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August 3, 2023

Consolidated Financial Results for the First Quarter of the Term Ending March 31, 2024 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 4540
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 Scheduled date to file quarterly securities report: August 4, 2023
 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, 2024 (from April 1, 2023 to June 30, 2023)

(1) Consolidated operating results

(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, 2023	37,036	7.6	4,684	(26.3)	5,989	(30.9)	4,332	(34.7)
June 30, 2022	34,417	8.3	6,353	3.3	8,665	19.6	6,632	23.1

Note: Comprehensive income Three-month period ended June 30, 2023: ¥8,482 million [(36.9) %]
 Three-month period ended June 30, 2022: ¥13,453 million [45.2 %]

	Basic earnings per share	Diluted earnings per share
Three-month period ended	Yen	Yen
June 30, 2023	56.88	—
June 30, 2022	86.70	—

(2) Consolidated financial condition

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
June 30, 2023	405,437	279,091	63.2
March 31, 2023	396,813	272,246	63.5

Reference: Equity

As of June 30, 2023: ¥256,308 million
 As of March 31, 2023: ¥252,046 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, 2023	—	32.00	—	32.00	64.00
Fiscal year ending March 31, 2024	—				
Fiscal year ending March 31, 2024 (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, 2024 (From April 1, 2023 to March 31, 2024)

(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	74,000	5.6	9,500	(18.6)	9,800	(38.6)	6,800	(42.8)	89.46
Full-year	150,500	7.5	18,000	(13.9)	18,600	(20.7)	13,000	(21.1)	171.02

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

- (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, 2023	76,758,362 shares
As of March 31, 2023	76,758,362 shares

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

As of June 30, 2023	831,832shares
As of March 31, 2023	367,332shares

- (iii) Average number of shares outstanding during the period

Three-month period ended June 30, 2023	76,171,530shares
Three-month period ended June 30, 2022	76,507,019shares

Note: At the beginning of the consolidated fiscal year under review, the Company introduced the Board Incentive Plan Trust. As a result, the shares of the Company’s stock held by the trust are included in treasury shares that are deducted in calculating the number of treasury shares at the end of the period and the average number of shares outstanding during the period.

* 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 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

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

[Consolidated business results]

(Million yen)

	FY 3/2023 1Q	FY 3/2024 1Q	YoY Change Percent Change
Net sales	34,417	37,036	+2,618 +7.6%
Domestic business	31,562	32,988	+1,426 +4.5%
China business	2,855	4,047	+1,191 +41.7%
Cost of sales	16,462	20,341	+3,879 +23.6%
Selling, general and administrative expenses	11,601	12,009	+408 +3.5%
Operating profit	6,353	4,684	(1,668) (26.3) %
Domestic business	6,404	4,684	(1,719) (26.9) %
China business	(50)	0	+51 —
Ordinary profit	8,665	5,989	(2,676) (30.9) %
Profit attributable to owners of parent	6,632	4,332	(2,300) (34.7) %

Net sales increased 7.6% year on year, to 37,036 million yen.

Net sales of domestic business increased 4.5% year on year, to 32,988 million yen. Sales of 129 prescription Kampo preparations increased 5.2% year on year due to continuous growth of prescriptions in the cardiovascular area and ones for symptoms such as anxiety/insomnia and dizziness, in addition to resumption of e-promotion, which had been partially restricted, reflecting the end of limits on shipments. Total sales of drug fostering formulations*1 grew 1.2% year on year while total sales of growing formulations*2 rose 8.0% year on year.

Sales of “Drug fostering” program formulations and “Growing” formulations (unit: millions of yen)

	Ranking in sales	No. / Product Name	FY 3/2023 1Q	FY 3/2024 1Q	YoY Change/ Percent Change	
“Drug fostering” program formulations	1	100 Daikenchuto	2,505	2,515	+9	+0.4%
	2	54 Yokukansan	1,933	1,940	+6	+0.4%
	4	43 Rikkunshito	1,860	1,861	+1	+0.1%
	9	107 Goshajinkigan	932	995	+62	+6.7%
	23	14 Hangeshashinto	359	370	+11	+3.2%
Total of "Drug Fostering" Program formulations			7,591	7,683	+92	+1.2%
Growing formulations:	3	41 Hochuekkito	1,881	1,931	+49	+2.6%
	5	17 Goreisan	1,542	1,801	+259	+16.8%
	6	24 Kamishoyosan	1,296	1,305	+9	+0.7%
	17	137 Kamikihito	501	590	+88	+17.7%
	18	108 Ninjin'yoeito	507	561	+54	+10.6%
Total of Growing formulations			5,730	6,191	+461	+8.0%
Total of 119 prescriptions excluding “Drug fostering” program formulations and Growing formulations			16,956	17,964	+1,007	+5.9%
Total of 129 prescription Kampo products			30,277	31,838	+1,560	+5.2%

Sales of OTC Kampo formulations in the domestic business decreased 7.2% year on year to 837 million yen because formulations related to cold symptoms and other products have remained in short supply.

