

First Quarter Business Results for Fiscal 2022

August 4, 2022
Director, and CFO
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Initiatives and Progress for
Domestic Business and China Business

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FY 2022 Earnings Forecast

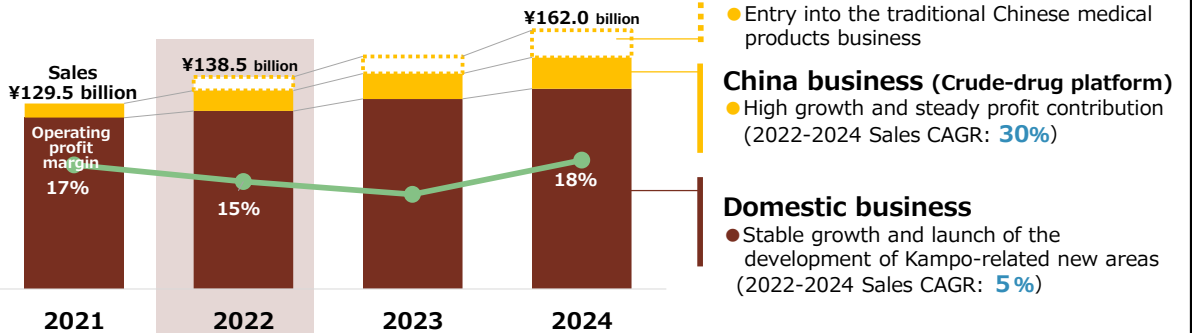
Page 2 shows the content of today's agenda.

I will be giving you a run-down of first quarter business results in FY 2022, actions in the domestic business and China business, the progress we are making, and our earnings forecasts for fiscal 2022.

Summary of the FY 2022 Plan



First Medium-Term Management Plan



- China business (Formulation platform)**
 - Entry into the traditional Chinese medical products business
- China business (Crude-drug platform)**
 - High growth and steady profit contribution (2022-2024 Sales CAGR: **30%**)
- Domestic business**
 - Stable growth and launch of the development of Kampo-related new areas (2022-2024 Sales CAGR: **5%**)

● Sales

- Domestic business**
 - Expansion of the Kampo market by providing Kampo solutions that suit each medical practitioner through the integration of e-promotions and MR activities
- China business**
 - Sales expansion of high-quality raw material crude drugs, drug pieces and "Yakushokudogen" products

● Cost of sales

- Rise in sales in the China business, depreciation in the yen's value, soaring commodity prices, etc.
- Improved production efficiency owing to a rise in sales volume

● SG&A expense

- One-off expenses, including for validation, ahead of full-fledged operations at the Tianjin Plant
- Upfront expenses, including a rise in headcount and outlays to build an IT infrastructure in the China business

Page 3 depicts a summary of our plan for FY 2022.

As I explain the earnings results for the first quarter of FY 2022, I will confirm key points in the FY 2022 plan.

In the domestic business, we aim to increase the number of physicians that write 10 or more Kampo prescriptions and plan to continue expanding the Kampo market, by providing Kampo solutions that suit each medical practitioner through the supply of necessary information at the right time and via optimal channels by integrating e-promotions and MR activities.

In the China business, we plan to expand sales of high-quality raw material crude drugs, drug pieces and "Yakushokudogen" products.

We estimate cost of sales will be impacted by a deterioration in the cost-to-sales ratio in tandem with an increase in sales in the China business, and due to impact from depreciation in the yen's value, and soaring commodity prices. In the domestic business, we are working to diminish negative impact as we plan to enhance production efficiency by increasing sales volume.

SG&A expense is expected to rise due to an increase in outlays to launch operations at the Tianjin Plant and also to mainly boost headcount and build an IT infrastructure to promote the China business.

The Tianjin Plant is being constructed to strengthen the production system for the domestic business.

The 5% growth in the domestic business is higher than previous levels. Assuming this growth rate remains intact over the next decade, the quantity of materials and resources will need to increase around 1.7-times, in comparison with the level in FY 2021. We are therefore pushing forward with the construction of this plant to ensure the stable supply of product.

Reflecting the above, in FY 2022 we forecast a decline in operating profit margin year-on-year. However, we aim to substantially grow sales in the domestic and China businesses with the goal of improving our operating profit margin during the First Medium-Term Management Plan.

1Q Business Results for FY 2022



| [Million yen] | 1Q FY 2021 results | 1Q FY 2022 results | YoY | |
|--|--------------------|--------------------|---------------|---------------|
| | | | Amount | Change |
| Sales | 31,771 | 34,417 | +2,645 | +8.3% |
| Domestic business | – | 31,562 | – | – |
| China business | – | 2,855 | – | – |
| [Ref.] Domestic | 29,513 | 31,562 | +2,048 | +6.9% |
| [Ref.] Overseas | 2,257 | 2,855 | +597 | +26.5% |
| Cost of sales | 15,298 | 16,462 | +1,164 | +7.6% |
| SG&A expense | 10,321 | 11,601 | +1,280 | +12.4% |
| Operating profit | 6,152 | 6,353 | +201 | +3.3% |
| Domestic business | – | 6,404 | – | – |
| China business | – | (50) | – | – |
| Ordinary profit | 7,247 | 8,665 | +1,418 | +19.6% |
| Profit attributable to owners of parent | 5,389 | 6,632 | +1,243 | +23.1% |
| PL translation rate (CNY) | 16.37 | 18.32 | – | – |

Key points in performance Sales and profits increased year on year

Sales

- Prescription Kampo products: ¥30,277 million (growth of 6.7%)
- OTC Kampo products, etc.: ¥914 million (growth of 18.0%)
- China business (crude-drug platform): ¥2,855 million

Cost of sales

- Decline in unrealized profit owing to lower inventory assets
- CoGS ratio dropped 0.4pt to 47.8%

SG&A expense

- Increase in R&D expense
- One-off expenses ahead of full-fledged operations at the Tianjin Plant
- SG&A ratio rose 1.2pt to 33.7%

Operating profit

- Negative impact from yen depreciation: ¥191 million
- Loss in the China business due to expense for building foundations, mainly the formulation platform
- Operating profit margin deteriorated 0.9pt to 18.5%

Ordinary profit

- Forex gain related to loans to overseas subsidiaries: ¥1,999 million

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Page 4 is a summary of earnings performance in the first quarter of FY 2022. As shown in the slide, we achieved a rise in sales and profit in the first quarter.

