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August 5, 2021

## Consolidated Financial Results for the First Quarter of the Term Ending March 31, 2022 (Under Japanese GAAP)

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 Scheduled date to file quarterly securities report: August 6, 2021  
 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, 2022 (from April 1, 2021 to June 30, 2021)

#### (1) Consolidated operating results (cumulative)

(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, 2021	31,771	11.9	6,152	8.7	7,247	27.7	5,389	34.2
June 30, 2020	28,396	—	5,657	—	5,674	—	4,016	—

Note: Comprehensive income Three-month period ended June 30, 2021: ¥9,263 million [266.2 %]  
 Three-month period ended June 30, 2020: ¥2,529 million [ — %]

	Basic earnings per share	Diluted earnings per share
Three-month period ended	Yen	Yen
June 30, 2021	70.44	—
June 30, 2020	52.50	—

Note:

( i ) The Company has determined the provisional accounting treatment for business combinations in the fiscal year ended March 31, 2021, and figures for the first quarter of the term ended March 31, 2021 reflect the contents of the determined provisional accounting treatment.

( ii ) The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. has been applied from the beginning of the first quarter under review, and figures for the first quarter of the fiscal year ended March 31, 2021 are those after retroactively applying the Accounting Standard, etc. Therefore, the ratio of year-on-year change is not stated for the first quarter of the fiscal year ended March 31, 2021.

## (2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
June 30, 2021	326,956	239,938	68.4
March 31, 2021	319,063	233,169	68.3

Reference: Equity

As of June 30, 2021: ¥223,621 million

As of March 31, 2021: ¥217,786 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, 2021	—	32.00	—	32.00	64.00
Fiscal year ending March 31, 2022	—				
Fiscal year ending March 31, 2022 (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, 2022 (From April 1, 2021 to March 31, 2022)

(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	59,400	4.3	8,700	(20.3)	9,000	(17.5)	6,900	(13.8)	90.19
Full-year	122,500	5.2	19,500	0.6	20,000	(4.2)	14,200	(7.4)	185.60

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: Yes
- (ii) Changes in accounting policies due to other reasons: None
- (iii) Changes in accounting estimates: None
- (iv) Restatement: None

Note: For details, see “2. Quarterly Consolidated Financial Statements and Key Notes (4) Notes to the Quarterly Consolidated Financial Statements (Changes in accounting policies)” on page 10 of the material attached hereto.

(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, 2021	76,758,362 shares
As of March 31, 2021	76,758,362 shares

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

As of June 31, 2021	250,502 shares
As of March 31, 2021	250,402 shares

(iii) Average number of shares outstanding during the period

Fiscal year ended June 30, 2021	76,507,898 shares
Fiscal year ended June 30, 2020	76,508,303 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 3 for information regarding the forecast of consolidated financial results.



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## 1. Qualitative information on quarterly results

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter under review and makes a comparative analysis with the first quarter of the previous fiscal year and the previous fiscal year, using figures after retroactively applying the Accounting Standard, etc.

In addition, for business combination with Ping An Tsumura Pharmaceutical Co., Ltd. and its five subsidiaries conducted on March 30, 2020, the purchase price allocation (PPA) was not completed in the first quarter of the previous fiscal year but was completed at the end of the previous fiscal year. Therefore, amounts reflecting the PPA are used for the comparative analysis with the first quarter of the previous fiscal year.

### (1) Description of operating results

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

[Consolidated business results]		(Million yen)		
		FY 3/2021 1Q	FY 3/2022 1Q	YoY Change Percent Change
Net sales		28,396	31,771	3,375 11.9%
	Domestic sales	27,413	29,513	2,100 7.7%
	Overseas sales	982	2,257	1,274 129.7%
Cost of sales		13,457	15,298	1,840 13.7%
Selling, general and administrative expenses		9,281	10,321	1,039 11.2%
Operating profit		5,657	6,152	494 8.7%
Ordinary profit		5,674	7,247	1,572 27.7%
Profit attributable to owners of parent		4,016	5,389	1,372 34.2%

Net sales increased 11.9% year on year, to 31,771 million yen.

Domestic net sales were 29,513 million yen. In sales of prescription Kampo products of the Group, prescriptions for products to treat common cold symptoms dropped, reflecting a decline in upper respiratory inflammation and other infections, but prescriptions for products to treat other conditions such as mental illness and skin conditions grew due to changing living environments. Among “Drug fostering”<sup>\*1</sup> program formulations, which are the Company's mainstay items, sales of Daikenchuto grew 1.9% year on year. The Company is continuing activities to win new markets, focusing on a sense of abdominal flatulence, which is viewed to produce a low level of satisfaction with treatment at general clinics among constipation symptoms. In Growing formulations<sup>\*2</sup>, Hochuekkito, Goreisan, Kamishoyosan and Shakuyakukanzoto performed strongly. As a result, sales for 129 prescription Kampo products increased 7.8% year on year.

