

Third Quarter Business Results for Fiscal 2021

February 7, 2022
Director, and CFO
Muneki Handa

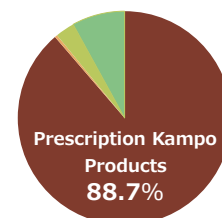
Third Quarter Business Results for FY 2021



(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.

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■ Third Quarter Business Results for Fiscal 2021 Overview

Page 2 shows a summary of third quarter business results in FY 2021.

As you can see, net sales and profit rose year-on-year.

Net sales totaled ¥98,382 million, a growth of 11.2% year-on-year.

Operating profit reached ¥18,829 million, an increase of 9.2% year-on-year.

Ordinary profit came to ¥21,074 million, a rise of 18.3% year-on-year.

Quarterly net profit amounted to ¥15,389 million, an improvement of 16.4% year-on-year.

The operating profit margin was 19.1%, a decline of 0.4pts year-on-year.

Key Points in Performance



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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■ Key Points in Performance

Page 3 depicts key points in performance.

Net sales totaled ¥98,382. This breaks down to domestic sales of ¥91,317 million and overseas sales of ¥7,065 million.

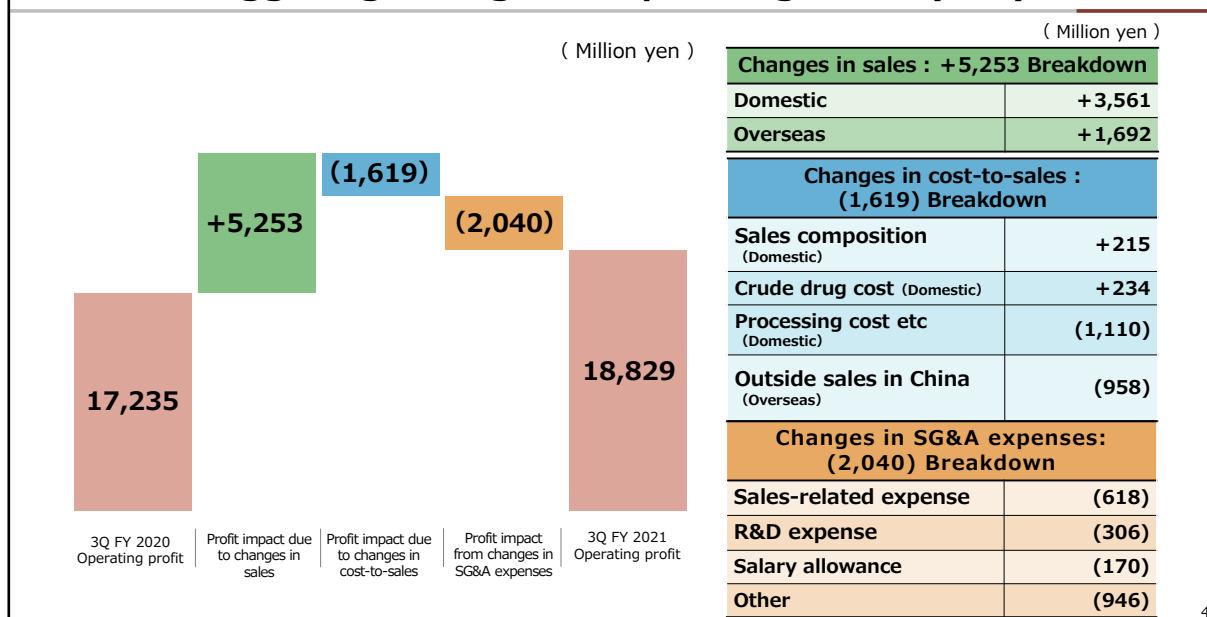
Sales of the 129 prescription Kampo products rose 7.6% year-on-year. Sales in healthcare, which includes OTC medicines, rose 23.8% year-on-year owing to brisk store and online sales.

The cost-to-sales ratio was 48.8%, a climb of 1.7pts year-on-year. This mainly reflects an increase in depreciation expense in Japan in tandem with the No. 3 SD line operations at the Ibaraki Plant, and impact from external sales in China.

The SG&A ratio was 32.1%, an improvement of 1.3pts year-on-year, in line with the growth in sales.

Ordinary profit increased 18.3% year-on-year, but this was mainly attributable to a gain of foreign exchange.

Factors Triggering Changes in Operating Profit (YoY)



■ Factors Triggering Changes in Operating Profit (YoY)

Page 4 features factors triggering changes in operating profit. I will only go over the key points.

Operating profit was ¥18,829 million, a rise of ¥1,593 million year-on-year. Impact owing to sales growth was approximately ¥5.2 billion. A breakdown of domestic and overseas factors are shown on this slide.

Impact reflecting a rise in cost of sales was around a negative ¥1.6 billion. In Japan, a change in sales mix had a positive impact of ¥210 million, and there was also a positive impact of ¥230 million owing to a decline in crude-drug related cost.

