

First Quarter Business Results for Fiscal 2021

August 6, 2021

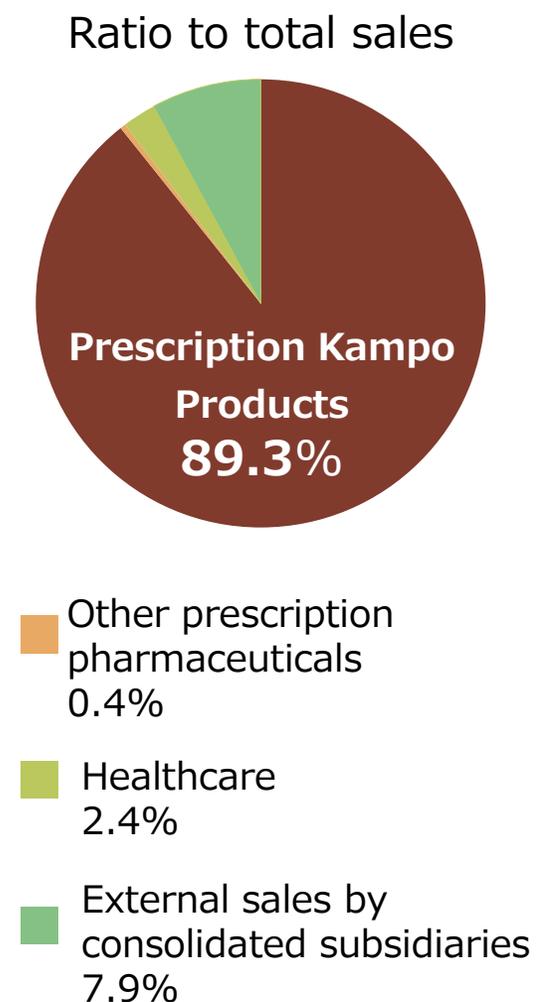
Director, and CFO

Muneki Handa

First Quarter Business Results for FY 2021

(Million yen)

	FY 2020 1Q	FY 2021 1Q	YoY		1H FY 2021 plan
			Amount	Change	
Net sales	28,396	31,771	+ 3,375	+ 11.9%	59,400
Domestic	27,413	29,513	+ 2,100	+ 7.7%	55,500
Overseas	982	2,257	+ 1,274	+ 129.7%	3,900
Operating profit (Operating profit margin)	5,657 (19.9%)	6,152 (19.4%)	+ 494	+ 8.7%	8,700 (14.6%)
Ordinary profit	5,674	7,247	+ 1,572	+ 27.7%	9,000
Profit attributable to owners of parent	4,016	5,389	+ 1,372	+ 34.2%	6,900



* The 2020 results have been rearranged to the amount after applying the PPA adjustment and new accounting revenue recognition standards.

Key Points in Performance

Net sales and profits increased year on year, caused by increase of domestic and overseas sales.

Net sales	31,771	million yen	YoY	+ 11.9%
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- Domestic sales were 29,513 million yen. Overseas sales were 2,257 million yen.
- Sales of the 129 prescription Kampo products increased 7.8% year-on-year.
- Sales of healthcare products including OTC Kampo medicines increased 12.0% year-on-year.

