



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

February 5, 2021

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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: Yes (for institutional investors and securities analysts)

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

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

(From April 1, 2020 to December 31, 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	%
Nine-month period ended December 31, 2020	99,482	4.5	17,560	8.7	18,136	8.8	13,356	14.2
Nine-month period ended December 31, 2019	95,185	3.5	16,151	5.7	16,675	3.6	11,690	(0.3)

(Note) Comprehensive income : Nine-month period ended December 31, 2020: 12,725million yen [80.2%]
 Nine-month period ended December 31, 2019: 7,061million yen [(30.8)%]

	Profit per share	Fully diluted profit per share
	Yen	Yen
Nine-month period ended December 31, 2020	174.58	—
Nine-month period ended December 31, 2019	152.86	—

(2) Consolidated financial conditions

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of December 31, 2020	312,895	227,538	68.1
As of March 31, 2020	311,042	213,048	66.0

(Reference) Shareholders' equity: As of December 31, 2020: 213,042 million 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	—	32.00	—		
Year ending March 31, 2021 (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, 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)

	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	130,500	5.9	19,300	2.2	20,200	2.8	15,000	9.0	196.06

(Note) Revisions to dividends projection published most recently: Yes

Please see "1. Qualitative information on quarterly results (3) Description of projections of consolidated business results" on page 4 for revision of projections of consolidated business results.

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. was included in the scope of consolidation in the first 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 11 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 3Q	76,758,362	FY 3/2020	76,758,362
FY 3/2021 3Q	250,289	FY 3/2020	250,049
FY 3/2021 3Q	76,508,220	FY 3/2020 3Q	76,483,089

* 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 4 for information regarding the forecast of consolidated financial results.

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1. Qualitative information on quarterly results

(1) Description of operating results

During the first three quarters under review, the prescription medicine market continued to face difficult conditions such as the restriction on activities imposed by medical institutions due to the effects of the COVID-19 pandemic expansion.

In this environment, sales of prescription Kampo formulations marketed by Tsumura & Co., and its consolidated subsidiaries (the "Group") fell for treatment of the common cold but grew for skin diseases, mental disorders and other conditions. As a result, net sales for domestic businesses during the first three quarters grew 1.0% year on year. Including sales at a Chinese subsidiary newly added to the scope of consolidation, net sales rose 4.5% year on year, to 99,482 million yen.

Looking at profit, operating profit was 17,560 million yen (up 8.7% year on year), ordinary profit was 18,136 million yen (up 8.8% year on year), and profit attributable to owners of parent was 13,356 million yen (up 14.2% year on year).

The cost-to-sales ratio rose 0.4 percentage point year on year due to the effect of external sales in China, despite offset of the cost increase arising from the NHI drug price revision by reduced costs related to crude drugs. In addition, the SGA ratio fell 1.1 percentage points year on year, partly due to a decrease in expenses associated with changes in activities. As a result, the operating profit margin was 17.7%, rising 0.7 percentage point from a year ago.

[Consolidated business results]

(Unit: million yen)

	FY 3/2020 3Q	FY 3/2021 3Q	Year-on-year change (ratio of change)
Net sales	95,185	99,482	4,296 4.5(%)
Operating profit	16,151	17,560	1,409 8.7(%)
Ordinary profit	16,675	18,136	1,461 8.8(%)
Profit attributable to owners of parent	11,690	13,356	1,665 14.2(%)

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 Tsumura & Co. (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.

In the first three quarters under review, net sales for overall prescription Kampo products increased 0.4% year on year, in spite of NHI drug price revisions and restrictions imposed on information activities in connection with the effects of the COVID-19 pandemic.

Net sales for Daikenchuto, a drug fostering program formulation that represents a staple item for the Company, decreased 0.2% year on year. The Company is reinforcing information activities at all hospitals. At the same time, the Company is continuously accelerating activities for winning 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, Hochuekkito, Goreisan and Kamishoyosan performed solidly.

Looking at sales activities, the Company sought to increase e-promotion-based information activities in addition to conventional visit-based information provision activities, given the continued restriction on activities. Moreover, the Company continues to implement measures through its medical representatives according to the conditions in respective areas and medical districts.

