

Sustainability Vision & Long-Term Management Vision Presentation

March 29, 2022
TSUMURA & CO.

1. Long-Term Management Vision

TSUMURA VISION “Cho-WA” 2031

2. Research & Development Vision

3. China Business Vision

4. Q&A

Speakers



President & Representative
Director, CEO
Terukazu Kato



Director, Co-COO
Susumu Adachi



Director, CFO
Muneki Handa



Co-COO, Chief
Representative in China
Koin Toda



Ping An Tsumura
Pharmaceutical Co.,Ltd.
CEO
Gang Li



China Ping An Insurance
Overseas (HD), Ltd.
Assistant General Manager
Kaipin Kui



Executive Officer, Head
of Sales & Marketing
Division
Yukinori Sorada



Executive Officer, Head of
Kampo Research &
Development Division
International Pharmaceutical
Research & Development
Division
Akihito Konda

Long-Term Management Vision —TSUMURA VISION “Cho-WA” 2031 —

March 29, 2022

Hello, my name is Terukazu Kato.

I would like to start off by expressing my gratitude for your continued support.

The image you just saw is part of an image video on the newly established “purpose” of the Tsumura Group.

TSUMURA Group Purpose

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Optimally achieving business aspirations to realize a better society.

This is the purpose of the Tsumura Group.

Lively Living for Everyone



Tsumura aims to be

Close-knit during various stages of people's lives;
Scientifically study the wisdom of nature; and
Be the power behind everyone's healthy lives

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“Lively Living for Everyone”

Kampo medicine is a form of personalized medicine.
In this digital age, Tsumura is dedicated to providing support to the
lives of each individual
and it is our ambition to create a diverse society so that each
individual can realize a bright future.

Origin of Founding

The inception of our purpose is in the origins of our founding.



Chujoto, a "good" medicine for women

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The origin of Tsumura's founding is Chujoto, a medicine for women.

During the Meiji era access to medical care was difficult. It was during this time that women, who were the weak members of society, came to depend on Chujoto.

Chujoto was passed down from ancestors in the Nara Period and provides excellent benefits. To rescue the sick in the world,

This is a significant business that is a part of society's public interest

Founded in 1893



Jusha Tsumura, founder

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The goal was to create a business that was an integral part of society's public interest.

This centered on the idea that if women, the center of every household, were healthy and energetic, then all the members of the family would be healthy and energetic, and this would thereby result in a vibrant and emotionally fulfilling society.



Jusha Tsumura, the second president

Kampo is not “unscientific.” It has “yet to be scientifically verified”

Progress in the scientific understanding of Kampo will definitely be made, along with advances in medicine and science and technology

Corporate Value: The Best of Nature and Science



Dr. Keisetsu Otsuka

First director of the Kitasato University
Oriental Medicine Research Center
In 1957, established the Chujoto
Building Clinic (Present-day Kinkikai
Clinic)

Aim to achieve “harmony” (cho-wa) by leveraging the characteristics of Kampo and Western medicine, respectively

Corporate Mission: To contribute to the unparalleled medical therapeutic power of the combination of Kampo medicine and Western medicine

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The roots of our philosophy management stem from our corporate value and mission.

“Kampo is not ‘unscientific.’ It has ‘yet to be scientifically verified.’”
This belief is the basis of our corporate value.

“We aim to achieve harmony (Cho-Wa) by leveraging the characteristics of Kampo and Western medicine, respectively.”
This is the origin of our corporate mission.

TSUMURA Group Sustainability Vision

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Next is the key message of our Sustainability Vision.



Living with nature for tomorrow.

The zest for life is the ability to live symbiotically with nature and to benefit from the blessing of nature.

We aim to pass this “zest for life” on to future generations.

TSUMURA Group Long-term Vision

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This is our Long-term Vision for the next decade.

TSUMURA VISION “Cho-WA” 2031

Cho-WA: Creating a Future of Harmony

Our goal is to create a future that achieves “Cho-WA” (harmony) between mind and body, and individuals and society by implementing the 3 Ps

PHC : Personalized Health Care

PDS : Pre-symptomatic Disease and Science

PAD : Potential-Abilities Development

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TSUMURA VISION “Cho-WA” 2031

The theme of this vision is “Cho-WA: Creating a Future of Harmony.” The goal is to realize a future that achieves “Cho-Wa” (harmony) between mind and body, and individuals and society by implementing the 3 Ps shown here.

- 1. Review of Vision 2021
(FY2012 - FY2021)**
- 2. Sustainability Vision**
- 3. Long-Term Management
Vision 2031
(FY2022 - FY2031)
TSUMURA VISION
“Cho-WA” 2031**



I will explain the details of our long-term management vision.

**1. Review of Vision 2021
(FY2012 - FY2021)**

2. Sustainability Vision

**3. Long-Term Management
Vision 2031
(FY2022 - FY2031)
TSUMURA VISION
“Cho-WA” 2031**



Tsumura Kampo
Memorial
Museum

First, let's review Vision 2021.

Long-Term Business Vision for 2021

We aim to be a value-creation company that contributes to people's health through its Kampo business.

A "Kampo," "People," and "Global Niche" company

Philosophy, Vision and ESG management

Create an environment where patient can receive Kampo treatment in daily clinical practices

Corporate group comprised of trusted people that independently develop new paths

Take on the development and launches in the U.S. and tackle the creation of new businesses in China

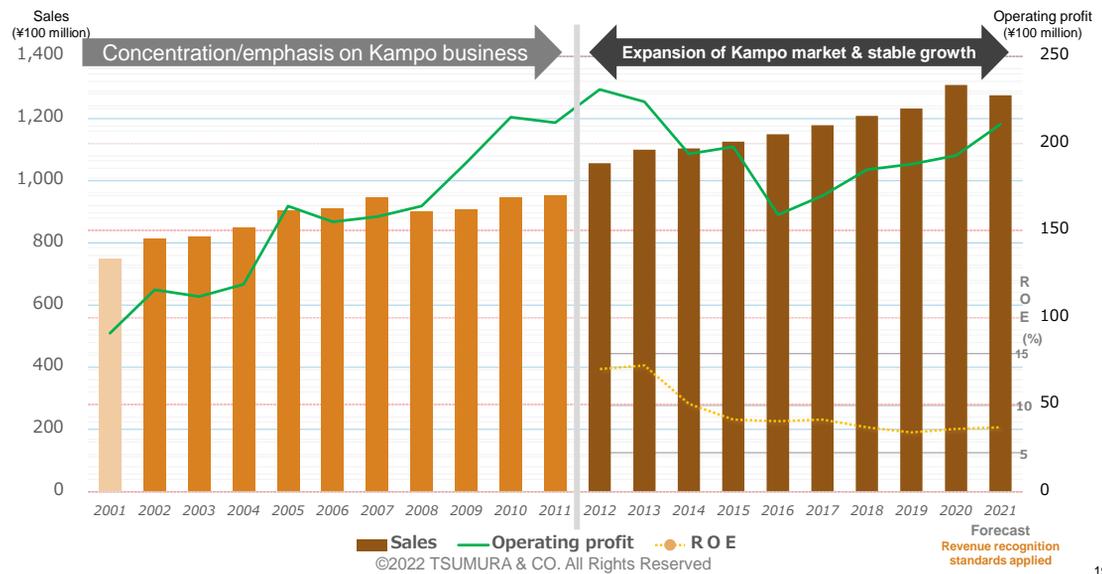
As shown in this slide, these were the goals that we aimed for in Vision 2021.

Results & Issues

- 1. Expansion of the Kampo market and stable growth**
- 2. Enhance earnings power—Cost structure reforms—**
- 3. U.S. development of TU-100 and tackling new business creation in China**
- 4. Implementation of philosophy and vision management**
- 5. Implementation of ESG management**

I will cover the following items shown here which outline the results of Vision 2021, the remaining issues and our preparations for the next vision.

Vision 2021 Management Indicators (FY2012 - FY2021)



First, these are the trends for management indicators, sales, operating profits and ROE under Vision 2021.

The issue is improvement to our ROE.

1. Expansion of the Kampo Market and Stable Growth



Setting/environment to be realized

Contributing to the realization of a medical setting where patients in Japan can receive treatments that incorporate “Kampo” medicine should it be necessary, regardless of the medical institution or clinic

Strategic issues

- ① Consistent support to enrich, establish and develop Kampo medicine education prior to, immediately after and post graduation
- ② Development of basic/clinical evidence, mainly centering on drug-fostering program
- ③ Achievement of a one-in-two ratio of “physicians prescribing 10 or more Kampo formulations

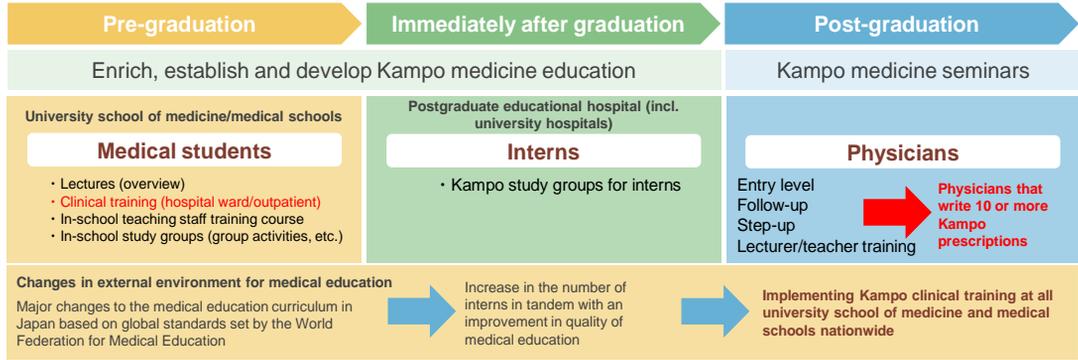
In “1. Expansion of the Kampo Market and Stable Growth,” we primarily tackled the three strategic issues to realize the setting/environment shown here.

1.-①-1 Consistent Support to Enrich, Establish and Develop Kampo Medicine Education Prior to, Immediately after and Post Graduation



Provide support for Kampo medicine education, including to physicians, and disseminate information to general consumers

Consistent support to enrich, establish and develop Kampo medicine education prior to, immediately after and post graduation



Disseminate information to general consumers

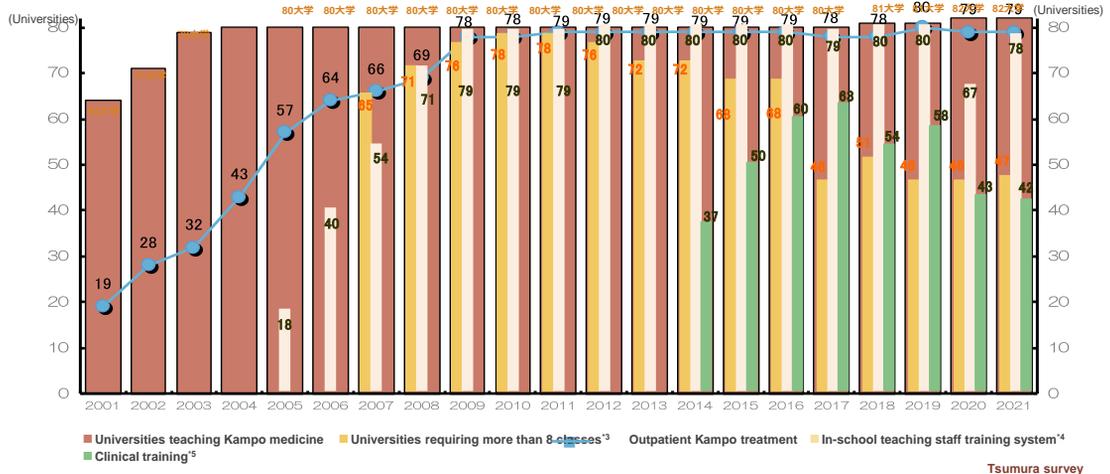


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We are implementing ongoing support for Kampo Medicine Education in line with the scheme shown here.

1.-2 Trends in Kampo Medicine Training at University School of Medicine



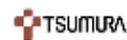
2001-2017 Kampo Medical Symposium (co-sponsored by Tsumura) 2010 ECFMG¹ notification 2015 JACME² established/certified (2017 onward)
 2016 Japan Kampo Medicine Education Foundation (JKME) established

¹ US Educational Commission for Foreign Medical Graduates ² Japan Accreditation Council for Medical Education (JACME) ³ Surveys in and after FY2007 ⁴ Surveys in and after FY2005 ⁵ Surveys in and after FY2014 ©2022 TSUMURA & CO. All Rights Reserved

The graph outlines trends for the implementation of Kampo Medicine Education for undergraduate work at a university’s school of medicine.

The ratio of clinical physicians that took Kampo Medicine Education will rapidly increase.

1.-①-3 Current Trends in FY2021 for Kampo Medicine Education at University School of Medicine



Offering education on Kampo



4 or more classes



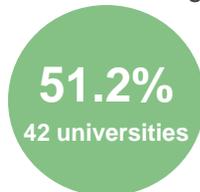
In-school teaching staff training system



8 or more classes



Clinical training



Outpatient Kampo treatment



Tsumura survey

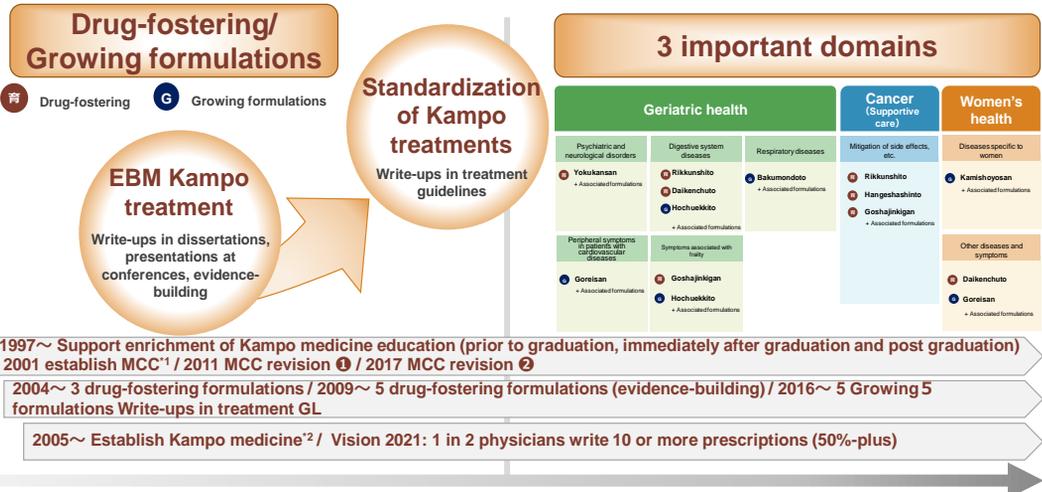
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These are levels in FY2021.

We believe clinical training is as issue, as opposed to the number of classroom lectures.