Overseas net sales were 2,257 million yen. In the crude drug platforms provided by Ping An Tsumura Pharmaceutical Co., Ltd. and SHENZHEN TSUMURA MEDICINE CO., LTD., sales of crude drugs and crude drug pieces for decoction grew.

Cost of sales increased 13.7% year on year, to 15,298 million yen, reflecting the growth in net sales. The cost-to-sales ratio rose 0.8 percentage points year on year, to 48.2%.

Selling, general and administrative expenses increased 11.2% year on year, to 10,321 million yen. This was mainly due to a rise in expenses for activities associated with e-promotions. The SGA ratio fell 0.2 percentage points year on year, to 32.5%.

As a result, operating profit increased 8.7% year on year, to 6,152 million yen. The operating profit margin was 19.4%, falling 0.5 percentage points from a year ago. Ordinary profit rose 27.7% year on year, to 7,247 million yen, thanks to the impact of foreign exchange gains, and profit attributable to owners of parent increased 34.2% year on year, to 5,389 million yen.

#### \*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

[Initiatives in response to COVID-19 pandemic]

In response to the COVID-19 pandemic, the Company ensured prevention of transmission to employees and business associates throughout the year and focused on the stable supply of products to fulfil its responsibility as a pharmaceuticals company.

There was no impact on product supply either in Japan or overseas.

Whilst the business environment remains uncertain, the Company will continue to monitor the changing situation and focus on infection control measures and the stable supply of products.

## (2) Description of financial position

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 7,892 million yen from the end of the previous fiscal year, to 326,956 million yen. Current assets increased 6,764 million yen from the end of the previous fiscal year, mainly due to a rise in inventories. Non-current assets increased 1,128 million yen from the end of the previous fiscal year, mainly due to an increase in buildings and structures, offsetting a decrease in investment securities.

Total liabilities were 87,017 million yen, an increase of 1,123 million yen from the end of the previous fiscal year. Current liabilities increased 1,653 million yen from the end of the previous fiscal year, mainly due to an increase in notes and accounts payable-trade, which offset a decrease in income taxes payable. Non-current liabilities decreased 530 million yen from the end of the previous fiscal year.

Net assets totaled 239,938 million yen, an increase of 6,769 million yen from the end of the previous fiscal year. Shareholders' equity rose 2,940 million yen from the end of the previous fiscal year, mainly reflecting an increase in retained earnings. Accumulated other comprehensive income climbed 2,894 million yen from the end of the previous fiscal year, chiefly due to an increase in foreign currency translation adjustment. Non-controlling interests increased 933 million yen from the end of the previous fiscal year.

As a result, the equity ratio rose 0.1 percentage point, to 68.4%.

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

At the end of the first quarter under review, cash provided by operating activities was 3,360 million yen, cash used in investing activities was 3,101 million yen, and cash used in financing activities was 2,371 million yen.

Cash provided by operating activities was 3,360 million yen. Looking at its breakdown, a major cash inflow item was profit before income taxes of 7,153 million yen, while a major cash outflow item was income taxes paid of 3,720 million yen. Compared to the previous fiscal year, cash inflow decreased 2,142 million yen.

Cash used in investing activities was 3,101 million yen. Looking at its breakdown, a major cash outflow item was the purchase of property, plant and equipment of 2,957 million yen. Compared to a year ago, cash outflow rose 4,316 million yen.

Cash used in financing activities was 2,371 million yen. Looking at its breakdown, a major cash outflow item was dividends paid of 2,354 million yen. Compared to a year ago, cash outflow rose 560 million yen.

As a result, cash and cash equivalents decreased 390 million yen from the end of the previous fiscal year, to 59,278 million yen.

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

The projections of consolidated business results for the fiscal year ending March 31, 2022, which were published on May 11, 2021, remain unchanged.

