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August 5, 2024

Consolidated Financial Results for the First Quarter of the Term Ending March 31, 2025 (Under Japanese GAAP)

Company name: TSUMURA & CO.
 Listing: Tokyo Stock Exchange
 Securities code: 4540
 URL: <https://www.tsumura.co.jp>
 Representative: Terukazu Kato, President Representative Director and CEO
 Inquiries: Makoto Kitamura, Head of Corporate Communications Dept.
 Telephone: +81-3-6361-7100
 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, 2025 (from April 1, 2024 to June 30, 2024)

(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, 2024	43,690	18.0	10,575	125.7	14,118	135.7	11,180	158.1
June 30, 2023	37,036	7.6	4,684	(26.3)	5,989	(30.9)	4,332	(34.7)

Note: Comprehensive income Three-month period ended June 30, 2024: ¥ 16,122 million [90.1 %]
 Three-month period ended June 30, 2023: ¥ 8,482 million [(36.9) %]

	Basic earnings per share	Diluted earnings per share
Three-month period ended	Yen	Yen
June 30, 2024	147.25	—
June 30, 2023	56.88	—

(2) Consolidated financial condition

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
June 30, 2024	445,163	307,552	63.3
March 31, 2024	428,254	295,364	63.2

Reference: Equity

As of June 30, 2024: ¥281,874 million
 As of March 31, 2024: ¥270,802 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, 2024	—	35.00	—	50.00	85.00
Fiscal year ending March 31, 2025	—				
Fiscal year ending March 31, 2025 (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, 2025 (From April 1, 2024 to March 31, 2025)

(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	89,700	19.1	19,300	89.0	19,300	52.3	14,200	57.7	187.02
Full-year	185,000	22.6	39,500	97.3	39,500	68.1	28,500	70.6	375.35

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

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

(4) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2024	76,758,362 shares
As of March 31, 2024	76,758,362 shares

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

As of June 30, 2024	829,971 shares
As of March 31, 2024	829,871 shares

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

Three-month period ended June 30, 2024	75,928,416 shares
Three-month period ended June 30, 2023	76,171,530 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) 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 3/2024 1Q	FY 3/2025 1Q	YoY Change Percent Change
Net sales	37,036	43,690	+6,654 +18.0%
Domestic business	32,988	40,134	+7,145 +21.7%
China business	4,047	3,556	(491) (12.1) %
Cost of sales	20,341	20,858	+516 +2.5%
Selling, general and administrative expenses	12,009	12,257	+248 +2.1%
Operating profit	4,684	10,575	+5,890 +125.7%
Domestic business	4,684	10,713	+6,028 +128.7%
China business	0	(138)	(138) —
Ordinary profit	5,989	14,118	+8,128 +135.7%
Profit attributable to owners of parent	4,332	11,180	+6,847 +158.1%

Net sales increased 18.0% year on year, to 43,690 million yen.

Net sales of the domestic business increased 21.7% year on year, to 40,134 million yen. Sales of 129 prescription Kampo preparations increased 21.9% year on year, to 38,820 million yen. Sales of Daikenchuto, Yokukansan and Goshajinkigan increased markedly, partly owing to the effect of the application of price revision for unprofitable products. Sales of Goreisan increased, attributable to the lifting of restrictions on shipments and activities to provide information according to needs related to headaches and dizziness. On the other hand, sales of Rikkunshito, Hangeshashinto, Hochuekkito, Kamishoyosan, Kamikihito and Ninjin'yoeito decreased compared to a year ago, given the absence of the surge in demand that occurred in March in association with price revisions.