1.-2-1 Switch from EBM to Standardization of Kampo Treatments



FY2001

FY2011

¹ MCC: Medical education model core curriculum³ (MEXT)

² Establish Kampo medicine: 1 in 2 physicians writing 10 or more prescriptions (50%-plus)

³ At time of establishment: Can provide an overview of Japanese Kampo medicine. Revision ①: Can provide an overview of properties of Japanese Kampo (Kampo medicine) and usage trends. Revision ②: Can provide an overview of the properties of Kampo medicine, application of key Japanese Kampo medicines (Kampo), and their pharmacological actions

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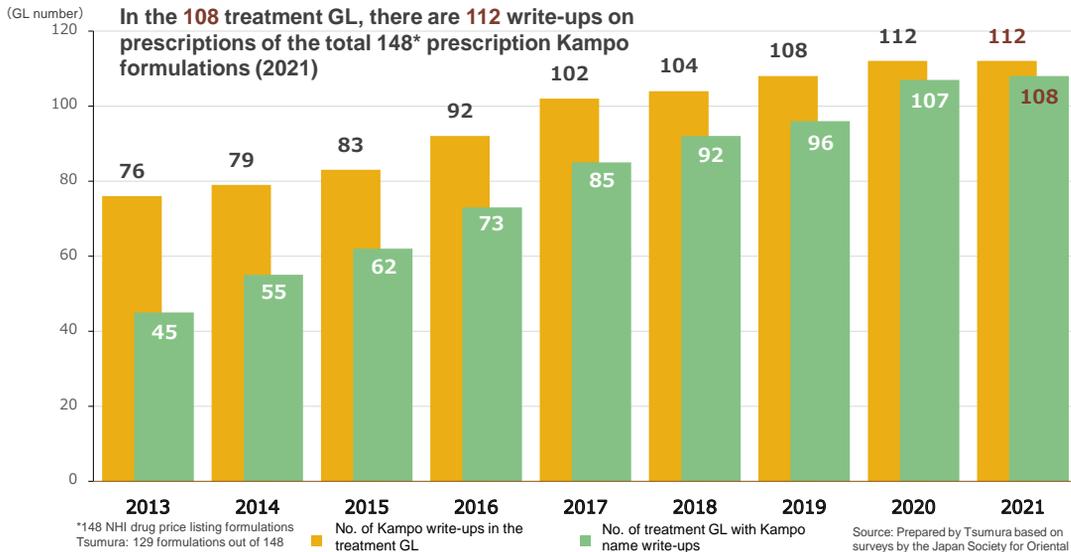
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Given that it is being pointed out that there is “no evidence backing Kampo,” from 2004 we have pushed forward evidence collection and building as a part of our drug-fostering program.

As progress is made in evidence-backed Kampo treatments, we are seeing write-ups in treatment guidelines, mainly for the three important domains, and drug-fostering/growing formulations.

According, the “standardization of Kampo treatments” is expanding.

1.-2 Trends in Write-ups in Treatment Guidelines (GL)



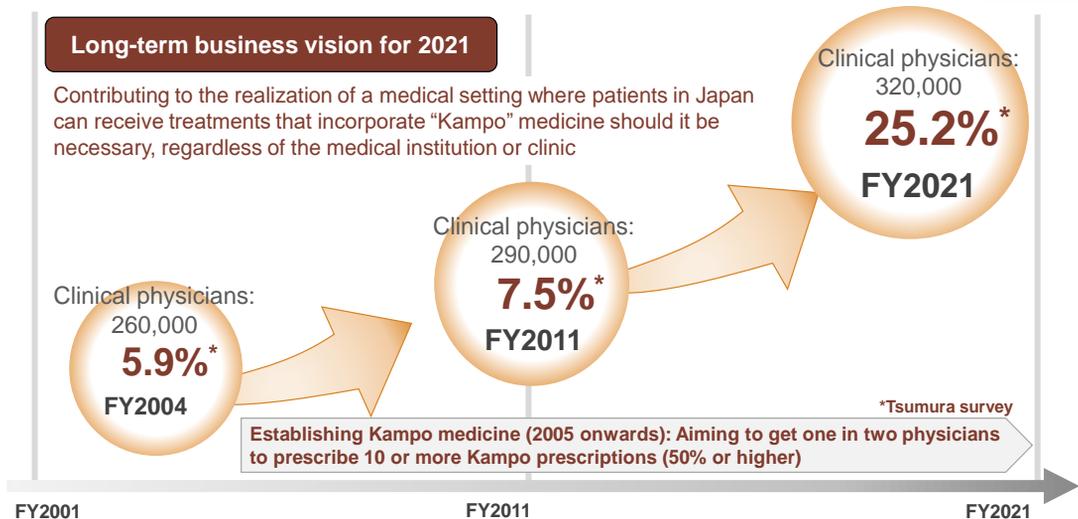
In 2021, there were write-ups for 112 formulations in the 108 treatment guidelines.

The issue ahead is to further boost recommendations for the use of these Kampo formulations in treatments.

1.-③-1 One in Two Physicians Writing 10 or More Kampo Prescriptions

Long-term business vision for 2021

Contributing to the realization of a medical setting where patients in Japan can receive treatments that incorporate "Kampo" medicine should it be necessary, regardless of the medical institution or clinic



FY2001

FY2011

FY2021

Source: <No. of clinical physicians> Prepared by Tsumura based on estimated demand among physicians, 19th meeting on physician demand of the subcommittee of the Investigative Committee on Demand among Medical Practitioners, Ministry of Health, Labour and Welfare
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The next issues is it the percentage of "physicians that write 10 or more prescriptions."

In FY2011, the percentage was 7.5%.

The percentage is expected to have reached 25.2% in FY2021.

The issue is speeding up this growth using digital tools.

2. Strengthen Profit Margins—Cost Structure Reforms—



Setting/environment to be realized

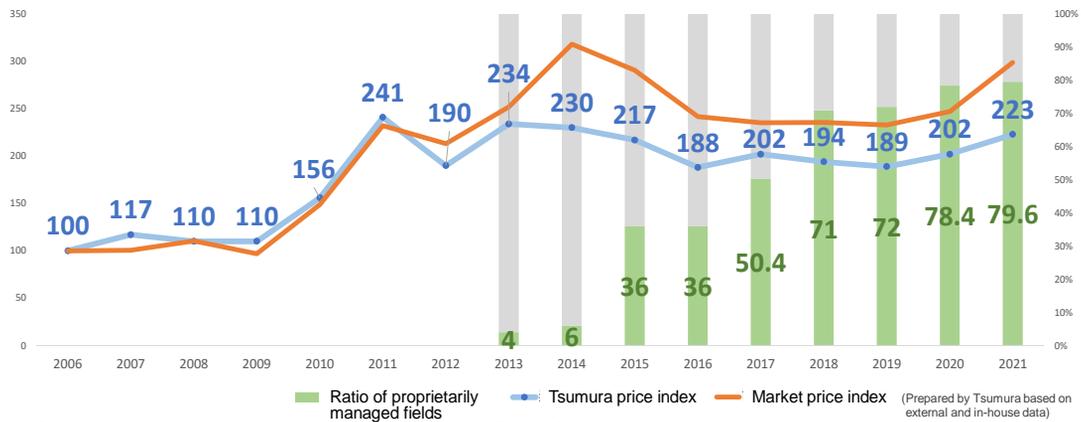
Conditions that facilitate the realization of cost structure reforms in the Kampo value chain and the maximization of cash flows

Strategic issues

- ① Procurement: Rectify soaring crude drug prices, impact from foreign currency exchange rates, crude drug inventories and turnover rates
- ② Production: Automation/robotization by increasing production capacity and introducing new production technologies
- ③ Sales: Impact of NHI drug price revisions

Regarding this slide, “2. Strengthen Profit Margins—Cost Structure Reforms—,” to achieve the setting/environment to be realized, we undertook strategic issues in procurement, production and sales, respectively.

2.-① Expansion of Proprietarily Managed Fields



*1 Tsumura price index: Average weighted price based on the amount used by the Tsumura Group (2006 indexed at 100)
 *2 Proprietarily managed fields: Direct guidance by the Tsumura Group on cultivation can be performed, making it possible to grasp costs incurred during cultivation and set prices based on this. In the medium and long term, in comparison with the market, it will be possible to realize superior and stable procurement of high quality and high value crude drugs.
 *3 Tsumura crude drug GACP: Targeting stable acquisition of raw material crude drugs that are safe and secure, this standard is Tsumura's proprietary standard related to crude drug production management. Its key pillars are GACP guidelines, crude drug traceability, crude drug production SOP manual, and education/training, oversight and certification.
 *4 Crude drug production SOP manual: Specifies rules, including cultivation and processing methods and use of agrochemicals in accordance with the Tsumura crude drug GACP

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In procurement, we built a system that procures high-quality and high-value crude drugs more advantageously and stably than the market owing to the expansion of “proprietarily managed fields.”

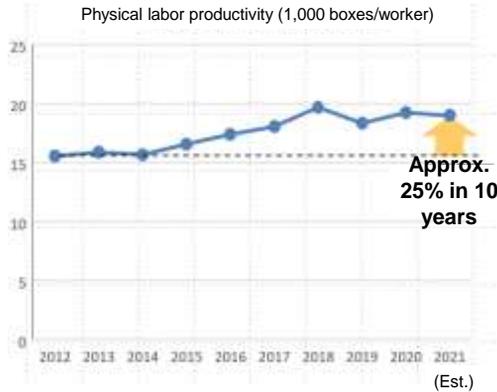
An issue is the systematic expansion of cultivated hectares and items, in tandem with the growth of the China Business.

2.-② Increase Production Capacity and Introduce New Production Technologies



Reforms in production frontlines

Improve physical labor productivity to roughly 25% (versus FY2011)



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Automation/robotization of total production processes

Expand to all production sites

Robotization of manual operations



Automation of transport between processes



Automation of quality management

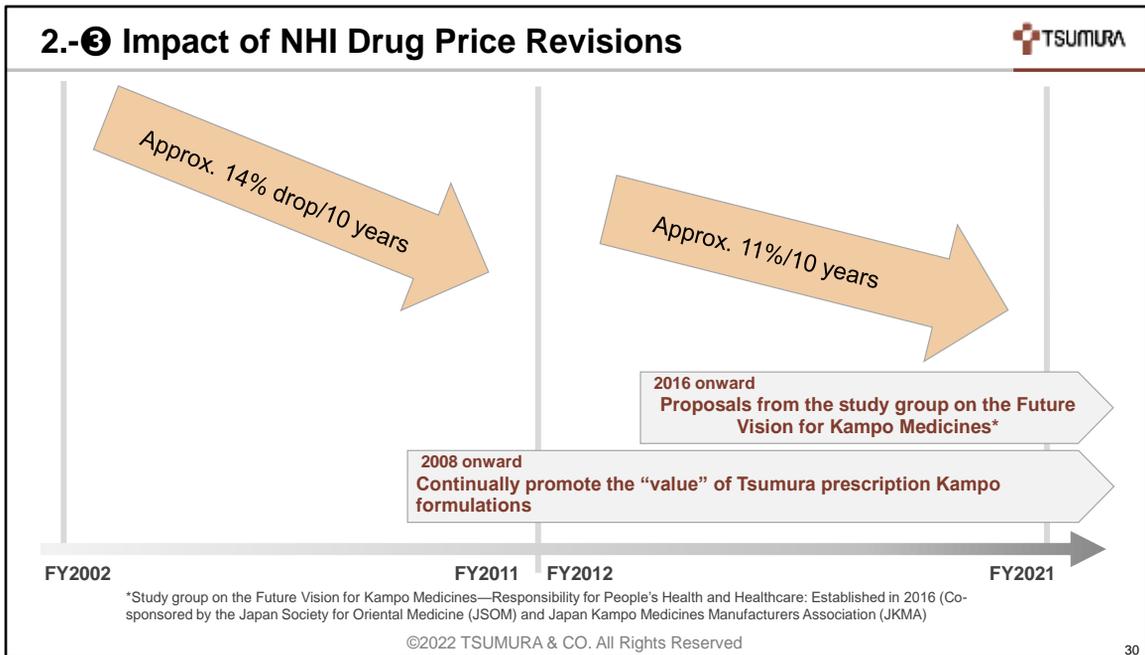


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In production, we realize the automation/robotization of all production processes by gradually strengthening production capacity and introducing new production technologies, including robotics.

An issue going forward is the smartification of factories through introduction and expansion at all production bases and by realizing automation, including oversight functions.

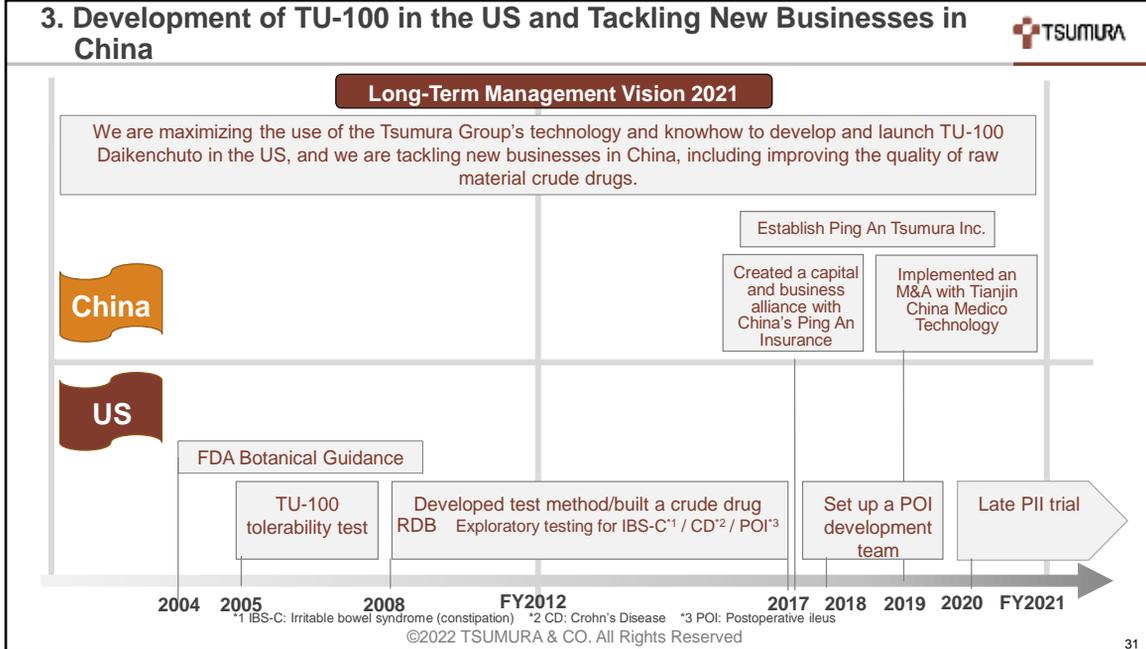
2.-㊦ Impact of NHI Drug Price Revisions



In sales, the rate of decline in NHI drug prices is tapering reflecting ongoing demand for Tsumura Kampo value and written proposals from the study group on the Future Vision for Kampo Medicines.

This issue is whether we will be able to maintain NHI drug prices.

3. Development of TU-100 in the US and Tackling New Businesses in China



As shown in the slide “3. Development of TU-100 in the US and Tackling New Businesses in China,” we implemented the following.

Given development in the US was unprecedented for our company, this was an extremely difficult challenge for Tsumura.

At present, we aim to employ the use of TU-100 Daikenchuto for POI treatment, and issue for the time being is deriving positive results for the late-stage phase-II trial by 2024.

We will explain the China business later on but the issue at hand is to build a foundation for the traditional Chinese medicine business, mainly for classical prescription formulations.

4. Philosophy and Vision Management



Setting/environment to be realized

Continuous implementation the following: philosophy/vision management, nurturing of a coaching culture, and training of candidates to take on management

Strategic issues

- ① Management: Implement backcasting management to embody our philosophy and realize our vision**
- ② Education/training: Establish the “Tsumura Academy,” an in-house human resources development institution, and enrich and implement various programs**
- ③ Human resources: Employees that complete the basic management courses (3-year program) are appointed to the position of executive**

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We are reaping results to achieve the setting/environment to be realized in the slide titled “4. Philosophy and Vision Management.” This including implementing and instilling backcasting management, steadily moving forward with human resources education/training, and appointing qualified candidates to the position of executive.

