

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.



August 3, 2022

Consolidated Financial Results for the First Quarter of the Term Ending March 31, 2023 (Under Japanese GAAP)

Company name: TSUMURA & CO.
 Listing: Tokyo Stock Exchange
 Securities code: 4540
 URL: <https://www.tsumura.co.jp>
 Representative: Terukazu Kato, President Representative Director and CEO
 Inquiries: Ritsuko Inukai, Head of Corporate Communications Dept.
 Telephone: +81-3-6361-7100
 Scheduled date to file quarterly securities report: August 4, 2022
 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of financial results briefing: Yes (for institutional investors and securities analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated business results for the first quarter of the term ending March 31, 2023 (from April 1, 2022 to June 30, 2022)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three-month period ended								
June 30, 2022	34,417	8.3	6,353	3.3	8,665	19.6	6,632	23.1
June 30, 2021	31,771	11.9	6,152	8.7	7,247	27.7	5,389	34.2

Note: Comprehensive income Three-month period ended June 30, 2022: ¥13,453 million [45.2 %]
 Three-month period ended June 30, 2021: ¥9,263 million [266.2 %]

	Basic earnings per share	Diluted earnings per share
Three-month period ended	Yen	Yen
June 30, 2022	86.70	—
June 30, 2021	70.44	—

(2) Consolidated financial condition

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
June 30, 2022	362,580	269,068	68.8
March 31, 2022	350,981	258,109	68.3

Reference: Equity
 As of June 30, 2022: ¥249,287 million
 As of March 31, 2022: ¥239,770 million

2. Dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	—	32.00	—	32.00	64.00
Fiscal year ending March 31, 2023	—				
Fiscal year ending March 31, 2023 (Forecast)		32.00	—	32.00	64.00

Note: Revisions to dividends projection published most recently: No

3. Projections of consolidated business results for the term ending March 31, 2023 (From April 1, 2022 to March 31, 2023)

(Figures in percentage show the rate of increase or decrease from the previous fiscal year for full-year and from the second quarter of the previous fiscal year for second quarter (aggregate).)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	68,900	8.6	10,700	(8.4)	14,000	4.4	9,600	(3.7)	125.48
Full-year	138,500	6.9	20,800	(7.0)	21,200	(18.2)	15,000	(20.4)	196.06

Note: Revisions to projections of consolidated business results published most recently: Yes

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes

Note: For details, see “2. Quarterly Consolidated Financial Statements and Key Notes (4) Notes to the Quarterly Consolidated Financial Statements (application of specific accounting treatment to the preparation of quarterly financial statements)” on page 10 of the material attached hereto.

(3) Changes in accounting policies, changes in accounting estimates, and restatement

- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
- (ii) Changes in accounting policies due to other reasons: None
- (iii) Changes in accounting estimates: None
- (iv) Restatement: None

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2022	76,758,362 shares
As of March 31, 2022	76,758,362 shares

(ii) Number of treasury shares at the end of the period

As of June 30, 2022	251,343 shares
As of March 31, 2022	251,343 shares

(iii) Average number of shares outstanding during the period

Three-month period ended June 30, 2022	76,507,019 shares
Three-month period ended June 30, 2021	76,507,898 shares

* This Consolidated Financial Results is not subject to audit procedures performed by a certified public accountant or audit corporation.

*Explanation about the proper use of financial projections and other important notes

(Note about forward-looking information)

Forward-looking statements such as financial projections, which are stated in this document, are based on information currently available to the Company and certain assumptions deemed reasonable. There is a possibility that actual results, etc. will differ materially from forecasts due to various factors. Please see “1. Qualitative information on quarterly results (3) Description of projections of consolidated business results ” on page 4 for information regarding the forecast of consolidated financial results.

