

Tsumura & Co.
Fiscal Year Ending March 2013
1st Quarter
Overview of Results

August 3, 2012, Friday

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President & Representative Director



Analysis of 1st Quarter Results

Fiscal Year Ending March 2013/ 1st Quarter: Overview of Consolidated Results

(Million yen)

	1Q 3/2013	1Q 3/2012	Year on year	
Net sales	26,033	24,369	1,663	6.8%
Operating profit	6,046	6,020	25	0.4%
Recurring income	6,066	6,105	-39	-0.6%
Net income	3,807	3,596	210	5.9%
Operating profit margin	23.2%	24.7%	-	-

The 1st Quarter: Key Points of Consolidated Results

■ Net sales: 26,033 million yen (+6.8%)

◎ **Steady progress toward the first-half plan (as of its announcement in May)**

- Enhanced visiting activities of MRs (incl. visits to physicians not interviewed yet)
- Increase in the number of Kampo medicine seminars, lectures, seminars, etc.

■ Operating profit: 6,046 million yen (+0.4%)

Operating profit margin: 23.2%

→ Increase in sales absorbed the deteriorated cost of sales ratio (2.2pt), resulting in higher profits

■ Recurring income: 6,066 million yen (-0.6%)

→ Declined slightly due to an exchange loss (loans to Chinese subsidiaries)

■ Net income for the quarter: 3,807 million yen (+5.9%)

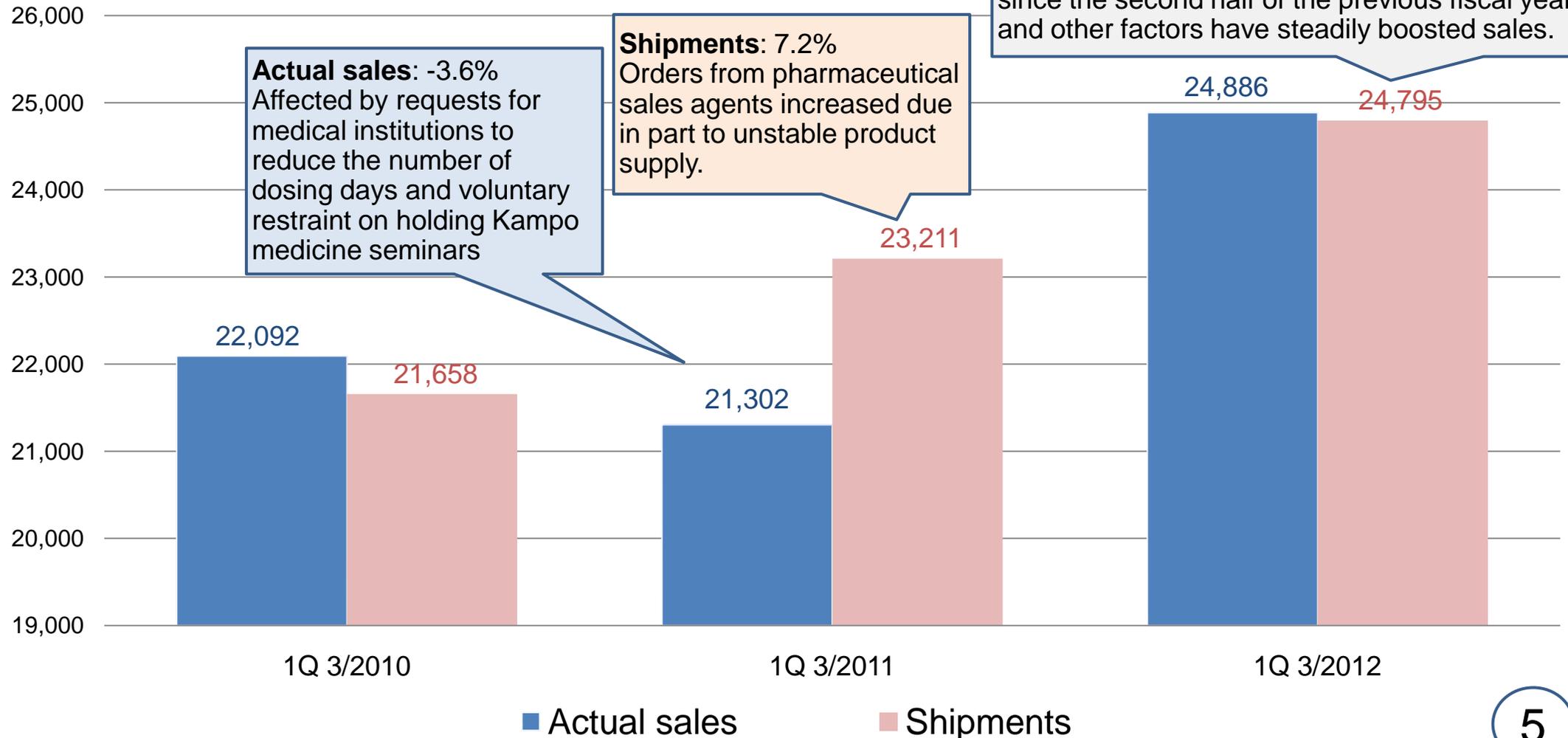
→ A loss on disaster (280 million yen) was posted as an extraordinary loss in the previous 1Q.