Meanwhile, operating profit was negatively impacted by ¥1.11 billion due to an increase in processing expense, and also negatively impacted by ¥950 million due to an increase in external sales in China.

That being said, the rise in processing expense is mainly attributable to an increase in depreciation expense and labor expense in tandem with the No. 3 SD line operations at the Ibaraki Plant.

The impact from an increase in expense was a negative impact of approximately ¥2.0 billion. This negative impact was primarily due to a rise in sales promotion expense in tandem with sales growth, and an increase in R&D expense.

Note that in the statement of income used for comparison, the figures are PPA adjusted. Operating profit in 3Q FY 2020 declined ¥320 million due to PPA adjustments.

Financial Condition/Cash Flow Position

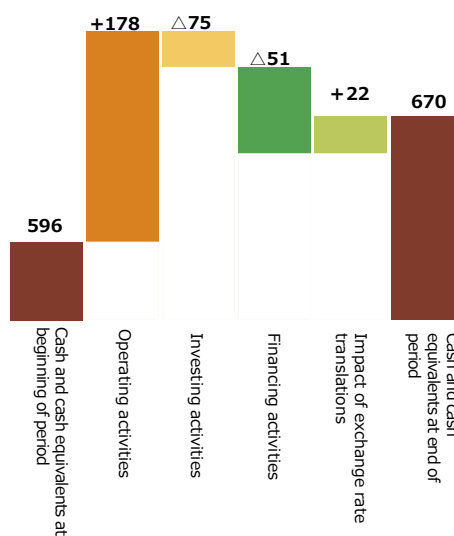


(Million yen)

(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



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■ Financial Condition & Cash Flow Position

Page 5 covers our financial condition and cash flow position. I will only go over the main points here as well.

Current assets grew ¥17.2 billion, primarily attributable to an increase in accounts receivable of ¥5.4 billion and inventory assets of ¥6.4 billion.

The breakdown of inventory assets comprises a rise of ¥11.6 billion in raw materials and supplies, of which there was an impact of ¥3.4 billion due to foreign exchange translations.

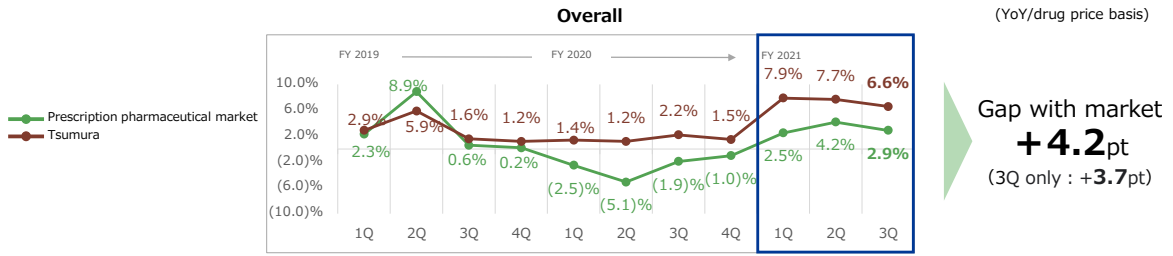
Total liabilities rose ¥3.0 billion. Between current and non-current liabilities, the portion of long-term borrowings scheduled to be paid back within a year declined ¥9.3 billion, in tandem with the reshuffling of debt. Meanwhile, long-term borrowings rose by the same amount. In current liabilities, accounts payable increased ¥2.9 billion, mainly reflecting an increase in purchasing in the China business.

Our equity ratio improved 0.4 points to 68.7%.

The waterfall chart on the right reflects our cash flow performance.

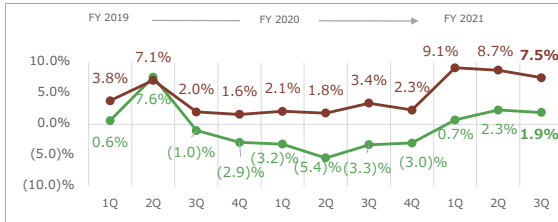
Comparison with the Prescription Pharmaceutical Market

(YoY/drug price basis)



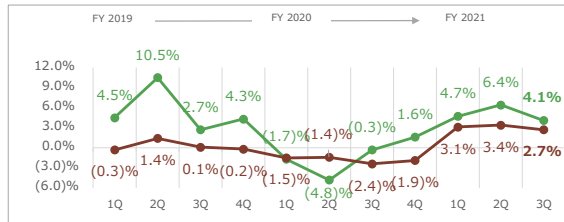
Gap with market
+4.2pt
(3Q only : +3.7pt)

General clinics (GP)



Increased number of e-promotions X MR interviews and briefings

Hospital market (HP)



Strengthen e-promotion as visit restrictions continue

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■ Comparison with the Prescription Pharmaceutical Market

Page 6 features a comparison with the prescription pharmaceutical market.