The Company will continue enhancing these activities and advancing positive and effective information activities in the future.

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 third quarter under review was as follows:

Total assets at the end of the third quarter increased 1,852 million yen from the end of the previous fiscal year, to 312,895 million yen. Current assets increased 5,021 million yen from the end of the previous fiscal year, mainly due to a rise in notes and accounts receivable-trade, despite a decrease in cash and deposits. Non-current assets decreased 3,168 million yen from the end of the previous fiscal year, mainly due to a decrease in other 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 85,356 million yen, a decrease of 12,636 million yen from the end of the previous fiscal year. Current liabilities decreased 3,481 million yen from the end of the previous fiscal year, mainly due to a decline in short-term borrowings, which offset an increase in long-term borrowings scheduled for repayment within one year that resulted from their transfer. Non-current liabilities declined 9,155 million yen from the end of the previous fiscal year mainly due to the transfer of long-term borrowings to current liabilities. Net assets totaled 227,538 million yen, an increase of 14,489 million yen from the end of the previous fiscal year. Shareholders' equity rose 8,137 million yen from the end of the previous fiscal year, mainly reflecting an increase in retained earnings. Accumulated other comprehensive income dropped 473 million yen from the end of the previous fiscal year, chiefly attributable to a fall in foreign currency translation adjustment. Non-controlling interests increased 6,824 million yen from the end of the previous fiscal year.

As a result, the equity ratio rose 2.1 percentage points, to 68.1%.

Cash flows in the first three quarters under review were as follows:

During the first three quarters under review, cash provided by operating activities was 12,675 million-yen, cash used in investing activities was 4,975 million yen, and cash used in financing activities was 9,708 million yen.

Cash provided by operating activities was 12,675 million yen. Looking at its breakdown, a major cash inflow item was profit before income taxes of 18,107 million yen, while a major cash outflow item was income taxes paid of 5,789 million yen. Compared to the first three quarters of the previous fiscal year, cash inflow increased 2,040 million yen.

Cash used in investing activities was 4,975 million yen. Looking at its breakdown, a major cash outflow item was the purchase of property, plant and equipment of 6,402 million yen. Compared to a year ago, cash outflow decreased 622 million yen.

Cash used in financing activities was 9,708 million yen. Looking at its breakdown, repayments of short-term borrowings of 13,380 million yen was a major cash outflow item. Compared to a year ago, cash outflow rose 4,722 million yen.

As a result, cash and cash equivalents decreased 2,160 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 59,051 million yen.

(3) Description of projections of consolidated business results

In light of recent business results, the Company revised its projections of consolidated business results for the fiscal year ending March 31, 2021, announced on May 11, 2020.

1) Revision of projections of consolidated business results

Revision of projections of consolidated business results for the fiscal year ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Profit per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	132,000	17,000	17,900	13,000	169.92
Revised forecast (B)	130,500	19,300	20,200	15,000	196.06
Change (B - A)	(1,500)	2,300	2,300	2,000	
Percentage change (%)	(1.1)%	13.5%	12.8%	15.4%	
(Reference) Results for previous fiscal year (ended March 31, 2020)	123,248	18,876	19,649	13,765	179.96

2) Reason of revision

The domestic prescription medicines business has been affected by the restriction of visit-based activities due to the effects of the COVID-19 pandemic. However, demand for Kampo medicines among health care professionals is growing and the Company aims to achieve its plan through the implementation of activities via other means such as e-promotions. Nonetheless, sales are expected to be lower than initially planned due to fewer prescribing opportunities especially in relation to the common cold, reflecting fewer medical consultations and fewer other infections such as upper respiratory tract infections.

Consolidated net sales are expected to amount to 130,500 million yen, falling 1,500 million yen short of the initial plan, despite a continued strong performance in China.

Aggregate SGA expenses are expected to be less than estimated at the beginning of the fiscal year, reflecting the promotion of remote meetings, the digitalization of key operations and other efficiency improvements as well as unspent budgeted funds due to restrictions on information activities at medical institutions and some research delays, despite the redistribution of resources to other areas such as development of the environment for e-promotion-based information activities.