Operating profit	6,152	million yen	YoY	+ 8.7%
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Operating profit margin	19.4	%	YoY	(0.5)pt
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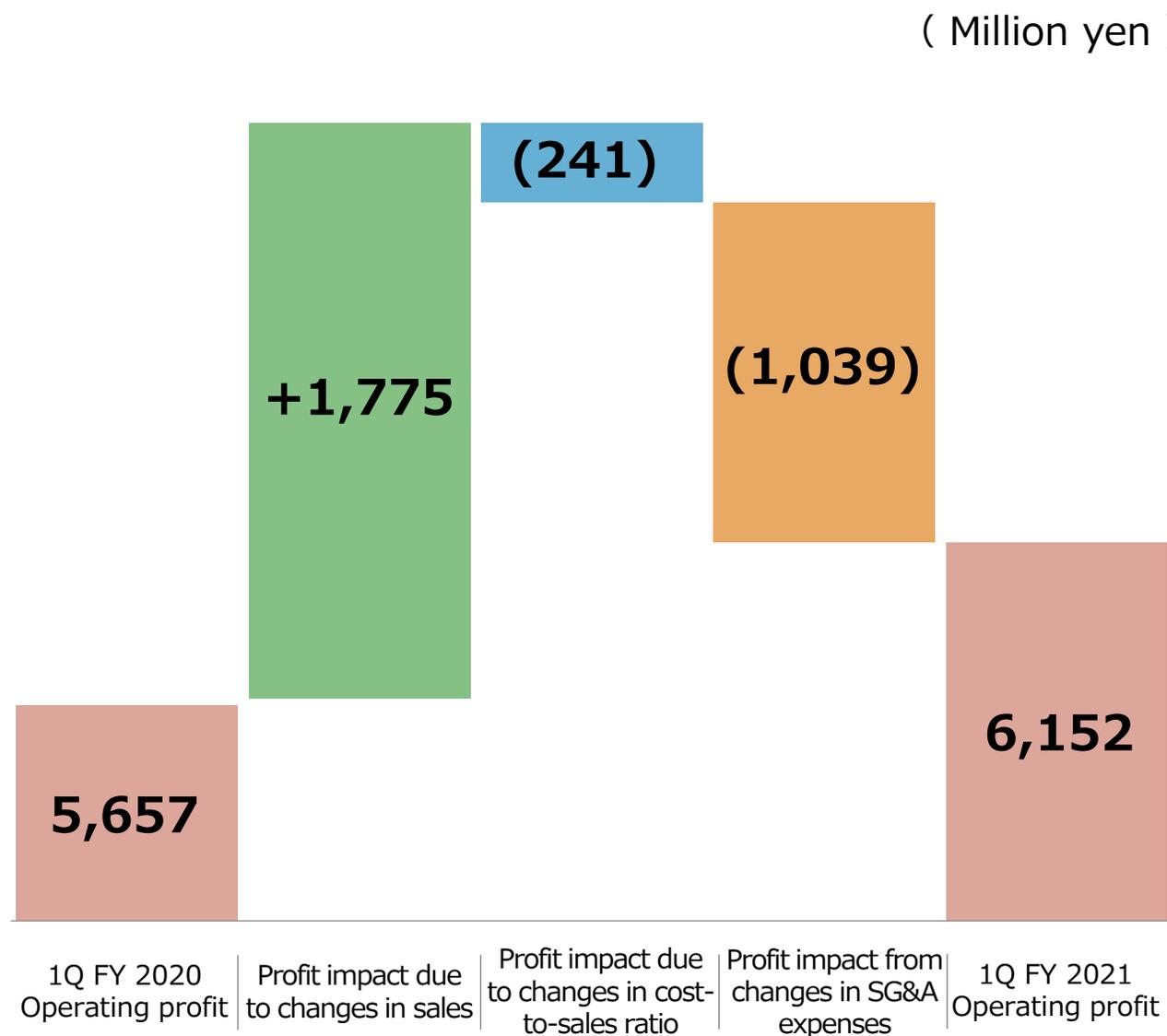
- The cost-to-sales ratio was 48.2%, a rise of 0.8pt year-on-year. The increase in the cost-to-sales ratio reflects impact from external sales in China.
- The SG&A ratio totaled 32.5%, a decline of 0.2pt year-on-year.

Ordinary profit	7,247	million yen	YoY	+ 27.7%
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- Impact of foreign exchange gain of 836 million yen.

Profit attributable to owners of parent	5,389	million yen	YoY	+ 34.2%
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Factors Triggering Changes in Operating Profit (YoY)



(Million yen)

Changes in sales : Breakdown	
Domestic	+ 1,105
Overseas	+ 670
Changes in cost-to-sales ratio: Breakdown	
Sales composition (Domestic)	+ 31
Crude drug-related cost (Domestic)	+ 127
Outside sales in China (Overseas)	(399)
Changes in SG&A expenses: Breakdown	
Sales-related expense	(373)
R&D expense	(143)
Traveling expense	(136)
Other	(387)