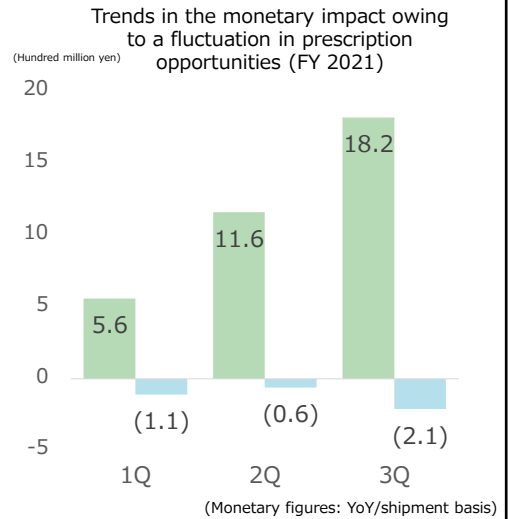
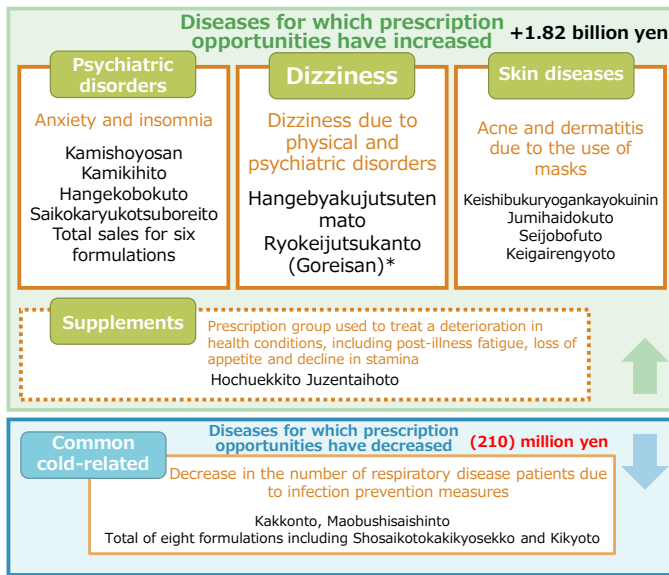
The year-on-year growth rate on an NHI drug price basis was a positive 6.6% for Tsumura in the overall market, a positive gap of 4.2 points above the market.

Looking at individual sales channel, sales to general practitioners (GP) rose 7.5%. As in 2Q, this outperformed the market.

Meanwhile, sales to hospitals (HP) rose 2.7%, a basic recovery trend. However, in contrast with the market, sales in this channel underperformed.

We are continuing to strengthen information provision activities via e-promotions given the ongoing restrictions on visitations to hospitals. Later on I will explain activities conducted through e-promotions.

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

■ COVID-19 Related Symptoms and Prescription Opportunities

Page 7 details impact due to COVID-19-related symptoms and fluctuations in prescription opportunities.

Of the COVID-19 symptoms, prescription opportunities have increased in the treatment of mental disorders, dizziness and skin diseases.

Demand for “supplements,” mainly used to treat post-illness fatigue and a decline in stamina, continued to grow.

Consequently, we calculate the positive impact of ¥1.82 billion year-on-year.

Meanwhile, regarding prescriptions related to treatments for the common cold, there was a negative impact of ¥210 million year-on-year due in part to fewer number of patients with respiratory diseases (common cold and influenza) due to ongoing measures to prevent infections.

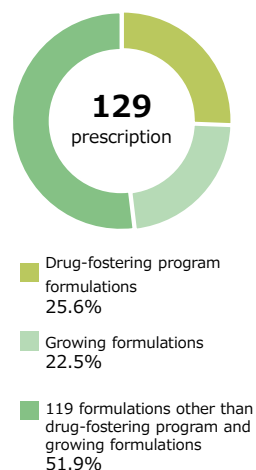
Sales of Drug-fostering Program Formulations/Growing Formulations



(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



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

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■ Sales of Drug-fostering Program/Growing Formulations

Page 8 outlines sales of drug-fostering program formulations and growing formulations.

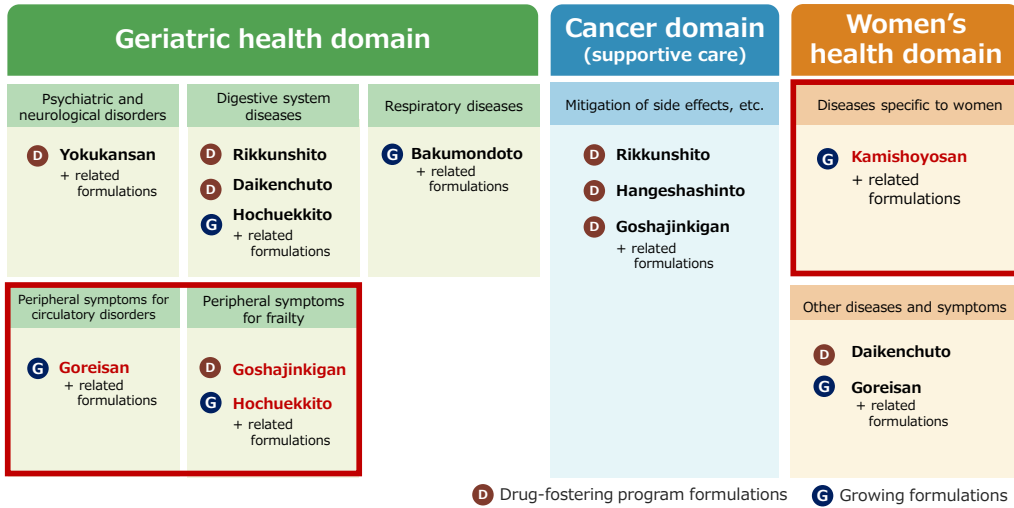
Sales of the 129 prescription Kampo products totaled ¥87,293 million, a rise of 7.6% year-on-year.