Analysis of Net Sales

Net Sales of Kampo Formulation for Prescription (129 Preparations) (1Q)

(Million yen)



Top 10 Prescription Kampo Preparations in Terms of Net Sales

(Million yen)

Rank	Name of Kampo preparations	1Q 3/2012	1Q 3/2013	Difference		Rate of increase in actual sales
1	<u>TJ-100</u> Daikenchuto	2,130	2,252	122	5.7%	20.7%
2	TJ-41 Hochuekkito	1,461	1,640	179	12.3%	20.4%
3	<u>TJ-54</u> Yokukansan	1,125	1,525	399	35.5%	34.3%
4	<u>TJ-43</u> Rikkunshito	1,393	1,512	118	8.5%	24.8%
5	TJ-24 Kamishoyosan	1,043	1,052	8	0.8%	23.3%
6	<u>TJ-107</u> Goshajinkigan	874	965	90	10.4%	10.1%
7	TJ-68 Shakuyakukanzoto	950	953	2	0.2%	21.7%
8	TJ-29 Bakumondoto	893	942	48	5.5%	20.6%
9	TJ-114 Saireito	833	860	26	3.2%	3.2%
10	TJ-62 Bofutsushosan	615	685	70	11.5%	12.0%
	<u>TJ-14</u> Hangeshashinto	259	271	11	4.5%	26.3%
Total of 129 prescription Kampo preparations		23,211	24,795	1,583	6.8%	16.8%

* Preparations underlined are drug-fostering formulas.

Strategies for Expanding the Kampo Market

Step up measures in response to the needs of each physician (facility)

All diagnosis and treatment departments at clinics, hospitals, designated hospitals for postgraduate clinical training, and university hospitals

Physicians not interviewed yet (who have never prescribed Kampo)

Visits and interviews

Those interested in Kampo
→ Provide information which meets their needs

Ask them to use new Kampo preparations, mainly those likely to lead to remarkable effective outcomes

Specialized physicians

Briefings for dispensaries

Create opportunities to give explanations in specialized areas
→ Give explanations with special emphasis on evidence

Ask them to prescribe Kampo for many patients, mainly drug-fostering formulas, etc.

