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May 10, 2022

Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 4540
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 Scheduled date of annual general meeting of shareholders: June 29, 2022
 Scheduled date to commence dividend payments: June 30, 2022
 Scheduled date to file annual securities report: June 29, 2022
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (for institutional investors, securities analysts and news media)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated business results for the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2022	129,546	11.3	22,376	15.4	25,904	24.1	18,836	22.9
March 31, 2021	116,413	—	19,382	—	20,866	—	15,332	—

Note: Comprehensive income For the fiscal year ended March 31, 2022: ¥29,889 million [72.0 %]
 For the fiscal year ended March 31, 2021: ¥17,381 million [— %]

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
March 31, 2022	246.21	—	8.2	7.7	17.3
March 31, 2021	200.40	—	7.2	6.6	16.6

Reference: equity in earnings of affiliates

For the fiscal year ended March 31, 2022: ¥ — million

For the fiscal year ended March 31, 2021: ¥115 million

Note: The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. has been applied from the beginning of the fiscal year under review, and figures for the fiscal year ended March 31, 2021 are those after retroactively applying the Accounting Standard, etc. Therefore, the ratio of year-on-year change is not stated for the fiscal year ended March 31, 2021.

(2) Consolidated financial condition

	Total assets	Net assets	shareholder's equity ratio	shareholders' equity per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2022	350,981	258,109	68.3	3,133.97
March 31, 2021	319,063	233,169	68.3	2,846.58

Reference: Equity

As of March 31, 2022: ¥239,770 million
As of March 31, 2021: ¥217,786 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2022	21,314	(9,111)	(8,181)	67,536
March 31, 2021	16,102	(7,352)	(10,425)	59,668

2. Dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2021	—	32.00	—	32.00	64.00	4,896	31.9	2.3
Fiscal year ended March 31, 2022	—	32.00	—	32.00	64.00	4,896	26.0	2.1
Fiscal year ending March 31, 2023 (Forecast)	—	32.00	—	32.00	64.00		32.6	

3. Projections of consolidated business results for the term ending March 31, 2023 (From April 1, 2022 to March 31, 2023)

(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	67,000	5.6	9,800	(16.1)	10,000	(25.4)	7,400	(25.7)	96.72
Full-year	138,500	6.9	20,800	(7.0)	21,200	(18.2)	15,000	(20.4)	196.06

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) 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

(3) Number of issued shares (common shares)

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

As of March 31, 2022	76,758,362 shares
As of March 31, 2021	76,758,362 shares

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

As of March 31, 2022	251,343 shares
As of March 31, 2021	250,402 shares

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

Fiscal year ended March 31, 2022	76,507,513 shares
Fiscal year ended March 31, 2021	76,508,174 shares

* 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. Overview of Operating Results, etc. (4) Future outlook” on page 4 for information regarding the forecast of consolidated financial results.

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1. Overview of Operating Results, etc.

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the fiscal year under review and makes a comparative analysis with the previous fiscal year, using figures after retroactively applying the Accounting Standard, etc.

(1) Overview of operating results for the fiscal year ended March 31, 2022

Consolidated business results for the fiscal year under review were as follows:

[Consolidated business results]	(Million yen)		
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	YoY Change Percent Change
Net sales	116,413	129,546	+13,132 +11.3%
Domestic sales	110,053	119,567	+9,514 +8.6%
Overseas sales	6,360	9,978	+3,618 +56.9%
Cost of sales	55,949	63,081	+7,131 +12.7%
Selling, general and administrative expenses	41,081	44,088	+3,006 +7.3%
Operating profit	19,382	22,376	+2,994 +15.4%
Ordinary profit	20,866	25,904	+5,038 +24.1%
Profit attributable to owners of parent	15,332	18,836	+3,504 +22.9%

Net sales increased 11.3% year on year, to 129,546 million yen.

