

Summary of Consolidated Financial Statements for the First Quarter of the Term Ending March 31, 2020(Japan GAAP)

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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.)

Consolidated business results for the first quarter of the term ending March 31, 2020 1. (From April 1, 2019 to June 30, 2019) (Figures in percentages denote the year-on-year change.)

(1) Financial results (year to date)

(1) T maneral results (year to date)						percentages del	iote ine jeur on	Jear emangel)
	Net sales Operating profit		Ordinary profit		Profit attributable to owners of parent			
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three-month period ended June 30, 2019	30,699	3.1	5,230	14.7	5,401	9.8	3,903	11.0
Three-month period ended June 30, 2018	29,776	2.4	4,559	2.6	4,917	7.4	3,516	10.1

(Note) Comprehensive income : Three-month period ended June 30, 2019: 2,792 million yen [(21.9)%] Three-month period ended June 30, 2018: 3,573 million yen [7.9%]

	Profit per share	Fully diluted profit per share
	Yen	Yen
Three-month period ended June 30, 2019	51.05	_
Three-month period ended June 30, 2018	46.00	_

(2) Consolidated financial conditions

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of June 30, 2019	288,459	206,486	70.0
As of March 31, 2019	287,322	206,141	70.2
(Deference) Shereholders' or	with: As of June 20, 2010, 20	010 million yon Ac of Mar	ab 21 2010: 201 816million von

(Reference) Shareholders' equity: As of June 30, 2019: 202,019 million yen As of March 31, 2019: 201,816 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, 2019	_	32.00	_	32.00	64.00		
Year ending March 31, 2020	_						
Year ending March 31, 2020 (Projection)		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, 2020 (From April 1, 2019 to March 31, 2020)

(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 sa	ules	Operating profit		Operating profit Ordinary profit		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Second quarter (aggregate)	61,500	5.5	8,100	(9.5)	8,700	(9.1)	6,000	(15.3)	78.46
Full-year	125,000	3.4	17,000	(8.2)	18,000	(8.6)	12,300	(15.7)	160.81

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

Tsumura & Co. (the "Company") resolved to dispose of treasury shares used for performance-based compensation at a Board of Directors meeting held on July 26, 2019. Profit per share stated in the above projections of consolidated business results is calculated by taking the effects of their disposal into consideration.

Notes

(1) Important changes of subsidiaries during the term

(change of specified subsidiaries that lead to a change in the scope of consolidation): No

(2) Application of special accounting practices in consolidated quarterly financial statements preparation: Yes

(3) Changes in accounting principles and procedures and the method for indication, etc.

- Changes associated with the revision of accounting principles, etc.: No
 Change other than 1): No
- 3) Accounting estimate change:
- 4) Retrospective restatement:
- (4) Number of shares issued (common stock)

1) Number of shares issued at the end of the term(including treasury stock) (shares)	FY 3/2020 1Q	76,758,362	FY 3/2019	76,758,362
2) Number of treasury stock at the end of the term(shares)	FY 3/2020 1Q	300,681	FY 3/2019	300,631
3) Average number of shares during the term (shares)	FY 3/2020 1Q	76,457,719	FY 3/2019 1Q	76,457,980

No

No

* 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

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In the first quarter under review, net sales rose 3.1% year on year, to 30,699 million yen.

Looking at profit, operating profit was 5,230 million yen (up 14.7% year on year), ordinary profit was 5,401 million yen (up 9.8% year on year), and profit attributable to owners of parent was 3,903 million yen (up 11.0% year on year). The cost-to-sales ratio fell 1.2 percentage points year on year, due mainly to reduced costs related to crude drugs. In addition, the cost-to-SGA ratio fell 0.5 percentage point year on year. As a result, the operating profit margin rose 1.7 percentage points year on year, to 17.0%.

solidated business results]			(Unit: million yen)
	FY 3/2019 1Q	FY 3/2020 1Q	Year-on-year change
	1 1 <i>3/2017</i> 1Q	115/20201Q	(ratio of change)
Net sales	29,776	30,699	923
	29,770	50,099	3.1 (%)
	4,559	5,230	671
Operating profit			14.7 (%)
	4.017	5 401	483
Ordinary profit	4,917	5,401	9.8 (%)
Profit attributable to owners	attributable to owners		386
of parent	3,516	3,903	11.0 (%)

Net sales of overall prescription Kampo products grew 3.3% year on year. To expand the Kampo market and establish its presence there in a sustained manner, which is a strategic challenge adopted in the Medium-Term Management Plan, the Company has positioned geriatric health, cancer (supportive care) and women's health as three important domains. The Company has been active in providing information on matters focused on five "Drug fostering" program formulations*1 and five "Growing" formulations*2.

