

Third Quarter Business Results for Fiscal 2021

February 7, 2022

Director, and CFO

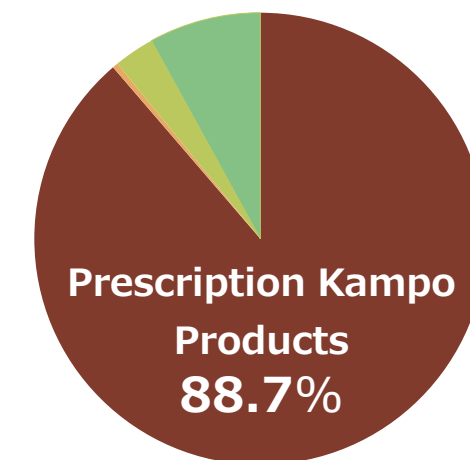
Muneki Handa

Third Quarter Business Results for FY 2021

(Million yen)

	FY 2020 3Q	FY 2021 3Q	YoY		FY 2021 plan
			Amount	Change	
Net sales	88,444	98,382	+9,938	+11.2%	127,500
Domestic	84,579	91,317	+6,737	+8.0%	117,800
Overseas	3,864	7,065	+3,200	+82.8%	9,700
Operating profit (Operating profit margin)	17,235 (19.5%)	18,829 (19.1%)	+1,593	+9.2%	21,100 (16.5%)
Ordinary profit	17,811	21,074	+3,262	+18.3%	23,400
Profit attributable to owners of parent	13,226	15,389	+2,162	+16.4%	16,600

Ratio to total sales



Other prescription pharmaceuticals
0.4%

Healthcare
2.9%

External sales by consolidated subsidiaries
8.0%

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

Sales and profits increased due to growth in domestic and overseas sales.

Net sales	98,382	million yen	YoY	+ 11.2%
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- Domestic sales totaled 91,317 million yen, increased 8.0% year-on-year.
- Sales of the 129 prescription Kampo products totaled 87,293 million yen, increased 7.6% year-on-year.
- Sales of healthcare products including OTC Kampo medicines totaled 2,876 million yen, increased 12.0% year-on-year.
- Overseas sales totaled 7,065 million yen, increased 82.8 % year-on-year.

Operating profit	18,829	million yen	YoY	+ 9.1%
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Operating profit margin	19.1	%	YoY	(0.4)pt
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- The cost-to-sales ratio was 48.8%, a climb of 1.3pts year-on-year, mainly impact of increased depreciation burden due to operation of Ibaraki 3rd SD building, and external sales in China.
- The SG&A ratio totaled 32.1%, a decline of 1.3pt year-on-year, mainly impact of improvement due to sales growth.

Ordinary profit	21,074	million yen	YoY	+ 18.3%
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- The impact of the 3Q foreign exchange gain: 1,421 million yen
Previous 3Q foreign exchange loss: 167 million yen, mainly affected by foreign exchange gains and losses.

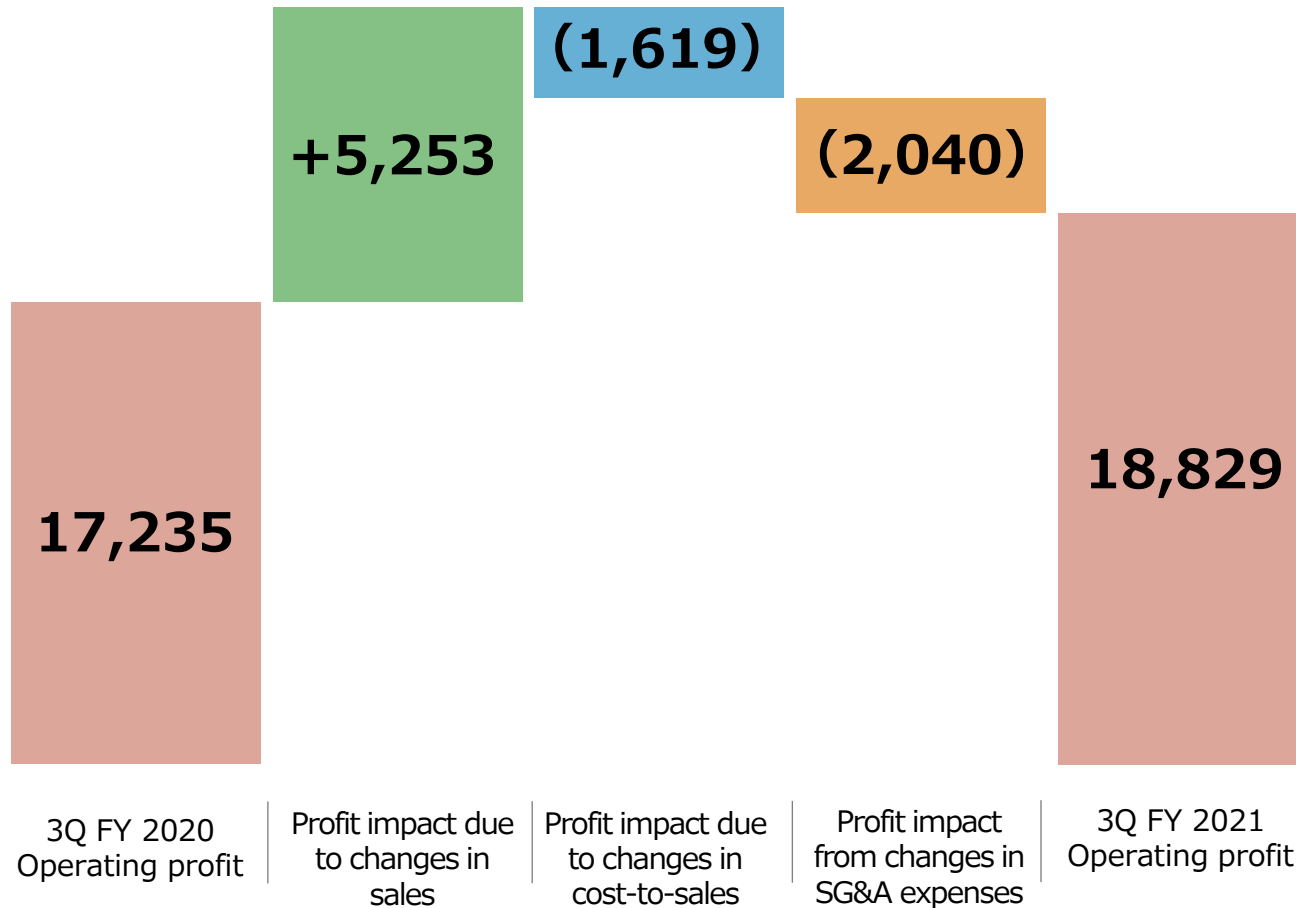
Profit attributable to owners of parent	15,389	million yen	YoY	+ 16.4%
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Factors Triggering Changes in Operating Profit (YoY)



(Million yen)

(Million yen)



Changes in sales : +5,253 Breakdown	
Domestic	+3,561
Overseas	+1,692
Changes in cost-to-sales : (1,619) Breakdown	
Sales composition (Domestic)	+215
Crude drug cost (Domestic)	+234
Processing cost etc (Domestic)	(1,110)
Outside sales in China (Overseas)	(958)
Changes in SG&A expenses: (2,040) Breakdown	
Sales-related expense	(618)
R&D expense	(306)
Salary allowance	(170)
Other	(946)