Domestic net sales were 119,567 million yen. While affected by the spread of COVID-19, particularly an increase in the number of people who avoided seeing doctors, the Company expanded e-promotions, which resulted in an 8.1% year-on-year increase in sales of 129 prescription Kampo preparations. Sales of Daikenchuto, a mainstay item for the Company and a drug fostering formulation*1 grew 3.4%. Sales of Rikkunshito increased 8.3% year on year. Of Growing formulations*2, Goreisan and Kamishoyosan sold well. Overseas net sales were 9,978 million yen. Sales on crude drug platforms (of Ping An Tsumura Pharmaceutical Co., Ltd., Shenzhen Tsumura Medicine Co., Ltd., etc.), primarily sales of crude drugs and crude drug pieces for decoction, grew.

Cost of sales increased 12.7% year on year, to 63,081 million yen, reflecting the growth in net sales. The cost-to-sales ratio rose 0.6 percentage points year on year, to 48.7%.

Selling, general and administrative expenses increased 7.3% year on year, to 44,088 million yen. This was mainly due to a rise in expenses for activities associated with e-promotions. The SGA ratio fell 1.3 percentage points year on year, to 34.0%.

As a result, operating profit increased 15.4% year on year, to 22,376 million yen. The operating profit margin was 17.3%, rising 0.7 percentage points from a year ago. Ordinary profit rose 24.1% year on year, to 25,904 million yen, thanks to the impact of foreign exchange gains, and profit attributable to owners of parent increased 22.9% year on year, to 18,836 million yen.

The Company is still affected by restrictions on economic activity caused by the spread of COVID-19. The business environment surrounding the Company remains challenging. In this environment, the Company will focus on its mission of supplying products stably as a pharmaceutical company.

*1 five “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 five “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

[Initiatives in response to COVID-19 pandemic and impact on performance]

There was no impact on product supply either in Japan or overseas in the fiscal year under review. The performance of certain business activities were affected by COVID-19, including activities to visits to medical institutions to provide information.

The business environment remains uncertain. In this environment, the Company will continue to pay attention to changes in the circumstances and strive to maintain production and distribution and gather and provide information, while giving close attention to preventing infection.

(2) Overview of financial position during the fiscal year ended March 31, 2022

The financial position at the end of the fiscal year under review was as follows.

Total assets at the end of the fiscal year under review increased 31,917 million yen from the end of the previous fiscal year, to 350,981 million yen. Current assets increased 25,146 million yen from the end of the previous fiscal year, mainly due to a rise in inventories. Non-current assets increased 6,771 million yen from the end of the previous fiscal year, mainly due to an increase in buildings and structures, offsetting a decrease in investment securities.

Total liabilities were 92,871 million yen, an increase of 6,977 million yen from the end of the previous fiscal year. Notes and accounts payable – trade increased, but current liabilities shrank 2,505 million yen from the end of the previous fiscal year, mainly due to a decline in the current portion of long-term borrowings. Non-current liabilities grew 9,482 million yen from the end of the previous fiscal year, mainly reflecting an increase in long-term borrowings.

Net assets totaled 258,109 million yen, an increase of 24,940 million yen from the end of the previous fiscal year. Shareholders' equity rose 13,880 million yen from the end of the previous fiscal year, mainly reflecting an increase in retained earnings. Accumulated other comprehensive income climbed 8,103 million yen from the end of the previous fiscal year, chiefly due to an increase in foreign currency translation adjustment. Non-controlling interests increased 2,956 million yen from the end of the previous fiscal year.

As a result, the equity ratio remained the same as the previous fiscal year at 68.3%.

(3) Overview of cash flow during the fiscal year ended March 31, 2022

Cash flows in the fiscal year under review were as follows:

For the fiscal year under review, cash provided by operating activities was 21,314 million yen, cash used in investing activities was 9,111 million yen and cash used in financing activities was 8,181 million yen.

Cash provided by operating activities was 21,314 million yen. Looking at its breakdown, a major cash inflow item was profit before income taxes of 25,563 million yen, while a major cash outflow item was income taxes paid of 7,074 million yen. Compared to the previous fiscal year, cash inflow increased 5,211 million yen.