Net sales of China business increased 41.7% year on year, to 4,047 million yen, due to significant growth in sales on crude drug platforms (of Ping An Tsumura Pharmaceutical Co., Ltd., Shenzhen Tsumura Medicine Co., Ltd., etc.), which primarily include sales of crude drugs and crude drug pieces for decoction.

Cost of sales increased 23.6% year on year, to 20,341 million yen, mainly reflecting the growth in net sales, rising crude drug procurement costs, and surges in the prices of energy and raw and other materials. The cost-to-sales ratio rose 7.1 percentage points year on year, to 54.9%.

Selling, general and administrative expenses increased 3.5% year on year, to 12,009 million yen. The increase mainly reflected system expenses related to systems for the DX of the Kampo value chain. The SGA ratio fell 1.3 percentage points year on year, to 32.4%.

As a result, operating profit decreased 26.3% year on year, to 4,684 million yen. The operating profit margin was 12.6%, falling 5.9 percentage points from a year ago. Ordinary profit declined 30.9% year on year, to 5,989 million yen, due in part to a decrease in foreign exchange gains, and profit attributable to owners of parent decreased 34.7% year on year, to 4,332 million yen.

*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

[Situation of limited shipments]

The Company was limiting shipments for 28 items starting in August 2022 due to factors including the COVID-19 pandemic. The Company ended limits on shipments of all the items on July 31, 2023. Moving forward, the Company will take measures to further reinforce the supply system, including ahead-of-schedule shipments from the Tianjin Plant, where preparations are underway for the beginning of operations.

(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 8,623 million yen from the end of the previous fiscal year, to 405,437 million yen. Current assets increased 4,048 million yen from the end of the previous fiscal year, mainly due to a rise in inventories. Non-current assets increased 4,574 million yen from the end of the previous fiscal year, mainly due to increases in property, plant and equipment, intangible assets and investment securities.

Total liabilities were 126,345 million yen, an increase of 1,779 million yen from the end of the previous fiscal year. Current liabilities increased 2,197 million yen from the end of the previous fiscal year. Non-current liabilities decreased 418 million yen from the end of the previous fiscal year.

Net assets totaled 279,091 million yen, an increase of 6,844 million yen from the end of the previous fiscal year. Shareholders' equity rose 567 million yen from the end of the previous fiscal year, mainly reflecting an increase in retained earnings. Accumulated other comprehensive income climbed 3,694 million yen from the end of the previous fiscal year, chiefly due to an increase in foreign currency translation adjustment. Non-controlling interests increased 2,582 million yen from the end of the previous fiscal year. As a result, the equity ratio fell 0.3 percentage point, to 63.2%.

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

Cash and cash equivalents as of the end of the first quarter under review was 88,917 million yen, a decrease of 5,812 million yen from the end of the previous fiscal year.

Cash flows in the first quarter under review and year-on-year changes in cash flows were as follows.

Cash used in operating activities was 152 million yen. Looking at its breakdown, a major cash inflow item was profit before income taxes of 5,980 million yen, while a major cash outflow item was income taxes paid of 2,901 million yen. Compared to a year ago, cash outflow rose 4,937 million yen.

Cash used in investing activities was 4,906 million yen. Looking at its breakdown, a major cash outflow item was the purchase of property, plant and equipment of 3,623 million yen. Compared to a year ago, cash outflow rose 760 million yen.

Cash used in financing activities was 1,579 million yen. Looking at its breakdown, major cash flow items were proceeds from payments from non-controlling interests of 2,158 million yen, purchase of treasury shares of 1,315 million yen and dividends paid of 2,397 million yen. Compared to a year ago, cash outflow decreased 839 million yen.