In the first quarter under review, net sales for Daikenchuto, a "Drug fostering" program formulation that is a staple item for the Company, decreased 1.5% year on year, primarily reflecting insufficient appeals made in the hospitals market. The Company is making renewed efforts to ensure full information provision in the hospitals market. At the same time, the Company is stepping up activities for winning new markets, focusing on a sense of abdominal flatulence, the treatment of which is assumed to show a low degree of satisfaction, among constipation symptoms.

Net sales grew solidly for Rikkunshito, another "Drug fostering" program formulation, and Bakumondoto and Goreisan, both of which are "growing" formulations. In other formulations, net sales increased favorably for Ninjin'yoeito.

Demand for Kampo medicine is increasingly diversifying among health care professionals. The Company will continue its activities for providing appropriate information on subjects, including evidence in basic and clinical medicine, clinical practice guidelines in which Kampo products are described, and the proper use of Kampo medicine prescriptions for different ailments, positioning meetings with doctors, presentations for medical institutions and Kampo medicine seminars as the basis for those operations.

*1 five "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 five "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

(2)Description of financial condition

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

Total assets increased 1,136 million yen from the end of the previous fiscal year, to 288,459 million yen, due mainly to a growth in inventories.

Liabilities rose 791 million yen from the end of the previous fiscal year, to 81,972 million yen.

Net assets grew 345 million yen from the end of the previous fiscal year, to 206,486 million yen.

As a result, the equity ratio declined 0.2 percentage point, to 70.0%.

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

Cash provided by operating activities was 4,895 million yen. Compared to the first quarter of the previous fiscal year, the cash inflow decreased 290 million yen, owing primarily to a fall in inventories.

Cash provided by investing activities was 6,918 million yen. Compared to the first quarter of the previous fiscal year, the cash inflow grew 5,815 million yen, mainly reflecting an increase in time deposits.

Cash used in financing activities was 2,356 million yen. Compared to the first quarter of the previous fiscal year, the cash outflow decreased 14,995 million yen, chiefly attributable to a decline in the repayment of the current portion of long-term loans payable.

As a result, cash and cash equivalents at the end of the first quarter under review increased 9,898 million yen from the end of the previous fiscal year, to 66,142 million yen.

(3)Description of projections of consolidated business results

The projections of consolidated business results for the fiscal year ending March 31, 2020, which were published on May 9, 2019, remain unchanged.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheets

	As of March 31, 2019	As of June 30, 2019
ssets		
Current assets		
Cash and deposits	72,240	72,262
Notes and accounts receivable-trade	44,524	43,817
Merchandise and finished goods	9,382	8,210
Work in process	11,125	12,854
Raw materials and supplies	31,299	34,046
Other	21,459	20,458
Allowance for doubtful accounts	(4)	(4)
Total current assets	190,027	191,644
Non-current assets		
Property, plant and equipment		
Buildings and structures	64,800	65,207
Other	85,673	87,006
Accumulated depreciation	(76,769)	(78,401)
Total property, plant and equipment	73,703	73,811
Intangible assets	872	1,027
Investment and other assets		
Investment securities	15,642	14,190
Retirement benefit asset	1,934	2,053
Other	5,143	5,730
Allowance for doubtful accounts	(0)	(0)
Total investment and other assets	22,719	21,974
Total non-current assets	97,295	96,814
Total assets	287,322	288,459

		(Unit:Million yen)
	As of March 31, 2019	As of June 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,267	6,034
Short-term borrowings	10,314	10,314
Income taxes payable	2,101	2,182
Provision for sales returns	10	6
Other	14,626	17,164
Total current liabilities	33,320	35,702
Non-current liabilities		
Bonds payable	30,000	30,000
Long-term borrowings	9,376	9,376
Retirement benefit liability	74	74
Other	8,410	6,819
Total non-current liabilities	47,861	46,269
Total liabilities	81,181	81,972
Net assets		
Shareholders' equity		
Share capital	30,142	30,142
Capital surplus	14,027	14,027
Retained earnings	149,740	151,197
Treasury shares	(815)	(815)
Total shareholders' equity	193,095	194,552
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,697	4,678
Deferred gains or losses on hedges	740	(327)
Revaluation reserve for land	2,673	2,673
Foreign currency translation adjustment	(313)	531
Remeasurements of defined benefit plans	(76)	(87)
Total accumulated other comprehensive income	8,721	7,467
Non-controlling interests	4,324	4,467
Total net assets	206,141	206,486
Total liabilities and net assets	287,322	288,459

