

Second Quarter (Interim Period) Business Results for Fiscal 2024

November 8, 2024

TSUMURA & CO.

01

Toward the Realization of
Long-Term Management Vision 2031

02

Second Quarter (Interim Period)
Business Results for Fiscal 2024 Overview

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

Value-creation domain of the Tsumura Group

— Three Preventive Measures —

Treatment

**Pre-symptomatic
(prevention)**

**Prevent disease
from becoming
serious
(Prevent change
in existing
disease)**

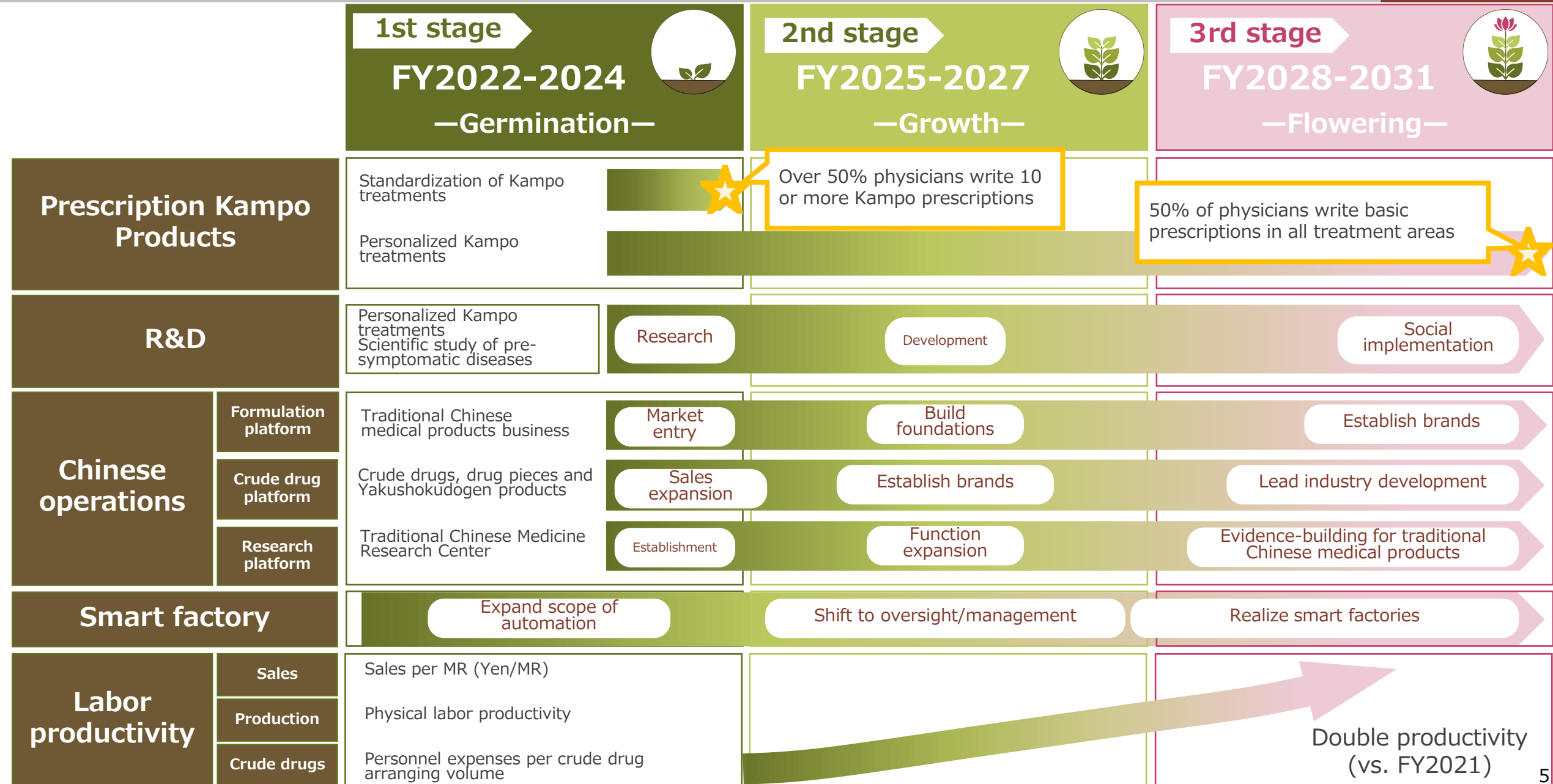
**Prevent
relapses
(Post-healing
recovery)**

**Healthcare
(prevention)**

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**

Roadmap for the Realization of the TSUMURA VISION "Cho-WA" 2031



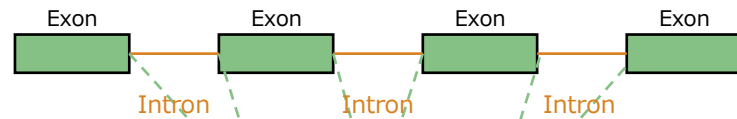
Pre-symptomatic Disease and Science (PDS): Develop a Pre-symptomatic Indicator & Propose Treatment Methods

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

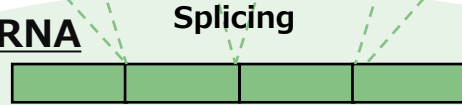
Research phase

Information collection/analysis

Precursor mRNA

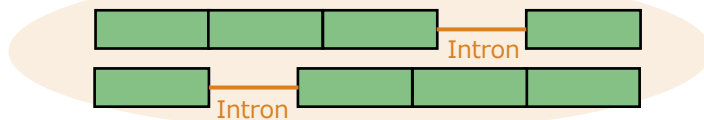


Normal mRNA



Splicing

Intron retention (IR)



Intron retention occurs reflecting anomalies in gene expression and biological stress response regulation

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

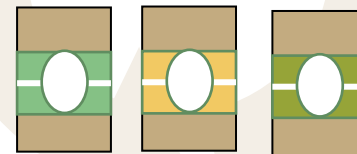
Development phase

Effectiveness Studies

Clarifies link with “disease”
and confirms treatment efficacy



Integrated and comprehensive analysis



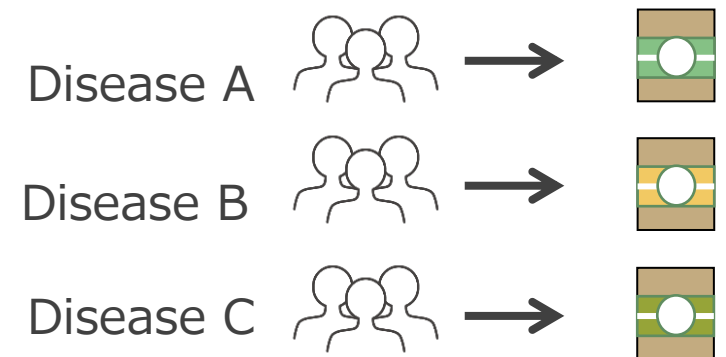
Evaluate the efficacy of Kampo medicine

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

Social implementation

Applied to diagnosis and medication

Establish diagnostic method and recommend treatment methods



Research Findings on Pre-disease Conditions (September 30, 2024: Kitasato University Press Release)

Results 1 Analysis of intron retention revealed that it could serve as an excellent marker for depression.

Results 2 The administration of Kampo medicines resulted in the recovery of intron retention at the genetic level.