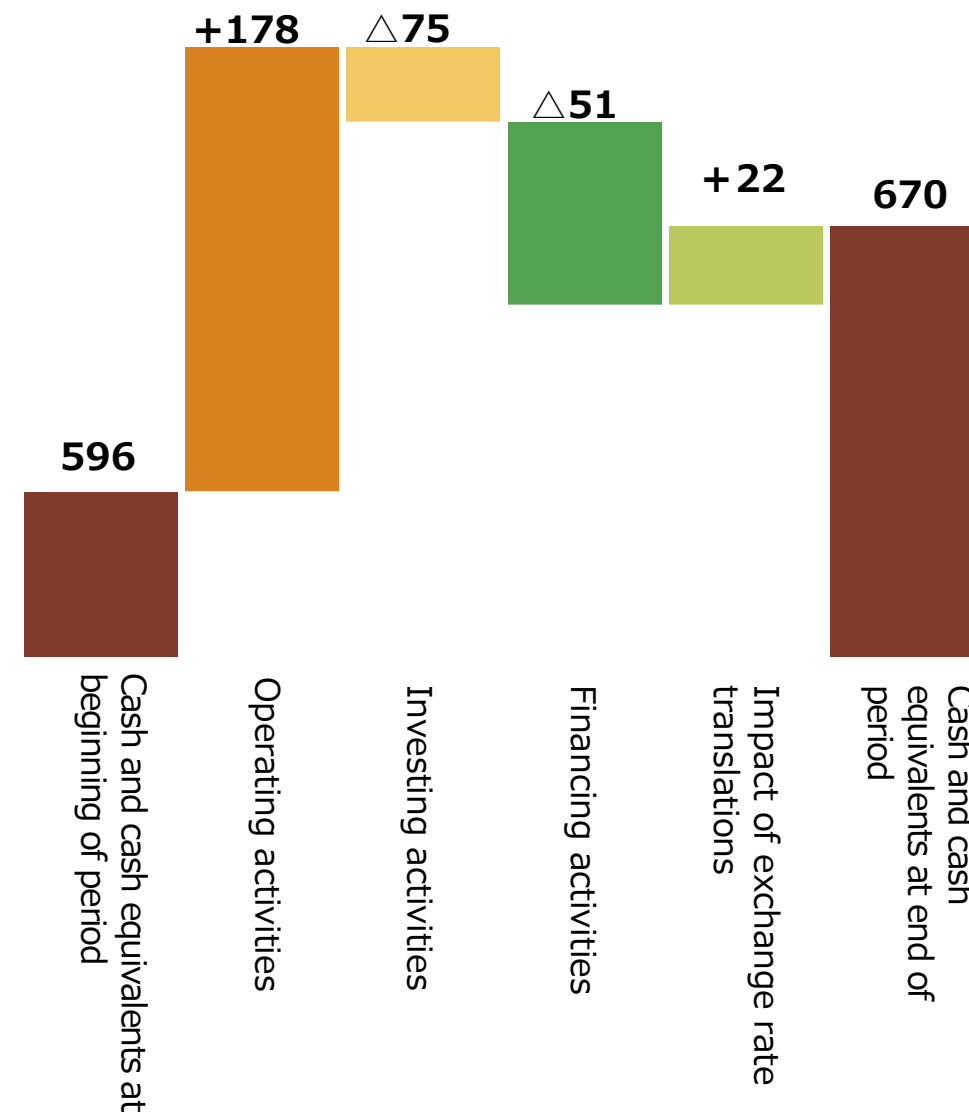
Financial Condition/Cash Flow Position

(Million yen)

(Hundred million yen)

	FY 2020 (March 2021)	FY 2021 3Q	Change
Total assets	319,063	338,432	19,368
Current assets	204,273	221,541	17,268
Non-current assets	114,789	116,890	2,100
Total liabilities	85,894	88,946	3,052
Current liabilities	48,380	41,986	△6,394
Non-current liabilities	37,513	46,960	9,446
Total net assets	233,169	249,485	16,316
Equity ratio	68.3%	68.7%	0.4pt

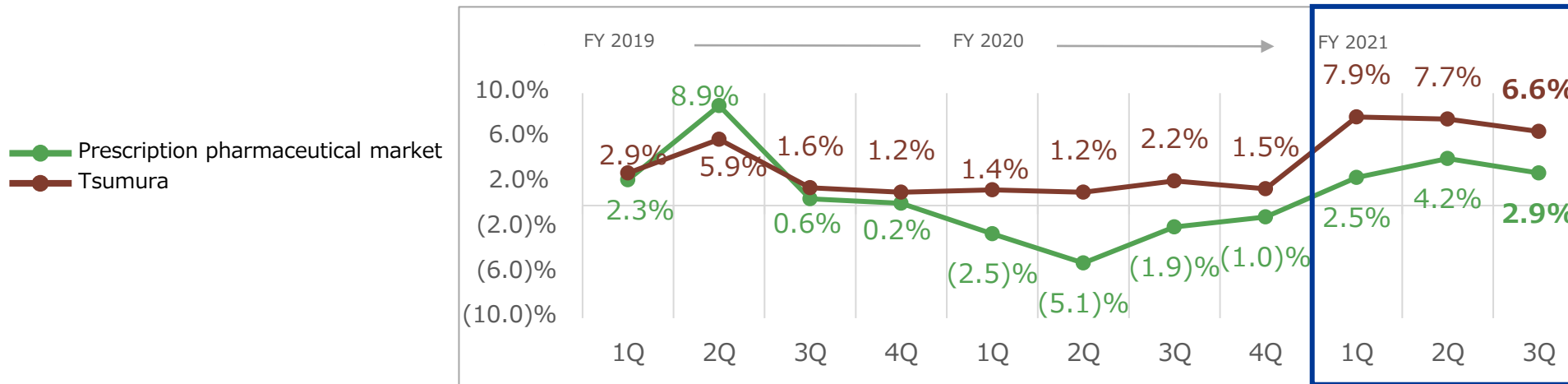
	FY 2020 (March 2021)	FY 2021 3Q	Change
Inventories	80,755	87,217	6,462
Merchandise and finished goods	13,939	8,005	△5,934
Work in process	13,396	14,140	743
Raw materials and supplies	53,419	65,072	11,652



Comparison with the Prescription Pharmaceutical Market

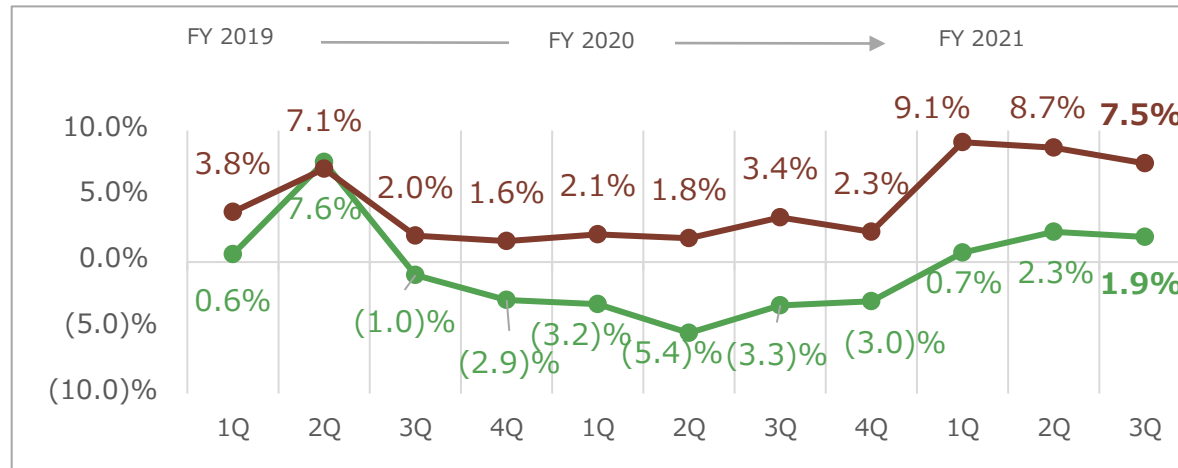
Overall

(YoY/drug price basis)



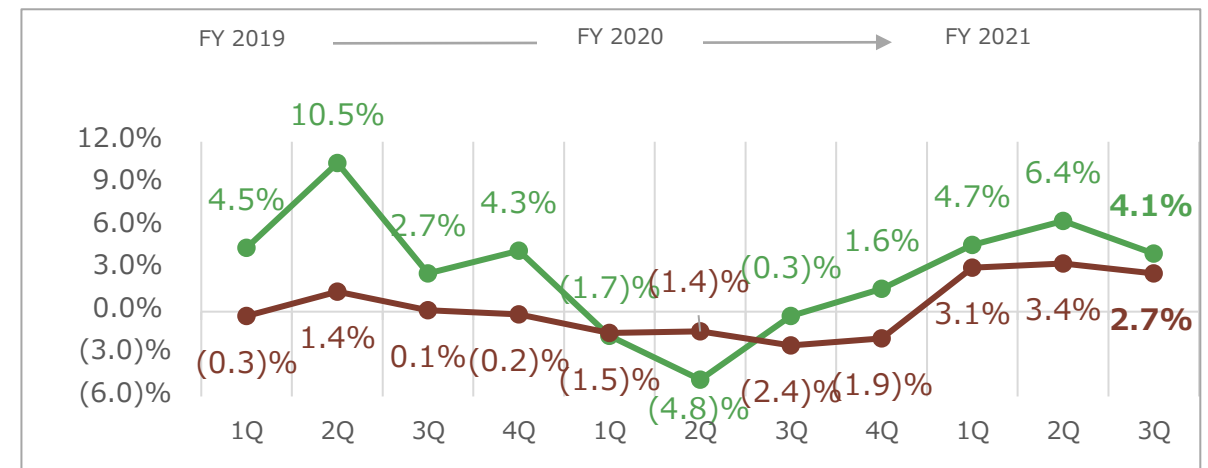
Gap with market
+4.2pt
(3Q only : +3.7pt)

General clinics (GP)