Physicians who prescribe Kampo

Kampo medicine seminars

Kampo treatments
<Same treatment for different diseases>

Kampo treatments
<Different treatments for same disease>

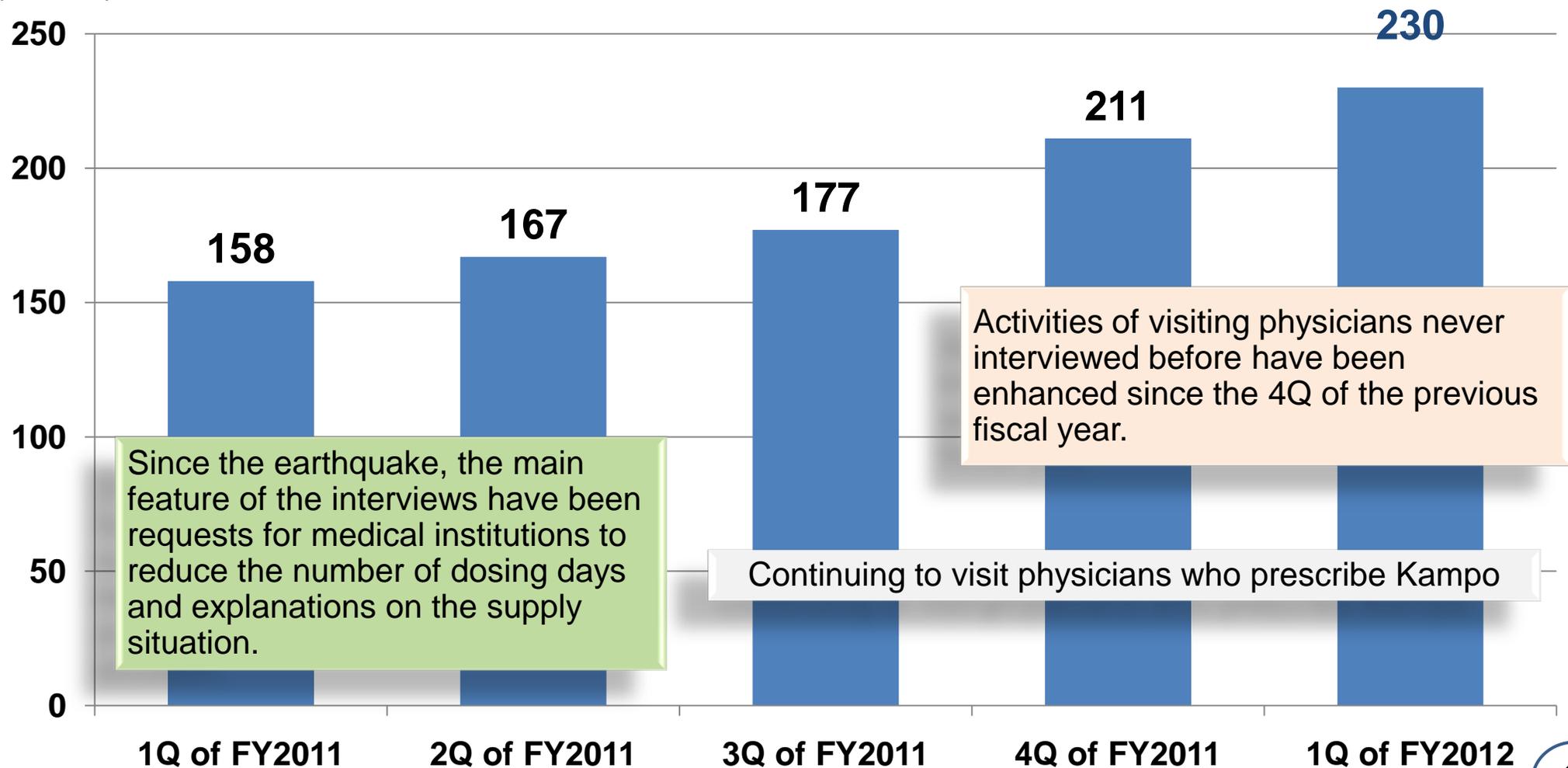
Ask them to prescribe at least 10 Kampo preparations

