

Third Quarter Business Results for Fiscal 2024

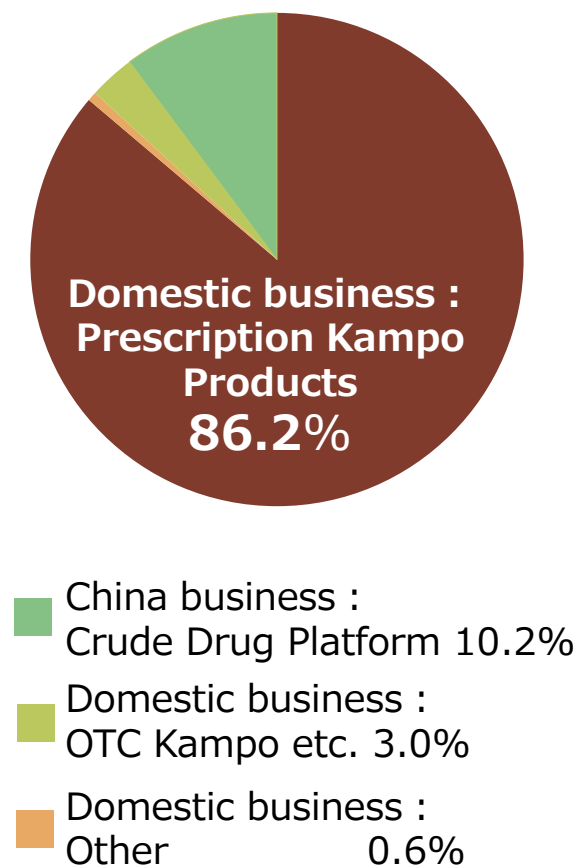
February 7, 2025

TSUMURA & CO.

Third Quarter Business Results for Fiscal 2024

[Million yen]	3Q FY 2023 Results	3Q FY 2024 Results	YoY		FY2024 Initial plan	Progress rate (vs. initial plan)
			Amount	Change		
Sales	115,826	136,773	+20,947	+18.1%	185,000	73.9%
Domestic business	101,929	122,880	+20,951	+20.6%	163,400	75.2%
China business	13,896	13,892	(4)	(0.0%)	21,600	64.3%
Operating profit	19,143	32,380	+13,236	+69.1%	39,500	82.0%
Domestic business	19,427	32,568	+13,141	+67.6%	39,490	82.5%
China business	(283)	(187)	+95	–	10	–
Ordinary profit	22,400	35,151	+12,750	+56.9%	39,500	89.0%
Profit attributable to owners of parent for the six months	16,151	26,567	+10,416	+64.5%	28,500	93.2%
PL translation rate (JPY/CNY)*	19.62	20.99	+1.37	–	21.00	–