Setting/environment to be realized

Planning the medium/long-term improvement of corporate value by continually co-creating shared value with society

Strategic issues

- ① **Environment:** Preservation and domestication of wild crude drugs, and preservation of the natural environment
- ② **Society:** Expand access to Kampo medicine, a traditional form of Japanese medicine, and to Kampo, which is a plant-derived pharmaceutical
- ③ **Governance:** Actions to improve the effectiveness of the Board of Directors (comprised of a majority of outside directors)

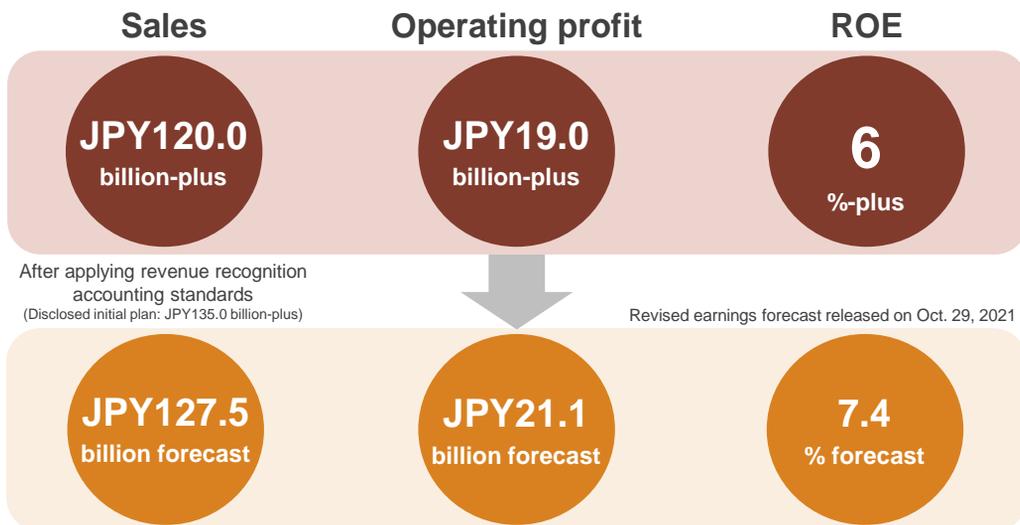
To realize the setting/environment described in the slide titled “5. ESG Management,”

in the environmental front we are continuing to preserve resources and cultivate wild crude drugs.

In society, we are increasing people’s access to Kampo medicine, which is both a traditional medicine and pharmaceutical derived from natural ingredients.

In the field of governance, we are continuing to take measures to improve the effectiveness of the Board of Directors, which is comprised of a majority of outside directors.

Numerical Targets in Vision 2021, the 3rd Medium-Term Management Plan 



We expect to achieve the numerical targets in Vision 2021, the 3rd Medium-Term Management Plan. We are aiming for the earnings forecasts shown here.

1. Review of Vision 2021
(FY2012 - FY2021)
- 2. Sustainability Vision**
3. Long-Term Management
Vision 2031
(FY2022 - FY2031)
TSUMURA VISION
"Cho-WA" 2031



Next I will explain the Sustainability Vision.

Living with nature for tomorrow.

Continue to be a company that is extremely sensitive to changes in and crises facing the natural environment. To continue to supply, as a shared value with society, naturally-derived, traditional pharmaceuticals using a scientific approach, we will implement actions, including preservation of nature and the environment, human rights, our procurement policy, diversity and inclusion, and health management, in accordance with the Tsumura Code of Conduct.

Domestication of crude drugs and automation of processing

- Domestication research and commercialization of wild crude drugs
- Alleviate workload using AI-driven automated crude drug selection

Human rights policy Procurement policy

- Tackle the respect for human rights, with the support of the UNGP^{*1}
- Build SCM for the sustainable procurement of crude drugs

Diversity & Inclusion

- Realize the diversity of group management personnel
- Instill the #OneMoreChoice project^{**2} in house

^{*1} United Nations Guiding Principles on Business and Human Rights

^{**2} This projects aims to contribute to the creation of a healthy society by reducing people's "hidden tolerance" of physical and mental stress (disorders) so that anyone can enjoy a more comfortable life.

We are promoting a sustainable natural environment and taking a scientific approach toward natural blessings to continue to provide shared value with society.

To this end, we plan to continue to implement the following:

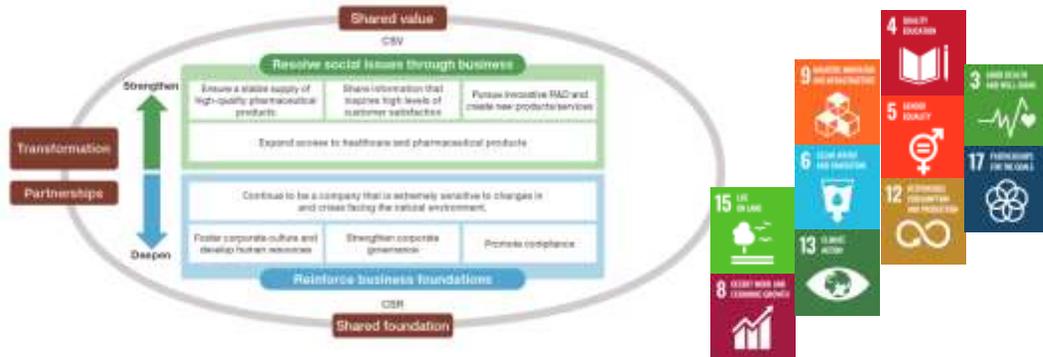
The acceleration of the domestication of crude drugs and automation of processing procedures;

the continued procurement of crude drugs based on our human rights and procurement policies; and the implementation of Diversity and Inclusion.

Materiality of Implementing Sustainability



We aim to contribute to solving social issues through our businesses through the fortification of Creating Shared Value (CSV) with society and plan to enhance our business foundations by implementing more in-depth Corporate Social Responsibility (CSR), which is a common foundation with society.

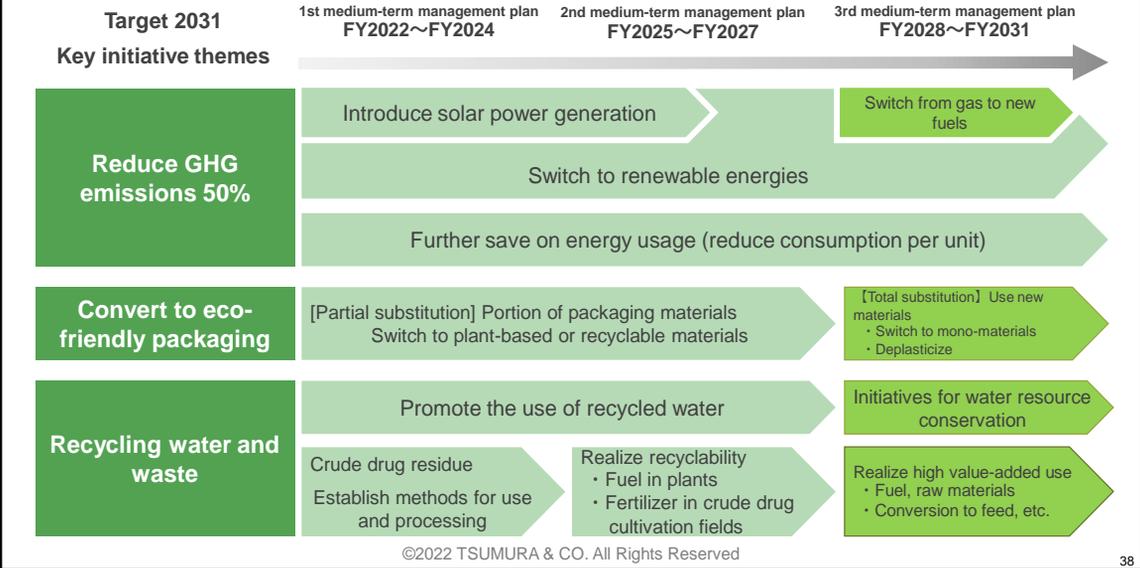


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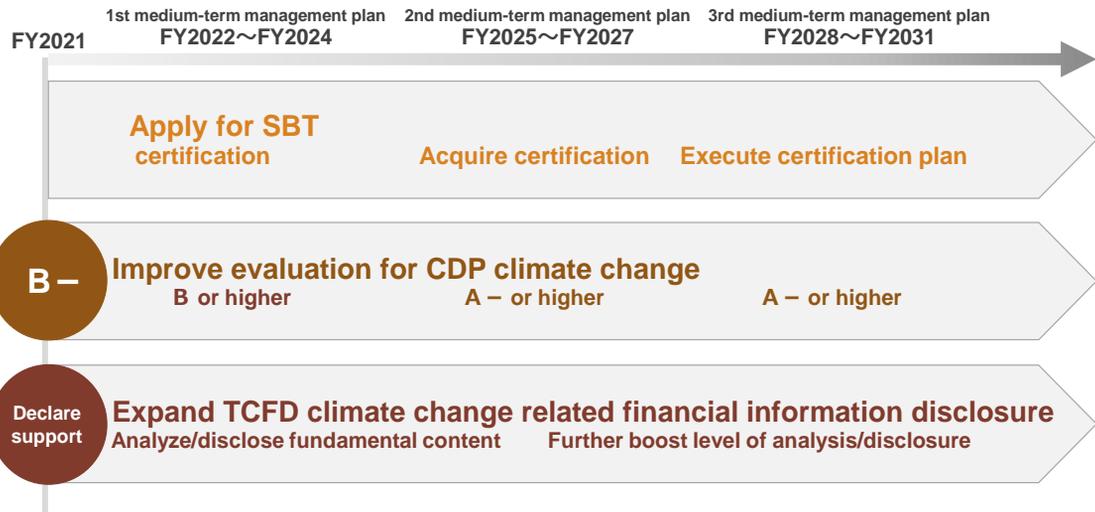
The materiality of implementing sustainability is as shown. We aim to create values to be shared with society based on the CSV concept. We also plan to fortify a common foundation with society, as a CSR measure.

Sustainability Targets for 2031



The sustainability targets for FY2031 are a 50% reduction in GHG emissions; conversion to eco-friendly packaging; and recycling water and waste (crude drug residue). We plan to attain these goals through the milestones shown here.

Improve Evaluations from Environment-related Rating Agency and Aim to Acquire Certification



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We aim to secure evaluations and certifications via the procedures shown here to garner an objective evaluation of our sustainability initiatives.

1. Review of Vision 2021
(FY2012 - FY2021)
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- 3. Long-Term Management
Vision 2031
(FY2022 - FY2031)
TSUMURA VISION
“Cho-WA” 2031**



Tsumura Kampo
Memorial
Museum

Next, I will explain the TSUMURA VISION, “Cho-WA” 2031.

Lively Living for Everyone
TSUMURA VISION “Cho-WA” 2031

We aim to create conditions in which the Tsumura Group is contributing to the well-being of all by supplying evidence-based products and services, including Kampo and traditional Chinese medicines, that suits factors including the life stage, symptoms, genetic makeup and daily life environment of each individual



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To embody our purpose, in the Vision for 2031, we aim to create conditions conducive for contributing to the well-being of people by providing evidence-based products and services, including Kampo medicines and traditional Chinese medicines that suit various factors, including individual life stages, symptoms, genetic makeup and daily life environment.

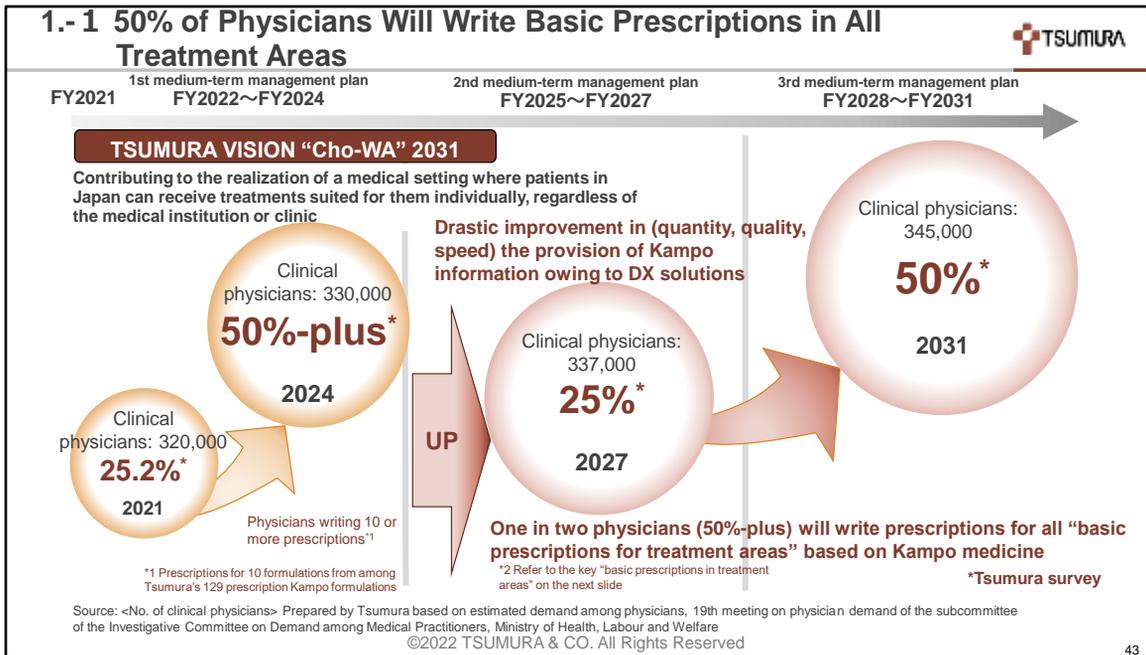
Goals to be realized under VISION 2031

- 1. 50% of physicians will write basic prescriptions in all treatment areas**
- 2. Expand standard Kampo treatments and personalize Kampo treatments**
- 3. Scientific study of pre-symptomatic diseases**
Three preventive measures for pre-symptomatic diseases (treat disease before symptoms appear, prevent change in existing disease and post-healing recovery)
- 4. Build foundation for the China Business (China Business to account for 50%-plus of sales)**
- 5. Digital transformation of the Kampo value chain**
- 6. Implement purpose management, philosophy management and vision management**

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These are six main goals to be realized in Vision 2031.

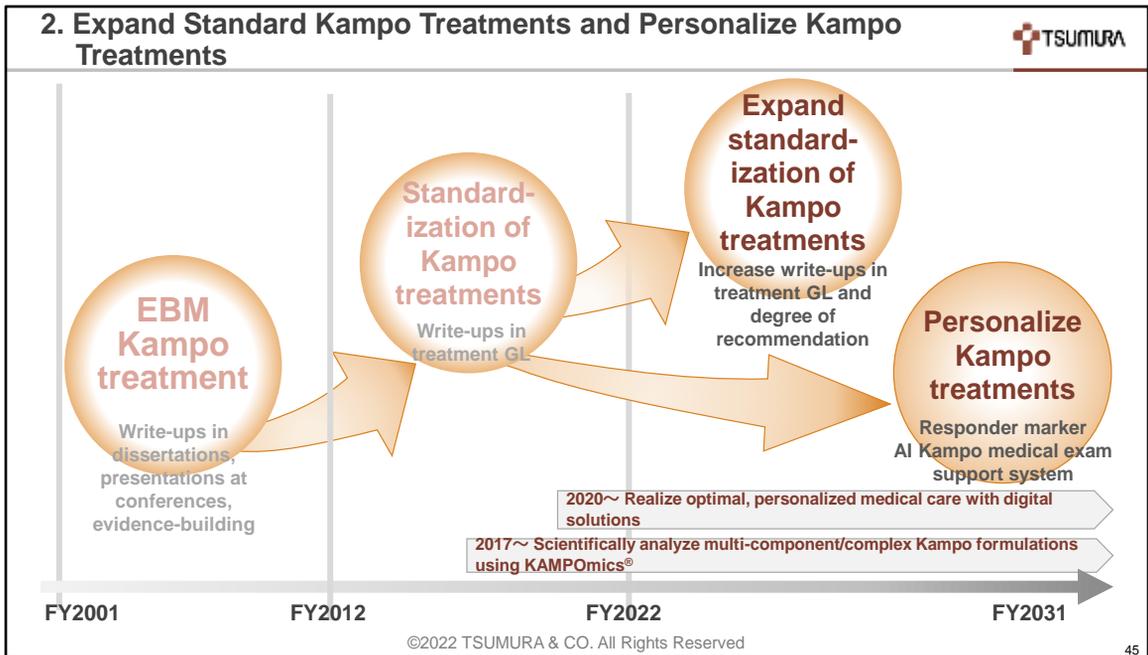


Firstly, the following are conditions we need to achieve to contribute to the realization of a medical setting where patients in Japan can receive treatments that incorporate “Kampo” medicine should it be necessary, regardless of the medical institution or clinic.