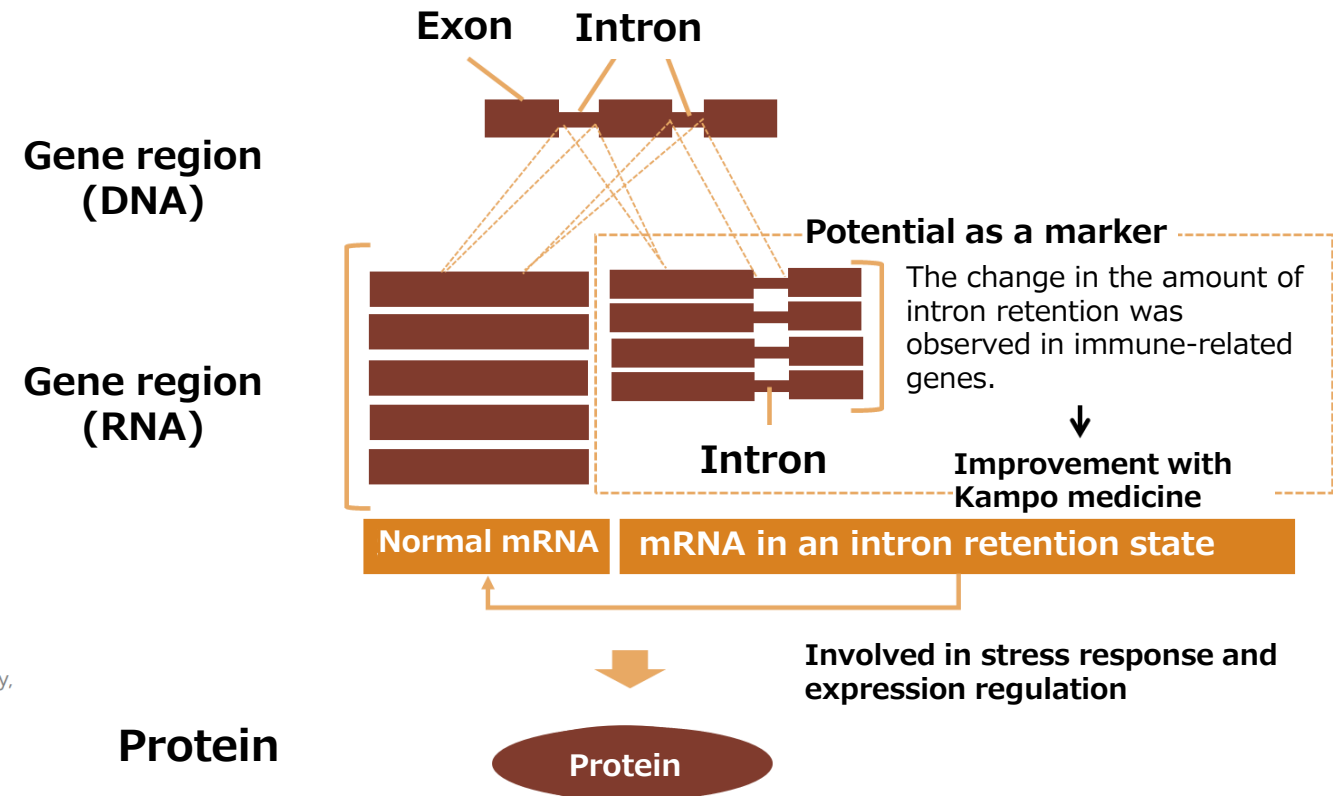
 **frontiers** | Frontiers in *Psychiatry*

Intron retention as an excellent marker for diagnosing depression and for discovering new potential pathways for drug intervention

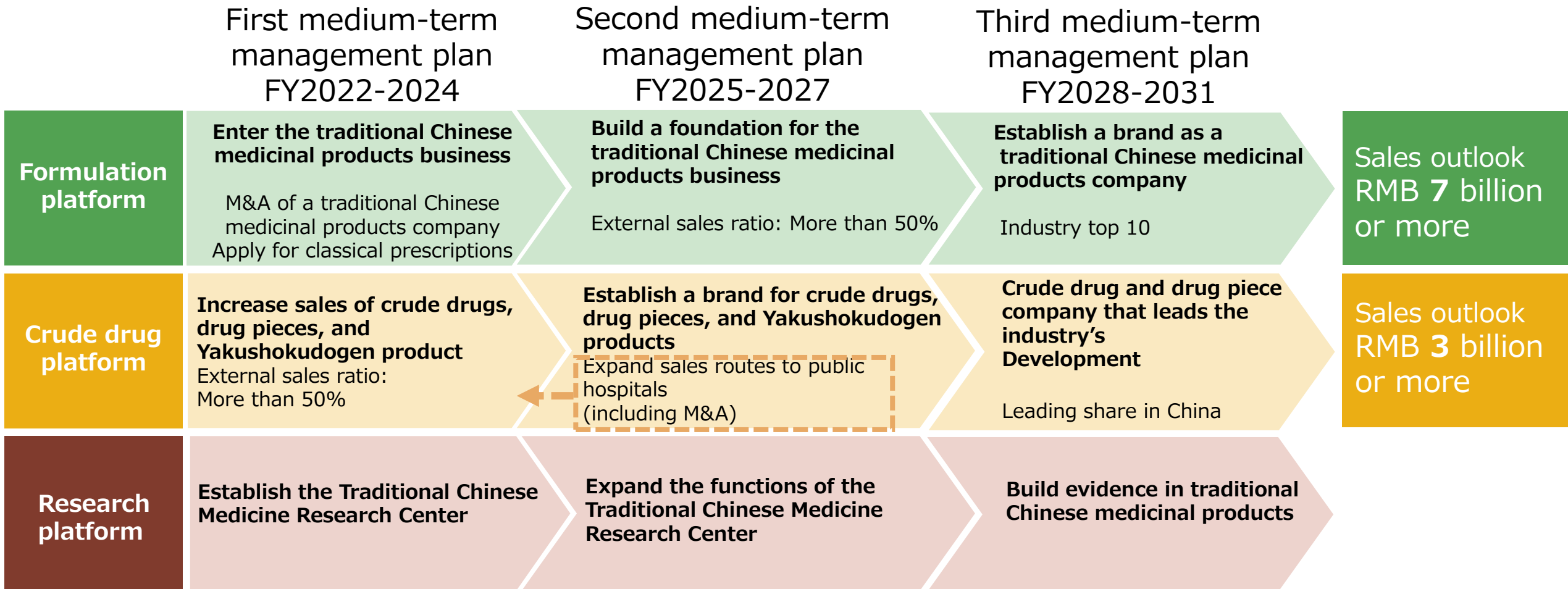
Norihiro Okada^{1*}, Kenshiro Oshima¹, Akiko Maruko¹, Mariko Sekine^{2,3}, Naoki Ito³, Akino Wakasugi^{2,3}, Eiko Mori³, Hiroshi Odaguchi³ and Yoshinori Kobayashi^{1,3}

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Published in Frontiers in "Psychiatry"
(2024 Sep 19:15:1450708.)