Ratio to total sales



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

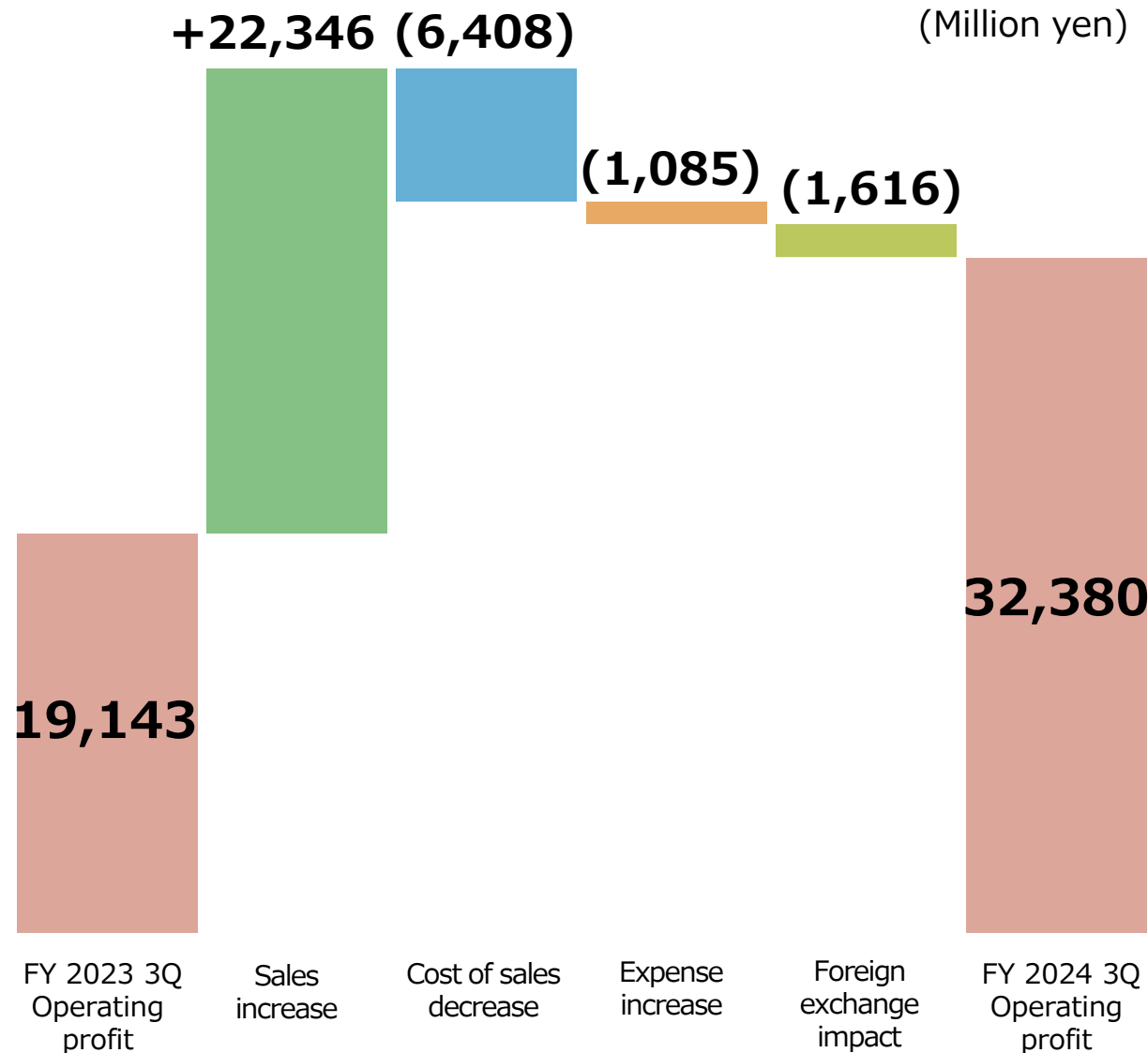
Key Points in Performance

• Both net sales and profits increased year on year

Net sales	136,773	million yen	YoY	+18.1%	Progress rate (vs. initial plan)	73.9%
<ul style="list-style-type: none"> Domestic business Total sales for the 129 prescription Kampo formulations: 117,904 million yen, up 20.8% year on year Total sales of the OTC Kampo formulations and other healthcare products: 4,037 million yen, up 22.3% year on year China business Raw material crude drugs, drug pieces, health products, etc.: 13,892million yen, down 0.0% year on year 						
Operating profit	32,380	million yen	YoY	+69.1%	Progress rate (vs. initial plan)	82.0%
Operating profit margin	23.7	%	YoY	+7.2pt		
<ul style="list-style-type: none"> Cost-to-sales ratio: 49.0%, (3.5)pt YoY: Impact from the increase in processing expense and the rise in crude drug procurement expenses was offset by the NHI drug price revision SG&A ratio: 27.4%, (3.6)pt YoY: Due mainly to an increase in net sales 						
Ordinary profit	35,151	million yen	YoY	+56.9%	Progress rate (vs. initial plan)	89.0%
<ul style="list-style-type: none"> Foreign exchange gain primarily related to loans to overseas subsidiaries: 1,935 million yen, (266) million yen YoY 						*Foreign exchange gain not posted in the initial plan
Profit attributable to owners of parent	26,567	million yen	YoY	+64.5%	Progress rate (vs. initial plan)	93.2%
<ul style="list-style-type: none"> Gain on sale of cross-shareholdings : 2,950 million yen, +2,504 million yen YoY 						*Gain on sale of cross-shareholdings not posted in the initial plan

Factors Triggering Changes in Operating Profit (YoY)

(Million yen)



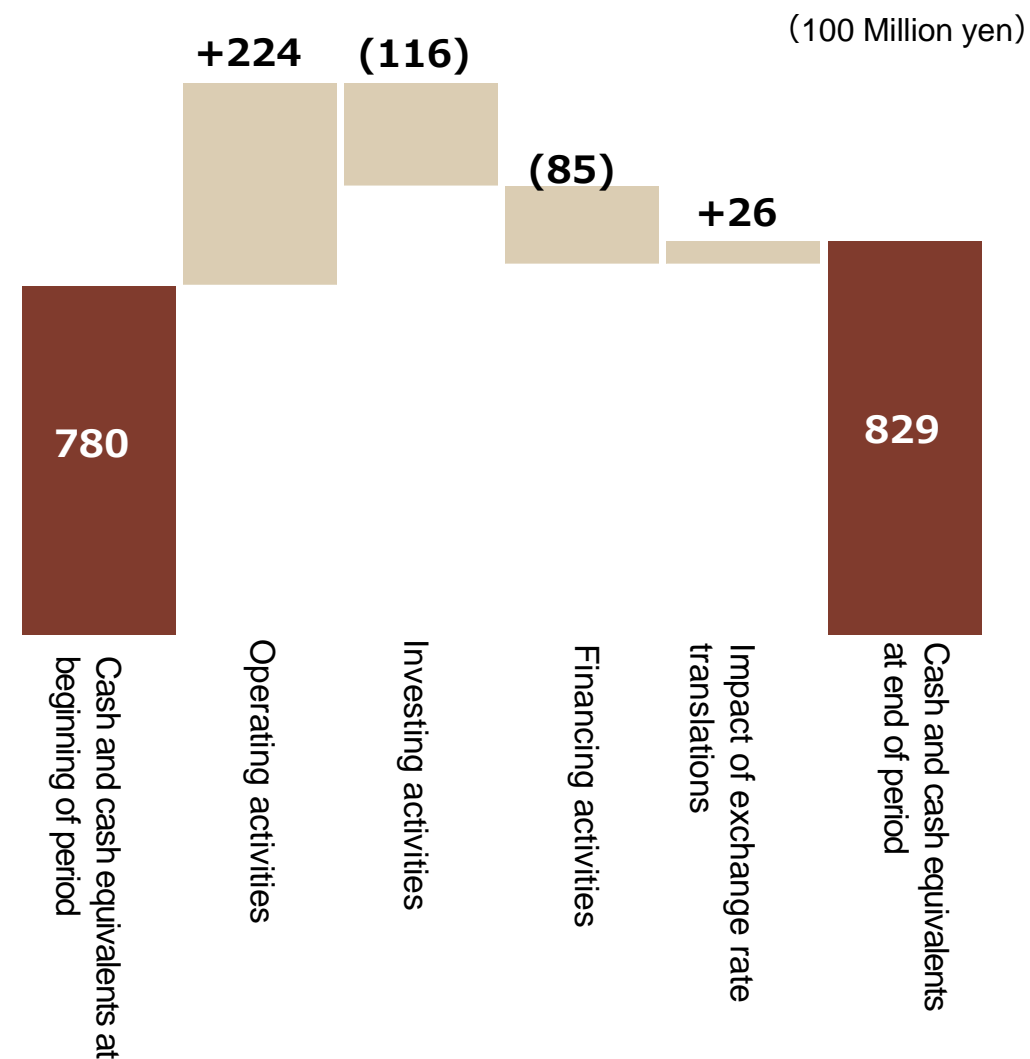
Sales increase: +22,346 million yen	
Domestic business (including NHI price revision impact, Sales volume, Sales Composition)	+22,472
China business	(126)
Decrease in cost of sales: (6,408) million yen	
Domestic business: Crude drug procurement cost	(2,451)
Domestic business: Raw material expenses	(499)
Domestic business: Processing expense, etc.	(3,469)
China business: Decrease in sales ratio	+11
Expense increase: (1,085) million yen	
Depreciation	(284)
R&D cost	(35)
Sales promotion expense	(40)
Other	(726)
Foreign exchange (yen depreciation) impact: (1,392) million yen	

