TSUMURA & CO.

Business Results for FY2025

May 13, 2026

Event Summary

[Company Name]	TSUMURA & CO.	
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[Participants]		
[Number of Speakers]	8	
	Terukazu Kato	President and Representative Director CEO
	Kei Sugii	Director, COO and President, Prescription Pharmaceuticals Company
	Tadashi Okada	Director (Outside Director)
	Kaoru Kobayashi	CFO and Head of Corporate Management Division
	Akihito Konda	Executive Officers, CTO, Head of Research & Development Division
	Toshio Yamaoka	Prescription Pharmaceuticals Company Executive Officer Head of Pharmaceutical Sales & Marketing Division
	Shoichi Kumagai	Executive Officer, General Manager, Production Division
	Makoto Kitamura	Head of Corporate Communications Department

[Analyst Names]*	Kazuaki Hashiguchi	Daiwa Securities
	Kyoichiro Shigemura	Nomura Securities
	Jaeheon Lee	Morgan Stanley MUFG Securities
	Masao Yoshida	Tokai Tokyo Intelligence Laboratory

*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A or whose questions were read by moderator/company representatives.

Presentation

Kitamura: It's now time, we would like to start TSUMURA & CO. FY2025 Financial Results Briefing. Thank you very much for your participation despite your busy schedule.

This year's event will be held in a hybrid format of face-to-face at our headquarters and web-based sessions. The explanation will be given in the presentation materials posted on our website, so please have them ready at hand or refer to the materials that will be projected.

First, let me introduce today's attendees. Kato, President and Representative Director CEO; Sugii, Director and COO; Kobayashi, CFO and Head of Corporate Management Division; Okada, Outside Director; Konda, CTO and Head of Research & Development Division; Kumagai, Executive Officer, General Manager, Production Division; Yamaoka, Executive Officer, Head of Pharmaceutical Sales & Marketing Division. These seven members are present.

I am Kitamura from Corporate Communications Department, and I will be your moderator. Thank you.

We will explain today's agenda under the three themes you see. The explanation is scheduled to last approximately 60 minutes. After all the explanations are complete, we would like to answer your questions. The event is scheduled to end at 14:30.

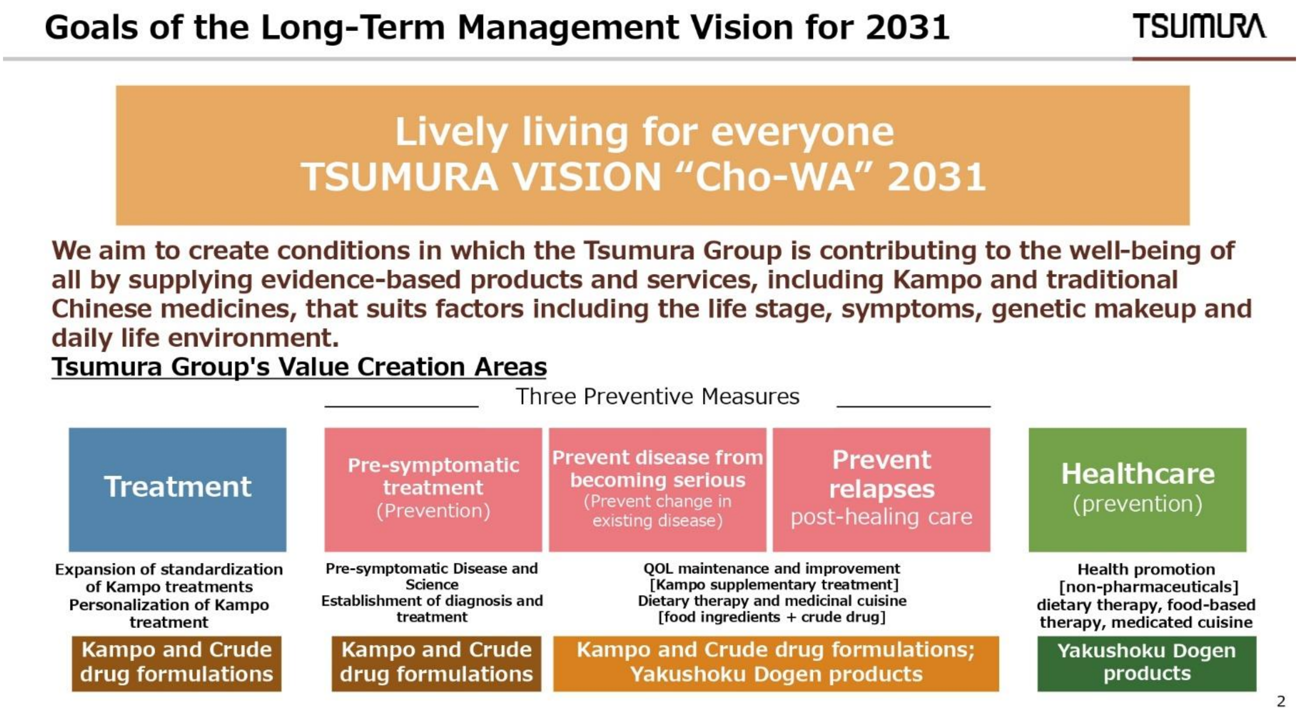
Now, Kato will explain TSUMURA VISION Cho-Wa 2031 Towards realization. Thank you very much.

Kato: Hello everyone. I'm Kato. Thank you very much for your participation in our FY2025 Financial Results Briefing. I would also like to reiterate my sincere gratitude and appreciation for your continued support of our company and Kampo.

This morning, we announced our financial results summary for the fiscal year ended March 31, 2026, and the dividend increase for retained earnings.

Now, I would like to explain the first theme of today's agenda, TSUMURA VISION Cho-Wa 2031 Towards realization.

The long-term TSUMURA VISION 2031, which is aimed at creating value, will enter its fifth year, the halfway point of the 10-year plan that began in FY2022, in FY2026, which starts this April. This marks the final year of H1 of the plan. We will explain in detail the progress made to date and the issues that need to be addressed in order to realize this goal.

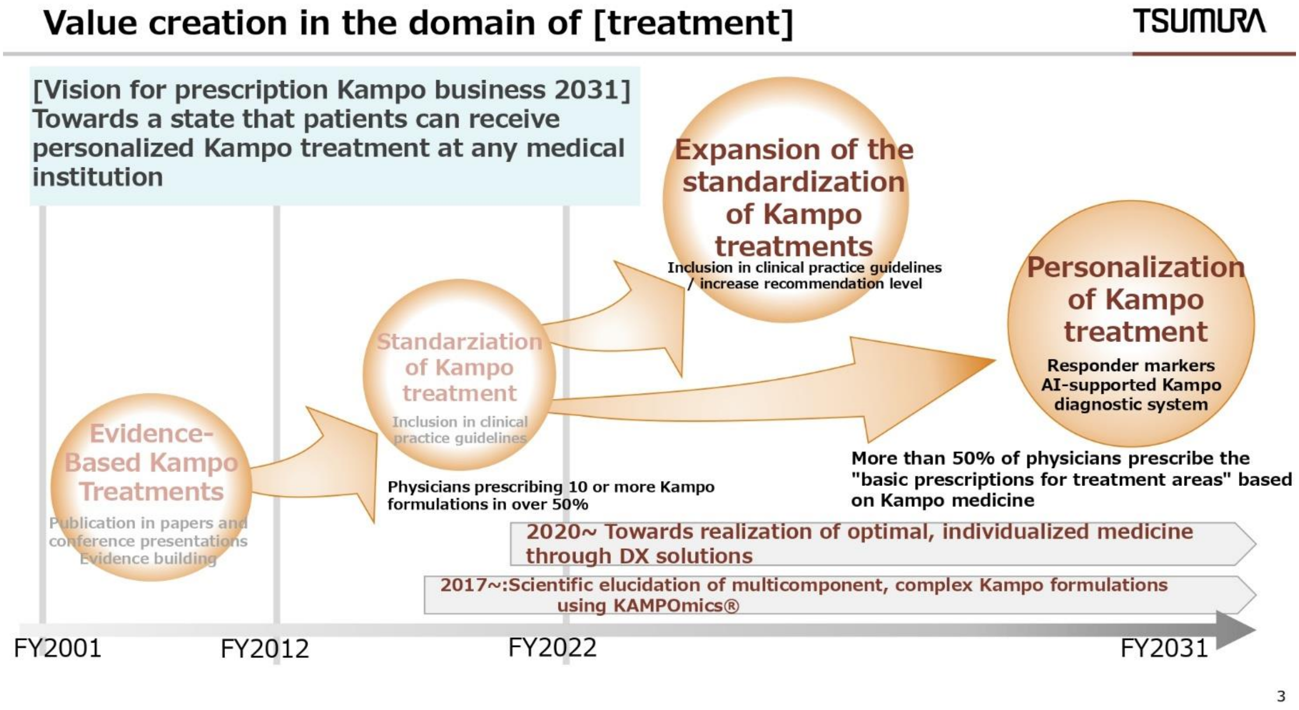


TSUMURA VISION Cho-WA 2031 aims to develop our business with the approach concepts, products and services you see, in the value creation areas of treatment, pre-symptomatic diseases, and curing. We are dedicated to pursuing the value of contributing to the mental and physical health and wellbeing of each individual at each stage of life through the science of the power of nature. Everything is on our Purpose, "Lively living for everyone," and our company's management philosophy, "The Science of Nature and Health," and we are working based on the practice of philosophy-based management.

Kampo products are herbal medicines that are used in the selection and treatment of Kampo formulations based on a physician's diagnosis in accordance with Kampo medicine theory. The formulas is a prescription that combines several crude drugs based on a certain theory, such as a classical medical text, and is a testimony to a comprehensive diagnosis of the patient's constitution, physical strength, and symptom presentation.

A Kampo formulation is chosen according to the testimony. For medical use, the prescription is based on the doctor's diagnosis. For general use, when there is a time constraint to visit a medical institution, the patient can choose the same prescription as the medical one prescribed by the doctor, or choose the prescription based on his/her own testimony under the guidance of a pharmacist.

On the other hand, crude drug preparations are drugs made from crude drugs or crude drug extracts, etc., rather than according to the classical prescriptions of Chinese herbal medicine. Products such as "Chujoto" , "L'amour Q", which is manufactured and sold by our company, or Yomeishu, which is scheduled to be taken over by us, fall into this category.

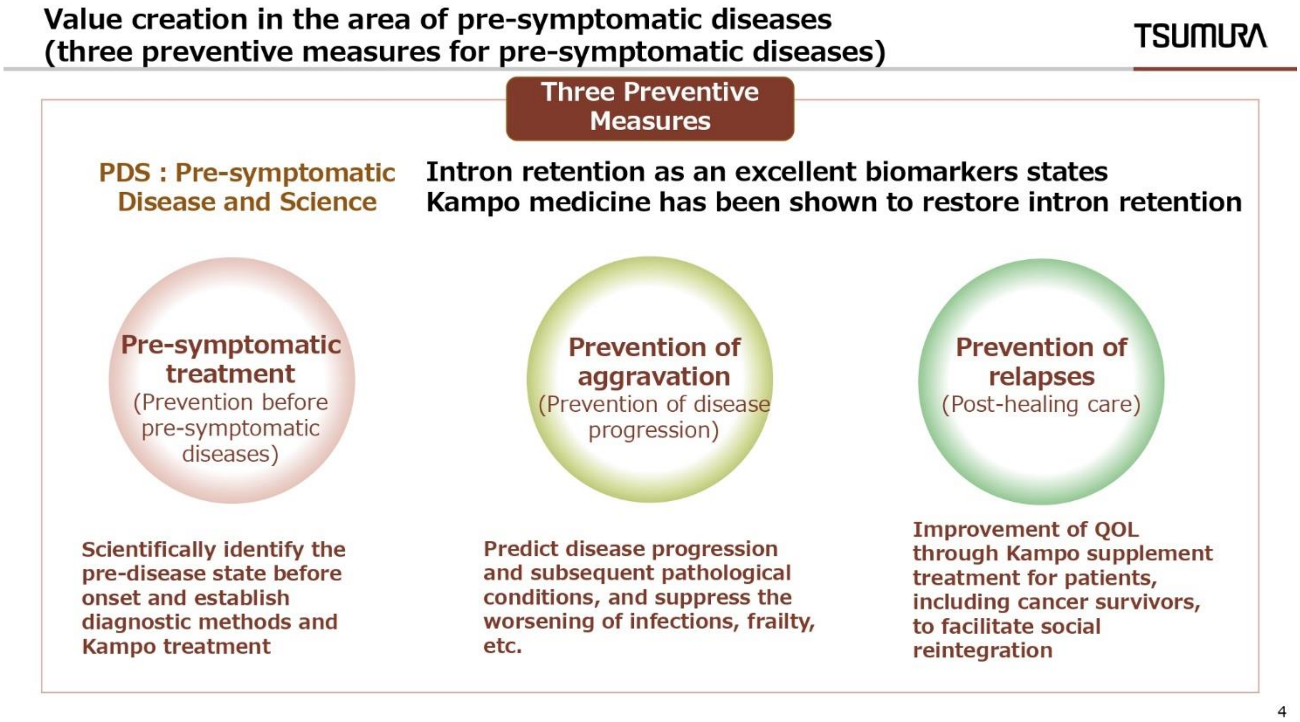


In the 2031 Vision, the goal of the prescription Kampo business is to contribute to the realization of a medical setting where each patient can receive individualized Kampo treatment at any medical institution or clinic.

In creating value in this area of treatment, we are pursuing the expansion of standard Kampo treatment and the personalization of Kampo treatment. The expansion of standard Kampo treatment is a value-creating initiative that will enable the medical insurance system to provide cost-effective, evidence-based standard Kampo treatment for many patients. We are working to increase the accumulation of evidence in the medical practice guidelines for each specialty area and to improve the level of evidence. The fact that Rikkunshito continues to be listed in the ROME V criteria for functional dyspepsia, which I will explain later, means that it has been evaluated as a drug worth using even after the criteria are updated from ROME IV to ROME V.

Personalization of Kampo treatment is an approach to individualized Kampo treatment for elderly patients with large individual differences and patients who have difficulty in receiving standard Kampo treatment and is a value-creating approach that aims to treat patients so that no one is left behind.

In addition, through joint research with academia, we aim to realize highly accurate Kampo treatment by developing and socially implementing an automated Kampo diagnosis support system.

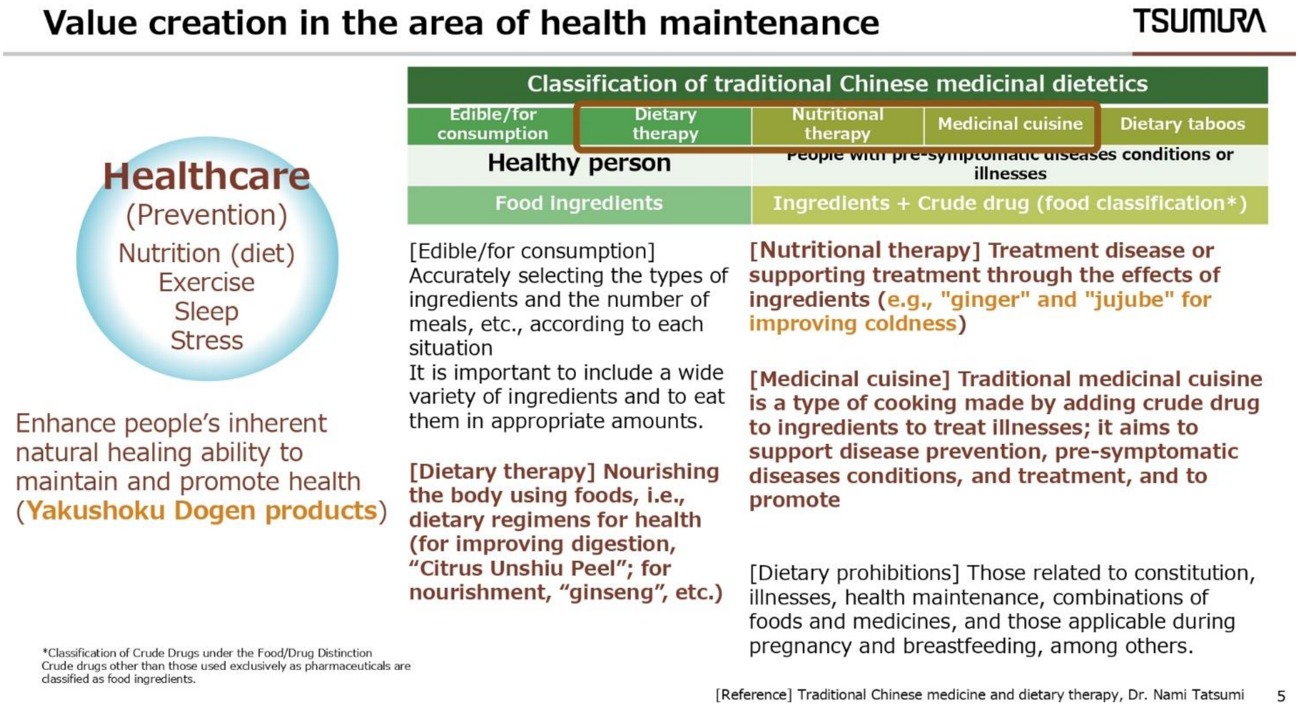


In the area of preventive measures, we are pursuing the creation of unprecedented, advanced, and significant value in the three areas of preventive measures, which are "Pre-symptomatic treatment(Prevention before pre-symptomatic disease)"; “Prevention of aggravation(prevention of disease progression)” ; and Prevention of relapses(Post-healing care).

Pre-symptomatic treatment scientifically Identifies the pre-disease state, establishes methods for this state, and aims to provide evidence-based treatment using Kampo; it is, in essence, the scientific study of the pre-disease state itself. The fact that Kampo medicine and traditional Chinese medicine, which are multi-component complex preparations, can approach unwell states is a concept that emerged from the “Yellow Emperor's internal scripture” approximately 2,200 years ago, and we aim to implement it in society through a scientific approach to the treatment of unwell states for each complex disease. The finding that intron retention is an excellent biomarker for depression and that Kampo medicines restore intron retention is a major step toward making unwellness a science, which we will work to implement in society.

Prevention of aggravation being addressed through early detection after the onset of disease, prediction of progression, and early appropriate Kampo treatment to reduce the severity of infections such as COVID infection and frailty, with the aim of establishing evidence-based treatment.

Prevention of relapses is also being addressed, and evidence is being accumulated for improving prognosis and quality of life through Kampo medicines complementary treatment for patients suffering from long-term COVID and rehabilitation of patients, including cancer survivors.