China Business : Progress of each platform

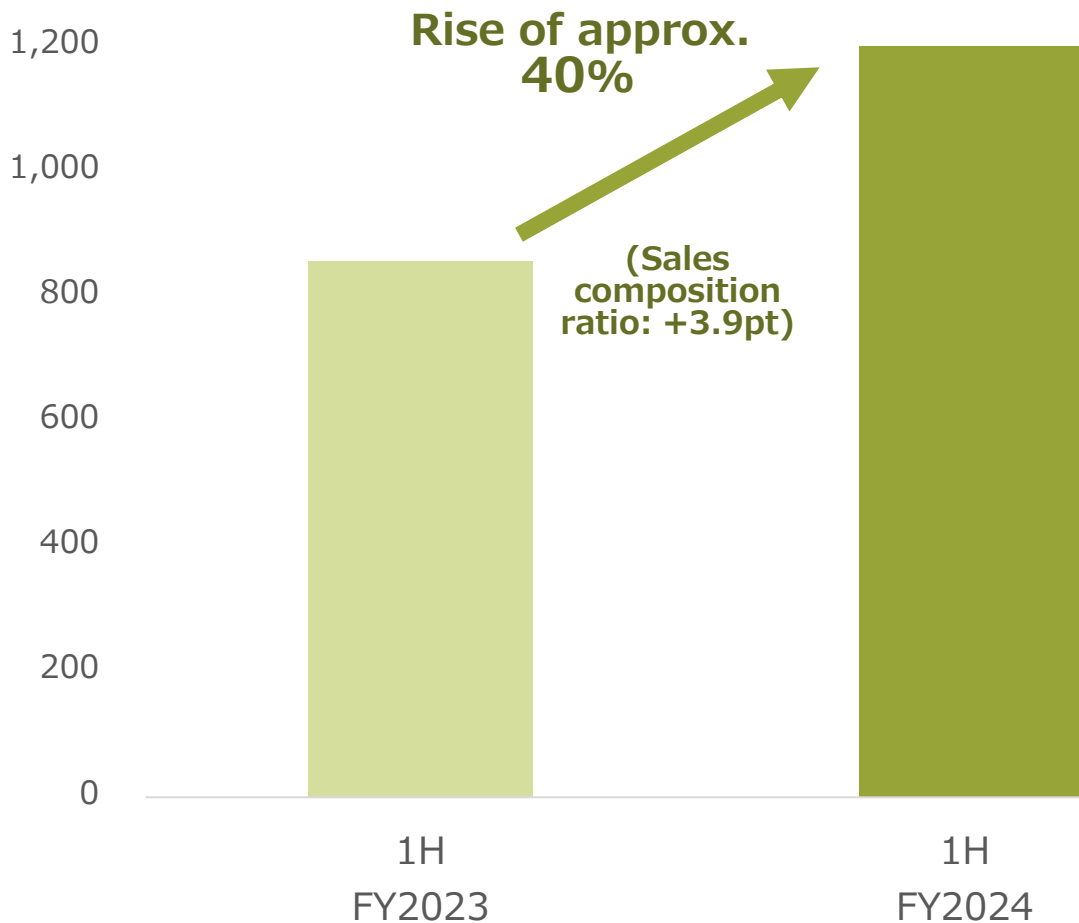


China Business: Expand Sales of Drug Pieces via the Crude Drug Platform

- The CoGS ratio in the crude drug platform improved due to an increase in sales composition ratio along with the expansion in sales of drug pieces
- Promote development of customers by expanding sales channels, including M&A, and with drug piece added-value services

(Million yen)

Crude drug platform sales



Further expand drug piece sales channels (M&As also under negotiation)



Hospitals, pharmacies, online sales, etc.

Expand "personalized medicine" as a drug piece added-value service



Consumers

Processing (specifically for traditional Chinese medicinal products)

In accordance with the theory of Traditional Chinese Medicine (TDM), drugs pieces are processed, including “steaming,” “boiling,” and “roasting,” with the goal of reducing changes in drug piece drug efficacy and toxicity, and preservation

Raw material
crude drugs



Crude drug name: Byakujutsu

Drug piece after processing



Charred byakujutsu

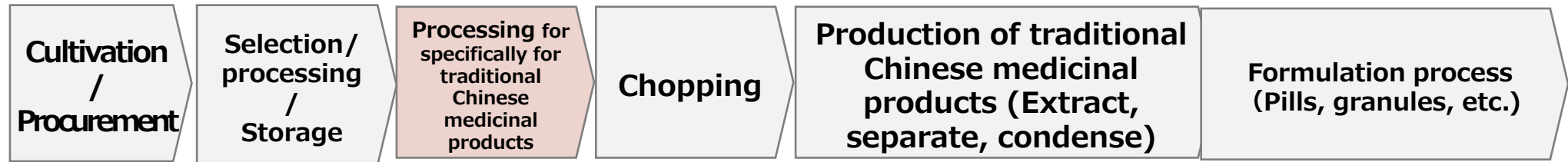
Fried byakujutsu

Foreign companies cannot conduct process owing to foreign investment regulations

Sep. 8, 2024: Proclamation of a deregulation notification (enacted November 1)

Tsumura Group is able to implement all production processes as it is now capable of doing processing specifically for traditional Chinese medicinal products

[Manufacturing processing for drug pieces/traditional Chinese medicinal products]



Crude drug
PF



Raw material
crude drugs



Drug pieces

Formulation
PF



Traditional Chinese
medicinal products

Achieving Carbon Neutrality

- Introducing Solar Power at Manufacturing Sites
- Switching to CO2-Free Electricity

Building Tsumura's Circular Economy

- Recycling of Extract Water from Extracts
- Bioplastics for Bath Herb Containers

Sustainability Initiatives

- Evaluation of Nature-Related Risks and Opportunities using the TNFD LEAP Approach

Achieving Nature Positive

- Tosa Tsumura Forest
- Recipient of the Forest × Act Challenge 2024 Excellence Award by the Forestry Agency

Building Regional and Social Relationships

01

Toward the Realization of
Long-Term Management Vision 2031

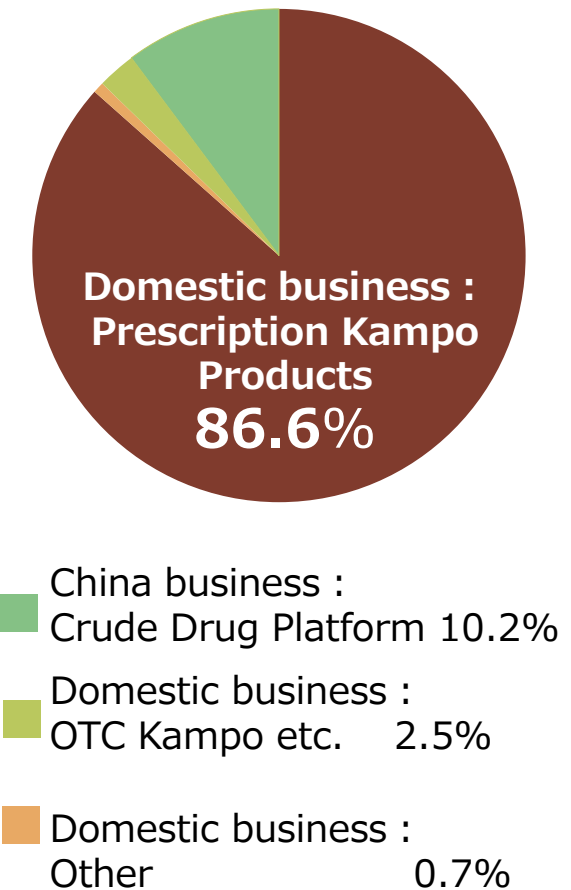
02

Second Quarter (Interim Period)
Business Results for Fiscal 2024 Overview

Second Quarter (Interim Period) Business Results for Fiscal 2024

[Million yen]	2Q FY 2024 Plan	2Q FY 2024 results	Achievement rate	YoY	
				Amount	Change
Sales	89,700	89,071	99.3%	+13,768	+18.3%
Domestic business	79,600	79,973	100.5%	+13,842	+20.9%
China business	10,100	9,097	90.1%	(74)	(0.8)%
Operating profit	19,300	21,075	109.2%	+10,863	+106.4%
Domestic business	19,500	21,196	108.7%	+10,770	+103.3%
China business	(200)	(121)	—	+93	—
Ordinary profit	19,300	23,402	121.3%	+10,727	+84.6%
Profit attributable to owners of parent for the six months	14,200	17,502	123.3%	+8,497	+94.4%
PL translation rate (CNY)* ²	—	21.07	—	+1.61	—

Ratio to total sales



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

Key Points in Performance

Domestic business achieved sales plans, China Business underperformed sales plans, and profits at all levels were in line with plans

Net sales	89,071	million yen	1H FY 2024 achievement rate	99.3%	YoY	+18.3%
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- Domestic business Total sales for the 129 prescription Kampo formulations: 77,101 million yen, up 21.0% year-on-year
Total sales of the OTC Kampo formulations and other healthcare products: 2,226 million yen, up 27.1% year-on-year
- China business Raw material crude drugs, drug pieces, health products, etc. : 9,097 million yen, declined 0.8% year-on-year