Financial Condition/Cash Flow Position

(Million yen)

	FY 2023 (March 2024)	FY 2024 3Q	Change
Total assets	428,254	463,807	35,553
Current assets	281,292	306,610	25,317
Non-current assets	146,961	157,197	10,235
Total liabilities	132,889	145,484	(12,594)
Current liabilities	68,557	73,433	4,875
Non-current liabilities	64,332	72,051	7,719
Total net assets	295,364	318,322	22,958
Equity ratio	63.2%	62.9%	(0.3)pt

	FY 2023 (March 2024)	FY 2024 3Q	Change	Of which, Exchange rate
Inventories	117,617	128,646	11,029	1,920
Merchandise and finished goods	12,139	14,049	1,910	69
Work in process	18,309	19,232	922	95
Raw materials and supplies	87,168	95,364	8,196	1,756

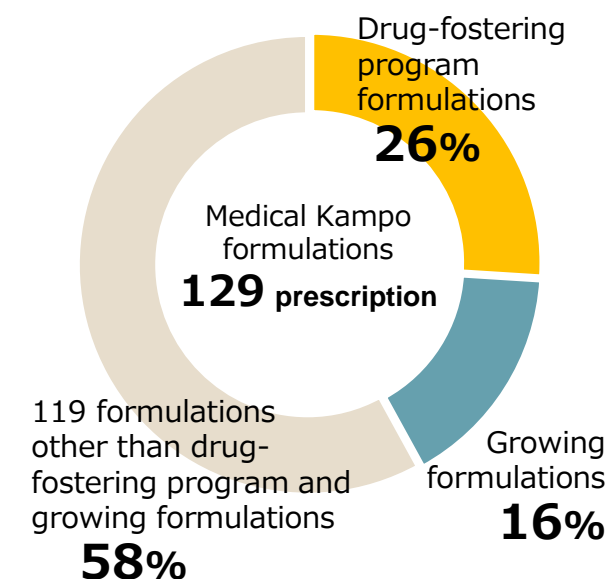


Sales of Drug-fostering Program Formulations/ Growing Formulations

(Million yen)

	Net sales Ranking	Product No./ formulation name	FY 2023 3Q	FY 2024 3Q	YoY	
Drug-fostering program formulations	1	100 Daikenchuto ※	7,590	11,367	+3,777	+49.8%
	2	54 Yokukansan ※	5,826	8,602	+2,776	+47.6%
	5	43 Rikkunshito	5,661	5,486	(174)	(3.1)%
	8	107 Goshajinkigan※	2,827	4,281	+1,454	+51.4%
	25	14 Hangeshashinto	1,097	1,113	+15	+1.4%
Total sales for drug-fostering program formulations			23,003	30,852	+7,848	+34.1%
Growing formulations	3	41 Hochuekkito	6,185	5,879	(306)	(5.0)%
	4	17 Goreisan	5,528	5,751	+222	+4.0%
	9	24 Kamishoyosan	3,935	3,786	(149)	(3.8)%
	18	137 Kamikihito	1,782	1,740	(41)	(2.3)%
	20	108 Ninjin'yoeito	1,761	1,645	(115)	(6.6)%
Total sales for growing formulations			19,193	18,803	(390)	(2.0)%
Total sales for 119 formulations other than drug-fostering program and growing formulations ※			55,438	68,248	+12,810	+23.1%
Total sales for 129 prescription Kampo products			97,635	117,904	+20,269	+20.8%

