



## Summary of Consolidated Financial Statements for the Fiscal Year Ended March 2018 (Japan GAAP)

May 10, 2018

Name of Listed Company: <b>TSUMURA &amp; CO.</b>	Exchange: Tokyo Stock Exchange
Code: 4540	URL: <a href="http://www.tsumura.co.jp">http://www.tsumura.co.jp</a>
Representative: Position: President & Representative Director	Name: Terukazu Kato
Contact: Position: Head of Corporate Communications DEPT.	Name: Yosuke Tsuchiya
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Scheduled date of general meeting of shareholders: June 28, 2018  
 Scheduled date of dividend payment commencement: June 29, 2018  
 Scheduled date of security report submission: June 28, 2018  
 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 2018 (from April 1, 2017 to March 31, 2018)

#### (1) Financial results (total sum)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal Year 3/2018	117,879	2.5	17,050	6.7	17,914	9.2	14,504	16.1
Fiscal Year 3/2017	114,954	2.1	15,983	-19.4	16,399	-15.9	12,488	-0.5

(Note) Comprehensive income: FY 3/2018: 16,271 million yen (43.4%) FY 3/2017: 11,344 million yen (17.8%)

	Profit per share	Fully diluted profit per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating profit to sales
	Yen	Yen	%	%	%
Fiscal Year 3/2018	200.55	—	8.3	6.9	14.5
Fiscal Year 3/2017	179.46	—	8.1	7.4	13.9

(Reference) Equity in earnings of affiliates: FY 3/2018: 324 million yen FY 3/2017: 31 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, 2018	293,701	196,533	65.9	2,532.11
As of March 31, 2017	222,008	157,397	69.7	2,250.34

(Reference) Shareholders' equity: FY 3/2018: 193,599 million yen FY 3/2017: 154,783 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 3/2018	21,066	-23,354	50,305	78,313
Fiscal Year 3/2017	21,065	-6,451	-9,572	29,901

### 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	%	%
FY 3/2017	—	32.00	—	32.00	64.00	4,420	35.7	2.9
FY 3/2018	—	32.00	—	32.00	64.00	4,647	31.9	2.7
FY 3/2019 (Projection)	—	32.00	—	32.00	64.00		38.2	

### 3. Projections of consolidated business results for the term ending March 2019 (From April 1, 2018 to March 31, 2019)

(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	58,900	1.1	9,100	1.3	9,100	-1.6	6,800	2.8	88.94
Full-year	120,500	2.2	17,500	2.6	18,000	0.5	12,800	-11.8	167.41

Notes

(1) Important changes of subsidiaries during the term (change of specified subsidiaries that lead to a change in the scope of consolidation): No

(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 3/2018:	76,758,362	FY 3/2017:	70,771,662
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2) Number of treasury stock at the end of the term (shares):

FY 3/2018:	300,382	FY 3/2017:	1,989,282
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3) Average number of shares during the term (shares):

FY 3/2018:	72,324,992	FY 3/2017:	69,592,851
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\* This Summary of Consolidated Financial Statements 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

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 3 for information regarding the forecast of consolidated financial results.

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## 1. Overview of Operating Results, etc.

### (1) Overview of operating results for the fiscal year ended March 31, 2018

During the fiscal year under review, the Japanese economy maintained a trend of moderate recovery backed by improvement in corporate earnings, employment, and household income and other factors. The global economy also remained strong in general, in which the U.S. maintained steady consumer spending, Europe reduced unemployment rates and increased capital expenditure, and the Chinese government successfully implemented public-finance policies.

Meanwhile, the measures to control medical expenses remained basically unchanged in the Japanese pharmaceutical industry, which continued to present a harsh market.

In this environment, the consolidated net sales of Tsumura and its group companies for the fiscal year under review increased 2.5% year on year to 117,879 million yen thanks primarily to continues growth in the sales of prescription Kampo products.

Profit included operating profit of 17,050 million yen (up 6.7% year on year), ordinary profit of 17,914 million yen (up 9.2% year on year), and profit attributable to owners of parent of 14,504 million yen (up 16.1% year on year). The cost-to-sales ratio fell 0.9% year on year, due mainly to reduced costs related to crude drugs. As a result, the operating profit margin rose 0.6% year on year, to 14.5%.