Operating profit	21,075	million yen	1H FY 2024 achievement rate	109.2%	YoY	+106.4%
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Operating profit margin	23.7	%	versus 1H FY 2024 plan	+2.2pt	YoY	+10.1pt
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- CoGS ratio: 48.5% (1.1)pt vs. 1H plan; (5.8)pt YoY
Vs. plan: Reduction in processing expense; hiring and facility maintenance expenses to be posted in subsequent periods, etc.
YoY: Impact, mainly from yen depreciation and rise in processing expense, offset by NHI drug price revisions
- SG&A ratio: 27.8% (1.1)pt versus 1H plan; (4.4)pt YoY
Vs. plan: R&D expense to be posted in subsequent periods, etc. YoY: Primarily impact from sales increase

Ordinary profit	23,402	million yen	1H FY 2024 achievement rate	121.3%	YoY	+84.6%
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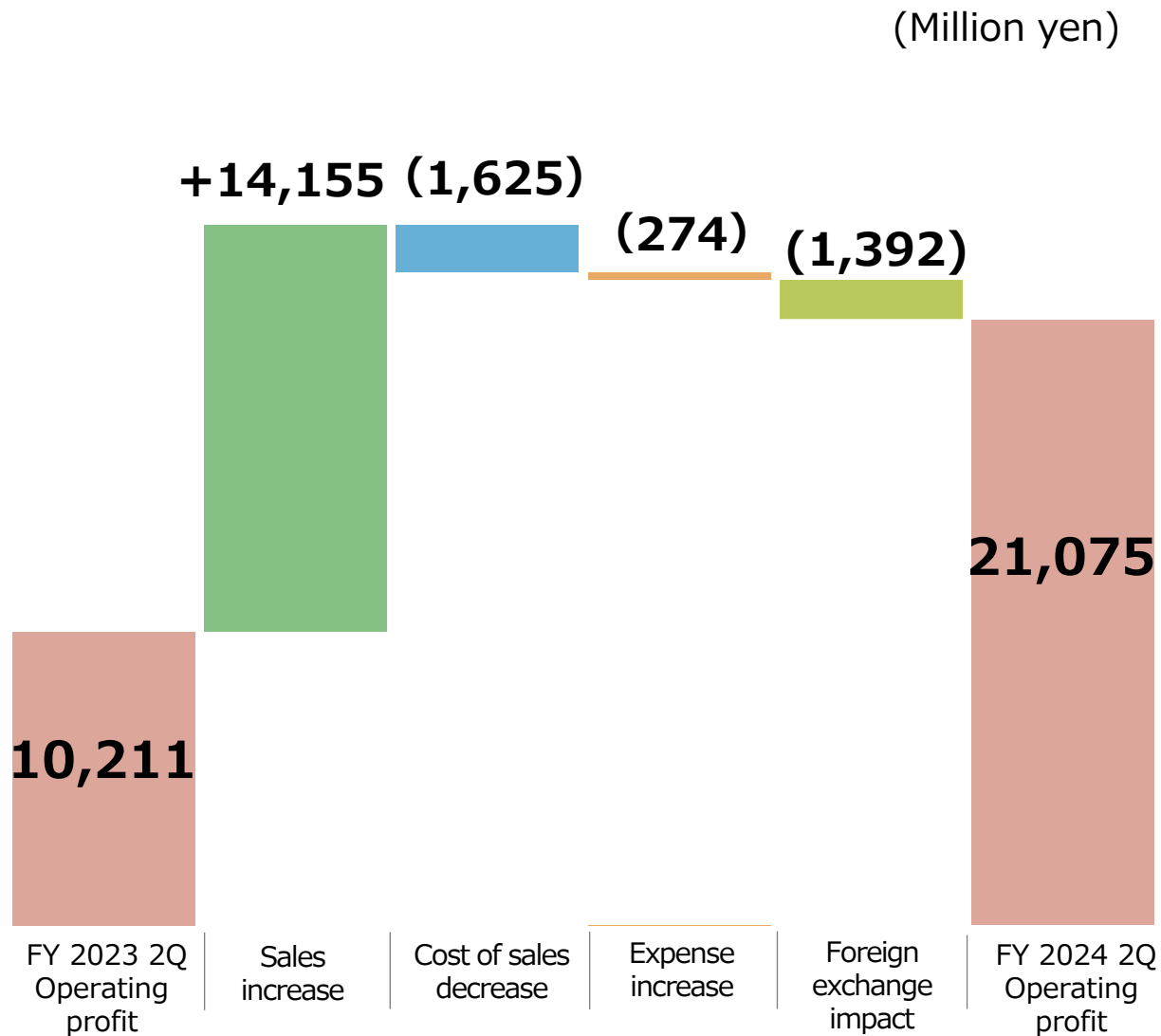
- Foreign exchange gain primarily related to loans to overseas subsidiaries: 1,752 million yen, down 228 million yen year-on-year
*Foreign exchange gain not factored into earnings forecast

Profit attributable to owners of parent for the six months	17,502	million yen	1H FY 2024 achievement rate	123.3%	YoY	+94.4%
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- Gain on sales of cross-shareholdings : 1,813 million yen, up 1,813 million yen year on year
*Gain on sales of cross-shareholdings not factored into earnings forecast

Factors Triggering Changes in Operating Profit (YoY)

(Million yen)



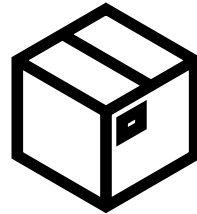
Sales increase: +14,155 million yen	
Domestic business (including NHI price revision impact, Sales volume, Sales Composition)	+14,259
China business	(104)
Decrease in cost of sales: (1,625) million yen	
Domestic business: Crude drug procurement cost	(220)
Domestic business: Raw material expenses	(319)
Domestic business: Processing expense, etc.	(1,139)
China business: Decrease in sales ratio	+54
Expense increase: (274) million yen	
Depreciation	(240)
R&D cost	+2
Sales promotion expense	+111
Other	(147)
Foreign exchange (yen depreciation) impact: (1,392) million yen	

- In addition to cash flows from operating activities, generate cash by improving B/S and allocate it to further business growth and shareholder returns.
- Shortening the accounts receivable site and reducing cross-shareholdings to generate approximately 11.6 billion yen

Curtail the collection site for accounts receivables

■ Goal

Negotiate with business partners on collection sites for accounts receivables and



Reduce in stages by approximately 20%

■ Progress

- Smooth progress in curtailing collection sites
- Account receivable reduction benefits

