

# First Quarter Business Results for Fiscal 2024

August 6, 2024

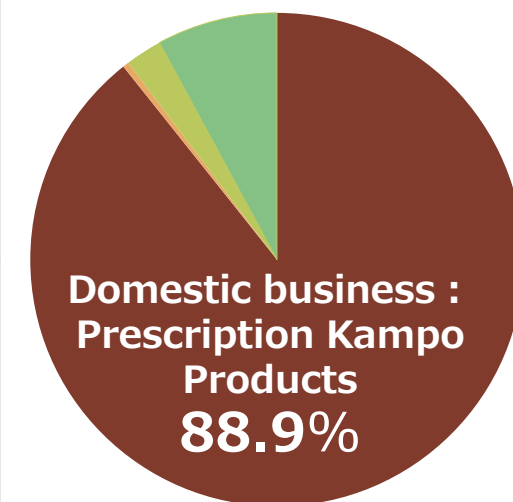
Director, and CFO

Muneki Handa

# 1Q Business Results for FY 2024

【Million yen】	1Q FY 2023 results	1Q FY 2024 results	YoY		FY2024 1H plan	Progress Rate (vs. 1H plan)
			Amount	Change		
<b>Sales</b>	<b>37,036</b>	<b>43,690</b>	<b>+6,654</b>	<b>+18.0%</b>	<b>89,700</b>	<b>48.7%</b>
Domestic business	32,988	40,134	+7,145	+21.7%	79,600	50.4%
China business	4,047	3,556	(491)	(12.1%)	10,100	35.2%
<b>Operating profit</b>	<b>4,684</b>	<b>10,575</b>	<b>+5,890</b>	<b>+125.7%</b>	<b>19,300</b>	<b>54.8%</b>
Domestic business	4,684	10,713	+6,028	+128.7%	19,500	54.9%
China business	0	(138)	(138)	—	(200)	—
<b>Ordinary profit</b>	<b>5,989</b>	<b>14,118</b>	<b>+8,128</b>	<b>+135.7%</b>	<b>19,300</b>	<b>73.2%</b>
<b>Profit</b> attributable to owners of parent	<b>4,332</b>	<b>11,180</b>	<b>+6,847</b>	<b>+158.1%</b>	<b>14,200</b>	<b>78.7%</b>
PL translation rate (CNY)	19.36	20.63	+1.27	—	—	—

Ratio to total sales



- China business :  
Crude Drug Platform 8.1%
- Domestic business :  
OTC Kampo etc. 2.3%
- Domestic business :  
Other prescription  
pharmaceuticals 0.7%

\*Forex rate at the time overseas subsidiaries' PLs were incorporated; differs from the import rate for raw material crude drugs

# Key Points in Performance

## • Both net sales and profits increased year-on-year

<b>Net sales</b>	<b>43,690</b>	<b>million yen</b>	YoY	<b>+18.0%</b>	Progress rate (vs. 1H plan)	<b>48.7%</b>
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- Domestic business Total sales for the 129 prescription Kampo formulations: 38,820 million yen, up 21.9% year-on-year  
Total sales of the OTC Kampo formulations and other healthcare products: 985 million yen, up 17.8% year-on-year
- China business Raw material crude drugs, drug pieces, health products, etc. : 3,556 million yen, declined 12.1% year-on-year

<b>Operating profit</b>	<b>10,575</b>	<b>million yen</b>	YoY	<b>+125.7%</b>	Progress rate (vs. 1H plan)	<b>54.8%</b>
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<b>Operating profit margin</b>	<b>24.2</b>	<b>%</b>	YoY	<b>+11.6pt</b>		
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- Cost-to-sales ratio: 47.7%, (7.2)pt YoY: Impact from the rise in crude drug procurement expenses and the depreciation of the yen's value against major currencies was offset by the NHI drug price revision
- SG&A ratio: 28.1%, (4.3)pt YoY: Due mainly to an increase in net sales

<b>Ordinary profit</b>	<b>14,118</b>	<b>million yen</b>	YoY	<b>+135.7%</b>	Progress rate (vs. 1H plan)	<b>73.2%</b>
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- Foreign exchange gain primarily related to loans to overseas subsidiaries: 3,228 million yen, +2,299 million yen year-on-year