(3) Description of projections of consolidated business results

The projections of consolidated business results for the fiscal year ending March 31, 2024, which were published on May 9, 2023, remain unchanged.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	94,752	88,954
Notes and accounts receivable - trade	58,087	61,634
Merchandise and finished goods	11,257	12,659
Work in process	14,430	17,064
Raw materials and supplies	76,038	77,777
Other	13,933	14,473
Allowance for doubtful accounts	(178)	(193)
Total current assets	268,320	272,369
Non-current assets		
Property, plant and equipment		
Buildings and structures	91,197	91,763
Other	107,260	110,336
Accumulated depreciation	(105,042)	(107,569)
Total property, plant and equipment	93,415	94,530
Intangible assets		
Goodwill	8,480	8,522
Other	6,166	7,182
Total intangible assets	14,647	15,705
Investments and other assets		
Investment securities	11,160	13,364
Retirement benefit asset	2,518	2,627
Other	6,750	6,839
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	20,429	22,831
Total non-current assets	128,492	133,067
Total assets	396,813	405,437
Liabilities		
Current liabilities		
Notes and accounts payable - trade	16,443	16,609
Short-term borrowings	10,313	10,313
Income taxes payable	3,233	2,507
Other	17,214	19,972
Total current liabilities	47,205	49,402
Non-current liabilities		
Bonds payable	60,000	60,000
Long-term borrowings	9,377	9,377
Retirement benefit liability	59	51
Allowance for employee share benefits	—	104
Provision for share awards for directors (and other officers)	111	138
Other	7,814	7,271
Total non-current liabilities	77,361	76,943
Total liabilities	124,566	126,345

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Net assets		
Shareholders' equity		
Share capital	30,142	30,142
Capital surplus	13,739	13,739
Retained earnings	194,224	196,107
Treasury shares	(1,068)	(2,384)
Total shareholders' equity	237,037	237,605
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,647	4,174
Deferred gains or losses on hedges	29	609
Revaluation reserve for land	2,673	2,673
Foreign currency translation adjustment	10,455	12,032
Remeasurements of defined benefit plans	(796)	(787)
Total accumulated other comprehensive income	15,008	18,703
Non-controlling interests	20,199	22,782
Total net assets	272,246	279,091
Total liabilities and net assets	396,813	405,437

(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

(Millions of yen)

	Three-months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)	Three-months ended June 30, 2023 (From April 1, 2023 to June 30, 2023)
Net sales	34,417	37,036
Cost of sales	16,462	20,341
Gross profit	17,954	16,694
Selling, general and administrative expenses	11,601	12,009
Operating profit	6,353	4,684
Non-operating income		
Interest income	115	247
Dividend income	134	141
Foreign exchange gains	1,999	929
Other	102	85
Total non-operating income	2,351	1,404
Non-operating expenses		
Interest expenses	34	96
Other	5	2
Total non-operating expenses	39	99
Ordinary profit	8,665	5,989
Extraordinary income		
Gain on sale of non-current assets	1	0
Total extraordinary income	1	0
Extraordinary losses		
Loss on retirement of non-current assets	6	8
Total extraordinary losses	6	8
Profit before income taxes	8,661	5,980
Income taxes	1,911	1,637
Profit	6,750	4,343
Profit attributable to non-controlling interests	117	10
Profit attributable to owners of parent	6,632	4,332

Quarterly Consolidated Statements of Comprehensive Income / For the First Quarter Consolidated Accumulative Term
(Millions of yen)

	Three-months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)	Three-months ended June 30, 2023 (From April 1, 2023 to June 30, 2023)
Profit	6,750	4,343
Other comprehensive income		
Valuation difference on available-for-sale securities	239	1,527
Deferred gains or losses on hedges	511	580
Foreign currency translation adjustment	5,916	2,021
Remeasurements of defined benefit plans, net of tax	0	8
Share of other comprehensive income of entities accounted for using equity method	34	—
Total other comprehensive income	6,703	4,139
Comprehensive income	13,453	8,482
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,964	8,026
Comprehensive income attributable to non-controlling interests	1,488	455

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Three-months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)	Three-months ended June 30, 2023 (From April 1, 2023 to June 30, 2023)
Cash flows from operating activities		
Profit before income taxes	8,661	5,980
Depreciation	2,456	2,454
Amortization of goodwill	119	126
Increase (decrease) in allowance for doubtful accounts	(4)	12
Interest and dividend income	(249)	(389)
Interest expenses	34	96
Loss (gain) on sale and retirement of property, plant and equipment	4	8
Decrease (increase) in trade receivables	(1,879)	(3,270)
Decrease (increase) in inventories	746	(4,476)
Increase (decrease) in trade payables	146	(144)
Decrease (increase) in retirement benefit asset	(108)	(98)
Increase (decrease) in retirement benefit liability	2	(5)
Other, net	(2,351)	2,069
Subtotal	7,576	2,364
Interest and dividends received	206	411
Interest paid	(49)	(25)
Income taxes paid	(2,948)	(2,901)
Net cash provided by (used in) operating activities	4,785	(152)
Cash flows from investing activities		
Decrease (increase) in time deposits	(6)	(6)
Purchase of property, plant and equipment	(3,763)	(3,623)
Proceeds from sale of property, plant and equipment	1	0
Purchase of intangible assets	(134)	(1,018)
Purchase of short-term and long-term investment securities	(734)	(1)
Proceeds from sale and redemption of short-term and long-term investment securities	732	—
Loan advances	(164)	—
Proceeds from collection of loans receivable	0	0
Other, net	(77)	(257)
Net cash provided by (used in) investing activities	(4,145)	(4,906)
Cash flows from financing activities		
Purchase of treasury shares	—	(1,315)
Proceeds from share issuance to non-controlling shareholders	—	2,158
Dividends paid	(2,401)	(2,397)
Other, net	(16)	(24)
Net cash provided by (used in) financing activities	(2,418)	(1,579)
Effect of exchange rate change on cash and cash equivalents	2,266	825
Net increase (decrease) in cash and cash equivalents	486	(5,812)
Cash and cash equivalents at beginning of period	67,536	94,730
Cash and cash equivalents at end of period	68,022	88,917

(4) Notes to the Quarterly 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 assets (other) or current liabilities (other).”

