

Third Quarter Business Results for Fiscal 2023

February 7, 2024

TSUMURA & CO.

01

Third Quarter Business Results for FY 2023

02

Initiatives and Progress for
Domestic Business and China Business

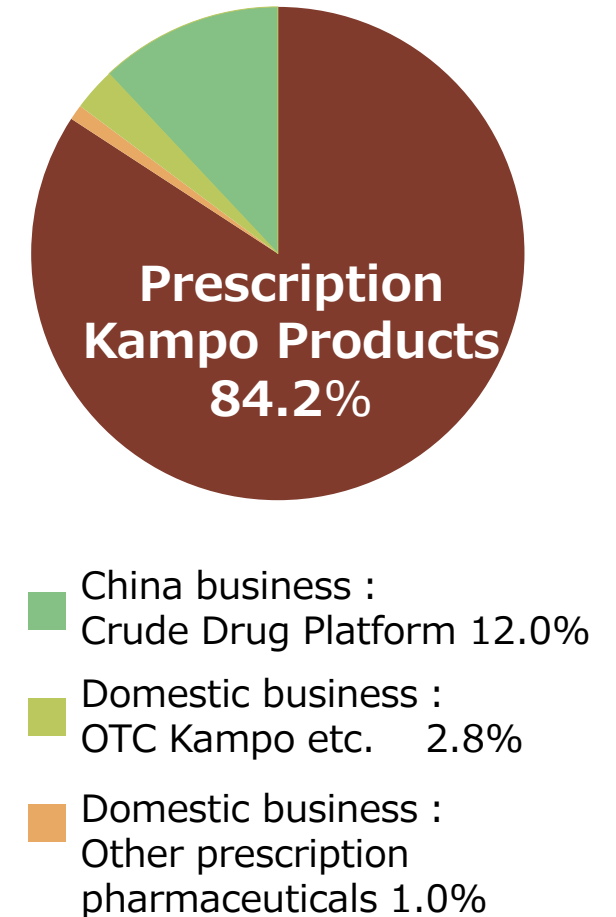
03

Revision of FY2023 Earnings Forecast

3Q Business Results for FY 2023

| 【Million yen】 | 3Q FY 2022 results | 3Q FY2023 results | YoY | |
|---|--------------------------|-------------------------|---------------|--------------|
| | | | Amount | Change |
| Sales | 107,076 | 115,826 | +8,749 | +8.2% |
| Domestic business | 96,355 | 101,929 | +5,574 | +5.8% |
| China business | 10,721 | 13,896 | +3,175 | +29.6% |
| Operating profit | 17,723 | 19,143 | +1,420 | +8.0% |
| Domestic business | 17,882 | 19,427 | +1,554 | +8.6% |
| China business | (159) | (283) | (124) | — |
| Ordinary profit | 21,410 | 22,400 | +990 | +4.6% |
| Profit attributable to owners of parent | 15,875 | 16,151 | +275 | +1.7% |
| PL translation rate (CNY) | 19.41 | 19.62 | +0.21 | — |

Ratio to total sales



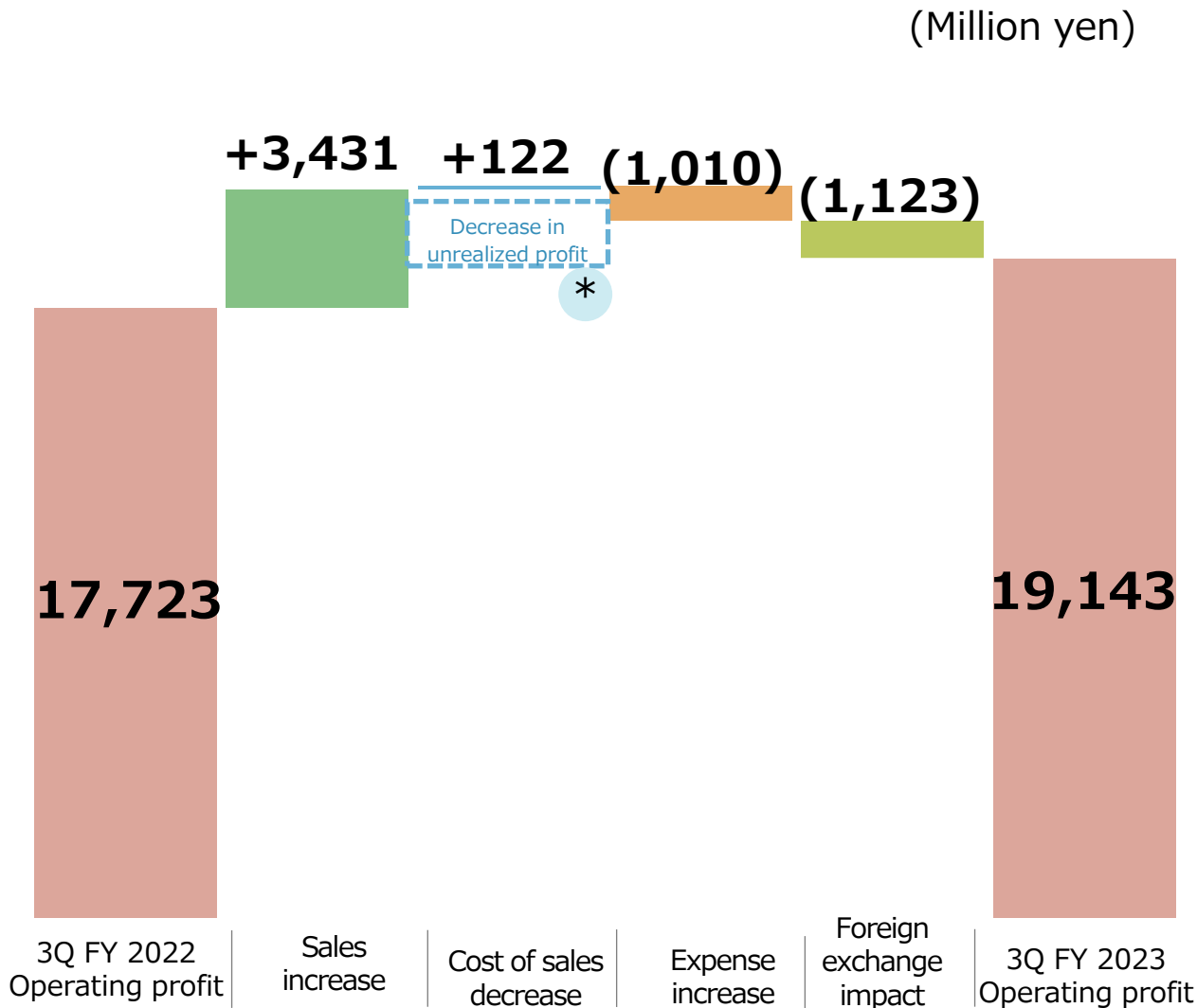
*Forex rate at the time overseas subsidiaries' PLs were incorporated; differs from the import rate for raw material crude drugs