50% or more of physicians that will write 10 or more Kampo formulation prescriptions by FY2024

50% or more of physicians that will write 10 or more Kampo formulation prescriptions for all treatment areas from FY2027, as indicated on the next slide.

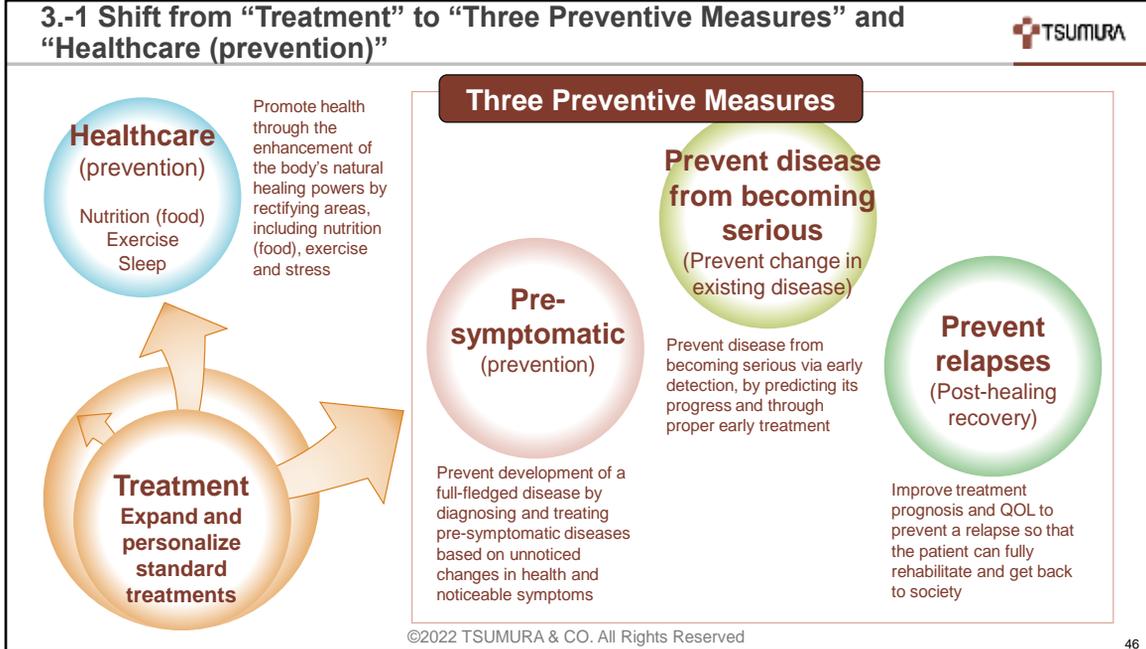
We target a rapid improvement in activities to supply information by using DX solutions.



Secondly, to expand standardized treatments that use Kampo medicine, we aim to increase the accumulation of evidence for treatment guideline write-ups and to realize the personalization of Kampo medicine. To this end, we plan to implement responder marker research using KAMPOmics and develop an AI Kampo medical exam support system using DX solutions.

We will explain KAMPOmics latter on.

3.-1 Shift from “Treatment” to “Three Preventive Measures” and “Healthcare (prevention)”

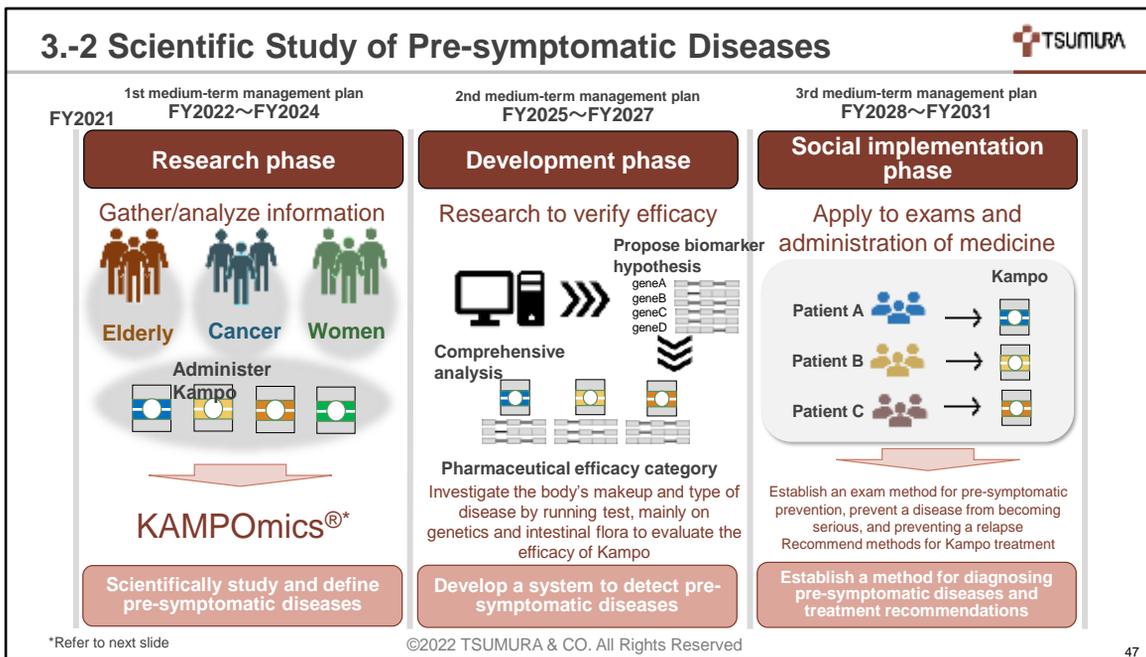


Thirdly, we aim to develop a Kampo treatment for “pre-symptomatic” diseases on a scientific basis.

We will contribute Kampo and traditional Chinese medicines for use in the “three preventive measures: pre-symptomatic (prevention), prevention of diseases from becoming serious (prevent changes in existing diseases) and prevention of relapses (post-healing recovery).

In addition, in healthcare (prevention), we will provide support, including for nutrition, exercise and sleep, with products and services that are based on the Yakushokudogen concept. Through this, we will contribute to better health by enhancing natural healing powers.

3.-2 Scientific Study of Pre-symptomatic Diseases



*Refer to next slide

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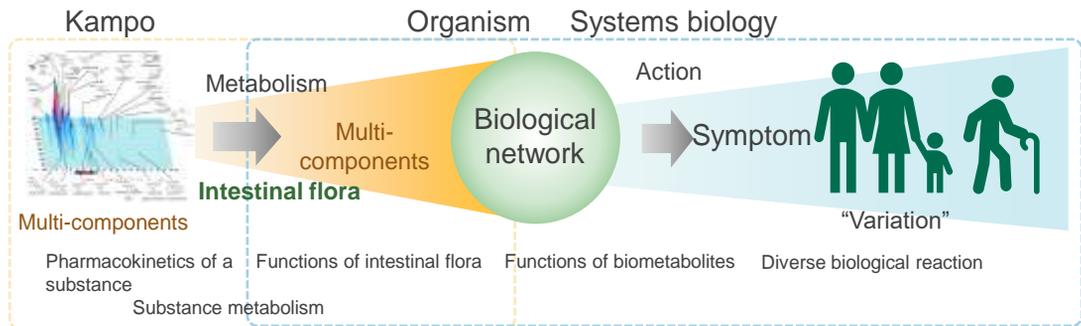
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In the scientific analysis of pre-symptomatic diseases, we plan to implement the following in stages, scientifically analyze pre-symptomatic diseases and define pre-symptomatic conditions, develop a pre-symptomatic disease detection system, and establish a pre-symptomatic exam method and recommend a Kampo treatment method.

3.- 3 KAMPOmics®



KAMPOmics® combines research on cutting-edge technologies (metabolome, genetics, intestinal flora, systems biology, etc.), a strength of Tsumura, to form a proprietary research package (registered trademark) to gain a comprehensive understanding of Kampo medicine, a traditional Japan medicine, and multi-component, complex Kampo medicines

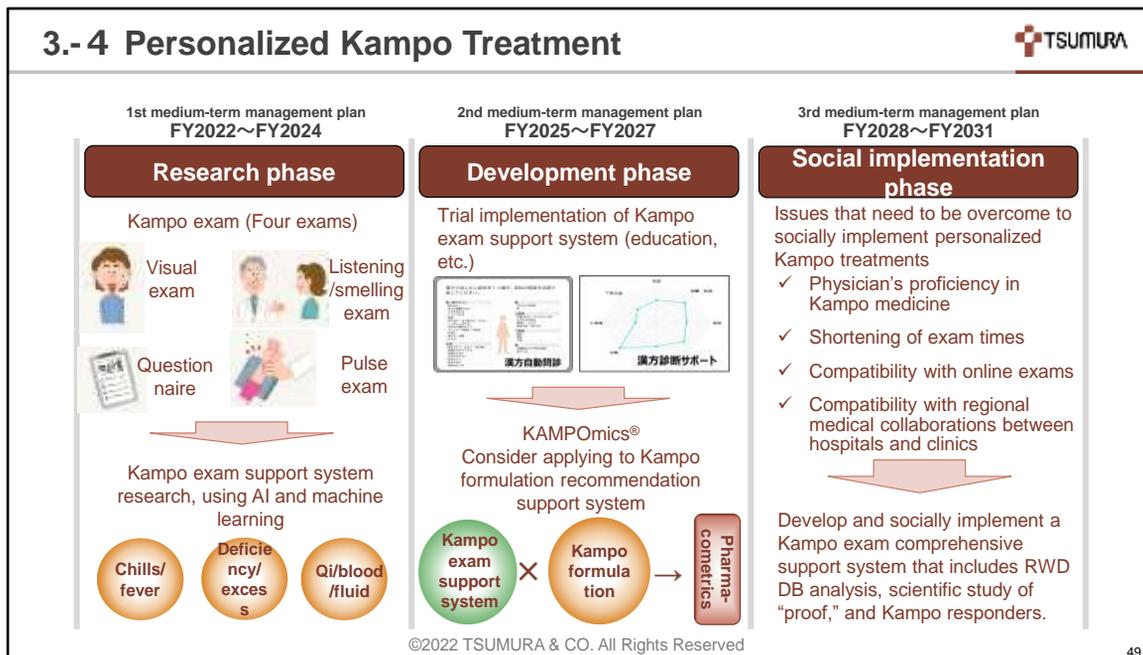


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KAMPOmics is Tsumura’s proprietary research package. In combination with research of advanced technologies accrued thus far, this will provide a comprehensive understanding of Kampo medicine and multi-component, complex Kampo medicines.

3.- 4 Personalized Kampo Treatment



To realize the personalization of Kampo medicine, we plan to jointly develop an AI Kampo medical exam support system with academia using DX solutions and KAMPOmics.

We aim to commercialize this system through research, development and social implementation.

This will be explained in detail later by Akihito Konda, Executive Officer and head of the Kampo Research & Development Division.

4. Yakushokudogen in Healthcare (Prevention)

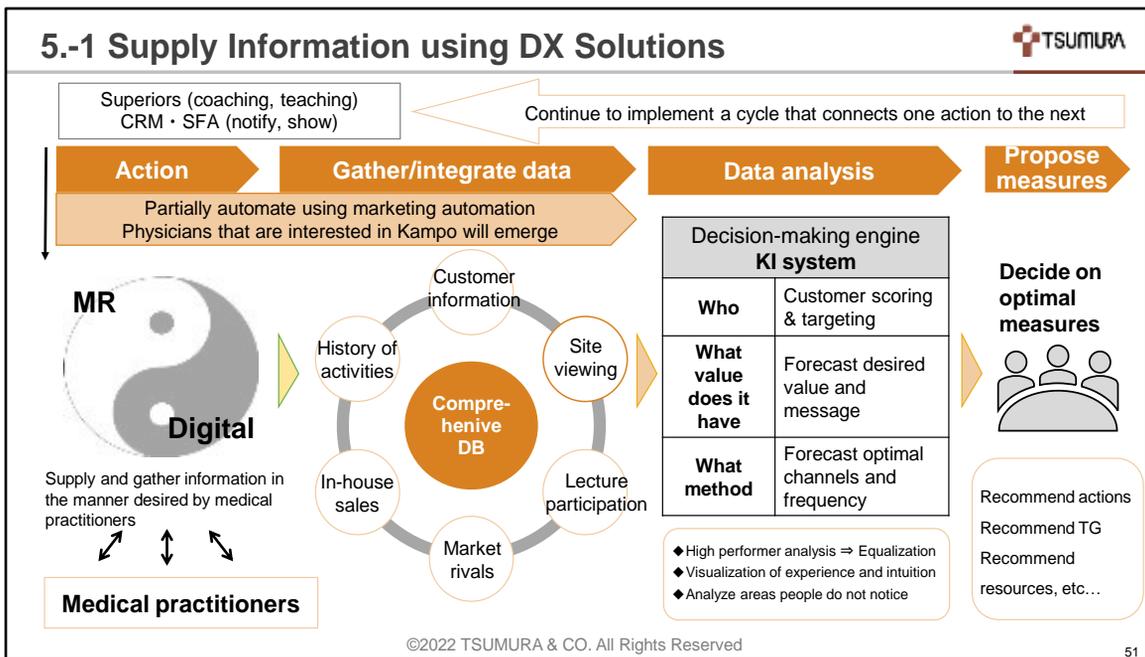


Fourthly, we are currently in M&A negotiations in the formulation platform to build foundations for the China business. Co-COO Toda, Chief Representative in China will explain this later on.

In addition, in the field of healthcare (prevention), Given the risk of side-effects of pharmaceuticals, we plan to push forward in the crude drug-based food category, reflecting the Yakushokudogen concept.

Moving forward, we are currently carrying out marketing, to facilitate the development of high value-added products, and to make products acceptable in markets in both China and Japan.

5.1 Supply Information using DX Solutions



Fifth, we aim to provide optimal customer experiences by digitalizing the Kampo value chain.

In the sales front, we plan to undertake actions that will allow us to provide information required by individual medical practitioners at the right time using the necessary method.

5.- 2 Shift from Improving the Capital Intensity of Labor to the Smartification of Factories



1st medium-term management plan
FY2022~FY2024

2nd medium-term management plan
FY2025~FY2027

3rd medium-term management plan
FY2028~FY2031

People

Improve operations

- Development of workers with multi-skills
- Improve preparations
- Shorten process learning period
- Reset worker positioning criteria
- Reallocate workers

Shift to oversight/ management

- Improve efficiency of oversight and management operations
- Mitigate troubles with preventive actions

Enhancements using BigData

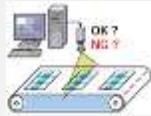
- Accumulate production data using IoT
- Effective production that meets targeted quality
- Use digital twins

Equipment/
facilities



Cross-development of existing technologies

- Introduce robots to handle manual operations
- Automate transport



Solve issues with new technologies

- Automation using AI for manual operations
- Realize inline full-scale inspections
- Automate peripheral operations
(containers with detachable lids, materials supply, etc.)

Implement additional measures using cutting- edge technologies

Smartification of factories

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We aim for low-cost operations by realizing the smartification of factories through their enhancement via further improvement in the capital intensity of labor and by using Big Data related to production and quality.