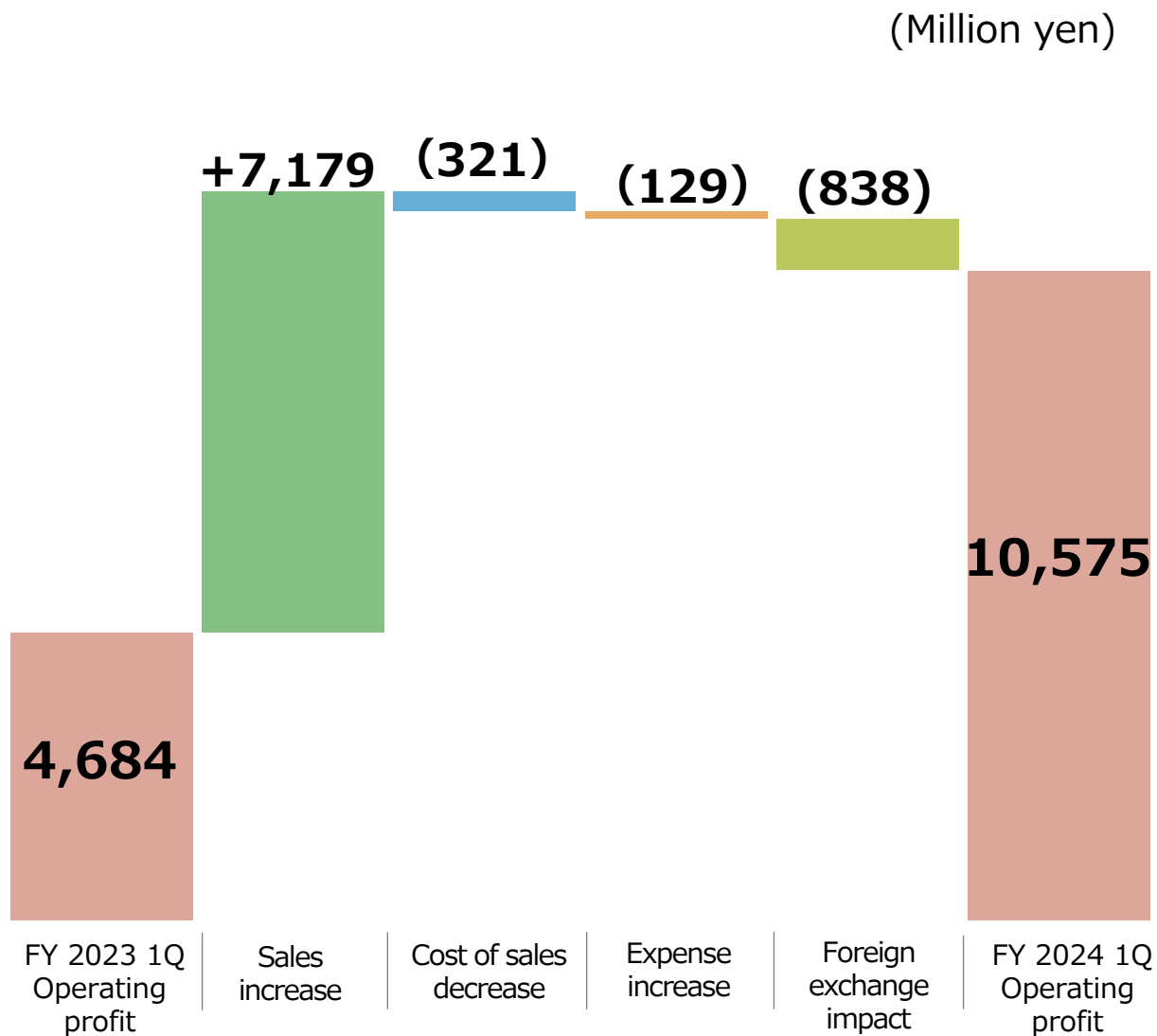
\*Foreign exchange gain not posted in plan

<b>Profit attributable to owners of parent</b>	<b>11,180</b>	<b>million yen</b>	YoY	<b>+158.1%</b>	Progress rate (vs. 1H plan)	<b>78.7%</b>
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- Gain on sale of cross-shareholdings: 1,729 million yen, +1,729 million yen YoY

# Factors Triggering Changes in Operating Profit (YoY)

(Million yen)



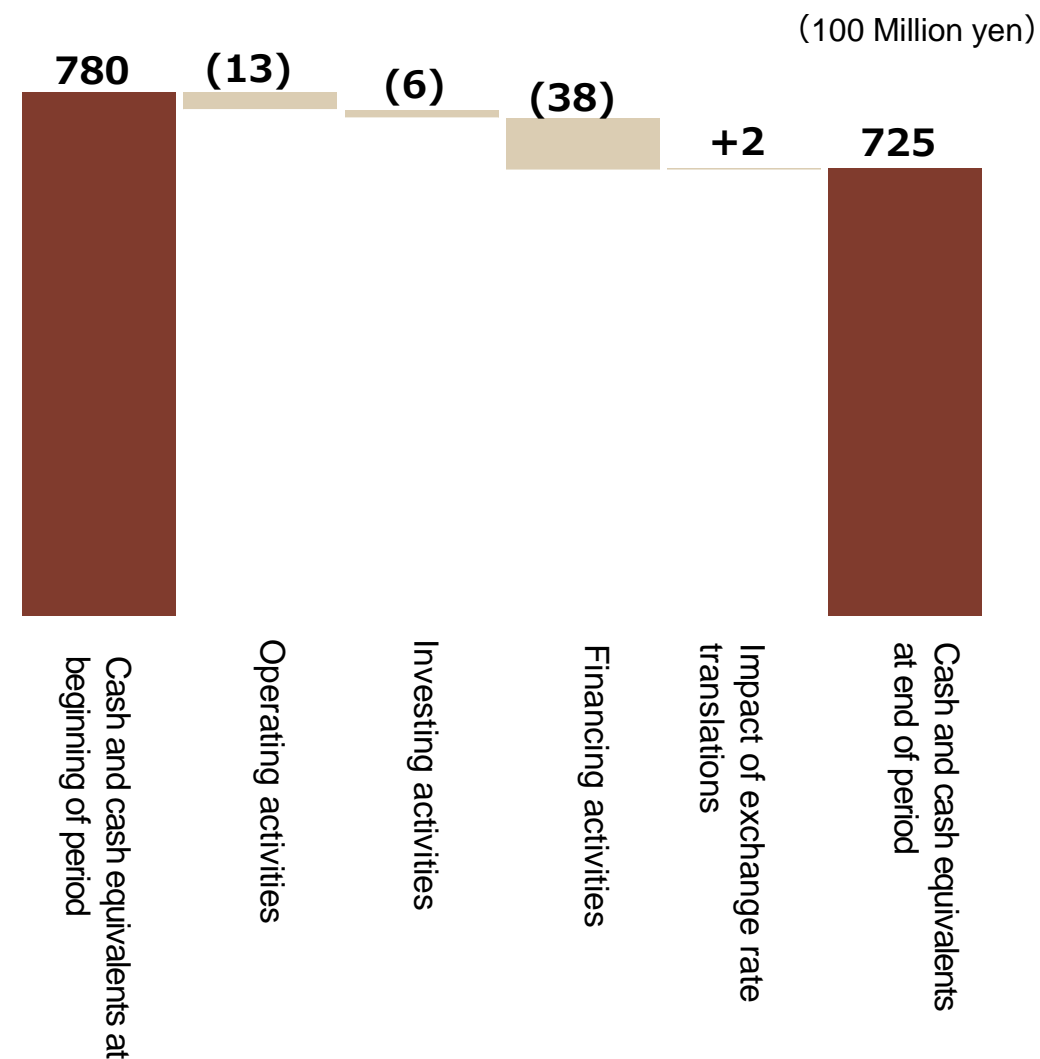
<b>Sales increase: +7,179 million yen</b>	
Domestic business (including NHI price revision impact, Sales volume, Sales Composition)	+7,285
China business	(106)
<b>Decrease in cost of sales: (321) million yen</b>	
Domestic business: Crude drug procurement cost	(321)
Domestic business: Raw material expenses	(166)
Domestic business: Processing expense, etc. (of which impact from the initial operation of Tianjin Plant in the previous year was +278)	+142
China business: Increase in sales ratio	+24
<b>Expense increase: (129) million yen</b>	
Depreciation	(125)
R&D cost	(42)
Sales promotion expense	60
Salary allowance	96
Other	(118)
<b>Foreign exchange (yen depreciation) impact: (838) million yen</b>	

