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November 7, 2023

Consolidated Financial Results for the Second Quarter of the Term Ending March 31, 2024 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 4540
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 Scheduled date to file quarterly securities report: November 8, 2023
 Scheduled date to commence dividend payments: December 5, 2023
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of financial results briefing: Yes (for institutional investors, securities analysts and news media)

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

1. Consolidated business results for the second quarter of the term ending March 31, 2024 (from April 1, 2023 to September 30, 2023)

(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	%
Six-month period ended								
September 30, 2023	75,302	7.4	10,211	(12.6)	12,675	(20.6)	9,005	(24.3)
September 30, 2022	70,107	10.5	11,677	(0.1)	15,965	19.1	11,889	19.3

Note: Comprehensive income Six-month period ended September 30, 2023: ¥18,297 million [(20.6) %]
 Six-month period ended September 30, 2022: ¥23,042 million [53.7 %]

	Basic earnings per share	Diluted earnings per share
Six-month period ended	Yen	Yen
September 30, 2023	118.38	—
September 30, 2022	155.46	—

(2) Consolidated financial condition

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
September 30, 2023	416,840	288,920	63.5
March 31, 2023	396,813	272,246	63.5

Reference: Equity

As of September 30, 2023: ¥264,821 million
 As of March 31, 2023: ¥252,046 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, 2023	—	32.00	—	32.00	64.00
Fiscal year ending March 31, 2024	—	35.00			
Fiscal year ending March 31, 2024 (Forecast)			—	35.00	70.00

Note1: Revisions to dividends projection published most recently: Yes

Note2: Please refer to the “Notice Concerning Revision of Basic Capital Management Policy and Shareholder Return Policy and Revision of Dividends Projection (Dividend Increase)” released today (November 7, 2023) for the revision to the dividends projection.

3. Projections of consolidated business results for the term ending March 31, 2024 (From April 1, 2023 to March 31, 2024)

(Figures in percentage show the rate of increase or decrease from the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	150,500	7.5	18,000	(13.9)	18,600	(20.7)	13,000	(21.1)	171.02

Note: Revisions to projections of consolidated business results published most recently: No

*** 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 September 30, 2023	76,758,362 shares
As of March 31, 2023	76,758,362 shares

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

As of September 30, 2023	831,774shares
As of March 31, 2023	367,332shares

(iii) Average number of shares outstanding during the period

Six-month period ended September 30, 2023	76,066,527shares
Six-month period ended September 30, 2022	76,477,159shares

Note: At the beginning of the consolidated fiscal year under review, the Company introduced the Board Incentive Plan Trust. As a result, the shares of the Company’s stock held by the trust are included in treasury shares that are deducted in calculating the number of treasury shares at the end of the period and the average number of shares outstanding during the period.

* 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.

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1. Qualitative information on quarterly results

(1) Description of operating results

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

[Consolidated business results]

(Million yen)

	FY 3/2023 2Q	FY 3/2024 2Q	YoY Change Percent Change
Net sales	70,107	75,302	+ 5,195 + 7.4%
Domestic business	62,922	66,131	+ 3,208 + 5.1%
China business	7,184	9,171	+ 1,986 + 27.7%
Cost of sales	35,297	40,877	+ 5,580 + 15.8%
Selling, general and administrative expenses	23,132	24,213	+ 1,081 + 4.7%
Operating profit	11,677	10,211	(1,465) (12.6) %
Domestic business	11,765	10,426	(1,339) (11.4) %
China business	(87)	(214)	(126) —
Ordinary profit	15,965	12,675	(3,290) (20.6) %
Profit attributable to owners of parent	11,889	9,005	(2,884) (24.3) %

Net sales increased 7.4% year on year, to 75,302 million yen.

Net sales of domestic business increased 5.1% year on year, to 66,131 million yen. Sales of 129 prescription Kampo preparations increased 5.9% year on year due to continuous growth of prescriptions in the cardiovascular area and ones for symptoms such as anxiety/insomnia and dizziness. Total sales of drug fostering formulations*1 grew 0.9% year on year while total sales of growing formulations*2 rose 6.4% year on year.