5.-3 Improve Supply Chain Efficiency by Introducing AI Robots



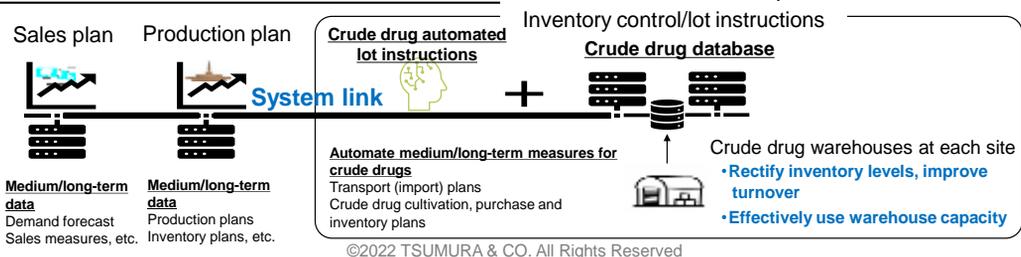
Realize AI automated crude drug selection



Automated selection device under development

- Automatically remove defective product with the AI automated crude drug selection device
- Improve efficiency of selection operations and reduction the number of workers

SCM using a crude drug automated lot instruction system



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We aim for low-cost operations in the supply chain. We are already developing an AI-driven device to automatically select crude drugs. First we aim to realize a substantial reduction in worker headcount and boost the efficiency of selecting operations within the group by making the device capable of handling crude drugs, which are comprised of different shapes and quality.

6.- 1 TSUMURA Group DNA Pyramid



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Sixth, as shown, we plan to revamp the Tsumura Group DNA pyramid. We will continue to implement purpose, philosophy and vision management.

6.- 2 Ideal Personnel Being Sought



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We are continuing to target the image of “ideal personnel being sought.”

As a source for creating corporate value, we aim to continue to aggressively invest in human resources and organizational capital, mainly the Tsumura Academy, an in-house human resources development institution.

This ends my portion of this presentation.

Research & Development Vision

March 29, 2022

Hello. My name is Akihito Konda, head of Kampo R&D.
I will brief you on the R&D vision.

1. Review of Activities Thus Far

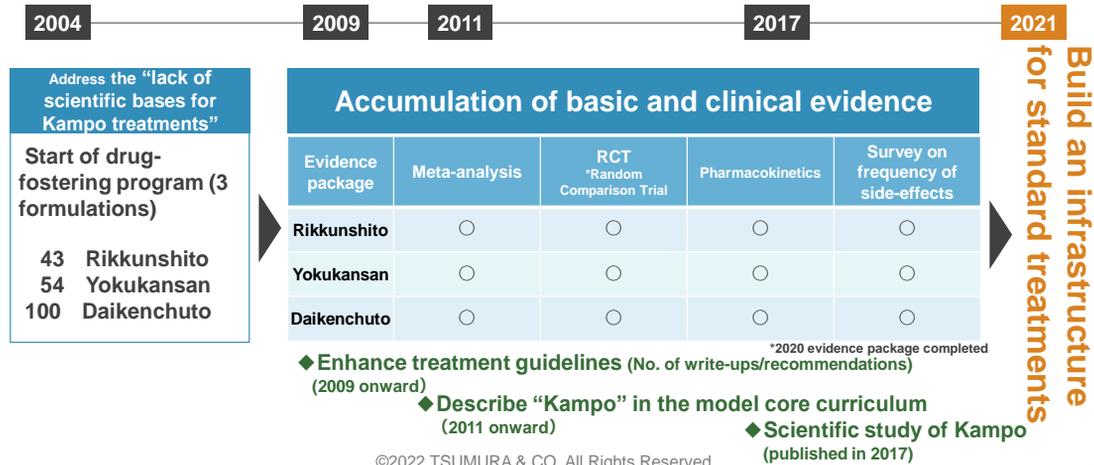
2. Research & Development Vision

I will start by reviewing the activities carried out thus far.

Review Thus Far (Drug-Fostering Program Initiatives)



Focusing on disease structure and patterns in recent years, in areas with high healthcare needs, we need to build evidence (scientific basis) by narrowing down our target to diseases where it is difficult to find new drug treatments and where Kampo will have a specific effect.



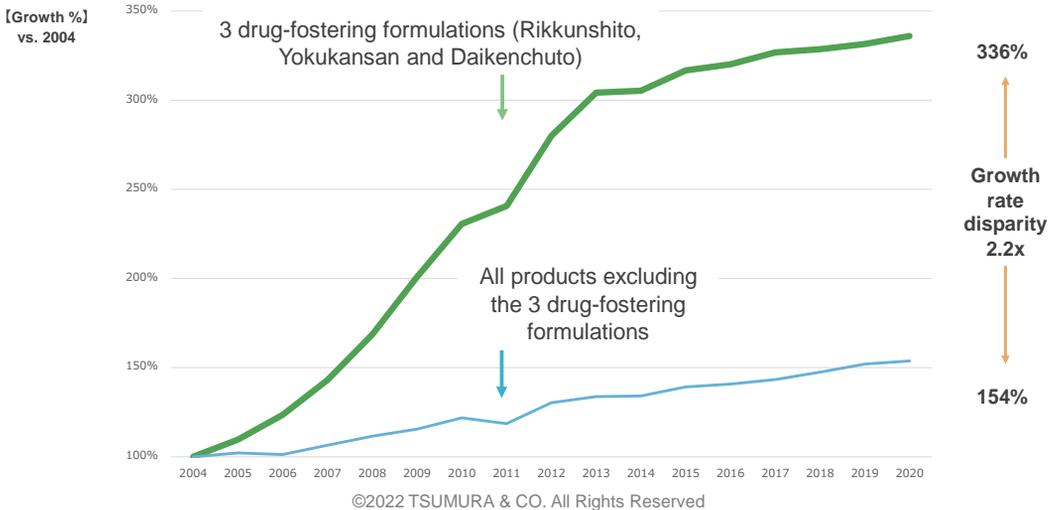
Tsumura launched its drug-fostering program from 2004. Drug-fostering is carried by Tsumura in areas with high healthcare needs. We narrow down and build evidence for diseases for which it is difficult to find new drug treatments and where Kampo will have a specific effect. Through our drug-fostering research, we poured energies into problem-solving to address the absence of a scientific foundation for Kampo treatments, which is believed to be the main reason physicians do not use Kampo.

Owing to our activities, we accumulated a great number of evidence from the standpoint of efficacy and safety, mainly for the three drug-fostering formulations, and were able to build a foundation, underpinned mainly by the "rapid expansion of the quantity and quality of write-ups in treatment guidelines," "write-ups on Kampo in the education model core curriculum, mainly at medical, dentistry, pharmacy, and nursing schools," and the publishing of the Kampo Science Visual Review, which is a pamphlet that summarizes Kampo evidence. This is aiding in gaining the understanding of certain physicians regarding the use of Kampo formulations as a "standard treatment."

Impact to Prescription Kampo Formulation Sales in the Drug Fostering Program



Sales growth trends in 2004 (start of drug fostering): All products excluding the 3 drug-fostering formulations and the 3 drug-fostering formulations



Looking at the correlation between these drug-fostering research activities and sales, comparing the growth rate of the three drug-fostering Kampo formulations and all pharmaceutical products excluding the three drug-fostering Kampo formulations, we can see that there was a disparity in the growth rate of 2.2-times during a 17-year period from 2004, the year the drug-fostering program was launched. This can also be interpreted as the three drug-fostering Kampo formulations being growth drivers. At the same time, we can also take this to mean that a foundation is being built as Kampo formulations being used as standard treatments to a certain extent.

1. Review of Activities Thus Far

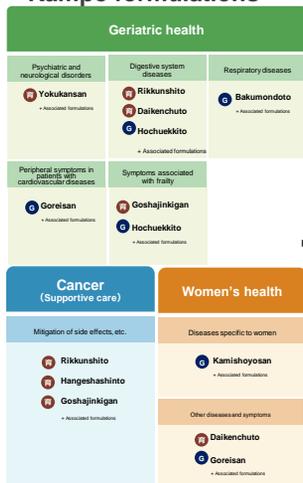
2. Research & Development Vision

Taking these factors into account, I will now cover the “Research & Development Vision” in the latter part of this presentation.

Big Picture of the “R&D Vision”



Continually expand prescription Kampo formulations



1. Propose new “treatment” methods

—Initiatives for personalized medicine—

Realize a world where individuals can receive the optimal Kampo treatment

*Scientifically study personalized medicine using KAMPOmics technologies

*Develop a “Kampo exam support system” using DX and AI technologies

2. Tackle the area of pre-symptomatic diseases

*Undertake pre-symptomatic prevention, prevent disease from becoming serious, and prevent relapses

*Introduction mainly of “aging”-related diseases

Source: Integrated Report 2021

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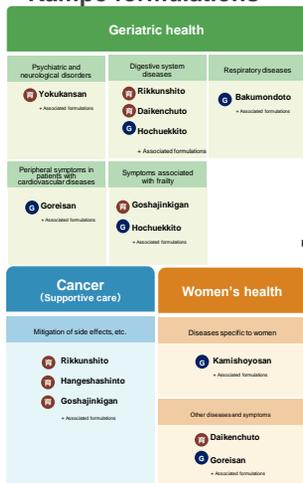
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Under the R&D Vision, in addition to building an infrastructure for standard treatments using Kampo, a measure we have undertaken thus far, we also plan to further enhance this by pouring energies into the “proposal of new treatment methods (tackling personalized medicine)” and by “taking on the pre-symptomatic disease domain.”

Big Picture of the “R&D Vision”



Continuously expand prescription
Kampo formulations



1. Propose new “treatment” methods

—Initiatives for personalized medicine—

Realize a world where individuals can receive the optimal Kampo treatment

*Scientifically study personalized medicine using KAMPOMics technologies

*Develop a “Kampo exam support system” using DX and AI technologies

2. Tackle the area of pre-symptomatic diseases

*Undertake pre-symptomatic prevention, prevent disease from becoming serious, and prevent relapses

*Introduction mainly of “aging”-related diseases

Source: Integrated Report 2021

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In particular, to propose new treatment methods, we plan to pour energies into accelerating “activities targeting personalized medicine” to realize a world where individuals can receive optimal Kampo treatment, specifically the “scientific study of personalized medicine” leveraging multi-component analysis technologies and the development of a “Kampo medical exam support system” that utilizes DX and AI technologies.

Western medicine

Kampo

KAMPOmics®

Tsumura's proprietary, cutting-edge technical research package for comprehensively understanding Kampo (multi-component drug)

«Comprehensive analysis»

- Genes, mRNA
- Proteins
- Metabolites
- Intestinal flora, etc.

«Cutting-edge technology»

- Systems biology
- Bioinformatics
- Data science, etc.

- ◆ Increase in Akkermansia in the group administered Bofutsushosan (mouse)
- ➔ **Link between intestinal flora and Kampo**
- ◆ Tendency whereby the presence of Akkermansia was high the lower the increase in weight was among those administered Bofutsushosan
- ➔ **Link between intestinal flora and the effects of Kampo**

Nishiyama M, et al., Nutrients. 2020 Mar 20;12(3):839. doi: 10.3390/nu12030839.

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In “activities targeting personalized medicine,” we plan to utilize our multi-component analysis technology (KAMPOmics), which is also one of Tsumura’s strengths.

For instance, in Western medicine, selective medical efficacy is shown by using a single substance drug. Meanwhile, Kampo, which is a multi-component drug, displays multiple effects. In addition, in the case of multi-component drugs, absorption, metabolization, and conversion within the body differs depending on the individual. Consequently, by utilizing the accumulated results that are obtained from a multi-component drug, it is possible to more easily address the individual characteristics of a patient.

By making maximum use of Tsumura’s proprietary, cutting-edge technical research package (KAMPOmics), we will get a clearer clinical presentation of a drug’s efficacy, in other words the responder, resulting in the realization of scientific evidence. This will make it easier for physicians to administer Kampo to more patients and also lead to a rapid improvement in usability. This in turn will contribute to the use of Kampo in even more patients.

One example is that we are gradually understanding “the correlation between intestinal flora and Kampo” and “the correlation between intestinal flora and the benefits of Kampo.” For patients in which a certain type of Kampo tends to be effective, we are able to envisage a certain spectrum and combination of intestinal flora.

Personalized Medicine Initiatives (Develop a “Kampo exam support system” that uses DX and AI technologies)



Exams based on Kampo medicine (four exams)

Visual exam

Examination of facial color or expressions, attitude, posture and body type. Sometimes an examination of the tongue is performed.



Listening/smelling exam

An examination where the doctor listens to the patients loudness and tone of voice, the way they talk, coughing, phlegm conditions, and breathing. Sometimes the doctor will check a patient's body and mouth odor.



Questionnaire

There are a variety of questions, including whether a patient is self-aware of symptoms, what diseases they have had, what food they like, their lifestyle, work and menstrual condition.



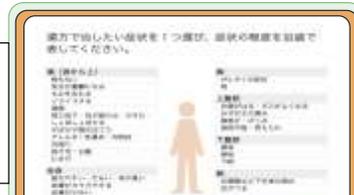
Palpation

The doctor will perform a touch exam of the patient's body. This is largely broken down into a “pulse exam” and a “abdominal exam.”



Issues with deploying personalized medicine

- ✓ Impact of proficiency in Kampo medicine
- ✓ Increase in exam time (medical cost)
- ✓ Compatibility with online exams
- ✓ Compatibility with regional medical collaborations between hospitals and clinics

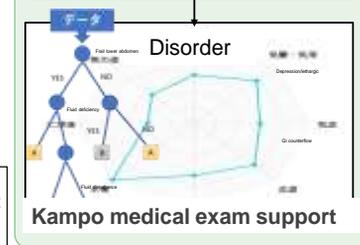


Develop a “Kampo exam support system” that uses DX and AI technologies

Example

- “Deficiency/excess” exam support
- “Chills/fever” exam support
- “Qi/blood/fluid” exam support

Automatic Kampo medical exam



Consider using the “Kampo medical exam support system” for formulation recommendations

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Next, we aim to tackle personalized medicine by developing a “Kampo medical exam support system” that utilizes DX and AI technologies.

In the current Kampo treatments, four examinations (visual, listening/smelling, a questionnaire, and palpation) are carried out based on Kampo medicine. However, these Kampo medical exams are “slightly” within the area of expertise of a physician specializing in Kampo medicine. In light of this, there are several issues obstructing advances in personalized medicine, including impact due to the level of proficiency in Kampo medicine and an increase in the time it takes to conduct a medical exam (medical cost). Furthermore, going forward, other crucial factors including compatibility with online medical exams and regional medical collaborations between hospitals and clinics.

The deployment of the Kampo automated medical exam support system is gaining attention as one solution to remedying these types of issues. In a clinical setting, this system accumulates Kampo exam questionnaire data and other information into the AI to derive an optimal solution, mainly for a Kampo diagnosis and Kampo prescription. In an actual medical consultation, the patient responds to a physician’s questions addressed to the patient from the perspective of Kampo medicine, and these responses are then matched with the physician’s findings and opinions. This is then finally fed to an AI-powered system so it can learn. The outcome is an AI-driven system that can automatically make a Kampo diagnosis.

The more precision the system becomes, the current “slightly” specialized area of Kampo diagnostic technologies will become mainstream (generalized). Even those physicians still early on in their career of making Kampo diagnoses will be able to properly using Kampo that suits each individual and be able to apply this to the evaluation of benefits as well as to other areas. We believe this will contribute supporting the diagnoses conducted by a wide range of doctors and not be kept within the realm of merely experiencing those experiences of Kampo specialists and being taught in an oral tradition.

