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August 5, 2025

Consolidated Financial Results for the First Quarter of the Term Ending March 31, 2026 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 4540
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 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, 2026 (from April 1, 2025 to June 30, 2025)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three-month period ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2025	43,094	(1.4)	7,719	(27.0)	6,181	(56.2)	4,367	(60.9)
June 30, 2024	43,690	18.0	10,575	125.7	14,118	135.7	11,180	158.1

Note: Comprehensive income Three-month period ended June 30, 2025: ¥ (4,184) million [- %]
 Three-month period ended June 30, 2024: ¥ 16,122 million [90.1 %]

	Basic earnings per share	Diluted earnings per share
Three-month period ended	Yen	Yen
June 30, 2025	58.16	—
June 30, 2024	147.25	—

(2) Consolidated financial condition

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
June 30, 2025	465,585	319,295	62.1
March 31, 2025	464,380	330,110	64.7

Reference: Equity

As of June 30, 2025: ¥289,008 million
 As of March 31, 2025: ¥300,530 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, 2025	—	68.00	—	68.00	136.00
Fiscal year ending March 31, 2026	—				
Fiscal year ending March 31, 2026 (Forecast)		68.00	—	68.00	136.00

Note: Revisions to dividends projection published most recently: None

3. Projections of consolidated business results for the term ending March 31, 2026

(From April 1, 2025 to March 31, 2026)

(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	91,500	2.7	16,000	(24.1)	16,000	(31.6)	11,000	(37.2)	144.89
Full-year	188,000	3.8	34,200	(14.8)	34,000	(19.9)	23,000	(29.1)	302.95

Note: Revisions to projections of consolidated business results published most recently: None

*** 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: None
- (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, 2025	76,758,362 shares
As of March 31, 2025	76,758,362 shares

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

As of June 30, 2025	2,052,071 shares
As of March 31, 2025	1,020,752 shares

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

Three-month period ended June 30, 2025	75,096,746 shares
Three-month period ended June 30, 2024	75,928,416 shares

Note: The Company has introduced the BIP (Board Incentive Plan) trust for directors' compensation and ESOP (Employee Stock Ownership 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.

* 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) Forward-looking statements such as consolidated business performance forecasts" 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 3/2025 1Q	FY 3/2026 1Q	YoY Change Percent Change
Net sales		43,690	43,094	(596) (1.4) %
	Domestic business	40,134	38,871	(1,263) (3.1) %
	China business	3,556	4,223	+667 +18.8%
Cost of sales		20,858	22,576	+1,718 +8.2%
Selling, general and administrative expenses		12,257	12,798	+541 +4.4%
Operating profit		10,575	7,719	(2,855) (27.0) %
	Domestic business	10,713	7,981	(2,732) (25.5) %
	China business	(138)	(261)	(123) —
Ordinary profit		14,118	6,181	(7,936) (56.2) %
Profit attributable to owners of parent		11,180	4,367	(6,812) (60.9) %

Net sales decreased 1.4% year on year, to 43,094 million yen.

Net sales of the domestic business decreased 3.1% year on year, to 38,871 million yen.

Sales of 129 prescription Kampo preparations decreased 4.1% year on year to 37,223 million yen due to high levels of distribution inventory at the end of March 2025 and limited shipments. In addition, actual demand, or sales volume (deliveries from pharmaceutical agents and wholesalers to medical institutions), is on a recovery trend following the complete lifting of limited shipments, and actual sales volume of 129 prescriptions increased 2.9% compared to the same period last year.