Approx. 9.0 billion yen

Decrease cross-shareholdings

■ Goal

Based on a policy with a principle of zero



From FY 2024, aim to realize full-fledged reduction and cut by half early on

■ Progress

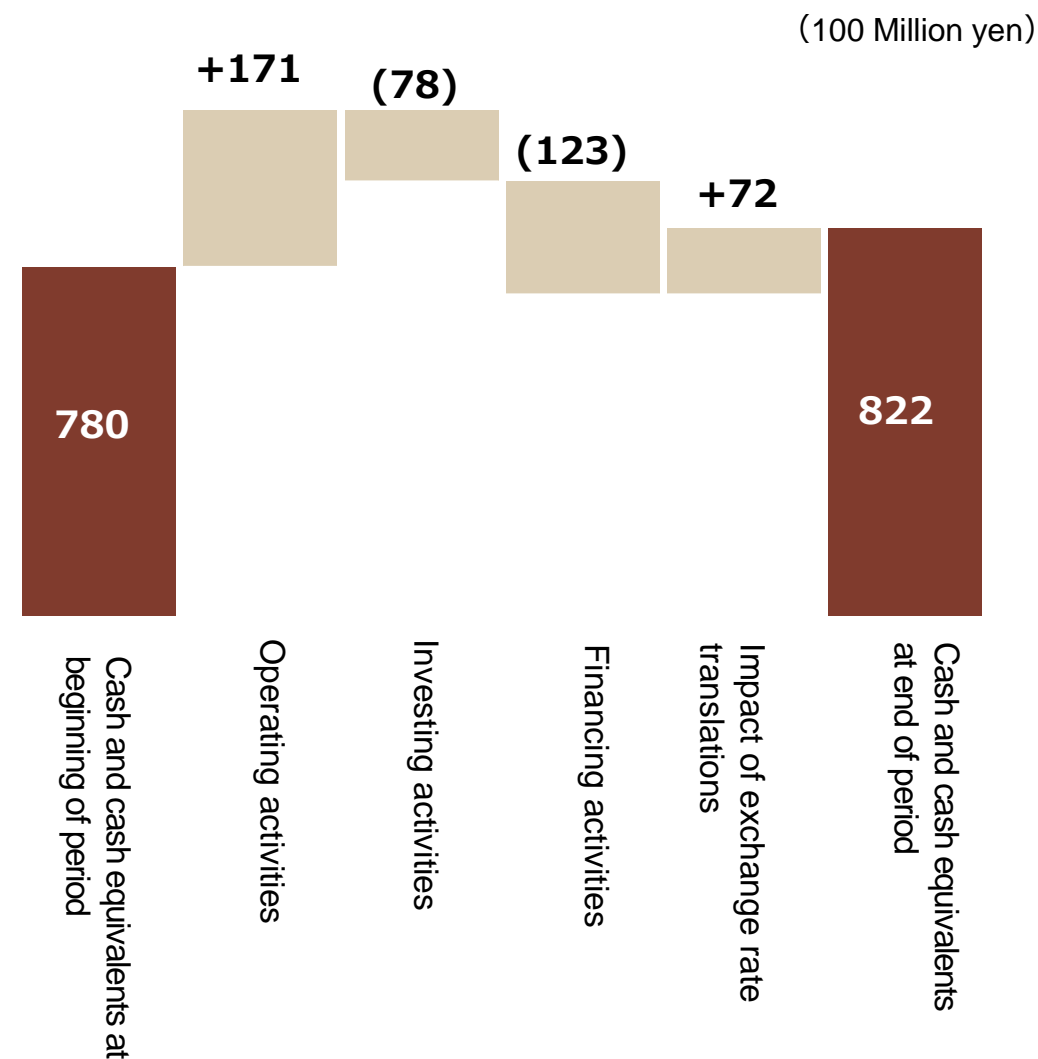
- Sales in FY2024 approx. 2.6 billion yen (Total amount of cross-shareholdings to decrease 15%)
- Aim to quickly cut in half
Accelerate activities in 2H

Financial Condition/Cash Flow Position

(Million yen)

	FY 2023 (March 2024)	FY 2024 2Q	Change
Total assets	428,254	453,462	25,208
Current assets	281,292	300,784	19,491
Non-current assets	146,961	152,678	5,716
Total liabilities	132,889	129,588	(3,300)
Current liabilities	68,557	55,715	(12,841)
Non-current liabilities	64,332	73,872	9,540
Total net assets	295,364	323,873	28,509
Equity ratio	63.2%	64.9%	+1.7pt

	FY 2023 (March 2024)	FY 2024 2Q	Change	Of which, Exchange rate
Inventories	117,617	131,492	13,875	7,422
Merchandise and finished goods	12,139	14,080	1,941	369
Work in process	18,309	19,554	1,244	263
Raw materials and supplies	87,168	97,857	10,689	6,790



Investment to Further Strengthen the Stable Supply System (Capital Expenditures)



- In FY2024, scheduled to invest 34.0 billion yen to further strengthen the stable supply system and to improve productivity
- Although a portion of payment deadlines will be carried forward to a subsequent period, investments are basically in line with plans

Goal	Main investment details	Investment			Investment period
		FY2024 Plan	1H FY2024 Payments	Total	
Enhance production capacity/improve productivity (Kampo extract powder manufacturing process)	Shanghai Plant (renewal)	1.0 billion yen	0.6 billion yen	3.0 billion yen	FY2021 - FY2024
	Tianjin Plant (Phase 2, Phase 3)	9.5 billion yen	3.7 billion yen	25.0 billion yen	FY2021 - FY2026
	Ibaraki Plant (No. 4 SD Bldg.)	7.5 billion yen	0.2 billion yen	30.0 billion yen	FY2024 - FY2026
Enhance production capacity/improve productivity (Granulation and packaging process)	Granulation and packaging building	3.0 billion yen	0.1 billion yen	*Institutional approval of the total investment will be made in the second half of the fiscal year or later.	FY2024 - FY2027
Boost storage capacity/improve productivity	Ibaraki Plant (No. 3 Crude Drug Building)	2.5 billion yen	0.0 billion yen	8.0 billion yen	FY2024 - FY2026
	Yubari Tsumura (medicinal plant warehouse)	1.5 billion yen	0.7 billion yen	2.5 billion yen	FY2023 - FY2025
Other (Increase lines, renew, improve productivity, etc.)		9.0 billion yen	2.8 billion yen	—	—
Total		34.0 billion yen	8.1 billion yen	—	—

- **Securing production volume that exceeds plans owing to benefits from the first phase of the newly-constructed Tianjin Plant and the completion of the renewal of the Shanghai Plant**



Newly-constructed Tianjin Plant

Tianjin Plant (Tianjin, China)

Phase 1	<ul style="list-style-type: none"> • Started shipments to plants in Japan from November 2023 • Full-scale operations from 2Q FY2024
Phase 2	<ul style="list-style-type: none"> • Scheduled to hold completion ceremony at the end of November 2024 • Production operations slated to start in 2025, full-fledged to get underway in 2027
Phase 3	<ul style="list-style-type: none"> • Construction to be completed in 2026, and production to start in 2027, and full-scale operations scheduled to start in 2028

Shanghai Plant (Shanghai, China)

1SD	<ul style="list-style-type: none"> • Renewal construction completed at the end of August, and production operations and shipments resumed
2SD	<ul style="list-style-type: none"> • Production operations underway as usual

- At the Ibaraki Plant, embarked on construction of the No. 4 SD Building and No. 3 Crude Drug Building to strengthen production capacity
- Cutting-edge facilities that introduce newly-developed robots and automation technology