【Vision】 Realize a world where individuals can receive the optimal Kampo treatment



1st Medium-Term Management Plan
(2022~2024)

2nd Medium-Term Management Plan
(2025~2027)

3rd Medium-Term Management Plan
(2028~2031)

Research phase

Development phase

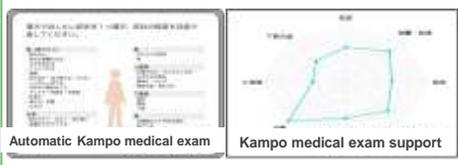
Social implementation

Deficiency/excess & chills/fever exam

Qi/blood/fluid exam

Cross-development of registry research (multi-facility joint research)

① “Kampo Exam Support System”



② Formulation recommendation system based on the “Kampo Exam Support System”

Development/verification step

- Automated questionnaire and formulation selection validation system

① Trial implementation of the “Kampo Exam Support System”

- Use for education/facilities that do automated Kampo exams

② Consider applying to “Kampo formulation recommendation system” (ePRO)

- “Kampo exam support system” X Kampo formulations → Pharmacometrics

Spin-out

Consider using for healthcare/Well-being

Integrated system development

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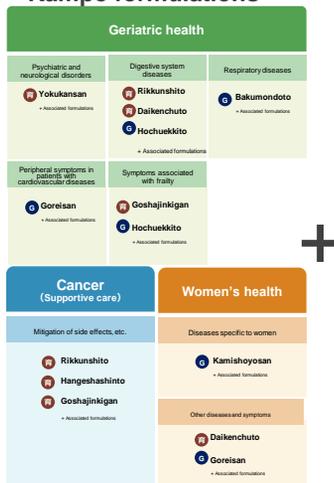
As a future development, we aim to complete various research, verification and implementations related to the “building of a Kampo exam support system” over the next ten years.

In addition, we are also considering the broader development of these actions as well as their spread in the field of “education.” Our vision is to “realize a world where individuals can receive the optimal Kampo treatment.”

Big Picture of the “R&D Vision”



Continually expand prescription Kampo formulations



1. Propose new “treatment” methods

—Initiatives for personalized medicine—

Realize a world where individuals can receive the optimal Kampo treatment

*Scientifically study personalized medicine using KAMPOmics technologies

*Develop a “Kampo exam support system” using DX and AI technologies

2. Tackle the area of pre-symptomatic diseases

*Undertake pre-symptomatic prevention, prevent disease from becoming serious, and prevent relapses

*Introduction mainly of “aging”-related diseases

Source: Integrated Report 2021

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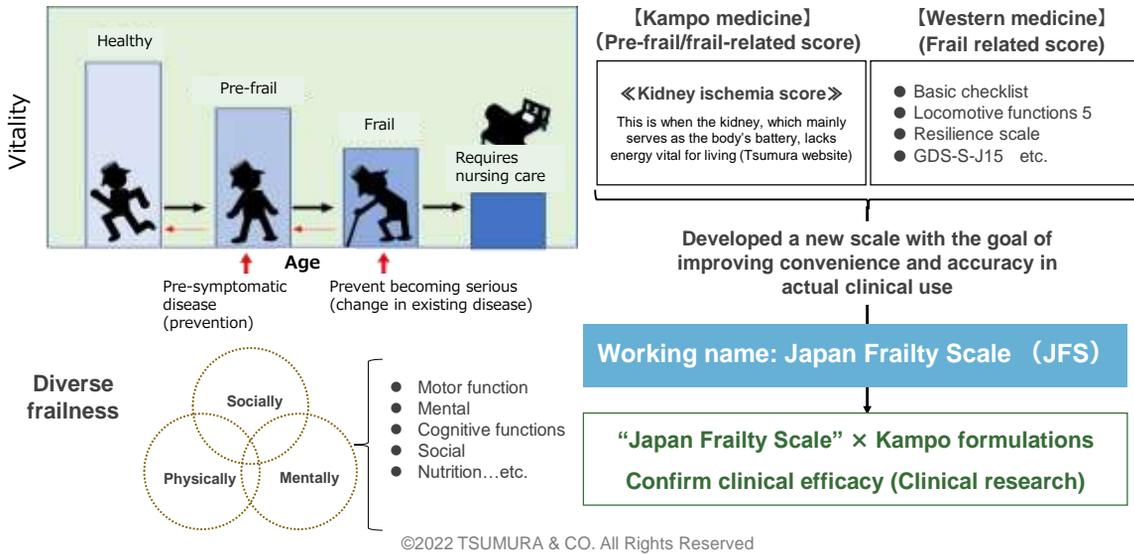
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Next, I will introduce our activities in “tackling the area of pre-symptomatic diseases.” In particular, I will provide a glimpse of activities that target the prevention of pre-symptomatic diseases, preventing diseases from becoming serious, and preventing relapses, mainly diseases related to aging.

“Aging”-related Diseases: Approach Targeting Frailty



In 2031, it is forecast that 3.15 million people will be deemed frail, and 19.39 million will be classified as pre-frail (around 6-times the number of frail)



The number of patients suffering from frailty, which is one disease related to aging, is expected to reach 3.15 million in 2031. The number of people that are in the pre-frail category, which is the stage before frail and candidates for becoming frail, is anticipated to climb to 19.39 million. This is an increase of around 6-times the number of frail people.

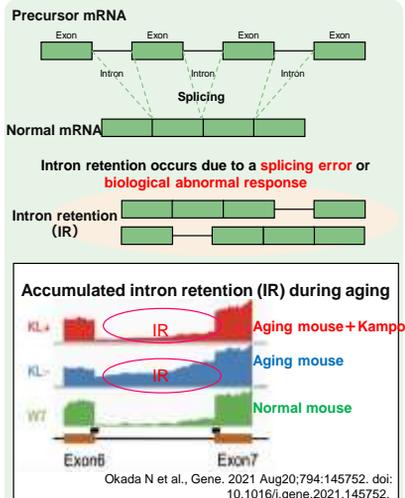
Frailty is said to be “reversible.” In light of this, we believe we can scientifically assess the shift between pre-frail and frail, in other words, between pre-symptomatic and suspicious changes.

This falls in line with the concept of “kidney ischemia” (as viewed from Kampo medicine. We believe this has a high affinity with the aging syndrome, which includes frailty. In light of this, taking into account the correlation between the kidney ischemia score and frailty score, we believe it is possible to scientifically define this pre-symptomatic disease by developing a new scale, the Japan Frailty Scale (JFS), which includes better precision and conducts validation, and confirms the obtained clinical results.

Build a System to Improve Pre-symptomatic Diseases (Aging-related Diseases: Develop a Pre-symptomatic Indicator and Propose Treatment Methods)



Scientific study of “aging”



Clarifies link with “disease” and confirms treatment efficacy

Pre-symptomatic
 • Anti-aging

Prevent disease from becoming serious
 • Dementia
 • Frailty

Prevent relapse
 • Cancer survivor

In addition to the definition for aging (IR), clarifies pathology

- Improve chronic inflammation
- Activate immune functions
- Control cell aging
- Increase in autophagy activity, etc.

Verify treatment efficacy of Kampo

Recommended treatment procedures
 Hochuekkito, juzentaihoto, and ninjin'yoeito are mainly effective

Health recommendation as a preventive measure

Anti-aging

Treatment recommendation to prevent from becoming serious

Treatment for MCI (minor cognitive impairment), and frailty and pre-frailty

Treatment recommendation to curb relapse

Support cancer survivor in the workplace

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I will prove another example. This has to do with research related to genes. This time around, I used the aging promotion model as an image. This is called intron retention. This research is on the visualization primarily of the frequency of errors in gene reading. In this research, the accelerated aging mouse, in comparison with the normal mouse, a phenomenon occurs whereby some type of waste is compiled between genes. This results in intron retention.

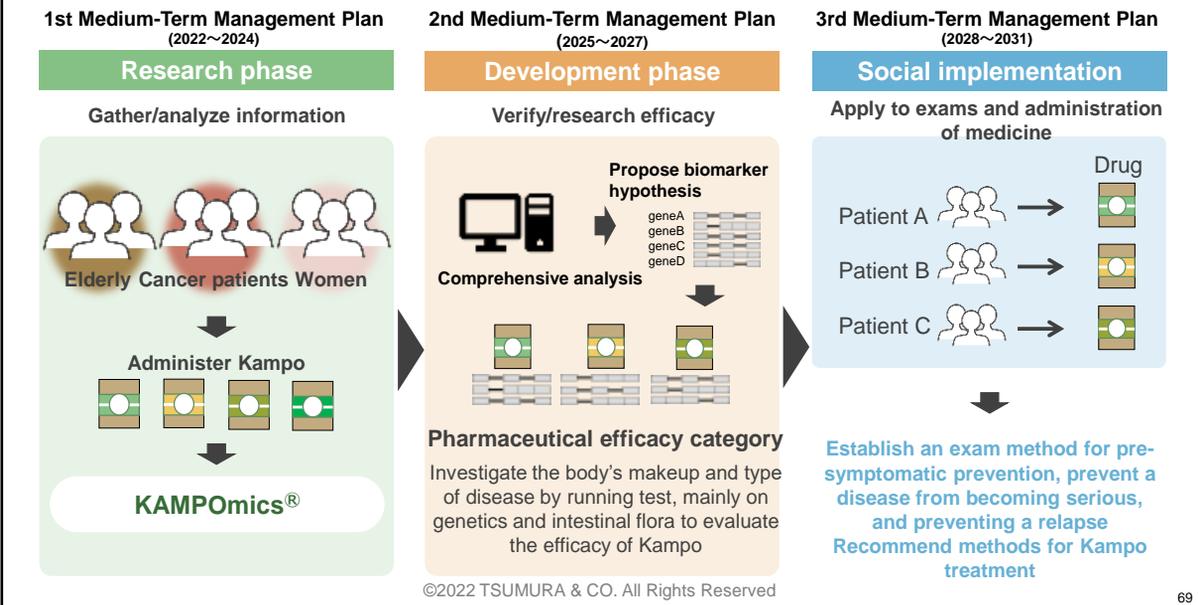
Looking at this pre-symptomatic disease and suspicious changes scientifically, we began to hypothesize whether we could use this as a yardstick, a type of pre-symptomatic indicator. At the same time, we also theorized whether some type of Kampo could be used to improve this condition.

Provisionally, we believe that this could not only be used for visualization and the practical generalization in the area of treatment, but has also led us to focus on the substantial potential of the pre-symptomatic disease market.

Naturally, research on pre-symptomatic diseases is an untried area therefore we do not know to what extent we can actually carry out research. However, I believe that this is a challenge that Tsumura should tackle given our many years of experience in multi-component substances. We are actually, slowly but surely, carrying out research and are starting to feel confident about our research.

In intron retention research, going forward we will need to verify our finding from basic to clinical. There are also tailwinds from increasing attention on scientific research related to pre-symptomatic diseases. In summer 2022, GENE, an academic journal specializing in genes, is planning to publish a feature article on Kampo, which also covers pre-symptomatic diseases.

Diseases related to “Aging”: Develop Pre-Symptomatic Indicator and Recommend Treatment Methods



As I start to gradually conclude my portion of this presentation, we plan to utilize our multi-component analysis technology to make progress in the clarification of the in-depth drug efficacy of Kampo, a multi-component drug, and are internally accumulating an integrated understanding as knowhow.

Going forward, we plan to leverage Tsumura’s strengths, in other words this accumulated knowhow, to favorably push forward with the exploration of new domains. By doing so, we are envisaging the innovative social implementation of a pre-symptomatic disease business, which we have been focusing on. As a schedule, over the next 10 years, we plan to build a pre-symptomatic disease improvement system. We aim to make it a major pillar for entering the pre-symptomatic disease market.

Outlook



2004 2009 2011 2017 2021 2022 onward

Addressing the issue of
"Kampo formulations
have no scientific
basis"

Start drug-fostering
(3 formulations)

43 Rikkunshito
54 Yokukansan
100 Daikenchuto

Accrue basic and clinical evidence				
Evidence package	Meta-analysis	RCT *Randomized Controlled Trial	Pharmaco- kinetics	Survey on the frequency of side-effect emergence
Rikkunshito	○	○	○	○
Yokukansan	○	○	○	○
Daikenshuto	○	○	○	○

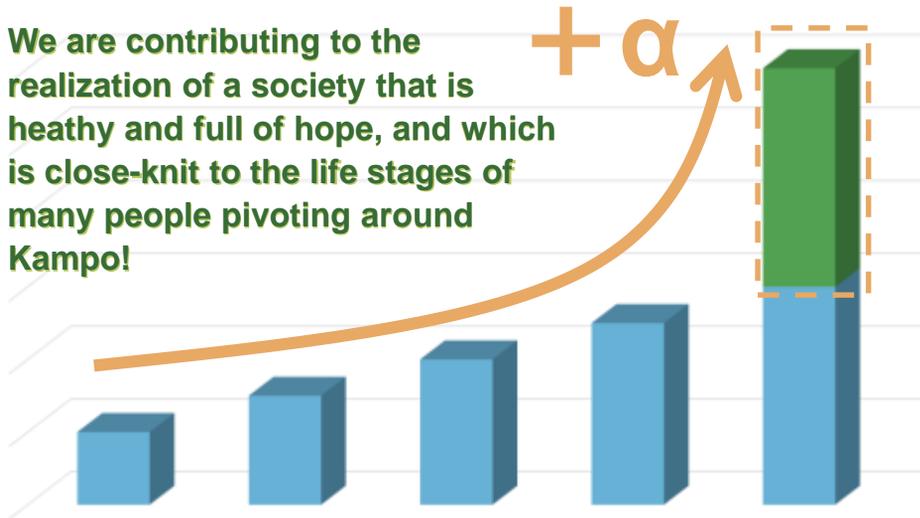
- ◆ Expansion of clinical practice guidelines (Coverage/level of recommendation) (from 2009) *Completed evidence package in 2020
- ◆ Wording in the Model Core Curriculum describing Kampo medicine (from 2011)
- ◆ Scientific analysis of Kampo medicine (Published in 2017)

Build infrastructure for standard treatments
Propose new treatment methods
 (Initiatives for personalized medicine)
Tackle the pre-symptomatic domain

As I mentioned earlier, in addition to building an infrastructure for standard treatments using Kampo, we also plan to move forward toward our vision by “proposing new treatment methods (tackling personalized medicine)” and “taking on the pre-symptomatic disease domain.”

[R&D Vision]

We are contributing to the realization of a society that is healthy and full of hope, and which is close-knit to the life stages of many people pivoting around Kampo!



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In implementing the “TSUMURA Vision: “Cho-WA” 2031, the R&D vision focuses on contributing to the realization of a society that is healthy and full of hope, and which is close-knit to the life stages of many people pivoting around Kampo.

This ends my portion of this presentation.

China Business Vision

March 29, 2022

My name is Koin Toda.

I will present the China Business Vision.

Goals of the China Business



Contribute to the health of China's citizens



Stable procurement/supply of raw material crude drugs



Quality; technology & experience



中国平安 PING AN

Finance; comprehensive IT strength, Scale and recognition



平安津村

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The goal of the China Business is to “contribute to the health of the citizens of China” and to “stably procure and supply raw material crude drugs.”

We aim to become a traditional Chinese medicine company operating in the market in China by combining our “quality, technology and experience” nurtured from Tsumura’s cultivation of raw material crude drugs and the production of Kampo formulations with the customer base and medical online platform possessed by China Ping An Insurance (Group).

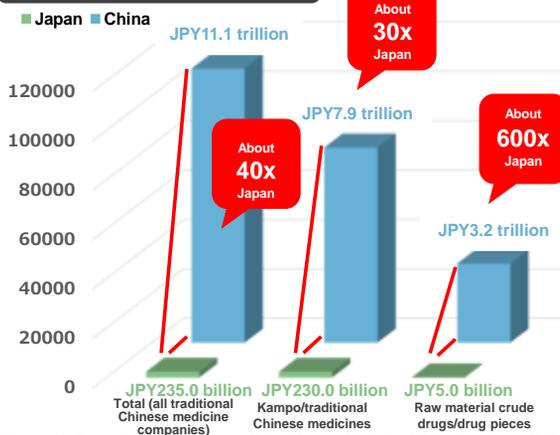
In 2017, we are aiming to foster Ping An Tsumura, a joint venture established with the Ping An Insurance Group, as the No. 1 brand in traditional Chinese medicine.