Sales of drug-fostering program formulations came to ¥22,301 million, a growth of 5.5% year-on-year.

Sales of growing formulations came to ¥19,666 million, a growth of 9.0% year-on-year.

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



■ Three Important Domains in Sales Activities

The three important domains in sales activities are shown on page 9.

Mainly in drug-fostering program and growing formulations businesses, we are continuing activities mainly in our three important domains of geriatric health, cancer (supportive care) and women’s health, which are social issues in Japan.

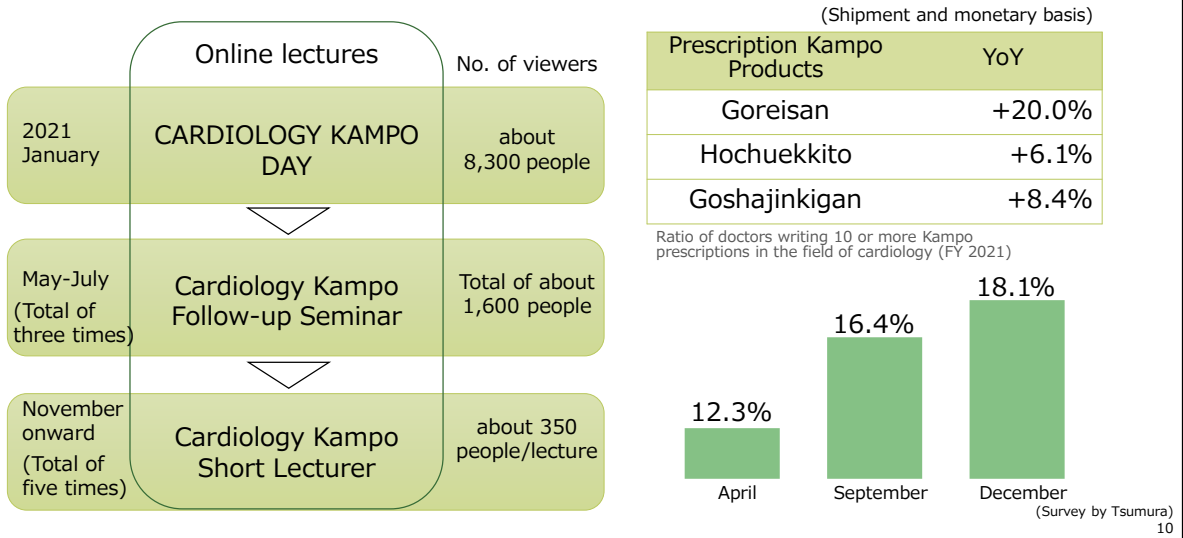
I will explain Tsumura’s initiatives for three prescriptions, including Goreisan, related to the geriatric health domain, and Kamishoyosan in the women’s health domain, as shown in the red framed boxes, carried forward from 1H.

From the next slide onward, I will introduce the details of performance in the 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



■ Initiatives in the Geriatric Health Domain

Page 10 covers initiatives in the geriatric health domain.

Within the domain of geriatric health, from FY 2020, we have been holding online lectures related to cardiology.

CARDIOLOGY KAMPO DAY, which was held in January 2021, garnered viewership from approximately 8,300 physicians.

Based on the results of a survey of participants, many respondents said they wanted to learn about how to use and the purpose of use for Kampo in routine medical care. In light of this, a three-part follow-up series was conducted during the months of May to July.

From November, short lectures (a total of five lectures) were distributed by clinical physicians in areas nationwide. Many cardiologists participated.

Furthermore, more than 70 events were also held at branches nationwide. Sales growth rate of the three drug-fostering program formulations and growing formulations, introduced during lectures, are shown on the right.