# Financial Condition/Cash Flow Position

(Million yen)

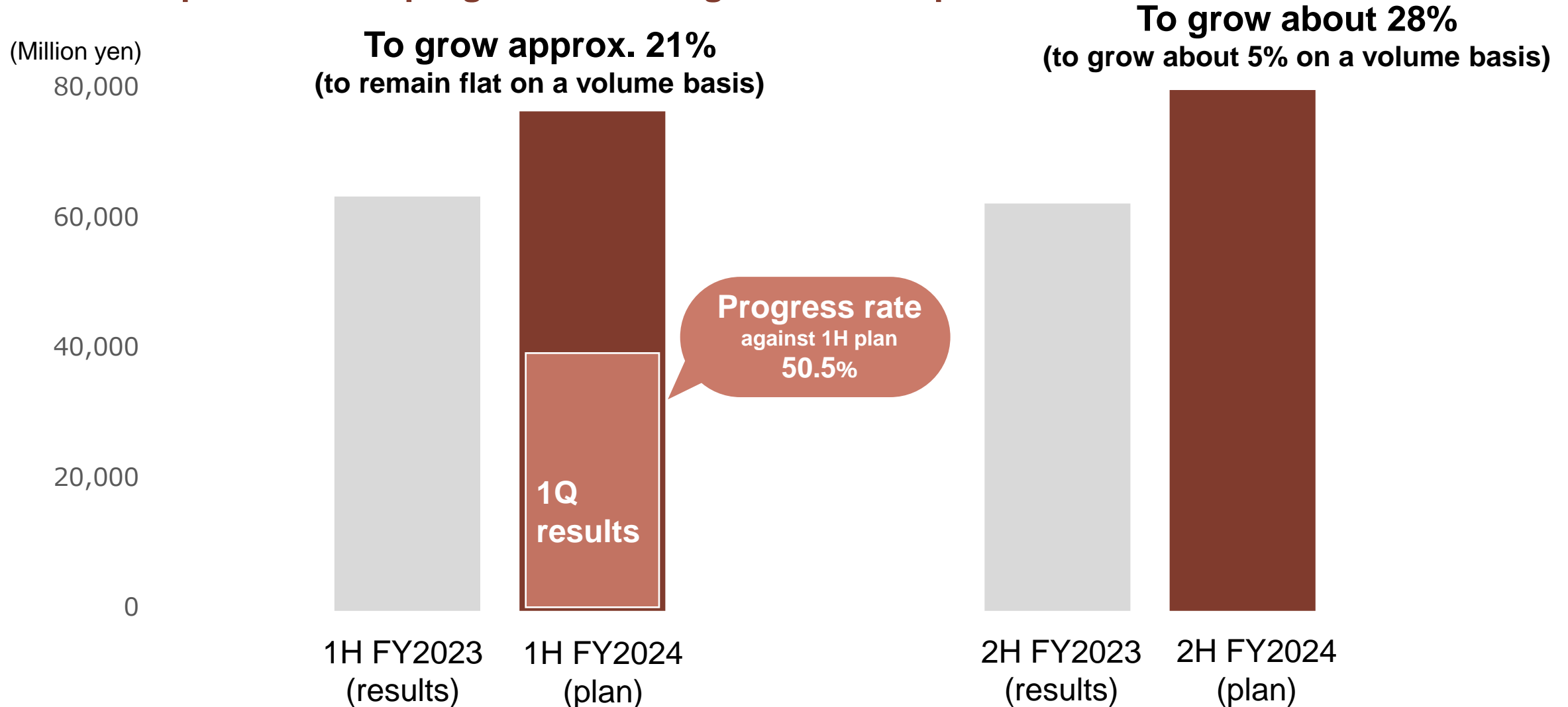
	FY 2023 (March 2024)	FY 2024 1Q	Change
<b>Total assets</b>	<b>428,254</b>	<b>445,163</b>	<b>16,909</b>
Current assets	281,292	297,395	16,102
Non-current assets	146,961	147,768	807
<b>Total liabilities</b>	<b>132,889</b>	<b>137,611</b>	<b>4,721</b>
Current liabilities	68,557	73,718	5,161
Non-current liabilities	64,332	63,892	(439)
<b>Total net assets</b>	<b>295,364</b>	<b>307,552</b>	<b>12,188</b>
Equity ratio	63.2%	63.3%	+0.1pt

	FY 2023 (March 2024)	FY 2024 1Q	Change	Of which, Exchange rate
<b>Inventories</b>	<b>117,617</b>	<b>126,911</b>	<b>9,294</b>	3,252
Merchandise and finished goods	12,139	13,522	1,383	167
Work in process	18,309	19,944	1,634	152
Raw materials and supplies	87,168	93,444	6,275	2,932



# Domestic Business: Sales of 129 Prescription Kampo formulations

- Net sales in 2H are expected to grow about 28% year-on-year on the back of an increase in production capacity
- 1Q sales performance progressed well against the 1H plan