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

	Ranking in sales	No. / Product Name	FY 3/2025 1Q	FY 3/2026 1Q	YoY Change/ Percent Change		Reference: Actual sales volume/ YoY Change
“Drug fostering” program formulations *1	1	100 Daikenchuto	3,877	3,632	(245)	(6.3) %	+4.0 %
	2	54 Yokukansan	3,040	2,763	(276)	(9.1) %	+1.7 %
	5	43 Rikkunshito	1,757	1,725	(32)	(1.8) %	+1.0 %
	7	107 Goshajinkigan	1,467	1,391	(76)	(5.2) %	+3.4 %
	25	14 Hangeshashinto	358	366	+7	+2.2 %	+2.4 %
Total of "Drug Fostering" Program formulations			10,502	9,879	(622)	(5.9) %	+2.8 %
Growing formulations *2	3	17 Goreisan	2,090	2,022	(67)	(3.2) %	+13.4 %
	4	41 Hochuekkito	1,800	1,749	(50)	(2.8) %	(0.1) %
	9	24 Kamishoyosan	1,199	1,197	(1)	(0.2) %	+1.8 %
	18	137 Kamikihito	539	577	+38	+7.2 %	+5.9 %
	22	108 Ninjin`yoeito	527	462	(65)	(12.4) %	(5.4) %
Total of Growing formulations			6,157	6,011	(146)	(2.4) %	+5.6 %
Total of 119 prescriptions excluding “Drug fostering” program formulations and Growing			22,161	21,333	(828)	(3.7) %	+2.3 %
Total of 129 prescription Kampo products			38,820	37,223	(1,597)	(4.1) %	+2.9 %

In addition, sales of OTC Kampo formulations in the domestic business increased 39.5% year on year, to 1,375 million yen, reflecting a rise in the number of stores handling the products.

Net sales of the China business increased 18.8% year on year, to 4,223 million yen. Net sales of crude drugs increased 20.3%, and drug pieces (chopped crude drugs) increased 19.0% compared to the same period last year 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 8.2% year on year to 22,576 million yen due to rising crude drug costs and processing costs, and the cost of sales ratio increased 4.7 percentage points year on year to 52.4%.

Selling, general and administrative expenses increased 4.4% year on year to 12,798 million yen, mainly due to increased expenses associated with strengthening information provision activities and digital transformation-related expenses. The selling, general and administrative expense ratio increased 1.6 percentage points year on year to 29.7%.

As a result of the above, operating profit decreased 27.0% year on year to 7,719 million yen, and the operating profit ratio decreased 6.3 percentage points year on year to 17.9%.

Ordinary profit decreased 56.2% year on year to 6,181 million yen, due in part to the recording of foreign exchange losses related to loans to overseas subsidiaries, and quarterly net income attributable to owners of parent decreased 60.9% year on year to 4,367 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]

Shipments of 129 prescription Kampo products were lifted on April 11, 2025.

(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 1,204 million yen from the end of the previous fiscal year to 465,585 million yen. Current assets increased 3,551 million yen from the end of the previous fiscal year, mainly due to an increase in cash and deposits. Non-current assets decreased 2,346 million yen from the end of the previous fiscal year, mainly due to a decrease in property, plant and equipment.

Total liabilities were 146,289 million yen, an increase of 12,019 million yen from the end of the previous fiscal year. Current liabilities increased 8,392 million yen from the end of the previous fiscal year, mainly due to an increase in short-term borrowings. Non-current liabilities increased 3,626 million yen from the end of the previous fiscal year, mainly due to an increase in long-term borrowings.

Net assets totaled 319,295 million yen, mainly due to a decrease of 10,815 million yen from the end of the previous fiscal year.

Shareholders' equity decreased 4,913 million yen from the end of the previous fiscal year, mainly due to the purchase of treasury shares. Accumulated other comprehensive income decreased 6,608 million yen from the end of the previous fiscal year, chiefly due to a decrease in foreign currency translation adjustment. Non-controlling interests increased 706 million yen from the end of the previous fiscal year.

As a result, the equity ratio decreased 2.6 percentage points, to 62.1%.