Sales totaled 34,417 million yen, a growth of 8.3% year-on-year.

This breaks down to sales in the domestic business of 31,562 million yen, and sales in the China business of 2,855 million yen.

As a portion of our domestic sales, sales of the 129 prescription Kampo products grew 6.7% year-on-year. I will explain this in detail later on.

Meanwhile, sales of OTC Kampo products rose 18.5% year-on-year owing to an increase in the number of stores carrying our OTC Kampo products.

Overseas sales grew 26.5% year-on-year, reflecting an expansion in sales in the crude-drug platform.

In cost of sales, there was positive impact from brisk domestic sales, but sales of intermediates, an inventory asset, declined reflecting a shutdown of operations for around one month at the Shanghai Plant due to the lockdown of Shanghai.

Consequently owing to a decline in unrealized gains, intercompany profit included in inventory, the cost-to-sales ratio was 47.8%, a decline of 0.4 points year-on-year.

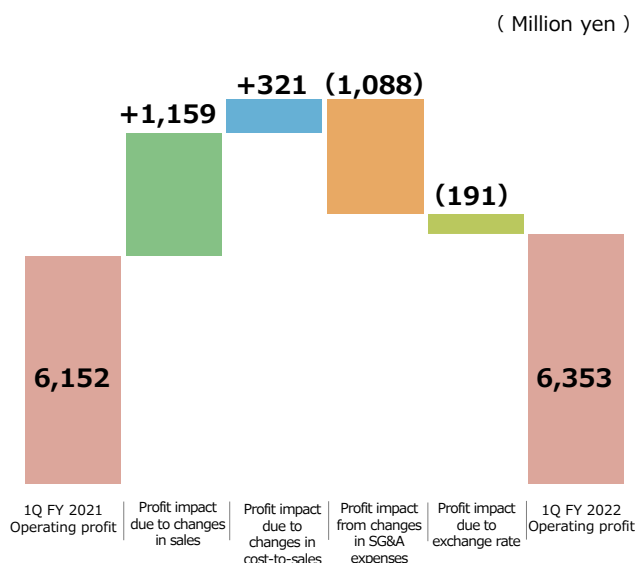
The SG&A ratio was 33.7%, an uptick of 1.2 points year-on-year. This reflected one-off expenses, including an increase in R&D expense and outlays for validation up to the official start of operations at the Tianjin Plant. Accordingly, operating profit came to 6,353 million yen, in 1Q, a growth of 3.3% year-on-year.

Ordinary income totaled 8,665 million yen, a rise of 19.6% year-on-year, owing to impact from forex gain related to loans to overseas subsidiaries. Net profit attributable to owners of parent was 6,632 million yen, an expansion of 23.1% year-on-year.

Factors Triggering Changes in Operating Profit (YoY)



(Million yen)



| | |
|---|--------------|
| Changes in sales : +1,159 Breakdown | |
| Domestic | +1,120 |
| Overseas | +39 |
| Changes in cost-to-sales : +321 Breakdown | |
| Crude drug-related cost (Domestic) | +438 |
| Raw material cost (Domestic) | (63) |
| Processing cost etc (Domestic) | (169) |
| Outside sales in China (Overseas) | +115 |
| Changes in SG&A expenses:(1,088) Breakdown | |
| R&D expense | (350) |
| Depreciation | (248) |
| Other | (490) |
| Exchange rate | (191) |

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Page 5 is on factors triggering changes in operating profit.

This time around, we will breakdown the impact from forex given the rapid depreciation in the yen's value. I will only explain the key points.

Operating profit totaled 6,353 million yen, an increase of 201 million yen year-on-year.

The impact from a change in sales was positive, adding around 1.1 billion yen. The breakdown for Japan and overseas is as follows.

The positive impact to operating profit due to changes in cost-to-sales was around 320 million yen.

There was positive impact to operating profit due to changes in crude drug expense of around 440 million yen, reflecting a decrease in unrealized gains, which are intercompany profit included in inventory.

In addition, there was positive impact to operating profit owing to an improvement in gross profit margin of about 120 million yen, reflecting a growth in sales of drug pieces in the China business.

Meanwhile, raw material costs increased about 60 million yen due to soaring commodity prices, and processing cost, etc. was around 170 million yen reflecting higher energy costs. These were negative factors that hindered operating profit.

The impact from changes in expenses had a negative impact of roughly 1.1 billion yen.

This breaks down to a rise in R&D expense of around 350 million yen, an increase in depreciation expense, including validation outlays ahead of full-fledged operations at the Tianjin Plant, of about 250 million yen, and also impact from an increase in various wage allowances in tandem with the increase in headcount at the China business (Undisclosed: 60 million yen), and a rise in sales promotion expense in tandem with an expansion in sales (Undisclosed: 60 million yen).

The amount of forex impact was roughly a negative 190 million yen, mainly due to forex translations at overseas subsidiaries.

Note that the impact from forex to the purchasing of crude drugs and other materials was not substantial due to the use of forward contracts.