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

	Ranking in sales	No. / Product Name	FY 3/2023 2Q	FY 3/2024 2Q	YoY Change/ Percent Change	
“Drug fostering” program formulations	1	100 Daikenchuto	4,927	4,937	+9	+0.2%
	3	54 Yokukansan	3,775	3,819	+43	+1.2%
	4	43 Rikkunshito	3,698	3,685	(12)	(0.3)%
	9	107 Goshajinkigan	1,755	1,836	+80	+4.6%
	24	14 Hangeshashinto	708	716	+8	+1.2%
Total of "Drug Fostering" Program formulations			14,865	14,996	+130	+0.9%
Growing formulations:	2	41 Hochuekkito	4,060	4,109	+48	+1.2%
	5	17 Goreisan	3,198	3,674	+476	+14.9%
	6	24 Kamishoyosan	2,583	2,578	(5)	(0.2)%
	16	137 Kamikihito	1,013	1,161	+148	+14.6%
	17	108 Ninjin'yoeito	1,034	1,127	+92	+9.0%
Total of Growing formulations			11,890	12,650	+760	+6.4%
Total of 119 prescriptions excluding “Drug fostering” program formulations and Growing formulations			33,435	36,074	+2,638	+7.9%
Total of 129 prescription Kampo products			60,191	63,720	+3,528	+5.9%

Sales of OTC Kampo formulations in the domestic business decreased 12.6% year on year to 1,751 million yen because formulations related to cold symptoms and other products have remained in short supply.

Net sales of business in China increased 27.7% year on year, to 9,171 million yen, due to significant growth in sales on crude drug platforms (of Ping An Tsumura Pharmaceutical Co., Ltd., Shenzhen Tsumura Medicine Co., Ltd., etc.), which primarily include sales of crude drugs and crude drug pieces for decoction.

Cost of sales increased 15.8% year on year, to 40,877 million yen, mainly reflecting the growth in net sales, rising crude drug procurement costs, continued high prices of energy and raw and other materials and the weaker yen. The cost-to-sales ratio rose 4.0 percentage points year on year, to 54.3%.

Selling, general and administrative expenses increased 4.7% year on year, to 24,213 million yen. The increase mainly reflected increases in R&D expenses and system expenses related to systems for the DX of the Kampo value chain. The SGA ratio fell 0.8 percentage points year on year, to 32.2%.

As a result, operating profit decreased 12.6% year on year, to 10,211 million yen. The operating profit margin was 13.6%, falling 3.1 percentage points from a year ago. Ordinary profit declined 20.6% year on year, to 12,675 million yen, due in part to a decrease in foreign exchange gains, and profit attributable to owners of parent decreased 24.3% year on year, to 9,005 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

[Situation of limited shipments]

All limits to shipments of 129 prescription Kampo products were removed on July 31, 2023. Subsequently, however, the demand for Kampo products increased more than expected due to increases in COVID-19 cases and flue cases and antitussives supply instability, and shipments of certain prescription Kampo products were suspended or limited. The impact of this matter on the Group’s consolidated results will be minor. The Company will gradually end limits on shipments by putting in place a system for increasing production increase and adjusting production plans.

(2) Description of financial condition

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

Total assets at the end of the second quarter increased 20,027 million yen from the end of the previous fiscal year, to 416,840 million yen. Current assets increased 10,940 million yen from the end of the previous fiscal year, mainly due to a rise in inventories. Non-current assets increased 9,086 million yen from the end of the previous fiscal year, mainly due to increases in property, plant and equipment, intangible assets and investment securities.

Total liabilities were 127,920 million yen, an increase of 3,353 million yen from the end of the previous fiscal year. Current liabilities increased 2,705 million yen from the end of the previous fiscal year. Non-current liabilities increased 647 million yen from the end of the previous fiscal year.