Scale of and Opportunities in the Traditional Chinese Medicine Market



The traditional Chinese medicine market is large. Aim to further develop this market through changes to healthcare policies and the awareness of citizens in China

Market scale comparison (FY2020)



Healthcare policy trends

In January 2022, the government of China announced the **14th Five-Year Plan for China's Pharmaceutical Industry**

- ◆ Innovations in traditional Chinese medicine: Implement R&D for formulations based on classical prescriptions
- ◆ Enhance quality of traditional Chinese medicines: Includes fortification of a traceability system

Change in awareness among citizens and industry

- ◆ Improve health consciousness and recognition of traditional Chinese medicines thanks to COVID-19
- ◆ Curb prices of pharmaceuticals covered by health insurance (expand centralized purchasing system)
- ◆ Increase in policy subscribers owing to OTC needs and for voluntary insurance (commercial insurances)

*Prepared by Tsumura based on data from the National Bureau of Statistics of China, Japan Kampo Medicine Manufacturers Association (JKMA) and IQVIA; *Kampo formulations in Japan include OTCs; Exchange rate: 1RMB = JPY18 (current as of the end of December 2021)

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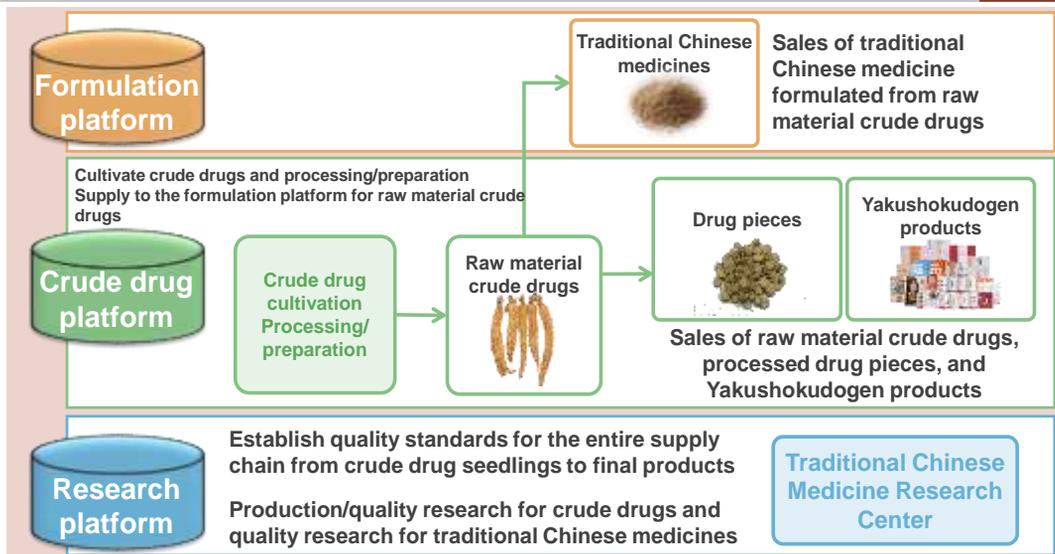
The market in China boasts both scale and opportunity. As shown, the traditional Chinese medicine market in China is large in scale, in comparison with the Kampo market in Japan. And recently, the government in China has been hammering out many policies related to traditional Chinese medicine. In January 2022, the government announced the "14th Five-Year Plan for China's Pharmaceutical Industry." This includes a policy to strengthen initiatives for moving forward with R&D in traditional Chinese medicine and improving technology, quality and production levels.

The attitudes of the citizens of China and in the industry itself are changing. Even in China, citizens have become more health conscious owing to COVID-19 and are also showing an improved recognition of traditional Chinese medicines.

In addition, regarding pharmaceuticals covered by insurance, while prices are being curbed through the use of centralized purchasing, demand for OTCs, in other words pharmaceuticals not covered by insurance, is rising due to an increase in commercial insurance policyholders.

As this indicates, the growth rate of the traditional Chinese medicine industry is high, and we see this as a major opportunity for the Tsumura Group.

Three Platforms in the China Business



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In the China Business, we plan to deploy three platforms. They are the formulation, crude drug and research platforms.

The formulation platform will be responsible for sales and manufacturing functions for traditional Chinese medicines formulated from raw material crude drugs.

The crude drug platform will be responsible for sales and manufacturing functions, mainly for raw material crude drugs, drug pieces and Yakushokudogen products.

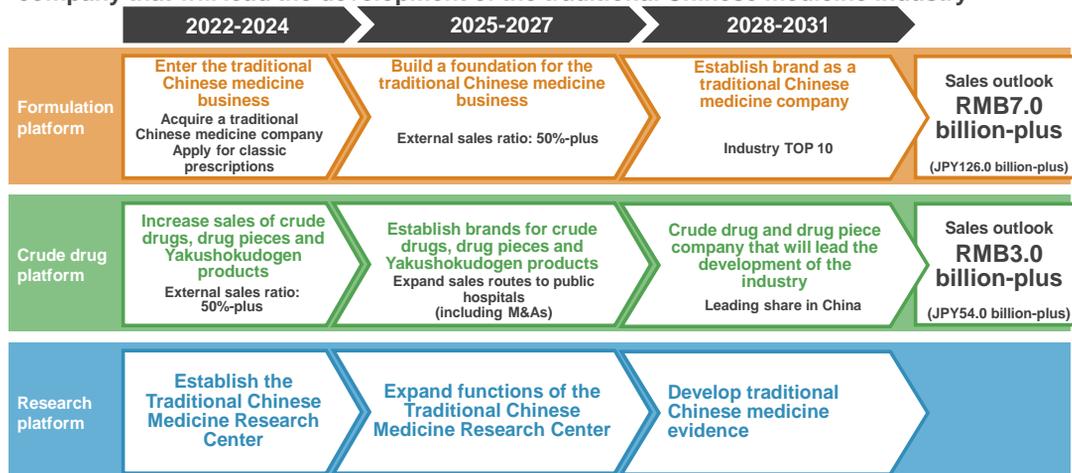
In the research platform, we aim to establish quality standards for the entire supply chain, from crude drug seedlings to final products.

We will explain the details of each platform later on.

China Business Milestones



Aim to achieve an overseas sales ratio of 50%-plus to become a traditional Chinese medicine company that will lead the development of the traditional Chinese medicine industry



*Exchange rate: 1RMB = JPY18 (current as of the end of December 2021)

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I will now discuss the milestones for each platform over the next 10 years.

The formulation platform solely deals in the production and sales of powdered extracts, an intermediate product for business operations in Japan. Going forward, we plan to enter the traditional Chinese medicine market by acquiring traditional Chinese medicine companies and by applying for permits to launch classical prescriptions on the market. Meanwhile, we plan to realize M&A deals without fail by 2024. Following this, we plan to build a sales foundation in the market in China to expand the scale of external sales to 50%-plus of total sales, become one of the top 10 companies in the industry in the sales of traditional Chinese medicine, mainly classically prescriptions, and to become the primary selection of citizens in China when they purchase classical prescriptions. In the long run, we envisage sales of RMB7.0 billion.

In the crude drug platform, we are aiming to expand the ratio of external sale to 50%-plus of total sales, mainly for raw material crude drugs, drug pieces and Yakushokudogen products. Following this, we plan to expand sales channels, which including concluding M&A deals. Our goals is to become a crude drug and drug piece company, with a leading share of the market in China and which leads the growth of the industry. We estimate sales in the long term of RMB3.0 billion-plus.

In the research platform, on top of establishing the Traditional Chinese Medicine Research Center, we plan to expand functions successively, including R&D and analysis assessment. In the future, we aim to become an R&D unit that builds evidence packages for traditional Chinese medicine.

Formulation Platform Vision



The target is classical prescriptions, a mountain of treasure. We aim to contribute to the health and medical care of the citizens of China by stably supplying products that are safe, homogeneous and effective

[Opportunities and strengths]

- ✓ The government of China is developing and popularizing classical prescriptions
- ✓ Classical prescriptions resemble Tsumura's Kampo formulations. They can be achieved by utilizing knowhow, including Tsumura quality, evidence-building and manufacturing technologies.

Become a traditional Chinese medicine company trusted in China, mainly for its classical prescriptions that leverages Tsumura's knowhow

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From here, I will explain the details of the each platform.

First, the formulation platform targets classical prescriptions, which is a mountain of treasure. This platform will contribute to the health and medical care of the citizens of China through the stable supply of products that are safe, homogeneous and effective.

I will explain why we are pouring energies into classical prescriptions from among traditional Chinese medicine.

Classical prescriptions are written in ancient texts, such as the Classified Formula from Treatise on Cold Damage (Shanghanlun), which was edited several thousand years ago. These formulations have been used for many years but in modern-day China, the frequency of use has dropped and are not listed in the Pharmacopoeia of the People's Republic of China. These formulations are literally hidden away in these ancient texts. We aim to pass on these classical prescriptions and develop them further. In recent years, the Chinese government, as a policy, has been promoting the R&D and pharmaceutical registration of these classical prescriptions.

These classical prescriptions are similar to Tsumura's Kampo formulations. In light of this, by entering the market through the use of its knowhow and experiences, including Tsumura quality, evidence-building and production technologies, we aim to become a traditional Chinese medicine company that is trusted in China.

Trajectory of the Formulation Platform



- Build a foundation for the formulation platform via M&A deals and by applying for market launches of classical prescriptions
- Establish a brand and expand sales by improving product quality and through evident building



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This is the trajectory for the formulation platform.

First, to enter the market, we plan to carry out M&A deals with companies that possess classical prescriptions and to apply for their new launch onto the market.

Along with the Ping An Insurance Group, we plan to ascertain the valuation and compliance of potential M&A candidates while exploring and negotiating with these candidates.

After acquiring classical prescriptions, we aim to further improve the quality of these formulations and build evidence to establish a brand. For example, in Japan Yokukansan is mainly prescribed for children that cry at night. By building evidence for this formulation, we are now able to prescribe this formulation to help with the peripheral symptoms of dementia.

In China as well, we aim to expand sales, mainly in the open price OTC market, which includes online medical exam platforms and commercial insurance channels that target customers seeking high-quality, evidence-backed formulations.



CEO, Ping An Tsumura
Medicine Co., Ltd.

CEO Gang Li

Career

- Possesses experience as top management at a famous state-operated pharmaceutical company.
- Abundant experience in the crude drug business
- For many years, has poured energies into stably securing crude drugs and improving quality through the cultivation and research of crude drugs.
- Launched former China Medico Technology in 2011 (present-day Ping An Tsumura Medicine Co., Ltd.) and is nurturing the company to become No. 1 in overseas export volume.
- Promoting the China Business, as the person responsible for Ping An Tsumura Medicine, as well as Shenzhen Tsumura Medicine.

Next is the crude drug platform.

Gang Li, CEO of Ping An Tsumura Pharmaceutical will present the crude drug platform vision and the outlook for this platform.

Li is experienced as a member of top management at state-owned, leading pharmaceutical company and has experience carrying out the crude drug business in China.

At present, he is responsible for operating the crude drug platform. He is working to achieve stable supply to Japan of raw material crude drugs and is pushing to expand external sales, mainly of raw material crude drugs and drug pieces.

Today he will present information on this platform from Beijing.

Crude Drug Platform Vision



Growth into an international, top-level traditional Chinese medicine healthcare company that leads the industry via the stable supply and branding of high-quality crude drugs, drug pieces and Yakushokudogen products

Opportunities

【Government/traditional Chinese medicine industry】

- Strengthen level of quality and traceability management

【Market/customers】

- The market of drug pieces is worth RMB178.2 billion (approx. JPY3.2 trillion)
- The Pharmacopoeia of the PRC is even stricter and the direction it is taking is to sell at prices commensurate with high quality
- Improve the health awareness and purchasing power of Chinese citizens
- Further improve trust in traditional Chinese medicines by Chinese citizens owing to the impact of COVID-19

Advantages

- A superior **crude drug production supply chain with a GACP management system** that is not possessed by rivals
- Large-scale cultivation at cultivation bases
- Competitive, **superior items**
- **Quality management** that is top-level in the industry (personnel/test facilities)
- Certain degree of **name recognition** of China Medico and crude drug pieces* (*China Medico brand)
- **Industry leader** in export volume (Japan, Taiwan, US and Europe)

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My name is Gang Li. Thank you for the introduction.
I will also explain the crude drug platform from my perspective.

The crude drug platform handles high quality crude drugs, drug pieces and Yakushokudogen products, and carries out the cultivation, processing, quality tests, storage, sales and services of crude drugs. The goal of this vision is to lead the industry and grow into a traditional Chinese medicine and healthcare company that is top level globally, through the stable supply and branding of high-quality crude drugs, drug pieces and Yakushokudogen products by fully utilizing existing resources.

At present, we are endowed with various opportunities. The standard of living of the citizens of China is continuing to improve in tandem with the ongoing development of China's economy. In addition, the demand among China's citizens is growing daily for products and services related mainly to medical and healthcare. Traditional Chinese medicine is vital in securing the health of China's citizens. Moreover, the scale of the market for crude drugs and drug pieces, which are the raw materials for traditional Chinese medicine, is continually expanding.

Also, according to statistical data, in FY2020 the market for drug pieces was valued at RMB178.2 billion (approx. JPY3.2 trillion), making it a fairly large market. Regulatory authorities in China are strengthening their oversight of quality.

Strict demands were issued in the 2020 version of the Pharmacopoeia of the People's Republic of China, which is equivalent to the Japanese Pharmacopoeia. A policy was set to sell high-quality products at a price commensurate with its high quality. Furthermore, on top of improving health awareness among the citizens of China and trust in traditional Chinese medicines, demand for products related to traditional Chinese medicines is also rising.

The crude drug platform possesses large-scale cultivation bases in various areas in China, which is an edge. Tsumura's GACP is being thoroughly implemented at all bases and traceability is being realized in all the crude drug production processes. In addition to pouring energies into the provision of technical guidance regarding cultivation and processing, and into the improvement of production quantity and productivity, research is being carried out on issues related to certain items.

The platform produces high-quality drug pieces made from high-quality crude drugs cultivated at these bases. China Medico and refined Chinese drug pieces have already garnered a certain degree of name recognition in the domains of high-quality crude drugs and drug pieces owing to its many years of experience and marketing activities.

Moreover, the crude drug platform has also ranked No. 1 for many consecutive years in the ranking for crude drug and drug piece exports from China. And it also continues to maintain its No. 1 position in the import ranking for many years for items such as ginseng.



Grow into a Chinese medicine healthcare company that leads industry development

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For sales not to the Tsumura Group, we aim to realize an external sales ratio of 50%-plus by 2024.

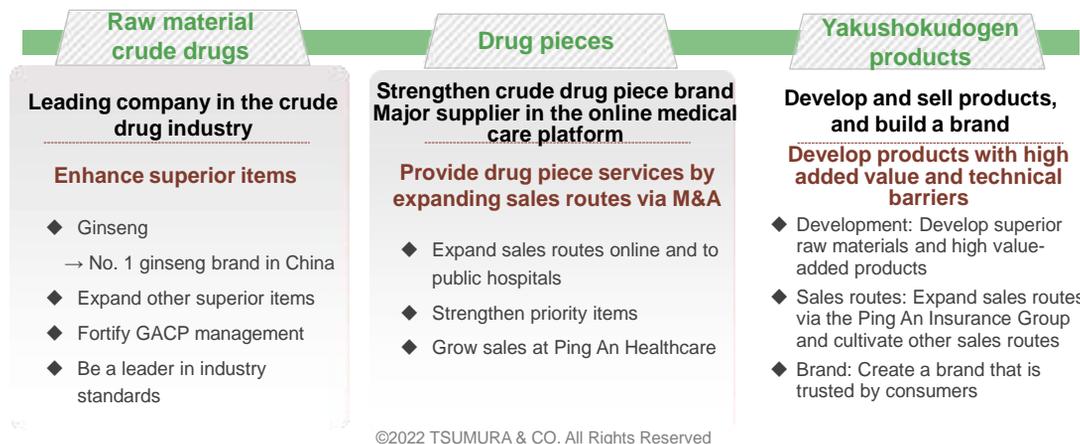
In 2031, we envisage sales of RMB3.0 billion-plus (more than JPY54.0 billion) and a CAGR of 17%.