[Consolidated business results]

(Million yen)

	FY 3/2017	FY 3/2018	YoY Change (Percent Change)
Net sales	114,954	117,879	2,924 2.5 (%)
Operating profit	15,983	17,050	1,067 6.7 (%)
Ordinary profit	16,399	17,914	1,515 9.2 (%)
Profit attributable to owners of parent	12,488	14,504	2,015 16.1 (%)

Net sales of overall prescription Kampo products grew 2.4% year on year.

As marketing strategies, the Company positioned three segments, including the geriatric field, cancer domain (supportive care), and gynecology field, as key areas and concentrated its activities in these segments. The Company responds to various needs of healthcare professionals and provides appropriate information on evidence in basic and clinical medicine, medical practice guidelines in which Kampo is described, and the use of different Kampo products with the aim of contributing to the healthcare of many patients in priority areas, including, in particular, the conventional five “drug-fostering” formulas and subsequent five “drug-growing” formulas\* as strategic formulas.

The Company will continue to collect and provide more information on Kampo medicine and Kampo products primarily through meetings with doctors, presentations for medical institutions, and Kampo seminars.

\* Five “drug-growing” formulas

As strategic formulas that follow the five “drug-fostering” formulas, the five “drug-growing” formulas are growth drivers that aim to publish medical practice guidelines in areas in which satisfaction with treatment and contribution of drugs are low by developing evidence (data on safety and effectiveness, etc.).

(2) Overview of financial position during the fiscal year ended March 31, 2018

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

Total assets rose 71,692 million yen from the end of the previous fiscal year mainly due to an increase in cash and deposits, to 293,701 million yen.

Liabilities increased 32,556 million yen chiefly due to the issuance of bonds, to 97,168 million yen.

Net assets rose 39,135 million yen from the end of the previous fiscal year, mainly due to the issuance of new shares and disposal of treasury share by way of third-party allotment, to 196,533 million yen.

As a result, the equity ratio declined 3.8 percentage points, to 65.9%.

(3) Overview of cash flow during the fiscal year ended March 31, 2018

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

Cash flow provided by operating activities was 21,066 million yen, which was approximately the same level as that in the previous fiscal year.

Cash used in investing activities was 23,354 million yen. In comparison to the previous fiscal year, expenditure increased 16,902 million yen, due largely to payments into time deposits.

Cash provided by financing activities was 50,305 million yen. In comparison to the previous fiscal year, cash inflow increased 59,877 million yen, chiefly as a result of share issuance through a private placement, the disposal of treasury shares, and proceeds from the issuance of bonds.

As a result, cash and cash equivalents at the end of the fiscal year under review increased 48,412 million yen from the end of the previous fiscal year, to 78,313 million yen.

(4) Future outlook

Financial forecasts for the fiscal year ending March 31, 2019 include net sales of 120,500 million yen (up 2.2%), profit comprising operating income of 17,500 million yen (up 2.6%) and ordinary income of 18,000 million yen (up 0.5%), and profit attributable to owners of parent of 12,800 million yen (down 11.8%), taking into account the growing sales of prescription Kampo products, revisions of drug prices, and other factors.

(Million yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
FY 3/2019 (Percent Change)	120,500 (2.2%)	17,500 (2.6%)	18,000 (0.5%)	12,800 (-11.8%)

## 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, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	29,931	83,520
Notes and accounts receivable-trade	40,347	42,906
Securities	—	3,500
Merchandise and finished goods	8,122	8,008
Work in process	14,547	12,797
Raw materials and supplies	29,467	29,188
Deferred tax assets	1,325	1,512
Other	10,941	10,971
Allowance for doubtful accounts	-4	-4
Total current assets	134,679	192,401
Non-current assets		
Property, plant and equipment		
Buildings and structures	64,429	64,778
Machinery, equipment and vehicles	47,920	50,559
Tools, furniture and fixtures	10,139	10,502
Land	9,052	9,052
Construction in progress	3,880	11,879
Other	308	334
Accumulated depreciation	-71,044	-75,776
Total property, plant and equipment	64,686	71,329
Intangible assets	266	526
Investment and other assets		
Investment securities	17,530	14,179
Net defined benefit asset	1,058	1,908
Deferred tax assets	43	36
Other	3,743	13,319
Allowance for doubtful accounts	-0	-0
Total investment and other assets	22,376	29,443
Total non-current assets	87,329	101,300
Total assets	222,008	293,701