Financial Condition/Cash Flow Position

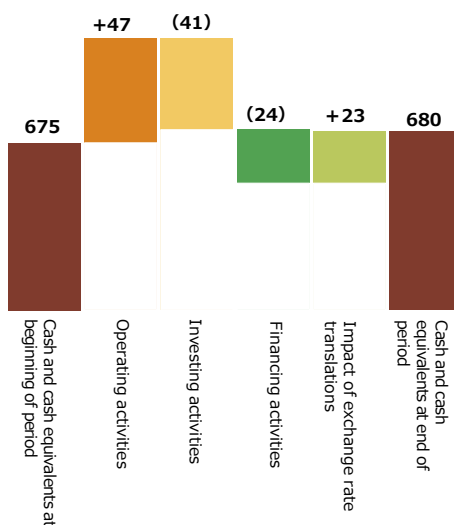


(Million yen)

(Hundred million yen)

| | FY 2021 (March 2022) | FY 2022 1Q | Change |
|--------------------------|-------------------------|----------------|--------|
| Total assets | 350,981 | 362,580 | 11,598 |
| Current assets | 229,420 | 237,849 | 8,428 |
| Non-current assets | 121,561 | 124,731 | 3,170 |
| Total liabilities | 92,871 | 93,512 | 640 |
| Current liabilities | 45,875 | 46,799 | 923 |
| Non-current liabilities | 46,996 | 46,713 | (283) |
| Total net assets | 258,109 | 269,068 | 10,958 |
| Equity ratio | 68.3% | 68.8% | +0.5pt |

| | FY 2021 (March 2022) | FY 2022 1Q | Change | Of which, Exchange rate |
|-----------------------------------|-------------------------|---------------|--------|----------------------------|
| Inventories | 92,751 | 95,902 | 3,151 | 3,806 |
| Merchandise and finished goods | 10,247 | 10,368 | 120 | 233 |
| Work in process | 13,614 | 13,054 | (560) | 110 |
| Raw materials and supplies | 68,889 | 72,480 | 3,590 | 3,462 |



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Page 6 showcases our financial condition and cash flows.

I will only explain the key points here.

Current assets increased around 8.4 billion yen. This is primarily attributable to a rise of about 2.4 billion yen in notes and accounts receivable – trade, and boost of around 3.1 billion yen in inventory.

The expansion in inventory is chiefly attributable to impact from forex translations.

Non-current assets increased approximately 3.1 billion yen, mainly attributable to the renewal of the Shanghai Plant and construction of the Tianjin Plant.

The equity ratio was 68.8%, a climb of 0.5 points.

Our cash flows are as shown in the waterfall graph on the right.

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

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FY 2022 Earnings Forecast

Next, I will discuss activities in the domestic business and China business, and the progress we are making.

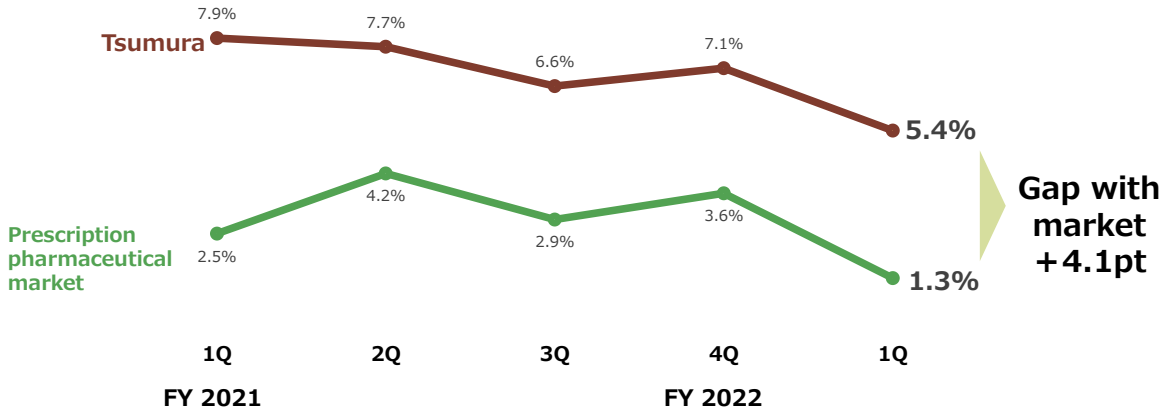
Comparison with the Prescription Pharmaceutical Market



In 1Q, the market grew 5.4% YoY; the gap with the market grew 4.1 points

All sales channels

(YoY/drug price basis)



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Page 8 shows a comparison with the prescription pharmaceutical market. The graph depicts our year-on-year growth rate on a drug-price basis for all sales channels (HP and GP). Trends are in line with overall market. Our growth rate was a positive 5.4%, and the gap with the market was a positive 4.1 points. You can confirm a comparison based on sales channels in the appendix.

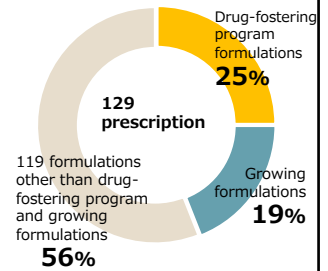
Sales of Drug-fostering Program Formulations/Growing Formulations



(Million yen)

| | Net sales Ranking | Product No./formulation name | FY 2021 1Q | FY 2022 1Q | YoY | |
|---|-------------------|------------------------------|------------|------------|--------|--------|
| Drug-fostering program formulations | 1 | 100 Daikenchuto | 2,430 | 2,505 | +74 | +3.1% |
| | 2 | 54 Yokukansan | 1,872 | 1,933 | +60 | +3.2% |
| | 4 | 43 Rikkunshito | 1,770 | 1,860 | +90 | +5.1% |
| | 8 | 107 Goshajinkigan | 888 | 932 | +43 | +4.9% |
| | 23 | 14 Hangeshashinto | 345 | 359 | +13 | +3.9% |
| Total sales for drug-fostering program formulations | | | 7,308 | 7,591 | +282 | +3.9% |
| Growing formulations | 3 | 41 Hochuekkito | 1,818 | 1,881 | +63 | +3.5% |
| | 5 | 17 Goreisan | 1,297 | 1,542 | +244 | +18.8% |
| | 6 | 24 Kamishoyosan | 1,205 | 1,296 | +91 | +7.6% |
| | 17 | 108 Ninjin'yoeito | 484 | 507 | +23 | +4.9% |
| | 18 | 137 Kamikihito | 411 | 501 | +90 | +22.0% |
| Total sales for growing formulations | | | 5,217 | 5,730 | +512 | +9.8% |
| Total sales for 119 formulations other than drug-fostering program and growing formulations | | | 15,852 | 16,956 | +1,104 | +7.0% |
| Total sales for 129 prescription Kampo products | | | 28,377 | 30,277 | +1,900 | +6.7% |