Cash used in investing activities was 9,111 million yen. Looking at its breakdown, a major cash outflow item was the purchase of property, plant and equipment of 10,174 million yen. Compared to the previous fiscal year, cash outflow increased 1,759 million yen.

Cash used in financing activities was 8,181 million yen. Looking at its breakdown, a major cash outflow item was dividends paid of 4,896 million yen. Compared to the previous fiscal year, cash outflow decreased 2,244 million yen.

As a result, cash and cash equivalents increased 7,867 million yen from the end of the previous fiscal year, to 67,536 million yen.

(4) Future outlook

In view of the growth of prescription Kampo products in Japan as well as China business, the net sales forecast for the fiscal year ending March 31, 2023 is 138,500 million yen. Net sales from overseas business are expected to account for 14,300 million yen of this total. Profit forecasts are operating profit of 20,800 million yen [down7.0%] , ordinary profit of 21,200 million yen [down18.2%] , and profit attributable to owners of parent of 15,000 million yen [down20.4%] .

In Japan, in addition to MRs providing information in person, the Company will run a hybrid promotion using digital technology, where it will provide the necessary information to different healthcare workers through the most suitable channels at the appropriate times, thereby offering the optimal customer experience. In this way, the Company will strive to continue expanding the Kampo market. Overseas, the Company will take steps to enter the traditional Chinese medicinal product business alongside the expansion of sales of crude drugs and crude drug pieces for decoction using its crude drug platforms. At present, it is difficult to accurately predict when the coronavirus outbreak will end, but if the situation changes, the Company will disclose information in a timely and appropriate manner.

With the safety of its employees, customers and business partners as its number one priority, the Company will continue seeking to prevent the spread of the coronavirus, determining a course of action based on Government guidance and action plans while seeking to continue business in an appropriate manner.

(Million yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Fiscal year ended March 31, 2023	138,500	20,800	21,200	15,000
[Year-on-year change after adjustment]	6.9%	(7.0%)	(18.2%)	(20.4%)

2. Basic idea of the selection of accounting standards

Tsumura and its group companies plan to prepare consolidated financial statements based on the Japanese standards for the time being. The companies will consider adopting the IFRS in an appropriate manner, taking into account conditions in Japan and overseas.

3. Consolidated Financial Statements and Key Notes

(1) Consolidated Balance Sheets

(Million yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	61,310	67,552
Notes and accounts receivable - trade	48,623	54,879
Merchandise and finished goods	13,939	10,247
Work in process	13,396	13,614
Raw materials and supplies	53,419	68,889
Other	13,637	14,360
Allowance for doubtful accounts	(53)	(123)
Total current assets	204,273	229,420
Non-current assets		
Property, plant and equipment		
Buildings and structures	74,533	89,563
Machinery, equipment and vehicles	61,483	70,189
Tools, furniture and fixtures	12,294	13,288
Land	9,051	9,051
Construction in progress	13,923	3,488
Other	499	602
Accumulated depreciation	(87,609)	(96,143)
Total property, plant and equipment	84,176	90,040
Intangible assets		
Goodwill	7,881	8,513
Other	3,561	3,814
Total intangible assets	11,443	12,328
Investments and other assets		
Investment securities	11,445	10,184
Retirement benefit asset	2,252	2,842
Deferred tax assets	500	660
Other	4,972	5,504
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	19,170	19,192
Total non-current assets	114,789	121,561
Total assets	319,063	350,981