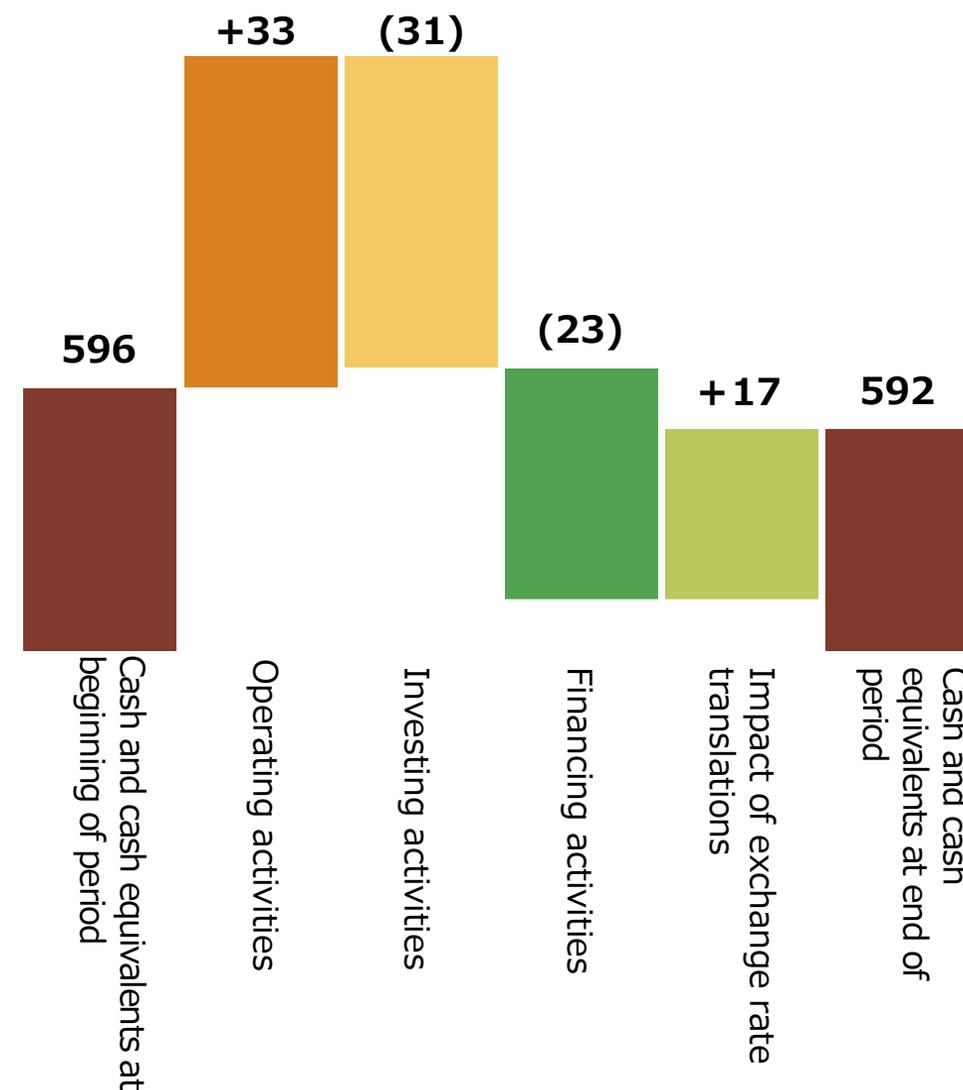
Financial Condition/Cash Flow Position

(Million yen)

	FY 2020 (March 2021)	FY 2021 1Q	Change
Total assets	319,063	326,956	7,892
Current assets	204,273	211,038	6,764
Non-current assets	114,789	115,918	1,128
Total liabilities	85,894	87,017	1,123
Current liabilities	48,380	50,034	1,653
Non-current liabilities	37,513	36,983	(530)
Total net assets	233,169	239,938	6,769
Equity ratio	68.3%	68.4%	0.1pt

	FY 2020 (March 2021)	FY 2021 1Q	Change
Inventories	80,755	84,471	3,716
Merchandise and finished goods	13,939	10,194	(3,744)
Work in process	13,396	14,336	939
Raw materials and supplies	53,419	59,940	6,521

(Hundred million yen)



Diseases for which prescription opportunities have increased

+560 million yen

Skin diseases

Acne and dermatitis due to the use of masks

Keishibukuryogankayokuinin
Jumihaidokuto
Seijobofuto
Keigairengyoto

Psychiatric disorders

Anxiety and insomnia accompanying a change in the external environment

Kamishoyosan
Kamikihito
Hangekobokuto
Yokukansankachimpihange, etc.
Total sales for six formulations

Dizziness

Dizziness due to physical and psychiatric disorders

Hangebyakujutsutenmato
Ryokeijutsukanto
(Goreisan)*



In 1Q, sales grew for Kampo prescribed to treat dizziness

Hozai

Prescription group, including Kampo used to treat a deterioration in health conditions, including post-illness fatigue, loss of appetite and decline in stamina

Hochuekkito Juzentaihoto

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

Diseases for which prescription opportunities have decreased

(¥110 million)

Common cold-related

Decrease in the number of respiratory disease patients due to infection prevention measures

Kakkonto
Shosaikotokakikyosekko
Maobushisaishinto
Bakumondoto
Maoto
Chikujountanto
Kikyoto, etc.
Total sales for 12 formulations