(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

		(Unit:Million yen)
	Three-month period ended June 30, 2018 (From April 1, 2018 to June 30, 2018)	Three-month period ended June 30, 2019 (From April 1, 2019 to June 30, 2019)
Net sales	29,776	30,699
Cost of sales	12,421	12,424
Gross profit	17,354	18,275
Selling, general and administrative expenses	12,795	13,044
Operating profit	4,559	5,230
Non-operating income		
Interest income	68	170
Dividend income	118	126
Foreign exchange gains	168	-
Other	104	48
Total non-operating income	459	346
Non-operating expenses		
Interest expenses	48	26
Share of loss of entities accounted for using equity method	43	29
Foreign exchange losses	—	112
Other	8	6
Total non-operating expenses	101	175
- Ordinary profit	4,917	5,401
Extraordinary income		
Gain on sales of non-current assets	—	0
Total extraordinary income	_	0
Extraordinary losses		
Loss on sales of non-current assets	_	0
Loss on retirement of non-current assets	25	1
Total extraordinary losses	25	2
Profit before income taxes	4,892	5,399
Income taxes	1,317	1,460
Profit	3,574	3,939
Profit attributable to non-controlling interests	57	35
Profit attributable to owners of parent	3,516	3,903
		- ,

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

		(Unit:Million yen)
	Three-month period ended June 30, 2018 (From April 1, 2018 to June 30, 2018)	Three-month period ended June 30, 2019 (From April 1, 2019 to June 30, 2019)
Profit	3,574	3,939
Other comprehensive income		
Valuation difference on available-for-sale securities	560	(1,019)
Deferred gains or losses on hedges	339	(1,068)
Foreign currency translation adjustment	(899)	933
Remeasurements of defined benefit plans, net of tax	16	(11)
Share of other comprehensive income (loss) of entities accounted for using equity method	(17)	17
Total other comprehensive income (loss)	(1)	(1,147)
Comprehensive income	3,573	2,792
Comprehensive income attributable to		
Owners of parent	3,592	2,648
Non-controlling interests	(18)	143

(3) Quarterly Consolidated Statements of Cash Flows

		(Unit:Million yen
	Three-month period ended June 30, 2018 (From April 1, 2018 to June 30, 2018)	Three-month period ended June 30, 2019 (From April 1, 2019 to June 30, 2019)
Cash flows from operating activities		
Profit before income taxes	4,892	5,399
Depreciation	1,560	1,64
Increase (decrease) in allowance for doubtful accounts	(0)	(0
Interest and dividend income	(187)	(297
Interest expenses	48	2
Share of loss(profit) of entities accounted for using equity method	43	2
Loss (gain) on sales and retirement of property, plant and equipment	25	
Decrease (increase) trade receivables	662	71
Decrease (increase) in inventories	(9)	(3,034
Increase (decrease) trade payables	545	(28)
Decrease (increase) in retirement benefit asset	(96)	(13)
Increase (decrease) in retirement benefit liability	3	
Other	694	2,35
Subtotal	8,184	6,42
Interest and dividends received	234	30
Interest paid	(70)	(4
Income taxes paid	(3,162)	(1,78
Net cash provided by (used in) operating activities	5,185	4,89
ash flows from investing activities		
Decrease (increase) in time deposits	2,507	9,99
Purchase of property, plant and equipment	(988)	(1,94
Proceeds from sales of property, plant and equipment	-	
Purchase of intangible assets	(93)	(18
Purchase of short-term and long-term investment securities	(3,802)	(12,42)
Proceeds from sales and redemption of short-term and long- term investment securities	3,500	12,42
Purchase of investments in capital of subsidiaries	_	(90)
Loan advances	(1)	((
Collection of loans receivable	0	
Other	(20)	(3)
Net cash provided by (used in) investing activities	1,103	6,91

		(Unit:Million yen)
	Three-month period ended June 30, 2018 (From April 1, 2018 to June 30, 2018)	Three-month period ended June 30, 2019 (From April 1, 2019 to June 30, 2019)
Cash flows from financing activities		
Repayments of long-term borrowings	(15,000)	_
Dividends paid	(2,341)	(2,343)
Other	(10)	(12)
Net cash provided by (used in) financing activities	(17,351)	(2,356)
Effect of exchange rate change on cash and cash equivalents	(362)	440
Net increase (decrease) in cash and cash equivalents	(11,425)	9,898
Cash and cash equivalents at beginning of period	78,313	56,243
Cash and cash equivalents at end of period	66,888	66,142

(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.

(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) or current assets(other)."