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 82,201 million yen, an increase of 9,066 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 1,168 million yen. Looking at a breakdown, a major cash inflow item was profit before income taxes of 6,152 million yen, and decrease in trade receivables of 4,169 million yen, while major cash outflow items were a decrease in trade payables of 5,875 million yen and an increase in inventories of 4,722 million yen. Compared to a year ago, cash inflow increased 208 million yen.

Cash used in investing activities was 3,057 million yen. Looking at the breakdown, a major cash outflow item was the purchase of property, plant and equipment of 2,373 million yen, compared to a year ago, cash outflow increased 2,489 million yen.

Cash used in financing activities was an inflow of 17,242 million yen. Looking at its breakdown, a major cash inflow from short-term borrowings was 21,368 million yen. Compared to a year ago, cash inflow increased 21,025 million yen.

(3) Forward-looking statements such as consolidated business performance forecasts

The projections of consolidated business results for the fiscal year ending March 31, 2026, which were published on May 12, 2025, remain unchanged.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2025	As of June 30, 2025
Assets		
Current assets		
Cash and deposits	73,227	82,339
Notes and accounts receivable - trade	68,017	63,014
Merchandise and finished goods	14,939	17,819
Work in process	20,197	21,830
Raw materials and supplies	98,647	94,576
Other	21,006	20,007
Allowance for doubtful accounts	(325)	(326)
Total current assets	295,709	299,261
Non-current assets		
Property, plant and equipment		
Buildings and structures	100,818	105,710
Other	149,508	143,666
Accumulated depreciation	(122,080)	(123,092)
Total property, plant and equipment	128,246	126,284
Intangible assets		
Goodwill	8,512	7,953
Other	9,729	9,541
Total intangible assets	18,241	17,494
Investments and other assets		
Investment securities	10,276	10,363
Retirement benefit asset	5,328	5,433
Other	6,577	6,747
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	22,182	22,545
Total non-current assets	168,670	166,323
Total assets	464,380	465,585
Liabilities		
Current liabilities		
Notes and accounts payable - trade	24,314	17,386
Short-term borrowings	5,285	25,653
Income taxes payable	7,577	2,168
Provision for employee stock ownership plan trust	908	908
Provision for share awards for directors (and other officers)	306	306
Other	23,522	23,883
Total current liabilities	61,913	70,305
Non-current liabilities		
Bonds payable	45,000	45,000
Long-term borrowings	20,051	23,459
Long-term income taxes payable	240	240
Retirement benefit liability	597	565
Allowance for employee share benefits	-	122
Provision for share awards for directors (and other officers)	-	41
Other	6,468	6,555
Total non-current liabilities	72,357	75,984
Total liabilities	134,270	146,289

(Millions of yen)

	As of March 31, 2025	As of June 30, 2025
Net assets		
Shareholders' equity		
Share capital	30,142	30,142
Capital surplus	13,749	13,749
Retained earnings	229,202	228,380
Treasury shares	(3,242)	(7,333)
Total shareholders' equity	269,852	264,939
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,690	3,750
Deferred gains or losses on hedges	240	(295)
Revaluation reserve for land	2,638	2,638
Foreign currency translation adjustment	23,533	17,385
Remeasurements of defined benefit plans	574	590
Total accumulated other comprehensive income	30,677	24,069
Non-controlling interests	29,579	30,286
Total net assets	330,110	319,295
Total liabilities and net assets	464,380	465,585

(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)

	For the three months ended June 30, 2024	For the three months ended June 30, 2025
Net sales	43,690	43,094
Cost of sales	20,858	22,576
Gross profit	22,832	20,518
Selling, general and administrative expenses	12,257	12,798
Operating profit	10,575	7,719
Non-operating income		
Interest income	158	94
Dividend income	167	148
Foreign exchange gains	3,228	-
Other	120	92
Total non-operating income	3,675	334
Non-operating expenses		
Interest expenses	112	147
Foreign exchange losses	-	1,698
Other	19	25
Total non-operating expenses	132	1,871
Ordinary profit	14,118	6,181
Extraordinary income		
Gain on sale of non-current assets	0	0
Gain on sale of investment securities	1,729	-
Total extraordinary income	1,729	0
Extraordinary losses		
Loss on sale of non-current assets	-	0
Loss on retirement of non-current assets	27	29
Total extraordinary losses	27	29
Profit before income taxes	15,820	6,152
Income taxes	4,424	1,710
Profit	11,396	4,441
Profit attributable to non-controlling interests	215	73
Profit attributable to owners of parent	11,180	4,367