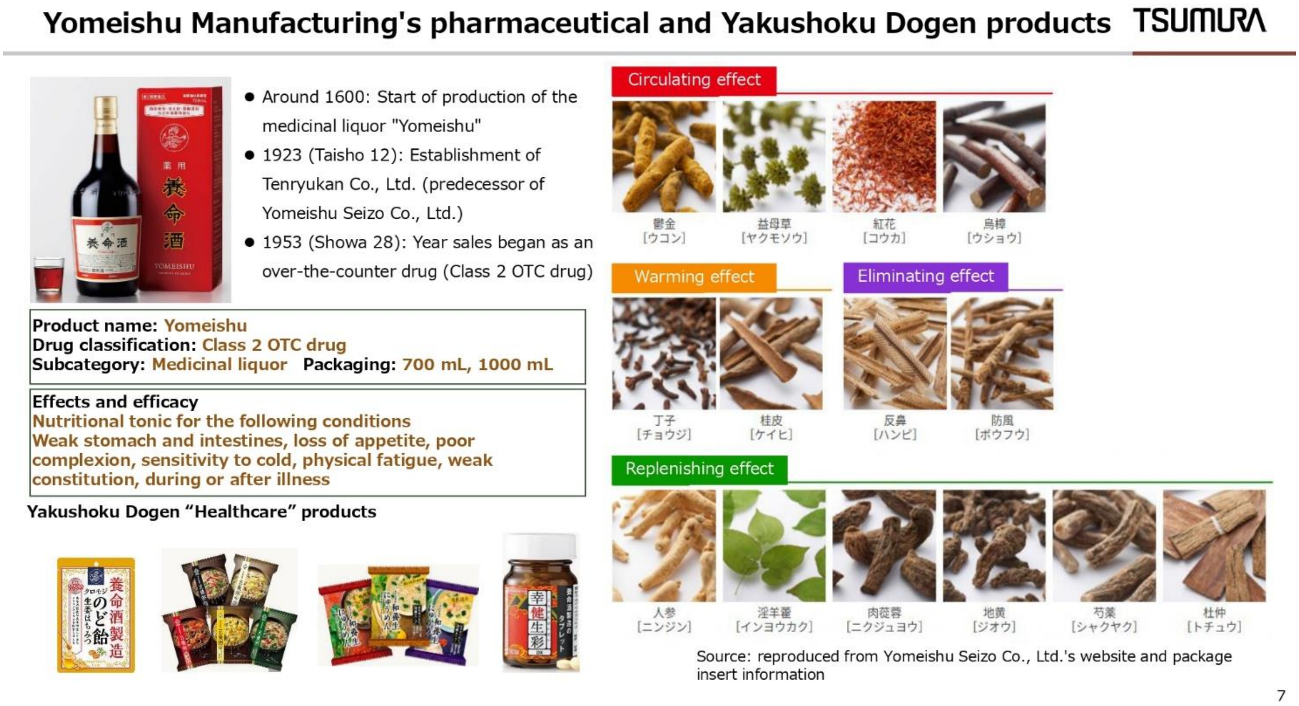


In the area of value creation in the area of healthcare, prevention, we will pursue the maintenance and promotion of good health with Yakushoku Dogen products based on the core concept of high quality, traceable crude drugs under GACP management, which is one of the strengths of our group. Yakushoku Dogen products are manufactured from non-pharmaceutical, safe ingredients that do not carry the side-effect risks of pharmaceutical products.

Raw material crude drugs are classified into two categories: those treated exclusively as drugs and those treated as food, and they are determined based on the so-called food-drug classification list notified by the Ministry of Health, Labour and Welfare, and Yakushoku Dogen products are made from crude drugs that are safe for human consumption as food. Ginger (ginger, dried ginger), shiso (Perilla frutescens), jujube (jujube), and wolfberry (goji berries) are typical examples used in both food and medicine.

Under the guidance of Dr. Nami Tatsumi, the director of Honzo Yakuzen Academy, we are developing and marketing Yakushoku Dogen products that assist in the maintenance and promotion of health and the treatment of health issues in the three categories you see here: Dietary nourishment, Nutritional therapy, and Medicated cuisine.

The product line you see here is based on the theory of Chinese medicated cuisine, and are the Yakushoku Dogen products, utilizing high quality crude drugs, which is one of the strengths of our group. Ginellia, bottom right, was launched last December, and Fureika Soup, top left, was launched on May 1 of this year.

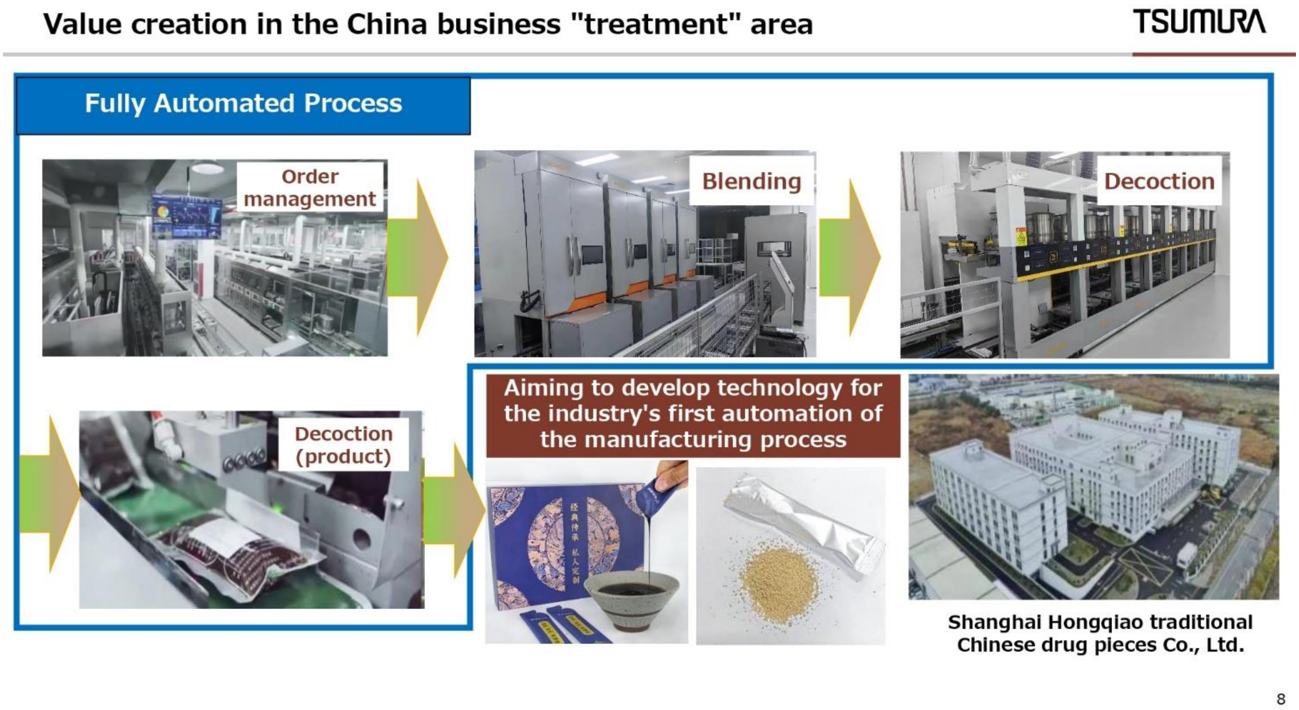


As announced in our press release issued in February of this year regarding the signing of an agreement to acquire shares in Yomeishu Seizo Co., Ltd., we plan to take over the company's Yomeishu business. As you can see, Yomeishu is an OTC, Class II pharmaceutical product with nutritional and tonic effects in the area of pre-symptomatic illness treatment and is a top brand product of 14 kinds of Kampo with the four actions of circulating, warming, eliminating, and replenishing.

The word "Yomei," which literally means nourishing life, is found in the preface to the oldest existing Chinese pharmacological treatise, *The Divine Farmer's Classic of Materia Medica*. It divides medicines into three categories: superior, intermediate, and inferior. It places "Yomei" at the top of this hierarchy, explaining that superior medicines are primarily intended to preserve life and are said to correspond to the heavens; thus, superior medicines are described as life-preserving medicines, medicines whose purpose is to nurture life.

In addition, "U-sho", a herbal ingredient in Yomei-shu, is derived from the trunk and branches of the Japanese black pepper tree, cinnamomum camphora, which contains aromatic essential oils. The company has devoted significant resources to researching this plant, has published numerous academic papers on it, and has developed and markets health-promoting products based on the principle that food and medicine share the same origins, as shown here.

We will pursue further value creation by leveraging the knowledge and products of both parties in the areas of healthcare, preventive measures, and treatment.



In our China business, we are pursuing the same concept of value creation in the three areas of treatment, preventive measure, and healthcare. In the area of treatment, however, a high-mix, low-volume production system is required, as each individual is prescribed approximately a two-week supply of traditional Chinese medicine drug pieces based on traditional Chinese medicine.

We are further advancing the "One person, one prescription" high-value-added service implemented by our Chinese subsidiary, Shengshi Baicao, and have begun developing technology to automate the manufacturing processes for dosage forms such as extract granules. This will be implemented in Shanghai Hongqiao Traditional Chinese Drug Pieces Co., Ltd. to establish an advanced business model for the traditional Chinese medicine drug pieces.

We believe that by getting this off the ground and improving the effectiveness of treatment for patients and medical institutions, we can explore opportunities for similar service with the traditional Chinese medicine drug pieces in areas outside of Shanghai. In addition, we will take on the challenge of building evidence by accumulating evidence for each of the same prescriptions.

In the area of pre-symptomatic treatment, we will first implement our business in Japan and then develop it in China, because we believe that business development should be based on the scientification of pre-symptomatic treatment.

Value creation in the China business [Healthcare] domain TSUMURA

Healthcare-preserving Yakushoku Dogen products

TSUMURA Quality
Ping An Dietary Therapy

Yakushoku Dogen Products leveraging Tsumura Group's crude drug quality strengths

A collaborative product with "Shanghai Jahwa," a subsidiary of Ping An Insurance Group of China

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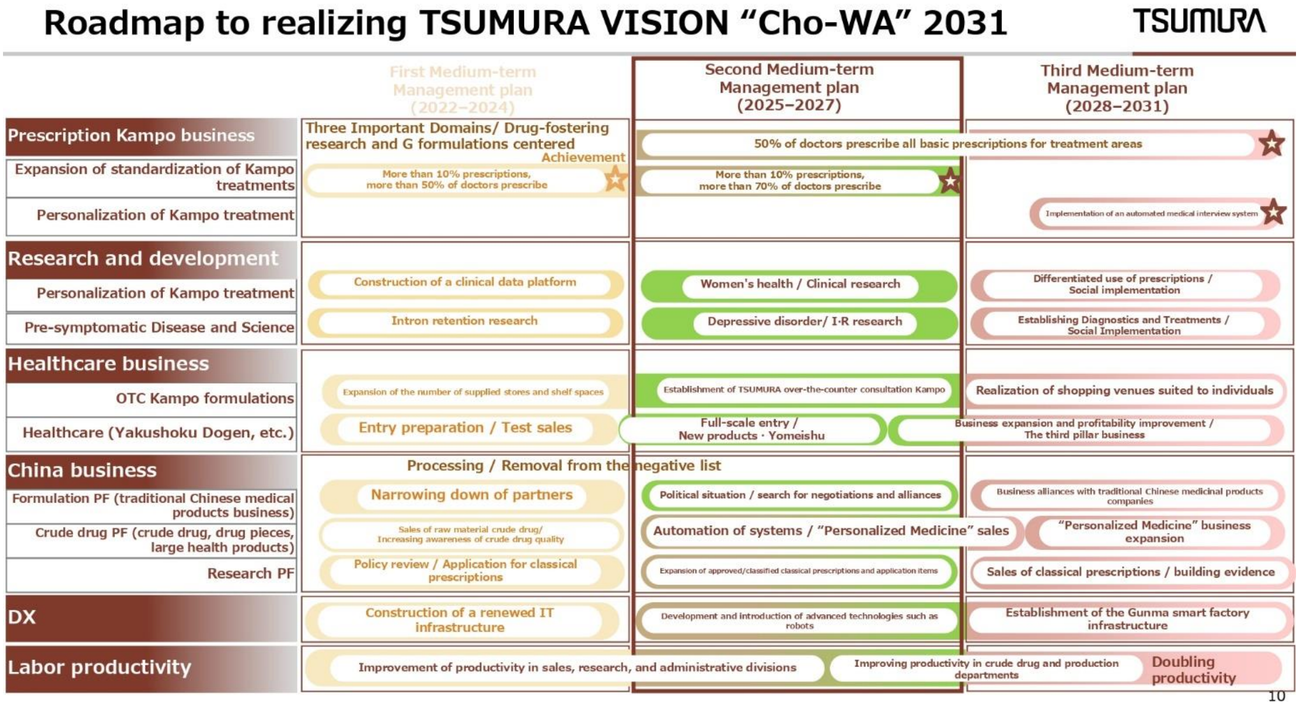
The first step in creating value in the area of healthcare in the China business is to develop and provide medicinal Yakushoku Dogen products with safe and reliable high-quality crude drugs. Through the sale of raw crude drugs, the TSUMURA Group's crude drug quality and management systems such as GACP crude drug traceability are becoming understood, and the Company is becoming a trusted brand of crude drugs.

While we are currently developing an selling the product lineup shown here, as indicated on the poster on the right, we intend to gradually add value to our products with the cooperation of Ping An Insurance of China and its affiliated companies, and develop and market products unique to the Ping An Tsumura Group that can contribute to the maintenance and improvement of health through natural sources, which Chinese consumers are seeking.



We have updated the roadmap for the realization of VISION 2031 with implementation plans for the second and third mid-term management plans, based on the results of implementation of the first mid-term management plan.

As issues to be addressed, in the prescription Kampo business, we will fully recover from the impact of the limited shipments, return to the basics of sales activities, and regain our growth speed. We will enhance both the quality and quantity of information provided to meet the needs of each individual physician, diversify the means of providing information, and grow this business significantly as a major pillar of our business.

In addition, as I explained at the R&D meeting last December, as an R&D-driven Kampo products manufacturer, we will continue to root the results of each research project as a new therapeutic tool in the medical field.

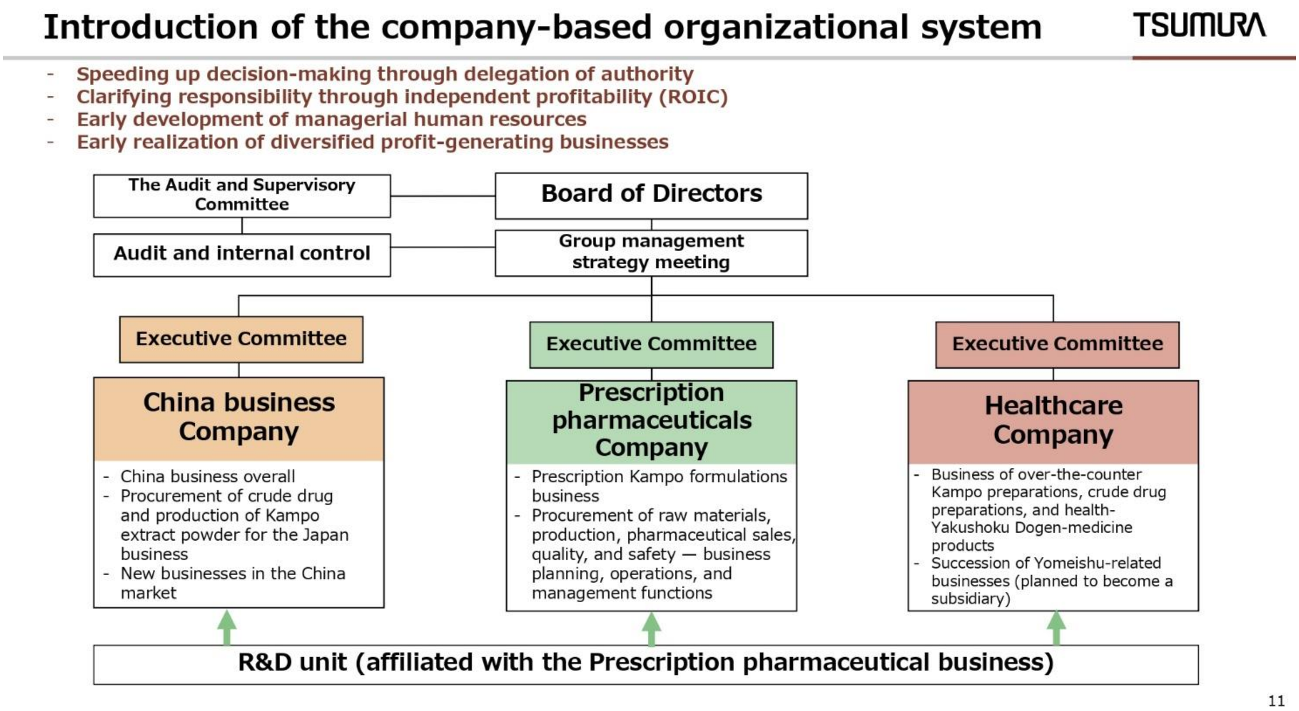
In the healthcare business, we will work to expand the number of distribution outlets and the number of shelves to realize a place to buy TSUMURA over-the-counter Kampo products for general use that suits one's constitution and symptoms under the appropriate advice of a pharmacist, called "Consultation Kampo." By taking full advantage of the synergy with Yomeishu Seizo Co., Ltd. in terms of sales, we will promote the value of nature-derived products by greatly expanding the lineup of Yakushoku Dogen products.

In the personalization of Kampo treatment and the scientification of pre-symptomatic disease, we will advance along milestones toward social implementation through joint research with academia and others, utilizing AI and scientific technology.

At the Gunma Factory, we will implement automated equipment currently under development and promote significant manpower saving and smart factory operations, such as unmanned nighttime operation. At the current Shizuoka and Ibaraki factories, where it is difficult to introduce additional automation equipment due to building space limitations, we will continue to develop and introduce humanoid robot technology to improve productivity.

With regard to the status of our efforts in H1 toward the realization of VISION 2031, we have faced headwinds such as the two years of the COVID disaster in FY2022 and FY2023, when there were restrictions on movement; the impact of limited shipments of related Chinese medicine products due to shortages of acetaminophen tablets, cough suppressants, antitussives, and expectorants caused by the Omicron strain pandemic; and the deterioration in the political situation between Japan and China. Despite these headwinds, we believe that we have established a foundation for value creation as a major framework in each of our businesses.

In the China business, we are moving forward by switching the order of the formulation platform and the crude drug platform. For the traditional Chinese medicinal products business, we will particularly keep an eye on the political situation and seek negotiations and alliances as appropriate.



From the latter half of the vision, from FY2027, in order to increase the speed and precision of business expansion and growth and to better ensure the realization of VISION 2031, a company system will be introduced in FY2026, the final year of H1, and its operational structure will be solidified over the next year.

The Board of Directors will strengthen governance by implementing the five principles of the Board of Directors to reinforce the earning power by progressively separating execution and supervision and substantially delegating authority to the Group Management Strategy Committee, which is chaired by the President and CEO of the Executive Directors.

Furthermore, through delegation of authority, each company president will make decisions at each management meeting in order to promptly respond to their respective market environments, while clarifying responsibility for results through independent profit management such as ROIC, etc., in order to quickly develop managerial human resources.

We will strengthen the Group's management base and business growth platform by developing our revenue-generating businesses into three pillars and diversify our revenue streams.

This is the end of my presentation. Thank you very much.

Kitamura: Thank you very much. Kobayashi will then explain the financial results for FY2025 and the forecast for FY2026. Thank you.

