

Summary of Consolidated Financial Statements for the Fiscal Year Ended March 2017 (Japan GAAP)

May 11, 2017

Name of Listed Company: **TSUMURA & CO.** Exchange: Tokyo Stock Exchange

Code: 4540 URL: <http://www.tsumura.co.jp>

Representative: Position: President & Representative Director Name: Terukazu Kato
Contact: Head of Corporate Communications DEPT. Name: Noboru Suzuki
Telephone: 81-3-6361-7100

Scheduled date of general meeting of shareholders: June 29, 2017

Scheduled date of dividend payment commencement: June 30, 2017

Scheduled date of security report submission: June 29, 2017

Preparation of supplementary materials for the financial statements: Yes

Holding of the financial results briefing: Yes (for institutional investors, securities analysts and news media)

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

1. Consolidated business results for the term ended March 2017 (from April 1, 2016 to March 31, 2017)

(1) Financial results (total sum)

(Figures in percentages denote the year-on-year change.)

	Net sales		Operating profit		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal Year 3/2017	114,954	2.1	15,983	-19.4	16,399	-15.9	12,488	-0.5
Fiscal Year 3/2016	112,625	2.0	19,826	1.7	19,494	-9.7	12,557	-10.8

(Note) Comprehensive income Fiscal Year 3/2017 11,344 million yen (17.8%) Fiscal Year 3/2016 9,629 million yen (-55.0%)

	Net income per share	Fully diluted net income per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating profit to sales
	Yen	Yen	%	%	%
Fiscal Year 3/2017	179.46	—	8.1	7.4	13.9
Fiscal Year 3/2016	178.06	—	8.3	8.9	17.6

(Reference): Equity in earnings of affiliates: FY 3/2017: 31 million yen FY 3/2016: 8 million yen

(2) Consolidated financial conditions

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share
	Million yen	Million yen	%	Yen
As of March 31, 2017	222,008	157,397	69.7	2,250.34
As of March 31, 2016	222,468	155,702	68.8	2,169.13

(Reference): Shareholders' equity: FY 3/2017: 154,783 million yen FY 3/2016: 152,976 million yen

(3) Consolidated cash flow

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Closing balance of cash and cash equivalents
	Million yen	Million yen	Million yen	Million yen
Fiscal Year 3/2017	21,065	-6,451	-9,572	29,901
Fiscal Year 3/2016	17,570	-7,461	-4,608	25,128

2. Dividends

	Dividend per share					Total cash dividends (annual)	Dividends payout (consolidated)	Net assets dividend ratio (consolidated)
	End of Q1	End of Q2	End of Q3	End of FY	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
F Y 3/2016	—	32.00	—	32.00	64.00	4,513	35.9	3.0
F Y 3/2017	—	32.00	—	32.00	64.00	4,420	35.7	2.9
FY 3/2018 (Projection)	—	32.00	—	32.00	64.00		34.7	

3. Projections of consolidated business results for the term ending March 2018 (From April 1, 2017 to March 31, 2018)

(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 income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Second quarter (aggregate)	58,600	4.0	8,200	4.2	8,400	14.0	6,100	14.9	88.69
Full-year	120,700	5.0	17,600	10.1	18,100	10.4	12,700	1.7	184.64

Notes

- (1) Important changes of subsidiaries during the term : Yes
(change of specified subsidiaries that lead to a change in the scope of consolidation)
* Although it does not fall under the change of specified subsidiary, from the current consolidated fiscal year, Yubari Tsumura Co., Ltd., which was a non-consolidated subsidiary, increased its importance and is included in the scope of consolidation.

(2) 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

(3) Number of shares issued (common stock)

- 1) Number of shares issued at the end of the term
(including treasury stock) (shares)

FY 3/2017	70,771,662	FY 3/2016	70,771,662
FY 3/2017	1,989,282	FY 3/2016	247,631
FY 3/2017	69,592,851	FY 3/2016	70,524,330

- 2) Number of treasury stock at the end of the term (shares)

- 3) Average number of shares during the term (shares)

(Reference) Summary of Non-consolidated Results

1. Non-consolidated business results for the term ended March 2017 (from April 1, 2016 to March 31, 2017)

(1) Financial results (Figures in percentages denote the year-on-year change)

	Net sales		Operating profit		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY 3/2017	113,318	2.0	14,184	-19.8	14,876	-16.8	11,570	0.2
FY 3/2016	111,103	2.3	17,684	-0.4	17,880	-9.8	11,543	-10.8

	Net income per share	Fully diluted net income per share
	Yen	Yen
FY 3/2017	166.26	—
FY 3/2016	163.68	—