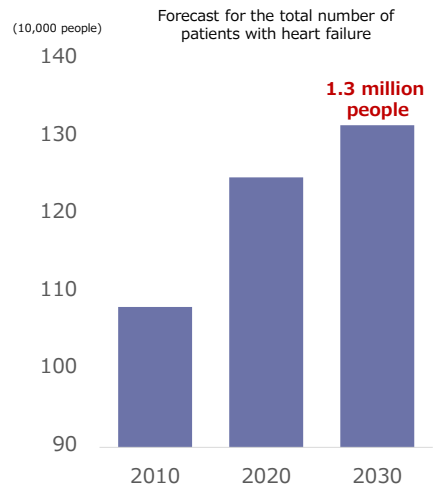
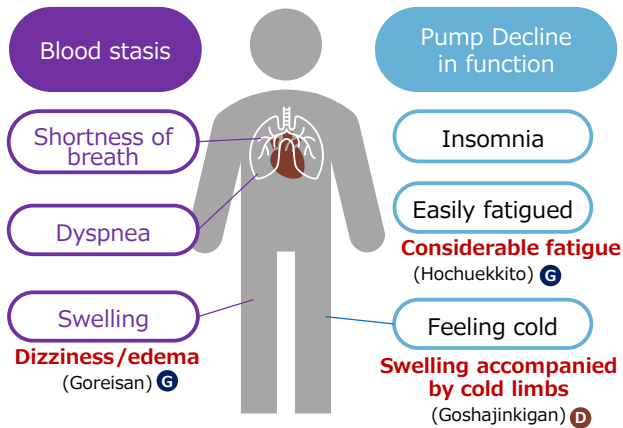
The ratio of cardiologists writing 10 or more prescriptions for Kampo is rising in comparison with April.

Initiatives in the geriatric health domain



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.

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■ Initiatives in the Geriatric Health Domain

Page 11 also deals with initiatives in the geriatric health domain.

In Japan, the number of patients with heart disease, including heart failure, is continuing to increase. Following cancer, it is the second leading cause of death in Japan.

In tandem with the increase in senior citizens, the number of patients with heart failure is increasing by around 10,000 annually and is estimated to reach 1.3 million by 2030.

The number of patients with cancer is approximately 1 million people. This indicates just how many patients there are suffering from heart failure.

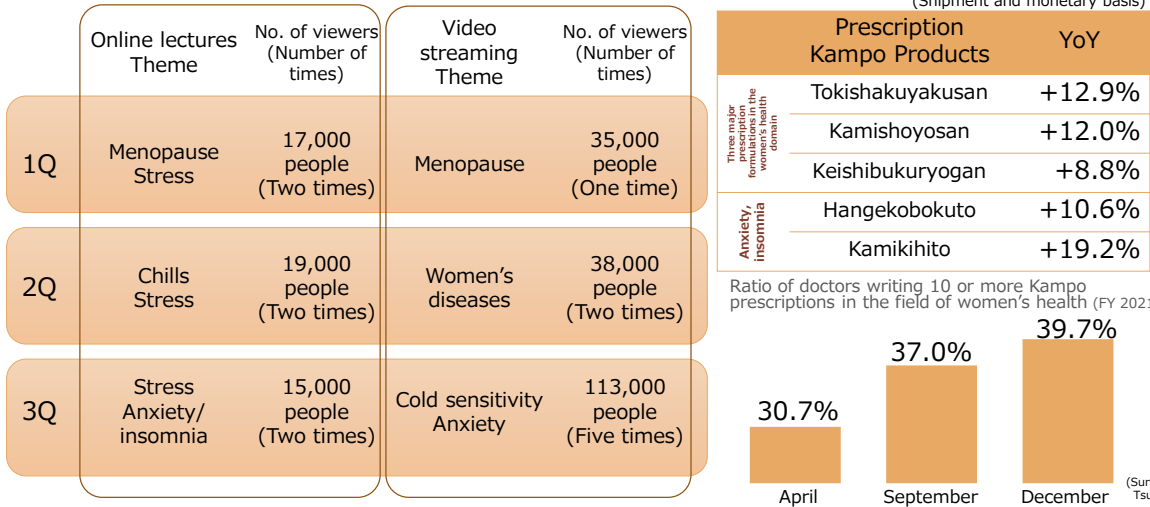
For this type of social issue, we are promoting the value of Kampo to improve the quality of life of seniors that are patients suffering from heart failure.

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)



■ Initiatives in the Women's Health Domain

Page 12 covers ongoing initiatives in the women's health domain.

Tsumura has been carrying out activities that are close-knit to women's life stages for many years.

In FY 2021 as well, we are implementing online lectures and other activities based on themes such as menopause, stress, and anxiety/insomnia.

Tokishakuyakusan, Kamishoyosan and Keishibukuryogan, the three major prescriptions used in the women's health domain that have been undertaken in lectures, are continuing to grow.

In addition, Hangekobokuto and Kamikihito, which were introduced as a treatment for stress, are growing double-digits.

In obstetrics/gynecology, there are many doctors for which Kampo is a useful medical treatment. The ratio of physicians writing 10 or more prescriptions for Kampo is increasing.