Business Results for Fiscal 2025

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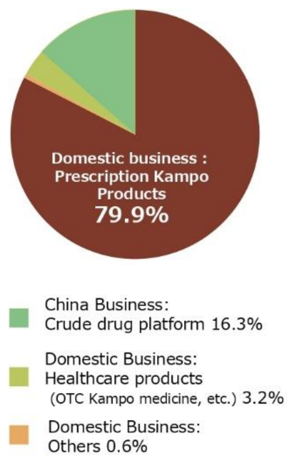
- Sales fell short of the plan in the domestic business, while the China business met the plan. All profit indicators achieved the plan
- The sales composition ratio of the China business increased significantly

[Million yen]	FY2025 Plan (Revised on November 10)	FY 2025 Results	Achievement rate	YoY	
				Amount	Rate of Increase/ Decrease
Sales	**198,000**	**192,615**	**97.3%**	**+11,521**	**+6.4%**
Domestic business	167,900	161,172	96.0%	+712	+0.4%
China business	30,100	31,442	104.5%	+10,809	+52.4%
Operating profit	**35,000**	**35,219**	**100.6%**	**(4,905)**	**(12.2%)**
Domestic business	35,500	35,024	98.7%	(5,112)	(12.7%)
China business	△500	195	—	+206	–
Ordinary profit	**34,500**	**40,036**	**116.0%**	**(2,410)**	**(5.7%)**
Profit attributable to owners of parent	**24,300**	**28,117**	**115.7%**	**(4,311)**	**(13.3%)**

Ratio to total sales



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Kobayashi: I'm Kobayashi, CFO and Head of Corporate Management Division. I would like to continue by explaining the FY2025 financial results.

This shows business results for FY2025. Sales fell short of the plan, but all profit items below operating profit achieved the plan. On the other hand, the financial results showed an increase in revenue but a decrease in profit compared to the previous year.

I will explain each item in turn. Sales totaled JPY192.6 billion, 97.3% of the plan, while the YoY increase was 6.4%. The breakdown was JPY161.1 billion for the domestic business, failed to meet the target, and JPY31.4 billion for the China business, the target was achieved.

As shown in the pie chart on the right, the sales composition of the Chinese business rose significantly to 16.3% of total sales, with the ratio of domestic sales of prescription Kampo products falling below 80%.

Operating profit was JPY35.2 billion, achieving 100.6% of the plan and down 12.2% from the previous year.

Operating profit was JPY40 billion, achieving 116% of the plan and down 5.7% from the previous year. Profit attributable to owners of parent was JPY28.1 billion, achieving 115.7% of the plan or a decrease by 13.3% from the previous year.

Key Points in Performance

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Net sales	192,615	million yen	achievement rate of plan	97.3%	YoY	+6.4%

- Domestic business : Total sales for the 129 prescription Kampo formulations : 153,918 million yen, down 0.1% YoY
  Total sales of healthcare products (OTC Kampo medicine, etc.) : 6,206 million yen, up 17.4% YoY
- China business Raw material crude drugs, drug pieces, health products, etc. : 31,442 million yen, up 52.4% YoY

Operating profit	35,219	million yen	achievement rate of plan	100.6%	YoY	(12.2)%
Operating profit margin	18.3	%	Vs. FY 2025 plan	+0.6pt	YoY	(3.9)pt

- Cost ratio: 52.5%
  Vs plan: (1.5) pt (compared with plan: reduction in processing costs)
  YoY: +2.5pt (compared with last year: higher proportion of sales from China operations)
- SG&A expense ratio: 29.2%
  Vs. plan: +0.9pt (compared with plan: sales shortfall against plan)
  YoY: +1.3pt (compared with last year: increases in salaries and allowances and costs related to information provision)

Ordinary profit	40,036	million yen	achievement rate of plan	116.0%	YoY	(5.7)%

- Foreign exchange gains related to loans to overseas subsidiaries: 5,752 million yen

Foreign exchange gains were 1,176 million yen in the same period of the previous year
*Foreign exchange gain not factored into earnings forecast

Profit attributable to owners of parent	28,117	million yen	achievement rate of plan	115.7%	YoY	(13.3)%

- Gain on sales of cross-shareholdings : 2,193 million yen, YoY (1,046) million yen

*Gain on sales of cross-shareholdings from the third quarter are not included in the earnings forecast

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I will explain the key points in the financial results.

First is the breakdown of net sales. In the domestic business, the total sales for the 129 prescription Kampo products decreased by 0.1% YoY to JPY153.9 billion. Sales of health care products increased by 17.4% from the previous year to JPY6.2 billion due to an increase in the number of stores handling OTC Kampo medicine and other products, as well as strong sales of bath salts, Bath Herbs.

The China business increased by 52.4% YoY to JPY31.4 billion due to the consolidation of Shanghai Hongqiao drug pieces, as well as growth in sales of raw material crude drug and drug pieces at Ping An Tsumura Pharmaceutical Co. and SHENZHEN TSUMURA MEDICINE CO., LTD. .

We will explain the cost ratio and SG&A expense ratio in the middle section.

The sales cost ratio was 52.5%, down 1.5 points versus the plan and up 2.5 points from the same period last year. Compared to the plan, this was mainly due to lower processing costs, and compared to the previous year, mainly due to an increase in the sales ratio of the China business mainly following the consolidation of Hongiao drug pieces.

The SG&A expense ratio was 29.2%, up 0.9 points versus the plan and up 1.3 points from the same period last year. This was due to sales falling short of the target compared to the plan and increases in salaries and allowances compared to the previous year, and high costs associated with enhanced information dissemination activities and digital transformation initiatives.

As a result, the operating profit margin was 18.3%, up 0.6 points versus the plan and down 3.9 points from the same period last year.

Ordinary profit was JPY40 billion, far exceeding the plan, due to a JPY5.7 billion foreign exchange gain on loans to overseas subsidiaries resulting from the weaker yen.

Profit attributable to owners of parent was JPY28.1 billion, reflecting a gain of JPY2.1 billion from the sales of cross-shareholdings.

Factors for changes in operating profit (YoY comparison)

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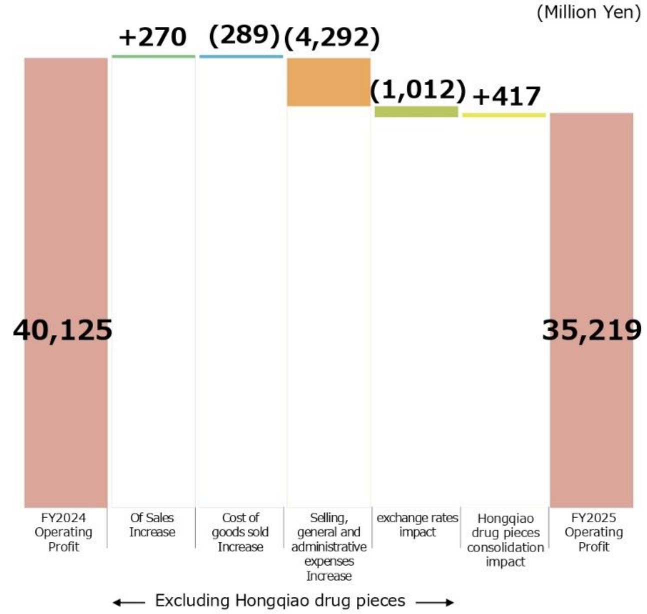

Increase in Sales: +270 million yen			
Domestic Business (Sales Volume, Sales Composition)			+58
China Business			+212
Increase in cost of goods sold: (289) million yen			
Domestic business	Crude drug cost	Domestic cost of crude drug	+807
		Cost of crude drug contained in Chinese extract powder	(192)
	Raw material costs		(540)
	Processing costs	Domestic processing costs	(37)
		Processing costs for Chinese extract powder	(176)
China Business	Increase in sales composition ratio		(151)
Increase in Selling, General and Administrative Expenses : (4,292) million yen			
Salaries and allowances			(2,155)
Outsourcing expenses (strengthening the foundation related to information provision, etc.)			(587)
Selling and promotional expenses (increase in costs related to information provision, etc.)			(323)
Others(Increase in activity expenses, etc.)			(1,227)
Impact of exchange rates: (1,012) million yen			
Hongqiao drug pieces consolidation impact: +417 million yen			

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Factors for changes in operating profit compared to the same period last year. First, I will explain the factors behind the increase or decrease in operating profit excluding the effect of consolidation of Hongqiao drug pieces.

The impact of the sales increase was a positive JPY0.2 billion. The breakdown was JPY50 million for the domestic business and JPY0.2 billion for the China business, both positive. The impact of the cost increase was negative JPY0.2 billion. The cost of crude drugs in the domestic business was plus JPY0.8 billion due to a decline in the average procurement unit price, while the cost of crude drugs included in Chinese extract powder was minus JPY0.2 billion, minus JPY0.5 billion due to higher raw material costs, and minus JPY0.2 billion due to higher processing costs.

The impact of the increase in SG&A expenses was negative JPY4.2 billion. This is due to a decrease of JPY2.1 billion resulting from increases in salaries and allowances, as well as a decrease of JPY0.9 billion related to efforts to strengthen information dissemination activities.

The impact of the foreign exchange was negative JPY1 billion. Finally, the consolidation of Hongqiao drug pieces had a positive impact of JPY0.4 billion.

Financial condition and cash flow

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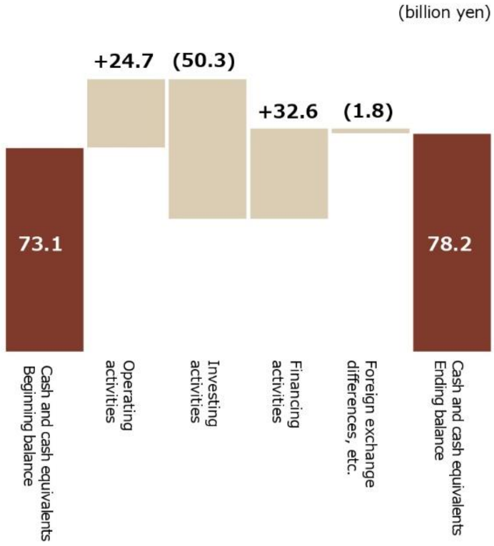
(Million yen)

	FY2024 (End of March 2025)	FY2025 (End of March 2026)	Increase/ Decrease Amount	Including, Hongqiao Consolidation Impact
Total Assets	**464,380**	**592,766**	**128,385**	**37,728**
Current Assets	295,709	349,212	53,502	18,068
Fixed Assets	168,670	243,553	74,883	19,659
Total Liabilities	**134,270**	**221,162**	**86,892**	**19,028**
Current liabilities	61,913	83,257	21,344	5,585
Long-termLiabilities	72,357	137,904	65,547	13,443
Total Net Assets	**330,110**	**371,603**	**41,493**	**18,699**
Equity Ratio	64.7%	54.3%	(10.4)pt	

	FY2024 (End of March 2025)	FY2025 (End of March 2026)	Amount of increase/ decrease	Of which, foreign exchange
Total inventory assets	**133,784**	**164,006**	**30,221**	2,991
Merchandise and Products	14,939	24,262	9,322	215
Work in Progress	20,197	25,115	4,917	172
Raw materials and stored goods	98,647	114,629	15,981	2,604



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Financial condition and cash flows.

Current assets increased by JPY53.5 billion compared to the end of the previous fiscal year. In addition to the consolidation of Hongqiao drug pieces, inventories increased by JPY30.2 billion due to an increase in production volume and an increase in raw material crude drugs for BCP.

Fixed assets increased by JPY74.8 billion. Of this amount, tangible fixed assets increased by JPY38.6 billion overall, including JPY44.3 billion in capital investment in the granulation and packaging building at the Ibaraki Plant, the No. 4 SD building, and the SD building at the Tianjin Plant, as well as JPY9 billion in consolidation at Hongqiao drug pieces. Intangible fixed assets increased by JPY32.1 billion, primarily due to goodwill arising from the acquisition of an equity interest in Hongqiao drug pieces and customer-related assets.

Current liabilities increased by JPY21.3 billion and long-term liabilities increased by JPY65.5 billion. This is due to an increase in long-term borrowings resulting from the consolidation of Hongqiao drug pieces and capital expenditures.

Net assets increased by JPY41.4 billion. This was due to a JPY17.8 billion increase in retained earnings and a JPY20.2 billion increase in non-controlling interests, driven by the consolidation of Hongqiao drug pieces and foreign exchange gains.

As a result, the equity ratio decreased by 10.4 percentage points to 54.3%. Cash flows are shown on the right.

Domestic business: Sales by prescription of prescription Kampo formulations

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(Million yen)

	Sales Ranking	Product No. / Formulation Name	FY2024	FY 2025	Year-on-Year Comparison		[Reference: Actual Sales Volume*] YoY
Drug-fostering program formulations	1	100 Daikenchuto	14,769	14,688	(81)	(0.5)%	+1.9%
	2	54 Yokukansan	11,147	11,053	(93)	(0.8)%	+2.6%
	5	43 Rikkunshito	7,199	7,205	+6	+0.1%	+0.7%
	7	107 Goshajinkigan	5,583	5,623	+40	+0.7%	+3.1%
	24	14 Hangeshashinto	1,464	1,546	+81	+5.6%	+5.7%
Total of drug-fostering program formulations			40,163	40,117	(45)	(0.1)%	+2.1%
"Growing" formulations	3	17 Goreisan	7,376	8,338	+962	+13.0%	+15.0%
	4	41 Hochuekkito	7,597	7,451	(146)	(1.9)%	(1.4)%
	9	24 Kamishoyosan	4,917	5,043	+125	+2.6%	+2.6%
	18	137 Kamikihito	2,238	2,405	+166	+7.5%	+7.1%
	19	108 Ninjin'yoeito	2,234	2,107	(126)	(5.7)%	(2.5)%
Total of "growing" formulations			24,364	25,346	+982	+4.0%	+6.4%
Total of 119 prescriptions excluding Drug-fostering program formulations and "Growing" formulations			89,545	88,454	(1,090)	(1.2)%	+0.9%
Total of 129 prescription Kampo formulations			154,072	153,918	(154)	(0.1)%	+2.0%

*Actual sales quantity refers to the quantity delivered from pharmaceutical agents and wholesalers to medical institutions.

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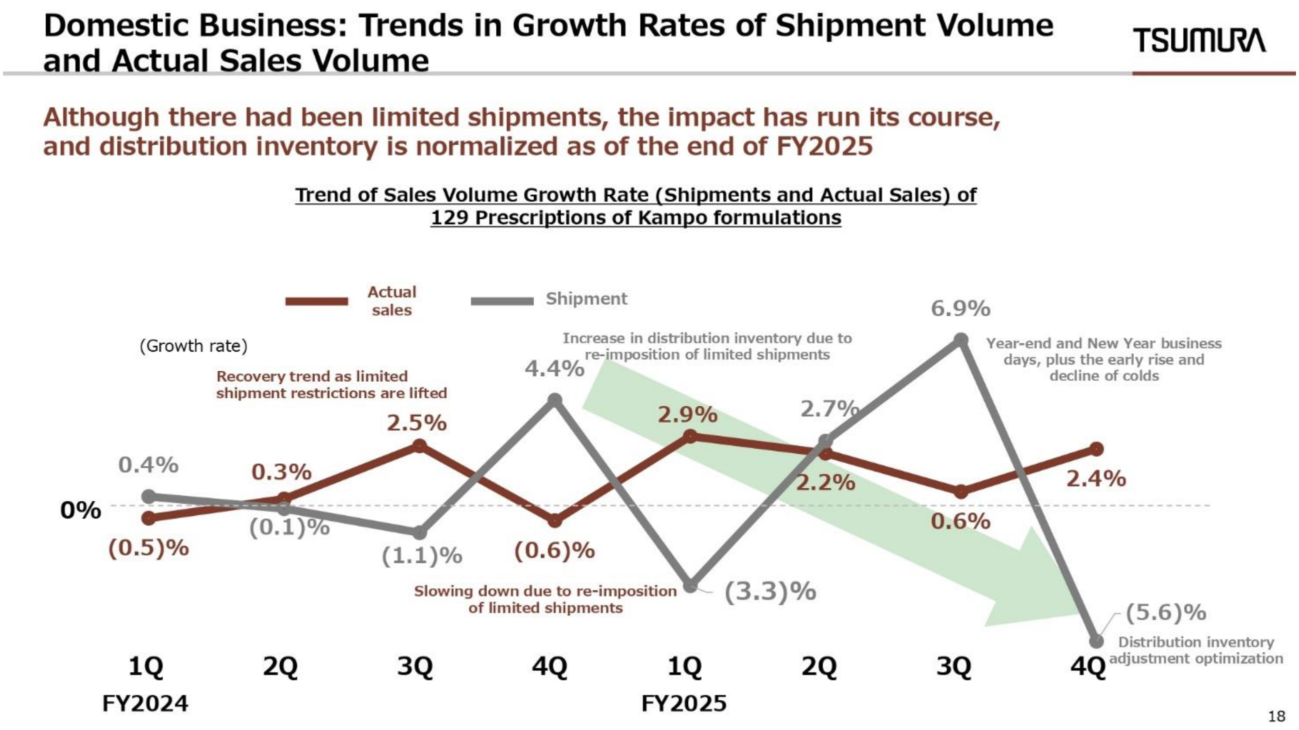
Sales by drug-fostering program formulations and growing formulations in prescription Kampo products.

Sales of 129 prescription Kampo products reached JPY153.9 billion, remained almost at the same level as the previous year. The sales of drug-fostering program formulations totaled JPY40.1 billion, down 0.1% YoY, and those for growing formulations totaled JPY25.3 billion, up 4% YoY. Goreisan, which increased by 13% YoY, led the overall growth.

The actual sales volume, which is shown on the right as a reference and indicates actual demand, increased by 2% YoY, with a total of 129 prescriptions. The next slide explains the background behind the growth in actual sales while sales remained at the same level as the previous year.

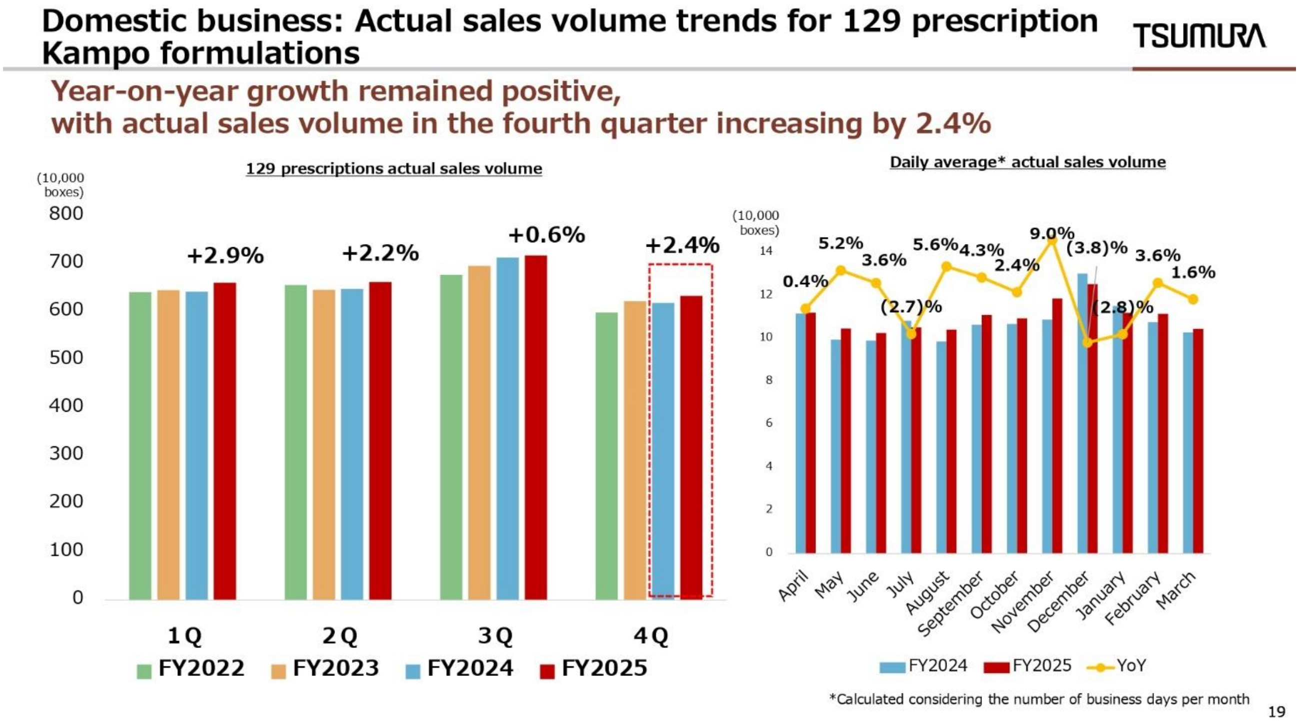


This graph shows the quarterly growth rate of shipment volume from our company to pharmaceutical distributor/wholesalers and actual sales volume from pharmaceutical distributor/wholesalers to medical institutions.