Ratio to total sales



Newly added from FY 2022

*Growing formulations up to FY 2021
68 Shakuyakukanzoto
29 Bakumondoto

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Page 9 covers sales for prescription Kampo products and sales for drug-fostering program and growing formulations.

Sales for the 129 prescription Kampo products totaled 30,277 million yen, a rise of 6.7% year-on-year.

Sales of five drug-fostering program formulations was 7,591 million yen, an increase of 3.9% year-on-year, and sales of five growing formulations was 5,730 million yen, an expansion of 9.8% year-on-year.

Sales for the 119 formulations other than drug-fostering program and growing formulations were 16,956 million yen, an improvement of 7.0% year-on-year. In growing formulations, we shuffled our product lineup by adding Ninjin'yoeito and Kamikihito as new growth drivers.

Looking at sales ratio, drug-fostering program formulations accounted for 25% of total sales, growing formulations made up 19%, and other products represented 56%.

Indications for New Growing Formulations in the Three Important Domains



Build basic and clinical evidence with the aim of achieving write-ups in treatment guidelines

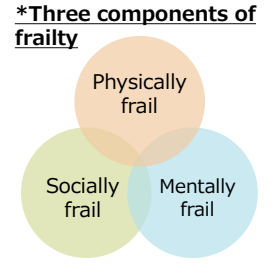
Ninjin'yoeito <Efficacy/benefits>
108 **Decline in stamina after illness, fatigue, poor appetite,** night sweats, cold hands and feet, anemia

Geriatrics Physically frail (fatigue, poor appetite)

Kamikihito <Efficacy/benefits>
137 Following symptoms of a person that does not look well due to a weak constitution: Anemia, **insomnia, anxiety, neurosis**

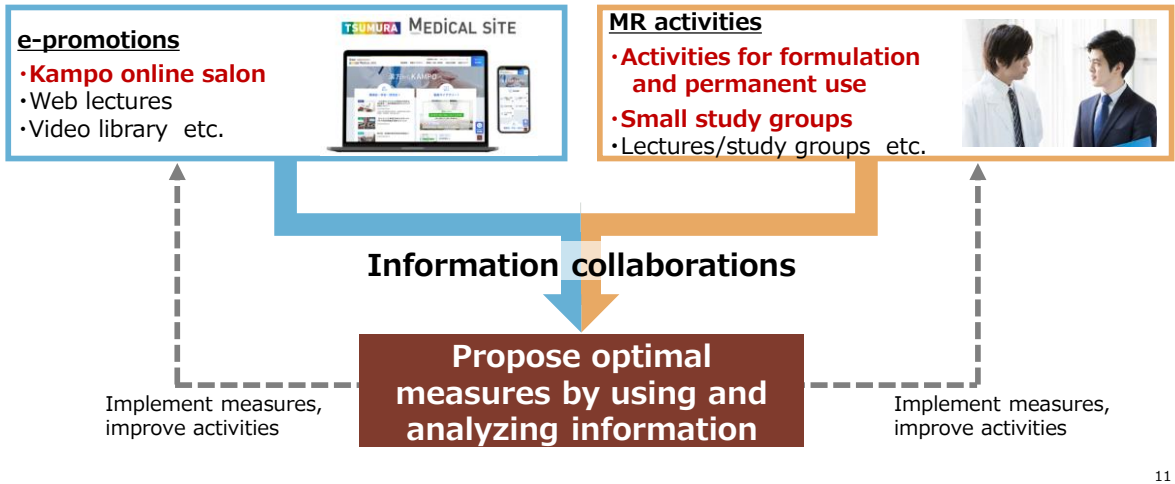
Geriatrics Mentally frail
Cancer (supportive care) Anxiety
Women's health Anxiety/insomnia

***What is frailty?**
 A condition between being healthy and requiring nursing care, a condition where mental and physical activity has decline



Page 10 depicts the domains and diseases targeted by Ninjin'yoeito and Kamikihito, which are two new growing formulations. Ninjin'yoeito is effective and beneficial (indication) mainly for treating a post-illness decline in stamina, fatigue and a poor appetite. This formulation is anticipated to contribute to extending a person's healthy life expectancy. Kamikihito is effective and beneficial (indication) mainly for treating insomnia and anxiety. Due in part to the overall mood of society, there are an increasing number of people suffering from anxiety and insomnia. In Tsumura's three important domains, this formulation is likely to be helpful. One example is geriatric patients suffering from frailty. We are building basic and clinical evidence for the use of Ninjin'yoeito to treat physical frailty and the use of Kamikihito to treat mental frailty. We aim to receive write-ups in treatment guidelines.

Target the continued expansion of the Kampo market by providing Kampo solutions that suit each medical practitioners



Page 11 shows our schematization of activities to deliver information to medical practitioners.

On our medical website, we are distributing a variety of information, including streaming Web lectures.

Recently, we had received praise from participants in our “Kampo online salon,” an interactive lecture.

We are linking data, including MR activities, with information on these events and data on video viewing, and are proposing optimal measures by utilizing and analyzing information.

In particular, we aim to firmly ensconce prescriptions by having MRs confirm the use of formulations and propose proper use to physicians that gained an interest in Kampo through e-promotions.