Key Points in Performance

- Sales and profit increased owing to ongoing growth in sales in both the domestic business and China business

| | | | | |
|---|---------|-------------|-----|---------|
| Net sales | 115,826 | million yen | YoY | +8.2% |
| <ul style="list-style-type: none"> ■ Domestic business Total sales of the 129 prescription Kampo products : 97,635 million yen, up 6.2% year-on-year Total sales of OTC Kampo formulations and other healthcare products : 3,302million yen, down 1.7% year-on-year ■ China business Raw material crude drugs, drug pieces, Yakushokudogen products, etc. : 13,896million yen, up 29.6% year-on-year | | | | |
| Operating profit | 19,143 | million yen | YoY | +8.0% |
| Operating profit margin | 16.5 | % | YoY | (0.1)pt |
| <ul style="list-style-type: none"> ■ Cost-to-sales ratio : 52.5%, +1.6pt YoY : Mainly reflects impact from a rise in crude drug procurement expense, still high raw material expenses, and a depreciation in the yen's value versus major currencies ■ SG&A ratio : 31.0%, (1.5)pt YoY : Sales growth offset growth investments, mainly in the DX transformation for Kampo value chain | | | | |
| Ordinary profit | 22,400 | million yen | YoY | +4.6% |
| <ul style="list-style-type: none"> ■ Foreign exchange gain primarily related to loans to overseas subsidiaries: 2,201 million yen, down 704 million yen year-on-year | | | | |
| *Foreign exchange gain not posted in plan | | | | |
| Profit attributable to owners of parent | 16,151 | million yen | YoY | +1.7% |

Factors Triggering Changes in Operating Profit (YoY)



| Sales increase: +3,431 million yen | |
|--|--------|
| Domestic business | +2,938 |
| China business | +493 |
| Decrease in cost of sales: +122 million yen | |
| Domestic business: Unit sales price (of which NHI price revision impact was +1,223) | +1,467 |
| Domestic business: Crude drug procurement cost | (355) |
| Domestic business: Raw material expenses | (734) |
| Domestic business: Processing expense, etc. (of which energy expense was (346), other productivity improvements, etc.) | +77 |
| China business: Increase in sales ratio | (333) |
| Expense increase: (1,010) million yen | |
| R&D cost | (499) |
| Salary allowance | (258) |
| Sales promotion expense | (36) |
| Depreciation (of which there was a decline in one-off expense at the Tianjin Plant +662) | +533 |
| Other (of which system introduction expense, etc. (481), activities expense (394)) | (750) |
| Foreign exchange (yen depreciation) impact: (1,123) million yen | |