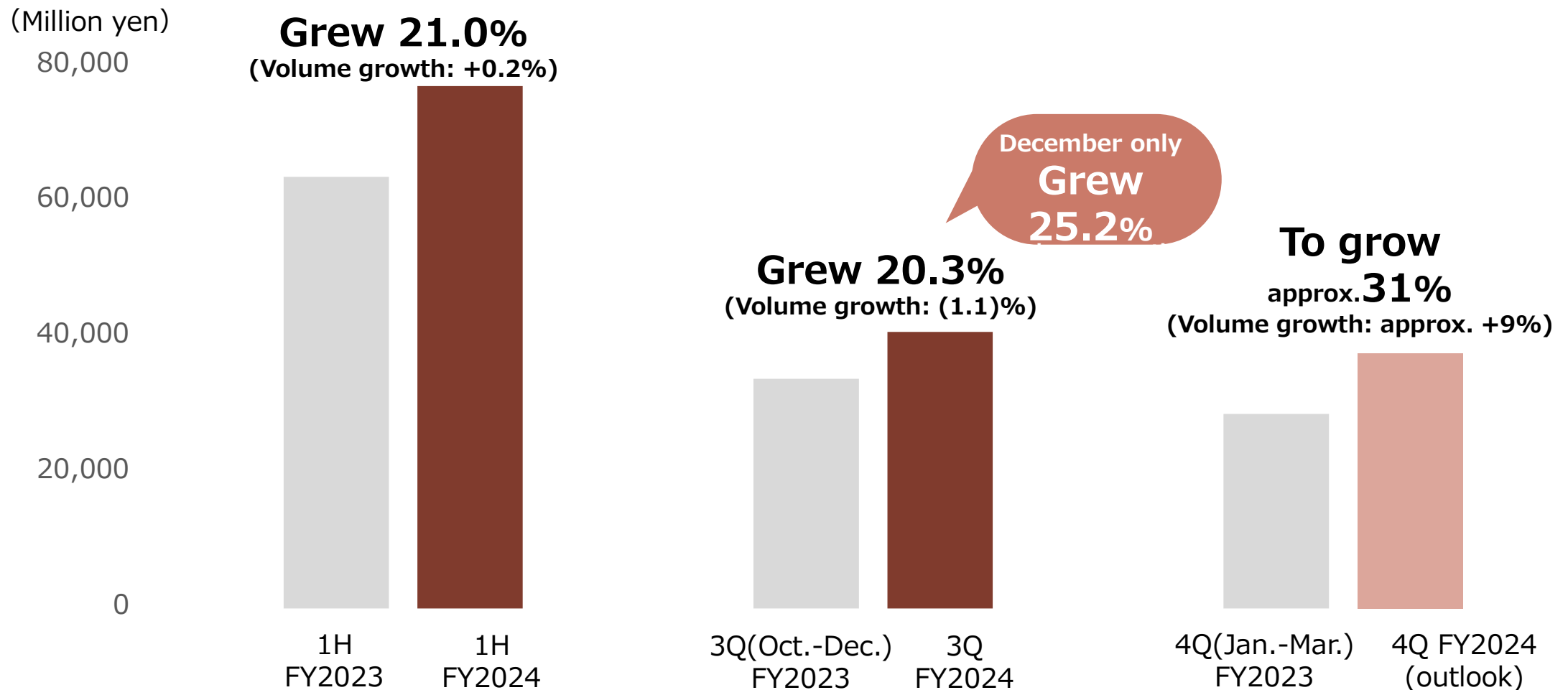
Ratio to total sales



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

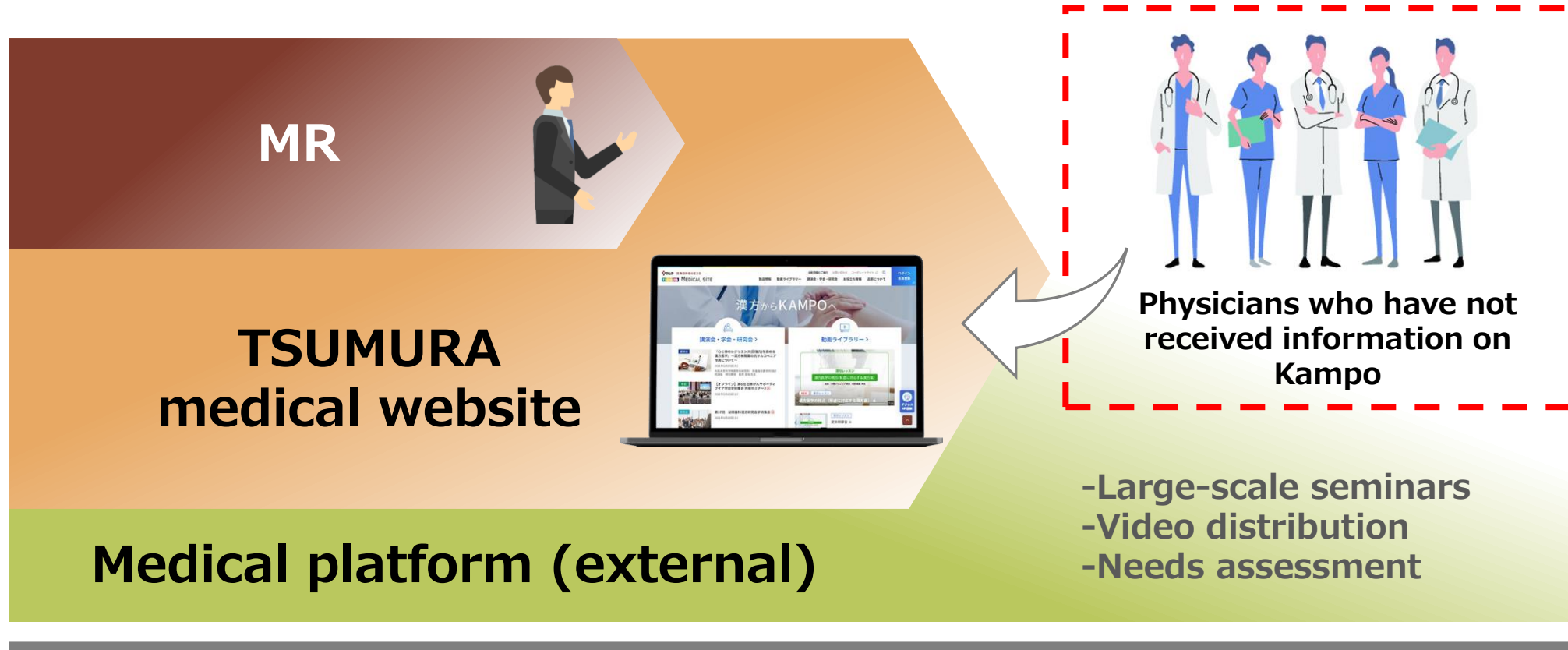
Domestic Business: Sales of 129 Prescription Kampo Formulations

- Volume growth in 3Q was negative due to the delay in lifting of shipment restrictions for Bakumondoto on top of the delayed sales recovery following the lifting of shipment restrictions for some formulations
- Sales for 4Q (January–March) are expected to exceed the initial annual plan; significant growth is anticipated mainly for cold-related formulations



Domestic Business: Building Foundation to Provide Information to All Clinical Physicians

- Strengthening our approach to hospital-based physicians has accelerated the increase in the number of doctors prescribing more than 10 Kampo medications.
- We aim to ensure that all physicians have access to the necessary information.