○Contents of accompanying materials	
1. Qualitative information on quarterly results	2
(1) Description of operating results	2
(2) Description of financial condition	3
(3) Description of projections of consolidated business results	4
2. Quarterly Consolidated Financial Statements and Key Notes	5
(1) Quarterly Consolidated Balance Sheets	5
(2) Quarterly Consolidated Statements of Income and Consolidated Statements of Comprehensive Income	7
Quarterly Consolidated Statements of Income	
For the First Quarter Consolidated Accumulative Term	7
Quarterly Consolidated Statements of Comprehensive Income	
For the First Quarter Consolidated Accumulative Term	8
(3) Quarterly Consolidated Statements of Cash Flows	9
(4) Notes to the Consolidated Financial Statements	10
(Notes on premise of a going concern)	10
(Notes on case of extreme change in shareholder's equity amount)	10
(Application of specific accounting treatment to the preparation of quarterly financial statements)	10

1. Qualitative information on quarterly results

(1) Description of operating results

Consolidated business results for the first quarter under review were as follows:

[Consolidated business results]			(Million yen)
	FY 3/2022 1Q	FY 3/2023 1Q	YoY Change Percent Change
Net sales	31,771	34,417	+2,645 +8.3%
Domestic sales	29,513	31,562	+2,048 +6.9%
Overseas sales	2,257	2,855	+597 +26.5%
Cost of sales	15,298	16,462	+1,164 +7.6%
Selling, general and administrative expenses	10,321	11,601	+1,280 +12.4%
Operating profit	6,152	6,353	+201 +3.3%
Ordinary profit	7,247	8,665	+1,418 +19.6%
Profit attributable to owners of parent	5,389	6,632	+1,243 +23.1%

Net sales increased 8.3% year on year, to 34,417 million yen.

Domestic net sales increased 6.9% year on year, to 31,562 million yen. Looking at sales of 129 prescription Kampo preparations, the COVID-19 pandemic continued to impact business with the increase in the number of people who avoided seeing doctors. The Company expanded e-promotion, mainly on the Tsumura Medical Website. Meanwhile, growth in prescriptions for symptoms such as anxiety/insomnia and dizziness continued. As a result, sales increased 6.7% year on year. Total sales of “Drug fostering” program formulations*1 grew 3.9% and sales of Daikenchuto, a mainstay item for the Company, increased 3.1% year on year. The Company renewed its product lineup by additionally including Ninjin'yoeito and kamikihito as new growth drivers in Growing formulations*2 aiming at registration in clinical practice guidelines through the establishment of evidence. Total sales of Growing formulations rose 9.8% year on year.

Sales of “Drug fostering” program formulations and “Growing” formulations (unit: millions of yen)

	Ranking in sales	No. / Product Name	FY 3/2022 1Q	FY 3/2023 1Q	YoY Change/ Percent Change	
“Drug fostering” program formulations	1	100 Daikenchuto	2,430	2,505	+74	+3.1%
	2	54 Yokukansan	1,872	1,933	+60	+3.2%
	4	43 Rikkunshito	1,770	1,860	+90	+5.1%
	8	107 Goshajinkigan	888	932	+43	+4.9%
	23	14 Hangeshashinto	345	359	+13	+3.9%
Total of "Drug Fostering" Program formulations			7,308	7,591	+282	+3.9%
Growing formulations:	3	41 Hochuekkito	1,818	1,881	+63	+3.5%
	5	17 Goreisan	1,297	1,542	+244	+18.8%
	6	24 Kamishoyosan	1,205	1,296	+91	+7.6%
	17	108 Ninjin'yoeito	484	507	+23	+4.9%
	18	137 Kamikihito	411	501	+90	+22.0%
Total of Growing formulations			5,217	5,730	+512	+9.8%
Total of 119 prescriptions excluding “Drug fostering” program formulations and Growing formulations			15,852	16,956	+1,104	+7.0%
Total of 129 prescription Kampo products			28,377	30,277	+1,900	+6.7%

In addition, sales of OTC Kampo formulations in Japan increased 18.5% year on year, to 914 million yen, reflecting a rise in the number of stores handling the products.

Overseas net sales were 2,855 million yen. Sales on crude drug platforms (of Ping An Tsumura Pharmaceutical Co., Ltd., Shenzhen Tsumura Medicine Co., Ltd., etc.), primarily sales of crude drugs and crude drug pieces for decoction, grew.