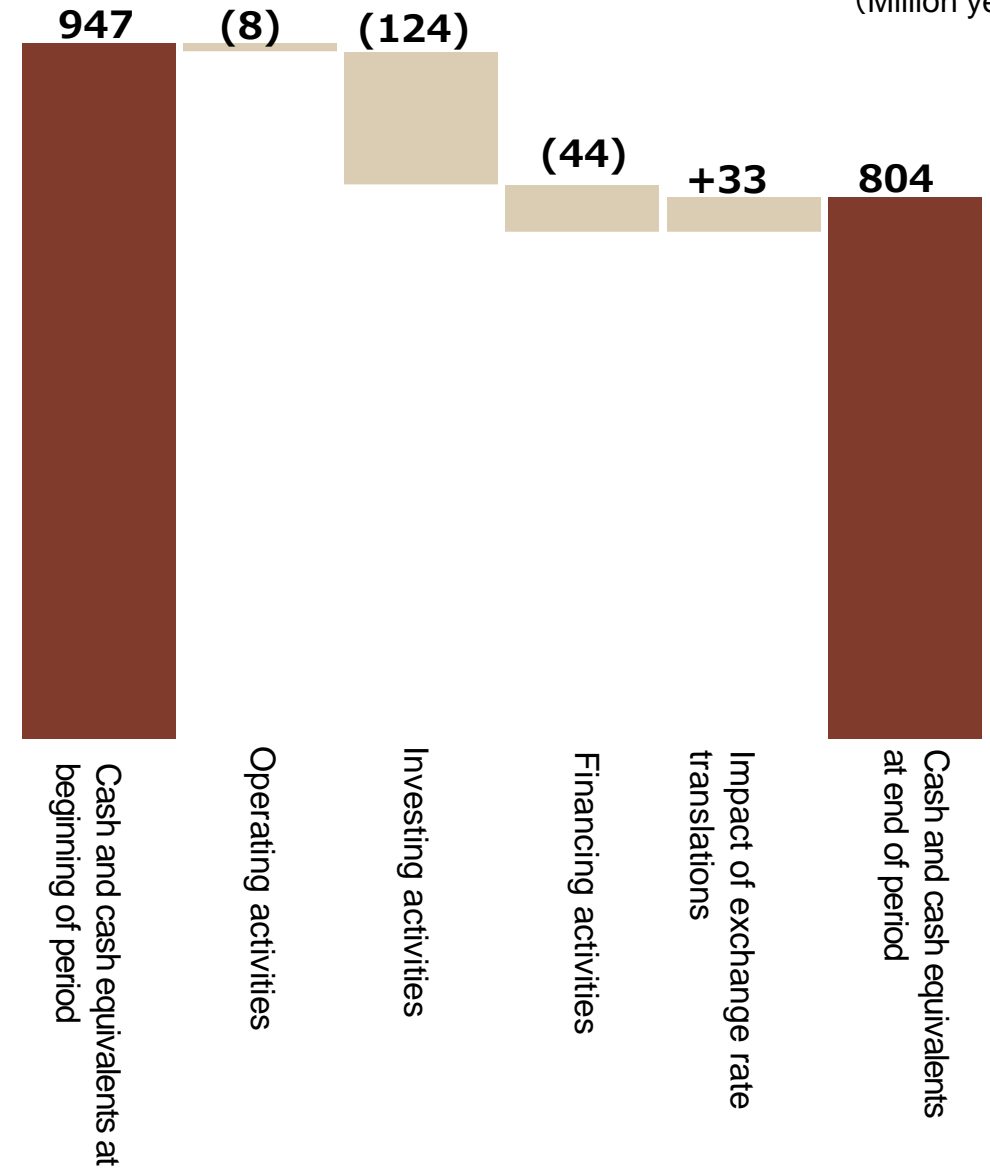
Financial Condition/Cash Flow Position

(Million yen)

| | FY 2022 (March 2023) | FY2023 3Q | Change |
|--------------------------|-------------------------|----------------|----------------|
| Total assets | 396,813 | 418,272 | 21,459 |
| Current assets | 268,320 | 278,724 | 10,404 |
| Non-current assets | 128,492 | 139,547 | 11,055 |
| Total liabilities | 124,566 | 121,144 | (3,422) |
| Current liabilities | 47,205 | 57,608 | 10,403 |
| Non-current liabilities | 77,361 | 63,535 | (13,825) |
| Total net assets | 272,246 | 297,127 | 24,881 |
| Equity ratio | 63.5% | 64.8% | +1.3pt |

| | FY 2022 (March 2023) | FY2023 3Q | Change | Of which, Exchange rate |
|--------------------------------|-------------------------|----------------|---------------|----------------------------|
| Inventories | 101,726 | 111,899 | 10,172 | 4,644 |
| Merchandise and finished goods | 11,257 | 12,638 | 1,381 | 290 |
| Work in process | 14,430 | 15,341 | 911 | 216 |
| Raw materials and supplies | 76,038 | 83,918 | 7,880 | 4,137 |

(Million yen)



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**Initiatives and Progress for
Domestic Business and China Business**

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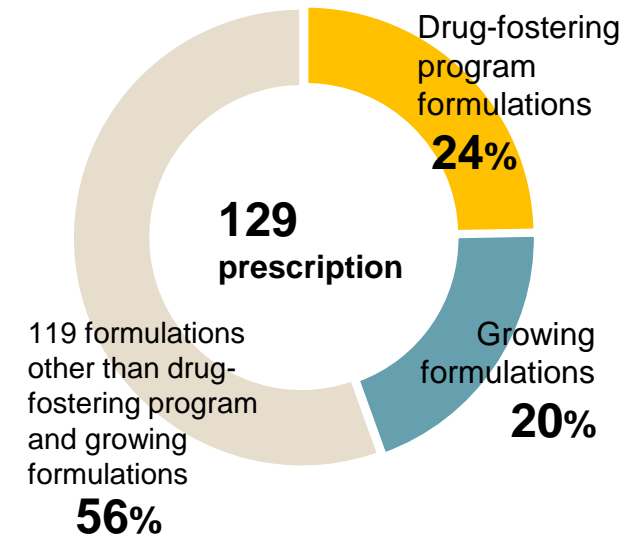
Revision of FY2023 Earnings Forecast

Sales of Drug-fostering Program Formulations/Growing Formulations

(Million yen)

| | Net sales Ranking | Product No./formulation name | FY 2022 3Q | FY 2023 3Q | YoY | |
|---|-------------------|------------------------------|------------|------------|--------|--------|
| Drug-fostering program formulations | 1 | 100 Daikenchuto | 7,482 | 7,590 | +107 | +1.4% |
| | 3 | 54 Yokukansan | 5,687 | 5,826 | +138 | +2.4% |
| | 4 | 43 Rikkunshito | 5,644 | 5,661 | +16 | +0.3% |
| | 9 | 107 Goshajinkigan | 2,633 | 2,827 | +194 | +7.4% |
| | 24 | 14 Hangeshashinto | 1,078 | 1,097 | +18 | +1.8% |
| Total sales for drug-fostering program formulations | | | 22,527 | 23,003 | +475 | +2.1% |
| Growing formulations | 2 | 41 Hochuekkito | 6,096 | 6,185 | +88 | +1.5% |
| | 5 | 17 Goreisan | 4,821 | 5,528 | +706 | +14.6% |
| | 6 | 24 Kamishoyosan | 3,935 | 3,935 | +0 | +0.0% |
| | 17 | 137 Kamikihito | 1,600 | 1,782 | +182 | +11.4% |
| | 18 | 108 Ninjin'yoeito | 1,624 | 1,761 | +137 | +8.4% |
| Total sales for growing formulations | | | 18,078 | 19,193 | +1,114 | +6.2% |
| Total sales for 119 formulations other than drug-fostering program and growing formulations | | | 51,335 | 55,438 | +4,102 | +8.0% |
| Total sales for 129 prescription Kampo products | | | 91,941 | 97,635 | +5,693 | +6.2% |