Number of Clinical physicians in Japan: 320,000

Domestic Business: Diversification of Information Provision on Medical Sites

- Starting new initiatives on medical sites in line with physicians' needs

Online MR "Series Web Meetings"



"Kampo Winter Course"

- Learning about Kampo from an overview
- Kampo useful in winter

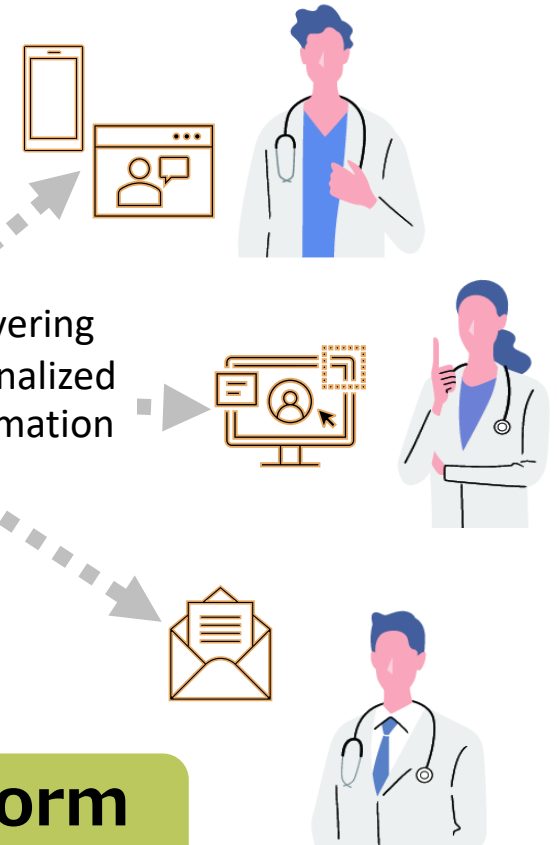
Kampo Learning Guide

- Regularly introducing Kampo learning content
- Proposing learning methods for Kampo by specialty

TSUMURA Medical Site



Delivering
Personalized
information



Kampo Information Platform
(20K+ physicians participated in web seminars)

-The construction of the Phase 2 manufacturing building at the Tianjin Plant has been completed and validation processes commenced toward production operations

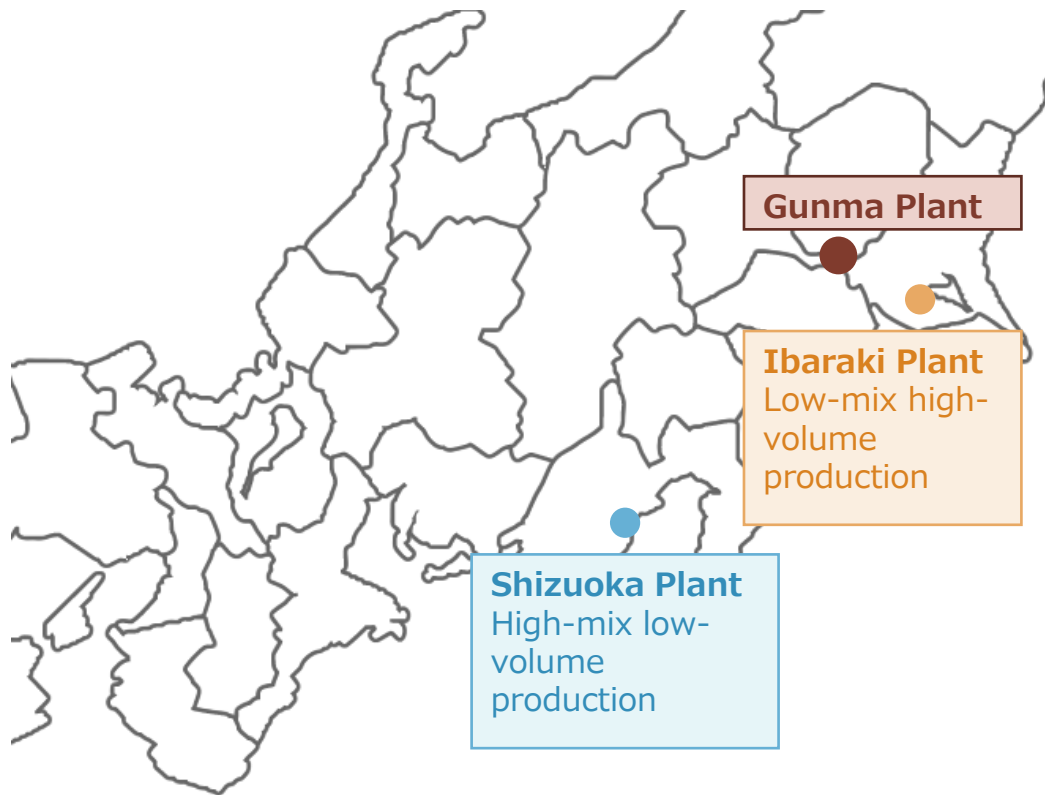


Completed Phase 2 manufacturing building

Construction of the Tianjin Plant and operational schedule

Phase 1 manufacturing building	<ul style="list-style-type: none">•Shipments to plants in Japan commenced in November 2023•Full-scale operations started in 2Q of FY2024
Phase 2 manufacturing building	<ul style="list-style-type: none">•The completion ceremony was held on November 29, 2024•Production operations to start in 2025 and full-scale operations scheduled to commence in 2027
Phase 3 manufacturing building	<ul style="list-style-type: none">•Construction to be completed in 2025, production operations to start in 2027, and full-scale operations scheduled to commence in 2028

- Acquired land with the aim of fortifying production capacity to capture growing demand for Kampo products and renewing existing production facilities
- Plan to construct production facilities for Kampo extract powder (intermediate products) and granulation and packaging process (final products)