Kampo formulations prescribed in daily treatments at any medical institutions and any diagnosis and treatment departments

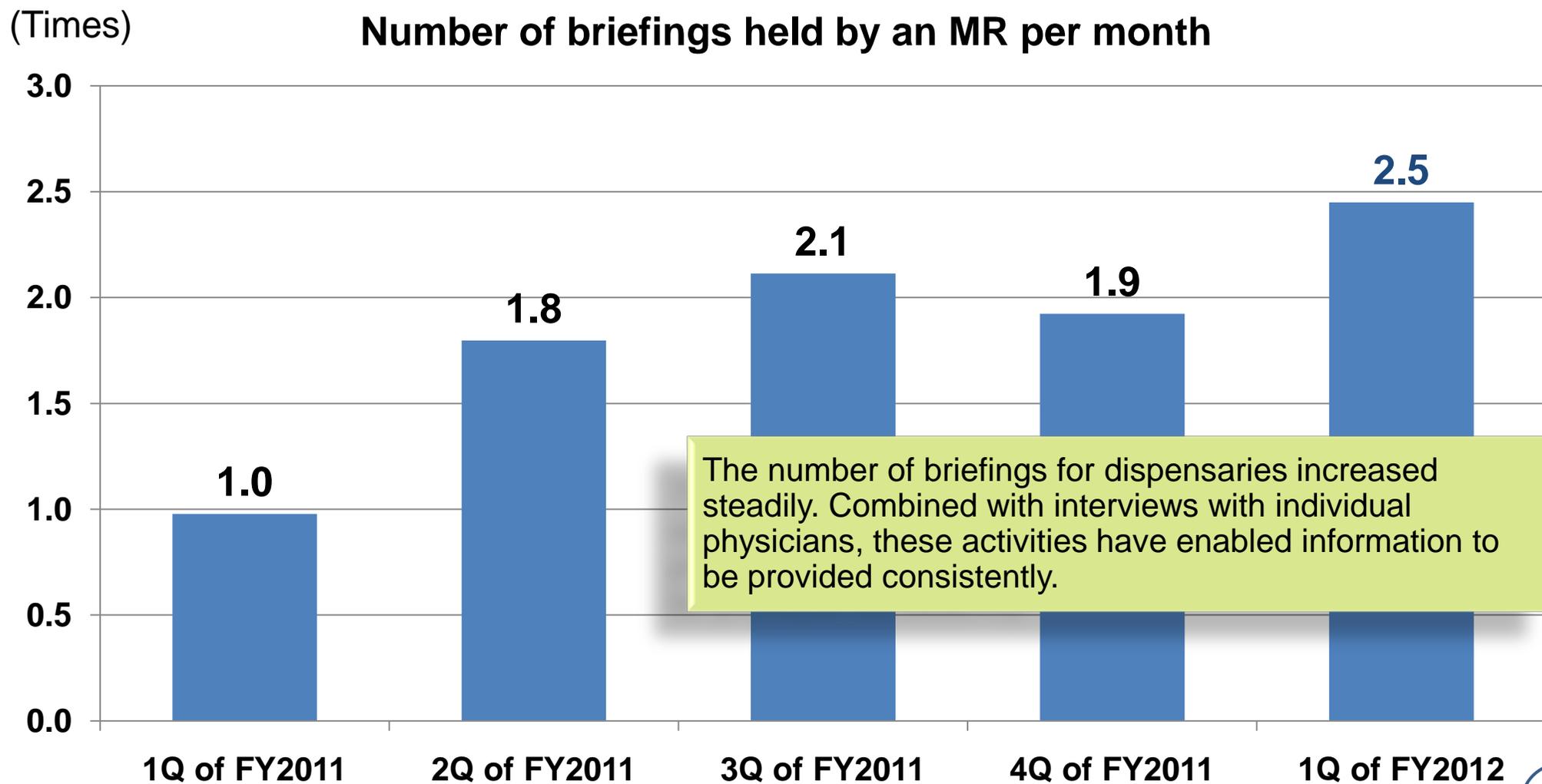
MR Activities: Number of Interviews with Physicians by MRs