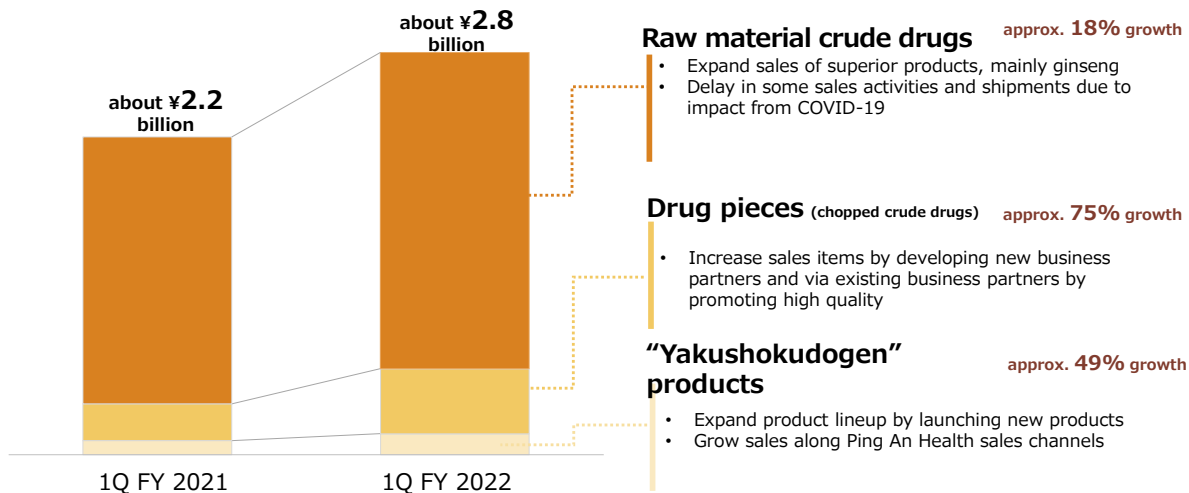
In addition, we are moving forward with plans, including conducting small Kampo study groups, consisting mainly of physicians with an interest in Kampo.

We aim to continue expanding the Kampo market by further evolving hybrid promotions that are a mix of digital technologies and MR activities, by having medical practitioners obtain necessary information at the proper time from an optimal channel, and through the use of this information.

Overseas Sales (China Business)



In the crude-drug platform, expand sales of raw material crude drugs, drug pieces and “Yakushokudogen” products



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Page 12 outlines overseas sales trends.

Overseas sales were roughly 2.8 billion yen, a growth of 26.5% year-on-year. In the crude-drug platform, sales expanded for raw material crude drugs, drug pieces and “Yakushokudogen” products.

Sales of raw material crude drugs rose 18% year-on-year, an outcome of activities to expand sales of superior products, mainly ginseng.

We believe we will achieve our 1H plan, despite some delays that have occurred in sales activities and shipments due to lockdowns triggered by COVID-19.

Sales of drug pieces (chopped crude drugs) grew 75% year-on-year reflecting the new development of customers and the expansion of sales items for existing customers owing to the promotion of high quality.

Sales of “Yakushokudogen” products increased 49% year-on-year. This outcome reflects our plans to expand product lineup with the launch of new products and the growth of sales along Ping An Health (former Ping An Good Doctor) sales channels.

Formulation Platform

Signing of Letter of Intent Concerning Establishment of Joint Venture with Jianmin Pharmaceutical Group Co., Ltd.

- Sign a letter of intent about the establishment of a joint venture for the purpose of manufacturing and selling traditional Chinese medicinal products in China.
- To conclude a joint venture agreement, we will proceed with discussions on specific details of the partnership.

Research Platform

Establishment of PINGAN TSUMURA TRADITIONAL CHINESE MEDICINE TECHNOLOGY CO., LTD.

- company which operates a research platform.
- Formulating quality standards covering the entire supply chain from the seeding of crude drugs to final products, researching the production and quality of crude drugs, and researching the quality of traditional Chinese medicinal products.

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Page 13 is an update of activities in the China business.

We issued two news releases on August 3.

The first new release was related to an M&A deal to enter the traditional Chinese medicine business in the formulation platform.

Thus far, we have continued to carry out negotiations with companies that possessed production and sales rights for traditional Chinese medicines with the goal of entering the traditional Chinese medicine business.

This time around, we reached an agreement on basic matters with Jianmin Pharmaceutical Group Co., Ltd. to establish a joint venture, and approved the signing of a letter of intent to this effect.

This letter of intent will indicate a mutually shared recognition so that both parties can implement discussions moving forward related to concrete details for this partnership.

I would like to once again disclose this information when a joint venture contract has been concluded.

The second news release covered the establishment of Ping An Tsumura Traditional Chinese Medicine Technology Co., Ltd.

In the research platform, this company will be in charge of establishing quality standards in the overall supply chain, from crude drug seedlings to the final product, production and quality research for crude drugs, and quality research for traditional Chinese medicine products.

Further out, we plan to standardize crude drug and formulation quality and spread sales in the market in China. Through this, we aim to improve our corporate value, mainly by winning the trust of consumers in China and improving the level of brand recognition.

From October 2022, we will lend out facilities at Shenzhen Tsumura Medicine Co., Ltd., a wholly-owned subsidiary of Tsumura, and embark on a portion of R&D operations.

Note that construction of a dedicated building is scheduled for 2024.

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First Quarter Business Results for FY 2022

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Initiatives and Progress for
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FY 2022 Earnings Forecast

Lastly, I will present our earnings forecast for FY 2022.