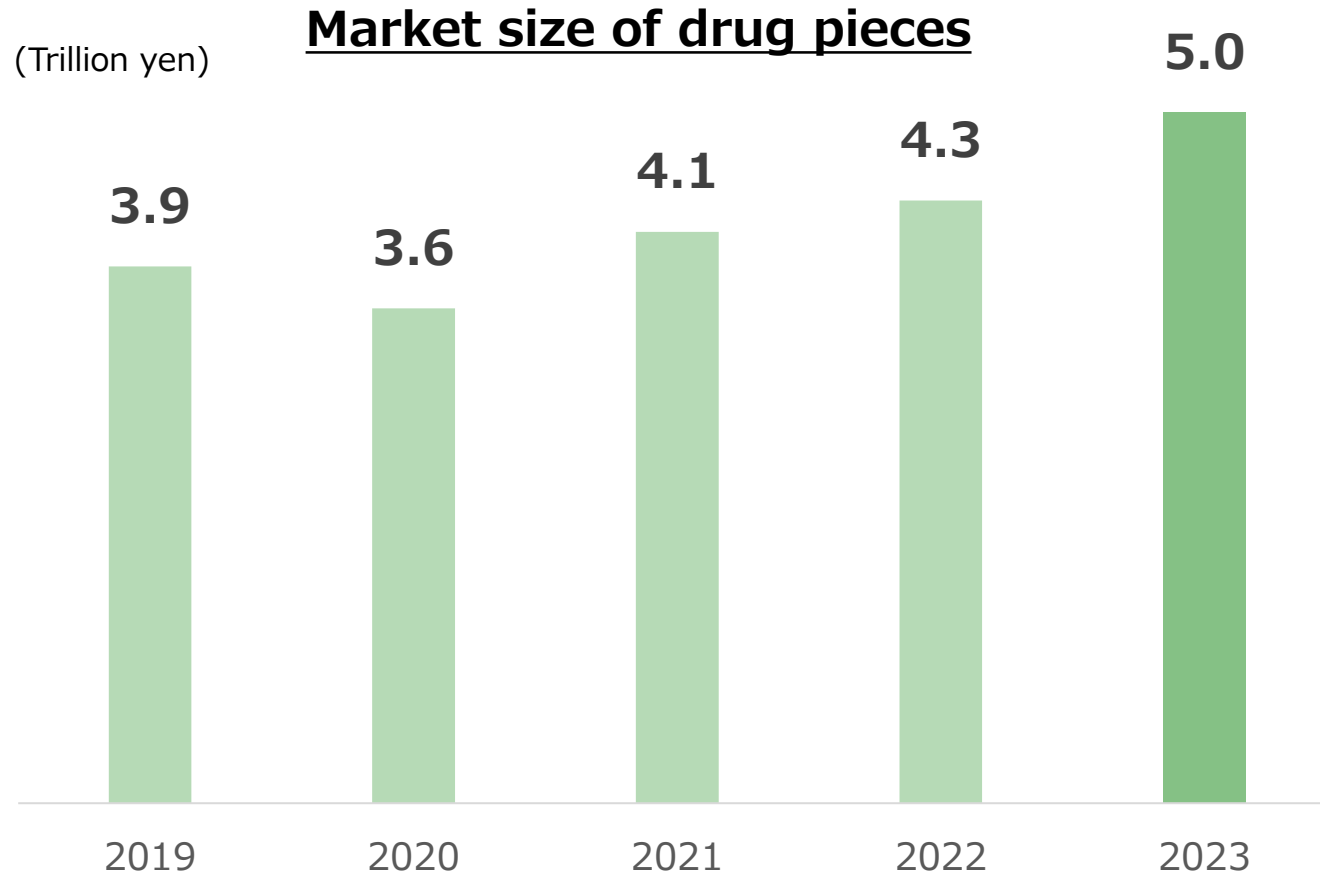


Outline of Gunma Plant

Location	Meiwa-machi, Oura-gun, Gunma Prefecture
Facilities to be constructed	<ul style="list-style-type: none"> • Manufacturing building for Kampo extract powder (intermediate products) • Granulation and packaging building • Quality control, warehouse building, etc.
Timing for commencement of operations	FY2029 (tentative)
Purposes for land acquisition	<ul style="list-style-type: none"> • Respond to growing demand for Kampo products • Address the suspension of operations due to the aging of existing production facilities

China Business: Trend of the Drug Pieces Market

- Drug pieces are essential drugs in a diagnostic and treatment method based on "dialectic therapy" in traditional Chinese medicine
- The market has been growing continuously except for the COVID-19 pandemic period on the back of the government policy to promote the development of traditional Chinese medicines



"Personalized Medicine" in which drug pieces are prescribed by adjusting the type and amount of drug pieces according to the symptoms of each patient

- Provision of processing services for drug pieces to enhance the convenience of patients including uniformity and potability

Prescribed drug pieces



Processed and packaged in various dosage forms according to prescriptions



Decoction



Liquid extract



Extract powder



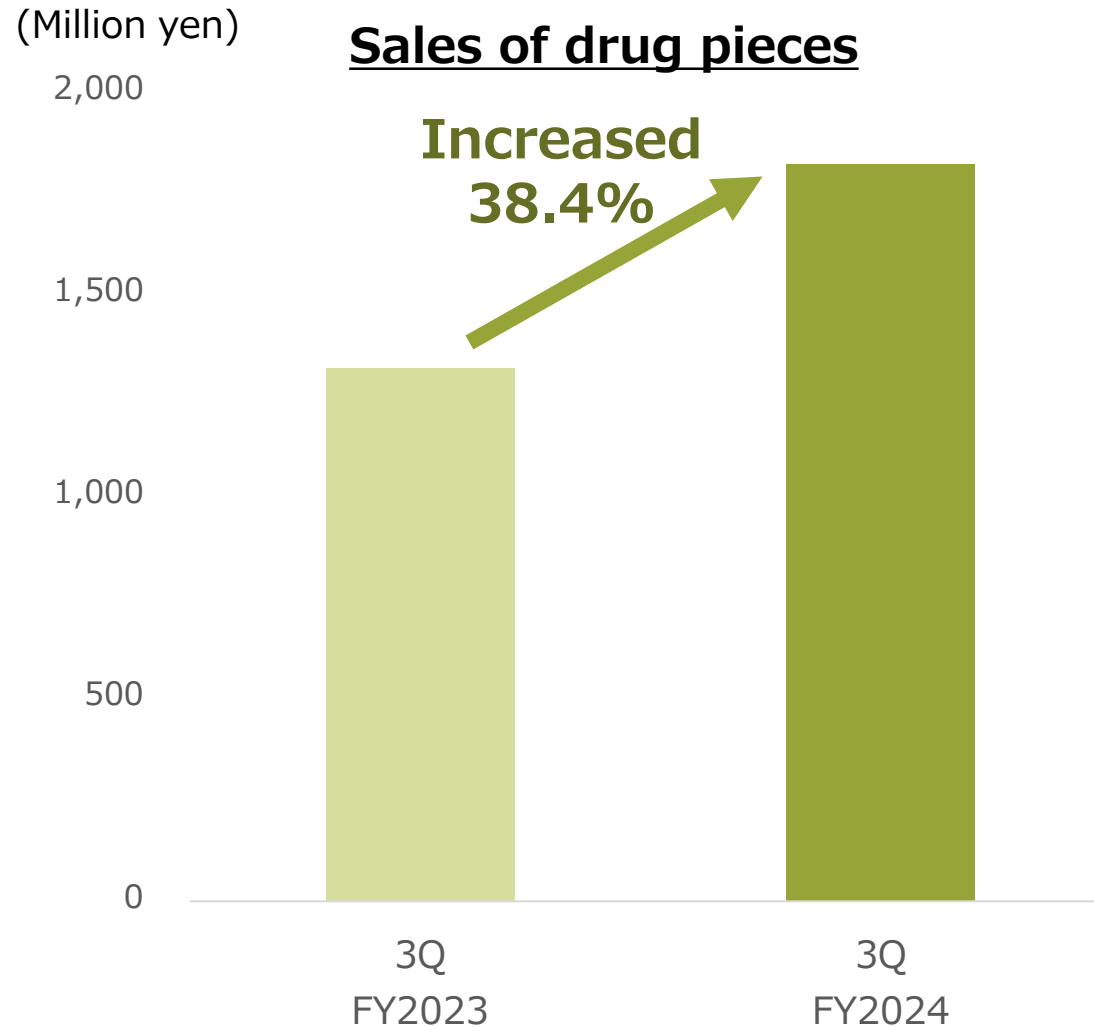
It's hard to bring them home.
It takes time and effort to infuse.
Taste changes depending on how they are infused.