As a result, the Company forecasts operating profit of 19,300 million yen, an improvement of 2,300 million yen from the initial plan, ordinary profit of 20,200 million yen, an improvement of 2,300 million yen, and profit attributable to owners of parent of 15,000 million yen, an improvement of 2,000 million yen.

(Note) The above forecasts are based on information available as of the date of these materials and do not take into consideration the impact of currently unforeseeable risks such as the impact of further coronavirus outbreaks on social and economic activity. Actual financial results may differ materially from these forecasts depending on a number of factors. The Company will make timely and appropriate disclosure should the situation change in the future.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheets

(Unit: Million yen)

	As of March 31, 2020	As of December 31, 2020
Assets		
Current assets		
Cash and deposits	61,957	60,967
Notes and accounts receivable-trade	47,161	49,595
Merchandise and finished goods	10,338	11,973
Work in process	12,418	13,419
Raw materials and supplies	50,553	50,005
Other	11,882	13,371
Allowance for doubtful accounts	(22)	(22)
Total current assets	194,288	199,310
Non-current assets		
Property, plant and equipment		
Buildings and structures	68,672	76,495
Other	91,603	95,386
Accumulated depreciation	(83,069)	(88,312)
Total property, plant and equipment	77,207	83,569
Intangible assets		
Goodwill	12,016	11,447
Other	1,324	1,567
Total intangible assets	13,341	13,014
Investment and other assets		
Investment securities	10,750	10,193
Retirement benefit asset	1,213	1,513
Other	14,241	5,293
Allowance for doubtful accounts	(0)	(0)
Total investment and other assets	26,204	17,000
Total non-current assets	116,753	113,584
Total assets	311,042	312,895

(Unit:Million yen)

	As of March 31, 2020	As of December 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	10,128	9,965
Short-term borrowings	22,874	11,091
Current portion of long-term borrowings	—	9,376
Income taxes payable	3,607	2,300
Provision for sales returns	10	15
Other	11,856	12,246
Total current liabilities	48,476	44,995
Non-current liabilities		
Bonds payable	30,000	30,000
Long-term borrowings	12,394	3,003
Retirement benefit liability	72	62
Other	7,049	7,295
Total non-current liabilities	49,516	40,361
Total liabilities	97,993	85,356
Net assets		
Shareholders' equity		
Share capital	30,142	30,142
Capital surplus	14,041	13,789
Retained earnings	158,610	167,001
Treasury shares	(678)	(679)
Total shareholders' equity	202,116	210,254
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,767	2,313
Deferred gains or losses on hedges	87	628
Revaluation reserve for land	2,673	2,673
Foreign currency translation adjustment	(1,318)	(1,946)
Remeasurements of defined benefit plans	(949)	(881)
Total accumulated other comprehensive income	3,260	2,787
Non-controlling interests	7,671	14,496
Total net assets	213,048	227,538
Total liabilities and net assets	311,042	312,895

(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, 2019 (From April 1, 2019 to December 31, 2019)	Nine-month period ended December 31, 2020 (From April 1, 2020 to December 31, 2020)
Net sales	95,185	99,482
Cost of sales	39,151	41,329
Gross profit	56,034	58,152
Selling, general and administrative expenses	39,882	40,592
Operating profit	16,151	17,560
Non-operating income		
Interest income	438	377
Dividend income	253	249
Share of profit of entities accounted for using equity method	106	76
Other	236	285
Total non-operating income	1,034	989
Non-operating expenses		
Interest expenses	100	219
Foreign exchange losses	270	167
Other	138	26
Total non-operating expenses	510	414
Ordinary profit	16,675	18,136
Extraordinary income		
Gain on sales of non-current assets	2	0
Gain on sales of investment securities	332	4
Total extraordinary income	335	4
Extraordinary losses		
Loss on sales of non-current assets	1	0
Loss on retirement of non-current assets	27	33
Loss on sales of investment securities	19	—
Loss on valuation of investments in capital of subsidiaries and associates	419	—
Total extraordinary losses	467	33
Profit before income taxes	16,543	18,107
Income taxes	4,694	4,971
Profit	11,849	13,136
Profit (loss) attributable to non-controlling interests	158	(220)
Profit attributable to owners of parent	11,690	13,356