Ratio to total sales



Expansion of the Information Provided on the TSUMURA MEDICAL SITE

- Expand contents to deliver information that suits each and every physician
- Video library, lectures/academic conferences/study groups, and Kampo custom files are popular contents

TSUMURA MEDICAL SITE contents



Video library

Learn from videos with abundant contents, including pathology/disease, explanation of Kampo formulations, proper use of Kampo products and Kampo lessons



Lectures/academic conferences/study groups

Introduction of information on co-sponsored Web lectures/academic conferences/study groups. Also implementing lectures with dialogue between lecturers and viewers



Kampo custom file

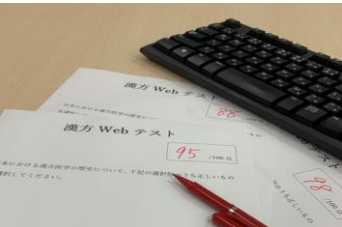
A file that compiles a leaflet that visualizes the proper use of Kampo products, information on side effects, and a leaflet concerning medication guidance



Tsumura Kampo online MR



Tsumura Kampo virtual MR



Kampo Web test



Kampo digital booth



Product information

Initiatives to Provide Information Suited to the Individual Physician

- Enhance the marketing automation system to make personalized deliveries
- Utilize a function that provides feedback to MRs to strengthen collaborations between MR activities and e-promotions



Standardized delivery
(From 1H FY 2022 onward)

- Delivery of same contents to all members

Delivery by segment
(From 2H FY 2022 onward)

- Delivery by segment, including affiliated departments and domains

Provide information that is suited to the individual physician



Personalized delivery (FY 2023 onward)

- Delivery of contents that corresponds to site viewing status, affiliated departments, domains, prescription trends, etc.

- Improve quality of information provision by MRs through an advancement in conversational skills

Training for MRs using UMU

- ✓ Clarify respective MR issues and make improvements by combining performance evaluations conducted by humans and AI



Comprehensive
evaluation

XX points

Details regarding issues

・XXXXXXXXXXXXXXXXXXXX
・XXXXXXXXXXXXXXXXXXXX



Scorer comment

Scorer (1): 90 points

- Good as the main points of the presentation were compiled in a compact manner.

Scorer (2): 80 points

- I felt there were parts of XXX's presentation that were not properly conveyed.

Scorer (3): 85 points

- Had a good image of scenes where information was conveyed to medical practitioners.

AI scoring

★★★★★ 82

AI表現力フルスコア: 100点



UMU Performance Learning Award 2023
Receive the "Superior Performance
Learning Award"