(2) Financial conditions

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share
	Million yen	Million yen	%	Yen
FY 3/2017	208,970	147,995	70.8	2,151.65
FY 3/2016	209,584	145,287	69.3	2,060.12

(Reference): Shareholders' equity: FY3/2017: 147,995 million yen FY3/2016: 145,287 million yen

2. Projections of non-consolidated business results for the term ending March 2018 (From April 1, 2017 to March 31, 2018)

(Percentages 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		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Yen
Second quarter (aggregate)	58,400	5.1	7,200	8.1	4,800	-0.8	69.79
Full-year	119,100	5.1	16,100	8.2	11,600	0.3	168.65

* This Summary of Consolidated Financial Statements does not require the audit procedure.

* Explanation about the proper use of financial projections and other important notes

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.

1. Consolidated Financial Statements
(i) Consolidated Balance Sheets

(Unit: million yen)

	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	25,150	29,931
Notes and accounts receivable-trade	41,875	40,347
Merchandise and finished goods	8,438	8,122
Work in process	12,428	14,547
Raw materials and stores	31,482	29,467
Deferred tax assets	1,271	1,325
Other	13,026	10,941
Allowance for doubtful accounts	(4)	(4)
Total current assets	<u>133,668</u>	<u>134,679</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures	56,226	64,429
Machinery, equipment and vehicles	42,421	47,920
Tools, furniture and fixtures	9,652	10,139
Land	9,009	9,052
Construction in progress	12,815	3,880
Other	239	308
Accumulated depreciation	(67,542)	(71,044)
Total property, plant and equipment	<u>62,822</u>	<u>64,686</u>
Intangible assets	226	266
Investment and other assets		
Investment securities	20,119	17,530
Net defined benefit asset	122	1,058
Deferred tax assets	32	43
Other	5,478	3,743
Allowance for doubtful accounts	(2)	(0)
Total investment and other assets	<u>25,750</u>	<u>22,376</u>
Total non-current assets	<u>88,799</u>	<u>87,329</u>
Total assets	<u>222,468</u>	<u>222,008</u>
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,652	6,696
Short-term loans payable	21,957	12,581
Accounts payable	4,927	6,020
Income taxes payable	2,838	1,901
Provision for sales returns	16	13
Other	8,310	4,670
Total current liabilities	<u>43,702</u>	<u>31,883</u>
Non-current liabilities		
Long-term loans payable	15,000	24,376
Deferred tax liabilities	1,202	1,733
Deferred tax liabilities for land revaluation	1,339	1,179
Net defined benefit liability	66	84
Other	5,454	5,353
Total non-current liabilities	<u>23,063</u>	<u>32,727</u>
Total liabilities	<u>66,765</u>	<u>64,611</u>
Net Assets		
Shareholders' equity		
Capital stock	19,487	19,487
Capital surplus	1,940	1,940
Retained earnings	122,047	129,937
Treasury shares	(392)	(5,393)
Total shareholders' equity	<u>143,084</u>	<u>145,972</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,835	3,845
Deferred gains or losses on hedges	479	925
Revaluation reserve for land	2,513	2,673
Foreign currency translation adjustment	3,549	1,470
Remeasurements of defined benefit plans	(485)	(102)
Total accumulated other comprehensive income	<u>9,891</u>	<u>8,811</u>
Non-controlling interests	<u>2,726</u>	<u>2,613</u>
Total net assets	<u>155,702</u>	<u>157,397</u>
Total liabilities and net assets	<u>222,468</u>	<u>222,008</u>

(ii) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
Consolidated Statements of Income

(Unit: million yen)

	Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)	Fiscal year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)
Net sales	112,625	114,954
Cost of sales	45,055	49,454
Gross profit	67,569	65,499
Selling, general and administrative expenses	47,743	49,516
Operating profit	19,826	15,983
Non-operating profit		
Interest income	97	64
Dividend income	363	385
Share of profit of entities accounted for using equity method	8	31
Other	396	481
Total non-operating profit	866	962
Non-operating expenses		
Interest expenses	182	144
Foreign exchange losses	975	381
Other	41	20
Total non-operating expenses	1,198	546
Ordinary income	19,494	16,399
Extraordinary income		
Gain on sales of non-current assets	0	3
Gain on sales of investment securities	0	873
Total extraordinary income	0	876
Extraordinary losses		
Loss on sales of non-current assets	0	43
Loss on retirement of non-current assets	31	40
Impairment loss	563	—
Loss on disaster	—	7
Total extraordinary losses	595	92
Income before income taxes	18,898	17,184
Income taxes - current	5,949	4,342
Income taxes - deferred	123	103
Total income taxes	6,072	4,446
Net income	12,825	12,738
Net income attributable to non-controlling interests	268	249
Net income attributable to owners of parent	12,557	12,488