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

(Unit: Million yen)

	Nine-month period ended December 31, 2019 (From April 1, 2019 to December 31, 2019)	Nine-month period ended December 31, 2020 (From April 1, 2020 to December 31, 2020)
Profit	11,849	13,136
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,813)	(453)
Deferred gains or losses on hedges	(661)	541
Foreign currency translation adjustment	(2,256)	(559)
Remeasurements of defined benefit plans, net of tax	(34)	67
Share of other comprehensive income (loss) of entities accounted for using equity method	(21)	(6)
Total other comprehensive income (loss)	(4,787)	(410)
Comprehensive income	7,061	12,725
Comprehensive income attributable to		
Owners of parent	7,149	12,883
Non-controlling interests	(87)	(158)

(3) Quarterly Consolidated Statements of Cash Flows

(Unit: Million yen)

	Nine-month period ended December 31, 2019 (From April 1, 2019 to December 31, 2019)	Nine-month period ended December 31, 2020 (From April 1, 2020 to December 31, 2020)
Cash flows from operating activities		
Profit before income taxes	16,543	18,107
Depreciation	4,808	5,964
Amortization of goodwill	—	441
Increase (decrease) in allowance for doubtful accounts	0	2
Interest and dividend income	(692)	(627)
Interest expenses	100	219
Share of loss(profit) of entities accounted for using equity method	(106)	(76)
Loss (gain) on sales and retirement of property, plant and equipment	25	33
Loss on valuation of investments in capital of subsidiaries and associates	419	—
Decrease (increase) trade receivables	(3,283)	(2,459)
Decrease (increase) in inventories	(5,470)	(2,423)
Increase (decrease) in trade payables	716	(88)
Loss (gain) on sales of short-term and long-term investment securities	(313)	(4)
Decrease (increase) in retirement benefit asset	(416)	(213)
Increase (decrease) in retirement benefit liability	11	0
Other	1,446	(923)
Subtotal	13,792	17,953
Interest and dividends received	1,045	748
Interest paid	(121)	(236)
Income taxes paid	(4,081)	(5,789)
Net cash provided by (used in) operating activities	10,634	12,675
Cash flows from investing activities		
Decrease (increase) in time deposits	9,984	2,312
Purchase of property, plant and equipment	(8,471)	(6,402)
Proceeds from sales of property, plant and equipment	4	0
Purchase of intangible assets	(469)	(347)
Purchase of short-term and long-term investment securities	(27,370)	(21,216)
Proceeds from sales and redemption of short-term and long-term investment securities	28,081	21,231
Purchase of investments in capital of subsidiaries	(4,273)	(451)
Loan advances	(3,000)	(155)
Collection of loans receivable	2	1
Other	(85)	50
Net cash provided by (used in) investing activities	(5,598)	(4,975)

(Unit:Million yen)

	Nine-month period ended December 31, 2019 (From April 1, 2019 to December 31, 2019)	Nine-month period ended December 31, 2020 (From April 1, 2020 to December 31, 2020)
Cash flows from financing activities		
Proceeds from short-term borrowings	—	1,845
Decrease in short-term loans payable	—	(13,380)
Proceeds from share issuance to non-controlling shareholders	—	7,567
Dividends paid	(4,889)	(4,888)
Dividends paid to non-controlling interests	(56)	(49)
Payments from changes in capital of subsidiaries that do not result in change in scope of consolidation	—	(760)
Other	(39)	(41)
Net cash provided by (used in) financing activities	(4,985)	(9,708)
Effect of exchange rate change on cash and cash equivalents	(768)	(152)
Net increase (decrease) in cash and cash equivalents	(718)	(2,160)
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	55,525	59,051

(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. was included in the scope of consolidation in the first quarter because its importance had 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).”