Number of interviews with physicians per MR per month

(Times)



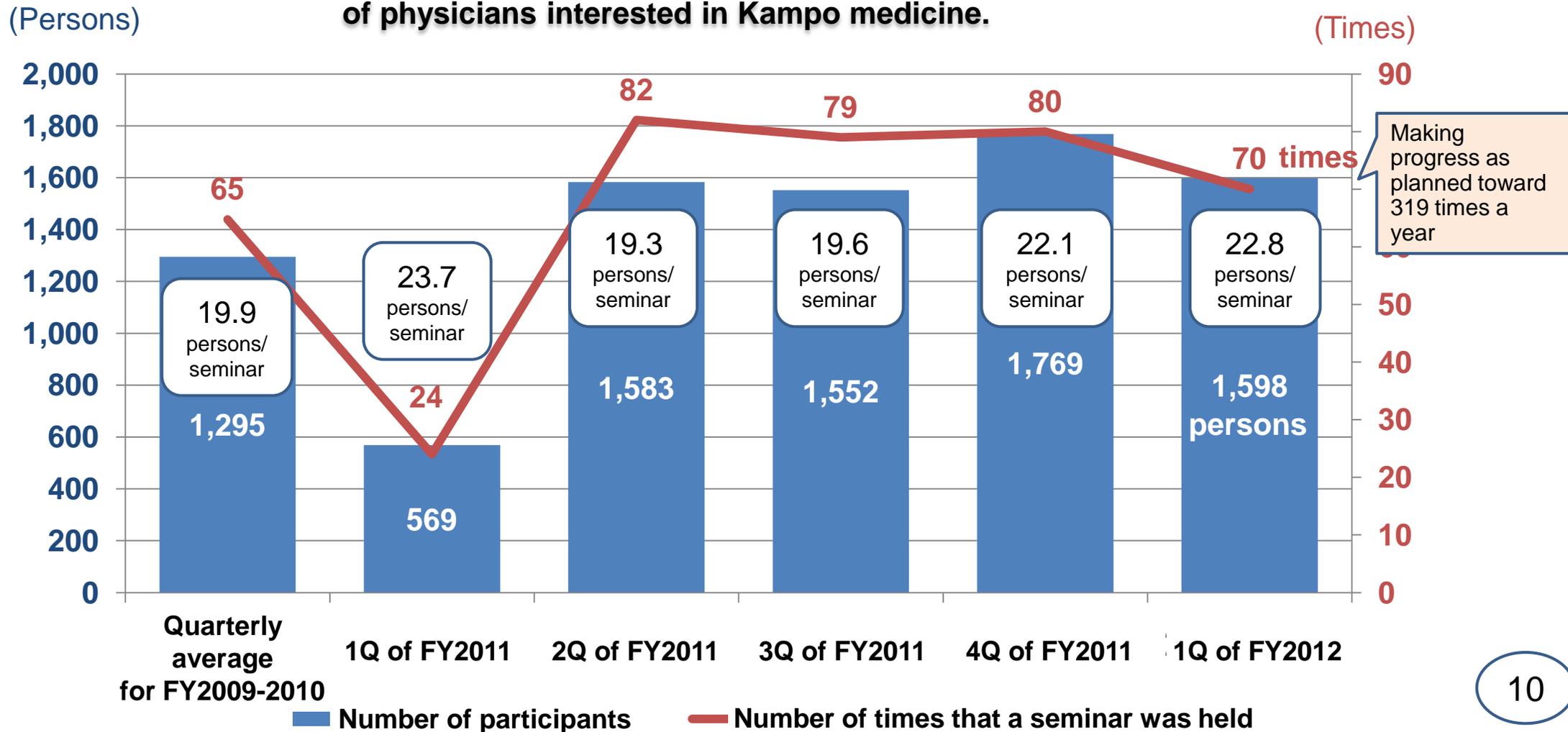
MR Activities: Briefings for Dispensaries