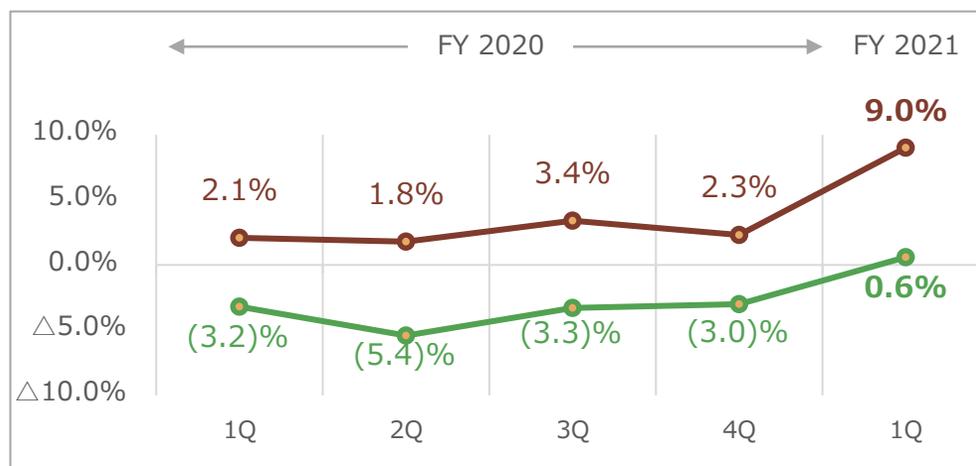
Comparison with the prescription pharmaceutical market

(YoY · Drug price basis)

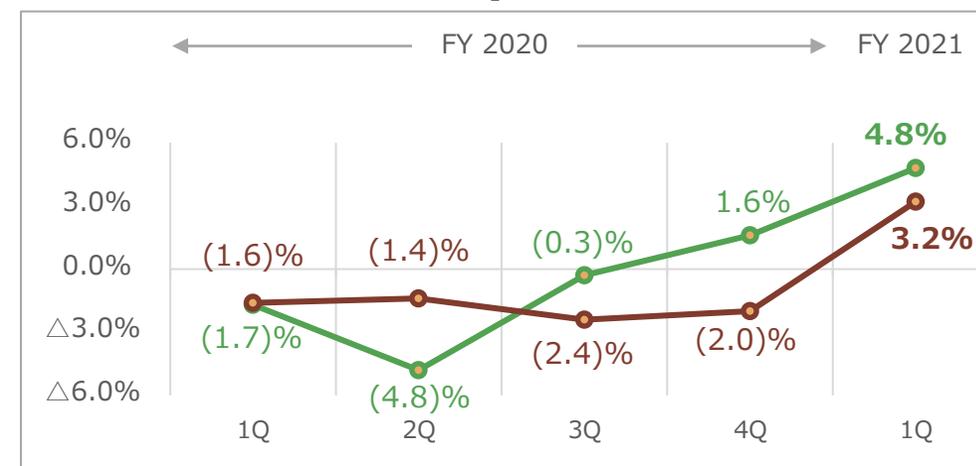
Overall



General clinics



Hospitals

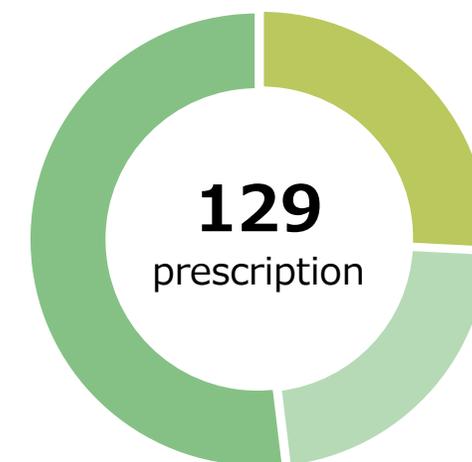


Sales of Drug-fostering Program Formulations/Growing Formulations

(Million yen)

	Net sales Ranking	Product No./formulation name	FY 2020 1Q	FY 2021 1Q	YoY	
Drug-fostering program formulations	1	100 Daikenchuto	2,385	2,430	+45	+1.9%
	2	54 Yokukansan	1,779	1,872	+93	+5.2%
	4	43 Rikkunshito	1,665	1,770	+104	+6.3%
	8	107 Goshajinkigan	820	888	+68	+8.3%
	23	14 Hangeshashinto	313	345	+32	+10.2%
Total sales for drug-fostering program formulations			6,965	7,308	+342	+4.9%
Growing formulations	3	41 Hochuekkito	1,766	1,818	+52	+3.0%
	5	17 Goreisan	1,032	1,297	+265	+25.8%
	6	24 Kamishoyosan	1,042	1,205	+162	+15.6%
	7	68 Shakuyakukanzoto	1,131	1,201	+70	+6.2%
	10	29 Bakumondoto	812	806	(5)	(0.7)%
Total sales for growing formulations			5,785	6,330	+545	+9.4%
Total sales for 119 formulations other than drug-fostering program and growing formulations			13,582	14,739	+1,156	+8.5%
Total sales for 129 prescription Kampo products			26,332	28,377	+2,044	+7.8%