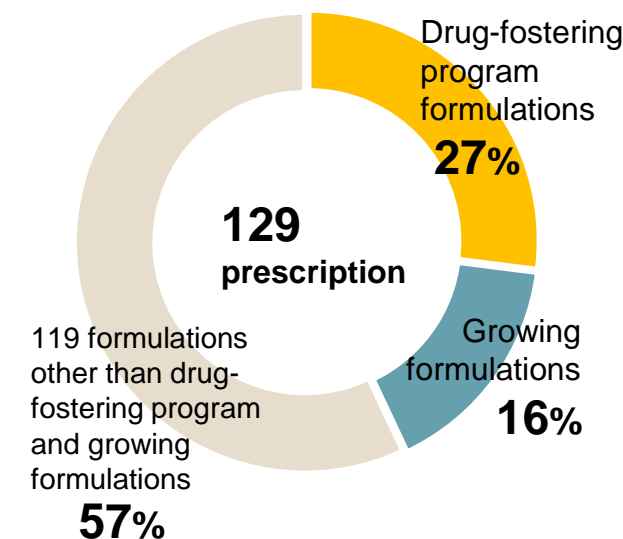


# Sales of Drug-fostering Program Formulations/Growing Formulations

(Million yen)

	Net sales Ranking	Product No./formulation name	FY 2023 1Q	FY 2024 1Q	YoY	
Drug-fostering program formulations	1	100 Daikenchuto ※	2,515	3,877	+1,362	+ 54.2%
	2	54 Yokukansan ※	1,940	3,040	+1,100	+ 56.7%
	5	43 Rikkunshito	1,861	1,757	(104)	(5.6)%
	7	107 Goshajinkigan ※	995	1,467	+472	+47.5%
	25	14 Hangeshashinto	370	358	(12)	(3.3)%
Total sales for drug-fostering program formulations			7,683	10,502	+2,819	+ 36.7%
Growing formulations	3	17 Goreisan	1,801	2,090	+288	+ 16.0%
	4	41 Hochuekkito	1,931	1,800	(131)	(6.8)%
	9	24 Kamishoyosan	1,305	1,199	(105)	(8.1)%
	19	137 Kamikihito	590	539	(51)	(8.7)%
	20	108 Ninjin'yoeito	561	527	(33)	(6.0)%
Total sales for growing formulations			6,191	6,157	(33)	(0.5)%
Total sales for 119 formulations other than drug-fostering program and growing formulations ※			17,964	22,161	+4,197	+ 23.4%
Total sales for 129 prescription Kampo products			31,838	38,820	+6,982	+ 21.9%

## Ratio to total sales

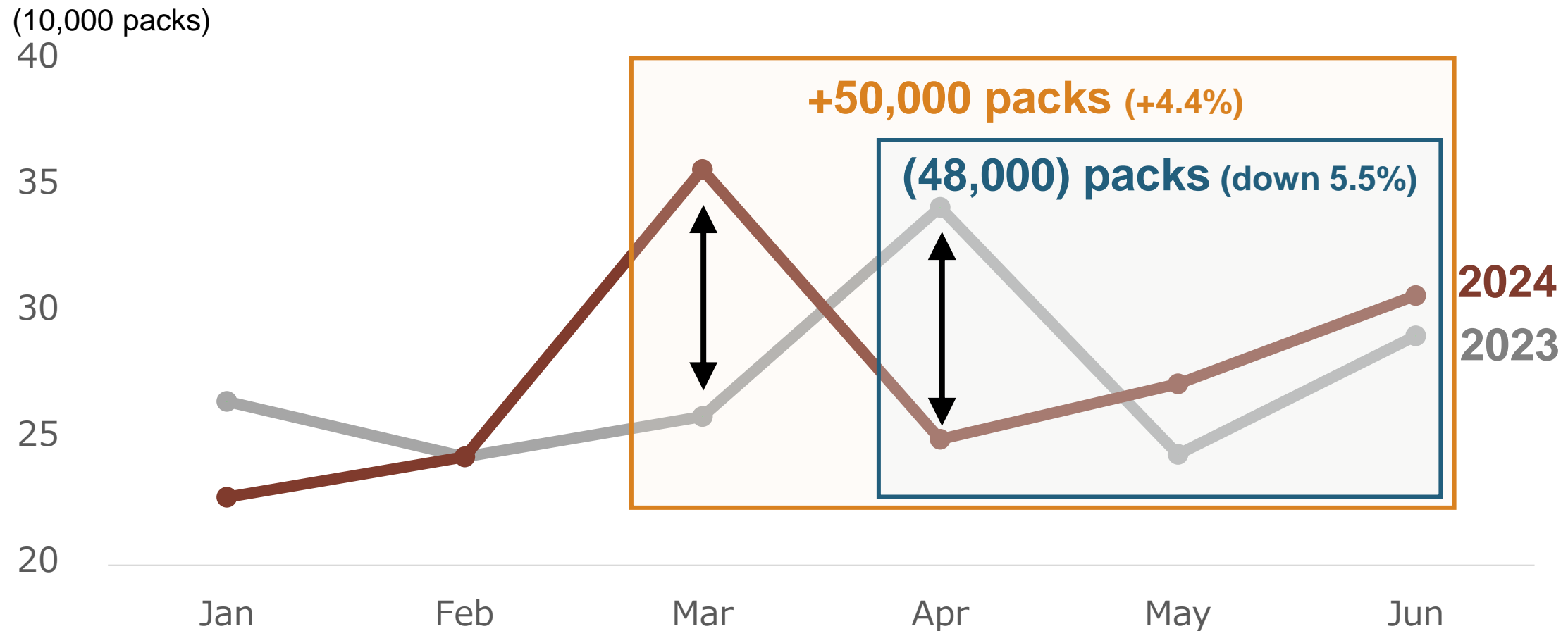


\*66 prescriptions subject to recalculation of unprofitable products (3 drug-fostering program formulations + 63 other formulations) (+36.2% to +50.7%)

# Domestic Business: Analysis of Sales of Drug-fostering Program Formulations / Growing Formulations

- Sales of the following 6 formulations in March increased about 35% year-on-year

## Change in monthly sales of 6 formulations (Rikkunshito, Hangeshashinto, Hochuekkito, Kamishoyosan, Ninjin'yoeito, and Kamikihito)



\*1 pack is 1 standard box (1 box is for 9 weeks)