Implementing e-promotions

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

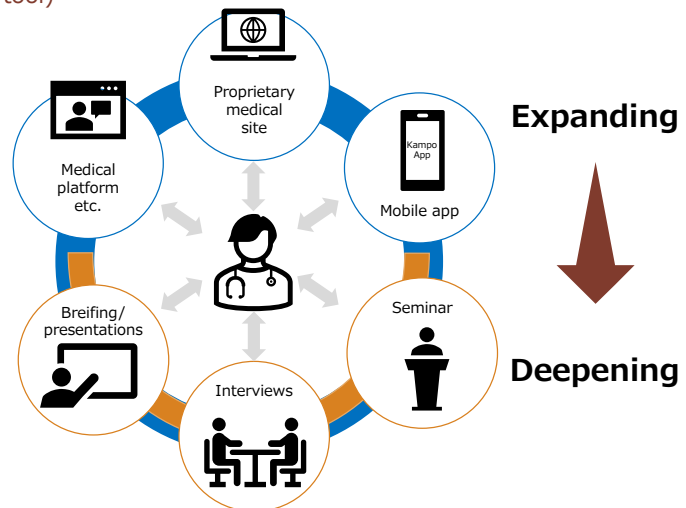
- **Kampo online MRs**
- **Kampo ONLINE SALON**
- **AI Chat bots(K-chat)**

etc.

<Role of MRs>

Build ties with customers

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



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■ Implementing e-Promotions

Page 13 illustrates the format for information provision by implementing e-promotions.

e-promotions undertook the realization of optimal information provision sought by medical practitioners.

Up through FY 2020, the medical platform of other companies was used and information provision was expanded to clinical physicians.

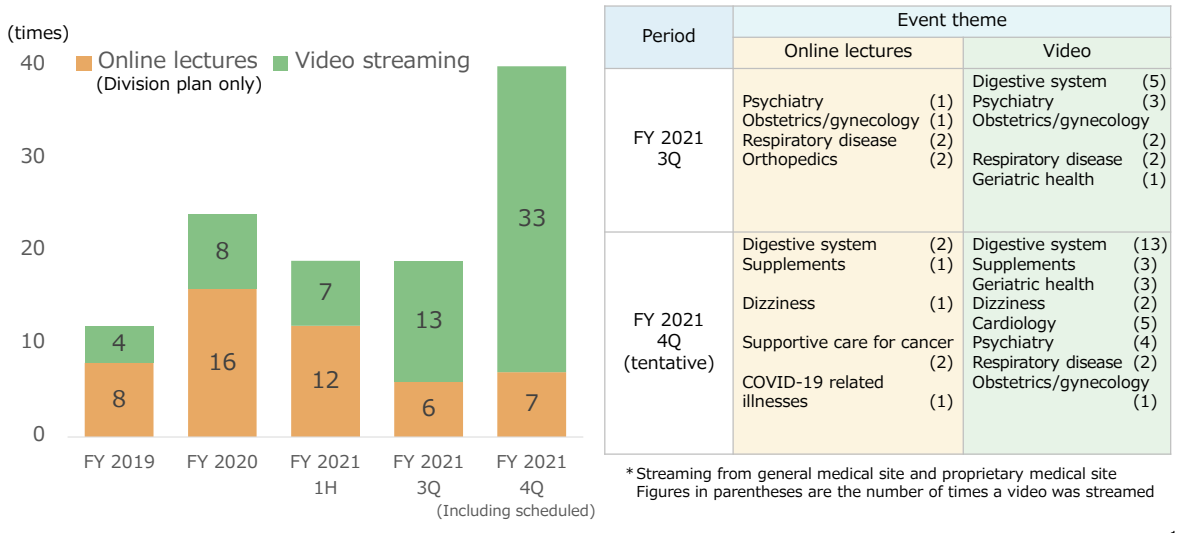
In FY 2021, we renewed our proprietary medical website in April, and are expanding e-promotion activities, mainly online lectures and video content.

Furthermore, we implemented three tools, that are boxed in red. The environment facilitates the provision of information sought by medical practitioners at any time. This also made it feasible to expand the possibilities digitally.

Implementing e-promotions



Expand video streaming in and after 3Q 2021



■ Implementing e-Promotions

On page 14, I will also discuss the implementation of e-promotions.

As shown earlier, we are establishing an environment for e-promotions, deciding on themes based on patients and clinical departments, and also simultaneously implementing online lectures and video streaming.

In and after 2H, we are expanding video streaming in particular. The benefit of video streaming is that viewers can narrow down the themes to those they want to watch.

We plan to continue to implement information provision activities in line with the needs of medical practitioners.

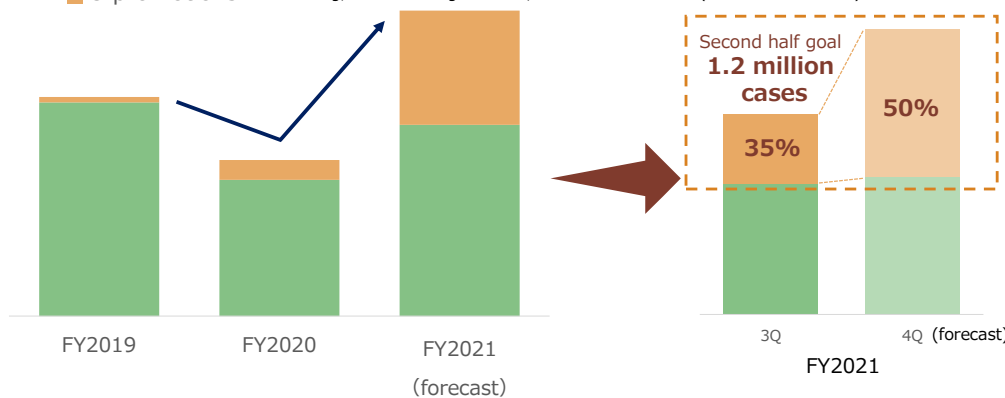
e-Promotion Benefits

**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**

■ MR activities : Detailing, online interviews (MRs), in-hospital briefings

■ e-promotions : e-detailing, manufacturing websites, and online interviews (head office divisions)