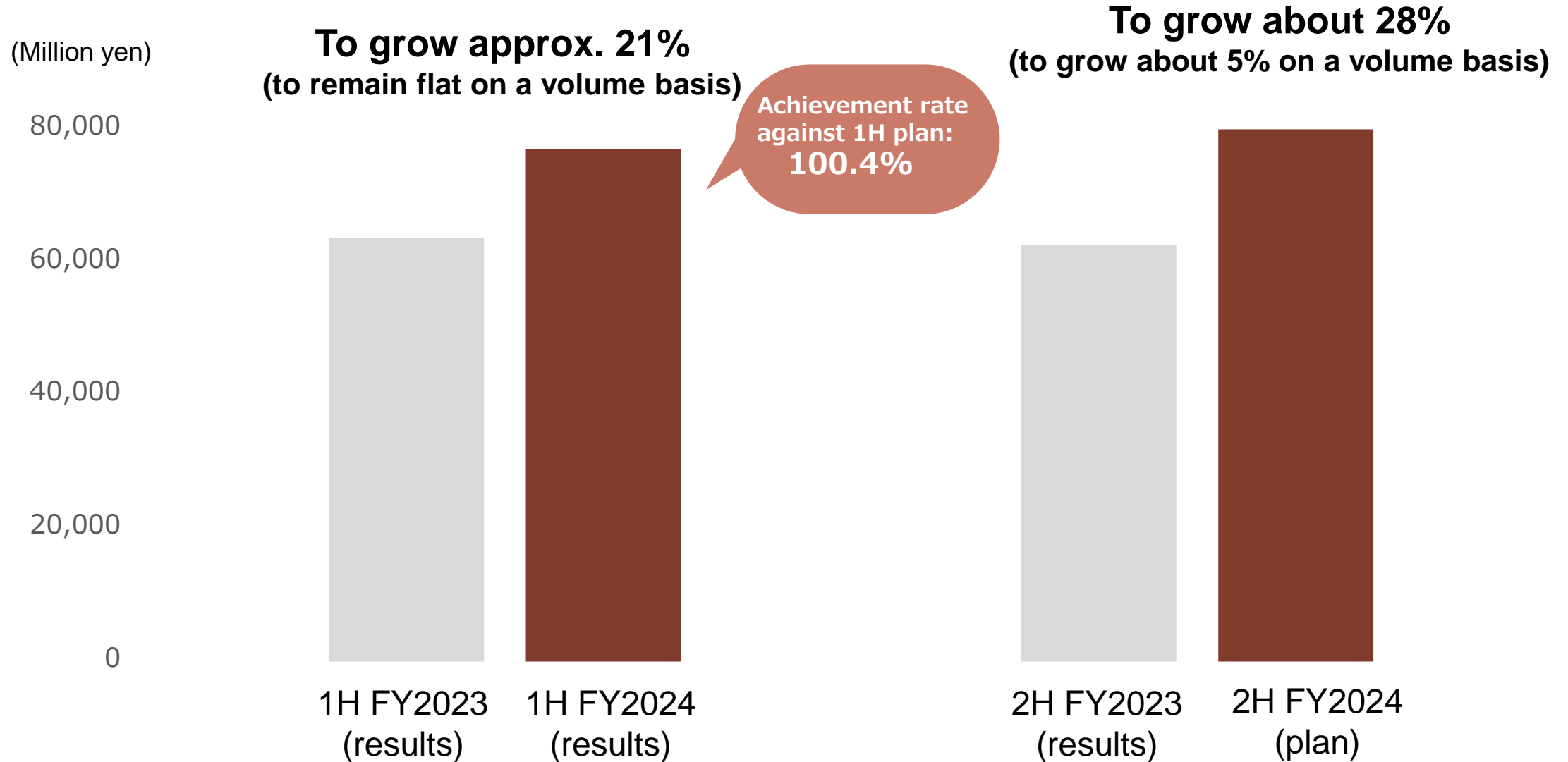
Ibaraki Plant: Image of completion

Ibaraki Plant (Ibaraki, Japan)

Name	No. 4 SD Building	No. 3 Crude Drug Building
Investment	Approx. 30.0 billion yen	Approx. 8.0 billion yen
Floors	7 floors (41 meters)	2 floors (33 meters)
Functions	Manufacturing of Kampo extract powder (intermediate) Manufacturing capacity: 950t/year	Storage of raw material crude drugs Storage amount: 1,000t
Est. construction completion date	End of FY2027	
Features	<ul style="list-style-type: none"> • Substantially curb manpower through the introduction of newly-developed automation technology • Shorten time of cleansing during item changeover, etc. <p>➔ 1.7-time rise in labor productivity</p> <p><small>*Comparison of No.4 SD Building with the No. 3 SD Building</small></p>	

Domestic Business: Sales of 129 Prescription Kampo formulations

- Sales and volume of prescription Kampo formulations (129 formulations) both achieved 1H plans
- Aim to achieve annual plan by lifting restricted shipments and strengthening promotions in 2H

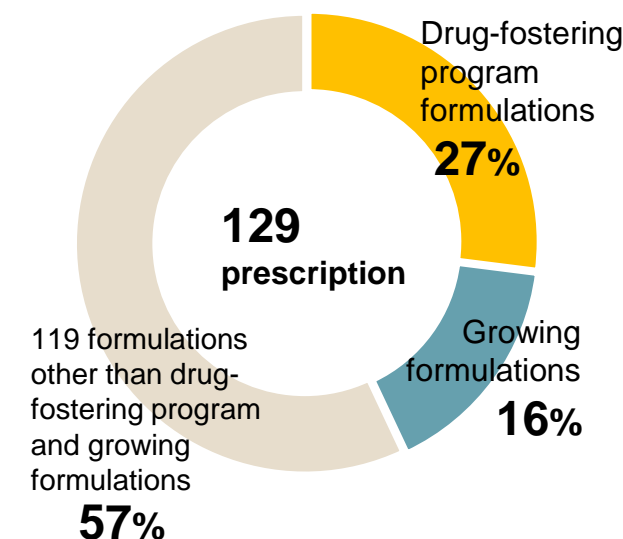


Sales of Drug-fostering Program Formulations/Growing Formulations

(Million yen)

	Net sales Ranking	Product No./formulation name	FY 2023 2Q	FY 2024 2Q	YoY	
Drug-fostering program formulations	1	100 Daikenchuto ※	4,937	7,510	+2,573	+52.1%
	2	54 Yokukansan ※	3,819	5,816	+1,996	+52.3%
	5	43 Rikkunshito	3,685	3,581	(104)	(2.8)%
	8	107 Goshajinkigan ※	1,836	2,830	+993	+54.1%
	26	14 Hangeshashinto	716	726	+9	+1.3%
Total sales for drug-fostering program formulations			14,996	20,465	+5,468	+36.5%
Growing formulations	3	41 Hochuekkito	4,109	3,937	(171)	(4.2)%
	4	17 Goreisan	3,674	3,897	+223	+6.1%
	9	24 Kamishoyosan	2,578	2,441	(136)	(5.3)%
	18	137 Kamikihito	1,161	1,125	(35)	(3.1)%
	19	108 Ninjin'yoeito	1,127	1,085	(42)	(3.8)%
Total sales for growing formulations			12,650	12,487	(162)	(1.3)%
Total sales for 119 formulations other than drug-fostering program and growing formulations ※			36,074	44,149	+8,074	+22.4%
Total sales for 129 prescription Kampo products			63,720	77,101	+13,381	+21.0%