FY 2022 Earnings forecast



| 【Million yen】 | 2Q FY2022 Initial Plan | 2Q FY2022 Revised Plan | Compared to the Initial plan | | FY2022 Plan |
|---|---------------------------|---------------------------|---------------------------------|---------|----------------|
| | | | Amount | Change | |
| Net sales | 67,000 | 68,900 | +1,900 | +2.8% | 138,500 |
| Domestic business | – | – | – | – | 124,300 |
| China business | – | – | – | – | 14,200 |
| Cost of sales | 33,500 | 34,700 | +1,200 | +3.6% | 69,800 |
| SG&A expenses | 23,700 | 23,500 | (200) | (0.8) % | 47,900 |
| Operating Profit | 9,800 | 10,700 | +900 | +9.2% | 20,800 |
| Domestic business | – | – | – | – | 21,200 |
| China business | – | – | – | – | (400) |
| Ordinary Profit | 10,000 | 14,000 | +4,000 | +40.0% | 21,200 |
| Net profit attributable to owners of parent | 7,400 | 9,600 | +2,200 | +29.7% | 15,000 |
| Dividends (per share) | | | | | 64円 |
| EPS | | | | | 196.1円 |
| ROE | | | | | 6.0% |

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Page 15 showcases our earnings forecasts for 1H and the full-fiscal year. We issued a news release on August 3, 2022 regarding a revision to our earnings forecast. We expect to post a forex gain of 2.8 billion yen under non-operating income, reflecting impact from depreciation in the yen's value. In conjunction with this, we forecast 1H ordinary profit and net profit attributable to owners of parent to widely surpass our plan at the start of the fiscal year. In light of this we revised our earnings forecast.

In 1H, after revisions, we forecast net sales of 68.9 billion yen, operating profit of 10.7 billion yen, ordinary profit of 14.0 billion yen, and net profit attributable to owners of parent of 9.6 billion yen. We closely scrutinized our full-fiscal year plan but refrained from making revisions. We therefore reiterate our forecasts for net sales of 138.5 billion yen, operating profit of 20.8 billion yen, ordinary profit of 21.2 billion yen and net profit attributable to owners of parent of 15.0 billion yen.

Key Point of revised plan



| | | | |
|--|------------------------------------|------------------------------|--------------------|
| Net Sales | 2Q Revised Plan 68,900 million yen | Compared to the Initial plan | +1,900 million yen |
| <ul style="list-style-type: none"> The domestic business exceeded the initial plan due to the temporary impact of the re-expansion of COVID-19 and extreme heat, but the full-year level is expected to be in line with the plan. | | | |
| Cost of sales | 34,700 million yen | | +1,200 million yen |
| <ul style="list-style-type: none"> Unrealized profit is declining due to a decline in inventory due to the suspension of production (lockdown) at the Shanghai Plant. The level of unrealized profit in the first half and the full year is expected to be as planned due to an increase in inventory caused by the resumption of production. | | | |
| SG&A expenses | 23,500 million yen | | (200)million yen |
| <ul style="list-style-type: none"> Full-year SG&A expenses are expected to be in line with the plan, although some of SG&A expenses have not been used due to restrictions on activities caused by lockdowns in various parts of China. | | | |
| Operating Profit | 10,700 million yen | | +900 million yen |
| Ordinary Profit | 14,000 million yen | | +4,000 million yen |
| <ul style="list-style-type: none"> Foreign exchange gains related to loans to overseas subsidiaries will be approximately 2.8 billion yen in the first half (year-end exchange rate: 20.37 yen/yuan). We will not revise full-year plan due to difficult to make rational calculations for the future exchange rate conditions. | | | |
| Net profit attributable to owners of parent | 9,600 million yen | | +2,200 million yen |

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Page 16 involves key points in the revised earnings plan.

We upwardly revised our 1H net sales forecast 1.9 billion yen. In the domestic business, performance surpassed our plan at the start of the fiscal year, reflecting growth in formulations related to one-off impacts from another expansion in the spread of COVID-19 and due to the heat wave. However, we reiterated our full-fiscal year net sales outlook.

We are sticking with our forecast for cost of sales in 1H and the full-fiscal year. Although inventory assets are decreasing in tandem with the shutdown of the Shanghai Plant and as such unrealized gains are also declining, unrealized gains are expected to rise on the back of an increase in inventories as production in resumed.

We downwardly revised our 1H SG&A expense forecast 200 million yen as expenses go unused in the China business reflecting a restriction of activities in each region, including Shanghai. We expected SG&Q expense to be used in line with plans for the full-fiscal year.

Consequently, we upwardly revised our operating profit forecast for 1H by 1.1 billion yen.

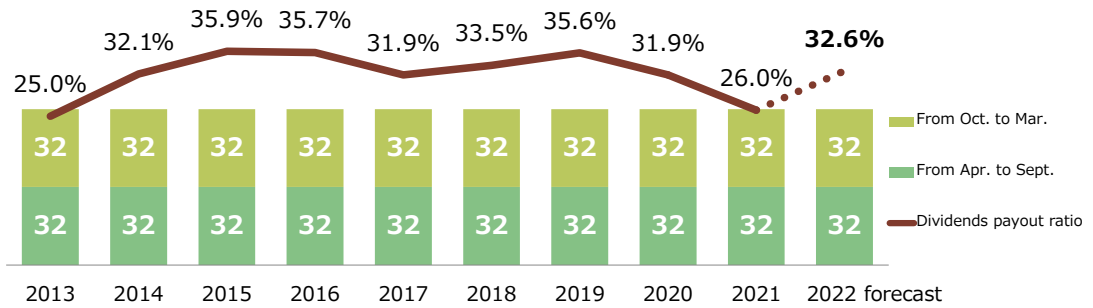
We upwardly revised our ordinary profit forecast by 4.0 billion yen, as we anticipate the posting of around 2.8 billion yen in gains from forex translations related to loans extended to overseas subsidiaries, reflecting impact from depreciation in the yen's value.

A sharp fluctuation in forex translation gains/loss is likely depending on trends in the forex market going forward. In light of this, at this stage, it is difficult to make a reasonable forecast. We are therefore reiterating our full-fiscal year forecast.