(Million yen)

	As of March 31, 2017	As of March 31, 2018
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	6,696	5,507
Short-term loans payable	12,581	10,314
Current portion of long-term loans payable	—	15,000
Accounts payable - other	6,020	7,823
Income taxes payable	1,901	3,538
Provision for sales returns	13	10
Other	4,670	6,573
Total current liabilities	31,883	48,766
Non-current liabilities		
Bonds payable	—	30,000
Long-term loans payable	24,376	9,376
Deferred tax liabilities	1,733	2,210
Deferred tax liabilities for land revaluation	1,179	1,179
Net defined benefit liability	84	88
Other	5,353	5,547
Total non-current liabilities	32,727	48,402
Total liabilities	64,611	97,168
<b>Net assets</b>		
Shareholders' equity		
Capital stock	19,487	30,142
Capital surplus	1,940	14,027
Retained earnings	129,937	140,040
Treasury shares	-5,393	-814
Total shareholders' equity	145,972	183,396
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,845	4,748
Deferred gains or losses on hedges	925	323
Revaluation reserve for land	2,673	2,673
Foreign currency translation adjustment	1,470	2,301
Remeasurements of defined benefit plans	-102	157
Total accumulated other comprehensive income	8,811	10,203
Non-controlling interests	2,613	2,933
Total net assets	157,397	196,533
Total liabilities and net assets	222,008	293,701



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

## Consolidated Statements of Income

(Million yen)

	FY 3/2017 (From April 1, 2016 to March 31, 2017)	FY 3/2018 (From April 1, 2017 to March 31, 2018)
Net sales	114,954	117,879
Cost of sales	49,454	49,603
Gross profit	65,499	68,275
Selling, general and administrative expenses	49,516	51,224
Operating profit	15,983	17,050
Non-operating income		
Interest income	64	166
Dividend income	385	382
Share of profit of entities accounted for using equity method	31	324
Other	481	498
Total non-operating income	962	1,371
Non-operating expenses		
Interest expenses	144	190
Bond issuance cost	—	143
Share issuance cost	—	108
Foreign exchange losses	381	25
Other	20	39
Total non-operating expenses	546	507
Ordinary profit	16,399	17,914
Extraordinary income		
Gain on sales of non-current assets	3	10
Gain on sales of investment securities	873	1,498
Subsidy income	—	1,000
Total extraordinary income	876	2,509
Extraordinary losses		
Loss on sales of non-current assets	43	13
Loss on retirement of non-current assets	40	60
Loss on disaster	7	—
Environmental expenses	—	66
Total extraordinary losses	92	140
Profit before income taxes	17,184	20,284
Income taxes - current	4,342	5,440
Income taxes - deferred	103	49
Total income taxes	4,446	5,489
Profit	12,738	14,794
Profit attributable to non-controlling interests	249	289
Profit attributable to owners of parent	12,488	14,504

## Consolidated Statements of Comprehensive Income

(Million yen)

	FY 3/2017 (From April 1, 2016 to March 31, 2017)	FY 3/2018 (From April 1, 2017 to March 31, 2018)
Profit	12,738	14,794
Other comprehensive income		
Valuation difference on available-for-sale securities	9	902
Deferred gains or losses on hedges	445	-601
Revaluation reserve for land	159	—
Foreign currency translation adjustment	-2,342	902
Remeasurements of defined benefit plans	383	260
Share of other comprehensive income (loss) of entities accounted for using equity method	-49	13
Total other comprehensive income (loss)	-1,393	1,477
Comprehensive income	11,344	16,271
Comprehensive income attributable to		
Owners of parent	11,408	15,896
Non-controlling interests	-64	374