(Million yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,593	13,676
Short-term borrowings	10,472	10,313
Current portion of long-term borrowings	12,380	—
Accounts payable - other	5,607	7,222
Income taxes payable	4,057	3,271
Other	7,269	11,392
Total current liabilities	48,380	45,875
Non-current liabilities		
Bonds payable	30,000	30,000
Long-term borrowings	—	9,377
Deferred tax liabilities	231	287
Deferred tax liabilities for land revaluation	1,179	1,179
Retirement benefit liability	61	55
Other	6,041	6,096
Total non-current liabilities	37,513	46,996
Total liabilities	85,894	92,871
Net assets		
Shareholders' equity		
Share capital	30,142	30,142
Capital surplus	13,789	13,732
Retained earnings	168,989	182,929
Treasury shares	(679)	(682)
Total shareholders' equity	212,241	226,121
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,180	2,324
Deferred gains or losses on hedges	1,233	2,020
Revaluation reserve for land	2,673	2,673
Foreign currency translation adjustment	(1,130)	6,911
Remeasurements of defined benefit plans	(412)	(280)
Total accumulated other comprehensive income	5,544	13,648
Non-controlling interests	15,382	18,339
Total net assets	233,169	258,109
Total liabilities and net assets	319,063	350,981

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

Consolidated Statements of Income

(Million yen)

	FY 3/2021 (From April 1, 2020 to March 31, 2021)	FY 3/2022 (From April 1, 2021 to March 31, 2022)
Net sales	116,413	129,546
Cost of sales	55,949	63,081
Gross profit	60,464	66,465
Selling, general and administrative expenses	41,081	44,088
Operating profit	19,382	22,376
Non-operating income		
Interest income	474	443
Dividend income	250	248
Share of profit of entities accounted for using equity method	115	—
Foreign exchange gains	366	2,474
Other	594	579
Total non-operating income	1,801	3,745
Non-operating expenses		
Interest expenses	286	173
Other	31	44
Total non-operating expenses	318	218
Ordinary profit	20,866	25,904
Extraordinary income		
Gain on sale of non-current assets	0	26
Gain on sale of investment securities	4	114
Total extraordinary income	5	140
Extraordinary losses		
Loss on sale of non-current assets	0	24
Loss on retirement of non-current assets	413	457
Total extraordinary losses	414	481
Profit before income taxes	20,456	25,563
Income taxes - current	6,235	6,268
Income taxes - deferred	(519)	(101)
Total income taxes	5,715	6,167
Profit	14,741	19,395
Profit (loss) attributable to non-controlling interests	(591)	559
Profit attributable to owners of parent	15,332	18,836

Consolidated Statements of Comprehensive Income

(Million yen)

	FY 3/2021 (From April 1, 2020 to March 31, 2021)	FY 3/2022 (From April 1, 2021 to March 31, 2022)
Profit	14,741	19,395
Other comprehensive income		
Valuation difference on available-for-sale securities	412	(856)
Deferred gains or losses on hedges	1,146	786
Foreign currency translation adjustment	541	10,366
Remeasurements of defined benefit plans, net of tax	536	131
Share of other comprehensive income of entities accounted for using equity method	2	64
Total other comprehensive income	2,640	10,494
Comprehensive income	17,381	29,889
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	17,616	26,940
Comprehensive income attributable to non-controlling interests	(235)	2,949

(3) Consolidated Statements of Changes in Equity
FY 3/2021 (From April 1, 2020 to March 31, 2021)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	30,142	14,041	158,610	(678)	202,116
Changes during period					
Dividends of surplus			(4,896)		(4,896)
Profit attributable to owners of parent			15,332		15,332
Change in scope of consolidation			(57)		(57)
Purchase of treasury shares				(1)	(1)
Change in ownership interest of parent due to transactions with non-controlling interests		(252)			(252)
Increase in consolidated subsidiaries - non-controlling interests					—
Net changes in items other than shareholders' equity					
Total changes during period	—	(252)	10,378	(1)	10,124
Balance at end of period	30,142	13,789	168,989	(679)	212,241