Extrapolating from the above, we upwardly revised our forecast for 1H net profit attributable to owners of parent by 2.2 billion yen to 9.6 billion yen.

Policy

- We aim to improve our corporate value by continually expanding domestic business and through growth investments in the China business, and by building foundations. Accordingly, we plan to implement stable dividends, taking into account factors such as medium/long-term profit levels and cash flow conditions.



Note: The FY 2022 year-end dividend and payout ratio (forecast) are an estimate based on the assumption that the dividend resolution is approved at the 87th Ordinary General Meeting of Shareholders.

Page 17 covers shareholder returns.

We aim to enhance our corporate value. In addition to further expanding the Kampo business in Japan, we plan to strengthen our business foundations in China by executing growth investments, mainly in M&A, in the China business.

We ask for your continued support of our endeavors.

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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

[Revise content of disclosure] Disclosure by Segment & Area 

- Disclose segment information (sales and operating profit) by business from FY 2022

Domestic business: The company that makes final sales to external customers is **Tsumura and/or a domestic affiliate**

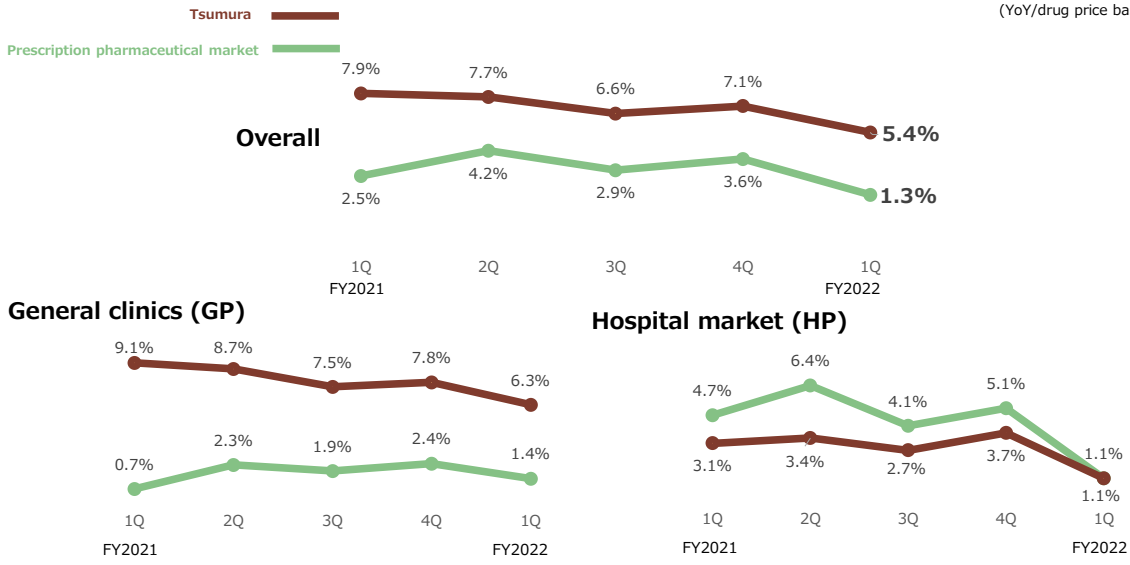
China business: The company that makes final sales to external customers is an **affiliate in China**

| | | Segment (FY 2022 onward) | |
|-----------------------------|----------|---|---|
| | | Domestic business | China business |
| By area (FY 2020 onward) | Domestic | <ul style="list-style-type: none"> • Prescription Kampo products • Other prescription pharmaceuticals • OTC Kampo products, etc. (domestic sales) • External sales at domestic affiliates | — |
| | Overseas | <ul style="list-style-type: none"> • OTC Kampo products, etc. (overseas sales) | <ul style="list-style-type: none"> • Crude-drug platform (raw material crude drugs, drug pieces and “Yakushokudogen” products) • Formulation platform |

Comparison with the Prescription Pharmaceutical Market



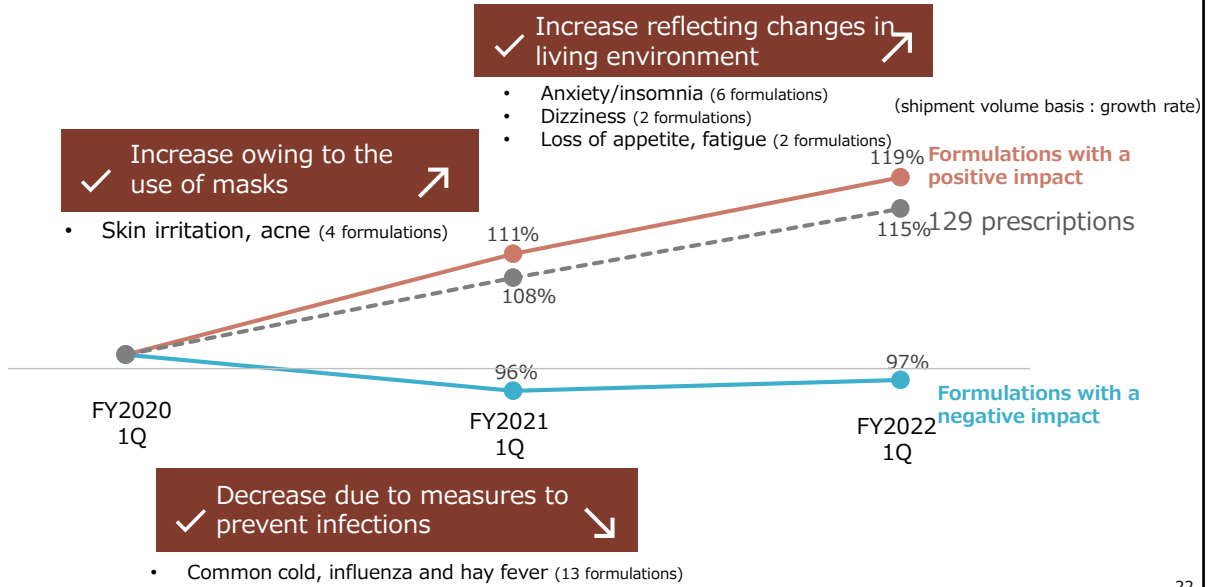
(YoY/drug price basis)