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



INTAGE Healthcare Inc. survey, Impact Track

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■ e-Promotion Benefits

On page 15, I will discuss the benefits of e-promotions.

The bar graph shows the trend for the impact of detailing, which is the number of cases in which doctors recognized information owing to information provision activities. The color coding illustrates the ratio of MR activities and e-promotions.

The definition for MR activities shown in green is “face-to-face and online interviews with and presentations given to doctors.” e-promotions, which are in orange, are defined as “video streaming and online lectures, formats for information provision activities that are not conducted through MRs.”

Thus far, e-promotions have been carried out to deliver information on Kampo to around 330,000 clinical physicians.

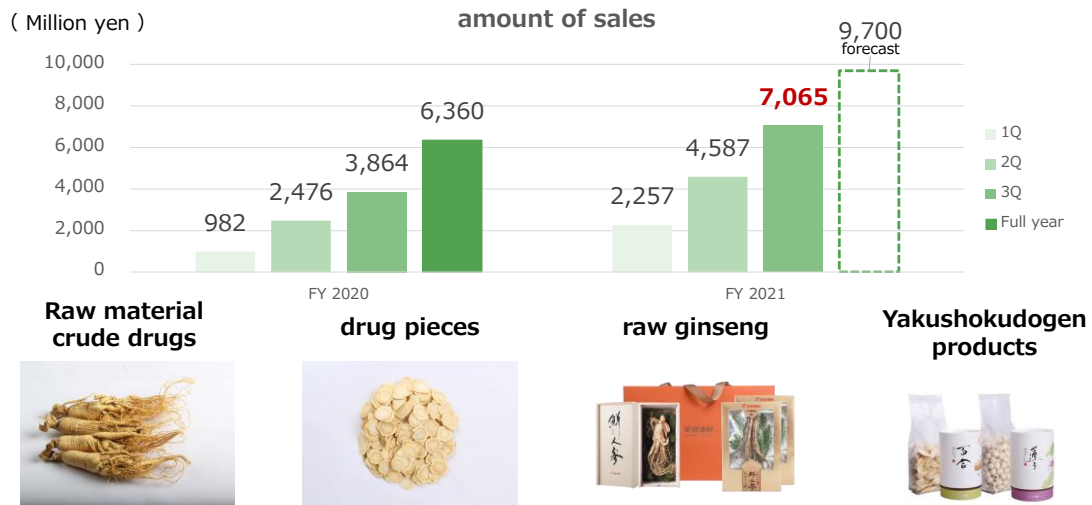
As a result of these activities, we anticipate the level of detailing impact in FY 2021 will surpass levels prior to COVID-19.

In 4Q FY 2021, we are carrying out digital investments with the aim of achieving an e-promotion ratio of over 50% and 1.2 million cases of detailing impact in 2H.

Overseas sales (External sales in China)



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



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■ Overseas Sales (External Sales in China)

On page 16, I will discuss overseas sales.

Overseas sales totaled ¥7.0 billion. In the crude drug platform business, which consists mainly of Ping An Tsumura and the Shenzhen Tsumura pharmaceutical businesses, sales, mainly of raw material crude drugs and drug pieces, grew.

In the raw material crude drugs business, sales expanded to traditional Chinese medical products companies.

In the drug pieces business, sales to hospitals primarily grew, and online sales, that utilize the Ping An Health (former Ping An Good Doctor) platform, were strengthened.

Our forecast for overseas sales in FY 2021 is ¥9.7 billion.

In the crude drug platform business, we are progressing steadily toward our goal of an external sales ratio of 50%-plus, which is a target in the medium/long-term vision.

We will present our vision for the China Business overall, including for the crude drug platform business, on March 29, 2022.

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

■ **Implementing a Briefing**

Page 17 outlines information on holding a briefing.

At present, we are formulating the Sustainability Vision 2050, which will be launched in FY 2022, and the Long-term Business Vision 2031.

On March 29, 2022, we are scheduled to implement a briefing on the contents described herein. We hope you will join us.

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 **1,200million**

Operating Profit Over **190million**

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.

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■ FY 2021 Earnings Forecast

On page 18, I will discuss our FY 2021 earnings forecast. We revised our full-fiscal year earnings forecast on October 29, 2021.

