



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

August 2, 2018

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 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 first quarter of the term ending March 31, 2019 (From April 1, 2018 to June 30, 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	%
Three-month period ended June 30, 2018	29,776	2.4	4,559	2.6	4,917	7.4	3,516	10.1
Three-month period ended June 30, 2017	29,068	1.3	4,441	(1.1)	4,579	9.9	3,194	8.2

(Note) Comprehensive income: Three-month period ended June 30, 2018: 3,573 million yen(7.9%)

Three-month period ended June 30, 2017: 3,312 million yen(- %)

	Profit per share	Fully diluted profit per share
	Yen	Yen
Three-month period ended June 30, 2018	46.00	—
Three-month period ended June 30, 2017	46.45	—

(2) Consolidated financial conditions

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of June 30, 2018	279,181	197,659	69.8
As of March 31, 2018	292,379	196,533	66.2

(Reference) Shareholders' equity: As of June 30, 2018: 194,745 million yen As of March 31, 2018: 193,599million 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	—				
Year ending March 31, 2019 (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, 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 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
Second quarter (aggregate)	58,900	1.1	9,100	1.3	9,100	(1.6)	6,800	2.8	88.94
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
- (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.
 - 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 1Q	76,758,362	FY 3/2018	76,758,362
FY 3/2019 1Q	300,382	FY 3/2018	300,382
FY 3/2019 1Q	76,457,980	FY 3/2018 1Q	68,782,380

* This Summary of Consolidated Quarterly 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 first quarter of the consolidated fiscal year (from April 1 to June 30, 2018), net sales increased 2.4% year on year to 29,776 million yen, despite the effects of the revisions of drug prices undertaken in April 2018.

Looking at profit, operating profit was 4,559 million yen (up 2.6% year on year), ordinary profit was 4,917 million yen (up 7.4% year on year) and profit attributable to owners of parent was 3,516 million yen (up 10.1% 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 drug price revisions. On the other hand, the cost-to-SGA ratio rose 0.8 percentage points year on year. As a result, the operating profit margin was 15.3%, on a par with the year-ago level.

Net sales of overall prescription Kampo products grew 2.5% year on year. With diversifying needs for Kampo medicine among healthcare professionals, the Company conducts activities for providing appropriate information on evidence in basic and clinical medicine, medical practice guidelines in which Kampo is 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 key segments of geriatric, cancer (supportive care) and gynecology, tapping into the large potential market.

(2) Description of financial condition

The financial position at the end of the first 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 under review, 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 13,198 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 279,181 million yen.

Liabilities decreased 14,325 million yen chiefly due to repayment of the current portion of long-term loans payable, to 81,521 million yen.

Net assets rose 1,126 million yen from the end of the previous fiscal year, to 197,659 million yen.

As a result, the equity ratio rose 3.6 percentage points, to 69.8%.

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

Cash flow provided by operating activities was 5,185 million yen. In comparison to the first quarter of the previous fiscal year, cash inflow decreased 3,445 million yen, due largely to a decline in inventories and a rise in income taxes paid.

Cash provided by investing activities was 1,103 million yen. In comparison to the first quarter of the previous fiscal year, cash inflow increased 2,322 million yen, due largely to an increase in time deposits.

Cash used in financing activities was 17,351 million yen. In comparison to the first quarter of the previous fiscal year, cash inflow decreased 42,788 million yen, due largely to a decline in cash inflow resulting from bond issuance and a rise in expenditure resulting from 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 decreased 11,425 million yen from the end of the previous fiscal year, to 66,888 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 June 30, 2018
Assets		
Current assets		
Cash and deposits	83,520	79,459
Notes and accounts receivable-trade	42,906	42,223
Securities	3,500	3,500
Merchandise and finished goods	8,008	8,187
Work in process	12,797	11,758
Raw materials and supplies	29,188	29,765
Other	10,971	11,538
Allowance for doubtful accounts	(4)	(4)
Total current assets	190,888	186,428
Non-current assets		
Property, plant and equipment		
Buildings and structures	64,778	64,633
Other	82,327	83,682
Accumulated depreciation	(75,776)	(76,989)
Total property, plant and equipment	71,329	71,326
Intangible assets	526	600
Investment and other assets		
Investment securities	14,179	15,277
Net defined benefit asset	1,908	2,023
Other	13,547	3,523
Allowance for doubtful accounts	(0)	(0)
Total investment and other assets	29,634	20,825
Total non-current assets	101,491	92,752
Total assets	292,379	279,181

(Unit:Million yen)

	As of March 31, 2018	As of June 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,507	5,999
Short-term loans payable	10,314	10,314
Current portion of long-term loans payable	15,000	—
Income taxes payable	3,538	1,815
Provision for sales returns	10	11
Other	14,396	16,666
Total current liabilities	48,766	34,806
Non-current liabilities		
Bonds payable	30,000	30,000
Long-term loans payable	9,376	9,376
Net defined benefit liability	88	86
Other	7,616	7,252
Total non-current liabilities	47,080	46,714
Total liabilities	95,846	81,521
Net assets		
Shareholders' equity		
Capital stock	30,142	30,142
Capital surplus	14,027	14,027
Retained earnings	140,040	141,110
Treasury shares	(814)	(814)
Total shareholders' equity	183,396	184,466
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,748	5,308
Deferred gains or losses on hedges	323	662
Revaluation reserve for land	2,673	2,673
Foreign currency translation adjustment	2,301	1,460
Remeasurements of defined benefit plans	157	174
Total accumulated other comprehensive income	10,203	10,278
Non-controlling interests	2,933	2,914
Total net assets	196,533	197,659
Total liabilities and net assets	292,379	279,181