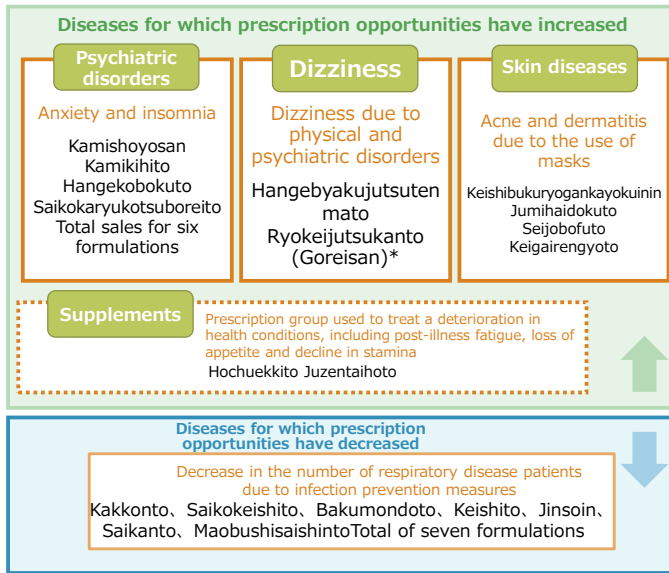
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COVID-19 impact

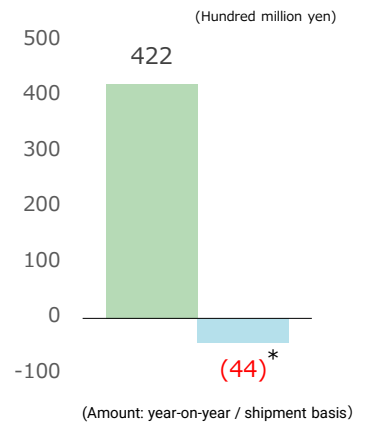
129 prescription Kampo products grew roughly 4% owing to positive-impact formulations in 1Q



COVID-19 Related Symptoms and Prescription Opportunities



Trends in the monetary impact owing to a fluctuation in prescription opportunities (FY 2022 1Q)



* Calculated only for 7 prescriptions decreased from the previous year

*Goreisan prescription opportunities are also increasing for treatment in areas other than dizziness therefore it has been excluded from the basis of calculations

Important Domains & Drug-Fostering Program/Growing Formulations



| Geriatric health domain | | Cancer domain (supportive care*) | Women's health domain |
|--|--|---|---|
| Psychiatric and neurological disorders | Peripheral symptoms for frailty | Mitigation of side effects, etc. | Diseases specific to women |
| <p>D Yokukansan</p> <p>I Yokukansankachimpihange + related formulations</p> <p>Respiratory diseases</p> <p>I Bakumondoto + related formulations</p> <p>Peripheral symptoms for circulatory disorders</p> <p>G Goreisan + related formulations</p> <p>D Drug-fostering program formulations: Focusing on the structure of diseases in recent years, in treatment domains with a high degree of medical needs, there are patients in dire distress of finding new drug therapies; narrow down target to patients in which prescription Kampo formulations are demonstrating specific effects and prescribe to build evidence (scientific basis)</p> | <p>G Ninjin'yoeito</p> <p>G Kamikihito</p> <p>G Hochuekkito</p> <p>D Goshajinkigan + related formulations</p> <p>Digestive system diseases</p> <p>G Rikkunshito</p> <p>G Daikenchuto + related formulations</p> <p>G Growing formulations: As focal formulations to follow the five drug-fostering program formulations, aim for write ups in treatment guidelines by building evidence (safety and efficacy data, etc.) in domains with a low treatment of satisfaction and a low degree of contribution to medicine</p> | <p>D Rikkunshito</p> <p>D Hangeshashinto</p> <p>D Goshajinkigan</p> <p>G Hochuekkito</p> <p>G Kamikihito</p> <p>I Juzentaihoto + related formulations</p> | <p>G Kamishoyosan</p> <p>G Kamikihito</p> <p>I Tokishakuyakusan + related formulations</p> <p>Other</p> <p>D Daikenchuto</p> <p>G Goreisan</p> <p>I Shakuyakukanzoto + related formulations</p> <p>I Important formulations: Important formulations following drug-fostering program formulations and growing formulations for the penetration of Kampo in important domains</p> |

The plant will be established as a site in charge of manufacturing powdered extracts (intermediate products) for the domestic business



Phase 1 construction

- Construct the No. 1SD (powdered extract production), warehouse, etc.
- Construction to be completed in May 2022, full-fledged operations scheduled to be started up at the end of FY 2022
- Investment: approx. ¥15.0 billion

Phase 2 construction

- Construct the No. 2 SD (powdered extract production)
- Construction to be completed in FY 2023, full-fledged operations scheduled to be started up in FY 2025
- Investment: approx. ¥10.0 billion

Benefits from establishment

- Powdered extract production capacity for the domestic business: **20% increase**
- Labor productivity improvement owing to automation*1: **13% improvement**
- CO2 emissions reduction owing to the introduction of energy-saving technologies*2: **5,700 t/year reduction**
- Reduction of water intake, mainly reflecting the reuse of cooling water *3: **70%**

※1 Comparison with the Shanghai Plant

※2 Comparison with the case where energy-saving technology was not introduced (1st and 2nd period total)

※3 Planned values for the 2nd phase of the Tianjin Plant