MR Activities: Kampo Medicine Seminars

Introductory and step-up seminars

The number of participants per seminar increased, resulting in improved efficiency, thanks to the increase in the number of physicians interested in Kampo medicine.

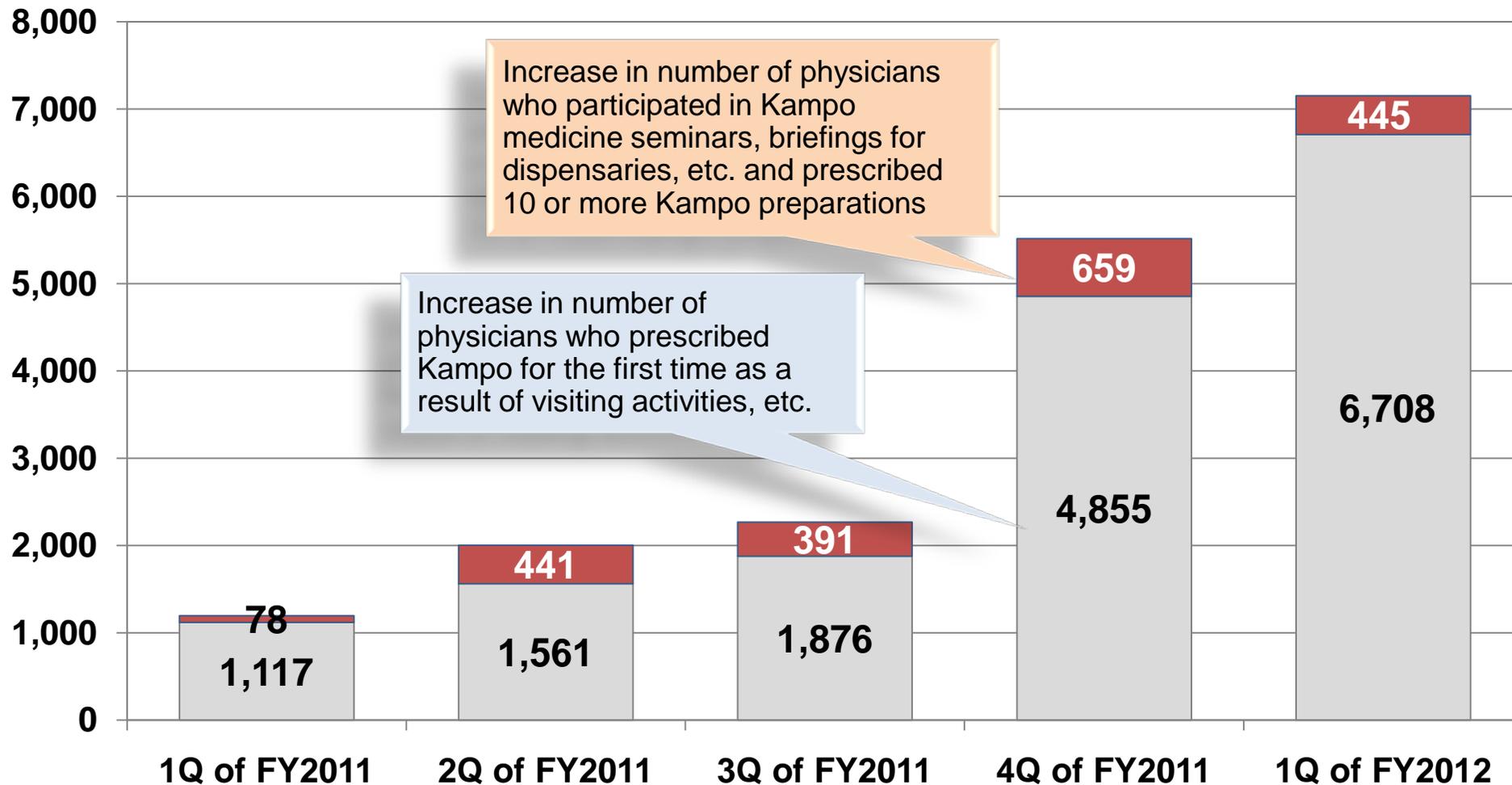


Increase in Number of Physicians Who Prescribe Kampo and Number of Kampo Preparations