	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 adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	2,767	87	2,673	(1,318)	(949)	3,260	8,619	213,997
Changes during period								
Dividends of surplus								(4,896)
Profit attributable to owners of parent								15,332
Change in scope of consolidation								(57)
Purchase of treasury shares								(1)
Change in ownership interest of parent due to transactions with non-controlling interests								(252)
Increase in consolidated subsidiaries - non-controlling interests							7,567	7,567
Net changes in items other than shareholders' equity	412	1,146	—	187	536	2,283	(803)	1,479
Total changes during period	412	1,146	—	187	536	2,283	6,763	19,171
Balance at end of period	3,180	1,233	2,673	(1,130)	(412)	5,544	15,382	233,169

FY 3/2022 (From April 1, 2021 to March 31, 2022)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	30,142	13,789	168,989	(679)	212,241
Changes during period					
Dividends of surplus			(4,896)		(4,896)
Profit attributable to owners of parent			18,836		18,836
Purchase of treasury shares				(3)	(3)
Change in ownership interest of parent due to transactions with non-controlling interests		(56)			(56)
Net changes in items other than shareholders' equity					
Total changes during period	—	(56)	13,940	(3)	13,880
Balance at end of period	30,142	13,732	182,929	(682)	226,121

	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 adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	3,180	1,233	2,673	(1,130)	(412)	5,544	15,382	233,169
Changes during period								
Dividends of surplus								(4,896)
Profit attributable to owners of parent								18,836
Purchase of treasury shares								(3)
Change in ownership interest of parent due to transactions with non-controlling interests								(56)
Net changes in items other than shareholders' equity	(856)	786	—	8,041	131	8,103	2,956	11,060
Total changes during period	(856)	786	—	8,041	131	8,103	2,956	24,940
Balance at end of period	2,324	2,020	2,673	6,911	(280)	13,648	18,339	258,109

(4) Consolidated Statements of Cash Flows

(Million yen)

	FY 3/2021 (From April 1, 2020 to March 31, 2021)	FY 3/2022 (From April 1, 2021 to March 31, 2022)
Cash flows from operating activities		
Profit before income taxes	20,456	25,563
Depreciation	8,210	8,743
Amortization of goodwill	405	446
Increase (decrease) in allowance for doubtful accounts	31	60
Interest and dividend income	(724)	(692)
Interest expenses	286	173
Share of loss (profit) of entities accounted for using equity method	(115)	—
Loss (gain) on sale and retirement of property, plant and equipment	413	455
Decrease (increase) in trade receivables	(1,408)	(5,515)
Decrease (increase) in inventories	(4,515)	(5,496)
Increase (decrease) in trade payables	(1,612)	3,789
Loss (gain) on sale of short-term and long-term investment securities	(4)	(114)
Decrease (increase) in retirement benefit asset	(281)	(411)
Increase (decrease) in retirement benefit liability	5	5
Other, net	127	909
Subtotal	21,275	27,915
Interest and dividends received	878	682
Interest paid	(275)	(209)
Income taxes paid	(5,775)	(7,074)
Net cash provided by (used in) operating activities	16,102	21,314
Cash flows from investing activities		
Decrease (increase) in time deposits	2,631	1,748
Purchase of property, plant and equipment	(8,949)	(10,174)
Proceeds from sale of property, plant and equipment	1	66
Purchase of intangible assets	(467)	(413)
Purchase of short-term and long-term investment securities	(24,453)	(15,516)
Proceeds from sale and redemption of short-term and long-term investment securities	24,465	15,657
Purchase of investments in capital of subsidiaries	(451)	—
Loan advances	(156)	(0)
Proceeds from collection of loans receivable	2	1
Other, net	26	(479)
Net cash provided by (used in) investing activities	(7,352)	(9,111)

(Million yen)