Ratio to total sales

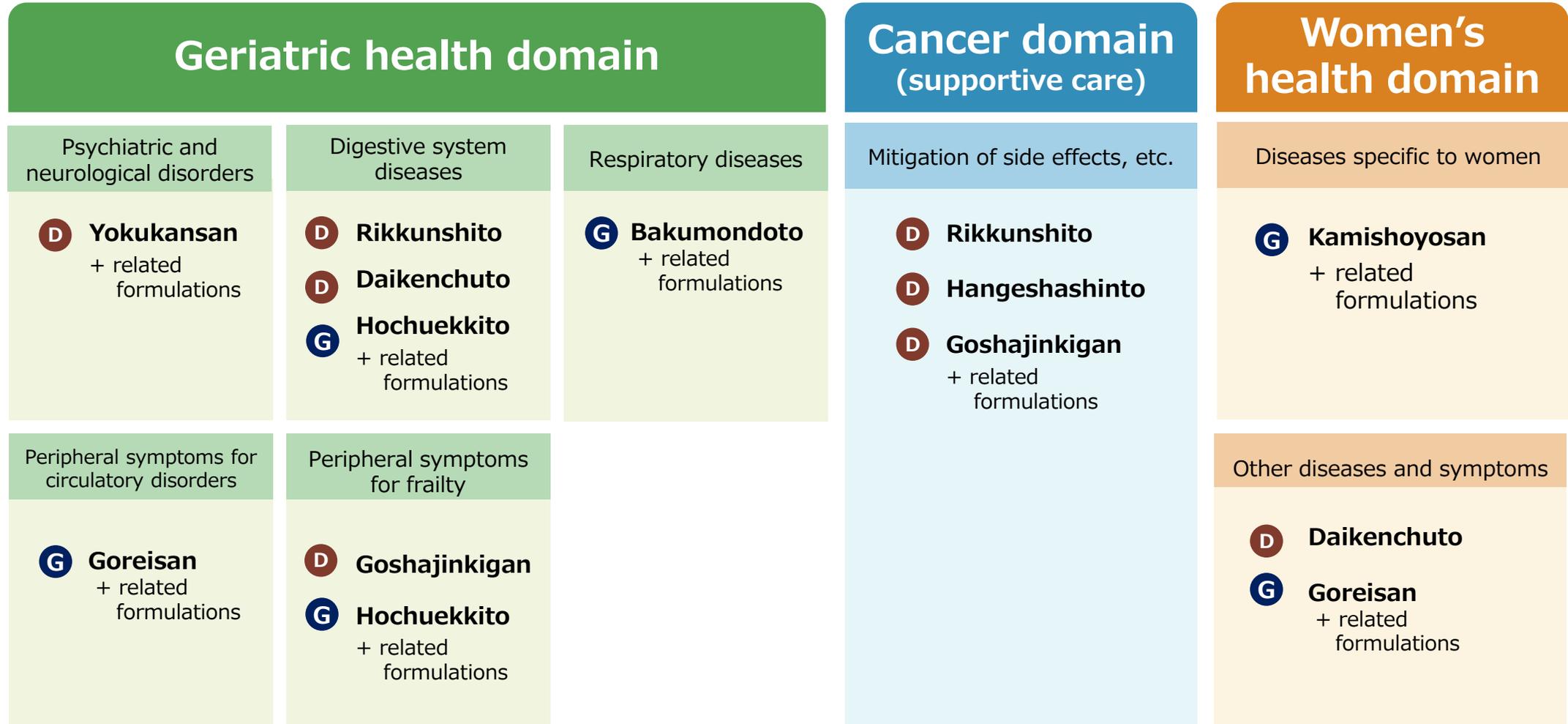


- Drug-fostering program formulations 25.8%
- Growing formulations 22.3%
- 119 formulations other than drug-fostering program and growing formulations 51.9%

* The 2020 results have been rearranged to the amount after applying new accounting revenue recognition standards.