Ratio to total sales

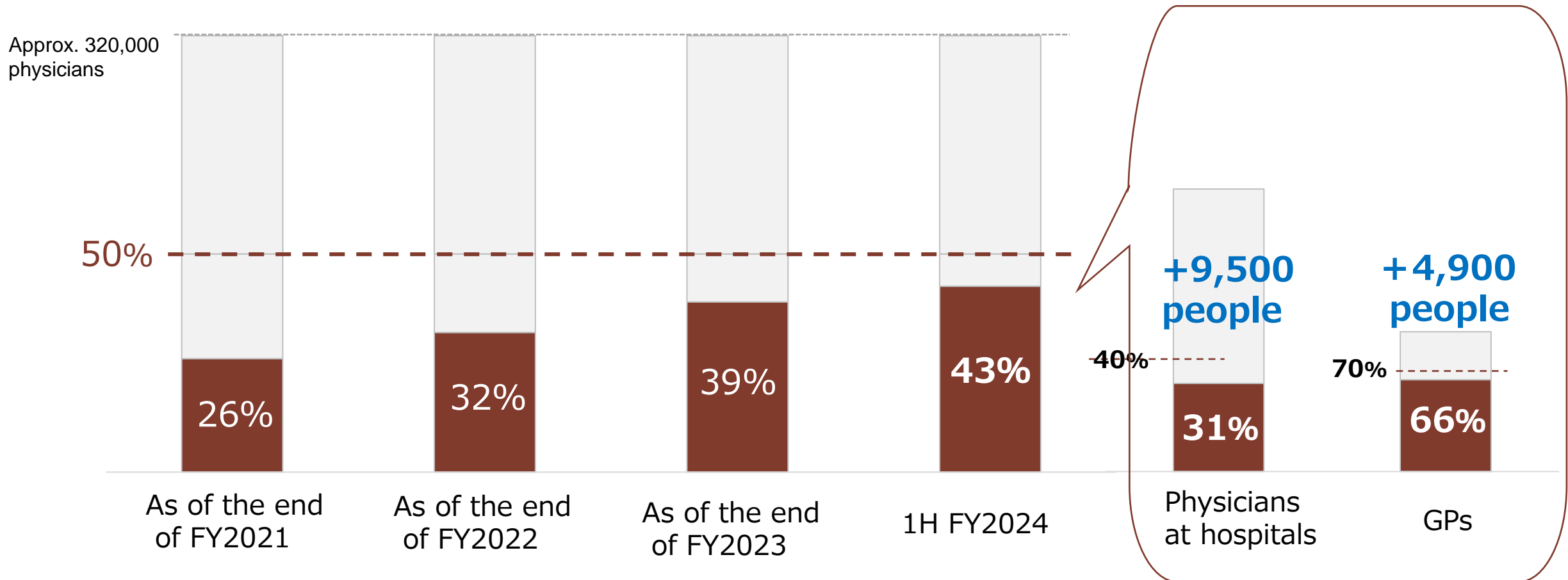


*66 prescriptions subject to recalculation of unprofitable products (3 drug-fostering program formulations + 63 other formulations) (+36.2% to +50.7%)

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

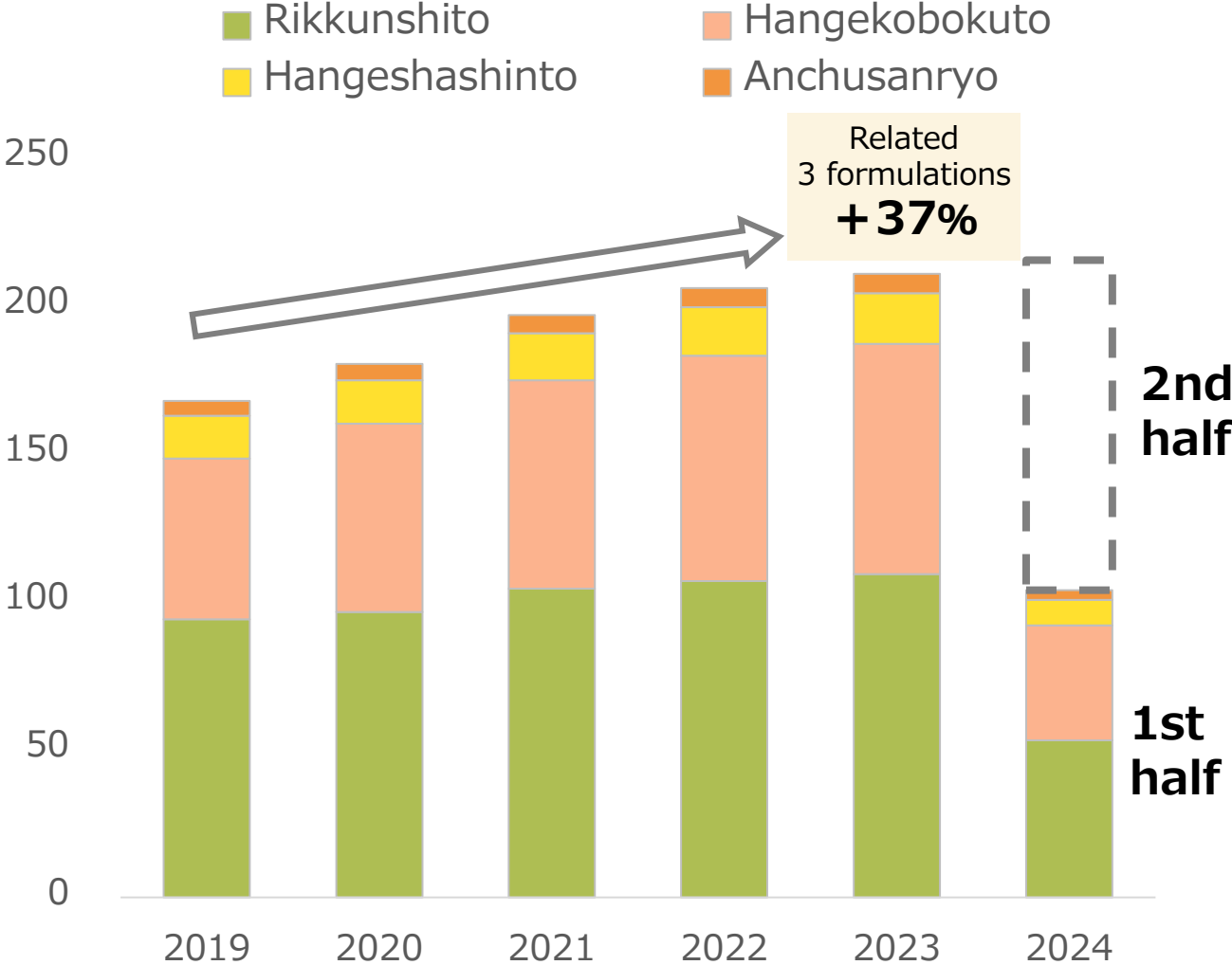
- Physicians writing 10 or more prescriptions for Kampo formulations to substantially increase at hospitals owing to the strengthening of e-promotions
- In the medical field, aim to realize 1-in-2 physicians that write 10 or more prescriptions for Kampo formulations

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



*Survey by Tsumura

- In addition to strategic formulations, related formulations are also likely to grow owing to requests for the proper use of Kampo formulation



Example of materials to be used

Proper use of Kampo for upper gastrointestinal symptoms

43

Rikkunshito
For the following symptoms, although also suffering from a weak stomach, loss of appetite, epigastric discomfort, easily becomes tired, and hand and feet become chilly due to anemia:



Gastritis and poor appetite

16

Hangekobokuto
For the following symptoms accompanying depression, feeling that a foreign object is blocking the throat or esophagus, accompanying temporary palpitations, dizziness and nausea:



Anxiety neurosis and nervous gastritis

14

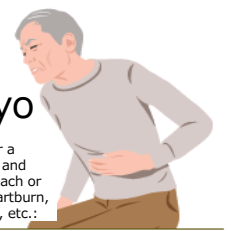
Hangeshashinto
For the following symptoms, although also suffering from epigastric discomfort, temporary nausea, vomiting, growling stomach due to a loss of appetite, soft stool or diarrhea:



Heartburn, diarrhea and indigestion

5

Anchusanryo
For the following symptoms for a person with a skinny structure and slack abdominal muscles, stomach or abdominal pain, temporary heartburn, burps, loss of appetite, nausea, etc.:



Nervous gastritis and chronic gastritis

[Warnings (Do not administer to the following patients)]
1. Patients with hyperaldosteronism
2. Patients with myopathy
3. Patients with hypokalemia
[1 - 3: There is a potential these illnesses and symptoms will worsen.]

China Business: Working to Turn Profitable

- Sales in the China Business undershot 1H plans but operating profit outperformed 1H plans owing to a decline in SG&A expense
- In the full-fiscal year, we aim to generate operating profit in the China Business

China business	Net sales	9.09 billion yen
Crude drug platform	Operating profit	0.44 billion yen
Formulation platform, IT infrastructure investments, etc.		Expenses, etc.
China business	Operating profit	(0.12) billion yen

Elongation over the same period of the previous year
▲5.7%

Elongation over the same period of the previous year
+40.2%

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

Main Products of Crude drug platform

FY2024 Earnings Forecast (No Revisions)

Earnings are on track with the full-year plan, and we are maintaining our forecast.