	FY 3/2021 (From April 1, 2020 to March 31, 2021)	FY 3/2022 (From April 1, 2021 to March 31, 2022)
Cash flows from financing activities		
Proceeds from short-term borrowings	1,857	—
Repayments of short-term borrowings	(14,086)	(171)
Proceeds from long-term borrowings	—	9,377
Repayments of long-term borrowings	—	(12,337)
Proceeds from share issuance to non-controlling shareholders	7,567	—
Dividends paid	(4,896)	(4,896)
Dividends paid to non-controlling interests	(49)	(87)
Payments from changes in ownership interests in investments in capital of subsidiaries that do not result in change in scope of consolidation	(760)	—
Other, net	(56)	(64)
Net cash provided by (used in) financing activities	(10,425)	(8,181)
Effect of exchange rate change on cash and cash equivalents	131	3,845
Net increase (decrease) in cash and cash equivalents	(1,543)	7,867
Cash and cash equivalents at beginning of period	57,692	59,668
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	3,519	—
Cash and cash equivalents at end of period	59,668	67,536

(5) Notes to the Consolidated Financial Statements

(Notes on premise of a going concern)

There are no applicable matters.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has decided to apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter the “Revenue Recognition Accounting Standard”), etc. from the beginning of the fiscal year under review and recognize revenue from goods or services which the Group promised to provide at an amount expected to be received in exchange for the goods or services at the time when control over the promised goods or services has been transferred to a customer.

As a result, some expenses which were recorded in cost of sales and selling, general and administrative expenses in the past are deducted from net sales.

In addition, provision for sales returns, which was recorded in current liabilities in the past, is presented in “Other” under current liabilities as refund liabilities.

This change in accounting policies is applied retroactively, in principle, and consolidated financial statements for the previous fiscal year are those after retroactively applying the change. However, the following method stipulated in Paragraph 85 of the Revenue Recognition Accounting Standard is applied.

(1) For contracts in which the amounts of almost all revenues were recognized in accordance with the previous accounting treatment prior to the beginning of the previous fiscal year, comparative information shall not be adjusted retroactively.

As a result, net sales for the previous fiscal year decreased 14,469 million yen, cost of sales decreased 2 million yen, and selling, general and administrative expenses decreased 14,467 million yen, compared to before retroactive application. However, this does not have an impact on operating profit, ordinary profit, profit attributable to owners of parent, and per share information. There is also no impact on the balance of retained earnings at the beginning of the previous fiscal year.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company has decided to apply the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter the “Fair Value Measurement Accounting Standard”), etc. from the beginning of the fiscal year under review and apply the new accounting policy stipulated in the Fair Value Measurement Accounting Standard, etc. according to the provisional treatment stipulated in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019) into the future. The application of the Fair Value Measurement Accounting Standard and others mentioned above does not have no impact on consolidated financial statements.

(Segment information)

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

(Per share information)

	FY 3/2021 (From April 1, 2020 to March 31, 2021)	FY 3/2022 (From April 1, 2021 to March 31, 2022)
Shareholders' equity per share	2,846.58yen	3,133.97yen
Basic earnings per share	200.40yen	246.21yen

(Notes) 1. Diluted earnings per share is not stated because there are no residual securities.

2. Basis of calculation

(1) The basis of calculation for shareholders' equity per share is as follows.

	As of March 31, 2021	As of March 31, 2022
Total net assets (million yen)	233,169	258,109
Deduction from total net assets (million yen)	15,382	18,339
[Non-controlling interests]	[15,382]	[18,339]
Net assets related to common stock at the end of the fiscal year (million yen)	217,786	239,770
Number of shares of common stock at the end of the fiscal year used for calculation of shareholders' equity per share (thousand shares)	76,507	76,507

(2) The basis of calculation for basic earnings per share per share is as follows.

	FY 3/2021 (From April 1, 2020 to March 31, 2021)	FY 3/2022 (From April 1, 2021 to March 31, 2022)
Profit attributable to owners of parent (million yen)	15,332	18,836
Amount not attributable to common stockholders (million yen)	—	—
Profit attributable to owners of parent related to common stock (million yen)	15,332	18,836
Average number of shares of common stock during the fiscal year under review (thousand shares)	76,508	76,507

(Significant subsequent events)

There are no applicable matters.