Three Important Domains of Sales Activities

- Positioned geriatric health; cancer (supportive care) and women's health as the three important domains and aim to concentrate our activities in these domains
- We plan to deploy a sales approach in the drug-fostering program formulations, growing formulations and three important domains



D Drug-fostering program formulations

G Growing formulations

Tsumura medical website for learning about Kampo, offering 24 hours access

Expand access by medical practitioners



TSUMURA MEDICAL SITE



- ❑ Explanations on the proper use of Kampo
- ❑ Also Western medicine-type, easy-to-use explanations
- ❑ Access to online lectures available
- ❑ Abundant video contents

Overseas sales (External sales in China)

(Million yen)

	FY 2020
1Q	982
Full year	6,360



FY 2021
2,257
8,800 (forecast)

Raw material
crude drugs



drug pieces



raw ginseng



Yakushokudogen
products



FY 2021 Earnings Forecast

(Million yen)

	FY2020 results	FY2021 forecast	Vs. FY 2020	
			Amount	Growth
Net sales	116,413	122,500	+6,086	+5.2%
Domestic	110,053	113,700	+ 3,646	+ 3.3%
Overseas	6,360	8,800	+ 2,439	+ 38.4%
Operating profit	19,382	19,500	+117	+0.6%
Ordinary profit	20,866	20,000	(866)	(4.2)%
Profit attributable to owners of parent	15,332	14,200	(1,132)	(7.4)%

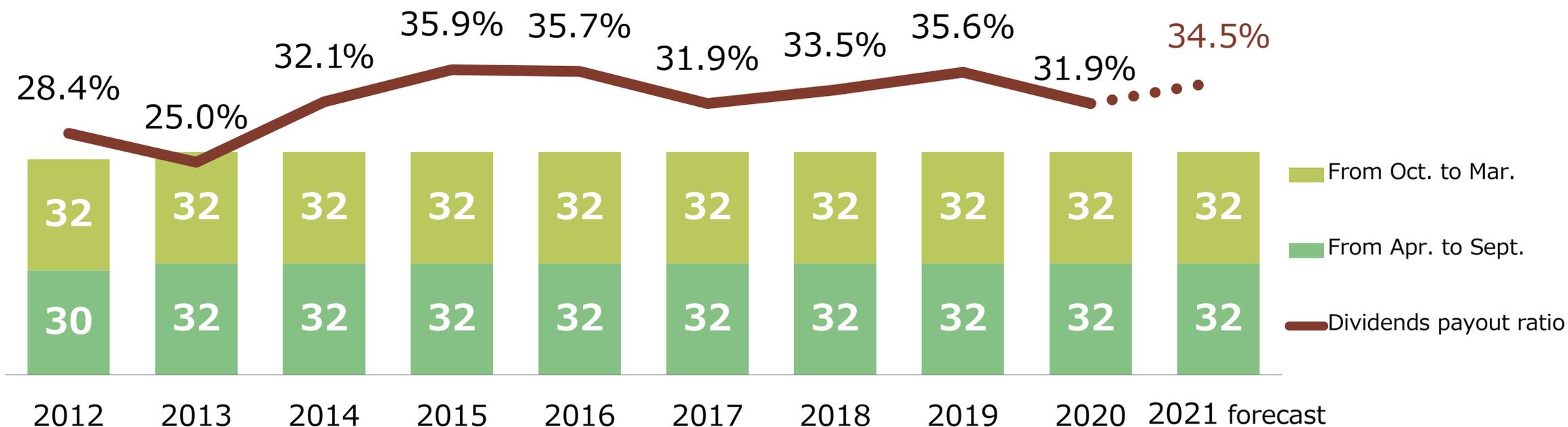
	FY2020 results	FY2021 forecast
Dividend (per share)	¥ 64	¥ 64
EPS	¥200.4	¥185.6
ROE	7.2%	6.4%

* The 2020 results have been rearranged to the amount after applying the PPA adjustment and new accounting revenue recognition standards.

(Note) The above forecasts were prepared based on the information available as of the date of publication of this presentation. Accordingly, the impact of risks that cannot be predicted at this time, including the impact on socio-economic activities from the further spread of COVID-19, have not been factored in. Actual earnings performance may differ from the forecasts stated herein owing to various factors going forward. We will disclose trends and conditions in a timely and proper manner should there be any changes in the circumstances surrounding our company.

Policy

- We aim to improve our corporate value by continually expanding our Kampo 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 2021 year-end dividend and payout ratio (forecast) are an estimate based on the assumption that the dividend resolution is approved at the 86th Ordinary General Meeting of Shareholders.

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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

Applying new accounting revenue recognition standards to The 3rd Medium-Term Management Plan (2019-2021)

	FY2021 Numerical goals	FY2021 Numerical goals <small>Apply new accounting revenue recognition standards</small>	FY2021 Forecast
Net Sales	Over 135.0 billion yen	Over 120.0 billion yen	122.5 billion yen
Operating Profit	Over 19 billion yen	Over 19 billion yen	19.5 billion yen
R O E	Over 6 %	Over 6 %	6.4%

Drug-fostering program formulations and Growing formulations

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.