Net assets totaled 288,920 million yen, an increase of 16,673 million yen from the end of the previous fiscal year. Shareholders' equity rose 5,240 million yen from the end of the previous fiscal year, mainly reflecting an increase in retained earnings. Accumulated other comprehensive income climbed 7,534 million yen from the end of the previous fiscal year, chiefly due to an increase in foreign currency translation adjustment. Non-controlling interests increased 3,899 million yen from the end of the previous fiscal year.

As a result, the equity ratio remained the same as the previous fiscal year at 63.5%.

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

Cash and cash equivalents as of the end of the second quarter under review was 81,285 million yen, a decrease of 13,444 million yen from the end of the previous fiscal year. Cash flows in the first half under review and year-on-year changes in cash flows were as follows.

Cash provided by operating activities was 601 million yen. Looking at its breakdown, a major cash inflow item was profit before income taxes of 12,655 million yen, while major cash outflow items were an increase in inventories of 7,641 million yen and income taxes paid of 3,101 million yen. Compared to the previous fiscal year, cash inflow decreased 9,087 million yen.

Cash used in investing activities was 14,080 million yen. Looking at its breakdown, a major cash outflow item was the purchase of property, plant and equipment of 7,572 million yen. Compared to a year ago, cash outflow rose 6,012 million yen.

Cash used in financing activities was 1,694 million yen. Looking at its breakdown, major cash flow items were proceeds from payments from non-controlling interests of 2,158 million yen, purchase of treasury shares of 1,316 million yen and dividends paid of 2,449 million yen. Compared to a year ago, cash outflow rose 28,687 million yen.

(3) Description of projections of consolidated business results

The projections of consolidated business results for the fiscal year ending March 31, 2024, which were published on May 9, 2023, remain unchanged.

As stated in "Tsumura Announces Conclusion of Agreement Regarding Transfer of Equity Interest in Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. by Ping An Tsumura Inc.," published on July 31, 2023, an equity interest in Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. was transferred on July 31, 2023.

In its China business, Tsumura will continue striving to enhance corporate value, aiming to contribute to the health of Chinese people through the businesses of crude drug, crude drug pieces, traditional Chinese medicinal product, and Medical & Health (Yakushokudogen health food and functional food, etc.).

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	94,752	81,314
Notes and accounts receivable - trade	58,087	65,883
Merchandise and finished goods	11,257	12,499
Work in process	14,430	18,525
Raw materials and supplies	76,038	81,406
Other	13,933	19,852
Allowance for doubtful accounts	(178)	(222)
Total current assets	268,320	279,260
Non-current assets		
Property, plant and equipment		
Buildings and structures	91,197	94,444
Other	107,260	111,865
Accumulated depreciation	(105,042)	(110,062)
Total property, plant and equipment	93,415	96,247
Intangible assets		
Goodwill	8,480	8,616
Other	6,166	7,885
Total intangible assets	14,647	16,501
Investments and other assets		
Investment securities	11,160	15,242
Retirement benefit asset	2,518	2,737
Other	6,750	6,850
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	20,429	24,830
Total non-current assets	128,492	137,579
Total assets	396,813	416,840
Liabilities		
Current liabilities		
Notes and accounts payable - trade	16,443	17,598
Short-term borrowings	10,313	10,313
Income taxes payable	3,233	3,557
Other	17,214	18,442
Total current liabilities	47,205	49,910
Non-current liabilities		
Bonds payable	60,000	60,000
Long-term borrowings	9,377	9,377
Retirement benefit liability	59	56
Allowance for employee share benefits	—	209
Provision for share awards for directors (and other officers)	111	166
Other	7,814	8,199
Total non-current liabilities	77,361	78,009
Total liabilities	124,566	127,920

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Net assets		
Shareholders' equity		
Share capital	30,142	30,142
Capital surplus	13,739	13,739
Retained earnings	194,224	200,780
Treasury shares	(1,068)	(2,384)
Total shareholders' equity	237,037	242,277
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,647	5,474
Deferred gains or losses on hedges	29	987
Revaluation reserve for land	2,673	2,673
Foreign currency translation adjustment	10,455	14,186
Remeasurements of defined benefit plans	(796)	(778)
Total accumulated other comprehensive income	15,008	22,543
Non-controlling interests	20,199	24,098
Total net assets	272,246	288,920
Total liabilities and net assets	396,813	416,840