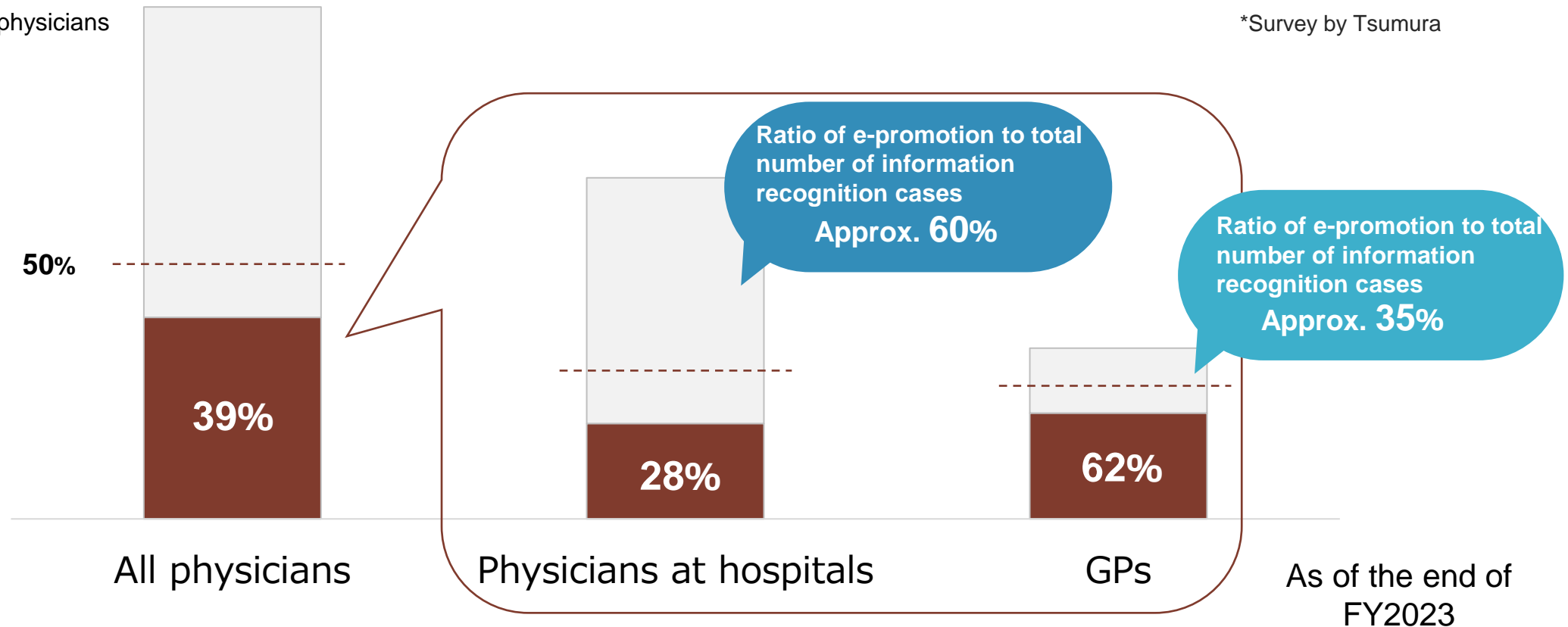
# Domestic Business: Physicians Writing 10 or More Prescriptions for Kampo formulations

- Hospitals are the key in increasing the ratio of physicians writing 10 or more prescriptions for Kampo formulations to 50% or more.
- E-promotion accounts for approx. 60% of information recognition cases among hospitals. By further focusing on promotion activities targeting hospitals, we aim to increase the number of physicians writing 10 or more prescriptions for Kampo formulations

Number of physicians writing 10 or more prescriptions for Kampo formulations (by sales channel)

Approx. 320,000 physicians

\*Survey by Tsumura



- Large-scale Web-lectures for hospital doctors planned, with a total of over 30,000 physicians expected to attend
- Detailing impact through Web lecturers almost doubled on a year-on-year basis



**Kampo Online Seminars (4 sessions)**  
**Kampo short lectures for hospital doctors**

<Themes>

Session 1: Symptoms suitable for Kampo (insomnia and anxiety)

Session 2: Various symptoms in the elderly (frailty, sarcopenia, and cramps)

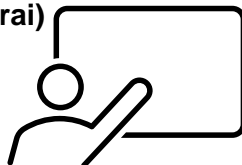
Session 3: Gastrointestinal symptoms (upper abdominal complaints, abdominal pain, and constipation)

Session 4: Selection of Kampo medicines for hospital doctors (summary)

<Lecturers>

Department of Kampo Medicine, Tokai University School of Medicine

Kampo medical advisors (Dr. Nogami, Dr. Nakada, Dr. Arai)



Web lecturers: Detailing impact



INTAGE Healthcare Inc. survey, Impact Track

# Domestic Business: Initiatives to Provide Customized Information for Each Physician

- Provision of customized information for each physician through "enhancement of quantity and quality" of e-mail marketing mechanism
- The number of pageviews (PVs) of Tsumura's medical website has increased 20%

## Provision of customized information for each physician

Identify potential needs and provide relevant content based on website visits, clinical department, area of practice, and prescriptions