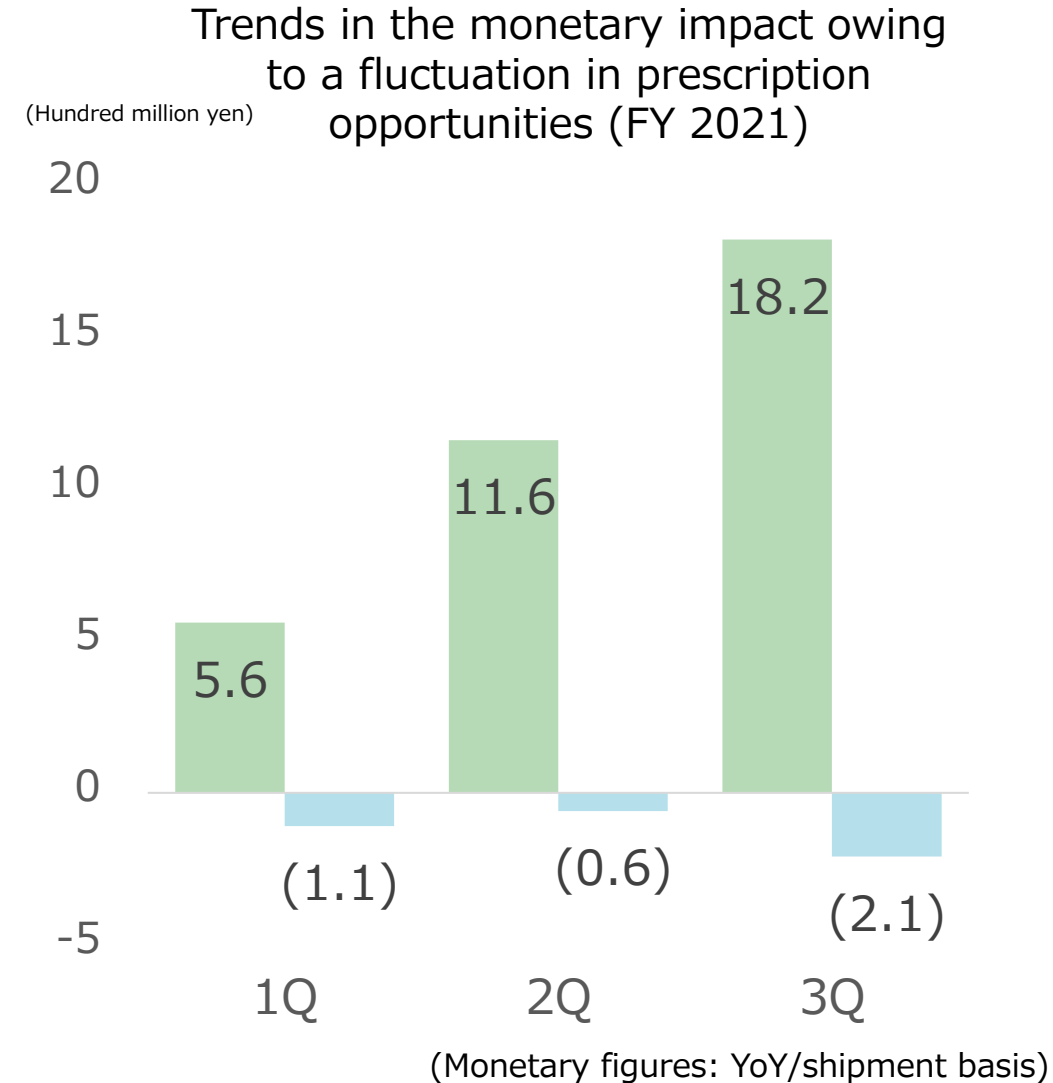
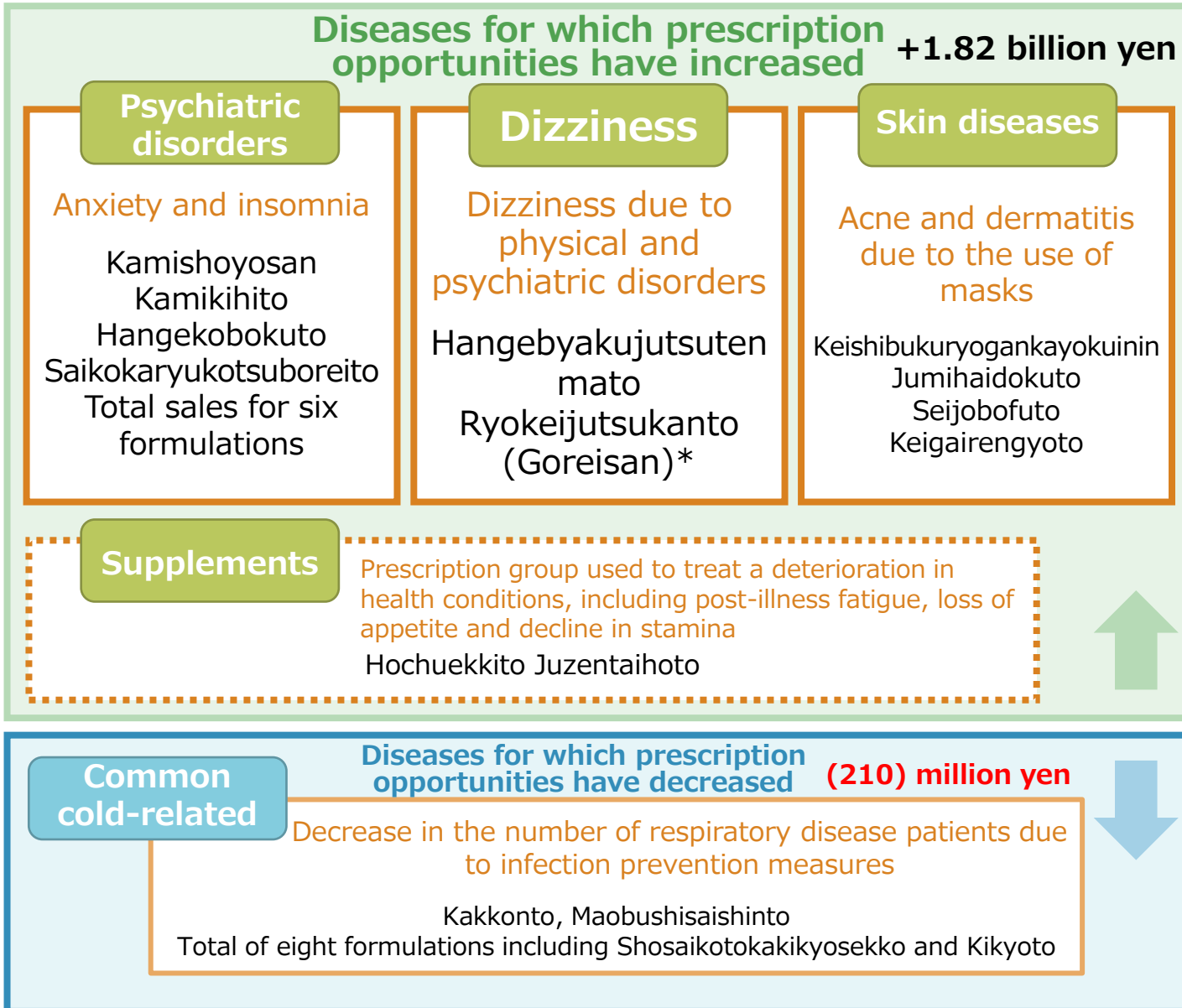
Increased number of e-promotions X MR interviews and briefings

Hospital market (HP)



Strengthen e-promotion as visit restrictions continue

COVID-19 Related Symptoms and Prescription Opportunities



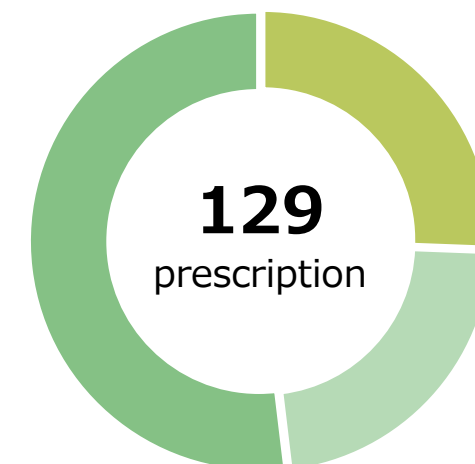
*Goreisan prescription opportunities are also increasing for treatment in areas other than dizziness therefore it has been excluded from the basis of calculations

Sales of Drug-fostering Program Formulations/Growing Formulations

(Million yen)

	Net sales Ranking	Product No./formulation name	FY 2020 3Q	FY 2021 3Q	YoY	
Drug-fostering program formulations	1	100 Daikenchuto	7,125	7,334	+209	+2.9%
	2	54 Yokukansan	5,401	5,678	+276	+5.1%
	4	43 Rikkunshito	5,168	5,548	+380	+7.4%
	8	107 Goshajinkigan	2,479	2,687	+207	+8.4%
	23	14 Hangeshashinto	973	1,052	+79	+8.1%
Total sales for drug-fostering program formulations			21,148	22,301	+1,153	+5.5%
Growing formulations	3	41 Hochuekkito	5,328	5,655	+327	+6.1%
	5	17 Goreisan	3,426	4,111	+684	+20.0%
	7	68 Shakuyakukanzoto	3,521	3,692	+171	+4.9%
	6	24 Kamishoyosan	3,350	3,752	+401	+12.0%
	10	29 Bakumondoto	2,417	2,455	+37	+1.6%
Total sales for growing formulations			18,044	19,666	+1,622	+9.0%
Total sales for 119 formulations other than drug-fostering program and growing formulations			41,934	45,325	+3,391	+8.1%
Total sales for 129 prescription Kampo products			81,127	87,293	+6,166	+7.6%