Consolidated Statements of Comprehensive Income

(Unit: million yen)

	Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)	Fiscal year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)
Net income	12,825	12,738
Other comprehensive income		
Valuation difference on available-for-sale securities	1,402	9
Deferred gains or losses on hedges	(3,079)	445
Revaluation reserve for land	382	159
Foreign currency translation adjustment	(753)	(2,342)
Remeasurements of defined benefit plans	(1,119)	383
Share of other comprehensive income of entities accounted for using equity method	(29)	(49)
Total other comprehensive income	<u>(3,196)</u>	<u>(1,393)</u>
Comprehensive income	<u>9,629</u>	<u>11,344</u>
Comprehensive income attributable to		
Owners of parent	9,485	11,408
Non-controlling interests	144	(64)

(iii) Consolidated Statements of Changes in Equity
 Previous consolidated accounting period (from April 1, 2015 to March 31, 2016)

(Unit: million yen)

	Shareholders' Equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	19,487	1,940	114,313	(389)	135,351
Changes of items during the period					
Dividends of surplus			(4,513)		(4,513)
Net income attributable to owners of parent			12,557		12,557
Change of scope of consolidation					-
Increase by merger					-
Reversal of revaluation reserve for land			(309)		(309)
Purchase of treasury shares				(2)	(2)
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	7,734	(2)	7,732
Balance at end of current period	19,487	1,940	122,047	(392)	143,084

	Accumulated Other Comprehensive Income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	2,432	3,559	2,130	4,207	633	12,964	2,631	150,947
Changes of items during the period								
Dividends of surplus								(4,513)
Net income attributable to owners of parent								12,557
Change of scope of consolidation								-
Increase by merger								-
Reversal of revaluation reserve for land								(309)
Purchase of treasury shares								(2)
Net changes of items other than shareholders' equity	1,402	(3,079)	382	(658)	(1,119)	(3,072)	94	(2,997)
Total changes of items during the period	1,402	(3,079)	382	(658)	(1,119)	(3,072)	94	4,754
Balance at end of current period	3,835	479	2,513	3,549	(485)	9,891	2,726	155,702

Consolidated accounting period under review (from April 1, 2016 to March 31, 2017)

(Unit: million yen)

	Shareholders' Equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	19,487	1,940	122,047	(392)	143,084
Changes of items during the period					
Dividends of surplus			(4,476)		(4,476)
Net income attributable to owners of parent			12,488		12,488
Change of scope of consolidation			(150)		(150)
Increase by merger			27		27
Reversal of revaluation reserve for land					—
Purchase of treasury shares				(5,001)	(5,001)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	7,889	(5,001)	2,888
Balance at end of current period	19,487	1,940	129,937	(5,393)	145,972

	Accumulated Other Comprehensive Income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	3,835	479	2,513	3,549	(485)	9,891	2,726	155,702
Changes of items during the period								
Dividends of surplus								(4,476)
Net income attributable to owners of parent								12,488
Change of scope of consolidation								(150)
Increase by merger								27
Reversal of revaluation reserve for land								—
Purchase of treasury shares								(5,001)
Net changes of items other than shareholders' equity	9	445	159	(2,078)	383	(1,080)	(113)	(1,193)
Total changes of items during the period	9	445	159	(2,078)	383	(1,080)	(113)	1,694
Balance at end of current period	3,845	925	2,673	1,470	(102)	8,811	2,613	157,397

(iv) Consolidated Statements of Cash Flows

(Unit: million yen)

	Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)	Fiscal year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)
Proceeds from sales and redemption of short-term and long-term investment securities		
Cash flows from operating activities		
Profit before income taxes	18,898	17,184
Depreciation	5,059	5,629
Impairment loss	563	—
Increase (decrease) in allowance for doubtful accounts	0	(2)
Interest and dividend income	(461)	(449)
Interest expenses	182	144
Share of (profit) loss of entities accounted for using equity method	(8)	(31)
Loss (gain) on sales and retirement of property, plant and equipment	25	82
Decrease (increase) in notes and accounts receivable - trade	215	1,465
Decrease (increase) in inventories	(2,440)	(1,123)
Increase (decrease) in notes and accounts payable - trade	390	1,255
Loss (gain) on sales of short-term and long-term investment securities	(0)	(873)
Increase (decrease) in net defined benefit asset	(510)	(281)
Increase (decrease) in net defined benefit liability	(100)	(89)
Other	(693)	3,272
Subtotal	<u>21,120</u>	<u>26,182</u>
Interest and dividend income received	486	470
Interest expenses paid	(182)	(142)
Income taxes paid	(3,854)	(5,444)
Net cash provided by (used in) operating activities	<u>17,570</u>	<u>21,065</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,675)	(8,211)
Proceeds from sales of property, plant and equipment	1,200	29
Purchase of intangible assets	(60)	(88)
Purchase of short-term and long-term investment securities	(10)	(18)
Proceeds from sales and redemption of short-term and long-term investment securities	8	1,874
Payments for investments in capital of subsidiaries and associates	—	(238)
Payments of loans receivable	(934)	(3)
Collection of loans receivable	5	4
Payments into time deposits	(34)	(34)
Proceeds from withdrawal of time deposits	48	36
Other	(10)	197
Net cash provided by (used in) investing activities	<u>(7,461)</u>	<u>(6,451)</u>
Cash flows from financing activities		
Purchase of treasury shares	(2)	(5,001)
Cash dividends paid	(4,515)	(4,478)
Dividends paid to non-controlling interests	(54)	(49)
Other	(36)	(43)
Net cash provided by (used in) financing activities	<u>(4,608)</u>	<u>(9,572)</u>
Effect of exchange rate change on cash and cash equivalents	285	(588)
Net increase (decrease) in cash and cash equivalents	<u>5,784</u>	<u>4,453</u>
Cash and cash equivalents at beginning of period	19,343	25,128
Increase in cash and cash equivalents from newly consolidated subsidiary	—	290
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	—	28
Cash and cash equivalents at end of period	<u>25,128</u>	<u>29,901</u>

(v) Notes regarding the Consolidated Financial Statements

(Notes regarding the premise of a going concern)

There are no applicable matters.

(Segment information)

The Group only has one segment of pharmaceutical products and thus the statement of segment information is omitted.

(Information per share)

	Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)	Fiscal year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)
Net assets per share	2,169.13 yen	2,250.34 yen
Net income per share	178.06 yen	179.46 yen

(Note) 1. Fully diluted net income per share is not stated because there are no residual securities.

2. Basis of calculation

(1) The basis of calculation for net assets per share is as follows.

	As of March 31, 2016	As of March 31, 2017
Total net assets (million yen)	155,702	157,397
Deduction from total net assets (million yen)	2,726	2,613
(Non-controlling interests)	(2,726)	(2,613)
Net assets related to common stock at the end of the fiscal year (million yen)	152,976	154,783
Number of shares of common stock at the end of the fiscal year used for calculation of net assets per share (thousand shares)	70,524	68,782

(2) The basis of calculation for net income per share is as follows.

	Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)	Fiscal year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)
Net income attributable to owners of parent (million yen)	12,557	12,488
Amount not attributable to common stockholders (million yen)	-	-
Net income attributable to owners of parent related to common stock (million yen)	12,557	12,488
Average number of shares of common stock during the fiscal year under review (thousand shares)	70,524	69,592

(Significant subsequent events)

(Issuance of unsecured straight bonds)

At its meeting held on April 28, 2017, the Board of Directors of the Company passed a comprehensive resolution to issue domestic unsecured straight bonds as follows.

- (1) Total amount of issue
Not more than 30 billion yen (However, multiple issues are possible within this total amount.)
- (2) Scheduled issuance period
May 1, 2017 – March 31, 2018
- (3) Interest rate
The upper limit of the interest rate shall be that obtained by adding 1.50% to the yield of the Japanese government bonds with almost the same remaining period as the maturity date of the unsecured straight bonds to be issued.
- (4) Amount of each bond
100 million yen
- (5) Issue price
100 yen for each 100 yen of bond
- (6) Maturity date
No later than 10 years
- (7) Redemption method
Lump-sum repayments at maturity
- (8) Security
Unsecured/non-guaranteed
- (9) Purpose of funds
To be used for capital investment, working capital, investments and loans and the repayment of debts
- (10) Application of the Act on Book Entry of Corporate Bonds and Shares
All the straight bonds to be issued in accordance with the resolution will be subject to the provisions of the Act on Book Entry of Corporate Bonds and Shares (Act No. 75 of 2001).
- (11) Others
The decision on the specific timing of issuance, total amount of issue, interest rate and other matters provided for in the items of Article 676 of the Companies Act and all other matters required in connection with the said straight bond issuance shall be entrusted to the President, Representative Director of the Company within the scope of the resolution.