Enhanced convenience
Stabilized components

China Business: Sales of Drug Pieces

- Sales of drug pieces expanded as a result of the development of sales channels with a focus on public hospitals
- Aim to further boost sales by expanding sales channels including the alliance with other companies and the provision of value-added services for drug pieces



Drug pieces

- Concluded a letter of intent with Shanghai Hongqiao Pharmaceuticals Co., Ltd. regarding technology and business alliance aimed at promoting the drug pieces business (February 6)
- Details and forms of the alliance will be disclosed as soon as they are determined

Drug pieces business via the crude drug platform



Management from the field based on crude drug GACP



High-quality drug pieces



Shanghai Hongqiao Pharmaceuticals Co., Ltd.

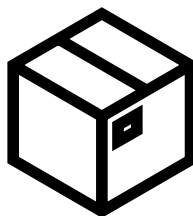
Location	Shanghai, China
Line of business	<ul style="list-style-type: none"> • Manufacturing and sales of pharmaceuticals (including drug pieces) • Sales of medical equipment, etc.
Capital	122.07 million yuan (approx. 25.8 billion yen)
Establishment	March 30, 1982

- In addition to increasing cash flows from operating activities, generate cash by improving B/S and allocate it to further business growth and shareholder returns
- Shortening the accounts receivable collection site and reducing cross-shareholdings to generate approximately 13.5 billion yen by 3Q

Curtail the collection site for accounts receivables

■ Goal

Negotiate with business partners on collection sites for accounts receivables and **shorten in stages by approximately 20%**



■ Progress through 3Q

- Smooth progress in curtailing collection sites

- Account receivable reduction

Benefits: **Approx. 9.0 billion yen**

Decrease cross-shareholdings

■ Goal

Based on a policy with a principle of zero, **from FY2024, aim to realize full-fledged reduction and cut by half early on**



■ Progress through 3Q

- Sales in FY2024: **Approx. 4.5 billion yen** (Total amount of cross-shareholdings to **decrease approx. 30%**)

- **Accelerate activities** with the aim of quickly cutting it in half

Revision of FY2024 Earnings Forecast

- Revised net sales and profit items in light of 3Q results and future outlook

(Million yen)	FY 2024 Earnings Forecast	FY2024 Revision Forecast	Rate of progress	Reasons for revision
Net sales	185,000	182,300	(2,700)	
Domestic business	163,400	161,800	(1,600)	Sales of prescription Kampo formulations in 3Q were below the initial forecast
China business	21,600	20,500	(1,100)	Sales of raw material crude drugs until Q3 fell short of the plan
Operating profit	39,500	40,000	+500	Cost of sales: Reduction in manufacturing expenses, hiring delays SG&A: Cost control in the China business
Ordinary profit	39,500	44,000	+4,500	Foreign exchange gain has been posted due to the depreciation of the yen
Profit attributable to owners of parent	28,500	34,000	+5,500	Gain on sale of cross-shareholdings has been posted

ROE	10.0%	12.0%
Dividends per share	136 yen	136 yen
DOE	3.6%	3.6%

Corporate Communications Dept.