Ratio to total sales

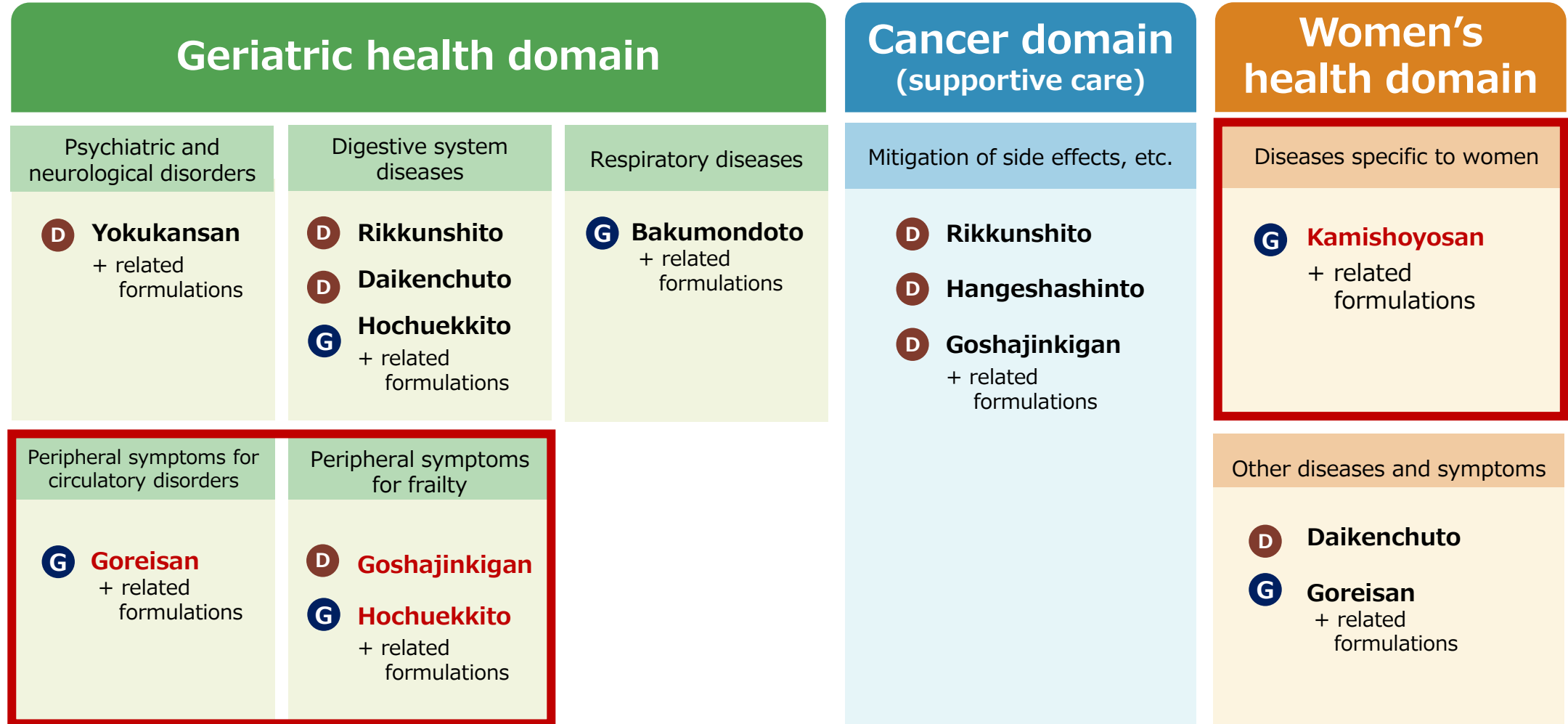


- Drug-fostering program formulations 25.6%
- Growing formulations 22.5%
- 119 formulations other than drug-fostering program and growing formulations 51.9%

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

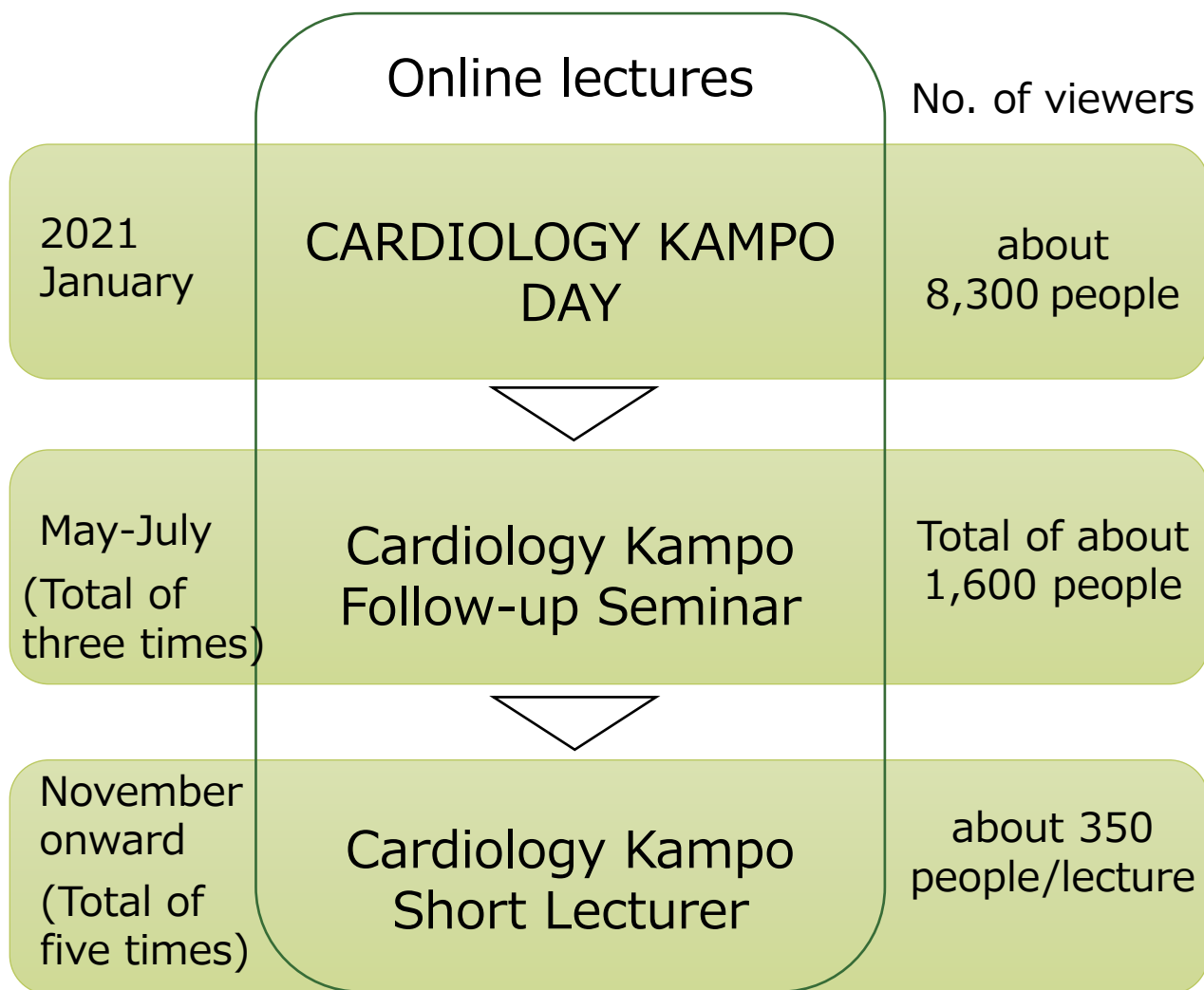
Three Important Domains of Sales Activities