Cost of sales increased 7.6% year on year, to 16,462 million yen, reflecting the growth in net sales. The cost-to-sales ratio fell 0.4 percentage points year on year, to 47.8%.

Selling, general and administrative expenses increased 12.4% year on year, to 11,601 million yen. The increase mainly reflected an increase in R&D expenses and the posting of temporary expenses for the operation of the Tianjin Plant. The SGA ratio rose 1.2 percentage points year on year, to 33.7%.

As a result, operating profit increased 3.3% year on year, to 6,353 million yen. The operating profit margin was 18.5%, falling 0.9 percentage points from a year ago. Ordinary profit rose 19.6% year on year, to 8,665 million yen, thanks to the impact of foreign exchange gains, and profit attributable to owners of parent increased 23.1% year on year, to 6,632 million yen.

*1 “Drug fostering” program formulations:

Formulations the Company is addressing by looking hard at the structure of diseases in recent years, targeting diseases that are difficult to treat with new drugs for which prescription Kampo preparations prove specifically effective in domains where demand for medical treatment is high, and calling the establishment of evidence “drug fostering”

*2 Growing formulations:

Growth drivers aimed at registration in clinical practice guidelines as strategic formulations after five drug fostering program formulations by constructing evidence (such as data on safety and effectiveness) in domains where the degree of satisfaction with medical treatment and the degree of drug contribution are low

Initiatives in response to COVID-19 pandemic and impact on performance

There was no impact on product supply either in Japan or overseas in the first three months of the fiscal year under review. Regarding the impact on business performance, certain business activities were affected, reflecting the implementation of alternative production at plants located in Japan as a result of the suspension of operations at the Shanghai Plant due to the lockdown and restrictions on visits to medical institutions to provide information, among other factors.

Although the business environment is expected to remain uncertain, the Company will continue to observe changes in the environment, maintain production levels and secure distribution while simultaneously paying close attention to infection prevention.

In doing so, it will continue to take the necessary steps to facilitate the supply of products and the gathering and provision of information about the products.

(2) Description of financial condition

The financial position at the end of the first quarter under review was as follows:

Total assets at the end of the first quarter increased 11,598 million yen from the end of the previous fiscal year, to 362,580 million yen.

Current assets increased 8,428 million yen from the end of the previous fiscal year, mainly due to a rise in inventories. Non-current assets increased 3,170 million yen from the end of the previous fiscal year, mainly due to an increase in property, plant and equipment.

Total liabilities were 93,512 million yen, an increase of 640 million yen from the end of the previous fiscal year. Current liabilities increased 923 million yen from the end of the previous fiscal year, mainly due to an increase in notes and accounts payable - trade.

Non-current liabilities decreased 283 million yen from the end of the previous fiscal year.

Net assets totaled 269,068 million yen, an increase of 10,958 million yen from the end of the previous fiscal year. Shareholders' equity rose 4,184 million yen from the end of the previous fiscal year, mainly reflecting an increase in retained earnings. Accumulated other comprehensive income climbed 5,332 million yen from the end of the previous fiscal year, chiefly due to an increase in foreign currency translation adjustment. Non-controlling interests increased 1,441 million yen from the end of the previous fiscal year.

As a result, the equity ratio rose 0.5 percentage points, to 68.8%.

Cash flows in the first quarter under review were as follows:

During the first quarter under review, cash provided by operating activities was 4,785 million yen, cash used in investing activities was 4,145 million yen, and cash used in financing activities was 2,418 million yen.

Cash provided by operating activities was 4,785 million yen. Looking at its breakdown, a major cash inflow item was profit before income taxes of 8,661 million yen, while a major cash outflow item was income taxes paid of 2,948 million yen. Compared to the first

quarters of the previous fiscal year, cash inflow increased 1,424 million yen.

Cash used in investing activities was 4,145 million yen. Looking at its breakdown, a major cash outflow item was the purchase of property, plant and equipment of 3,763 million yen. Compared to a year ago, cash outflow rose 1,044 million yen.

Cash used in financing activities was 2,418 million yen. Looking at its breakdown, a major cash outflow item was dividends paid of 2,401 million yen. Compared to a year ago, cash outflow rose 47 million yen.