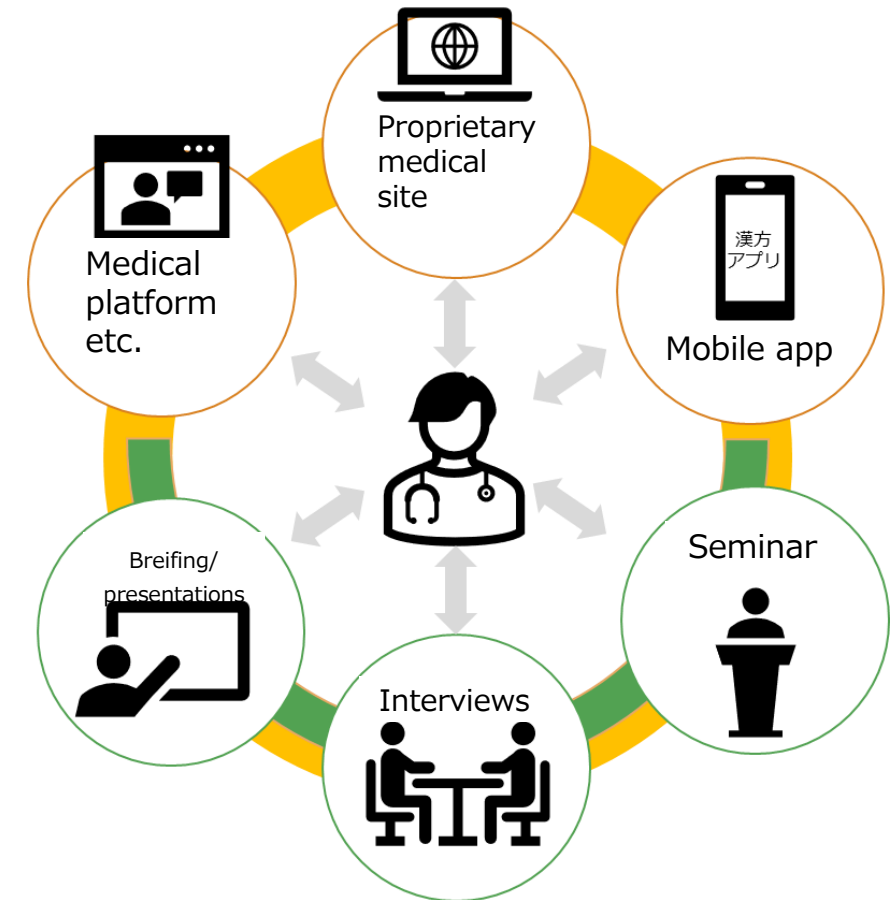
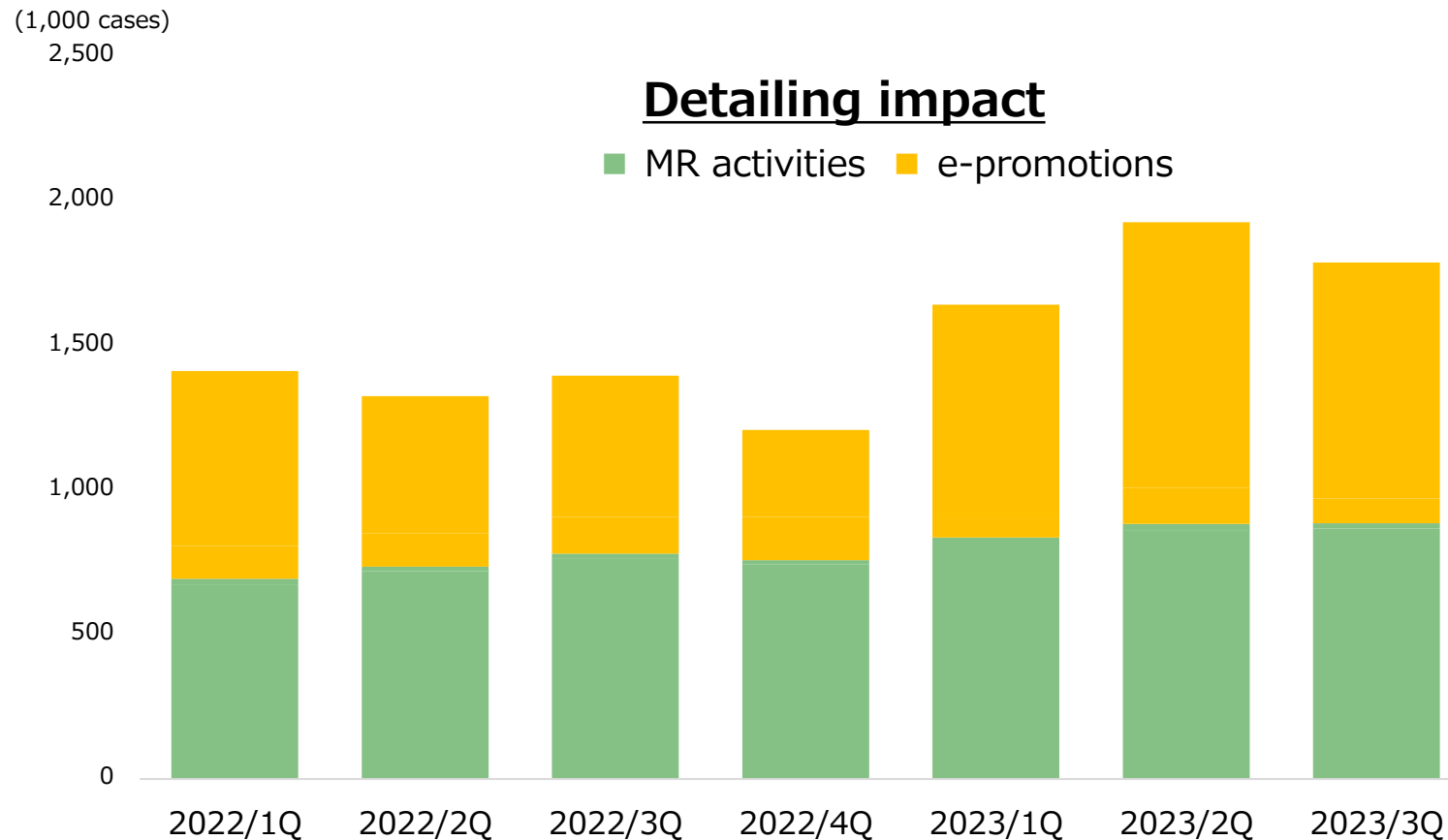


UMU

refers to a service where skills are learned that can be used in actual business scenes through ongoing learning after training, including training for talking skills that envisage an actual sales scene or real-time feedback using AI

*Excerpt from the UMU Technology Japan website

- Expand the number of detailing impact cases year-on-year through hybrid information provision activities that combine e-promotions with MR activities



*Number of cases of detailing impact: Number of cases of information recognition from various channels, including MR activities and the Internet

*e-promotions: Information provision, mainly through online lectures and video streaming

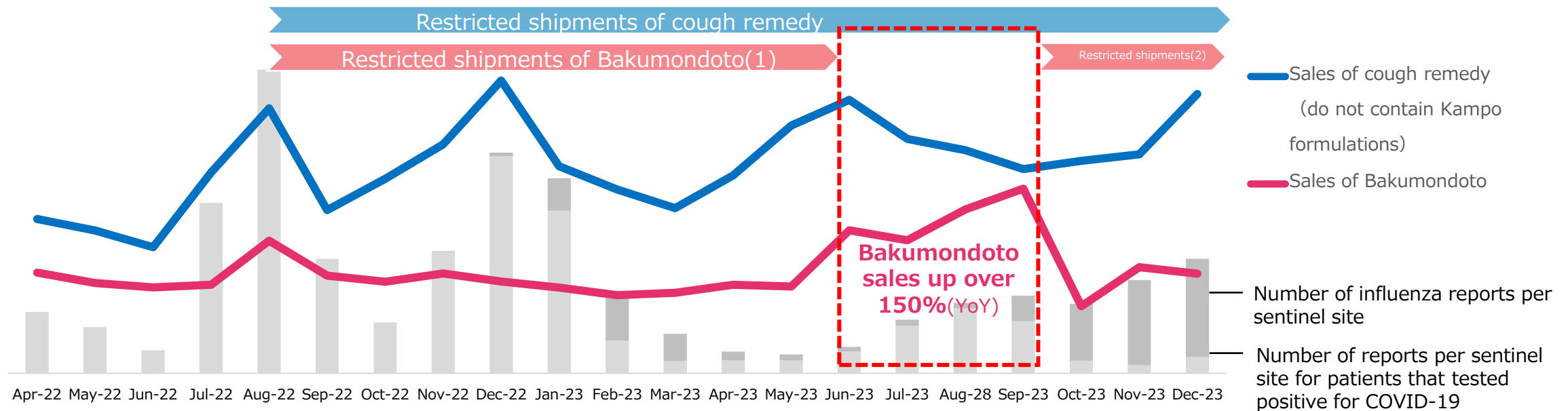
*MR activities: Information provision via MRs + in-person lectures