In Q4, pharmaceutical distributors/wholesalers placed orders based on demand while taking into account the status of distribution inventories, and as you can see, shipments in Q4 were significantly lower than actual sales. As a result, the volume of inventory in circulation at the end of the fiscal year is adjusted to an appropriate level.

While inventory in circulation levels at the end of the previous fiscal year were high, they were kept at an appropriate level at the end of this fiscal year; this is the reason why shipment growth was lower than actual sales and remained at roughly the same level as the previous year. We believe that the effects of the difficulty in reading demand, etc. caused by the limited shipments have already run their course and that the normal supply and demand environment has returned.

We will explain the actual sales situation on the following slide.



This is the trend of actual sales volume of 129 prescription Kampo products.

Please see the graph on the left first. Although the growth rate slowed temporarily in Q3, it recovered to positive 2.4% in Q4, the same pace of growth as in H1.

The graph on the right shows actual sales volume trends on a daily basis, taking into account the number of business days. Although there were shades of gray on a monthly basis due to the impact of temporary factors such as a reaction to the lifting of limited shipments in the previous fiscal year and the strength or weakness of infectious disease outbreaks, the trend for the full year remained above the previous year's level.

Domestic Business: Plan variance in actual sales amount for 129 prescription Kampo formulations

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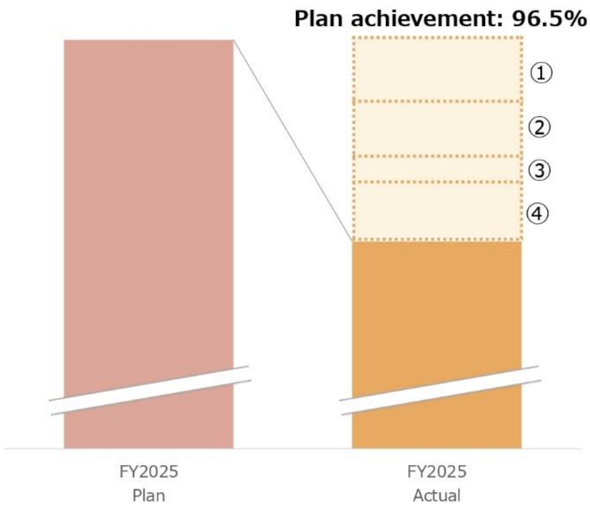
Analysis of factors for failure to meet targets



① **Cold associated formulations**
In addition to the outbreak of infectious diseases being lower than expected, impact of recovery in the supply of antitussives, expectorants, etc.
Major prescriptions: Bakumondoto, Kakkonto ,etc

② **Limited shipment prescriptions**
The recovery of prescriptions that were limited shipment in Q3 of last year is slower than expected.
Major prescriptions: Ninjin'yoeito, Yokukansan-Ka-chinpi-hange,etc

③ **Women's health**
Impact of expansion of competitive new drugs
Major prescriptions: Tokisyakuyakusan, Keishibukuryogan,etc

④ **Others (strategic formulations, etc.)**
Major prescriptions: Hochuekkito,Rikkunshito,etc

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The following is a breakdown of the factors behind the underachievement compared to the planned versus actual. There are no major changes from the factors explained in Q3, but I will briefly explain them.

The first is cold-related prescriptions. We failed to achieve our forecast mainly due to lower-than-expected outbreaks of infectious diseases and the impact of a recovery in the supply of antitussives, expectorants, and other products.

Second, the recovery was slower than expected in formulations that were shipped on a limited basis in Q3 of FY2024.

Third, in gynecology-related prescriptions, we were unable to fully absorb the impact of the expansion of competitive new drugs and limited shipments in previous years.

Fourth, the growth rate of other formulations, including strategic formulations, remained lower than expected.

This year, we will apply these factor analyses to our plans and activity policies. In addition to not expecting an increase in sales due to seasonal factors such as infectious diseases and hay fever, other prescriptions, which remained at a low level in the previous fiscal year, have been incorporated into the plan by clearly distinguishing between those that can be expanded under a certain strategy and those that are expected to remain at their current levels.

We will discuss this fiscal year's plans and initiatives in the earnings forecast section later.

China business: Crude drug platform

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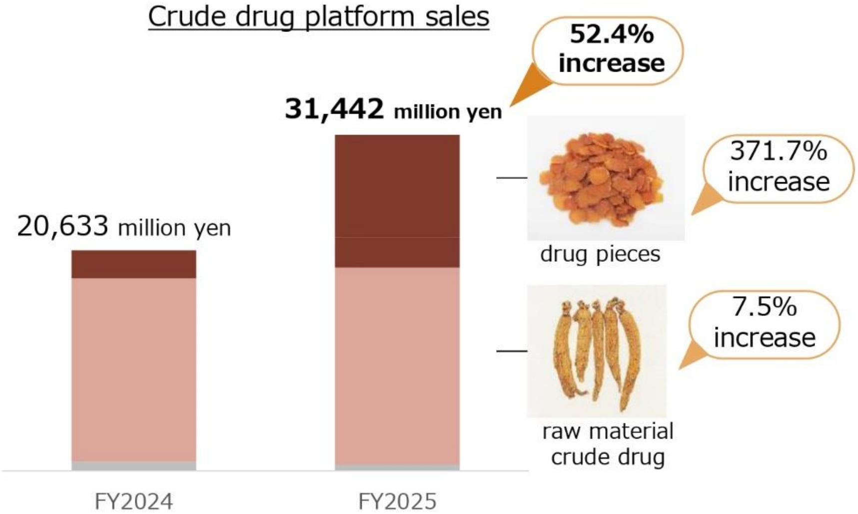
- **Sales of the crude drug platform increased for both raw crude drugs and drug pieces**
- **Sales of drug pieces rose significantly following the consolidation of Hongqiao drug pieces**



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Here is the status of our China business.

As explained in the financial results summary, we began consolidating Hongqiao drug pieces P&L starting with Q3 results. Consequently, sales of drug pieces grew significantly, and the total sales for our China business increased by 52.4% YoY.

Sales of raw material crude drugs grew by 7.5% YoY due to an increase in sales volume, despite a decline in unit sales prices cause by lower crude drug prices.

China business: Overview of Shanghai Hongqiao drug pieces PPA (allocation of acquisition cost)

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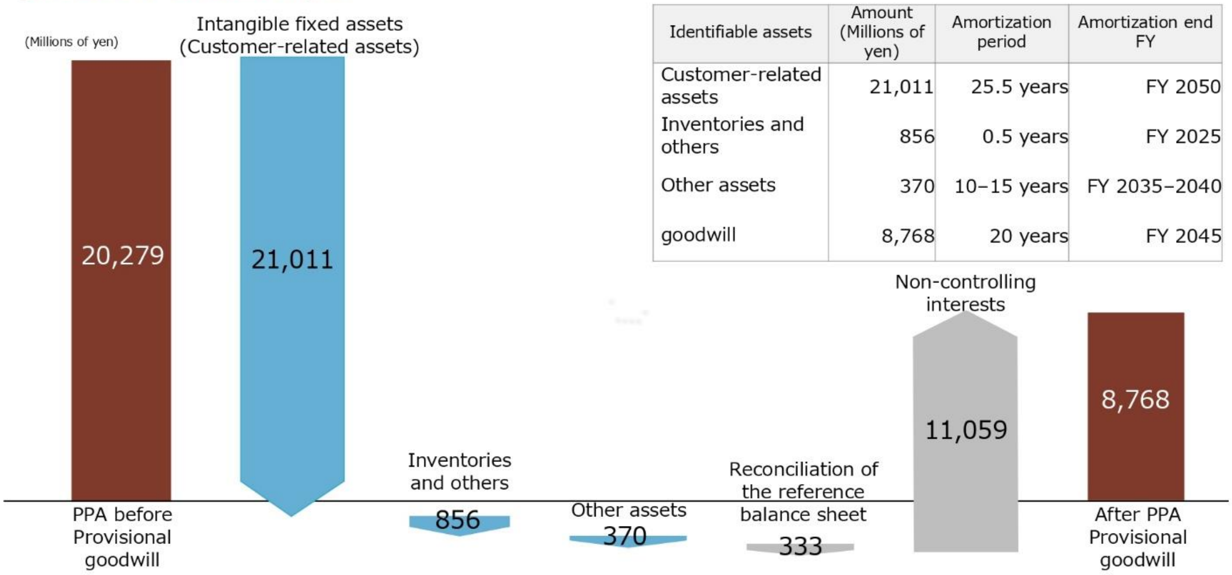
The main identifiable assets are customer-related assets of 21 billion yen and provisional goodwill of 8.7 billion yen

Identifiable assets	Amount (Millions of yen)	Amortization period	Amortization end FY
Customer-related assets	21,011	25.5 years	FY 2050
Inventories and others	856	0.5 years	FY 2025
Other assets	370	10–15 years	FY 2035–2040
goodwill	8,768	20 years	FY 2045



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We would like to report on the result of PPA for Hongqiao drug pieces, which was completed in Q4.

In the PPA, Hongqiao drug pieces' technology, brand, and customer list were valued at fair value, resulting in JPY21 billion being recorded as customer-related assets. The amortization period here is 25.5 years.

Inventories and other assets amounted to JPY0.8 billion, and this amount was all written off in FY2025 as a one-time amortization expense. As a result, the amount of goodwill determined after implementation of the PPA was JPY8.7 billion. The amortization period here is 20 years.

Hongqiao drug pieces has secured a wide distribution channel for its drug pieces in the Shanghai market, from general hospitals to medium-sized clinics, and has a high market share. It also has a strong brand for drug pieces. In the PPA, the strong customer-related asset was highly evaluated; and we recognized that its strong customer-related base of Hongqiao drug pieces was reconfirmed.

China business: Operating profit

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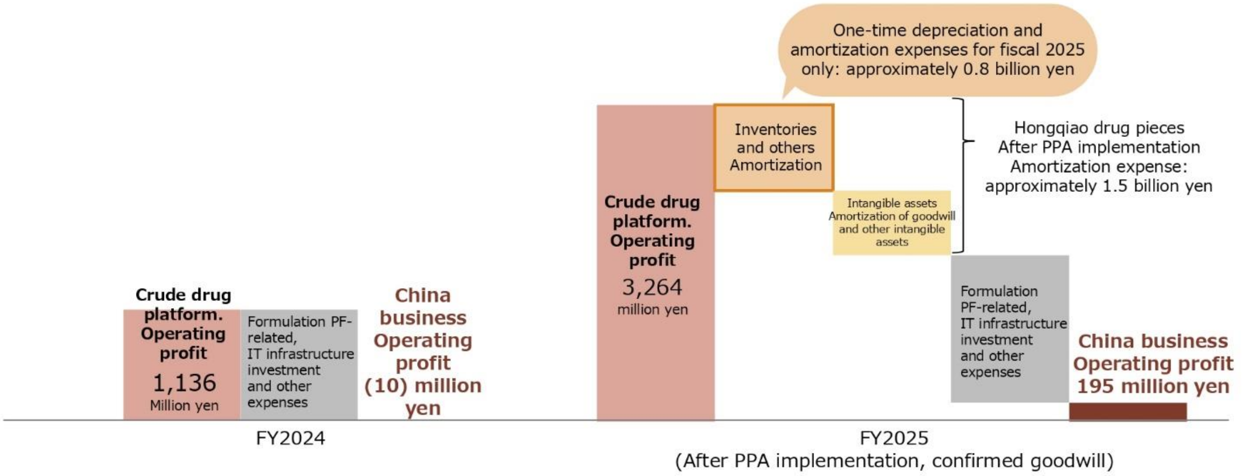
- The China business turned profitable as operating profit of the crude drug platform increased significantly following the consolidation of Hongqiao drug pieces
- Depreciation and amortization expenses after the implementation of the PPA for Hongqiao drug pieces amounted to approximately 1.5 billion, including one-time costs related to inventories and other items



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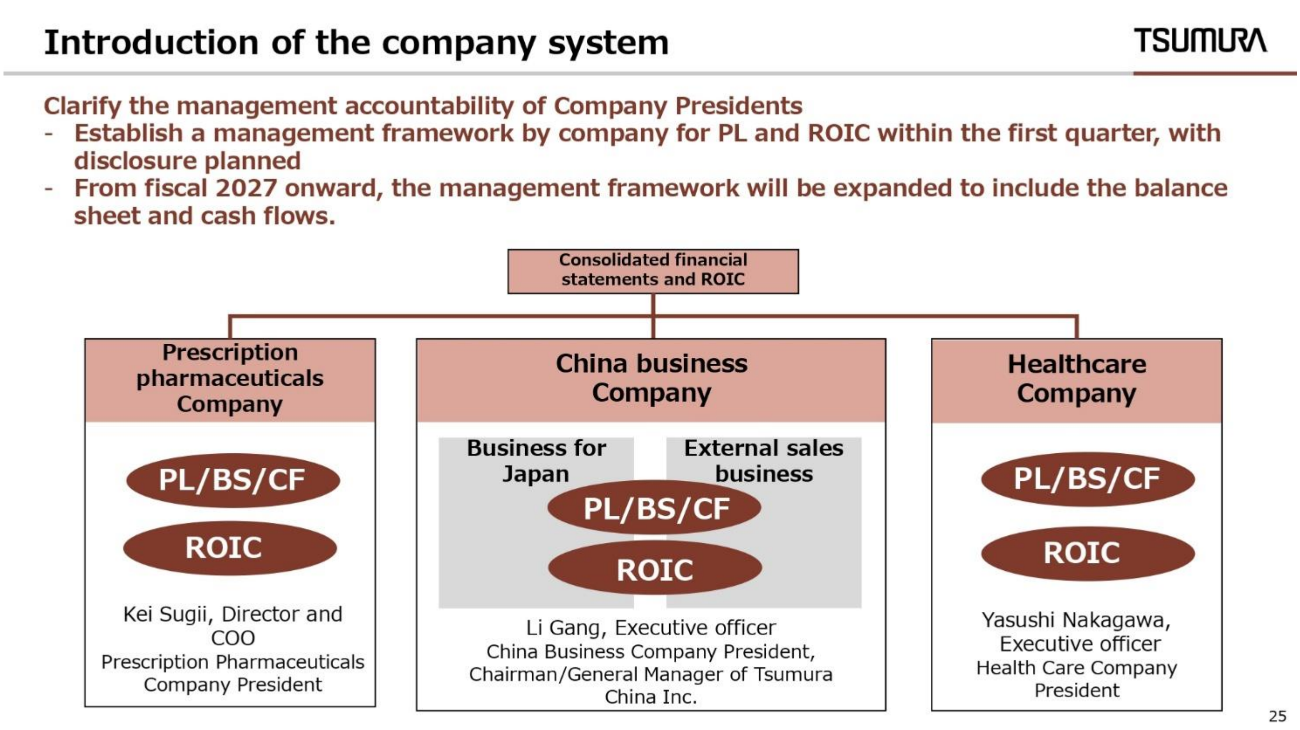
Next, I will explain the operating income of the China business.

Operating profit of the China business was a profit of JPY0.2 billion due to a large increase in operating profit of the crude drug platform, including Hongqiao drug pieces. The amortization expense after the PPA is finalized, which is recorded in FY2025, is JPY1.5 billion. Of this amount, JPY0.8 billion for inventories, etc., will be appropriated only for FY2025, as I mentioned earlier.

The total annual amortization expense for intangible assets, including customer-related assets and goodwill of Hongqiao drug pieces after FY2026 and onward is expected to be approximately JPY1.3 billion.



Then, I will explain the financial plan and the earnings forecast for FY2026.

Before explaining the forecast figures, I would like to explain our efforts to improve profitability and capital efficiency through the introduction of an internal company system.

With the introduction of the Company system in April of this year, we aim to speed up the decision-making process at each company, improve and strengthen profitability, and further accelerate the improvement of capital efficiency.

As the cornerstone of this initiative, ROIC will be the central indicator for business management. Specifically, in addition to sales profit, ROIC targets will be set as KGIs for each Company President. This will promote business decisions with a strong focus on profitability relative to invested capital, in addition to expanding the scale of sales.

The management control system by company will be implemented in stages, as it will take a certain amount of time to develop the infrastructure. Nevertheless, we intend to place the highest priority on strengthening profitability by setting company operating profit and ROIC targets.

First, in the first three months of Q1, we would like to define the details of the calculation logic for intercompany transactions, invested capital, etc., and disclose the P&L and ROIC plans by company. The detailed management, including B/S and cash flow management by company, will be completed by the end of FY2026, together with the development of management information related systems, etc., which will serve as the foundation for the management system.

FY2026 Earnings Forecast

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[million yen]	FY 2025 Results	FY 2026 prediction	YoY change Amount	YoY change Rate of increase/decrease
Sales	**192,615**	**213,600**	**+20,984**	**+10.9%**
Domestic Business	161,172	167,600	+6,427	+4.0%
China Business	31,442	46,000	+14,557	+46.3%
Operating profit	**35,219**	**37,500**	**+2,280**	**+6.5%**
Domestic Business	35,024	34,800	(224)	(0.6)%
China Business	195	2,700	+2,504	+1,281.4%
Ordinary Profit	**40,036**	**35,500**	**(4,536)**	**(11.3)%**
Profit attributable to owners of parent	**28,117**	**26,200**	**(1,917)**	**(6.8)%**

	FY 2025 Results	FY 2026 prediction
ROE	**9.0%**	**8.0%**
EPS	**376.28yen**	**351.46yen**

(Note)
Among non-operating income and expenses, foreign exchange gains related to loans and other receivables to overseas subsidiaries are not included in the earnings forecast, as it is difficult to make a reasonable estimation due to fluctuations in foreign exchange rates.
With regard to extraordinary income, a portion of gains on sales of investment securities is included.

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This shows FY2026 earnings forecast.