(Significant subsequent events)

Tsumura & Co. passed a resolution to conclude an equity interest transfer agreement for the sale of a 100% equity interest in Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. (hereinafter “Unisplendour”) by Ping An Tsumura Inc. (hereinafter, “Ping An Tsumura”), a group company of Tsumura in China, at the Board of Directors held on July 27, 2023, and procedures for the equity interest transfer were completed on July 31.

1. Reasons for the equity interest transfer

On April 13, 2023, Ping An Tsumura announced that it would acquire a 100% equity interest in Unisplendour (hereinafter, the “Project”). However, after all the procedures for the Project were completed (on May 9, 2023), the City Government of Baoji, Shaanxi Province (hereinafter, the “City Government”) informed Tsumura that discrepancies were found in the interpretation of the national policy, related laws and regulations, and other aspects by the department in charge of the City Government. Later, Tsumura held extensive consultations with the department in charge of the City Government, but decided that the conditions for continuing to implement the Project would not be fulfilled. Therefore, based on its understanding of and respect for the opinions of the City Government, Tsumura transferred the equity interest in Unisplendour as described below.

2. Outline of Ping An Tsumura

(1) Name of company	Ping An Tsumura Inc.
(2) Location	Shanghai, China
(3) Business description	Business related to strengthening the crude drug procurement structure, business related to analysis and research focusing on traditional Chinese medicines, and business related to traditional Chinese medicines, health food and healthcare-related daily necessities and other operations and markets, etc.
(4) Major shareholder and stockholding	-Tsumura China Inc.: 56% -China Ping An Life Insurance Co., Ltd.: 44%

3. Outline of the transferred subsidiary (Ziguang Chenji)

(1) Name of company	Shaanxi Ziguang Chenji Pharmaceutical Co., Ltd.
(2) Location	Baoji, Shaanxi Province, China
(3) Business description	Production and sale of pharmaceuticals and other relevant businesses
(4) Business relationship	There is no related information.

4. The entity to which the equity will be transferred

(1) Name of company	Shenzhen Warranty Asset Management Co., Ltd.
(2) Location	Shenzhen, Guangdong, China
(3) Business description	Asset management, investment consulting (not including restricted items), business investment, and sales business
(4) Business relationship	There is no related information.

* The percentage of equity interest in Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. to be transferred to Shenzhen Warranty Asset Management Co., Ltd. is 66% of the total.

(1) Name of company	Baoji Investment (Group) Co., Ltd.
(2) Location	Baoji, Shaanxi Province, China
(3) Business description	Investment in urban construction and infrastructure facilities, industrial investment, investment in traffic and transportation, cultural and educational investment, tourism investment, ecological investment, real estate development, real estate management, and charging fees for using roads and bridges in urban areas
(4) Business relationship	There is no related information.

* The percentage of equity interest in Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. to be transferred to Baoji Investment (Group) Co., Ltd. is 34% of the total.

5. Equity interest to be sold by Ping An Tsumura, acquisition cost, and percentage of equity interest before and after the sale

(1) Number of shares held before the transfer	100% of equity interest
(2) Number of shares to be sold	100% of equity interest
(3) Sale value	254,788 thousand RMB (approximately 4.854 billion yen) 1RMB = 19.05 yen
(4) Number of shares held after the transfer	0% of equity interest

6. Schedule

(1) Date of resolution by the Board of Directors	July 27, 2023
(2) Contract date	July 27, 2023
(3) Date of share transfer	July 31, 2023

7. Impact of capital increase on business results

The impact of this project on the Group's consolidated results for the fiscal year ending March 31, 2024 will be minor.

8. Future impact on the business in China

Under its long-term management vision, Tsumura Vision "Cho-WA" 2031, Tsumura has expressed its intention to work in the treatment, pre-symptomatic, and prevention (healthcare) domains, including new businesses. In its China business, Tsumura aims to contribute to the health of Chinese people through the businesses of crude drug, crude drug pieces, traditional Chinese medicinal product, and Medical & Health (Yakushokudogen health food and functional food, etc.). This policy will remain unchanged.