



Summary of Consolidated Financial Statements for the First Quarter of the Term Ending March 31, 2021(Japan GAAP)

August 5, 2020

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Scheduled date of submission: August 6, 2020

Scheduled date of dividend payment commencement: -

Preparation of supplementary materials for the quarterly financial statements: Yes

Holding of the quarterly results briefing: Yes (for institutional investors and securities analysts)

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

1. Consolidated business results for the first quarter of the term ending March 31, 2021

(From April 1, 2020 to June 30, 2020)

(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, 2020	31,768	3.5	5,732	9.6	5,750	6.5	4,045	3.6
Three-month period ended June 30, 2019	30,699	3.1	5,230	14.7	5,401	9.8	3,903	11.0

(Note) Comprehensive income : Three-month period ended June 30, 2020: 2,624million yen [(6.0)%]

Three-month period ended June 30, 2019: 2,792million yen [(21.9)%]

	Profit per share	Fully diluted profit per share
	Yen	Yen
Three-month period ended June 30, 2020	52.87	—
Three-month period ended June 30, 2019	51.05	—

(2) Consolidated financial conditions

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of June 30, 2020	312,668	212,399	65.7
As of March 31, 2020	311,042	213,048	66.0

(Reference) Shareholders' equity: As of June 30, 2020: 205,569million yen As of March 31, 2020: 205,377million 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, 2020	—	32.00	—	32.00	64.00
Year ending March 31, 2021	—				
Year ending March 31, 2021 (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, 2021
(From April 1, 2020 to March 31, 2021)

(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)	64,200	5.6	9,100	(6.9)	9,400	(4.6)	6,800	(3.4)	88.88
Full-year	132,000	7.1	17,000	(9.9)	17,900	(8.9)	13,000	(5.6)	169.92

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

Since it is difficult to accurately predict when the coronavirus outbreak will end, the above forecasts do not factor in the impact of the virus. Based on the assumption that the coronavirus outbreak is gradually brought under control and the assumption that it continues, the Company estimates a negative impact on net sales of 2-4%. However, if the outbreak drags on or if there is any other material change in the situation, the Company will disclose information in a timely and appropriate manner.

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) TSUMURA SHENGSHI PHARMACEUTICALS CO., LTD. is included in the scope of consolidation in the quarter under review because its importance has 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 10 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 3/2021 1Q	76,758,362	FY 3/2020	76,758,362
FY 3/2021 1Q	250,069	FY 3/2020	250,049
FY 3/2021 1Q	76,508,303	FY 3/2020 1Q	76,457,719

* 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 3 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 under review, net sales were 31,768 million yen, rising 0.6% year on year in Japan despite the effects of the COVID-19 outbreak, such as the voluntary cancellation and restriction of sales activities and decreased outpatient visits, and rising 3.5% as a result of inclusion of a Chinese subsidiary in the scope of consolidation.

Looking at profit, operating profit was 5,732 million yen (up 9.6% year on year), ordinary profit was 5,750 million yen (up 6.5% year on year), and profit attributable to owners of parent was 4,045 million yen (up 3.6% year on year).

The cost-to-sales ratio rose 1.6 percentage points year on year due to growth in external sales of subsidiaries, despite offset of the cost increase arising from the NHI drug price revision by reduced costs related to crude drugs. In addition, the cost-to-SGA ratio fell 2.6 percentage point year on year, partly due to the voluntary cancellation of activities due to the coronavirus outbreak. As a result, the operating profit margin was 18.0%, rising 1.0 percentage point from a year ago.

[Consolidated business results]

(Unit: million yen)

	FY 3/2020 1Q	FY 3/2021 1Q	Year-on-year change (ratio of change)
Net sales	30,699	31,768	1,068 3.5%
Operating profit	5,230	5,732	502 9.6%
Ordinary profit	5,401	5,750	348 6.5%
Profit attributable to owners of parent	3,903	4,045	141 3.6%

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 "Drug fostering" program formulations*1 and "Growing" formulations*2.