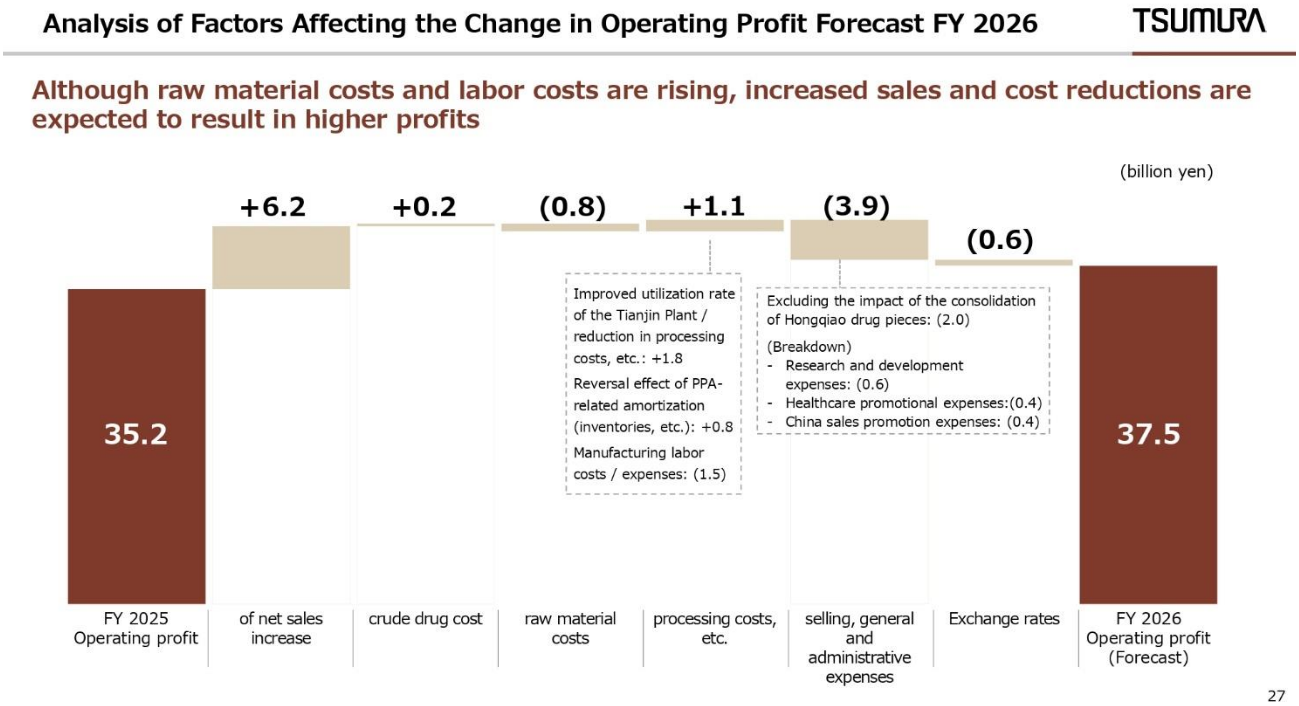
Revenue is expected to increase, and operating profit is also projected to rise.

Sales increased by 10.9% YoY to JPY213.6 billion, of which JPY167.6 billion came from the domestic business and JPY46 billion from the China business. Sales profit increased by 6.5% YoY to JPY37.5 billion, of which JPY34.8 billion came from the domestic business and JPY2.7 billion from the China business.

Ordinary profit will decrease by 11.3% to JPY35.5 billion, as the prior year included significant foreign exchange gains due to the weak yen, whereas the current plan does not factor in such gains. Net income attributable to owners of the parent decreased by 6.8% to JPY26.2 billion.

ROE and EPS will also be lower than the previous year due to the impact of the reactionary effect of foreign exchange gains, but we aim to secure at least 8% of ROE for the current fiscal year, regardless of the impact of foreign exchange fluctuations, in order to reach 10% in accordance with the VISION policy.

The acquisition of shares in Yomei Shuzo, announced in a news release on February 25, is scheduled to be completed in August or September, but is not yet finalized at this time and is therefore not included in the forecast for FY2026. We will announce the impact on business performance when it becomes clear.



This is the analysis of factors affecting the change in operating profit forecast FY2026.

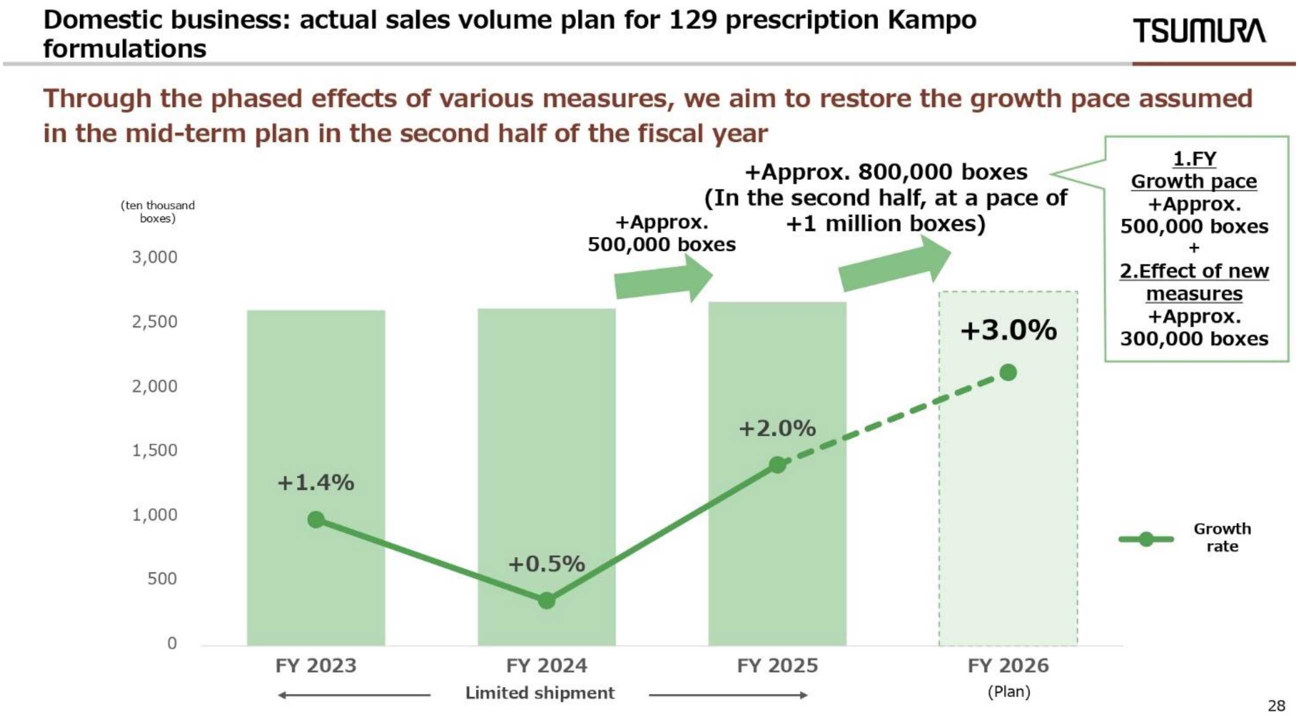
First, gross profit will increase to JPY6.2 billion due to higher sales in the domestic and Chinese businesses. The impact of the Hongqiao consolidation will eventually amount to a positive JPY3 billion.

Next, crude drug costs are expected to increase by JPY0.2 billion due to an expected reduction in the unit cost of procuring crude drugs. Raw material costs were minus JPY0.8 billion due to the impact of higher unit prices for sub-materials such as lactose and films. The impact of the Strait of Hormuz contingency has already been factored in for those aspects that have become apparent.

Processing and other expenses are expected to increase by JPY1.1 billion due to higher capacity utilization at the Tianjin plant and efforts to reduce processing costs, despite an increase in domestic labor costs due to advance hiring of human resources in anticipation of the operation of the new manufacturing building and an increase in manufacturing expenses.

SG&A expenses are expected to have a negative impact of JPY3.9 billion. Excluding the JPY1.9 billion impact from the consolidation of Hongqiao drug pieces for one year, the impact would be negative JPY2 billion. This includes JPY0.6 billion in increased R&D expenses, JPY0.4 billion in advertising expenses mainly for curing products in the Healthcare Company, and JPY0.4 billion in sales promotion expenses for the Big Health products in China.

Foreign exchange impact is expected to be negative JPY0.6 billion due to the assumed depreciation of the yen from the previous year, taking into account the forward exchange rate.



From here, I would like to explain about actual sales plan for 129 prescription Kampo products.

In the current fiscal year, we aim to break away from the situation in the previous fiscal year, when actual sales growth fell short of the plan, and to raise the pace of growth to a higher level. Actual sales volume for the year is to be 800,000 boxes.

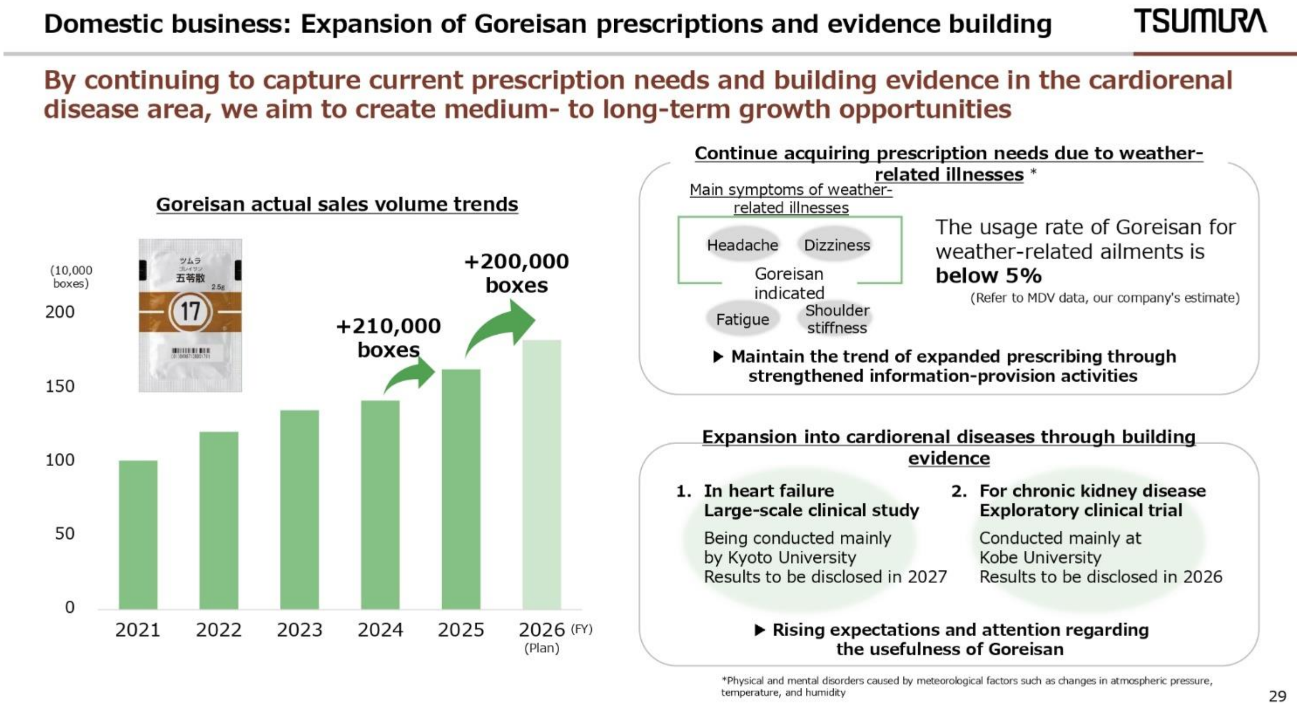
Before I explain the various measures for this fiscal year on the next and subsequent slides, I would like to explain our approach to the assembly of actual sales volume growth, which is shown in the callout on the right side of the slide.

First of all, we believe it is necessary to ensure the maintenance and bottom-up of last year's performance of plus 500,000 boxes through effective implementation of existing measures. Specifically, we will maintain the growth pace of Goreisan, continue to focus on priority areas such as oncology and women's health, strengthen information provision activities through e-promotion, and work to increase the number of physicians prescribing basic prescriptions for treatment areas, which will be the foundation for growth.

Second, we will focus on specific new measures to expand Kampo formulation opportunities in individual areas as an assembly to dramatically add to volume growth. The specifics of the measures will be explained later, but the items will be two of the four prescriptions, including “Rikkunshito for functional gastrointestinal disorders” and” Yokukansan for sleep disorders”. By promoting these two items, we plan to achieve an increase of 800,000 boxes, adding 300,000 boxes to the level of last year's performance.

Activities based on these measures have already started in H1 of this fiscal year, and since the effects of these measures will gradually appear in H2 of the fiscal year, the volume plan is also weighted toward H2 of the fiscal year.

Based on these assumptions, we aim to reach our mid-term goal of a solid growth pace of plus 1 million boxes per year in H2 of this fiscal year.

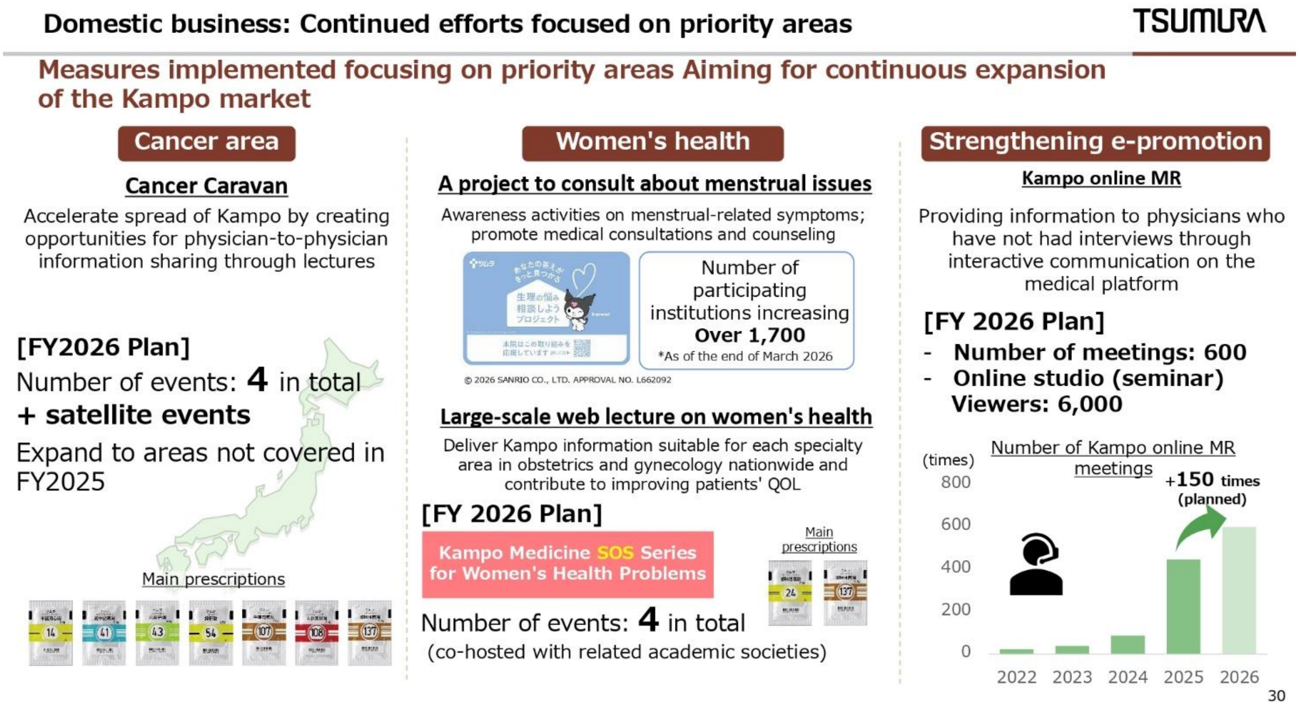


Let me talk about Goreisan, which drove the growth in the last fiscal year.

In the last fiscal year, prescriptions of Goreisan for headache and dizziness increased due to the growing awareness of weather-related diseases, and the product recorded a high growth of 210,000 boxes. According to our estimation, less than 5% of patients are prescribed Goreisan for symptoms of weather-related diseases, and there is still a great potential need and room for growth. By continuing to improve awareness and understanding among physicians, we expect the expansion trend to continue, and we are confident that this will contribute significantly to maintaining and expanding the pace of actual sales growth in the current fiscal year.

In December last year, we introduced two large-scale clinical studies on Goreisan in the field of cardio-renal diseases. As shown in the lower right-hand corner of the slide, the results of the large-scale clinical study in heart failure and the exploratory clinical study in chronic kidney disease are expected to be disclosed in FY2027 and this year, respectively. While basic data has already shown the efficacy of the drug, the heart failure treatment guidelines also state that the results of clinical studies are awaited, and attention to the usefulness of the drug is increasing.

Nevertheless, given the timing of the disclosure of the study results, we assume that the full-scale expansion of prescriptions in this area will occur in the next fiscal year, not this year. In the current fiscal year, we intend to further increase actual sales in the area of weather-related diseases, as well as promote in-hospital adoption in the cardiology departments of universities and clinical study hospitals and actively provide information to physicians who are interested in the product in order to increase sales in the cardio-renal field in the next fiscal year and beyond.

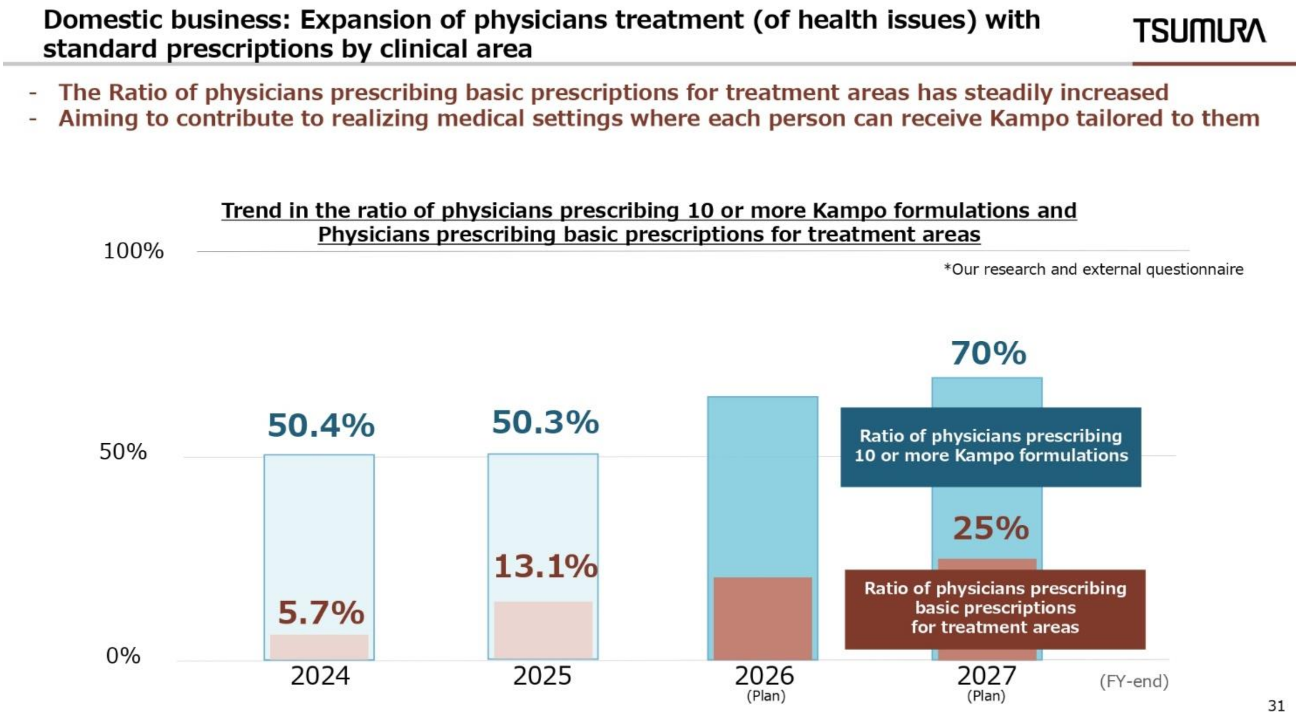


Next, we will show some of the measures that are expected to have a positive effect on the bottom-line growth in the existing priority areas.