- 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



Initiatives in the geriatric health domain

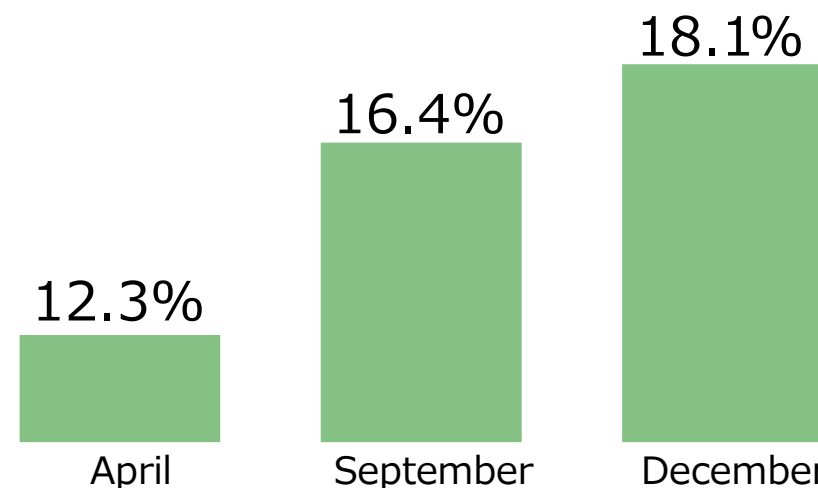
Increase in sales and the number of doctors that write 10 or more Kampo prescriptions mainly reflecting the holding of lectures in cardiology



(Shipment and monetary basis)

Prescription Kampo Products	YoY
Goreisan	+20.0%
Hochuekkito	+6.1%
Goshajinkigan	+8.4%

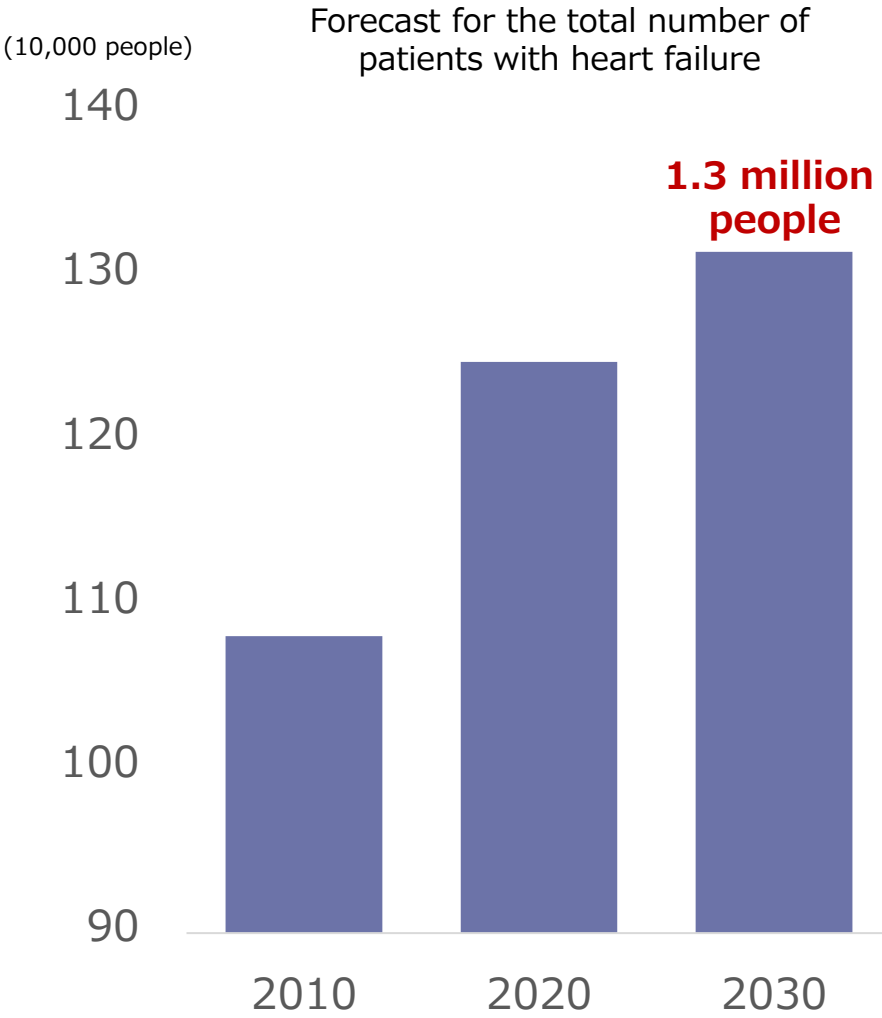
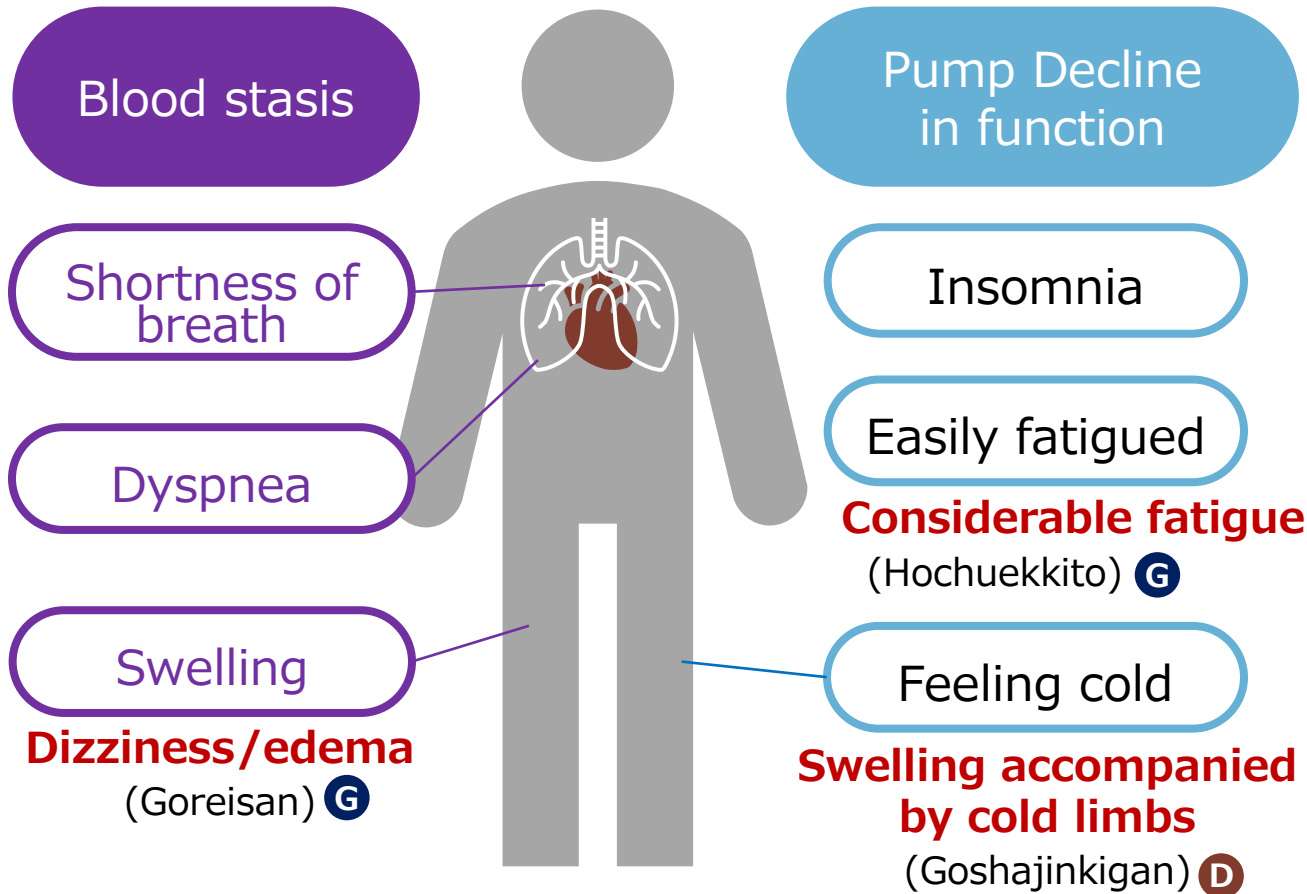
Ratio of doctors writing 10 or more Kampo prescriptions in the field of cardiology (FY 2021)



(Survey by Tsumura)

The number of patients with heart failure increased by around 10,000 annually and is estimated to reach 1.3 million by 2030

Peripheral symptoms in tandem with heart failure and Kampo prescriptions



Source: Excerpt from Okura Y, et al. Circ J.2008;72:489-91.