### 3. Quarterly Consolidated Financial Statements and Key Notes

#### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2021	As of June 30, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	61,310	60,995
Notes and accounts receivable-trade	48,623	51,780
Merchandise and finished goods	13,939	10,194
Work in process	13,396	14,336
Raw materials and supplies	53,419	59,940
Other	13,637	13,869
Allowance for doubtful accounts	(53)	(78)
Total current assets	204,273	211,038
Non-current assets		
Property, plant and equipment		
Buildings and structures	74,533	76,283
Other	97,252	99,193
Accumulated depreciation	(87,609)	(90,323)
Total property, plant and equipment	84,176	85,153
Intangible assets		
Goodwill	7,881	8,273
Other	3,561	3,595
Total intangible assets	11,443	11,869
Investment and other assets		
Investment securities	11,445	10,127
Retirement benefit asset	2,252	2,361
Other	5,472	6,406
Allowance for doubtful accounts	(0)	(0)
Total investment and other assets	19,170	18,895
Total non-current assets	114,789	115,918
Total assets	319,063	326,956



(Million yen)

	As of March 31, 2021	As of June 30, 2021
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	8,593	10,129
Short-term borrowings	10,472	10,482
Current portion of long-term borrowings	12,380	12,386
Income taxes payable	4,057	2,543
Other	12,876	14,492
Total current liabilities	48,380	50,034
Non-current liabilities		
Bonds payable	30,000	30,000
Retirement benefit liability	61	59
Other	7,452	6,924
Total non-current liabilities	37,513	36,983
Total liabilities	85,894	87,017
<b>Net assets</b>		
Shareholders' equity		
Share capital	30,142	30,142
Capital surplus	13,789	13,789
Retained earnings	168,989	171,930
Treasury shares	(679)	(679)
Total shareholders' equity	212,241	215,182
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,180	2,264
Deferred gains or losses on hedges	1,233	1,238
Revaluation reserve for land	2,673	2,673
Foreign currency translation adjustment	(1,130)	2,669
Remeasurements of defined benefit plans	(412)	(406)
Total accumulated other comprehensive income	5,544	8,439
Non-controlling interests	15,382	16,316
Total net assets	233,169	239,938
Total liabilities and net assets	319,063	326,956

(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

(Million yen)

	Three-month period ended June 30,2020 (From April 1, 2020 to June 30, 2020)	Three-month period ended June 30,2021 (From April 1, 2021 to June 30, 2021)
Net sales	28,396	31,771
Cost of sales	13,457	15,298
Gross profit	14,938	16,473
Selling, general and administrative expenses	9,281	10,321
Operating profit	5,657	6,152
Non-operating income		
Interest income	153	85
Dividend income	132	126
Share of profit of entities accounted for using equity method	107	—
Foreign exchange gains	—	836
Other	42	96
Total non-operating income	435	1,144
Non-operating expenses		
Interest expenses	68	44
Foreign exchange losses	346	—
Other	3	4
Total non-operating expenses	418	49
Ordinary profit	5,674	7,247
Extraordinary income		
Gain on sales of non-current assets	0	13
Gain on sales of investment securities	0	—
Total extraordinary income	0	13
Extraordinary losses		
Loss on sales of non-current assets	0	—
Loss on retirement of non-current assets	9	107
Total extraordinary losses	9	107
Profit before income taxes	5,665	7,153
Total income taxes	1,798	1,831
Profit	3,867	5,321
Loss attributable to non-controlling interests	(149)	(67)
Profit attributable to owners of parent	4,016	5,389

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

(Million yen)

	Three-month period ended June 30,2020 (From April 1, 2020 to June 30, 2020)	Three-month period ended June 30,2021 (From April 1, 2021 to June 30, 2021)
Profit	3,867	5,321
Other comprehensive income		
Valuation difference on available-for-sale securities	207	(915)
Deferred gains or losses on hedges	(76)	5
Foreign currency translation adjustment	(1,478)	4,817
Remeasurements of defined benefit plans	22	5
Share of other comprehensive income (loss) of entities accounted for using equity method	(12)	29
Total other comprehensive income (loss)	(1,338)	3,941
Comprehensive income	2,529	9,263
Comprehensive income attributable to		
Owners of parent	2,874	8,284
Non-controlling interests	(344)	979