INTAGE Healthcare Inc. survey, Impact Track

Domestic Business: The Status of Limited Shipments of Prescription Kampo Formulations

- Increase in demand for Kampo formulations owing to an expansion in infectious diseases and a reduced supply of cough suppressants
- Reflecting this impact, restricted shipments have once again been applied to common cold-related Kampo formulations

Trends for cough suppressant and Bakumondoto sales, and for the number of infectious disease reports



Restricted shipments of Bakumondoto (1)

- Sharp increase in demand for seasonal formulations reflecting intense heat
- Rapid rise in demand for common cold-related formulations due to COVID-19
- Decrease in production due to a shutdown of operations at the Shanghai Plant triggered by the lockdown of Shanghai

Restricted shipments of Bakumondoto (2)

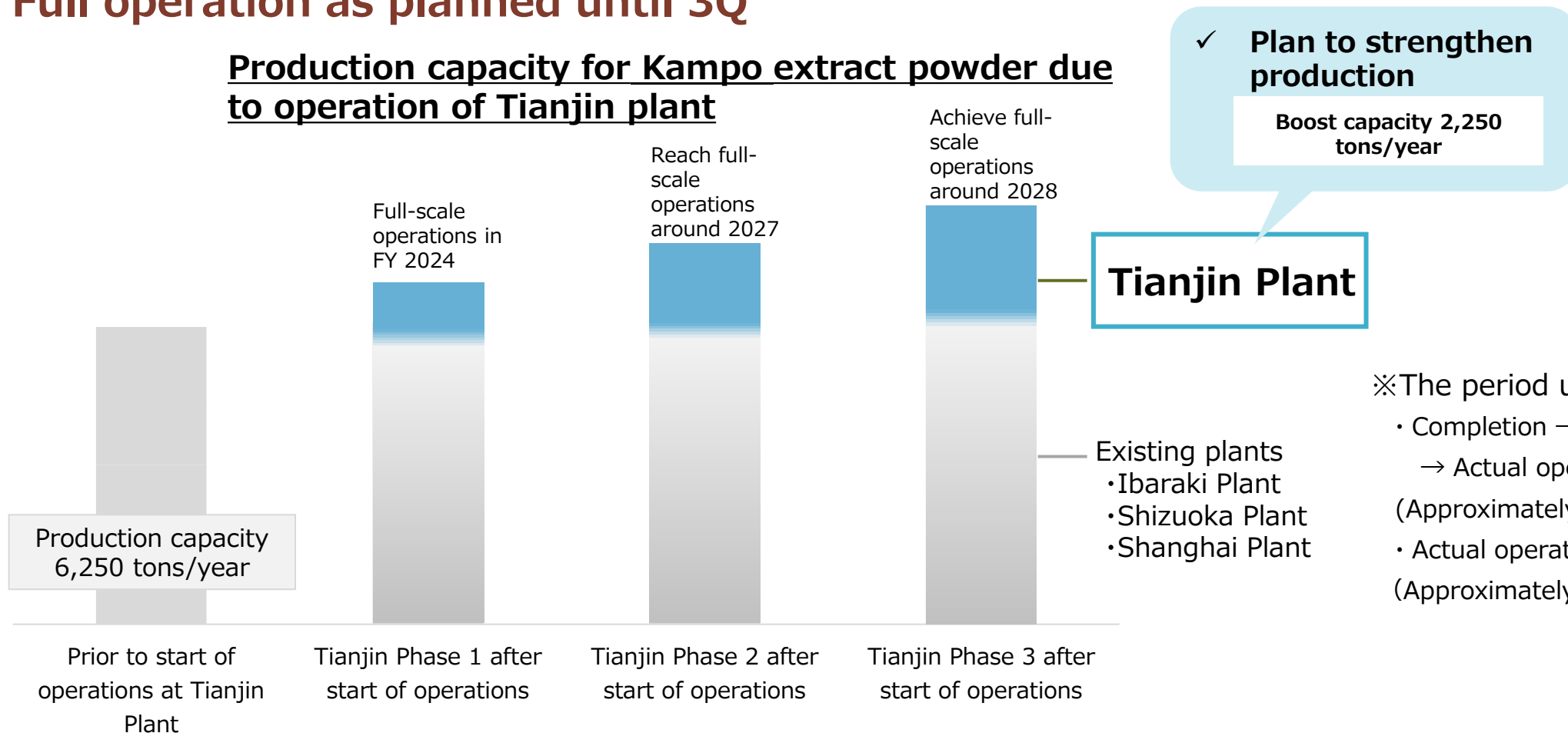
- Increase in demand due to the spread of COVID-19 and influenza and a decline in the supply of cough suppressants

Source: Number of influenza reports per sentinel site (weekly report data for surveys on trends for infectious disease outbreaks)
Proprietary calculation for the number of reports on people who tested positive for COVID-19, based on data of people that newly tested positive (up to April 2023) and data on the number of reports per sentinel site (from May 2023)
Cough suppressant and Bakumondoto sales, IQVIA. Tsumura's proprietary tally based on JPM data for April 2022–December 2023. Unauthorized reproduction is prohibited.