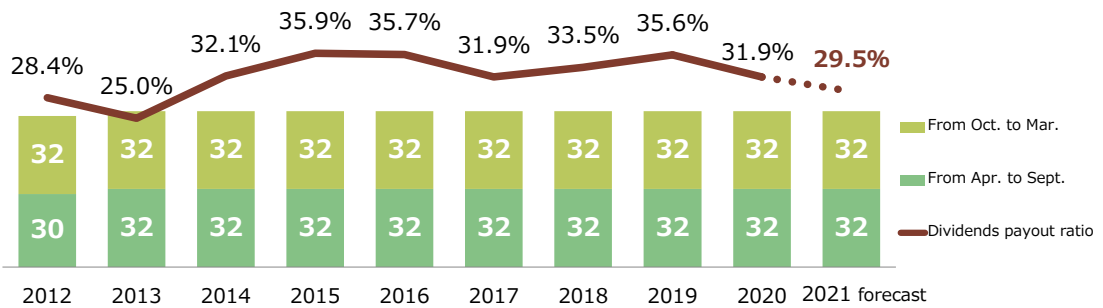
We forecast net sales of ¥127.5 billion, operating profit of ¥21.1 billion, ordinary profit of ¥23.4 billion, profit attributable to owners of parent of ¥16.6 billion, an EPS of ¥216.97 and an ROE of 7.4%.

We did not revise our per-share dividend forecast.

The numeric targets in the Third Medium-Term Management Plan, shown on the right, all outperform our full-year forecasts.

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.

■ Shareholder Returns

I will cover shareholder returns on page 19.

We will continue to make it our basic policy to aim to improve our corporate value through the sustainable growth of our Kampo business, and via growth investments in and by building foundations in the China business.

Accordingly, we plan to implement stable dividends, taking into account factors including medium/long-term profit levels and cash flow trends.

We ask for everyone’s continued support.

**Corporate Communications Dept.
Investor Relations Group**

investor_madoguchi@mail.tsumura.co.jp

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

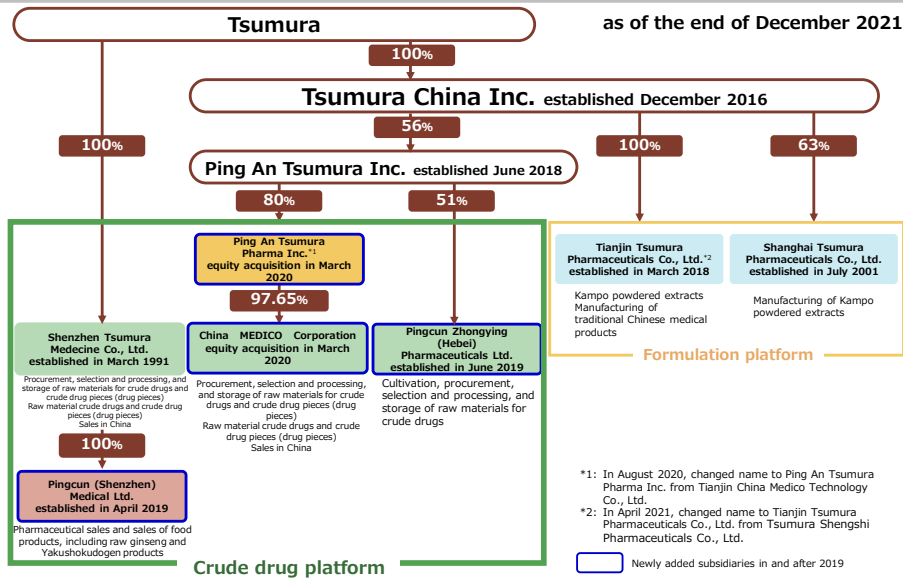
Looking at the recent structure of disease, the Company has selected certain diseases in fields where medical treatment needs are high that are difficult to treat with Western drugs and that Kampo products have demonstrated special efficacy for. The Company will establish a base of scientific evidence 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.

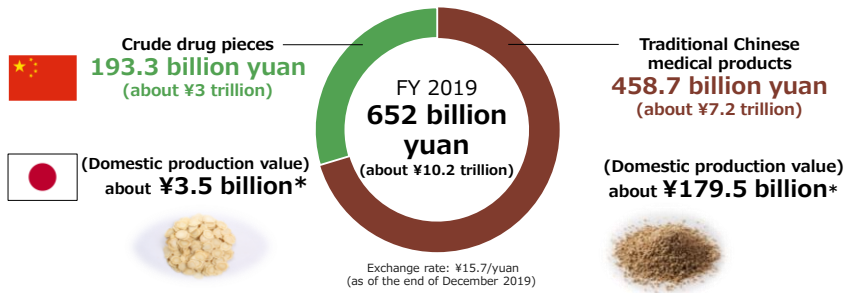
Drug-fostering program formulations
Daikenchuto
Yokukansan
Rikkunshito
Goshajinkigan
Hangeshashinto

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 <small>(Manufacturing of classical prescription Chinese medicine complex formulations)</small>	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)