Upper figures: Number of physicians prescribing 10 or more Kampo preparations

Lower figures: Number of physicians prescribing Kampo for the first time

(Persons)



Increase in Number of Physicians Prescribing Kampo and its Envisaged Effect on Sales

Results for 4Q (Jan-Mar) of the previous fiscal year

◎ Number of physicians prescribing Kampo for the first time: 4,855

◎ Number of physicians prescribing 10 or more Kampo preparations: 659

Results for the 1Q under review (Apr-Jun)

◎ Number of physicians prescribing Kampo for the first time: 6,708

◎ Number of physicians prescribing 10 or more Kampo preparations: 445

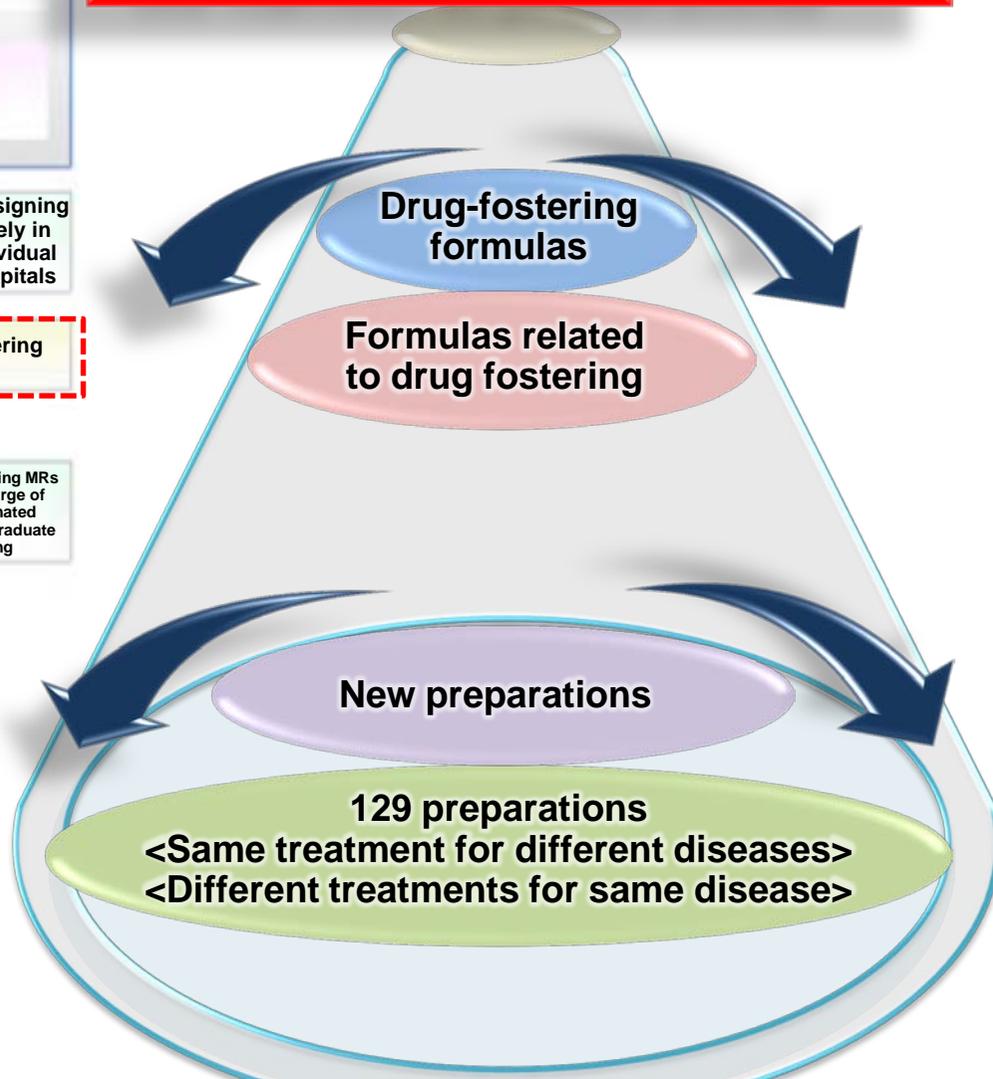
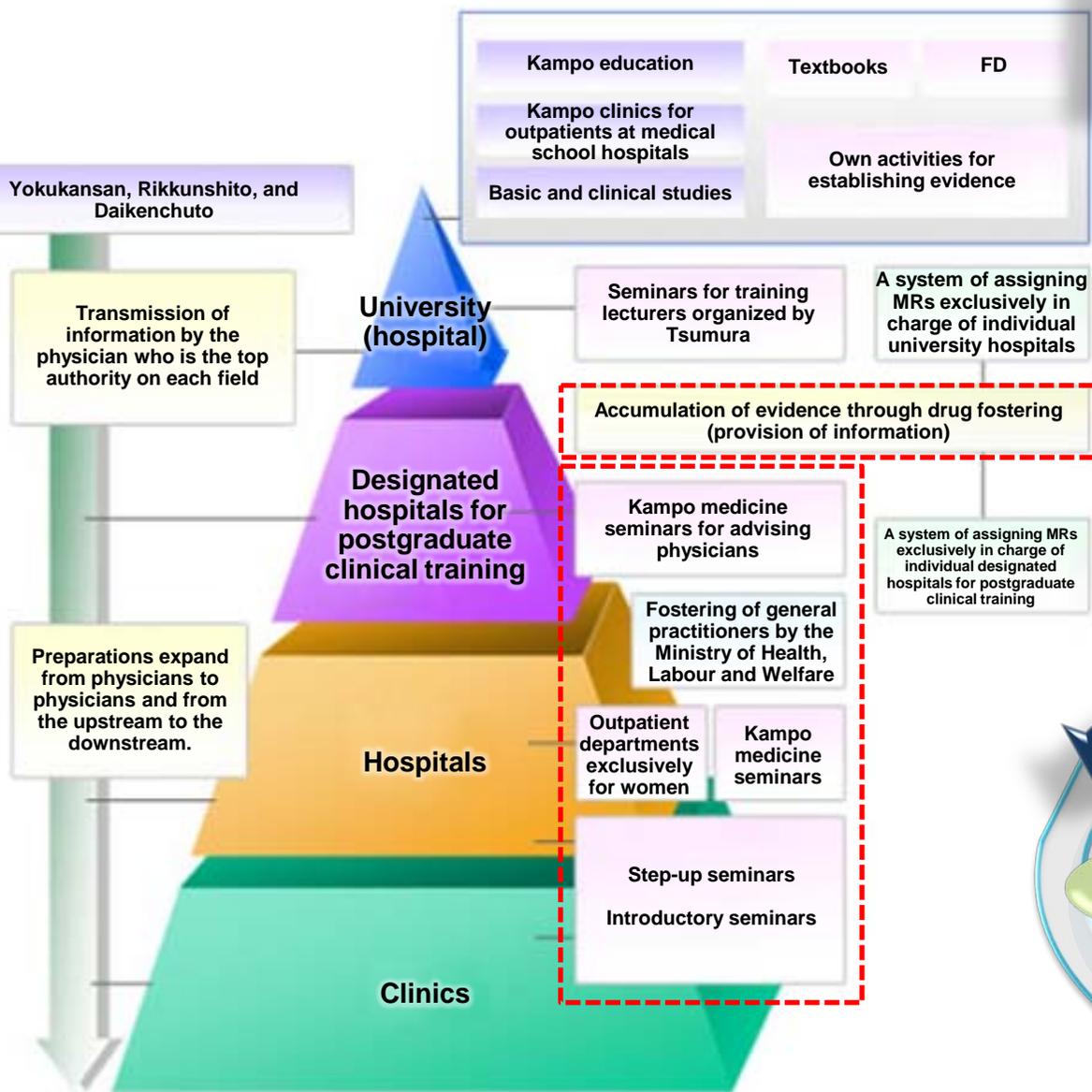