Net sales of overall prescription Kampo products in the first quarter under review fell 0.3% year on year, reflecting challenging conditions, including the voluntary cancellation or restriction of visits to medical institutions, and severe restrictions on information provision activities due to the cancellation or postponement of scientific events amid the coronavirus outbreak, in addition to the impact of NHI drug price revision.

Net sales for Daikenchuto, a "Drug fostering" program formulation that is a staple item for the Company, increased 0.1% year on year. The Company is making renewed efforts to ensure full information provision in the hospitals market. At the same time, the Company is continuing to step up activities for winning new markets targeting practitioners, focusing on a sense of abdominal flatulence, the treatment of which is assumed to show a low degree of satisfaction, among constipation symptoms. In "growing" formulations, Hochuekkito and Goreisan performed solidly.

Still unable to properly conduct visit-based sales activities as before, the Company has significantly increased web seminars, which have proven to be effective to some extent. The Company has also introduced new activities according to the situation of each region and medical area, including actively incorporating strategy proposals by MRs.

Moving forward, the Company will continue to further enhance e-promotions in addition to hybrid activities using online activities or conventional visit-based activities depending on the requirements of health care professionals and will push ahead with proactive and effective information provision activities.

Demand for Kampo medicine among health care professionals is increasingly growing and diversifying. 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 based on Kampo diagnosis.

*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

(2) Description of financial condition

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 1,625 million yen from the end of the previous fiscal year, to 312,668 million yen. Current assets increased 6,786 million yen from the end of the previous fiscal year, mainly due to a rise in cash and deposits despite a decrease in notes and accounts receivable-trade. Non-current assets decreased 5,160 million yen from the end of the previous fiscal year, mainly due to a decrease in other in investments and other assets associated with the consolidation of Tsumura Shengshi Pharmaceuticals Co., Ltd. from the fiscal year under review, offsetting an increase in buildings and structures.

Total liabilities were 100,268 million yen, an increase of 2,275 million yen from the end of the previous fiscal year. Current liabilities increased 2,477 million yen from the end of the previous fiscal year, mainly due to an increase in other in current liabilities, which offset a decrease in note and accounts payable-trade.

Non-current liabilities fell 202 million yen from the end of the previous fiscal year.

Net assets totaled 212,399 million yen, a decrease of 649 million yen from the end of the previous fiscal year. Shareholders' equity rose 1,334 million yen from the end of the previous fiscal year, mainly reflecting an increase in retained earnings. Accumulated other comprehensive income dropped 1,143 million yen from the end of the previous fiscal year, chiefly attributable to a fall in foreign currency translation adjustment. Non-controlling interests decreased 840 million yen from the end of the previous fiscal year.

As a result, the equity ratio fell 0.3 percentage points, to 65.7%.

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 5,446 million yen, cash provided by investing activities was 1,214 million yen and cash used in financing activities was 1,810 million yen.

Cash provided by operating activities was 5,446 million yen. Looking at its breakdown, a major cash inflow item was profit before income taxes of 5,741 million yen, while a major cash outflow item was income taxes paid of 3,233 million yen. Compared to the previous fiscal year, cash inflow increased 551 million yen.

Cash provided by investing activities was 1,214 million yen. Looking at its breakdown, a major cash inflow item was decrease (increase) in time deposits of 2,336 million yen. Compared to the previous fiscal year, cash inflow decreased 5,703 million yen.

Cash used in financing activities was 1,810 million yen. Looking at its breakdown, a major cash outflow item was dividends paid of 2,348 million yen. Compared to the previous fiscal year, cash outflow decreased 545 million yen.

As a result, cash and cash equivalents increased 4,163 million yen from the end of the previous fiscal year, and when combined with the increase in cash and cash equivalents of 3,519 million yen associated with the consolidation of a subsidiary, reached 65,375 million yen.

(3) Description of projections of consolidated business results

The projections of consolidated business results for the fiscal year ending March 31, 2021, which were published on May 11, 2020, remain unchanged.