## (3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	Three-month period ended June 30,2020 (From April 1, 2020 to June 30, 2020)	Three-month period ended June 30,2021 (From April 1, 2021 to June 30, 2021)
<b>Cash flows from operating activities</b>		
Profit before income taxes	5,665	7,153
Depreciation	1,826	2,155
Amortization of goodwill	102	107
Increase (decrease) in allowance for doubtful accounts	0	21
Interest and dividend income	(286)	(212)
Interest expenses	68	44
Share of loss (profit) of entities accounted for using equity method	(107)	—
Loss (gain) on sales and retirement of property, plant and equipment	9	93
Decrease (increase) in trade receivables	440	(2,864)
Decrease (increase) in inventories	(2,495)	(923)
Increase (decrease) in trade payables	(2,498)	1,025
Loss (gain) on sales of short-term and long-term investment securities	(0)	—
Decrease (increase) in retirement benefit asset	(72)	(104)
Increase (decrease) in retirement benefit liability	3	0
Other	5,844	441
Subtotal	8,501	6,940
Interest and dividend income received	312	213
Interest paid	(77)	(72)
Income taxes paid	(3,233)	(3,720)
Net cash provided by (used in) operating activities	5,503	3,360
<b>Cash flows from investing activities</b>		
Decrease (increase) in time deposits	2,336	26
Purchase of property, plant and equipment	(600)	(2,957)
Proceeds from sales of property, plant and equipment	4	13
Purchase of intangible assets	(44)	(19)
Purchase of short-term and long-term investment securities	(12,169)	(3,275)
Proceeds from sales and redemption of short-term and long-term investment securities	12,170	3,274
Purchase of investments in capital of subsidiaries	(451)	—
Loan advances	(1)	—
Collection of loans receivable	0	0
Other	(29)	(163)
Net cash provided by (used in) investing activities	1,214	(3,101)

(Million yen)

	Three-month period ended June 30,2020 (From April 1, 2020 to June 30, 2020)	Three-month period ended June 30,2021 (From April 1, 2021 to June 30, 2021)
Cash flows from financing activities		
Proceeds from short-term borrowings	1,249	—
Dividends paid	(2,348)	(2,354)
Purchase of investments in capital of subsidiaries that do not result in change in scope of consolidation	(699)	—
Other	(12)	(17)
Net cash provided by (used in) financing activities	(1,810)	(2,371)
Effect of exchange rate change on cash and cash equivalents	(744)	1,722
Net increase (decrease) in cash and cash equivalents	4,163	(390)
Cash and cash equivalents at beginning of period	57,692	59,668
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	3,519	—
Cash and cash equivalents at end of period	65,375	59,278

#### (4) Notes to the Consolidated Financial Statements

(Notes on premise of a going concern)

There are no applicable matters.

(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)."

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has decided to apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter the "Revenue Recognition Accounting Standard"), etc. from the beginning of the first quarter under review and recognize revenue from goods or services which the Group promised to provide at an amount expected to be received in exchange for the goods or services at the time when control over the promised goods or services has been transferred to a customer.

As a result, some expenses which were recorded in cost of sales and selling, general and administrative expenses in the past are deducted from net sales.

In addition, provision for sales returns, which was recorded in current liabilities in the past, is presented in "Other" under current liabilities as refund liabilities.

This change in accounting policies is applied retroactively, in principle, and quarterly consolidated financial statements and consolidated financial statements for the first quarter of the previous fiscal year and the previous fiscal year are those after retroactively applying the change. However, the following method stipulated in Paragraph 85 of the Revenue Recognition Accounting Standard is applied.

(1) For contracts in which the amounts of almost all revenues were recognized in accordance with the previous accounting treatment prior to the beginning of the previous fiscal year, comparative information shall not be adjusted retroactively.

As a result, net sales for the first quarter of the previous fiscal year decreased 3,372 million yen, cost of sales increased 3 million yen, and selling, general and administrative expenses decreased 3,375 million yen, compared to before retroactive application. However, this does not have an impact on operating profit, ordinary profit and profit attributable to owners of parent. There is also no impact on the balance of retained earnings at the beginning of the previous fiscal year.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company has decided to apply the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter the "Fair Value Measurement Accounting Standard"), etc. from the beginning of the first quarter under review and apply the new accounting policy stipulated in the Fair Value Measurement Accounting Standard, etc. according to the provisional treatment stipulated in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019) into the future. The application of the Fair Value Measurement Accounting Standard and others mentioned above does not have no impact on quarterly consolidated financial statements.

(Business combinations)

Material review in the initially allocated amounts of acquisition costs in comparative information

With respect to the business combination with Ping An Tsumura Pharmaceutical Co., Ltd. and its five subsidiaries, which took place on March 30, 2020, the Company applied provisional accounting treatment in the first quarter of the previous fiscal year, but it was finalized at the end of the previous fiscal year.

Associated with the finalization of the provisional accounting treatment, a material review is reflected on the initially allocated amounts of acquisition costs in comparative information that is included in quarterly consolidated financial statements for the first quarter under review.

As a result, operating profit, ordinary profit, profit before income taxes and profit decreased 75 million yen, respectively, and profit attributable to owner of parent declined 28 million yen in the quarterly consolidated statement of income for the first quarter of the previous fiscal year.