



## Summary of Consolidated Financial Statements for the Third Quarter of the Term Ending March 31, 2019 (Japan GAAP)

February 7, 2019

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Scheduled date of submission: February 8, 2019  
 Scheduled date of dividend payment commencement: -  
 Preparation of supplementary materials for the quarterly financial statements: Yes  
 Holding of the quarterly results briefing: No

(Figures are rounded down to the nearest one million yen.)

### 1. Consolidated business results for the third quarter of the term ending March 31, 2019 (From April 1, 2018 to December 31, 2018)

(1) Financial results (year to date) (Figures in percentages denote the year-on-year change.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine-month period ended December 31, 2018	92,010	1.2	15,280	1.0	16,094	2.6	11,731	(4.6)
Nine-month period ended December 31, 2017	90,911	3.4	15,135	8.2	15,684	7.2	12,302	10.2

(Note) Comprehensive income : Nine-month period ended December 31, 2018: 10,198 million yen [(32.7)%]  
 Nine-month period ended December 31, 2017: 15,149 million yen [103.6%]

	Profit per share	Fully diluted profit per share
	Yen	Yen
Nine-month period ended December 31, 2018	153.44	—
Nine-month period ended December 31, 2017	173.06	—

### (2) Consolidated financial conditions

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of December 31, 2018	279,501	203,306	71.1
As of March 31, 2018	292,379	196,533	66.2

(Reference) Shareholders' equity: As of December 31, 2018: 198,765 million yen As of March 31, 2018: 193,599 million yen

### 2. Dividends

	Dividend per share				
	End of Q1	End of Q2	End of Q3	End of FY	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2018	—	32.00	—	32.00	64.00
Year ending March 31, 2019	—	32.00	—		
Year ending March 31, 2019 (Projection)				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, 2019 (From April 1, 2018 to March 31, 2019)

(Figures in percentage show the rate of increase or decrease from the previous fiscal year for full-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	120,500	2.2	17,500	2.6	18,000	0.5	12,800	(11.8)	167.41

(Note) Revisions to dividends projection published most recently: No

Notes

- (1) Important changes of subsidiaries during the term  
(change of specified subsidiaries that lead to a change in the scope of consolidation): No  
(Note) Ping An Tsumura Inc. was included in the scope of consolidation in the second quarter because its importance had increased, although the company does not meet the conditions for transfer of specific subsidiaries.
- (2) Application of special accounting practices in consolidated quarterly financial statements preparation: 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 9 of the material attached hereto.
- (3) Changes in accounting principles and procedures and the method for indication, etc.  
 1) Changes associated with the revision of accounting principles, etc.: No  
 2) Change other than 1): No  
 3) Accounting estimate change: No  
 4) Retrospective restatement: No

- (4) Number of shares issued (common stock)  
 1) Number of shares issued at the end of the term(including treasury stock) (shares)  
 2) Number of treasury stock at the end of the term(shares)  
 3) Average number of shares during the term (shares)

FY 3/2019 3Q	76,758,362	FY 3/2018	76,758,362
FY 3/2019 3Q	300,534	FY 3/2018	300,382
FY 3/2019 3Q	76,457,945	FY 3/2018 3Q	71,085,085

\* This Summary of Quarterly Consolidated Financial Statements is exempt from quarterly review procedures.

\* Explanation about the proper use of financial projections and other important notes  
(Note about forward-looking information)

In these materials, earnings forecasts and other statements about the future are forward-looking statements based on the information currently available and certain assumptions that the company regards as reasonable. Accordingly, the Company cannot make promises to achieve such forecasts. Actual financial results may differ materially from these forecasts depending on a number of important factors. Please see “1. Qualitative information on quarterly results (3) Description of projections of consolidated business results” on page 2 for information regarding the forecast of consolidated financial results.

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## 1. Qualitative information on quarterly results

### (1) Description of operating results

In the third quarter of the consolidated fiscal year (from April 1 to December 31, 2018), net sales rose 1,099 million yen from the same period of the previous fiscal year to 92,010 million yen.

Looking at profit, operating profit was 15,280 million yen (up 1.0% year on year), ordinary profit was 16,094 million yen (up 2.6% year on year) and profit attributable to owners of parent was 11,731 million yen (down 4.6% year on year). The cost-to-sales ratio fell 0.8 percentage points year on year, due mainly to reduced costs related to crude drugs, which outweighed the cost increase arising from the NHI drug price revisions implemented in April 2018. On the other hand, the cost-to-SGA ratio rose 0.9 percentage points year on year. As a result, the operating profit margin was 16.6%, on a par with the year-ago level.

Net sales of overall prescription Kampo products increased 1.2% year on year, despite the impact of the NHI drug price revisions. With diversifying needs for Kampo medicine among healthcare professionals, the Company conducts activities for providing appropriate information on evidence in basic and clinical medicine, clinical practice guidelines in which Kampo products are described and various uses for Kampo medicine prescriptions mainly through meetings with doctors, presentations for medical institutions and Kampo medicine seminars.