I will start from the left side of the slide. The Cancer Caravan, which was launched last fiscal year to high acclaim, will be further expanded this year. Some prescriptions, such as Hangeshashinto for stomatitis, showed a marked effect in boosting actual sales, and we are feeling a positive response.

In the area of women's health, the number of facilities and physicians supporting the "A project to consult about menstrual issues" is increasing, and we will continue our educational activities to promote consultations. In addition, this year we are planning a large-scale lecture meeting co-hosted by related academic societies.

In the last fiscal year, the number of interviews with Kampo Online MRs, part of the e-promotion program that supports the expansion of these information offerings increased significantly. We will continue to further strengthen communication with physicians who have not yet been interviewed and for whom it is difficult to provide information.



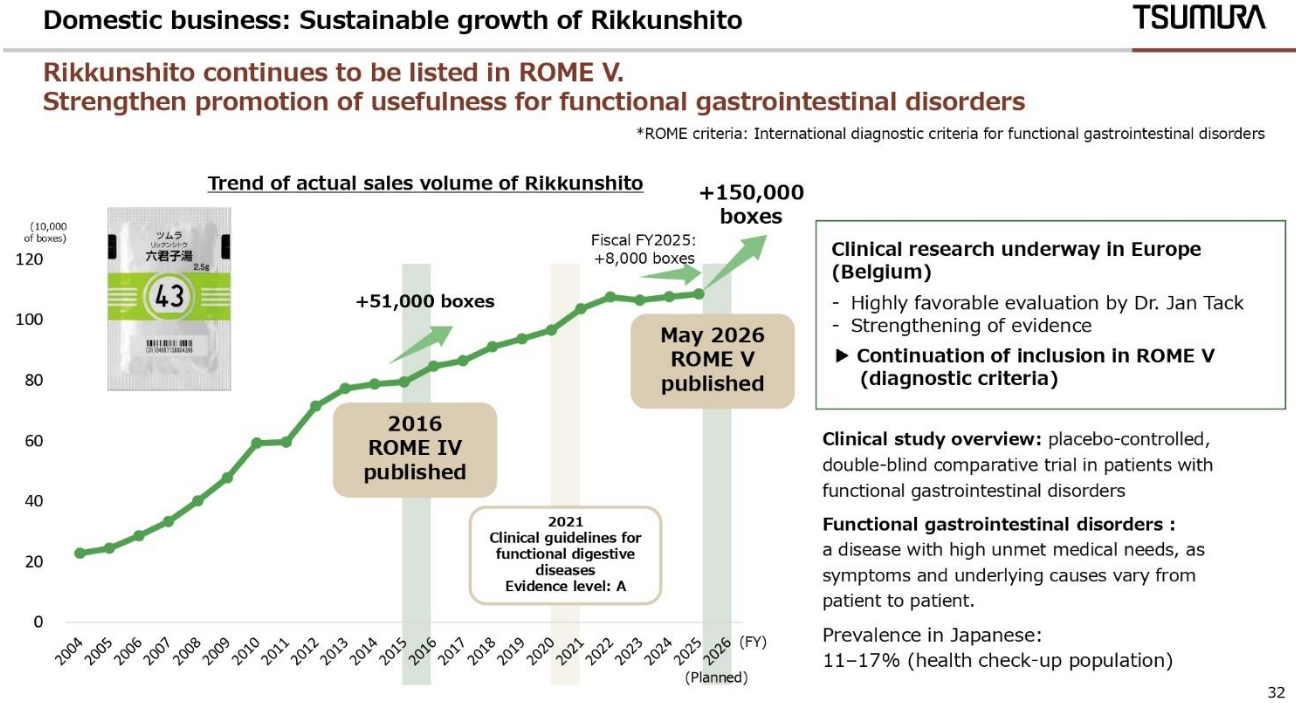
From the perspective of raising the base for the expansion of Kampo practice, activities to increase the percentage of physicians prescribing basic prescriptions for treatment area to 50% in the strategic challenges one of VISION 2031, are an important foundation.

In order to contribute to the realization of a medical setting where patients can receive personalized Kampo treatment at any medical institution or department, we are working to create a situation where 70% of physicians prescribe 10 or more prescriptions and 25% of physicians prescribe basic prescriptions for treatment area in the mid-term plan for the two fiscal years.

In the last fiscal year, the percentage of physicians prescribing 10 or more prescriptions remained unchanged, but the percentage of physicians prescribing basic prescriptions for treatment area increased significantly to plus 7.4 points.

By increasing the number of physicians prescribing basic prescriptions for treatment area, more appropriate Kampo treatments tailored to the constitution and symptoms of patients can be provided in each department, leading to an environment where both physicians and patients can easily feel the effects of their treatments. We believe that the accumulation of these efforts will contribute to the establishment of Kampo in daily medical practice, the spread and expansion of Kampo treatment, and ultimately, the sustainable expansion of actual sales.

Through a combination of the prescribing theme-based measures I have explained on the previous slides and activities to build such a foundation, we will work to firmly raise the level of the market.

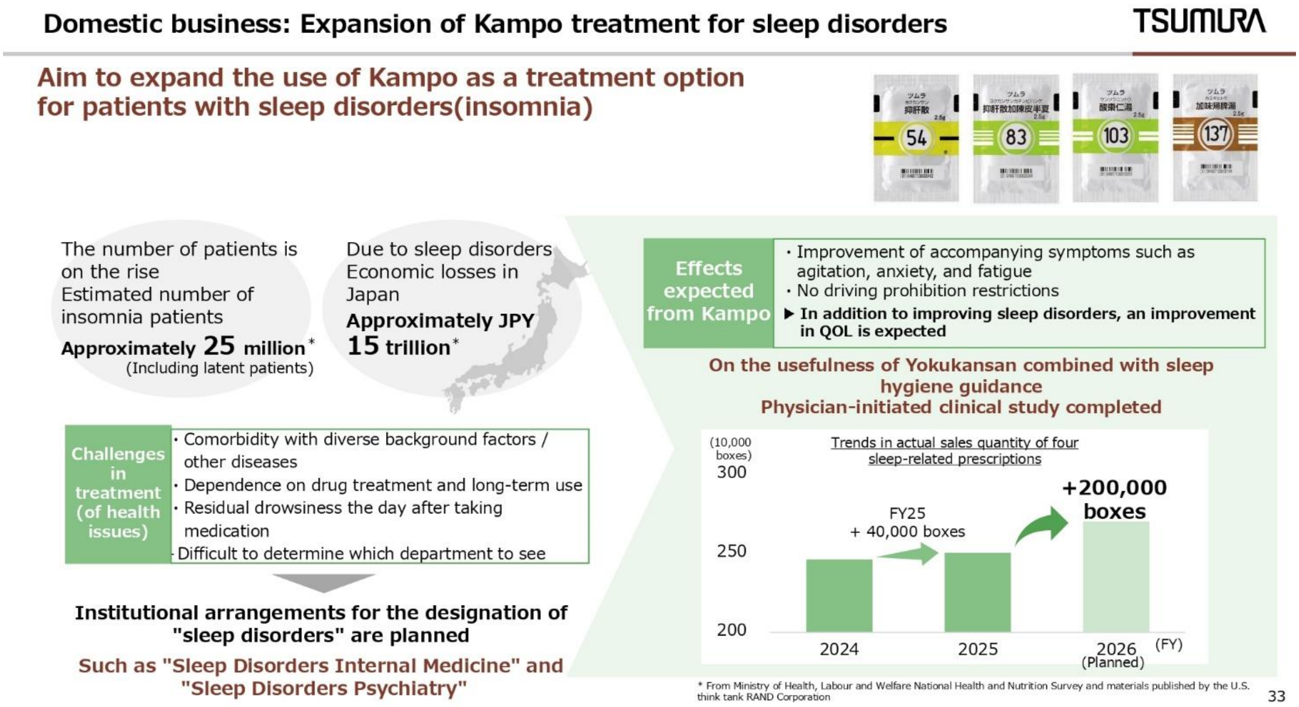


I will now explain two new individual measures that are expected to have a remarkable effect on actual sales growth in the current fiscal year. Of the strategic challenges two in the VISION, research-driven measures related to the expansion of standard Kampo treatment and personalization of Kampo treatment, these are two items that will lead to a major expansion of prescriptions this fiscal year.

The first is to strengthen the appeal of Rikkunshito for functional gastrointestinal disorders. Rikkunshito is used for various symptoms associated with reduced gastrointestinal function and was included in ROME IV, the international diagnostic criteria for functional gastrointestinal disorders, in 2016. As you can see from the graph, the actual sales volume of Rikkunshito grew by an additional 50,000 boxes when ROME IV was published, and we believe that its inclusion in the diagnostic criteria had an impact on physician recognition and prescribing behavior.

As exemplified by the physician-initiated clinical studies currently being conducted in Europe on patients with functional dyspepsia, evidence has been built up through basic and clinical research, which has led to its continued inclusion in the May 2026 revision of ROME V. The new ROME V reflects advances in clinical research and other medical advances in the decade since the last ROME IV and beyond and is based on more advanced diagnostic criteria. The fact that Rikkunshito was listed as an evidence-based treatment in ROME V is a sign that the usefulness of Rikkunshito has been reevaluated internationally and its appeal has also improved.

Furthermore, in 2027, the guidelines for the treatment of functional gastrointestinal disorders, which listed this drug in 2021 as a Type A recommended drug, are scheduled to be revised, and we expect that interest in Rikkunshito will continue to grow. This year, we expect to increase prescriptions for Rikkunshito by approximately 150,000 boxes over the previous ROME IV by once again promoting the usefulness of Rikkunshito.



The second measure is to expand the use of Kampo treatment for sleep disorders.

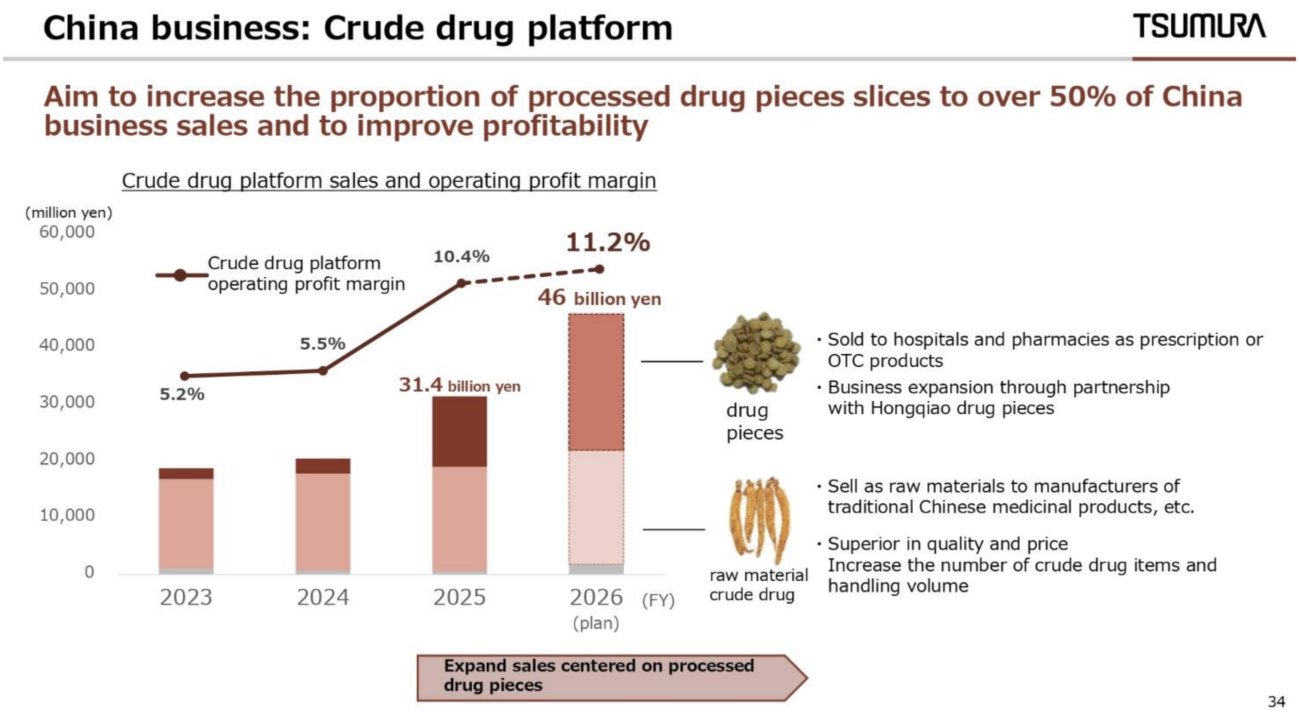
The number of patients with insomnia is increasing every year, and including latent patients, the number is estimated to be as high as 25 million. The economic loss in Japan due to sleep disorders is estimated to be about JPY15 trillion, and it is becoming increasingly important as a social issue.

Sleep disorders have diverse background factors and are often associated with other diseases, and there are many treatment issues such as dependence on drug therapy and carrying over sleepiness to the next day. In light of this situation, attention is now focusing on changes in the environment surrounding sleep medicine, such as the consideration of the development of a system for sleep disorder advocacy.

In this context, Kampo treatment is expected to improve not only insomnia, but also accompanying symptoms such as agitation, anxiety, and fatigue, and is characterized by the absence of restrictions such as driving bans. In addition to improving sleep disorders, we believe that it can contribute as a promising treatment option that contributes to improving patients' quality of life.

At present, results of a physician-led study on the evaluation of the efficacy of taking Yokukansan in combination with sleep hygiene education are also available. By strengthening the provision of evidence-based information, especially to physicians treating insomnia in psychiatry and general internal medicine, we aim to expand the use of Kampo in the treatment of sleep disorders.

In the current fiscal year, we expect an increase in actual sales volume of 200,000 boxes for the total of four formulations of Yokukansan, Yokukansankachimpihange, Sansoninto, and Kamikihito.

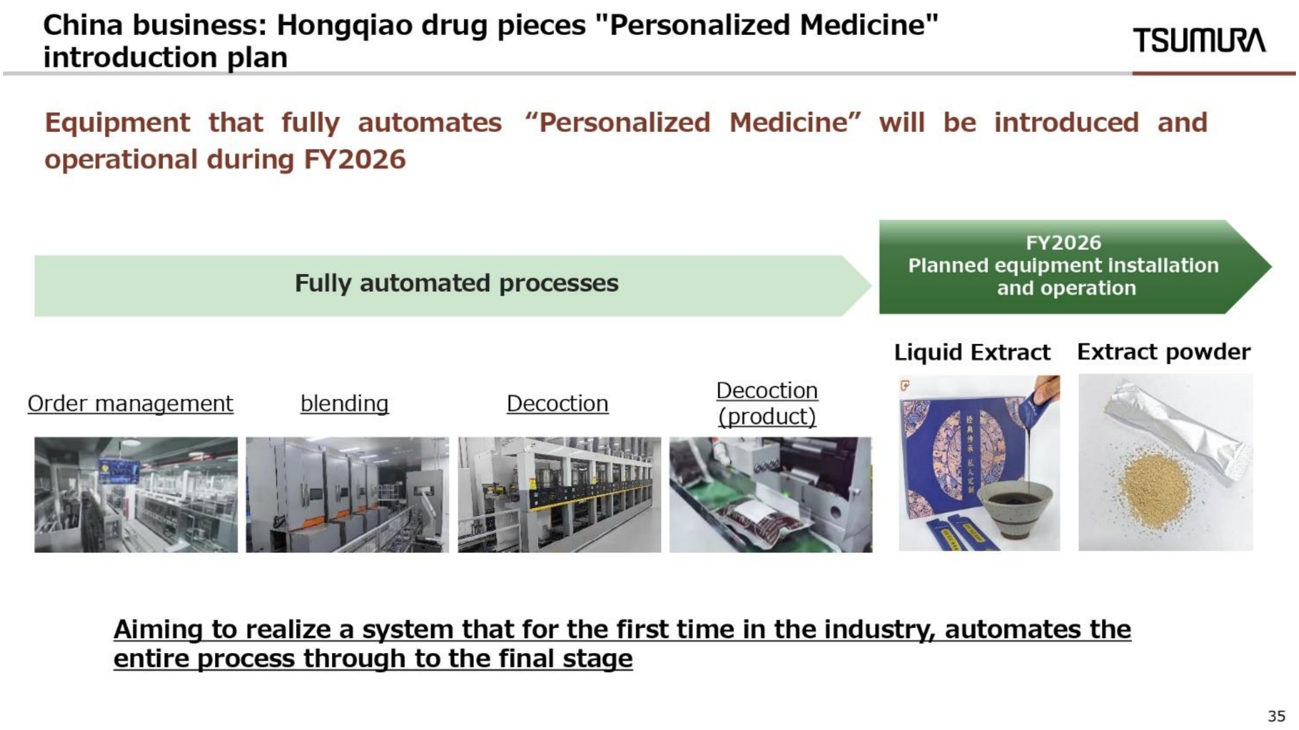


Next, I will explain the China business plan.

In the crude drug platform of our China business, we had been aggressively expanding sales channels for raw material crude drugs in order to gain recognition for the quality of our crude drugs until FY2024. From FY2025, the Company has been focusing on expanding sales mainly of drug pieces, which have a higher profit margin compared to raw material crude drugs.

In addition to this, the consolidation of Hongqiao drug pieces from Q3 of this fiscal year brought the share of drug pieces in the sales of the crude drug platform to approximately 40%, and the operating margin improved to over 10%.

This fiscal year, in addition to the full-year consolidation effect of Hongqiao drug pieces, we plan to further expand sales to achieve a sales share of over 50% for drug pieces and aim to further improve profit margins.

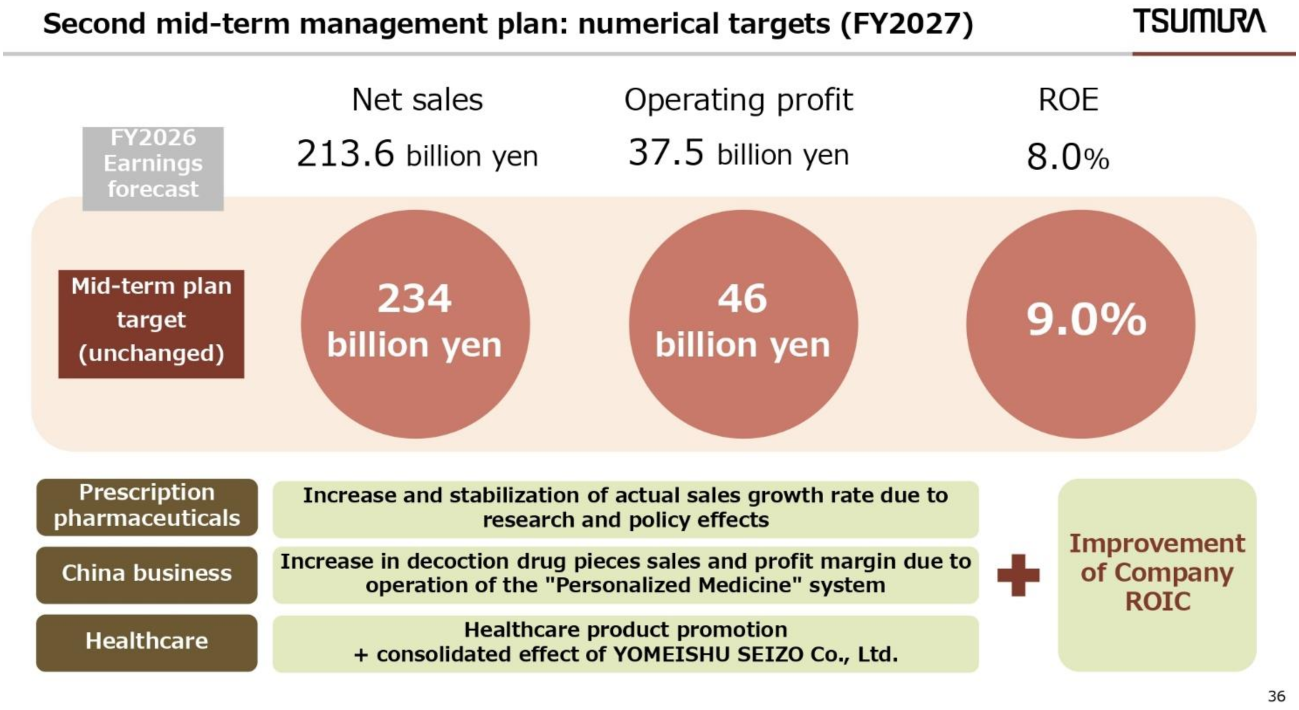


The driver for further growth of the drug pieces business is the one person, one prescription service.