A growth driver that aims to be listed in medical treatment guidelines as a strategic formulation following the five “drug fostering” program formulations through the establishment of scientific evidence (data on safety, efficacy, etc.) in fields where satisfaction toward treatment and the contribution of medicine are low.

Drug-fostering program formulations

Daikenchuto

Yokukansan

Rikkunshito

Goshajinkigan

Hangeshashinto

Growing formulations

Hochuekkito

Shakuyakukanzoto

Bakumondoto

Kamishoyosan

Goreisan



Crude drug platform

Raw material crude drugs, drug pieces, raw ginseng, Yakushokudogen products, etc.

Sales image

3 billion yuan
(about ¥51.0 billion)

Formulation platform

Traditional Chinese medicine, Classical prescription Chinese medicine complex formulations, etc.

Sales image

7 billion yuan
(about ¥119 billion)

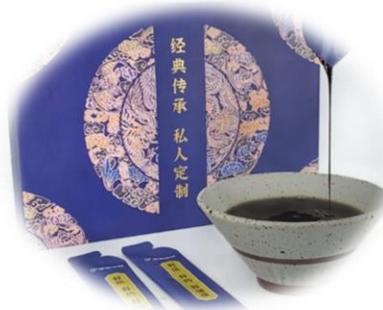
Drug piece services: Processing services to convert drug pieces into a fluid extract, decoction, and granules
(Sales in the online market)