The Company will continue to collect and provide more information on Kampo medicine and Kampo products and work to expand the market for Kampo in the three important domains of geriatric field, cancer domain (supportive care) and gynecology field, tapping into the large potential market.

### (2) Description of financial condition

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

Accompanying the application of “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018), etc. in the first quarter of the fiscal year, the Company made comparisons and analysis with the previous fiscal year in the details about financial position described below, using figures after adopting these revised standards retrospectively.

Total assets shrank 12,878 million yen from the end of the previous fiscal year, mainly due to a decrease in cash and deposits as a result of the repayment of the current portion of long-term loans payable, to 279,501 million yen.

Liabilities decreased 19,651 million yen chiefly due to repayment of the current portion of long-term loans payable, to 76,195 million yen.

Net assets rose 6,772 million yen from the end of the previous fiscal year, to 203,306 million yen. As a result, the equity ratio rose 4.9 percentage points, to 71.1%.

Cash flows in the nine months under review were as follows:

Cash provided by operating activities was 2,271 million yen. In comparison to the nine months of the previous fiscal year, cash inflow decreased 12,383 million yen, due largely to a decline in inventories and a rise in income taxes paid.

Cash used in investing activities was 15,683 million yen. Compared with the nine months of the previous fiscal year, cash used decreased 2,750 million yen year on year, mainly due to an increase in time deposits and an increase in proceeds from the sale and redemption of short-term and long-term investment securities.

Cash used in financing activities was 18,508 million yen. Compared with the nine months of the previous fiscal year, cash provided decreased 68,924 million yen, mainly reflecting a decrease in proceeds from the issuance of bonds and a decrease in proceeds from the issuance of common shares.

As a result, cash and cash equivalents at the end of the third quarter under review decreased 32,734 million yen from the end of the previous fiscal year, to 45,579 million yen.

### (3) Description of projections of consolidated business results

The projections of consolidated business results for the fiscal year ending March 31, 2019 published on May 10, 2018 remain unchanged.

## 2. Quarterly Consolidated Financial Statements and Key Notes

### (1) Quarterly Consolidated Balance Sheets

(Unit: Million yen)

	As of March 31, 2018	As of December 31, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	83,520	65,006
Notes and accounts receivable-trade	42,906	45,589
Securities	3,500	6,372
Merchandise and finished goods	8,008	9,523
Work in process	12,797	10,833
Raw materials and supplies	29,188	29,978
Other	10,971	18,582
Allowance for doubtful accounts	(4)	(4)
Total current assets	190,888	185,881
Non-current assets		
Property, plant and equipment		
Buildings and structures	64,778	65,136
Other	82,327	85,211
Accumulated depreciation	(75,776)	(78,804)
Total property, plant and equipment	71,329	71,543
Intangible assets	526	786
Investment and other assets		
Investment securities	14,179	14,529
Net defined benefit asset	1,908	2,254
Other	13,547	4,506
Allowance for doubtful accounts	(0)	(0)
Total investment and other assets	29,634	21,291
Total non-current assets	101,491	93,620
Total assets	292,379	279,501

(Unit:Million yen)

	As of March 31, 2018	As of December 31, 2018
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	5,507	5,619
Short-term loans payable	10,314	10,314
Current portion of long-term loans payable	15,000	—
Income taxes payable	3,538	929
Provision for sales returns	10	16
Other	14,396	11,262
Total current liabilities	48,766	28,142
Non-current liabilities		
Bonds payable	30,000	30,000
Long-term loans payable	9,376	9,376
Net defined benefit liability	88	81
Other	7,616	8,595
Total non-current liabilities	47,080	48,053
Total liabilities	95,846	76,195
<b>Net assets</b>		
Shareholders' equity		
Capital stock	30,142	30,142
Capital surplus	14,027	14,027
Retained earnings	140,040	146,878
Treasury shares	(814)	(815)
Total shareholders' equity	183,396	190,234
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,748	4,917
Deferred gains or losses on hedges	323	189
Revaluation reserve for land	2,673	2,673
Foreign currency translation adjustment	2,301	544
Remeasurements of defined benefit plans	157	207
Total accumulated other comprehensive income	10,203	8,531
Non-controlling interests	2,933	4,540
Total net assets	196,533	203,306
Total liabilities and net assets	292,379	279,501

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

(Unit:Million yen)

	Nine-month period ended December 31, 2017 (From April 1, 2017 to December 31, 2017)	Nine-month period ended December 31, 2018 (From April 1, 2018 to December 31, 2018)
Net sales	90,911	92,010
Cost of sales	37,755	37,403
Gross profit	53,155	54,606
Selling, general and administrative expenses	38,020	39,326
Operating profit	15,135	15,280
Non-operating income		
Interest income	107	315
Dividend income	379	231
Share of profit of entities accounted for using equity method	37	75
Foreign exchange gains	177	158
Other	273	214
Total non-operating income	974	995
Non-operating expenses		
Interest expenses	140	126
Bond issuance cost	143	—
Share issuance cost	108	—
Other	33	55
Total non-operating expenses	426	181
Ordinary profit	15,684	16,094
Extraordinary income		
Gain on sales of non-current assets	5	1
Gain on sales of investment securities	1,498	324
Total extraordinary income	1,503	325
Extraordinary losses		
Loss on sales of non-current assets	12	0
Loss on retirement of non-current assets	34	53
Total extraordinary losses	47	53
Profit before income taxes	17,140	16,365
Income taxes	4,570	4,337
Profit	12,569	12,028
Profit attributable to non-controlling interests	267	296
Profit attributable to owners of parent	12,302	11,731