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

	Ranking in sales	No. / Product Name			FY 3/2024	FY 3/2025	YoY Change/ Percent Change	
					1Q	1Q		
“Drug fostering” program formulations *1	1	100	Daikenchuto	*3	2,515	3,877	+1,362	+54.2%
	2	54	Yokukansan	*3	1,940	3,040	+1,100	+56.7%
	5	43	Rikkunshito		1,861	1,757	(104)	(5.6) %
	7	107	Goshajinkigan	*3	995	1,467	+472	+47.5%
	25	14	Hangeshashinto		370	358	(12)	(3.3) %
Total of "Drug Fostering" Program formulations					7,683	10,502	+2,819	+36.7%
Growing formulations *2	3	17	Goreisan		1,801	2,090	+288	+16.0%
	4	41	Hochuekkito		1,931	1,800	(131)	(6.8) %
	9	24	Kamishoyosan		1,305	1,199	(105)	(8.1) %
	19	137	Kamikihito		590	539	(51)	(8.7) %
	20	108	Ninjin'yoeito		561	527	(33)	(6.0) %
Total of Growing formulations					6,191	6,157	(33)	(0.5) %
Total of 119 prescriptions excluding “Drug fostering” program formulations and Growing formulations				*3	17,964	22,161	+4,197	+23.4%
Total of 129 prescription Kampo products					31,838	38,820	+6,982	+21.9%

In addition, sales of OTC Kampo formulations in the domestic business increased 17.8% year on year, to 985 million yen, reflecting a rise in the number of stores handling the products.

Net sales of the China business declined 12.1% year on year, to 3,556 million yen. This was because certain suppliers temporarily held off purchases, causing a fall in sales of crude drugs, the mainstay of the China business, in the crude drug platforms (Ping An Tsumura Pharma Inc., Shenzhen Tsumura Medicine Co., Ltd. and others) that mainly sell crude drugs and crude drug pieces for decoction.

The cost of sales increased 2.5% year on year, to 20,858 million yen, due mainly to growth in sales and a rise in the cost of procuring crude drugs. The cost-to-sales ratio dropped 7.2 percentage points, to 47.7%, owing to the application of price revision for unprofitable products, despite the rise in the cost of procuring crude drugs, etc.

Selling, general and administrative expenses increased 2.1% year on year, to 12,257 million yen. The increase was mainly due to an increase in depreciation costs associated with the operation of the integrated trunk system and the impact of the depreciation of the yen. The SGA ratio fell 4.3 percentage points year on year, to 28.1%, attributable to the increase in net sales.

As a result of the above, operating profit increased 125.7% year on year, to 10,575 million yen, while the operating profit margin rose 11.6 percentage points, to 24.2%. Ordinary profit increased 135.7%, to 14,118 million yen, partly attributable to the recording of foreign exchange gains on loans to overseas subsidiaries. Profit attributable to owners of parent increased 158.1% year on year, to 11,180 million yen, owing to the posting of extraordinary income associated with sales of shares in cross-shareholding, in addition to the foregoing.

*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

*3 The number of Kampo preparations to which price revisions for unprofitable products were applied: 66 (3 prescriptions falling under drug fostering and evolution of Kampo + 63 other prescriptions, Revision rate: +36.2% - +50.7%)

[Situation of limited shipments]

Shipments of 129 prescription Kampo products had been restricted in part because demand for prescription Kampo preparations was greater than expected, reflecting increases in the number of COVID-19 and influenza cases and instability in the supply of antitussives. Restrictions on shipments were gradually lifted by boosting production and adjusting production plans. As a result, the number of products under restricted shipment will be one as of August 5, 2024. The Company will work to lift restrictions on shipments as soon as possible.

(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 16,909 million yen from the end of the previous fiscal year to 445,163 million yen. Current assets increased 16,102 million yen from the end of the previous fiscal year, mainly due to a rise in notes and accounts receivable trade. Non-current assets increased 807 million yen from the end of the previous fiscal year, mainly due to an increase in property, plant and equipment.

Total liabilities were 137,611 million yen, an increase of 4,721 million yen from the end of the previous fiscal year. Current liabilities increased 5,161 million yen from the end of the previous fiscal year. Non-current liabilities decreased 439 million yen from the end of the previous fiscal year.

