>
<tr>
<td>Factors of SG&amp;A expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales promotion expenses</td>
<td></td>
<td>+187</td>
</tr>
<tr>
<td>R&amp;D expenses</td>
<td></td>
<td>+155</td>
</tr>
<tr>
<td>Advertising expenses</td>
<td></td>
<td>-40</td>
</tr>
<tr>
<td>Personnel expenses</td>
<td></td>
<td>+184</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>+172</td>
</tr>
</tbody>
</table>
Financial Condition / Cash Flow Position

### Balance Sheet

<table>
<thead>
<tr>
<th></th>
<th>As of March 2017</th>
<th>As of September 2017</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total assets</strong></td>
<td>222,008</td>
<td>258,464</td>
<td>36,456</td>
</tr>
<tr>
<td>Current assets</td>
<td>134,679</td>
<td>166,825</td>
<td>32,146</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>87,329</td>
<td>91,639</td>
<td>4,309</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>64,611</td>
<td>96,014</td>
<td>31,402</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>31,883</td>
<td>48,200</td>
<td>16,316</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>32,727</td>
<td>47,813</td>
<td>15,086</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>157,397</td>
<td>162,450</td>
<td>5,053</td>
</tr>
<tr>
<td>Equity Ratio</td>
<td>69.7%</td>
<td>61.8%</td>
<td>-7.9pts</td>
</tr>
</tbody>
</table>

### Cash Flow

- **Operating Activities**: +11.4 ¥ billion
- **Investing Activities**: -19.0 ¥ billion
- **Financing Activities**: +25.3 ¥ billion
- **Effect of exchange rate Changes**: -0.1 ¥ billion
- **Total**: 47.4 ¥ billion

### Balance Sheet (Change in ¥ million)

<table>
<thead>
<tr>
<th>Item</th>
<th>As of March 2017</th>
<th>As of September 2017</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Inventories</strong></td>
<td>52,138</td>
<td>48,887</td>
<td>-3,251</td>
</tr>
<tr>
<td>(Merchandise and finished goods)</td>
<td>8,122</td>
<td>8,009</td>
<td>-113</td>
</tr>
<tr>
<td>(Work in process)</td>
<td>14,547</td>
<td>12,895</td>
<td>-1,652</td>
</tr>
<tr>
<td>(Raw materials and stores)</td>
<td>29,467</td>
<td>27,982</td>
<td>-1,485</td>
</tr>
</tbody>
</table>

### Cash Flow (Change in ¥ million)

- **Cash and cash equivalents at beginning of period**: 29.9 ¥ billion
- **Issuance of Bonds**: ¥30 billion
- **Cash and cash equivalents at end of period**: 20.4 ¥ billion
Topics for ESG Activities
Asagiri Medical Plants LLC
Completion of Medicinal Plant Processing Plant (July)

- Constructed on the former site of Fukada junior high school in Asagiri-cho
- Total floor space of 962.5㎡
- One-story steel structure
- Full-fledged operations scheduled to start up in November

◆ Construction cost for processing plant: Shouldered by Kumamoto Prefecture, Asagiri-cho, and the townships in the Hitoyoshi and Kuma districts
◆ Processing facilities: Cost to be shouldered by Asagiri Medical Plants LLC and Tsumura

Medicinal Plant Processing Plant
Awarded as an Outstanding Business Office for Employing People with Disabilities by the Minister of Health, Labour and Welfare

In September 2017, Selected and awarded as an Outstanding Business Office for Employing People with Disabilities by the Minister of Health, Labour and Welfare.

Awarded to businesses that actively higher a number of people with disabilities or to people with disabilities that are model workers

⇒As of the end of September 2017, the percentage of employees with disabilities at Tsumura was 3.02%.

Selection process
In the past, we had won the Director’s award from the Japan Organization for Employment of the Elderly, Persons with Disabilities and Job Seekers (JEED). This time around JEED recommended us and the MHLW selected us for the award.

Previous awards
2011: JEED Director’s award for best effort
2014: JEED Director’s award
FY2017 Performance Forecasts
# FY2017 Performance Forecasts

- No changes have been made from the results forecast announced on May 11, 2017. (¥ million)

<table>
<thead>
<tr>
<th></th>
<th>FY 2016</th>
<th>FY2017</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>Change</td>
<td></td>
</tr>
<tr>
<td>Net sales</td>
<td>114,954 ¥</td>
<td>120,700 ¥</td>
<td>5,745 ¥</td>
</tr>
<tr>
<td></td>
<td>5.0%</td>
<td>5.0%</td>
<td></td>
</tr>
<tr>
<td>Operating profit</td>
<td>15,983 ¥</td>
<td>17,600 ¥</td>
<td>1,616 ¥</td>
</tr>
<tr>
<td>(Operating profit margin)</td>
<td>(13.9%)</td>
<td>(14.6%)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>10.1%</td>
<td>10.1%</td>
<td></td>
</tr>
<tr>
<td>Ordinary profit</td>
<td>16,399 ¥</td>
<td>18,100 ¥</td>
<td>1,700 ¥</td>
</tr>
<tr>
<td></td>
<td>10.4%</td>
<td>10.4%</td>
<td></td>
</tr>
<tr>
<td>Profit attributable to owners of parent</td>
<td>12,488 ¥</td>
<td>12,700 ¥</td>
<td>211 ¥</td>
</tr>
<tr>
<td></td>
<td>1.7%</td>
<td>1.7%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>FY 2016</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends per share</td>
<td>¥64</td>
<td>¥64</td>
</tr>
<tr>
<td>E P S</td>
<td>¥179</td>
<td>¥184</td>
</tr>
<tr>
<td>R O E</td>
<td>8.1%</td>
<td>8.0%</td>
</tr>
</tbody>
</table>

**Impact from the Capital and Business Alliance**

- ¥175
- 7.4%
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 FY2017 are based on the assumption that the dividend item will be approved at the 82nd annual shareholders’ meeting.
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.