Since it is difficult to accurately predict when the coronavirus outbreak will end, the above forecasts do not factor in the impact of the virus. Based on the assumption that the coronavirus outbreak is gradually brought under control and the assumption that it continues, the Company estimates a negative impact on net sales of 2-4%. However, if the outbreak drags on or if there is any other material change in the situation, the Company will disclose information in a timely and appropriate manner.

The Company's Shizuoka Plant, Ibaraki Plant and Ishioka Center, LOGITEM TSUMURA CO., LTD. and YUBARI TSUMURA CO., LTD. and the bases of Group companies located in China have all put measures in place to prevent the virus from spreading and are operating as usual. With the safety of its employees, customers and business partners as its number one priority, the Company will continue seeking to prevent the spread of the coronavirus, determining a course of action based on Government guidance and action plans while seeking to continue business in an appropriate manner.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheets

(Unit: Million yen)

	As of March 31, 2020	As of June 30, 2020
Assets		
Current assets		
Cash and deposits	61,957	67,281
Notes and accounts receivable-trade	47,161	46,661
Merchandise and finished goods	10,338	10,456
Work in process	12,418	14,204
Raw materials and supplies	50,553	50,502
Other	11,882	11,991
Allowance for doubtful accounts	(22)	(22)
Total current assets	194,288	201,075
Non-current assets		
Property, plant and equipment		
Buildings and structures	68,672	74,428
Other	91,603	90,469
Accumulated depreciation	(83,069)	(84,464)
Total property, plant and equipment	77,207	80,433
Intangible assets		
Goodwill	12,016	11,608
Other	1,324	1,268
Total intangible assets	13,341	12,877
Investment and other assets		
Investment securities	10,750	11,040
Retirement benefit asset	1,213	1,314
Other	14,241	5,926
Allowance for doubtful accounts	(0)	(0)
Total investment and other assets	26,204	18,281
Total non-current assets	116,753	111,592
Total assets	311,042	312,668

(Unit: Million yen)

	As of March 31, 2020	As of June 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	10,128	7,474
Short-term borrowings	22,874	23,830
Income taxes payable	3,607	2,518
Provision for sales returns	10	7
Other	11,856	17,122
Total current liabilities	48,476	50,953
Non-current liabilities		
Bonds payable	30,000	30,000
Long-term borrowings	12,394	12,396
Retirement benefit liability	72	72
Other	7,049	6,845
Total non-current liabilities	49,516	49,314
Total liabilities	97,993	100,268
Net assets		
Shareholders' equity		
Share capital	30,142	30,142
Capital surplus	14,041	13,837
Retained earnings	158,610	160,150
Treasury shares	(678)	(678)
Total shareholders' equity	202,116	203,451
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,767	2,974
Deferred gains or losses on hedges	87	10
Revaluation reserve for land	2,673	2,673
Foreign currency translation adjustment	(1,318)	(2,614)
Remeasurements of defined benefit plans	(949)	(926)
Total accumulated other comprehensive income	3,260	2,117
Non-controlling interests	7,671	6,830
Total net assets	213,048	212,399
Total liabilities and net assets	311,042	312,668

(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, 2019 (From April 1, 2019 to June 30, 2019)	Three-month period ended June 30, 2020 (From April 1, 2020 to June 30, 2020)
Net sales	30,699	31,768
Cost of sales	12,424	13,363
Gross profit	18,275	18,404
Selling, general and administrative expenses	13,044	12,671
Operating profit	5,230	5,732
Non-operating income		
Interest income	170	153
Dividend income	126	132
Share of profit of entities accounted for using equity method	—	107
Other	48	42
Total non-operating income	346	435
Non-operating expenses		
Interest expenses	26	68
Share of loss of entities accounted for using equity method	29	—
Foreign exchange losses	112	346
Other	6	3
Total non-operating expenses	175	418
Ordinary profit	5,401	5,750
Extraordinary income		
Gain on sales of non-current assets	0	0
Gain on sales of investment securities	—	0
Total extraordinary income	0	0
Extraordinary losses		
Loss on sales of non-current assets	0	0
Loss on retirement of non-current assets	1	9
Total extraordinary losses	2	9
Profit before income taxes	5,399	5,741
Income taxes	1,460	1,798
Profit	3,939	3,942
Profit (loss) attributable to non-controlling interests	35	(102)
Profit attributable to owners of parent	3,903	4,045