【百万円】	2H FY2023 (results)	FY 2024 Earnings Forecast	Rate of progress
Net sales	89,071	185,000	+48.1%
Domestic business	79,973	163,400	+48.9%
China business	9,097	21,600	+42.2%
Operating profit	21,075	39,500	* +53.4%
Domestic business	21,196	39,490	+53.7%
China business	△121	10	—
Ordinary profit	23,402	39,500	+59.2%
Profit attributable to owners of parent	17,502	28,500	+61.4%
Income statement exchange rate (JPY/RMB)	—	21.00	—

* Factors Behind High Operating Profit Progress

- **First-Half Focused Operating Profit Plan**
Expenses for supply stability are planned mainly for the second half
- **Cost Reductions (COGS, SG&A)**
Lower manufacturing trouble rates, maintenance cost review, and water reuse.

EPS	230.51円	375.35円
Dividend per share	68円	136円

Corporate Communications Dept.

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Cautionary items regarding forecasts

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

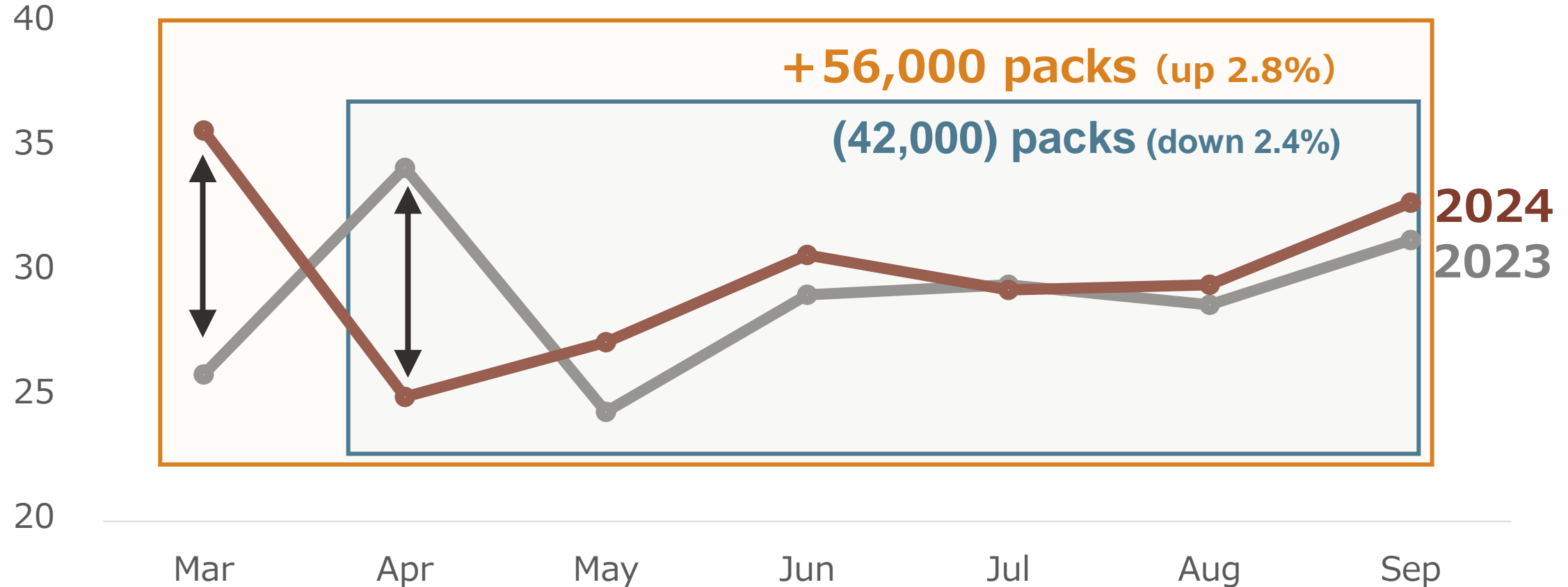
Appendix

Domestic Business: Analysis of Sales Trends in Drug-Fostering and “Growing” Formulations

- In April-September (cumulative), sales underperformed YoY, due to impact from orders carried forward and placed in March
- In March-September (cumulative), trends were strong, up 56,000 units YoY

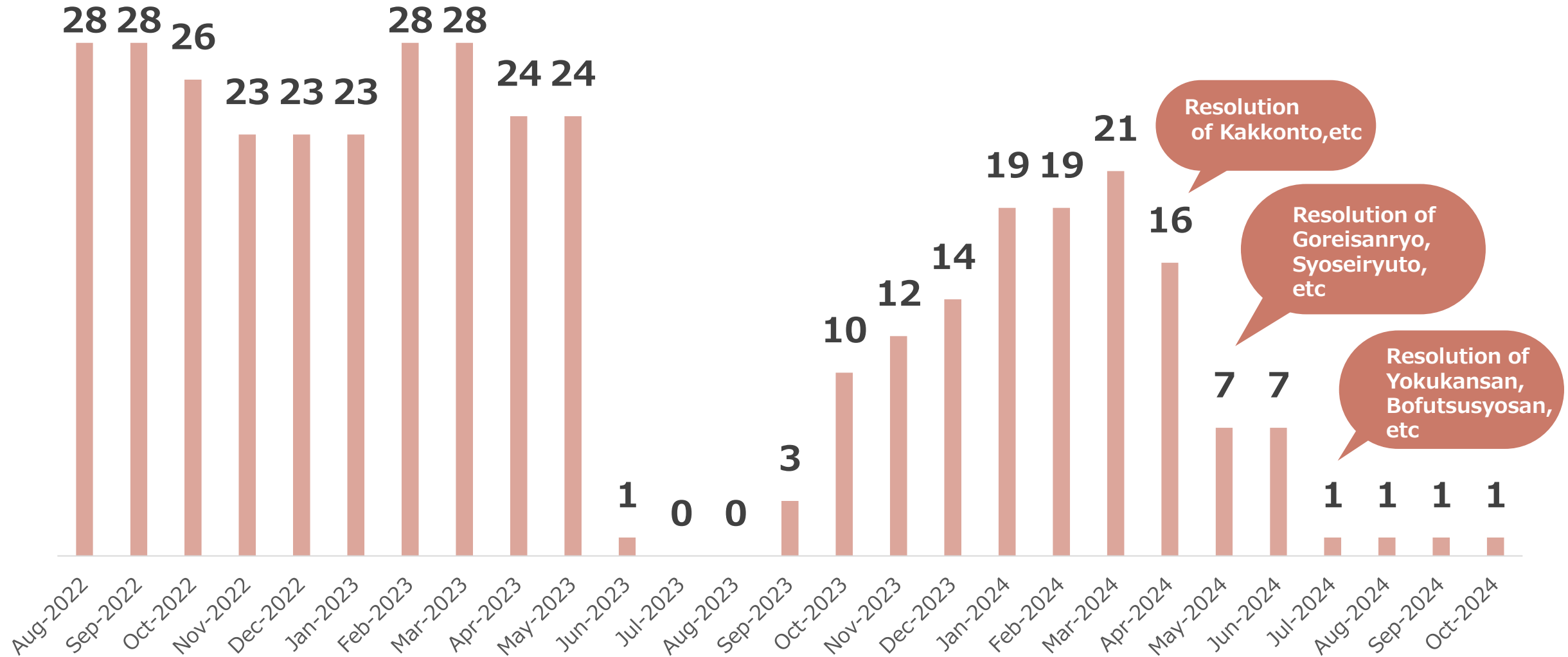
Change in monthly sales of 6 formulations (Rikkunshito, Hangeshashinto, Hochuekkito, Kamishoyosan, Ninjin’yoeito, and Kamikihito)

(10,000 packs)



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

- There was only one restricted shipment item(Bakumondoto) as of November 8
- Aim for an early resolution by fortifying 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 by 2Q FY2024

Trends in unrealized profit