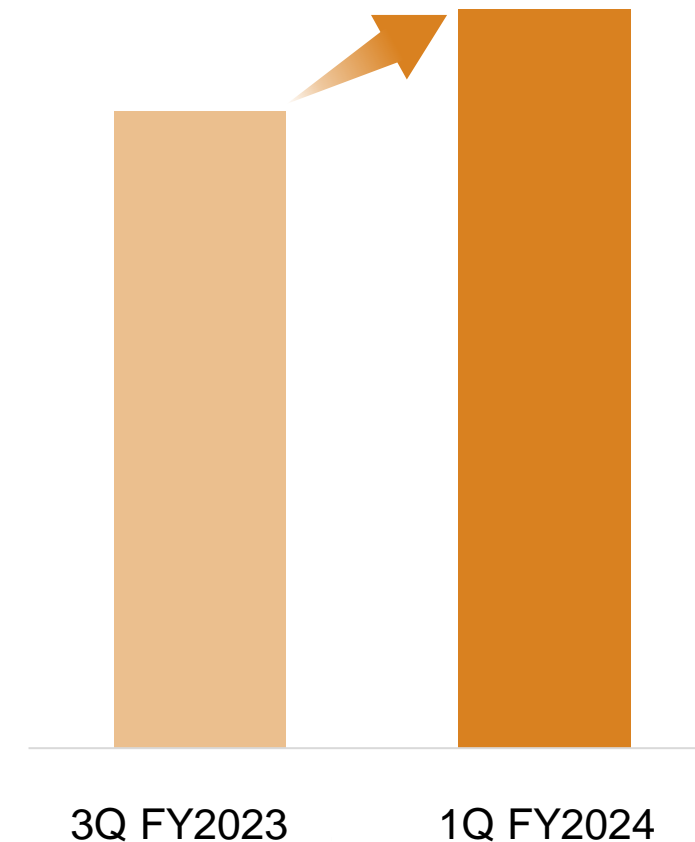
Email distribution



Email distribution



Number of PVs



# Domestic Business: Increase in Production Capacity

- As a result of the lifting of shipment restrictions by increasing production capacity, the number of restricted shipment items has decreased to one formulation (Bakumondoto)
- Production volume of Bakumondoto will significantly increase after the completion of the renewal of Shanghai Plant

## Establishment of Tianjin Plant



- Obtainment of manufacturing approval has completed for all items as planned
- Full-scale operation of Phase 1 manufacturing lines is expected to start in 2Q

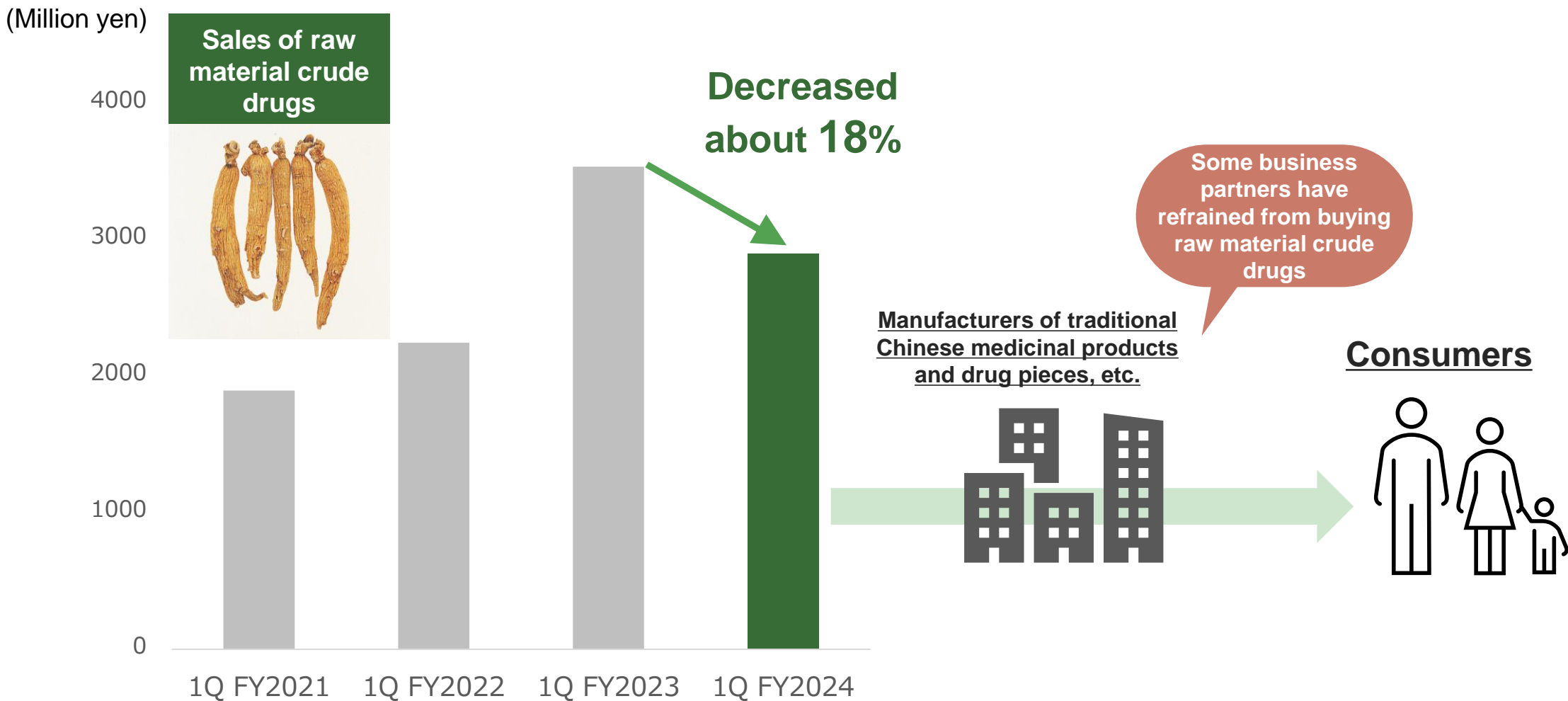
## Renewal of Shanghai Plant



- Renewal of manufacturing lines that have been in operation for more than 20 years is underway
- Construction will be completed by the end of August due to a shortened construction period, and operations are scheduled to resume