Quarterly Consolidated Statements of Comprehensive Income / For the Third Quarter Consolidated Accumulative Term

(Unit:Million yen)

	Nine-month period ended December 31, 2017 (From April 1, 2017 to December 31, 2017)	Nine-month period ended December 31, 2018 (From April 1, 2018 to December 31, 2018)
Profit	12,569	12,028
Other comprehensive income		
Valuation difference on available-for-sale securities	1,917	169
Deferred gains or losses on hedges	279	(134)
Foreign currency translation adjustment	236	(1,880)
Remeasurements of defined benefit plans	141	49
Share of other comprehensive income (loss) of entities accounted for using equity method	5	(34)
Total other comprehensive income (loss)	2,579	(1,830)
Comprehensive income	15,149	10,198
Comprehensive income attributable to		
Owners of parent	14,856	10,059
Non-controlling interests	293	138



## (3) Quarterly Consolidated Statements of Cash Flows

(Unit:Million yen)

	Nine-month period ended December 31, 2017 (From April 1, 2017 to December 31, 2017)	Nine-month period ended December 31, 2018 (From April 1, 2018 to December 31, 2018)
<b>Cash flows from operating activities</b>		
Profit before income taxes	17,140	16,365
Depreciation	4,586	4,743
Increase (decrease) in allowance for doubtful accounts	0	0
Interest and dividend income	(486)	(547)
Interest expenses	140	126
Bond issuance cost	143	—
Share issuance cost	108	—
Share of (profit) loss of entities accounted for using equity method	(37)	(75)
Loss (gain) on sales and retirement of property, plant and equipment	42	52
Decrease (increase) in notes and accounts receivable - trade	(3,700)	(2,723)
Decrease (increase) in inventories	2,568	(924)
Increase (decrease) in notes and accounts payable - trade	(1,353)	220
Loss (gain) on sales of short-term and long-term investment securities	(1,498)	(324)
Decrease (increase) in net defined benefit asset	(307)	(289)
Increase (decrease) in net defined benefit liability	(40)	7
Other	784	(8,824)
Subtotal	18,090	7,809
Interest and dividend income received	492	500
Interest expenses paid	(132)	(149)
Income taxes paid	(3,794)	(5,888)
Net cash provided by (used in) operating activities	14,655	2,271
<b>Cash flows from investing activities</b>		
Decrease (increase) in time deposits	(5,829)	(4,465)
Purchase of property, plant and equipment	(8,527)	(7,211)
Proceeds from sales of property, plant and equipment	12	1
Purchase of intangible assets	(214)	(318)
Purchase of short-term and long-term investment securities	(10,008)	(11,502)
Proceeds from sales and redemption of short-term and long-term investment securities	6,154	8,822
Purchase of investments in capital of subsidiaries	—	(952)
Payments of loans receivable	(3)	(1)
Collection of loans receivable	4	3
Other	(22)	(59)
Net cash provided by (used in) investing activities	(18,433)	(15,683)

(Unit:Million yen)

	Nine-month period ended December 31, 2017 (From April 1, 2017 to December 31, 2017)	Nine-month period ended December 31, 2018 (From April 1, 2018 to December 31, 2018)
<b>Cash flows from financing activities</b>		
Decrease in short-term loans payable	(2,267)	—
Repayments of long-term loans payable	—	(15,000)
Proceeds from issuance of bonds	29,856	—
Proceeds from issuance of common shares	21,201	—
Proceeds from sales of treasury shares	6,012	—
Proceeds from share issuance to non-controlling shareholders	—	1,468
Cash dividends paid	(4,303)	(4,887)
Dividends paid to non-controlling interests	(49)	(54)
Other	(34)	(34)
Net cash provided by (used in) financing activities	50,416	(18,508)
Effect of exchange rate change on cash and cash equivalents	34	(813)
Net increase (decrease) in cash and cash equivalents	46,672	(32,734)
Cash and cash equivalents at beginning of period	29,901	78,313
Cash and cash equivalents at end of period	76,573	45,579

(4) Notes to the Quaterly 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.

(Transfer of important subsidiaries during the quarter under review)

No relevant items.

In this regard, Ping An Tsumura Inc. was included in the scope of consolidation in the second quarter because its importance had increased, although the said company does not meet the conditions for transfer of specific subsidiaries.

(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 liabilities (other).”

(Additional information)

(Application of “Partial Amendments to Accounting Standard for Tax Effect Accounting,” etc.)

The Company adopted “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018), etc. at the beginning of the first quarter under review. Accordingly, “deferred tax assets” is now included in “investment and other assets,” and “deferred tax liabilities” is now included in “non-current liabilities.”