Net assets totaled 307,552 million yen, an increase of 12,188 million yen from the end of the previous fiscal year. Shareholders' equity rose 7,353 million yen from the end of the previous fiscal year, mainly reflecting an increase in retained earnings. Accumulated other comprehensive income climbed 3,718 million yen from the end of the previous fiscal year, chiefly due to an increase in foreign currency translation adjustment. Non-controlling interests increased 1,115 million yen from the end of the previous fiscal year. As a result, the equity ratio rose 0.1 percentage points, to 63.3%.

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 72,530 million yen, a decrease of 5,503 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 1,377 million yen. Looking at a breakdown, a major cash inflow item was profit before income taxes of 15,820 million yen, while major cash outflow items were an increase in trade receivables of 8,665 million yen and an increase in inventories of 5,979 million yen. Compared to a year ago, cash outflow rose 1,225 million yen.

Cash used in investing activities was 567 million yen. Looking at a breakdown, a major cash outflow item was the purchase of property, plant and equipment of 2,834 million yen, while cash inflow included proceeds from the sale and redemption of short-term and long-term investment securities of 3,441 million yen. Compared to a year ago, cash outflow dropped 4,339 million yen.

Cash used in financing activities was 3,782 million yen. Looking at its breakdown, a major cash outflow item was dividends paid of 3,754 million yen. Compared to a year ago, cash outflow rose 2,203 million yen.

(3) Description of projections of consolidated business results

The projections of consolidated business results for the fiscal year ending March 31, 2025, which were published on May 9, 2024, remain unchanged.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	78,075	72,607
Notes and accounts receivable - trade	67,149	76,452
Merchandise and finished goods	12,139	13,522
Work in process	18,309	19,944
Raw materials and supplies	87,168	93,444
Other	18,761	21,774
Allowance for doubtful accounts	(311)	(351)
Total current assets	281,292	297,395
Non-current assets		
Property, plant and equipment		
Buildings and structures	95,434	98,211
Other	121,118	122,948
Accumulated depreciation	(112,493)	(115,515)
Total property, plant and equipment	104,058	105,644
Intangible assets		
Goodwill	8,350	8,591
Other	8,902	8,879
Total intangible assets	17,253	17,470
Investments and other assets		
Investment securities	15,241	13,466
Retirement benefit asset	3,626	3,745
Other	6,781	7,441
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	25,650	24,653
Total non-current assets	146,961	147,768
Total assets	428,254	445,163
Liabilities		
Current liabilities		
Notes and accounts payable - trade	19,828	21,989
Short-term borrowings	10,313	25,313
Current portion of bonds payable	15,000	-
Income taxes payable	2,979	5,178
Other	20,435	21,238
Total current liabilities	68,557	73,718
Non-current liabilities		
Bonds payable	45,000	45,000
Long-term borrowings	9,377	9,377
Retirement benefit liability	49	48
Allowance for employee share benefits	414	523
Provision for share awards for directors (and other officers)	220	248
Other	9,270	8,695
Total non-current liabilities	64,332	63,892
Total liabilities	132,889	137,611

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Net assets		
Shareholders' equity		
Share capital	30,142	30,142
Capital surplus	13,739	13,739
Retained earnings	205,804	213,158
Treasury shares	(2,378)	(2,379)
Total shareholders' equity	247,307	254,660
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,910	5,292
Deferred gains or losses on hedges	1,328	2,844
Revaluation reserve for land	2,673	2,673
Foreign currency translation adjustment	13,870	16,680
Remeasurements of defined benefit plans	(287)	(277)
Total accumulated other comprehensive income	23,494	27,213
Non-controlling interests	24,562	25,678
Total net assets	295,364	307,552
Total liabilities and net assets	428,254	445,163

(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, 2023	For the three months ended June 30, 2024
Net sales	37,036	43,690
Cost of sales	20,341	20,858
Gross profit	16,694	22,832
Selling, general and administrative expenses	12,009	12,257
Operating profit	4,684	10,575
Non-operating income		
Interest income	247	158
Dividend income	141	167
Foreign exchange gains	929	3,228
Other	85	120
Total non-operating income	1,404	3,675
Non-operating expenses		
Interest expenses	96	112
Other	2	19
Total non-operating expenses	99	132
Ordinary profit	5,989	14,118
Extraordinary income		
Gain on sale of non-current assets	0	0
Gain on sale of investment securities	-	1,729
Total extraordinary income	0	1,729
Extraordinary losses		
Loss on retirement of non-current assets	8	27
Total extraordinary losses	8	27
Profit before income taxes	5,980	15,820
Income taxes	1,637	4,424
Profit	4,343	11,396
Profit attributable to non-controlling interests	10	215
Profit attributable to owners of parent	4,332	11,180