# China Business: Sales of Raw Material Crude Drugs in Crude Drug Platform Business

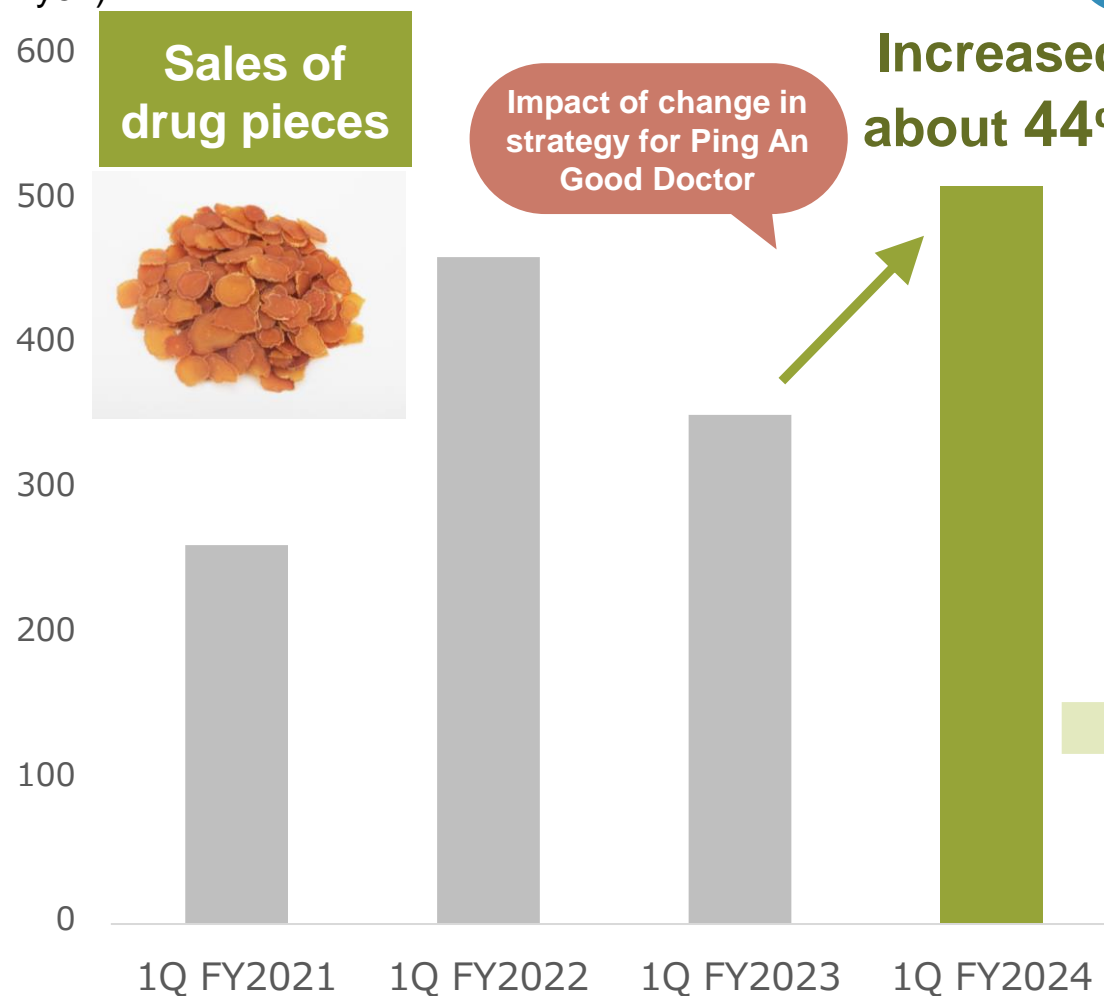
- Some business partners have refrained from buying raw material crude drugs as there is speculation that crude drug price hikes are expected to ease
- Aim to expand sales by increasing the number of sale items



# China Business: Sales of Drug Pieces in Crude Drug Platform Business

- Sales of drug pieces have returned to growth through the expansion of sales routes to hospitals, etc.
- Make further efforts for customer development by expanding drug piece added-value service “Personalized Medicine”

(Million yen)