Initiatives in the women's health domain

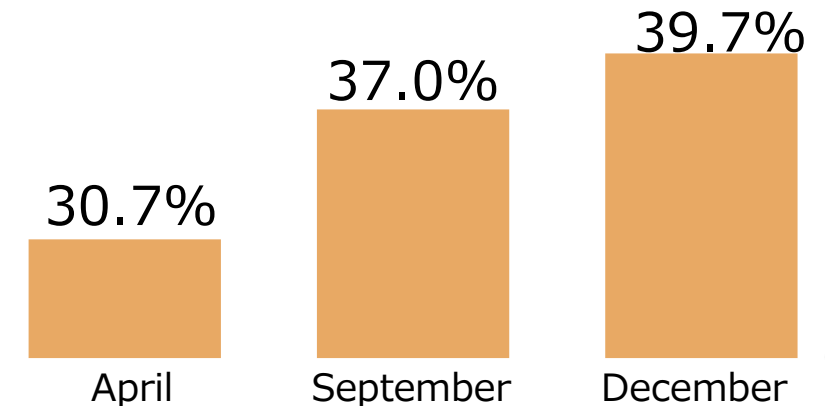
Increase in sales and the number of doctors that write 10 or more Kampo prescriptions reflecting measures that are mainly for webcasts and video streaming

(Shipment and monetary basis)

	Online lectures Theme	No. of viewers (Number of times)	Video streaming Theme	No. of viewers (Number of times)
1Q	Menopause Stress	17,000 people (Two times)	Menopause	35,000 people (One time)
2Q	Chills Stress	19,000 people (Two times)	Women's diseases	38,000 people (Two times)
3Q	Stress Anxiety/ insomnia	15,000 people (Two times)	Cold sensitivity Anxiety	113,000 people (Five times)

	Prescription Kampo Products	YoY
Three major prescription formulations in the women's health domain	Tokishakuyakusan	+12.9%
	Kamishoyosan	+12.0%
	Keishibukuryogan	+8.8%
Anxiety, insomnia	Hangekobokuto	+10.6%
	Kamikihito	+19.2%

Ratio of doctors writing 10 or more Kampo prescriptions in the field of women's health (FY 2021)



(Survey by Tsumura)

Realize the structure of optimal information provision sought by medical practitioners
(introduction of MA tool)
Support MR activities (renew CRM tool)

<Role of digital>

Develop new customers

- Online lectures
- Video streaming

- **Kampo online MRs**
- **Kampo ONLINE SALON**
- **AI Chat bots(K-chat)**

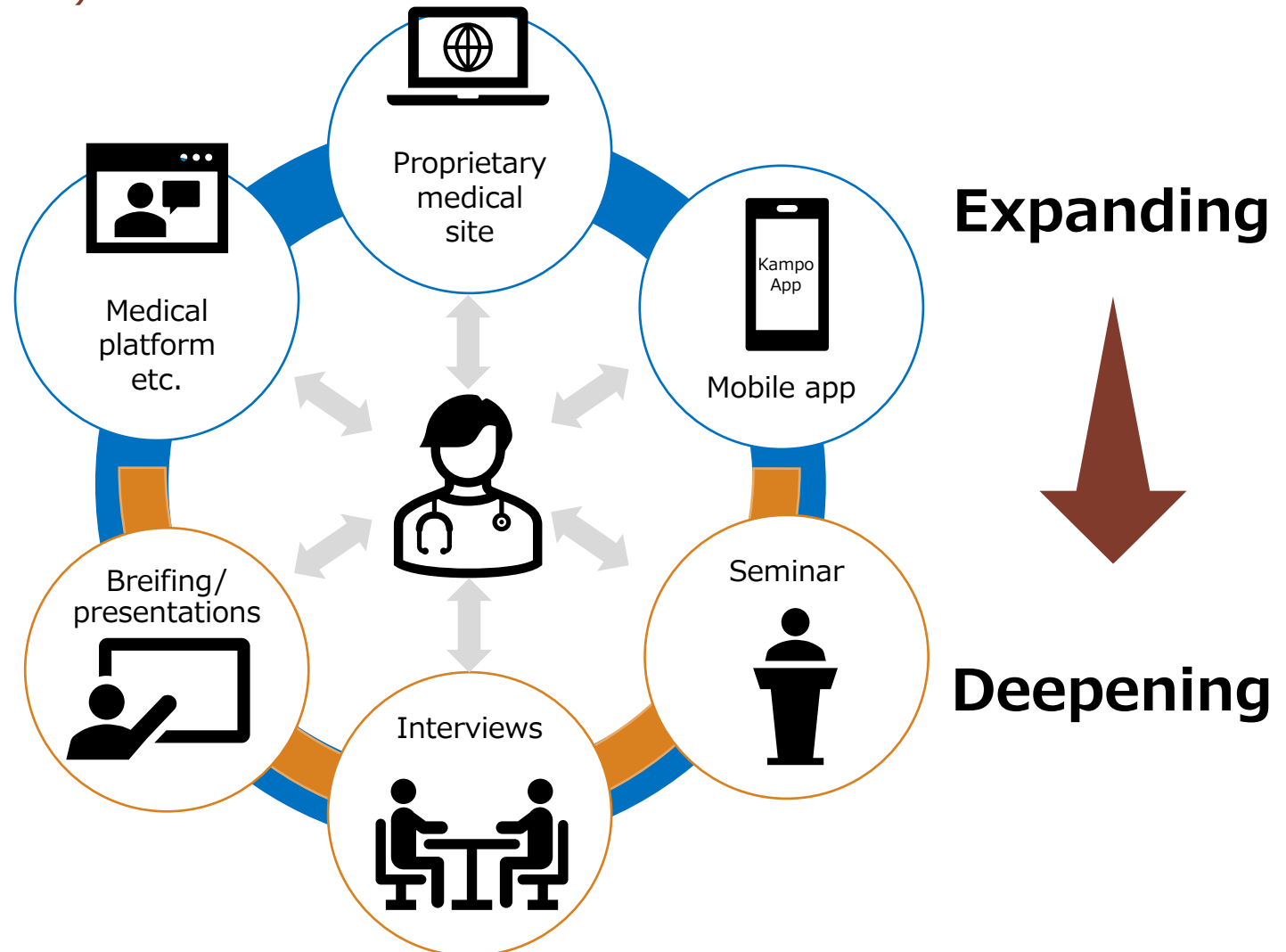
etc.

<Role of MRs>

Build ties with customers

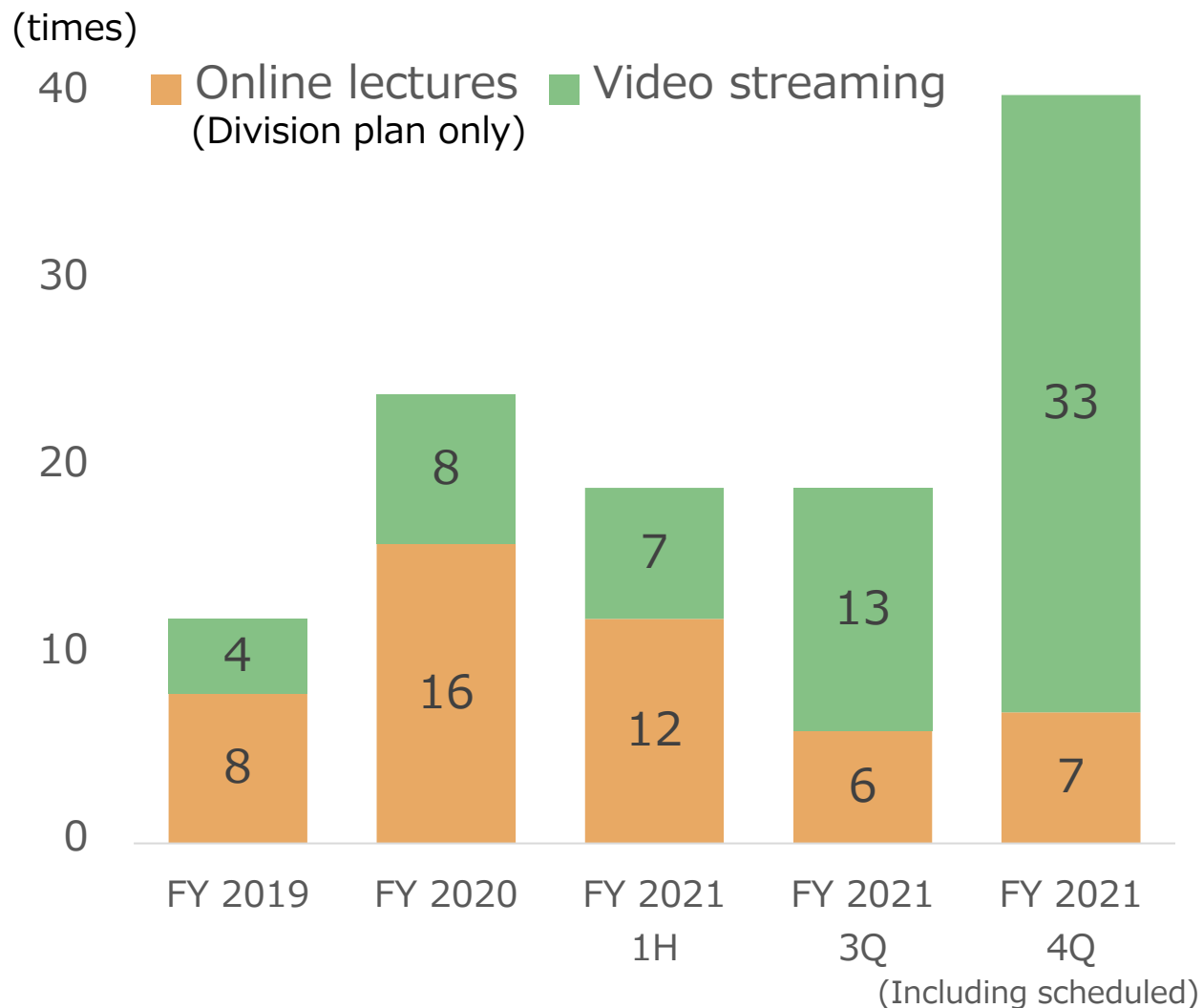
- Address individual needs
- Kampo medicine approach
- Proper use of formulations

etc.