As a result, cash and cash equivalents increased 486 million yen from the end of the previous fiscal year, to 68,022 million yen.

(3) Description of projections of consolidated business results

In light of recent business results, the Company has revised its business results projections released on May 10, 2022 as follows.

1. Consolidated business results for the Second quarter of the term ending March 31, 2023

(from April 1, 2022 to September 30, 2022)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Profit per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	67,000	9,800	10,000	7,400	96.72
Revised forecast (B)	68,900	10,700	14,000	9,600	125.48
Change (B - A)	1,900	900	4,000	2,200	
Percentage change (%)	2.8%	9.2%	40.0%	29.7%	
(Reference) Results for previous second quarter (ended September 30, 2021)	63,416	11,684	13,409	9,965	130.26

2. Consolidated business results for the fiscal year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

The projections of business results published on May 10, 2022 remain unchanged.

3. Reason of revision

With respect to consolidated results for the first six months of the fiscal year ending March 31, 2023, the foreign exchange gain of 2,800 million yen is expected to be posted as non-operating income due to the weakening of the yen. As a result, with ordinary profit and profit attributable to owners of parent significantly exceeding initial expectations, the Company has decided to revise its results projections.

The Company also reviewed its full-year projections carefully in conjunction with full-year consolidated financial results forecasts. However, in consideration of the difficulty of reasonable calculations at present due to the possibility of significant fluctuations in foreign exchange gains or losses, the Company has decided not to revise the initial projections.

3. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	67,552	68,044
Notes and accounts receivable - trade	54,879	57,297
Merchandise and finished goods	10,247	10,368
Work in process	13,614	13,054
Raw materials and supplies	68,889	72,480
Other	14,360	16,729
Allowance for doubtful accounts	(123)	(126)
Total current assets	229,420	237,849
Non-current assets		
Property, plant and equipment		
Buildings and structures	89,563	91,141
Other	96,621	99,826
Accumulated depreciation	(96,143)	(99,134)
Total property, plant and equipment	90,040	91,833
Intangible assets		
Goodwill	8,513	8,961
Other	3,814	3,994
Total intangible assets	12,328	12,956
Investments and other assets		
Investment securities	10,184	10,530
Retirement benefit asset	2,842	2,950
Other	6,165	6,459
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	19,192	19,941
Total non-current assets	121,561	124,731
Total assets	350,981	362,580
Liabilities		
Current liabilities		
Notes and accounts payable - trade	13,676	14,640
Short-term borrowings	10,313	10,313
Income taxes payable	3,271	2,729
Other	18,614	19,116
Total current liabilities	45,875	46,799
Non-current liabilities		
Bonds payable	30,000	30,000
Long-term borrowings	9,377	9,377
Retirement benefit liability	55	55
Provision for share awards for directors (and other officers)	—	27
Other	7,563	7,253
Total non-current liabilities	46,996	46,713
Total liabilities	92,871	93,512

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Net assets		
Shareholders' equity		
Share capital	30,142	30,142
Capital surplus	13,732	13,732
Retained earnings	182,929	187,114
Treasury shares	(682)	(682)
Total shareholders' equity	226,121	230,306
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,324	2,563
Deferred gains or losses on hedges	2,020	2,531
Revaluation reserve for land	2,673	2,673
Foreign currency translation adjustment	6,911	11,492
Remeasurements of defined benefit plans	(280)	(279)
Total accumulated other comprehensive income	13,648	18,980
Non-controlling interests	18,339	19,781
Total net assets	258,109	269,068
Total liabilities and net assets	350,981	362,580

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
 Quarterly Consolidated Statements of Income / For the First Quarter Consolidated Accumulative Term

(Millions of yen)