Sales to hospitals and pharmacies as well as online sales

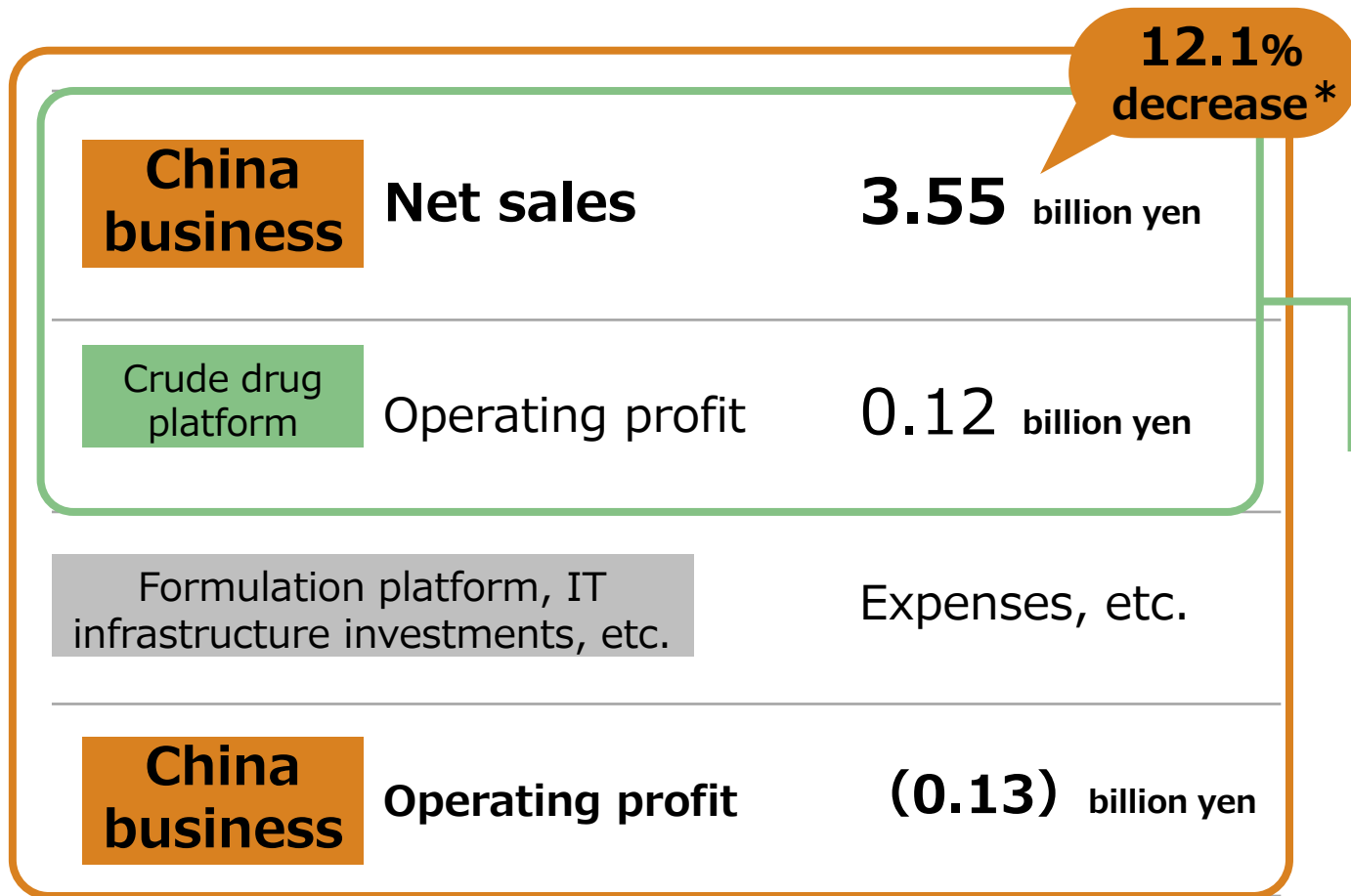


Consumers



# China Business: Sales of Crude Drug Platform Products

- Aim to achieve operating profit of the China Business by improving operating profit margin in the crude drug platform



## Crude drug platform products

Raw material crude drugs



Sales to traditional Chinese medical products companies as a raw material

Drug pieces



Sales for prescription-use and as an OTC to hospitals and pharmacies

Health products



Sales of health food products made from crude drugs to general consumers

\*Local currency basis: 17.5% decrease

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## Cautionary items regarding forecasts

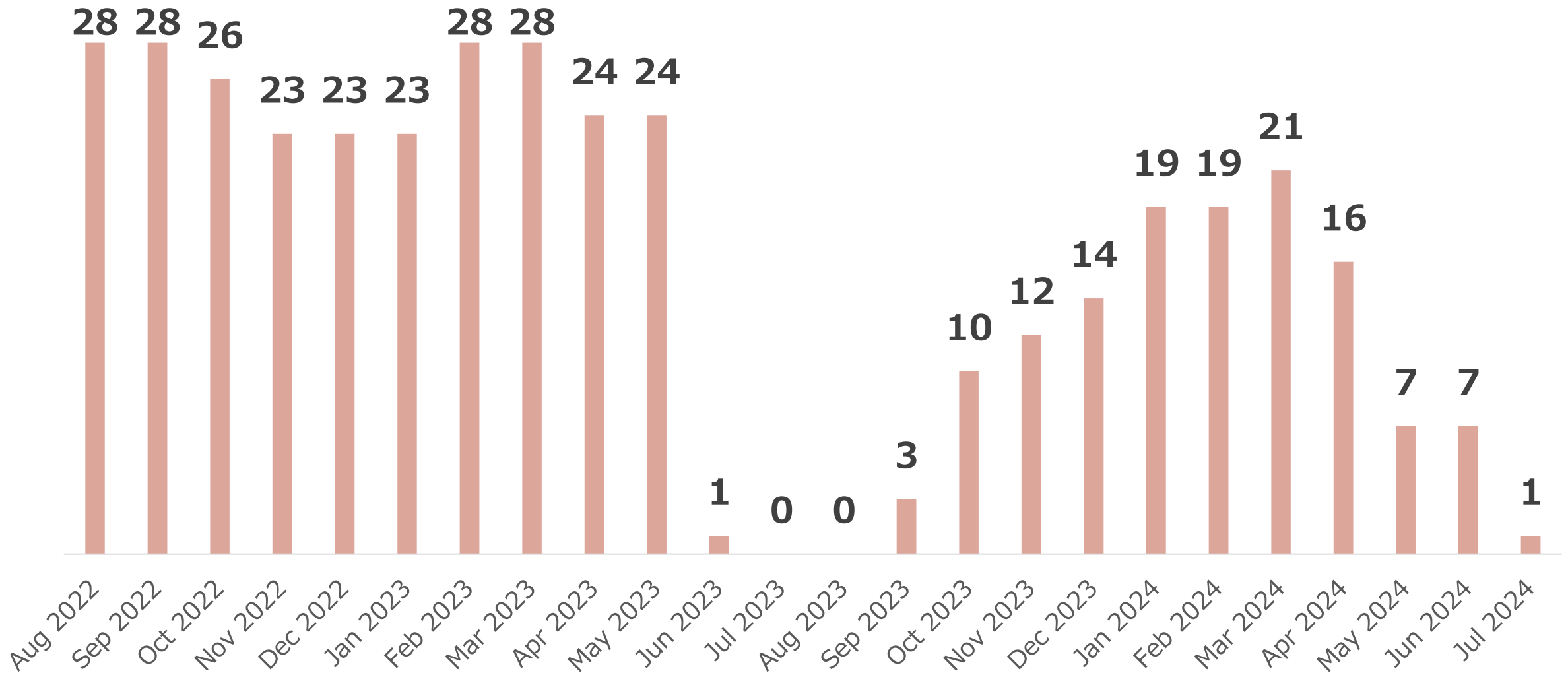
- The materials and information provided in this presentation contain so-called forward-looking statements. Readers should be aware that the realization of these statements can be affected by a variety of risks and uncertainties and that actual results could differ significantly.
- Changes in Japan or other foreign countries related to healthcare insurance systems or regulations set by medical treatment authorities on drug prices or other aspects of healthcare or in interest and foreign exchange rates could negatively impact the Company's performance or financial position.
- In the unlikely event that sales of the Company's core products currently on the market be halted or should sales substantially decline due to a defect, unforeseen side effect or some other factor, there could be a major impact on the Company's performance or financial position.



# Appendix

# Domestic Business: Changes in Number of Restricted Shipment Items in 129 Prescription Kampo formulations

- There was only one restricted shipment item as of August 6 as a result of the lifting of shipment restrictions by increasing production capacity



# Domestic Business:Trends in unrealized profit

- Large fluctuations occurred quarterly in FY2023 due to special factors such as plant shutdown
- There were no special factors in 1Q FY2024