(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, 2017 (From April 1, 2017 to June 30, 2017)	Three-month period ended June 30, 2018 (From April 1, 2018 to June 30, 2018)
Net sales	29,068	29,776
Cost of sales	12,366	12,421
Gross profit	16,701	17,354
Selling, general and administrative expenses	12,259	12,795
Operating profit	4,441	4,559
Non-operating income		
Interest income	14	68
Dividend income	184	118
Share of profit of entities accounted for using equity method	18	—
Foreign exchange gains	14	168
Other	95	104
Total non-operating income	326	459
Non-operating expenses		
Interest expenses	39	48
Bond issuance cost	143	—
Share of loss of entities accounted for using equity method	—	43
Other	5	8
Total non-operating expenses	188	101
Ordinary profit	4,579	4,917
Extraordinary income		
Gain on sales of non-current assets	2	—
Total extraordinary income	2	—
Extraordinary losses		
Loss on sales of non-current assets	5	—
Loss on retirement of non-current assets	15	25
Total extraordinary losses	20	25
Profit before income taxes	4,561	4,892
Income taxes	1,288	1,317
Profit	3,272	3,574
Profit attributable to non-controlling interests	77	57
Profit attributable to owners of parent	3,194	3,516

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

(Unit:Million yen)

	Three-month period ended June 30, 2017 (From April 1, 2017 to June 30, 2017)	Three-month period ended June 30, 2018 (From April 1, 2018 to June 30, 2018)
Profit	3,272	3,574
Other comprehensive income		
Valuation difference on available-for-sale securities	768	560
Deferred gains or losses on hedges	23	339
Foreign currency translation adjustment	(784)	(899)
Remeasurements of defined benefit plans	47	16
Share of other comprehensive income (loss) of entities accounted for using equity method	(14)	(17)
Total other comprehensive income (loss)	39	(1)
Comprehensive income	3,312	3,573
Comprehensive income attributable to		
Owners of parent	3,328	3,592
Non-controlling interests	(16)	(18)

(3) Quarterly Consolidated Statements of Cash Flows

(Unit:Million yen)

	Three-month period ended June 30, 2017 (From April 1, 2017 to June 30, 2017)	Three-month period ended June 30, 2018 (From April 1, 2018 to June 30, 2018)
Cash flows from operating activities		
Profit before income taxes	4,561	4,892
Depreciation	1,503	1,560
Increase (decrease) in allowance for doubtful accounts	(0)	(0)
Interest and dividend income	(198)	(187)
Interest expenses	39	48
Bond issuance cost	143	—
Share of (profit) loss of entities accounted for using equity method	(18)	43
Loss (gain) on sales and retirement of property, plant and equipment	18	25
Decrease (increase) in notes and accounts receivable - trade	(31)	662
Decrease (increase) in inventories	1,379	(9)
Increase (decrease) in notes and accounts payable - trade	(120)	545
Decrease (increase) in net defined benefit asset	(93)	(96)
Increase (decrease) in net defined benefit liability	(24)	3
Other	2,915	694
Subtotal	10,074	8,184
Interest and dividend income received	197	234
Interest expenses paid	(32)	(70)
Income taxes paid	(1,607)	(3,162)
Net cash provided by (used in) operating activities	8,631	5,185
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,134)	(988)
Proceeds from sales of property, plant and equipment	3	—
Purchase of intangible assets	(64)	(93)
Purchase of short-term and long-term investment securities	(2)	(3,802)
Proceeds from sales and redemption of short-term and long-term investment securities	—	3,500
Payments of loans receivable	(1)	(1)
Collection of loans receivable	0	0
Decrease (increase) in time deposits	(8)	2,507
Other	(11)	(20)
Net cash provided by (used in) investing activities	(1,219)	1,103

(Unit:Million yen)

	Three-month period ended June 30, 2017 (From April 1, 2017 to June 30, 2017)	Three-month period ended June 30, 2018 (From April 1, 2018 to June 30, 2018)
Cash flows from financing activities		
Decrease in short-term loans payable	(2,267)	—
Repayments of long-term loans payable	—	(15,000)
Proceeds from issuance of bonds	29,856	—
Cash dividends paid	(2,143)	(2,341)
Other	(10)	(10)
Net cash provided by (used in) financing activities	25,436	(17,351)
Effect of exchange rate change on cash and cash equivalents	(245)	(362)
Net increase (decrease) in cash and cash equivalents	32,603	(11,425)
Cash and cash equivalents at beginning of period	29,901	78,313
Cash and cash equivalents at end of period	62,504	66,888

(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).”

(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.”