Implementing e-promotions

Expand video streaming in and after 3Q 2021



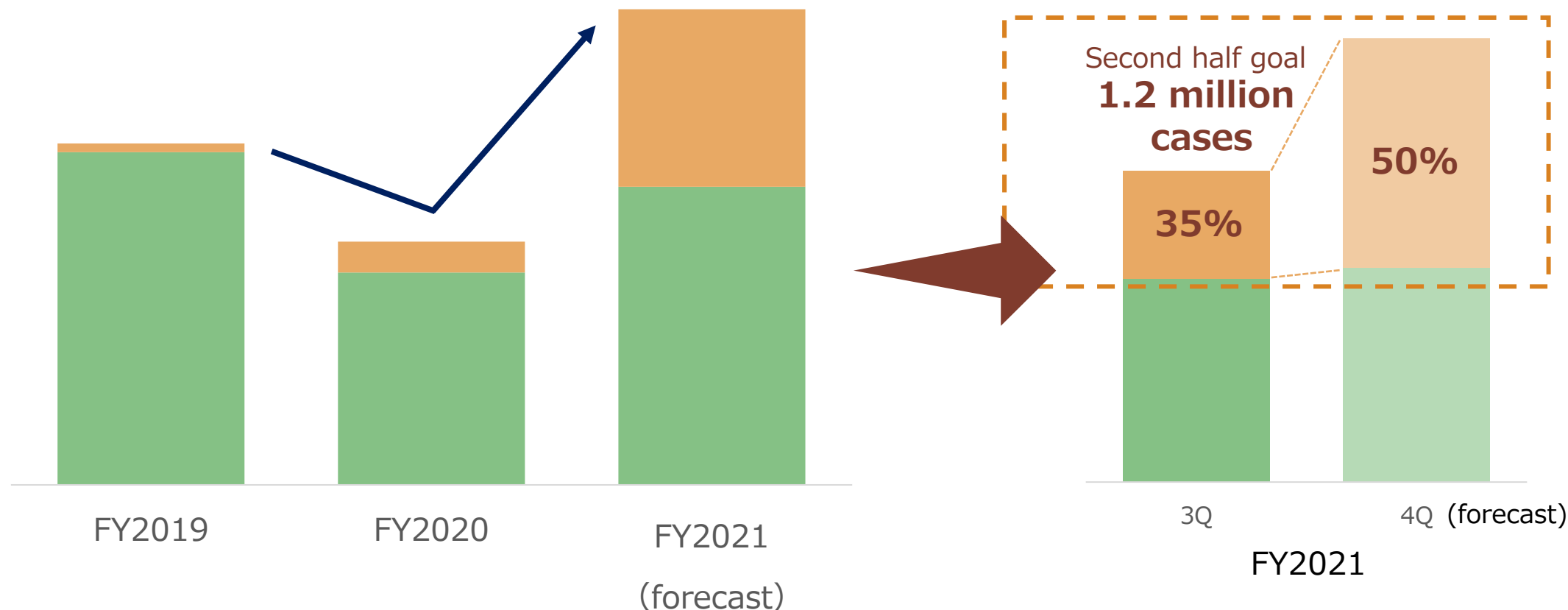
Period	Event theme	
	Online lectures	Video
FY 2021 3Q	Psychiatry (1)	Digestive system (5)
	Obstetrics/gynecology (1)	Psychiatry (3)
	Respiratory disease (2)	Obstetrics/gynecology (2)
	Orthopedics (2)	Respiratory disease (2)
		Geriatric health (1)
FY 2021 4Q (tentative)	Digestive system (2)	Digestive system (13)
	Supplements (1)	Supplements (3)
		Geriatric health (3)
	Dizziness (1)	Dizziness (2)
	Supportive care for cancer (2)	Cardiology (5)
		Psychiatry (4)
	COVID-19 related illnesses (1)	Respiratory disease (2)
		Obstetrics/gynecology (1)

* Streaming from general medical site and proprietary medical site
 Figures in parentheses are the number of times a video was streamed

Due to the expansion of e-promotion, the detail impact * exceeds before COVID-19
Aim for an e-promotion ratio of over 50% in the fourth quarter

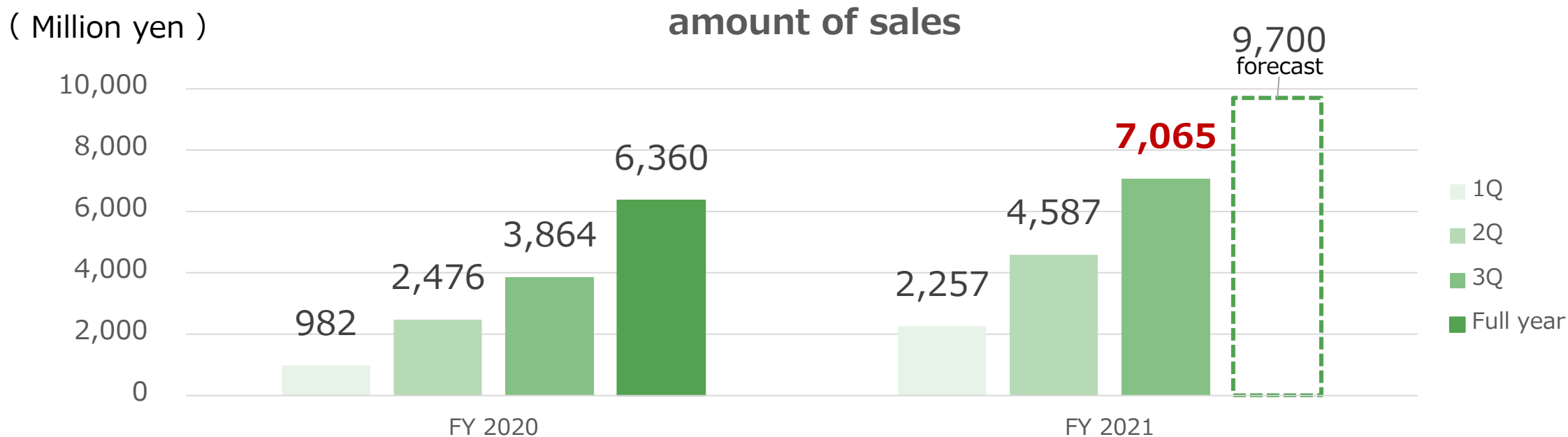
*Including MR activities and Internet
 Number of information recognition
 cases from each channel

- MR activities : Detailing, online interviews (MRs), in-hospital briefings
- e-promotions : e-detailing, manufacturing websites, and online interviews (head office divisions)



Overseas sales (External sales in China)

Expand sales centered on Ping An Tsumura Pharma and Shenzhen Tsumura Medicine



**Raw material
crude drugs**



drug pieces



raw ginseng



**Yakushokudogen
products**



Sustainability Vision 2050

Long-term Business Vision 2031 and

Date

March 29, 2022 13: 00 ~ 14: 30

Program details

- **Sustainability Vision 2050**
- **Long-term Business Vision 2031**
 - R & D Policy
 - China Business

Revision of earnings forecast FY 2021

(Million yen)

	FY2020 results	Revised Plan 2021.10.29	Compared to the original plan	
			Amount	rate
Net sales	116,413	127,500	+ 11,086	+ 9.5%
Domestic	110,053	117,800	+ 7,746	+ 7.0%
Overseas	6,360	9,700	+ 3,339	+ 52.5%
Operating profit	19,382	21,100	+ 1,717	+ 8.9%
Ordinary profit	20,866	23,400	+ 2,533	+ 12.1%
Profit attributable to owners of parent	15,332	16,600	+ 1,267	+ 8.3%

	FY2020 results	Revised Plan
Dividend (per share)	¥ 64	¥ 64
EPS	¥200.40	¥ 216.97
ROE	7.2%	7.4%