Our goal is to grow into a traditional Chinese medicine healthcare company with a No. 1 share of the market in China and which will lead industry development.

Trajectory of the Crude Drug Platform



- Solidify the business infrastructure and expand sales by leveraging the advantages of the quality control system
- Pour energies into expanding, especially of drug pieces, by creating high added-value through drug piece services



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The following is the trajectory for the crude drug platform to realize the vision we presented earlier.

The basic model for raw material crude drugs is to provide the best solution related to crude drugs. Leveraging technologies that overlap with the quality management system, we plan to improve the quality of crude drugs by supporting solutions for issues faced by contract farmers as well as non-group customers. We aim to become a leading company in the crude drug industry, including a leader in the establishment of industry standards.

Among sales items, ginseng is a mainstay raw material crude drug. We aim to further enhance the superiority of ginseng. Along with an expansion in market share, we plan to foster products such as ginseng that will have an edge over rival products in quality, transaction volume and price. In addition, among superior items, we will develop products with a high added value. We will leverage brand benefits nurtured via BtoB to expand sales to general consumers.

We are pouring energies into drug pieces in particular. In addition to increasing our advantageous position in sales to private-sector medical institutions, we aim to build our position as a leading company in high-quality drug pieces by fortifying our brand of refined Chinese drug pieces, mainly key products, through the further expansion of online and public hospital sales channels. Taking advantage of the development of online services and the medical and healthcare industries, we will contribute to personalized medicine, by providing value-added services through drug piece services. Also, we will realize rapid expansion of sales channels, human resources, and the scale of sales through M&A deals.

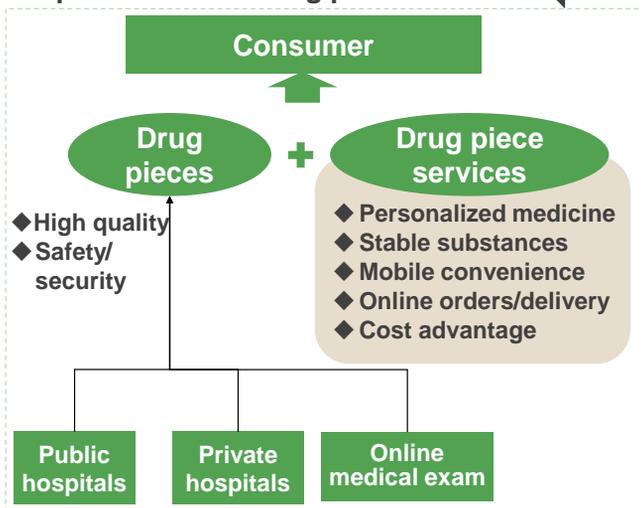
In Yakushokudogen products, we plan to develop high value-added products that suit the healthcare needs of citizens in China by collaborating with Tsumura using superior crude drugs. We also aim to achieve rapid growth in sales by utilizing market opportunities while building a brand by expanding sales via China Ping An Insurance channels using resources accumulated over many years in the traditional Chinese medicine industry.

Trajectory of the Crude Drug Platform (Drug Pieces)



Expand sales via drug piece services

Expansion via M&A



Forecasting M&A deals with 2 companies gradually

[M&A criteria]

- ◆ Same quality philosophy
- ◆ Key sales routes are through public hospitals and online
- ◆ Place emphasis on the Beijing/Tianjin regions, Pearl River Delta region, and the Yangtze River Delta region

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I will now explain the details of medical drug pieces, a crucial product group in the crude drug platform.

Medical drug pieces are exhibiting the highest level of growth in sales by utilizing the superior of the value chain for the crude drug platform at all stages, from cultivation bases to quality system, cost, brand, product technology, and up to value-added services.

We are providing consumers with drug pieces and value-added related services through public and private-sector hospitals and online clinics.

The issue with drug pieces is that after they are prescribed by a doctor, the patient must take the drug pieces home where they must then boil the drug pieces and drink the liquid as a decoction. This is the general method of use. Having to boil the drug pieces and the fact that they are not portable are the issues patient face.

We are providing services on behalf the patient, including decoction. We are suiting the needs of patients by utilizing modern technologies and cutting-edge facilities and production processes.

By boiling the drug pieces using cutting-edge facilities on behalf of the patient, it is possible to stably extract substances from the drug pieces and is expected to stabilize efficacy.

In addition, we realized an OTO method by which the drug pieces can be ordered online and home delivered. In the future, low-cost production will be possible by large-scale production.

The criteria for M&A are shown in the slide. We plan to acquire in stages two drug piece companies that have a certain scale of sales, superior marketing team and whose main sales channels are public hospitals. Through this, we aim to realize a rapid expansion in sales by entering the public hospital market and developing key areas, including the Beijing/Tianjin regions, Pearl River Delta region, and the Yangtze River Delta region.

This ends my portion of the presentation.

Become a presence that leads the traditional Chinese medicine industry by
standardizing quality and solving issues

→ Support the earning of trust and improvement of brand recognition

«R&D»

- Quality research based on “**EBM**”
- Build a “**quality space**” spanning crudes drugs to formulations



«Analysis/evaluation»

- Create “**yardsticks**” to evaluate the quality of traditional Chinese medicines
- Early detection of quality flaws and provide improvement recommendations

*“Quality space”: Utilize content analysis data for several substances to evaluate quality characteristics in a multi-dimensional space.

My name is Koin Toda. I will explain the Research Platform.

The research platform will be established to utilize the quality control technologies and knowledge accumulated over many years by Tsumura through crude drug and Kampo research, not only in business operations in Japan but China as well.

We plan to promote quality research based on evidence and to build a quality space in the value chain that spans quality research, crude drug seedlings and products.

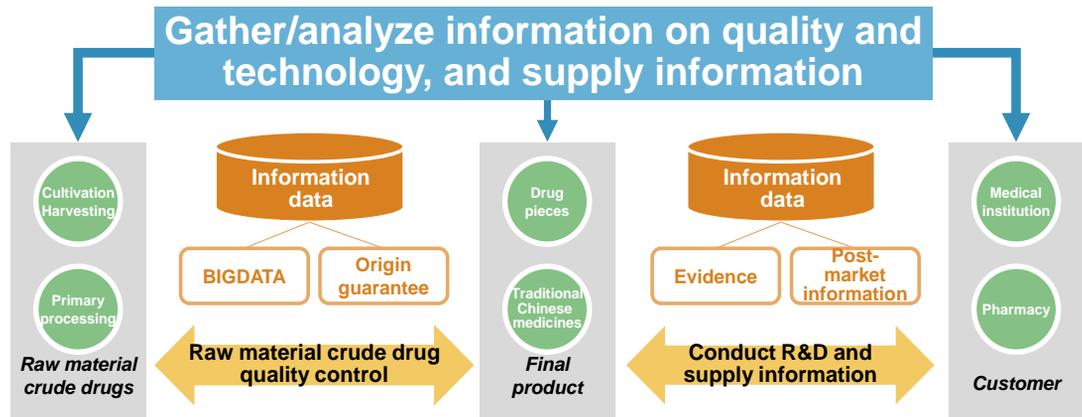
We will use research results as “yardsticks” for assessing traditional Chinese medicines, to detect quality issues and to provide improvement recommendations.

We aim to become a presence that will lead the traditional Chinese medicine industry by standardizing quality and solving issues and contribute to the expansion of the China business by brand building and improving product recognition.

Research Platform Structure



Propose traditional Chinese medicine quality standards/quality assessment scale → Improve level of the overall traditional Chinese medicine industry



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I will give a simple introduction of the research platform structure.

The research platform, as Big Data, is accumulating quality and technical information in areas from upstream to downstream in the value chain. This information is analyzed and contribution is made to an improvement in the quality of raw material crude drugs and final products by supplying information and technology to each site.

We also plan to propose traditional Chinese medicine quality standards and a quality evaluation scale to parties outside Tsumura as we aim to undertake an improvement in the level of traditional Chinese medicine industry overall.



Assistant General Manager and head of Private Equity, Ping An Insurance (Group) Company of China, Ltd.

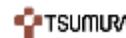
Kaipin Kui

Career

- Assistant General Manager and Head of Private Equity at the Overseas Investment platform for Ping An Insurance (Group).
- Research Assistant in the President's Office, at Ping An Insurance (Group) and in charge of investment analysis for the group strategy business, including Ping An Good Doctor.
- Lead the establishment of Ping An Japan Investment in 2015 and Ping An Healthcare Japan in 2019.
- Ping An invested in SHIONOGI & Co., Ltd. in 2020 and launched a joint venture in China.
- Implementing the China Business as a director of Ping An Tsumura.

Next, Kaipin Kui for Ping An Insurance will explain the support the Ping An Insurance Group will provide to Ping An Tsumura Pharmaceutical. At present, Kui is the assistant general manager of the overseas investment company at the Ping An Insurance Group. He is also head of Private Equity. As the Tsumura Group and as a director of Ping An Tsumura, he is mainly in charge of the China Business. Today, we will discuss the Tsumura Group's vision for the China Business.

Summary of the Ping An Insurance (Group)



In 1988, the Ping An Insurance (Group) was established as a private-sector company in Shenzhen. At present, the company has developed into a global-scale, full-line financial group.

Corporate profile (based on FY2021 results)

Name	Ping An Insurance (Group) Company of China, Ltd.
Locations	Shenzhen/Shanghai, China
Chairman	Peter Ma
Business	Insurance, banking, investment
Total assets	RMB10.14 trillion (approx. JPY180 trillion)
Sales	RMB1.18 trillion (approx. JPY20 trillion)
Net profit	RMB101.6 billion (approx. JPY1.8 trillion)
Customers	227 million Ownership ratio of financial instruments at 2 or more companies: 39.3%
Online users	647 million
Employees	Approx. 1.50 million
Ranking	Fortune 500: 16th globally (2nd among financial institutions) Forbes 2000: 6th globally

Tech-related performance

Tech system

- As of December 2021, more than 110,000 IT technicians

Number of patent applications related to Tech

- 38,420 cumulatively
- No. 1 globally in AI patents
- No. 1 globally in FinTech patents
- No. 1 globally in Digital Healthcare patents

Application results

- 84% of customer services is AI compatible; annual number of AI compatible cases was 2.07 billion cases; contributes to annual sales activities of RMB275.8 billion; possesses application results for 2,158 types of operations, including finance, credit cards and insurance products
- Apply to insurance screening for 1,600 types of diseases, improve operating efficiency by around 30%;
- Apply to insurance claims for 1,500 types of diseases, improve operating efficiency by 20%
- Sales in the Tech business amount to RMB 99.3 billion, and its business is comprised mainly of Lufax, OneConnect, Ping An Healthcare and Technology and AutoHome

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It is good to meet you all. My name is Kaipin Kui.

Today, as a director of Ping An Tsumura, a joint venture between Tsumura and Ping An Insurance, I would like to discuss Ping An Insurance's ideas regarding business at Ping An Tsumura.

The Ping An Insurance Group is one of China's large private-sector companies, boasting the largest business scale. The company was established in 1988 in Shenzhen, China, having gotten its start as a small-scale non-life insurance company. Today, it is one of the leading comprehensive financial groups in terms of scale in the world. It has also developed into a company that boasts superior technology.

In FY2021, the Ping An Insurance Group posted total assets of around JPY180 trillion, sales of roughly JPY20 trillion and net income of about JPY2 trillion.

In addition, the business infrastructure consists of approximately 230 million customers that have directly purchased financial products from the company, around 650 million users that directly access services via the Ping An Insurance internet platform, and roughly 1.5 employees, including sales agents.

The scale of business is extremely large. Ping An Insurance has a high level of trust in Tsumura's management and maintains a stance of not interfering with Tsumura's management. In addition, Ping An Insurance is not merely a financial company. It has been actively investing in the field of technology for more than 10 years. At present, there are more than 100,000 IT technicians in house. The company has already been garnering good results in AI, FinTech, and HealthcareTech to name a few areas.

This is but one example. We contributed to an improvement in sales performance of financial product owing to the introduction of technologies, which did not just boost the efficiency of customer service operations.

You might be wondering why I brought up the topic of technology. This is because this is related to the origins of the ideas both companies had when first forming this partnership. In addition to integrating the IT technologies of Ping An Insurance with the superior technologies of Tsumura's Kampo, both our companies believe we want to contribute to improving the health of the citizens of China and to the development of standards for traditional Chinese medicines in China.

Development of Tsumura and the China Business



Capital investment

We forecast total investment of RMB880 million, or 44% of registered capital (RMB2.0 billion).



Corporate acquisitions

The private equity investment team always pours energies into the expansion of Ping An Tsumura and provides support for negotiations to acquire traditional Chinese medicine companies. Completed acquisition of Pingcun Zhongying Pharmaceutical in 2019, and of China Medico in 2020.



Sales channels

Conducting sales of traditional Chinese medicine-related products, including Yakushokudogen products and drug pieces, by using Ping An Good Doctor and Ping An Life sales channels. Furthermore, Ping An Life is participating in product development.



Share technologies

Ping An Technology is deploying a research project with Tsumura using image analysis and AI technology, to improve production area management and quality.



Government affiliations

Ping An always provides full-fledged support, including investing in the Chinese companies operated by Tsumura, which is a foreign-owned company, and the establishment of joint ventures, and conducts negotiations with the government on behalf of Tsumura.

1

Support all resources (including capital and sales channels) necessary for the development of the China business

➔ Contribute to the health of China's citizens through the development of this business

2

Support marketing, product development and sales measures that suit consumers in China

➔ Achieve goals in the China business early on

3

Accelerate the development of the China business by utilizing capital markets

➔ Improve corporate value and realize continual development by securing/training talented personnel, building a brand, improving trust, and expanding the product market

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In addition to the technology I discussed, Ping An Insurance provides all necessary resources, including capital and sales channels, for the Tsumura-Ping An joint venture in China.

There are five concrete initiatives described on the left-hand of the slide.

First, the provision of business capital and sales channels via the joint venture.

Second, full-fledged support of M&A activities in tandem with business expansion at the joint venture.

Third, support of sales activities by using Ping An Good Doctor's online channels and Ping An Life Insurance's off-line channels, and active support in product development.

Fourth, technological support that was discussed earlier. This is mainly the application of image analysis and AI technologies to the analysis of the types, DNA and quality of Kampo materials.

Fifth, we will support ties with the government for business expansion in China. We will also provide internal resources for negotiations with the government.

Ping An will continue to provide full-fledged support to Tsumura's China business in a variety of areas, including capital and sales channels, product development and sales activities in line with consumer needs in China, the acquisition and training of personnel, and brand building.

China still has ample leeway to boost its per-capita income level. I believe that investment in the health of China's citizens will continue to grow going forward. In addition to this environment, citizens in China are especially partial to traditional Chinese medicines. In light of this, the Kampo market is a very appealing market. We aim to make the China Business successful by pairing up the Tsumura, which has superior Kampo technologies.

Corporate Communications Dept.

IR Group

investor_madoguchi@mail.tsumura.co.jp

PR Group

shuzai@mail.tsumura.co.jp

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- In the event of regulatory changes related to healthcare administration, including medical insurance systems and drug prices, and reflecting in changes in interest rates and foreign exchange rates, there is potential impact to the Company's performance or financial position.
- In the event of a termination of sales or a substantial decline in sales of the Company's core products currently on the market due to a defect, an unforeseen side effect or some other factors, it would have a major impact on the Company's performance or financial position.