Bolster Production Capacity in the Domestic Business

- In FY 2023, planning to boost production capacity by commencing Phase 1 operations at the Tianjin Plant and by increasing the number of days of operations at existing plants
- Full operation as planned until 3Q

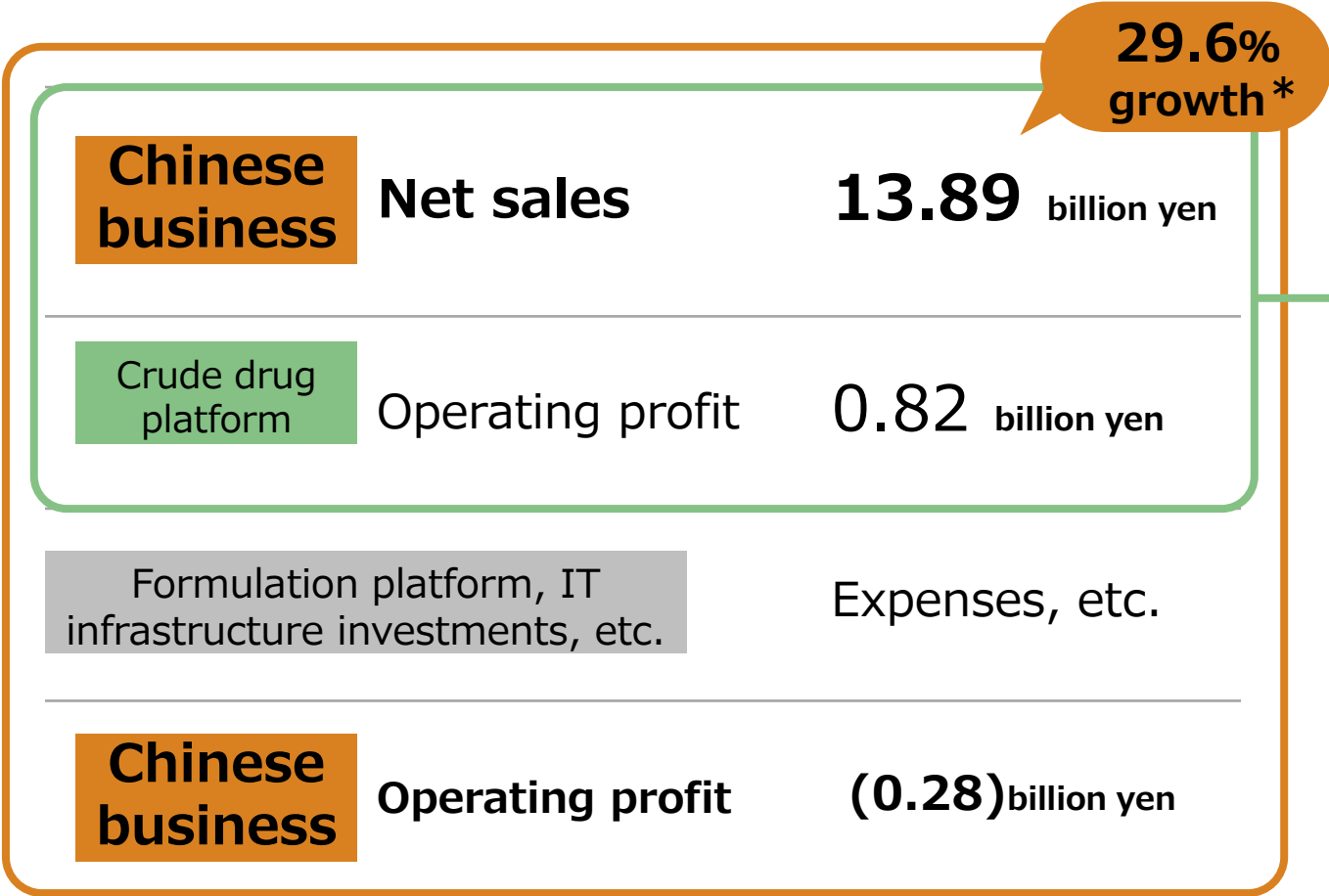
Production capacity for Kampo extract powder due to operation of Tianjin plant



※The period until full operation

- Completion → Process validation
→ Actual operation
(Approximately 1 and a half years)
- Actual operation → Full operation
(Approximately 1 and a half years)


- Sales in the crude drug platform sales expanded mainly reflecting raw material crude drug sales



✓ Operating profit in the crude drug platform continued to increase


Crude drug platform products

Raw material crude drugs




Sales to traditional Chinese medical products companies as a raw material

Drug pieces



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

Yakushokudogen products



Sales of health food products made from crude drugs to general consumers

*Local currency basis: 28.2% growth

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Revisions to FY 2023 Earnings Forecast

- Operating profit is expected to exceed the plan due to factors such as domestic processing costs and SG&A expenses being lower than the initial plan
- Posted foreign exchange gains to non-operating profit owing to a depreciation in the yen (in the previously disclosed forecast, this was not posted)

| [Million yen] | Previously disclosed forecast for FY 2023 | Revised forecast for FY 2023 | Versus previously disclosed forecast |
|---|---|------------------------------|--------------------------------------|
| Sales | 150,500 | 152,000 | +1,500 |
| Domestic business | 133,300 | 133,300 | 0 |
| China business | 17,200 | 18,700 | +1,500 |
| Operating profit | 18,000 | * 19,500 | +1,500 |
| Domestic business | 18,400 | 20,100 | +1,700 |
| China business | (400) | (600) | (200) |
| Ordinary profit | 18,600 | 22,400 | +3,800 |
| Profit attributable to owners of parent | 13,000 | 16,200 | +3,200 |

* Special factors from 3Q to 4Q

- **Factors contributing to the increase in 3Q operating profit**

Unrealized profits decreased due to a decrease in inventory of intermediate products due to renewal construction at the Shanghai plant

- **Factors reducing operating profit in 4Q**

Increase in unrealized profit reflecting a recovery in the inventory of intermediate products

Corporate Communications Dept.