Drug pieces



Drug piece services

Fluid extract



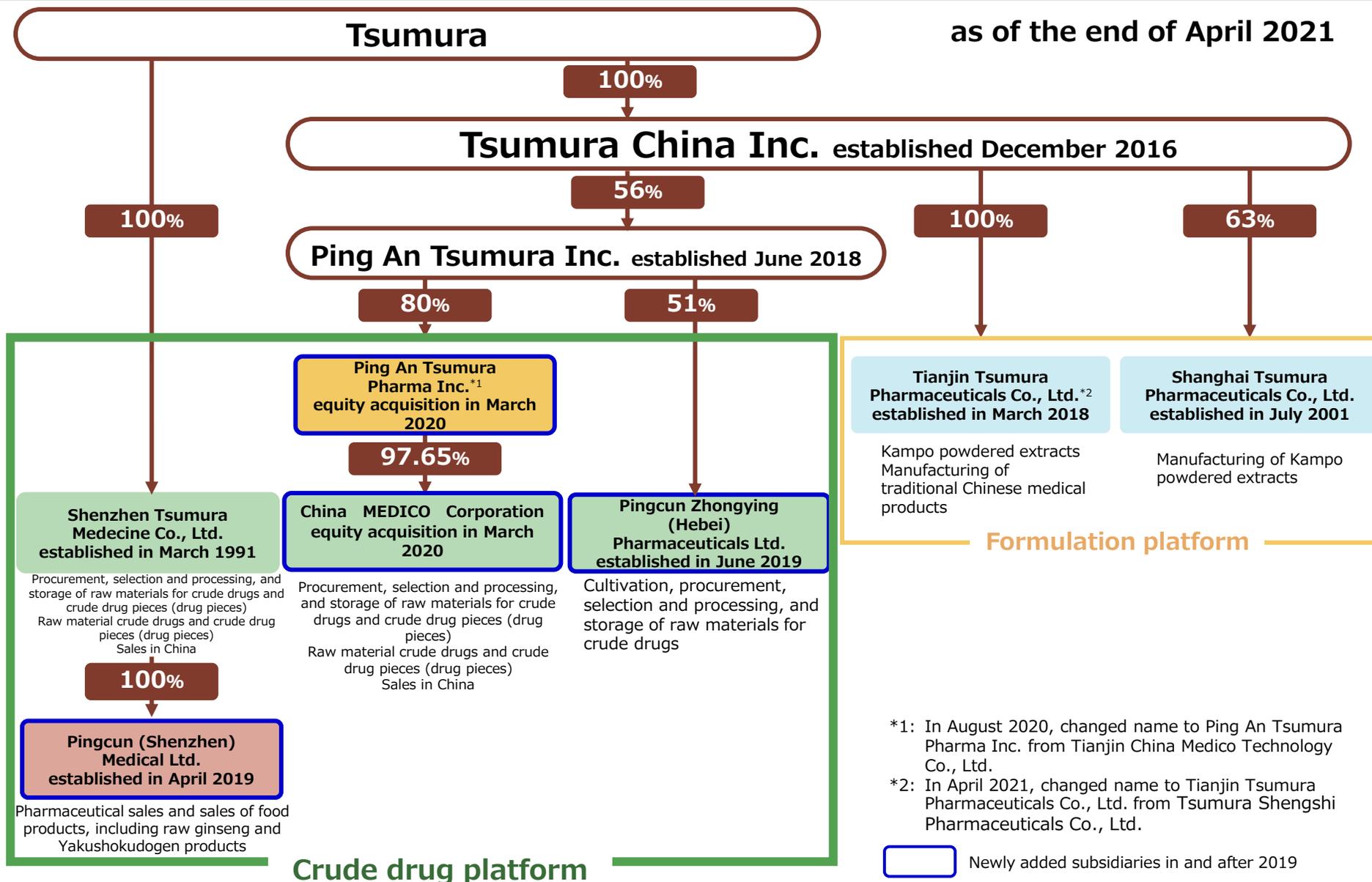
Decoction



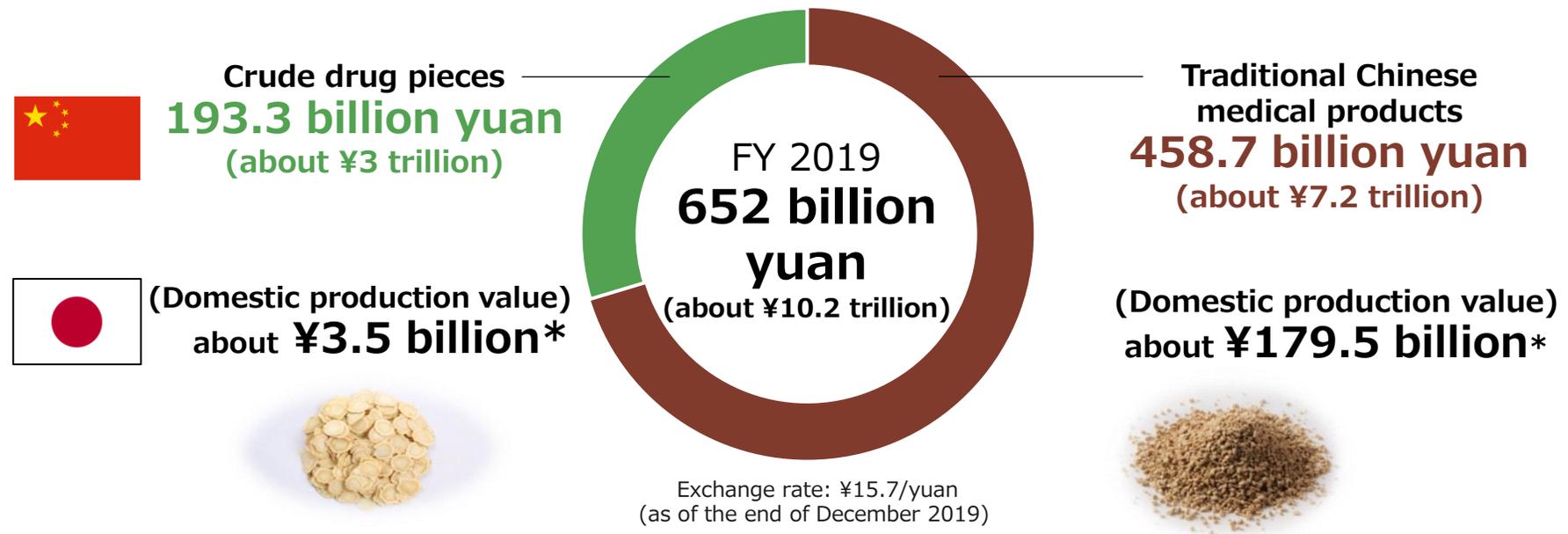
Granules



Diagram of Corporate Group Ties & Crude Drug Platform



Scale of the Traditional Chinese Medicine Market in China



Source: National Bureau of Statistics of China, Ministry of Industry and Information Technology (MIIT)

*Source: Production statistics, including for Kampo formulations, Japan Kampo Medicine Manufacturers Association

Terminology	Definition	Corresponding terminology for Kampo medicine (Meanings are not always the same)
Chinese medicine	Medicines used in traditional Chinese medicine (traditional Chinese medical products, drug pieces, etc.)	Kampo, crude drug pieces, crude drugs
Drug pieces	Same meaning as crude drug pieces, Use as a decoction	Crude drug pieces
Traditional Chinese medical products └ (Manufacturing of classical prescription Chinese medicine complex formulations)	Drugs in the form of granules, pills or other shapes based on the theories of traditional Chinese medicine (Drugs in the form of granules, pills or other shapes based on old traditional Chinese medical books)	Kampo extract formulations, crude drug production (Kampo extract formulations)