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

(Millions of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Profit	4,343	11,396
Other comprehensive income		
Valuation difference on available-for-sale securities	1,527	(617)
Deferred gains or losses on hedges	580	1,516
Foreign currency translation adjustment	2,021	3,817
Remeasurements of defined benefit plans, net of tax	8	9
Total other comprehensive income	4,139	4,726
Comprehensive income	8,482	16,122
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,026	14,898
Comprehensive income attributable to non-controlling interests	455	1,223

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Cash flows from operating activities		
Profit before income taxes	5,980	15,820
Depreciation	2,454	2,671
Amortization of goodwill	126	135
Increase (decrease) in allowance for doubtful accounts	12	26
Interest and dividend income	(389)	(325)
Interest expenses	96	112
Loss (gain) on sale and retirement of property, plant and equipment	8	27
Decrease (increase) in trade receivables	(3,270)	(8,665)
Decrease (increase) in inventories	(4,476)	(5,979)
Increase (decrease) in trade payables	(144)	1,395
Loss (gain) on sale of short-term and long-term investment securities	-	(1,729)
Decrease (increase) in retirement benefit asset	(98)	(105)
Increase (decrease) in retirement benefit liability	(5)	0
Other, net	2,069	(2,322)
Subtotal	2,364	1,060
Interest and dividends received	411	323
Interest paid	(25)	(71)
Income taxes paid	(2,901)	(2,689)
Net cash provided by (used in) operating activities	(152)	(1,377)
Cash flows from investing activities		
Decrease (increase) in time deposits	(6)	(6)
Purchase of property, plant and equipment	(3,623)	(2,834)
Proceeds from sale of property, plant and equipment	0	0
Purchase of intangible assets	(1,018)	(217)
Purchase of short-term and long-term investment securities	(1)	(825)
Proceeds from sale and redemption of short-term and long-term investment securities	-	3,441
Proceeds from collection of loans receivable	0	0
Other, net	(257)	(125)
Net cash provided by (used in) investing activities	(4,906)	(567)
Cash flows from financing activities		
Proceeds from short-term borrowings	-	15,000
Redemption of bonds	-	(15,000)
Purchase of treasury shares	(1,315)	(0)
Proceeds from share issuance to non-controlling shareholders	2,158	-
Dividends paid	(2,397)	(3,754)
Other, net	(24)	(27)
Net cash provided by (used in) financing activities	(1,579)	(3,782)
Effect of exchange rate change on cash and cash equivalents	825	223
Net increase (decrease) in cash and cash equivalents	(5,812)	(5,503)
Cash and cash equivalents at beginning of period	94,730	78,034
Cash and cash equivalents at end of period	88,917	72,530

(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.

(Changes in accounting policies)

(Application of the Accounting Standard for Current Income Taxes, etc.)

At the beginning of the fiscal quarter under review, the Company started to adopt the Accounting Standard for Current Income Taxes (ASBJ Statement No. 27 of October 28, 2022; hereinafter, "Revised Accounting Standard 2022"), etc.

Regarding revisions to the accounting classification for corporate taxes, etc. (taxation on other comprehensive income), the Company conformed to the specific transitional provisions prescribed in the provisory clause under Paragraph 20-3 of the Revised Accounting Standard 2022 and the specific transitional provisions prescribed in the provisory clause under Paragraph 65-2(2) of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28 of October 28, 2022). This does not affect the quarterly consolidated financial statements.

(Notes on Segment Information)

[Segment Information]

1. Three-months ended June 30, 2023 (From April 1, 2023 to June 30, 2023)

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, 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.