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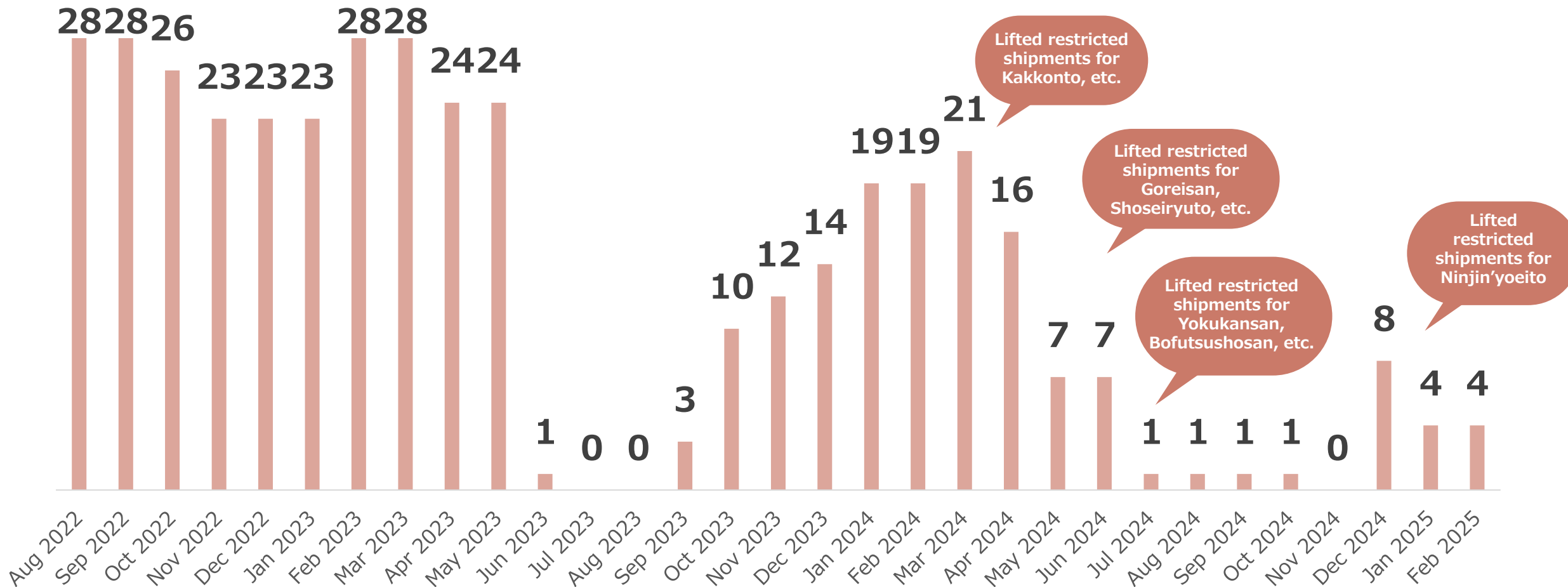
Cautionary items regarding forecasts

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

Appendix

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

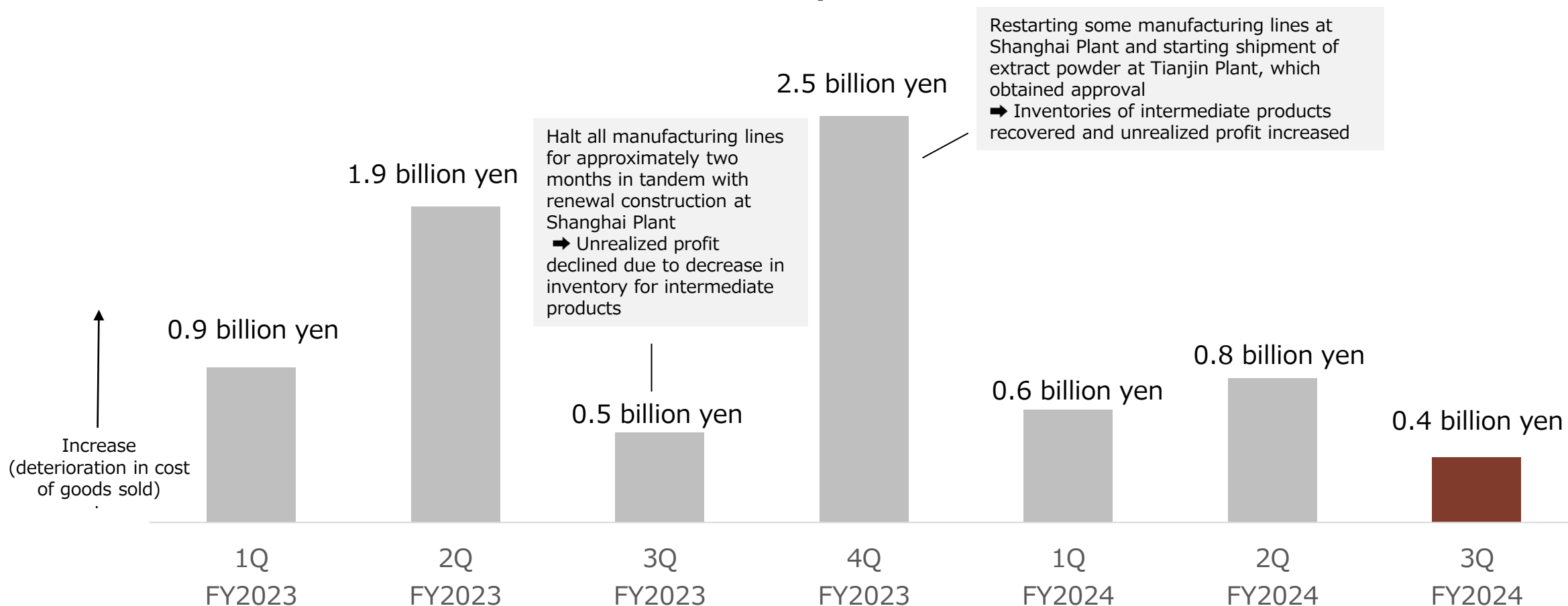
- The restricted shipments of all items were lifted on November 28 as a result of the reinforcement of production capacity
- While the plan was to start lifting restricted shipments for some items from the end of December for quality investigation, restricted shipments for the items, for which the investigation and the shipment preparation had been completed, have been lifted (restricted shipments for all items to be lifted by early April)



Domestic Business: Trends in Unrealized Profit

- Large fluctuations occurred quarterly in FY2023 due to special factors such as plant shutdown
- There were no special factors by 3Q FY2024

Trends in unrealized profit



China Business: Crude Drug Platform

- Operating profit of crude drug platform remained positive
- While it is expected to be difficult to achieve the initial plan for net sales, continue to aim to deliver positive operating profit in the China business

China business	Net sales	13.89 billion yen
Crude drug platform	Operating profit	0.63 billion yen
	Formulation platform, IT infrastructure investments, etc.	Expenses, etc.
China business	Operating profit	(0.19) billion yen

Elongation over the same period of the previous year
(3.3)%

Raw material crude drugs



Sales to traditional Chinese medicinal products companies as a raw material

Elongation over the same period of the previous year
+38.4%

Drug pieces



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

Main products of crude drug platform