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

(Millions of yen)

	Six-month ended September 30, 2022	Six-month ended September 30, 2023
Net sales	70,107	75,302
Cost of sales	35,297	40,877
Gross profit	34,809	34,425
Selling, general and administrative expenses	23,132	24,213
Operating profit	11,677	10,211
Non-operating income		
Interest income	247	391
Dividend income	137	144
Foreign exchange gains	3,950	1,980
Other	208	166
Total non-operating income	4,543	2,683
Non-operating expenses		
Interest expenses	92	195
Bond issuance costs	142	—
Other	19	23
Total non-operating expenses	255	219
Ordinary profit	15,965	12,675
Extraordinary income		
Gain on sale of non-current assets	3	0
Total extraordinary income	3	0
Extraordinary losses		
Loss on sale of non-current assets	0	—
Loss on retirement of non-current assets	25	20
Loss on COVID19	252	—
Total extraordinary losses	278	20
Profit before income taxes	15,690	12,655
Income taxes	3,649	3,002
Profit	12,041	9,652
Profit attributable to non-controlling interests	152	647
Profit attributable to owners of parent	11,889	9,005

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

	Six-month ended September 30, 2022	Six-month ended September 30, 2023
Profit	12,041	9,652
Other comprehensive income		
Valuation difference on available-for-sale securities	(285)	2,827
Deferred gains or losses on hedges	(270)	957
Foreign currency translation adjustment	11,489	4,841
Remeasurements of defined benefit plans, net of tax	1	17
Share of other comprehensive income of entities accounted for using equity method	65	—
Total other comprehensive income	11,001	8,644
Comprehensive income	23,042	18,297
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	20,271	16,539
Comprehensive income attributable to non-controlling interests	2,770	1,758

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Six-month ended September 30, 2022	Six-month ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	15,690	12,655
Depreciation	4,980	4,928
Amortization of goodwill	248	254
Increase (decrease) in allowance for doubtful accounts	2	35
Interest and dividend income	(384)	(536)
Interest expenses	92	195
Bond issuance costs	142	—
Loss (gain) on sale and retirement of property, plant and equipment	22	19
Decrease (increase) in trade receivables	(2,500)	(7,141)
Decrease (increase) in inventories	(490)	(7,641)
Increase (decrease) in trade payables	554	451
Decrease (increase) in retirement benefit asset	(218)	(198)
Increase (decrease) in retirement benefit liability	6	2
Other, net	(5,543)	281
Subtotal	12,604	3,307
Interest and dividends received	368	555
Interest paid	(100)	(160)
Income taxes paid	(3,183)	(3,101)
Net cash provided by (used in) operating activities	9,688	601
Cash flows from investing activities		
Decrease (increase) in time deposits	13	—
Purchase of property, plant and equipment	(6,701)	(7,572)
Proceeds from sale of property, plant and equipment	18	5
Purchase of intangible assets	(1,071)	(1,514)
Purchase of short-term and long-term investment securities	(1,334)	(5,495)
Proceeds from sale and redemption of short-term and long-term investment securities	1,328	778
Loan advances	(171)	—
Proceeds from collection of loans receivable	0	0
Other, net	(149)	(281)
Net cash provided by (used in) investing activities	(8,067)	(14,080)
Cash flows from financing activities		
Proceeds from issuance of bonds	29,857	—
Purchase of treasury shares	(445)	(1,316)
Proceeds from share issuance to non-controlling shareholders	—	2,158
Dividends paid	(2,447)	(2,449)
Dividends paid to non-controlling interests	—	(40)
Other, net	28	(47)
Net cash provided by (used in) financing activities	26,992	(1,694)
Effect of exchange rate change on cash and cash equivalents	4,262	1,729
Net increase (decrease) in cash and cash equivalents	32,876	(13,444)
Cash and cash equivalents at beginning of period	67,536	94,730
Cash and cash equivalents at end of period	100,412	81,285

(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).”