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

(Millions of yen)

	For the three months ended June 30, 2024	For the three months ended June 30, 2025
Profit	11,396	4,441
Other comprehensive income		
Valuation difference on available-for-sale securities	(617)	59
Deferred gains or losses on hedges	1,516	(536)
Foreign currency translation adjustment	3,817	(8,165)
Remeasurements of defined benefit plans, net of tax	9	16
Total other comprehensive income	4,726	(8,625)
Comprehensive income	16,122	(4,184)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	14,898	(2,240)
Comprehensive income attributable to non-controlling interests	1,223	(1,943)

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	For the three months ended June 30, 2024	For the three months ended June 30, 2025
Cash flows from operating activities		
Profit before income taxes	15,820	6,152
Depreciation	2,671	2,827
Amortization of goodwill	135	137
Increase (decrease) in allowance for doubtful accounts	26	16
Interest and dividend income	(325)	(242)
Interest expenses	112	147
Loss (gain) on sale and retirement of property, plant and equipment	27	29
Decrease (increase) in trade receivables	(8,665)	4,169
Decrease (increase) in inventories	(5,979)	(4,722)
Increase (decrease) in trade payables	1,395	(5,875)
Loss (gain) on sale of short-term and long-term investment securities	(1,729)	-
Decrease (increase) in retirement benefit asset	(105)	(82)
Increase (decrease) in retirement benefit liability	0	(5)
Other, net	(2,322)	3,170
Subtotal	1,060	5,722
Interest and dividends received	323	252
Interest paid	(71)	(93)
Income taxes paid	(2,689)	(7,050)
Net cash provided by (used in) operating activities	(1,377)	(1,168)
Cash flows from investing activities		
Decrease (increase) in time deposits	(6)	(6)
Purchase of property, plant and equipment	(2,834)	(2,373)
Proceeds from sale of property, plant and equipment	0	0
Purchase of intangible assets	(217)	(540)
Purchase of short-term and long-term investment securities	(825)	(837)
Proceeds from sale and redemption of short-term and long-term investment securities	3,441	837
Proceeds from collection of loans receivable	0	0
Other, net	(125)	(137)
Net cash provided by (used in) investing activities	(567)	(3,057)
Cash flows from financing activities		
Proceeds from short-term borrowings	15,000	21,368
Repayments of short-term borrowings	-	(1,000)
Proceeds from long-term borrowings	-	3,408
Redemption of bonds	(15,000)	-
Purchase of treasury shares	(0)	(4,091)
Proceeds from share issuance to non-controlling shareholders	-	2,686
Dividends paid	(3,754)	(5,098)
Other, net	(27)	(30)
Net cash provided by (used in) financing activities	(3,782)	17,242
Effect of exchange rate change on cash and cash equivalents	223	(3,949)
Net increase (decrease) in cash and cash equivalents	(5,503)	9,066
Cash and cash equivalents at beginning of period	78,034	73,135
Cash and cash equivalents at end of period	72,530	82,201

(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.

(Notes on Segment Information)

[Segment Information]

1. Three-months ended June 30, 2024 (From April 1, 2024 to June 30, 2024)

Segment information is not shown because the Group's operations are limited to the single segment of pharmaceutical products.

2. Three-months ended June 30, 2025 (From April 1, 2025 to June 30, 2025)

Segment information is not shown because the Group's operations are limited to the single segment of pharmaceutical products.