At Hongqiao drug pieces, we are currently developing technology to realize a smart factory with a high-mix, low-volume production model by introducing fully automated equipment for the one person, one prescription service. Currently, our group company, Tianjin Shengshi Baicao, has already developed the one person, one prescription service using smart equipment that fully automates order management, blending, decoction, and decoction liquid.

On the other hand, the processing of the products into other dosage forms, such as flow extracts and extract granules, has not been automated. Therefore, Hongqiao drug pieces aims to complete the development and installation of the industry's first equipment that automates the entire process from order management to final formulation, including flow extract and extract granules, by the end of FY2026, and to start operation.

This will enable us to realize high value-added services through low-cost operations and promote sales expansion and profit margin improvement.



I will explain our solutions for achieving the second mid-term plan, which will end next fiscal year.

In FY2027, we will need to add JPY8.5 billion to operating profit and 1% to ROE compared to the forecast for the current fiscal year. In contrast, the measures for each company to increase sales and profits for the remaining two years of the second mid-term plan are shown in the lower part of the slide.

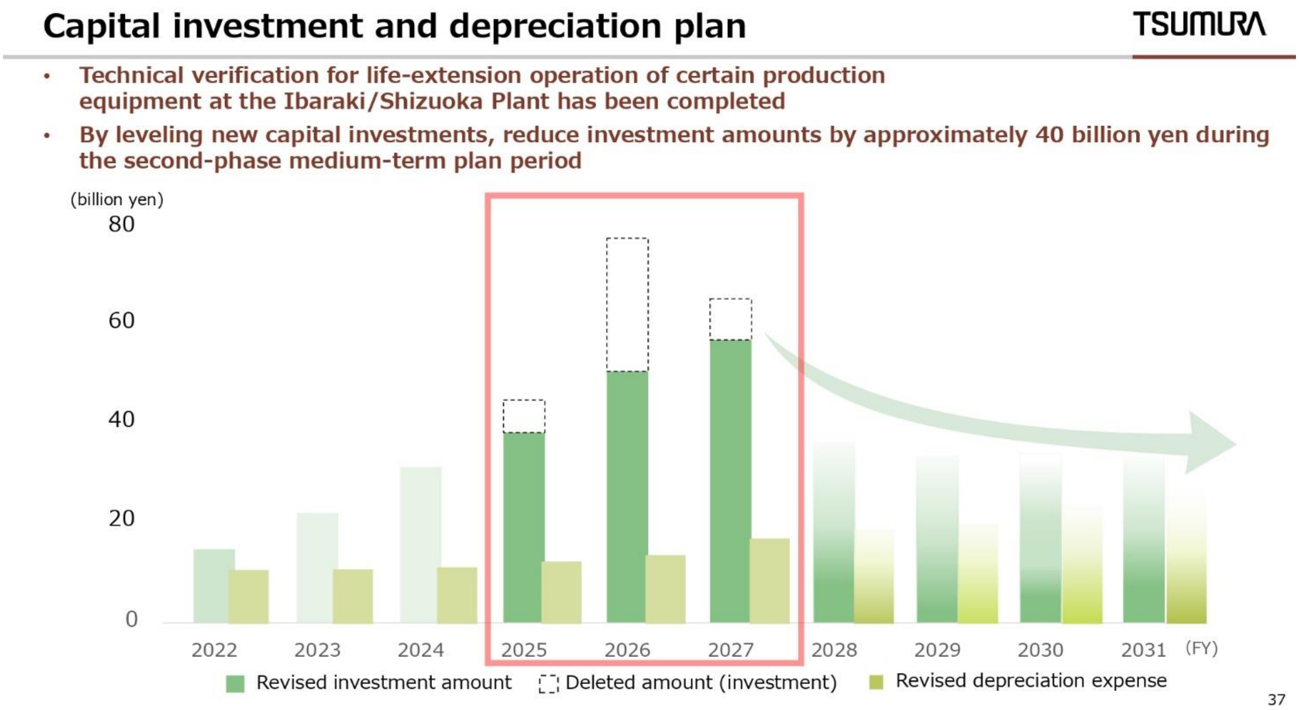
In prescription pharmaceuticals, we will continue the various measures explained earlier in the next fiscal year. Especially, two prescription expansion measures are expected to grow further in the coming fiscal year. Of course, we will also explore and introduce new measures. Expanding the prescription of Goreisan to cardiac and renal diseases is also envisioned to be a central measure in the coming fiscal year.

The effect of the introduction of the smart factory for the one person, one prescription service in the China business and the crude drug platform has not been factored in this fiscal year. The assumption is that this will lead to higher sales and profitability in the coming fiscal year.

The Healthcare Company will strengthen its promotion in the area of curative medicine this fiscal year, in addition to its activities for continued growth of OTC Kampo medicines. If all goes well, the acquisition of Yomei Shuzo as a subsidiary will be completed in H2 of the fiscal year, and the Company will proceed with measures such as expanding sales and cross-selling of medicinal Yomeishu and Yakushoku Dogen products. We believe that these activities are expected to have a sufficient effect on business expansion.

And we will insist on improving capital efficiency through ROIC management by company. While we will continue cost management based on individual dialogues as we did in the previous fiscal year, we will aim to fundamentally and sustainably strengthen our earnings structure through a stand-alone profitability system based on ROIC. By combining the business expansion strategies of each company with the improvement of capital efficiency, we will firmly manage the Company to achieve the goals of the medium-term management plan.

In addition, we will continue to upgrade our operations to quickly improve capital efficiency based on the ROIC axis so that we can achieve and reach our VISION target of 10% ROE ahead of schedule, without waiting until 2031.



I would like to explain the changes in our plans for capital expenditure and our outlook for the future.

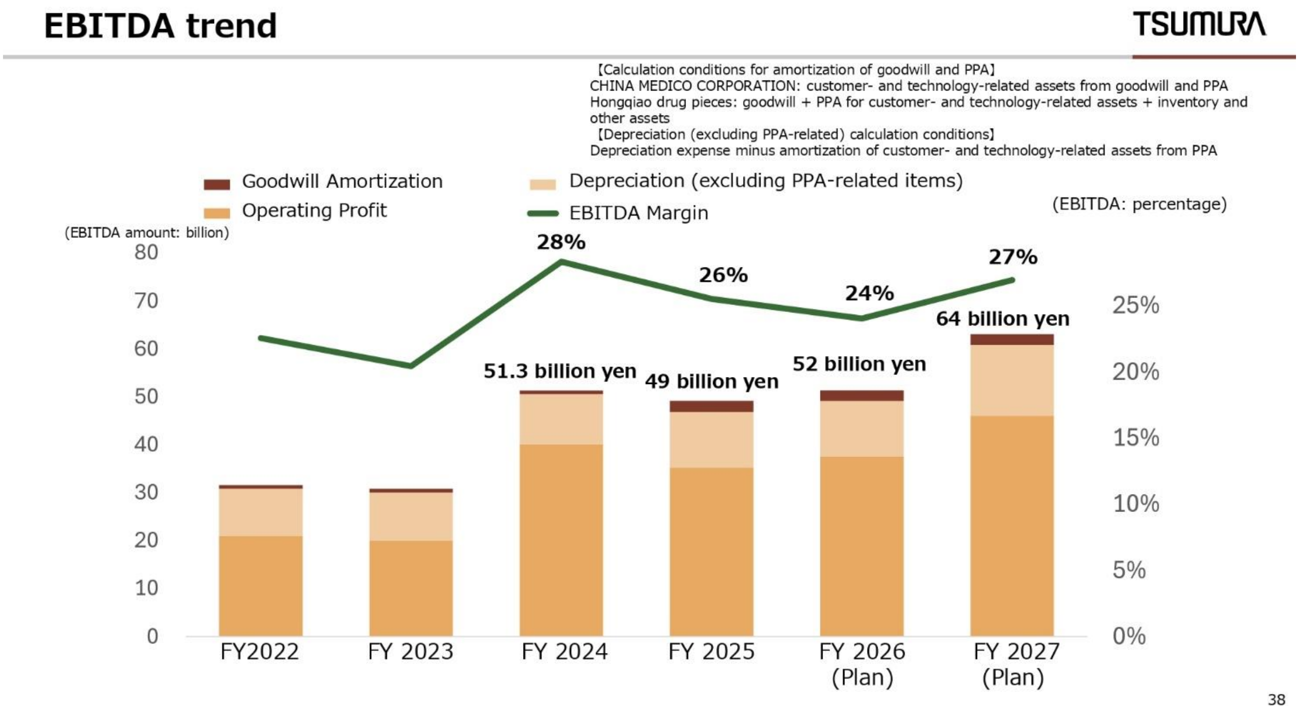
When the second mid-term plan was first formulated, we positioned the period as one in which we needed to build a foundation for securing a stable long-term supply system and improving productivity for sustainable growth in the future, and we planned to invest over JPY180 billion in capital expenditures. Subsequently, in order to reduce and equalize the investment amount as much as possible, we have been reducing the investment amount through careful scrutiny of each individual project, as well as verifying the technical aspects of existing facilities in order to extend their useful lives.

Specifically, at the SD building at the Shizuoka Plant, and the granulation and packaging building at the Ibaraki Plant, we had initially planned to shut down facilities that had reached the end of their useful life, but as a result of careful and time-consuming studies conducted during the last fiscal year with the cooperation of equipment and machinery manufacturers, we were able to further extend their operating periods. Accordingly, we have reexamined our overall priorities for capital investment and have made a plan to diversify the timing of investment by launching the Gunma Plant in stages by function and by process.

There is no change in our policy that the Gunma Plant will ultimately have an integrated production function for Kampo products.

Capital expenditures during the second medium-term management plan period will be reduced by approximately JPY40 billion from the original plan. In addition, as you can see, we will also work to level out the amount of investment for the third medium-term management plan period after FY2028 and beyond. In the current fiscal year, we plan to invest approximately JPY50 billion, a reduction of more than JPY25 billion from the original plan.

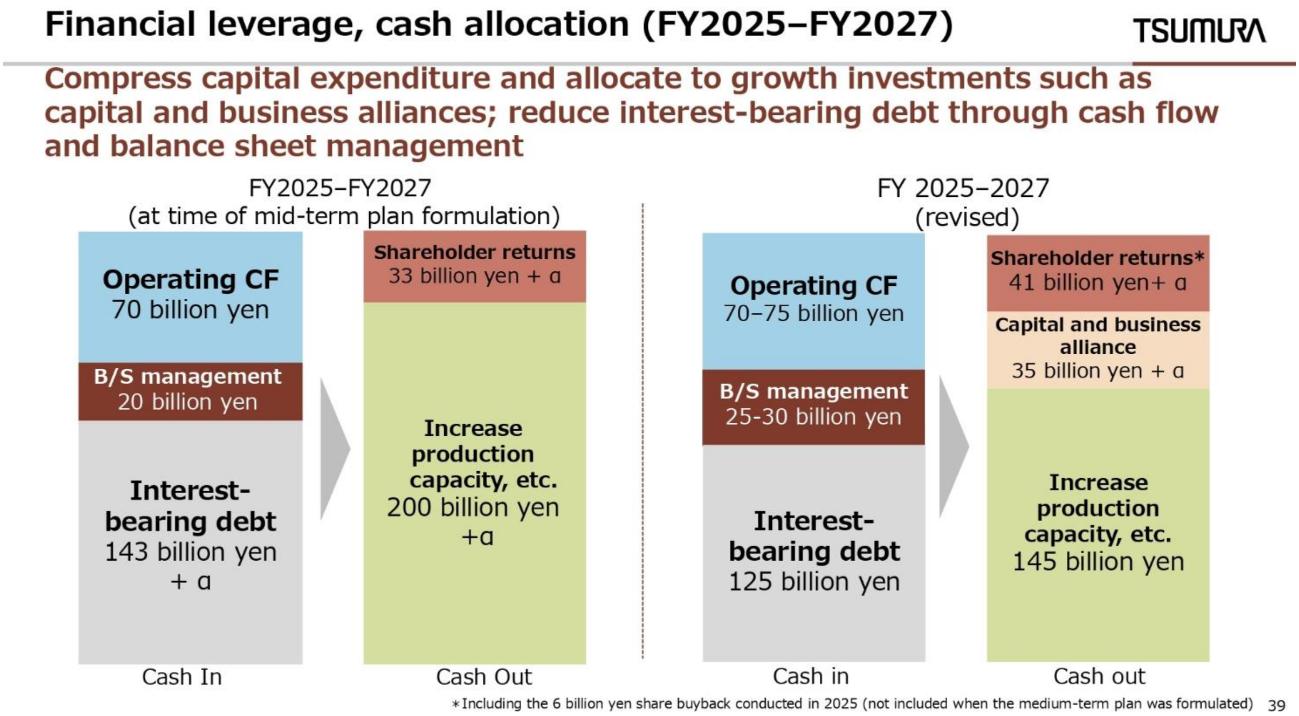
We will continue to strive for efficient use of facilities and close scrutiny of each individual project, and after conducting evaluation by the Board of Directors based on the investment adoption criteria, we will firmly proceed with investments that contribute to growth.



I will show you the change in EBITDA, taking into account the increase in depreciation expenses due to the capital investment plan and the consolidation impact of Hongqiao drug pieces.

For FY2026, we expect to secure EBITDA of JPY52 billion and an EBITDA ratio of 24%, compared to our operating profit forecast of JPY37.5 billion. On an EBITDA basis, the Company expects to exceed its FY2024 results, when it recorded its highest operating profit of JPY40 billion.

Although an increase in depreciation expenses due to capital investment to increase production capacity and amortization of goodwill and customer-related assets of Hongqiao drug pieces will continue to narrow the scope of operating profit growth, we believe that we can aim for EBITDA of JPY64 billion and EBITDA ratio of 27% in FY2027, the final year of the second medium-term plan.



This is a financial leverage and cash allocation strategy. The left side of the slide shows the plan projected at the time of the mid-term plan formulation, and the right side shows the revised plan.

The cash outflow during the second medium-term plan period is expected to be about JPY145 billion less than when the medium-term plan was formulated, and the surplus generated by this reduction will be used for investments such as capital and business alliances and shareholder returns.

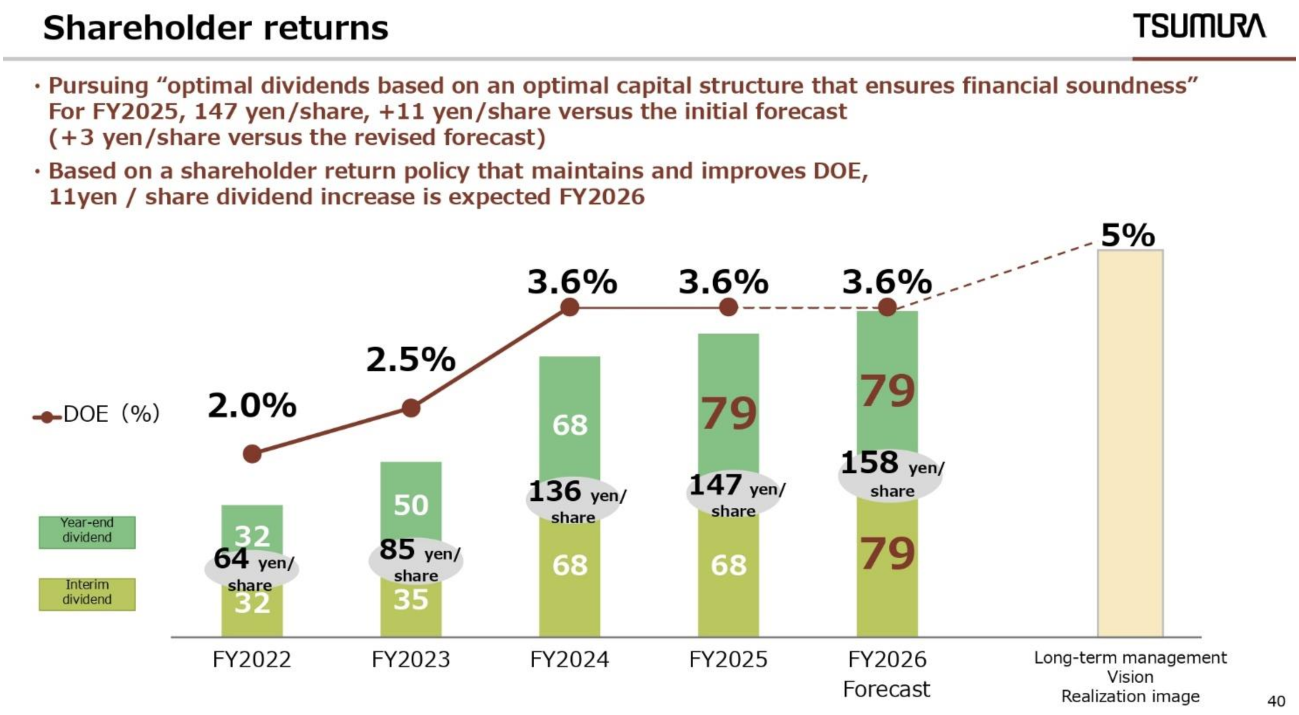
The capital and business alliances include the acquisition of equity interests in Hongqiao drug pieces, the acquisition of shares in Yomei Shuzo, and the acquisition of additional equity interests in Ping An Tsumura Pharmaceuticals, amounting to JPY35 billion. Only investment projects with a high degree of certainty at this time are listed, and the plus alpha sign here indicates future possibilities.

We expect shareholder returns to total approximately JPY41 billion, plus additional amounts, when combining the share buybacks conducted in FY2025 with dividends paid over the past three years.

I will then discuss the cash-in to finance this. Operating cash flow is expected to be up to JPY75 billion, taking into account both the increase due to the improvement of operation-based CCC and the decrease due to the buildup of inventory for BCP.

In addition, we will generate up to JPY30 billion, an increase of up to JPY10 billion, as balance sheet management through the reduction of policy shareholdings to zero in principle and the efficient use of cash reserves.

This is expected to reduce funding with interest-bearing debt from JPY143 billion to JPY125 billion, but we intend to achieve additional reduction by further strengthening our balance sheet management, such as by further strengthening our group fund management system.



Lastly, about the shareholder returns.