Third medium-term management plan

FY2019 - FY2021

Net Sales Over **1,200**million

Operating Profit Over **190**million

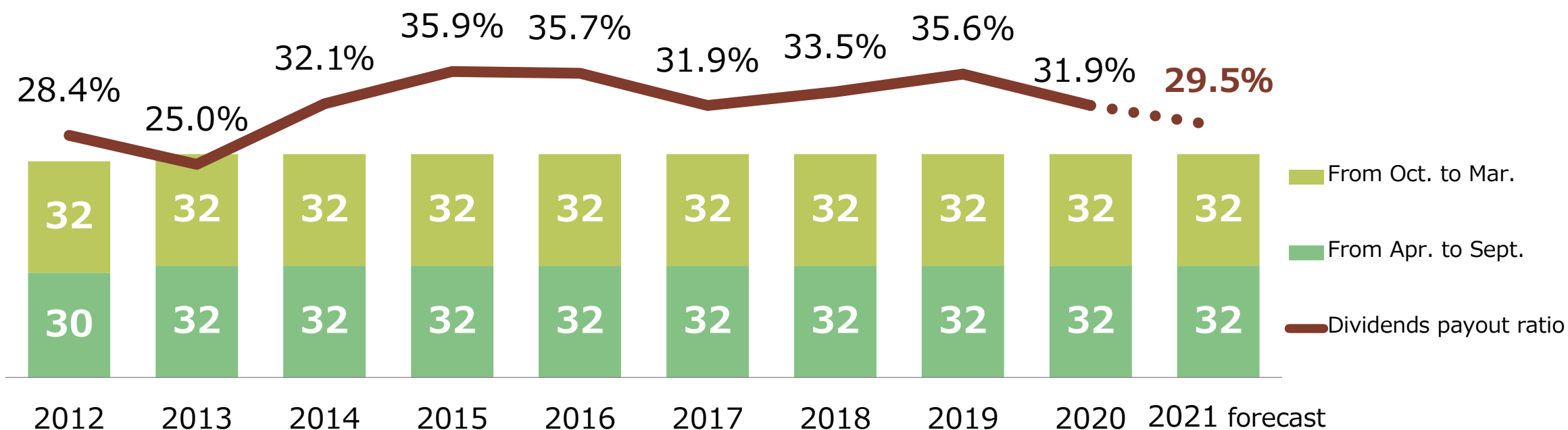
ROE Over **6%**

Numerical targets after applying
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.

Corporate Communications Dept.

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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 <small>After Revision</small>
Net Sales	Over 135.0 billion yen	Over 120.0 billion yen	127.5 billion yen
Operating Profit	Over 19 billion yen	Over 19 billion yen	21.1 billion yen
R O E	Over 6 %	Over 6 %	7.4%

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

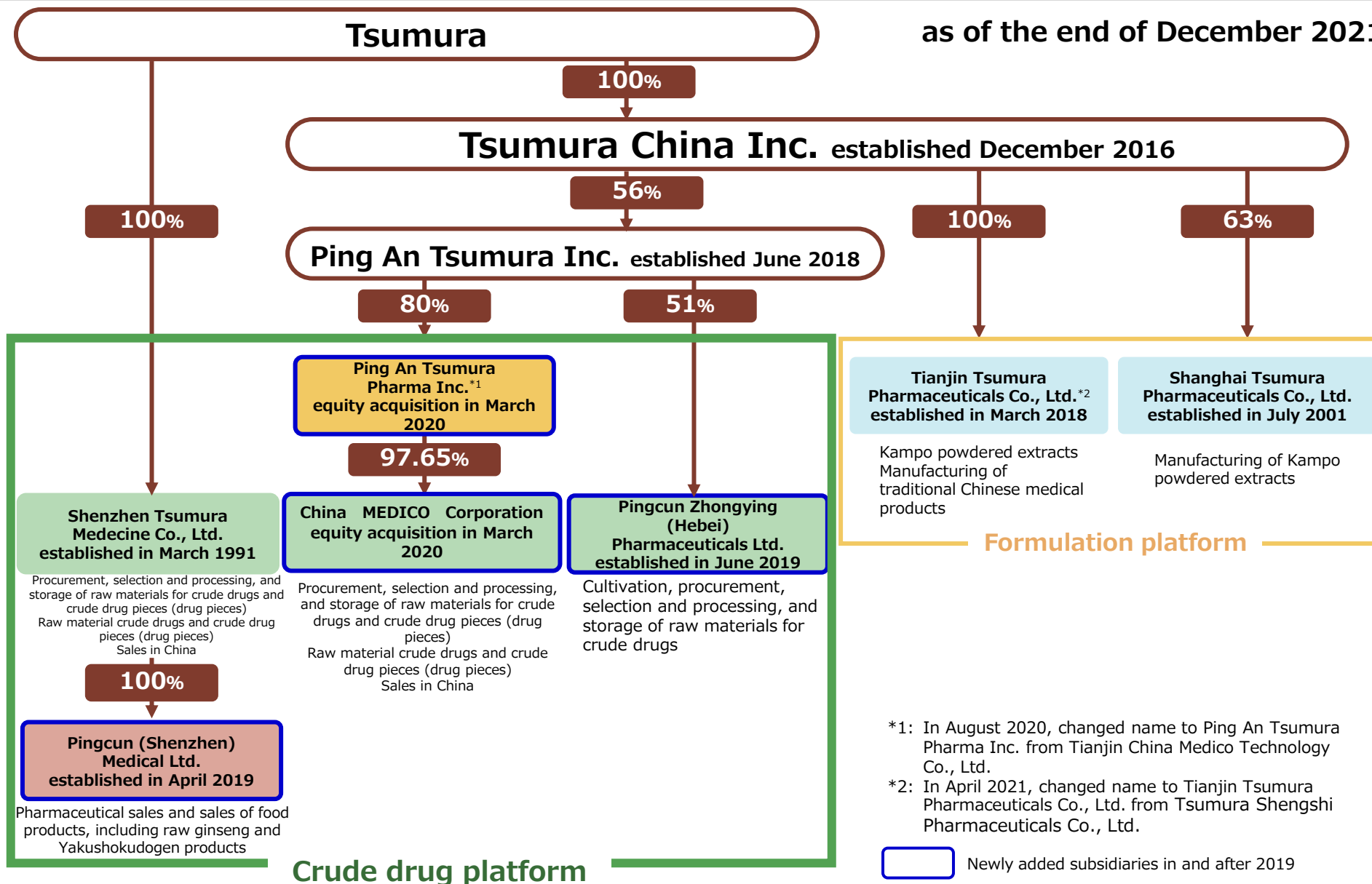
Shakuyakukanzoto

Bakumondoto

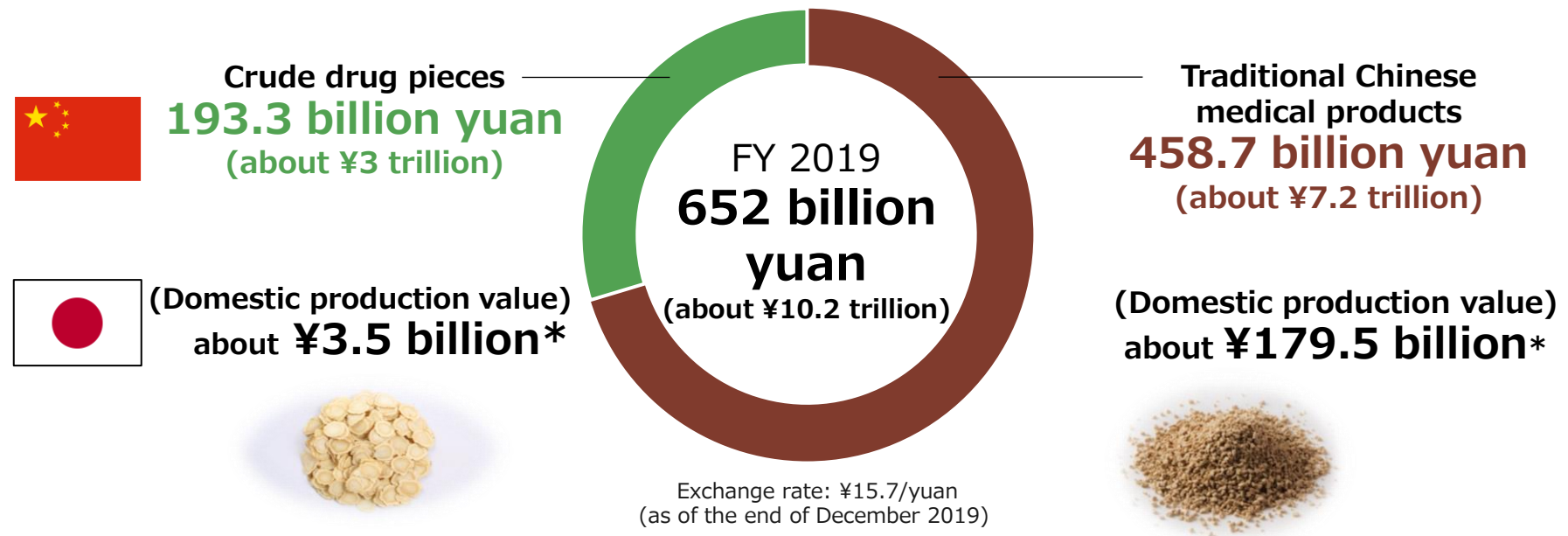
Kamishoyosan

Goreisan

Diagram of Corporate Group Ties



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)