The increase in physician numbers in each quarter above is expected to boost monthly sales by 300 million to 400 million yen.

* All of the figures above were estimated by Tsumura.

Image of Market Expansion of Kampo Formulation for Prescription

Image of strategic increase in the number of preparations



Kampo formulations prescribed in daily treatments at medical institutions and diagnosis and treatment departments



Cost of Sales Analysis
Inventory Analysis
Etc.

Analysis of Cost of Sales Ratio for 1Q

Previous 1Q: 30.9% → **1Q under review: 33.1%** **Up 2.2pt**

Factor	1Q	Full-year projection
Steep rise in crude drug prices	1.4pt	2.3pt
Revised drug prices	1.2pt	1.2pt
Price rise for raw materials	0.1pt	0.1pt
Increased cost of depreciation	0.1pt	0.1pt
Other	-0.6pt	-0.3pt
Total	2.2pt	3.4pt

At the time of the announcement in May this year

[P/L] The cost of sales ratio for FY2012 is set to increase by 3.4pt.
Impact of the steep rise in crude drug prices: **2.3pt (Approx. ¥2.3 billion)**

Analysis of Rising Inventories

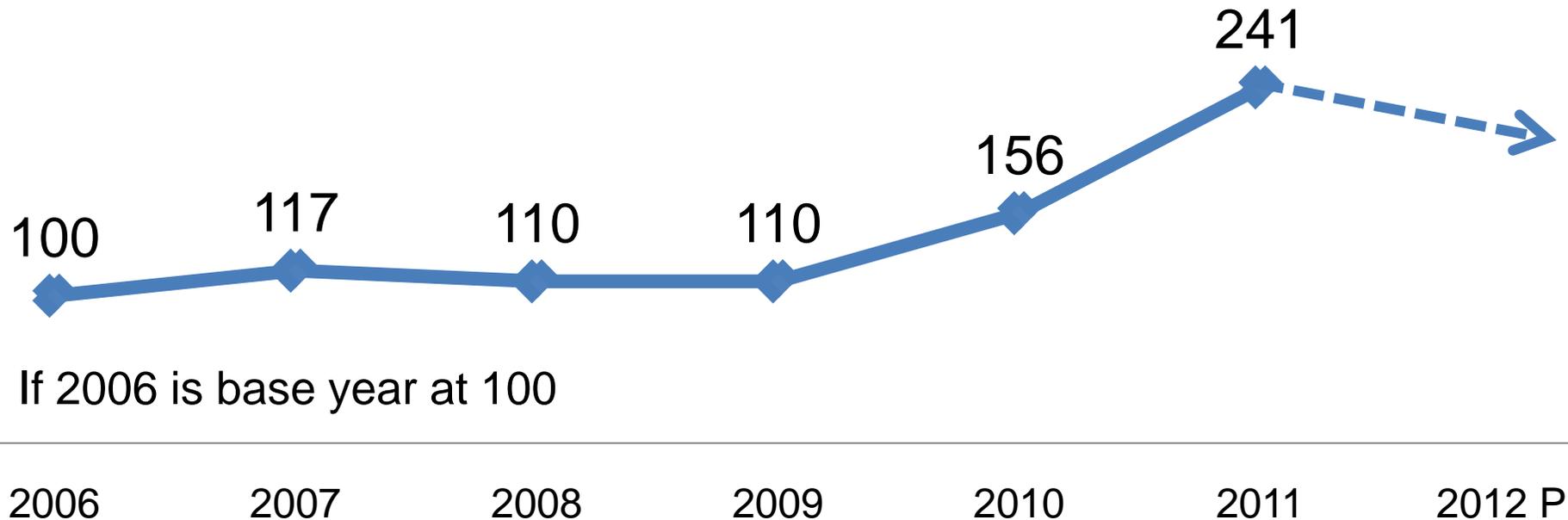
(¥100 million)

B/S	End of FY2011	End of 1Q FY2012	Difference	Impact of volume increase	Impact of crude drug unit price
Inventories	305	328	23	13	10
(Finished goods)	61	56	-5	-5	0
(Work in process)	78	82	4	4	0
(Raw materials)	166	190	24	14	10

Mainly the impact of crude drug procurement in FY2010 and 2011

Purchase Price for All Crude Drugs Produced in China

(Production Company → Affiliate Actual Figures) Weighted average



Price of crude drugs for Kampo preparations had been rising since 2010 due to:
1) An increase in demand for crude drugs in China; 2) Poor weather; and 3) Speculative buying. After peaking in 2011, it has been declining in stages.



Medium- and Long-Term Management Vision

Management Based on Philosophy

The TSUMURA-DNA Pyramid



Basic Philosophy

Corporate philosophy
“The best of nature and science”

The inalterable value that the Tsumura Group should pursue

Corporate mission
Contributing to the availability of medicines of
unprecedented quality by combining Kampo and
Western medicine

**The significance of existence (purpose) which allows the Group to
continue to be needed by society**

The “criteria for all decisions” made in our corporate activities

Long-Term Management Vision

- **Contribute to the development of Kampo medicine as the traditional medicine of Japan.**
- **Aim to establish a position for Kampo as the national medicine.**
- **Expand the role of Kampo in medical care in Japan.**
- **Undertake further scientific studies of Kampo.**
- **Establish an international reputation for Kampo.**
- **Establish a position in the global niche market.**

Announcement and Briefing of the New Medium-Term Management Plan

- **Announcement: November 8, 2012, Thursday, between 3:00 pm and 4:00 pm**
→ **At the same time as the 2nd Quarter Results Briefing**
- **Briefing: November 9, 2012, Friday, 10:00 am - 11:30 am at the hall on the second floor of the main office building**

The announcement was planned to be made on August 3, Friday and the briefing to be held on August 6, Monday. They have been postponed until the above dates, respectively. We appreciate your understanding.

For further information, contact

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Notes

Data and information provided in this document include so-called forward-looking statements. Figures relating to forecasts show our judgments and assumptions based on information available and include risks and uncertainty. Actual results may differ materially from forecast figures.

The information on pharmaceuticals included is not intended as advertising or medical advice.