Investor Relations Group

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Cautionary items regarding forecasts

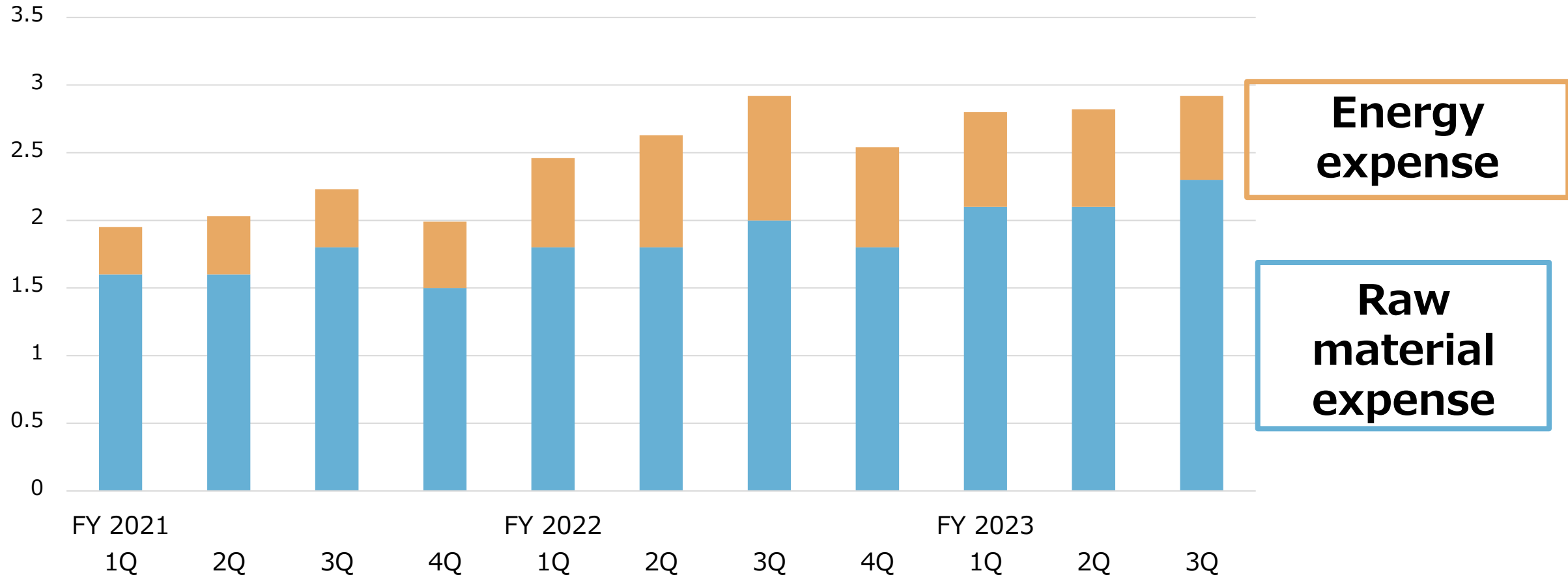
- The materials and information provided in this presentation contain so-called forward-looking statements. Readers should be aware that the realization of these statements can be affected by a variety of risks and uncertainties and that actual results could differ significantly.
- Changes in Japan or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

Appendix

Raw Material & Energy Expense Trends

Expense for raw materials used in the manufacturing of Kampo formulations and energy expense continue to trend at a high level

(Billion yen)



(For Medical Practitioners) Leaflet to Gain an Understanding of the Contents of the TSUMURA MEDICAL SITE

Introduce contents that will help those who want to “immediately” search for information on Kampo and “deepen” their learning of Kampo

すぐに効能又は効果を調べたい

■ 製品一覧ページ等

番号や製品名からすぐに調べられます。

■ ツムラ医療用漢方製剤検索

領域/疾患・症候ごと、生薬ごとに検索できます。



Web
TSUMURA MEDICAL SITE

アプリ
ツムラ漢方 Literacy

すぐに副作用を調べたい

■ K-Chat (24時間365日対応可)

漢方薬に関するよくある質問に、AIチャットボットがお答えします。

よくあるお問い合わせ

- ・甘草(カンゾウ)の1日上限量はありますか。
- ・妊婦・産婦・授乳婦への服用について注意点はありますか。

Web
TSUMURA MEDICAL SITE

アプリ
ツムラ漢方 Literacy

漢方情報をスマホで持ち歩きたい

アプリ「ツムラ漢方 Literacy」では、製品情報、品質情報、服薬指導、患者サポート資料などの登録書籍(50件以上)がご覧いただけます。



アプリ
ツムラ漢方 Literacy

今すぐ
知りたい

診察室で



深く
学びたい

すきま
時間に



漢方知識をコツコツ増やしたい

■ 短時間動画コンテンツ

100種類以上の動画をご用意しております。診療科や動画シリーズでの検索も可能です。



Web
TSUMURA MEDICAL SITE



■ 漢方ナレッジプラス(記事コンテンツ)

漢方エビデンスから日頃のコミュニケーション術まで、幅広い記事コンテンツが掲載されています。1記事1分で今日の知識を習得いただけます。

Web
TSUMURA MEDICAL SITE

アプリで
どこでも



診療
終わりに



漢方への理解を じっくり深めたい

Web
TSUMURA MEDICAL SITE

■ Web講演会・漢方オンラインサロン

漢方入門編から最新エビデンスまで、平日夜の時間を中心に毎月約10回開催中です。ご関心にあわせてご視聴ください。

■ ツムラ漢方オンラインMR

先生ご自身の漢方への質問に、弊社専任社員が丁寧に回答いたします。
※医師限定コンテンツ

■ 漢方Webテスト

漢方にもつわるテストを詳細な解説付きでご用意しております。漢方医学の学習や理解度の確認にご活用ください。