The Company's basic policy regarding shareholder returns is to use DOE as an indicator from the perspective of pursuing optimal dividends based on an optimal capital structure that ensures financial soundness. In addition, we aim to improve ROE and increase dividends in stages while maintaining a sound balance sheet and have set a DOE level of 5% as our target in our long-term management vision.

In FY2025, we revised our operating profit forecast upward in Q2 and achieved that plan. ROE was 9%, well above the forecast of 8%. However, in light of the fact that ROE improvement is the result of the large impact of foreign exchange gains, the DOE level is planned to remain unchanged at 3.6% from the time of the earnings forecast revision.

As a result, the dividend for FY2025 is expected to be JPY147 per share, an increase of JPY11 per share over the initial forecast. This is an increase of JPY3 per share over the November dividend forecast revision due to the increase in net assets.

For FY2026, we intend to maintain a DOE of 3.6%, based on a projected ROE of 8%. We forecast a dividend of JPY158 per share for FY2025, representing an increase of JPY11. While we expect DOE to remain flat over the next three years through the current fiscal year, looking ahead to FY2027, the final year of our mid-term plan, we aim to achieve a DOE of 4% or higher. This will serve as a steppingstone toward our goals of 10% ROE and 5% DOE, which we aim to reach early within the VISION period, by ensuring that each business unit steadily improves its performance and ROIC to firmly achieve a 9% ROE.

This is the end of my presentation. Thank you very much for listening.

Question & Answer

Kitamura [M]: Thank you very much. Now, we will take and answer your questions. Please note that the content and audio of your questions will be posted on our website at a later date, along with the presentation materials.

Mr. Hashiguchi of Daiwa Securities, please.

Hashiguchi [Q]: I'm Hashiguchi from Daiwa Securities. Thank you for your presentation.

I would appreciate it if you could tell me about the cost ratio for the period that ended. Compared to your original plan, I believe you explained that processing costs were lower and the cost ratio was lower. What exactly was different from what was expected? I also compared the data with the materials from the Q3 presentation meeting, and although this is a YoY comparison rather than a plan comparison, it shows that the cost of crude drugs in Q3 was quite high compared to the same period of the previous year, but this time, the cost of crude drugs was slightly higher. I would like to know the background of this change in Q4.

Kobayashi [A]: I'm Kobayashi. Thank you very much for your question, Mr. Hashiguchi.

Regarding the first question, the reduction in processing costs, following the revision of our financial results in Q2, we primarily recognized what were expected to be processing costs, essentially manufacturing expenses, but the reality is that a significant portion of these costs remained unutilized. There were some events that made us think that it would be a bit impossible to reduce the processing cost here, but they made a bit of effort to reduce the processing cost through a step-by-step effort to reduce the cost, and this was realized. These factors are having an impact.

As for the cost of crude drugs, last year, I believe I explained that unrealized profits increased. Moving forward, , the significant decline in the unit cost of crude drugs has largely offset that shortfall, and this trend is now well established. In fact, we have been able to formulate our plans for this fiscal year based on a further reduction in the unit cost of crude drugs, and this has become a defining feature of our current situation.

The decrease in the unit price of crude drugs itself does not have an immediate impact on the financial results or on the unit cost of inputs, but there are some items that have been on the decline for a long time in the past, and some of them, which were very high, are now on the decline. The decrease in the unit price of inputs has had a significant impact on our business, and the cost of crude drugs has finally started to show a positive effect on an operating income basis. I am wondering if this is what is happening.

Does this answer your question?

Hashiguchi [Q]: Thank you very much.

I would like to ask you something related to the second question and the first question, but in what you just said, regarding the cost of crude drugs, the period in which it started also has an impact. In terms of processing costs, what is the impact with respect to the period that began?

The second question I was thinking of was the slide in your presentation of the mid-term plan a year ago, in which you showed us an image of the change in manufacturing costs per unit. In the slides, it is on page 49 on the slides from that time. That would have drawn a picture of a larger increase in manufacturing costs per unit from FY2025 to FY2026 than from FY2024 to FY2025. Based on the plan presented today, it appears that the cost ratio for the Japanese business will either remain unchanged or possibly even decrease. I would like to ask whether this differs from the outlook presented a year ago, and if so, what specific changes have occurred.

Kobayashi [A]: Thank you very much.

First of all, in terms of changes in processing costs, the utilization rate of our so-called factories in China has been increasing, and this has had an impact on the processing cost of extract powder . In terms of domestic processing costs, or processing costs at plants, we expect a certain increase in labor costs during the current fiscal year, but the impact on cost of sales is expected to be limited to a negligible increase, as far as the utilization ratio is concerned.

Hashiguchi [Q]: Sorry. My understanding is a bit lacking. As for what happened in the last period, as for the decrease in the unit price of crude drugs, is it correct to say that it will affect the current period in the same way? Regarding your comment that you thought it might be impossible in Q4 but managed to cut costs through your efforts, will this have any impact on the fiscal year when the change has started?

Kobayashi [A]: I mean that some of the reductions have been made as they are, but on the other hand, some of the reductions include those that have been affected by the delay in the period. However, while this will have an impact on how to maintain and expand the utilization ratio, we will control processing costs to the extent that the impact on the cost of sales ratio will be limited to an increase of about 1/10 of a percent. This is the kind of image we have in mind.

Hashiguchi [Q]: Thank you very much.

While sales themselves are down compared to your plan, is the increase in operation rate not a temporary increase? Can we consider this to be sustainable, or can we see some continuity because the production allocations are not what we expected?

Kobayashi [A]: Yes. Although sales are certainly higher than planned, the sales plan is a little different from the original mid-term plan, but we are planning to increase production or sales. We are preparing a production system in accordance with this plan, but we think we need to control the operation ratio in this area.

Therefore, we are not talking about a temporary situation, but rather a firm long-term plan.

Hashiguchi [M]: Thank you very much. That is all.

Kobayashi [M]: Okay. Thank you very much.

Kitamura [M]: Thank you very much. Continuing on, Mr. Shigemura of Nomura Securities, please.

Shigemura [Q]: I am Shigemura from Nomura Securities. Thank you for your presentation.

First of all, I would like to know the background behind your forecast for this fiscal year, which is a 4% increase in domestic sales and, as Mr. Hashiguchi just asked, a slight decrease in profit, while thinking that expenses and other items can be sorted out to some extent.

I think you mentioned the cost of goods sold, but I was wondering if there is anything you can add to what you have just said about whether you will spend a certain amount of money on SG&A expenses in Japan. In this regard, at 4% of sales, the growth will be 150,000 or 200,000 boxes, as you have just talked about Rikkunshito and Goreisan, which you will focus on. I have a feeling that sales might actually grow even more, but I would also like to know how you view the growth in sales of products other than your mainstay products. Please answer this question first, thank you.

Kobayashi [M]: Thank you very much.

Excuse me, Mr. Shigemura, I'm sorry. I think I missed the first question, but is it the SG&A expenses part?

Shigemura [Q]: Including whether it is SG&A expenses or not, the operating profit of the domestic business is projected to decrease by 0.6%, so the point is why is there an increase in sales and a decrease in profit?

Kobayashi [M]: About domestic, right?

Shigemura [M]: Yes, it is domestic.

Kobayashi [A]: Okay. Thank you very much.

As for the domestic market, while we have been exercising considerable control over SG&A expenses, we are currently in a transitional phase, or if you will, a stage where we recognize that we still need to reduce the SG&A ratio a bit further.

In this context, we will use a larger portion of SG&A expenses for advertising and publicity, for example, and increase R&D expenses compared to the previous year. This means that the figure in the last year was small, but there are some areas where it will be used.

Due to these factors, the degree of control of SG&A expenses relative to sales growth is still insufficient, and we need to make further efforts in terms of management to provide larger profits. I wonder if this is the story.

May I start the second one?

Shigemura [M]: Thank you.

Kobayashi [A]: Secondly, regarding the strategy for generating profits and sales, specifically, the plan to drive actual sales, we must admit that we've found it quite challenging to put together; however, if each of these initiatives were to go exactly as we expect, we firmly believe there is a very real possibility that sales could exceed 800,000 boxes.

However, as we have explained in the past, the situation in the last fiscal year was not as favorable as we had planned, and we were affected by the impact of the limited shipments and other factors, and we were unable to forecast demand well for the entire year.

While taking into consideration the possibility that this situation may continue to drag on, we are making a plan to increase the number of boxes to 800,000 by all means. Mr. Shigemura's impression is that if all of these measures were to work, the actual sales would certainly increase, but even if some of the measures were to be a little lower than expected, I would like you to think that the 800,000 boxes are a result of a solid overall assembly; however, even if some of the measures are a little lower than expected, I would like you to think that the overall figure is 800,000 boxes, which we have indicated that we are going to build up firmly.

Shigemura [Q]: Thank you.

I am afraid this is the second major question, but I would like to ask for additional information on the company system that has been launched this time. I had the impression that the Health Care Company in particular was not a high priority in Tsumura's previous vision, but now you intend to focus on it as a single company. Since you expand your sales channels to drugstores and other retailers, I am wondering if marketing will be different to some extent from what it has been in the past, about the challenge for you. I was wondering why you focused on this as one of the three pillars. Based on that, I understand that you are currently setting ROIC, but I would like to know what the current situation is, for example, the level of ROIC or WACC, if you are able to disclose this information now.

Kobayashi [A]: Thank you very much for your additional question, Mr. Shigemura.

I understand that you originally had the impression that we were not putting much effort into the Health Care Company, and that we had not given much exposure to the Health Care Company at financial results briefings and other such events. I think you may have had this impression because the scale of sales is still small, and we have not given many explanations at financial results briefings and other such events.

On the other hand, of course, as Kato explained today, the area of curing is firmly within the scope of our VISION, and we will continue to focus on this area. We have already launched a new product, and also will focus on this channel. As for the future, as a word, the goal of a multi-pillar system has been stated from the beginning of the VISION period as well.

In this context, the Health Care Company and the Health Care Division's sales are still in the double digits, but we have decided to place it as one of the companies in the new company system with the full-scale aim of becoming a multi-pillar company with independent profitability. In this context, the acquisition of shares in Yomei Shuzo was just around the corner, and we decided to focus our efforts on the Yakushoku Dogen products in combination with the acquisition. That is the story. This is a description of the company system with a focus on health care.

I am sorry, but I have a provisional figure for ROIC at hand, but it is just a provisional figure, and as I mentioned earlier, we will have to make adjustments and determine the terms and conditions of transactions between the companies. Since the contents may vary after that adjustment, I would appreciate it if you would refrain from presenting the figures here.

On the other hand, while the ROIC of the medical pharmaceuticals company is high to a certain degree, the ROIC of the smaller Healthcare Company will have to start from a much lower figure in order to make a growth plan.

As for China, the focus is now shifting from raw material herbal medicines to drinkable products, and the profit margin is to be increased by value-added services called "one-size-fits-all". I am almost certain that this will not be the case.

Sorry. This is something I can't answer right now.

Shigemura [M]: No, in terms of the strength between the companies, and also this, I am looking forward to another update around Q1. Thank you very much.

Kobayashi [M]: Okay. Thank you very much.

Kitamura [M]: Thank you very much. Continuing on, Mr. Lee of Morgan Stanley MUFG Securities, please go ahead.

Lee [Q]: I'm Lee of Morgan Stanley. First of all, about the actual achievements, please tell me about one point each in Japan and in China.

As for the domestic market, I am looking at page 20 of the document, and you have explained the reasons for the slight underachievement this time. In my opinion, the cold prescription related to one was unavoidable, and I think we don't need to worry too much about it. Regarding three and four, I was wondering if you can already resolve them at an early stage in today's explanation.

So, the thing is, by all means, a slow recovery from after the release of the limited shipment of two. Although we're still seeing some market share shift to other companies Kampo formulations, the outlook here is that, for example, a common pattern is that NHI prices are revised every March, and medical institutions reset their suppliers in April. I have heard that there is something like this, but I wonder if this can be resolved at an early stage. Mr. Kobayashi, you have explained that this may be a bit of a drag, but I would like to know what we should be looking at from the results to this new fiscal year.

In addition, about Hongqiao in China. What is the percentage growth in YoY sales in local currency base for Q4, which is the October to December term locally, I suppose? For example, you mentioned that although the volume has been growing, the growth in terms of value has been sluggish due to the inevitable decline in unit price. Please tell me about the actual result, updated. This is the first question.

Kobayashi [A]: Okay. Thank you very much. I would like to explain and ask Yamaoka, Head of Pharmaceutical Sales & Marketing Division, to supplement my explanation if necessary.

As for the limited shipment in the domestic business, we have written the prescription name. These two products are Ninjin'yoeito and Yokukansankachimpihange.

First of all, I can say that I do not think that the NHI price revision will lead to a dramatic increase in the number of drugs, and that we need to steadily and steadily return the drug to the market; on the other hand, regarding the sleep-related prescription for insomnia, we will be taking a new angle in the future, so we would like to firmly return it to the market. This is what we are considering.

While we haven't been able to fully incorporate the idea of achieving significant growth by revitalizing and restoring this area into the current plan, as I mentioned earlier, we have clearly distinguished between areas where we expect only a return to current levels and those where we anticipate future growth, and have incorporated this distinction into the plan, we believe this is precisely the approach we need to take, and we intend to work steadily toward recovery.

Yamaoka [A]: I am Yamaoka of Sales & Marketing Division. Mr. Lee, thank you for your question.

Looking back on the last fiscal year, the decline in limited shipments of prescriptions had an extremely large impact on sales. As was mentioned earlier, two prescriptions, Ninjin'yoeito and Yokukansankachimpihange, had a very long-term limitation on its shipment, which caused a decrease in the sales.

Currently, the sales of Ninjin'yoeito have almost recovered to the figures before the limited shipment. As it has been one year since the limited shipments were lifted, we believe that we have almost recovered in terms of Ninjin'yoeito.

The number of deliveries of Yokukansankachimpihange was lifted in April of last year, and although there was still some difference in the number of deliveries in April, the number of deliveries in February and March was almost the same as before the limited shipment. Therefore, we believe that there will be no impact from the limited shipments this fiscal year. That's all from me.

Kitamura [M]: Mr. Kobayashi, and also about Hongqiao.

Kobayashi [A]: Regarding your second question, you were asking about the YoY sales profit of Shanghai Hongqiao.

Sales volume did indeed increase. However, on the other hand, Shanghai does not do centralized purchasing, but there is such an impact on the market. Then, while prices are falling, sales prices are still falling.

As a result, in terms of Chinese yuan, both sales and profits were not flat, but rather declined slightly. So, I think it's a bit of a back-and-forth there. Of course, this would mean that a weaker yen effect would be a plus.

As for this fiscal year, however, we are looking for a rise in volume. Although we expect sales prices to continue to decline, we expect that this will be offset by an increase in volume, resulting in a slight increase in sales and a slight increase in operating profit.

Does this answer your question?

Lee [Q]: Okay. Mr. Kobayashi, thank you very much. I understand the actual results.

Please let me know about the next fiscal year. This overlaps with the question posed by Mr. Hashiguchi and Mr. Shigemura, but in my mind, the forecast for this fiscal year ending March 31, 2027, the new fiscal year, seems to me to be a bit of a conservative plan in general, especially the cost part. I thought that there might be a little more upside in performance, even excluding the Yomeishu business, but is it correct to say that the plan is a must-achieve plan, without stretching too hard? If the plan is more certain than must-achieve, the next fiscal year ending March 31, 2028, which will be the final year of the medium-term management plan, seems to me to be quite a challenging plan compared to the JPY46 billion target.

On the other hand, this time, on page 36 of the document, you explained the plan to introduce the one person, one prescription service in the domestic business and Hongqiao, and I thought that this would be the driver, but could you tell me again for a moment how you think about this current term, and on that basis, how you see the next term?

Kobayashi [M]: Okay. Thank you very much. Is your question about consolidation as a whole? Is that correct? It's not just about Hongqiao.

Lee [M]: Yes, the whole story.

Kobayashi [A]: I see, the whole story. As for the overall figure, I think I gave some nuance in my answer to Mr. Shigemura's question earlier, but the figure of 800,000 boxes is based on the fact that last year, while advocating 1 million boxes, it remained at only 500,000 boxes. This is because we were not able to fully read the impact of limited shipments and other seasonal prescriptions that did not grow, resulting in a huge non-achievement of the plan.

In light of this, we have been examining each of the measures we have taken to determine the growth potential of Tsumura's prescription Kampo products in Japan once again.

In the planning process for this project, we have established a plan that states how much we will do for each of the measures, but each of the measures, for example, the two individual measures I mentioned earlier, are challenging, and we believe that we should be able to achieve this level if we carry out this level of promotion activities for these measures, but the numbers are a collection of measures that are set as challenging plans.

Therefore, based on this, we have accumulated 800,000 boxes at the beginning, but it is not the case that if all the measures were implemented to meet the challenging targets, the total number of boxes would reach 800,000. The fact is, of course, there is some conservative ways of thinking.

Therefore, our hope is that we will be able to achieve our original goal of 1 million boxes, which is actually a larger goal than we have planned this time. However, given that we were unable to fully meet our target last year, simply announcing a target of 1 million boxes could raise questions about whether we can actually achieve it. Therefore, I would like you to understand that our message this time is, first, we will firmly commit to achieving the 800,000-box target, and then we will do our best to exceed that.

What is your impression? We hope you have understood.

Lee [M]: Yes. Let me follow up with you individually again. That's all from me. Thank you very much.

Kobayashi [M]: Okay. Thank you very much.

Kitamura [M]: Thank you very much.

It is a little past time, but since you have raised your hands, I would like to take your last question. Mr. Yoshida, Tokai Tokyo Intelligence Laboratory, please.

Yoshida [Q]: Thank you very much. I'm Yoshida, Tokai Tokyo Intelligence Laboratory.

Now, I would like to ask one thing in a nutshell, as we are short on time. I have been listening to your answers so far, but I am still a little confused. I would like to know if you could give me some figures on why the domestic profit will decrease this fiscal year.

The waterfall chart is on page 27, but if we pick up only domestic, please just tell me this much about how you arrive at the JPY0.2 billion decrease in domestic operating profit on page 26. That is all.

Kobayashi [A]: Mr. Yoshida, thank you very much.

We are not able to provide figures other than consolidated figures at this time, so we will consider these figures when we are able to provide them separately; however, the cost of raw materials will all come in domestically, although the crude drug cost has an impact positively. The cost of raw materials has skyrocketed, and the Strait of Hormuz contingency has also had an impact.

On the other hand, as for processing costs, labor costs will continue to be a burden since we are hiring ahead of schedule, and I am sorry, but I do not have the domestic figures on hand at the moment, but they will be quite high.

And finally, as I mentioned a little while ago, it is also true that there is actually money to be spent strategically regarding SG&A expenses. That is health care, and that it be increased for advertising or something. Also, I will say the same thing again, but this time the increase includes a rebound from the much lower R&D expenditure of the previous fiscal year, which increases this time.

We do not believe that this structure of SG&A expenses is good at all, and we will continue to reduce them, but we would like you to understand that the increase in SG&A expenses is slightly larger than the increase in sales as planned.

Sorry, I didn't answer properly.

Yoshida [M]: Thank you very much. That is all.

Kitamura [M]: Thank you very much. Is everything fine?

Thank you very much for your question. We would like to end the question-and-answer session. Thank you very much.

This concludes FY2025 Financial Results Briefing. Thank you very much for your presentation.

[END]

Document Notes

1. *Portions of the document where the audio is unclear are marked with [inaudible].*
2. *Portions of the document where the audio is obscured by technical difficulty are marked with [TD].*
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