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

(Unit: Million yen)

	Three-month period ended June 30, 2019 (From April 1, 2019 to June 30, 2019)	Three-month period ended June 30, 2020 (From April 1, 2020 to June 30, 2020)
Profit	3,939	3,942
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,019)	207
Deferred gains or losses on hedges	(1,068)	(76)
Foreign currency translation adjustment	933	(1,459)
Remeasurements of defined benefit plans, net of tax	(11)	22
Share of other comprehensive income (loss) of entities accounted for using equity method	17	(12)
Total other comprehensive income (loss)	(1,147)	(1,318)
Comprehensive income	2,792	2,624
Comprehensive income attributable to		
Owners of parent	2,648	2,902
Non-controlling interests	143	(278)

(3) Quarterly Consolidated Statements of Cash Flows

(Unit: Million yen)

	Three-month period ended June 30, 2019 (From April 1, 2019 to June 30, 2019)	Three-month period ended June 30, 2020 (From April 1, 2020 to June 30, 2020)
Cash flows from operating activities		
Profit before income taxes	5,399	5,741
Depreciation	1,642	1,794
Amortization of goodwill	—	149
Increase (decrease) in allowance for doubtful accounts	(0)	0
Interest and dividend income	(297)	(286)
Interest expenses	26	68
Share of loss(profit) of entities accounted for using equity method	29	(107)
Loss (gain) on sales and retirement of property, plant and equipment	2	9
Decrease (increase) trade receivables	718	440
Decrease (increase) in inventories	(3,034)	(2,637)
Increase (decrease) in trade payables	(289)	(2,498)
Loss (gain) on sales of short-term and long-term investment securities	—	(0)
Decrease (increase) in retirement benefit asset	(139)	(72)
Increase (decrease) in retirement benefit liability	3	3
Other	2,359	5,840
Subtotal	6,422	8,445
Interest and dividends received	302	312
Interest paid	(45)	(77)
Income taxes paid	(1,783)	(3,233)
Net cash provided by (used in) operating activities	4,895	5,446
Cash flows from investing activities		
Decrease (increase) in time deposits	9,991	2,336
Purchase of property, plant and equipment	(1,944)	(600)
Proceeds from sales of property, plant and equipment	0	4
Purchase of intangible assets	(181)	(44)
Purchase of short-term and long-term investment securities	(12,428)	(12,169)
Proceeds from sales and redemption of short-term and long-term investment securities	12,425	12,170
Purchase of investments in capital of subsidiaries	(907)	(451)
Loan advances	(0)	(1)
Collection of loans receivable	0	0
Other	(36)	(29)
Net cash provided by (used in) investing activities	6,918	1,214

(Unit: Million yen)

	Three-month period ended June 30, 2019 (From April 1, 2019 to June 30, 2019)	Three-month period ended June 30, 2020 (From April 1, 2020 to June 30, 2020)
Cash flows from financing activities		
Proceeds from short-term borrowings	—	1,249
Dividends paid	(2,343)	(2,348)
Payments from changes in capital of subsidiaries that do not result in change in scope of consolidation	—	(699)
Other	(12)	(12)
Net cash provided by (used in) financing activities	(2,356)	(1,810)
Effect of exchange rate change on cash and cash equivalents	440	(687)
Net increase (decrease) in cash and cash equivalents	9,898	4,163
Cash and cash equivalents at beginning of period	56,243	57,692
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	—	3,519
Cash and cash equivalents at end of period	66,142	65,375

(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.

(Important changes of subsidiaries during the term)

No relevant items.

TSUMURA SHENGSHI PHARMACEUTICALS CO., LTD. is included in the scope of consolidation in the quarter under review because its importance has increased, although the 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 assets (other) or current liabilities (other).”