	Three-month period ended June 30,2021 (From April 1, 2021 to June 30, 2021)	Three-month period ended June 30,2022 (From April 1, 2022 to June 30, 2022)
Net sales	31,771	34,417
Cost of sales	15,298	16,462
Gross profit	16,473	17,954
Selling, general and administrative expenses	10,321	11,601
Operating profit	6,152	6,353
Non-operating income		
Interest income	85	115
Dividend income	126	134
Foreign exchange gains	836	1,999
Other	96	102
Total non-operating income	1,144	2,351
Non-operating expenses		
Interest expenses	44	34
Other	4	5
Total non-operating expenses	49	39
Ordinary profit	7,247	8,665
Extraordinary income		
Gain on sale of non-current assets	13	1
Total extraordinary income	13	1
Extraordinary losses		
Loss on retirement of non-current assets	107	6
Total extraordinary losses	107	6
Profit before income taxes	7,153	8,661
Income taxes	1,831	1,911
Profit	5,321	6,750
Profit (loss) attributable to non-controlling interests	(67)	117
Profit attributable to owners of parent	5,389	6,632

Quarterly Consolidated Statements of Comprehensive Income / For the First Quarter Consolidated Accumulative Term
(Millions of yen)

	Three-month period ended June 30,2021 (From April 1, 2021 to June 30, 2021)	Three-month period ended June 30,2022 (From April 1, 2022 to June 30, 2022)
Profit	5,321	6,750
Other comprehensive income		
Valuation difference on available-for-sale securities	(915)	239
Deferred gains or losses on hedges	5	511
Foreign currency translation adjustment	4,817	5,916
Remeasurements of defined benefit plans, net of tax	5	0
Share of other comprehensive income of entities accounted for using equity method	29	34
Total other comprehensive income	3,941	6,703
Comprehensive income	9,263	13,453
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,284	11,964
Comprehensive income attributable to non-controlling interests	979	1,488

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Three-month period ended June 30,2021 (From April 1, 2021 to June 30, 2021)	Three-month period ended June 30,2022 (From April 1, 2022 to June 30, 2022)
Cash flows from operating activities		
Profit before income taxes	7,153	8,661
Depreciation	2,155	2,456
Amortization of goodwill	107	119
Increase (decrease) in allowance for doubtful accounts	21	(4)
Interest and dividend income	(212)	(249)
Interest expenses	44	34
Loss (gain) on sale and retirement of property, plant and equipment	93	4
Decrease (increase) in trade receivables	(2,864)	(1,879)
Decrease (increase) in inventories	(923)	746
Increase (decrease) in trade payables	1,025	146
Decrease (increase) in retirement benefit asset	(104)	(108)
Increase (decrease) in retirement benefit liability	0	2
Other, net	441	(2,351)
Subtotal	6,940	7,576
Interest and dividends received	213	206
Interest paid	(72)	(49)
Income taxes paid	(3,720)	(2,948)
Net cash provided by (used in) operating activities	3,360	4,785
Cash flows from investing activities		
Decrease (increase) in time deposits	26	(6)
Purchase of property, plant and equipment	(2,957)	(3,763)
Proceeds from sale of property, plant and equipment	13	1
Purchase of intangible assets	(19)	(134)
Purchase of short-term and long-term investment securities	(3,275)	(734)
Proceeds from sale and redemption of short-term and long-term investment securities	3,274	732
Loan advances	—	(164)
Proceeds from collection of loans receivable	0	0
Other, net	(163)	(77)
Net cash provided by (used in) investing activities	(3,101)	(4,145)
Cash flows from financing activities		
Dividends paid	(2,354)	(2,401)
Other, net	(17)	(16)
Net cash provided by (used in) financing activities	(2,371)	(2,418)
Effect of exchange rate change on cash and cash equivalents	1,722	2,266
Net increase (decrease) in cash and cash equivalents	(390)	486
Cash and cash equivalents at beginning of period	59,668	67,536
Cash and cash equivalents at end of period	59,278	68,022

(4) Notes to the Quarterly Consolidated Financial Statements

(Notes on premise of a going concern)

No relevant items.

(Notes on case of extreme change in shareholder's equity amount)

No relevant items.

(Application of specific accounting treatment to the preparation of quarterly financial statements)

(Deferment of cost variance)

Cost variance caused by seasonal changes in operation rates, etc. is expected to be eliminated for the most part by the end of the cost accounting period, which is, therefore, deferred as “current assets (other) or current liabilities (other).”