(3) Consolidated Statements of Changes in Equity  
FY 3/2017 (From April 1, 2016 to March 31, 2017)

(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
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 adjustment	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
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

FY 3/2018 (From April 1, 2017 to March 31, 2018)

(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	129,937	-5,393	145,972
Changes of items during the period					
Issuance of new shares	10,654	10,654			21,309
Dividends of surplus			-4,402		-4,402
Net income attributable to owners of parent			14,504		14,504
Purchase of treasury shares				-1	-1
Disposal of treasury shares		1,432		4,580	6,012
Net changes of items other than shareholders' equity					
Total changes of items during the period	10,654	12,087	10,102	4,579	37,423
Balance at end of current period	30,142	14,027	140,040	-814	183,396

	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 current period	3,845	925	2,673	1,470	-102	8,811	2,613	157,397
Changes of items during the period								
Issuance of new shares								21,309
Dividends of surplus								-4,402
Net income attributable to owners of parent								14,504
Purchase of treasury shares								-1
Disposal of treasury shares								6,012
Net changes of items other than shareholders' equity	902	-601	-	830	260	1,392	319	1,712
Total changes of items during the period	902	-601	-	830	260	1,392	319	39,135
Balance at end of current period	4,748	323	2,673	2,301	157	10,203	2,933	196,533

## (4) Consolidated Statements of Cash Flows

(Million yen)

	FY 3/2017 (From April 1, 2016 to March 31, 2017)	FY 3/2018 (From April 1, 2017 to March 31, 2018)
<b>Cash flows from operating activities</b>		
Profit before income taxes	17,184	20,284
Depreciation	5,629	6,157
Increase (decrease) in allowance for doubtful accounts	-2	0
Interest and dividend income	-449	-548
Interest expenses	144	190
Bond issuance cost	-	143
Share issuance cost	-	108
Share of (profit) loss of entities accounted for using equity method	-31	-324
Loss (gain) on sales and retirement of property, plant and equipment	82	74
Decrease (increase) in notes and accounts receivable - trade	1,465	-2,529
Decrease (increase) in inventories	-1,123	2,566
Increase (decrease) in notes and accounts payable - trade	1,255	-1,304
Loss (gain) on sales of short-term and long-term investment securities	-873	-1,498
Decrease (increase) in net defined benefit asset	-281	-422
Increase (decrease) in net defined benefit liability	-89	-47
Other	3,272	1,715
Subtotal	26,182	24,565
Interest and dividend income received	470	537
Interest expenses paid	-142	-161
Income taxes paid	-5,444	-3,875
Net cash provided by (used in) operating activities	21,065	21,066
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	-8,211	-10,463
Proceeds from sales of property, plant and equipment	29	19
Purchase of intangible assets	-88	-318
Purchase of short-term and long-term investment securities	-18	-13,510
Proceeds from sales and redemption of short-term and long-term investment securities	1,874	16,154
Payments for investments in capital of subsidiaries and associates	-238	-
Payments of loans receivable	-3	-4
Collection of loans receivable	4	4
Payments into time deposits	-34	-21,569
Proceeds from withdrawal of time deposits	36	6,383
Other	197	-49
Net cash provided by (used in) investing activities	-6,451	-23,354

(Million yen)

	FY 3/2017 (From April 1, 2016 to March 31, 2017)	FY 3/2018 (From April 1, 2017 to March 31, 2018)
Cash flows from financing activities		
Decrease in short-term loans payable	–	-2,267
Proceeds from issuance of bonds	–	29,856
Proceeds from issuance of common shares	–	21,201
Purchase of treasury shares	-5,001	-1
Proceeds from sales of treasury shares	–	6,012
Cash dividends paid	-4,478	-4,404
Dividends paid to non-controlling interests	-49	-49
Other	-43	-43
Net cash provided by (used in) financing activities	-9,572	50,305
Effect of exchange rate change on cash and cash equivalents	-588	394
Net increase (decrease) in cash and cash equivalents	4,453	48,412
Cash and cash equivalents at beginning of period	25,128	29,901
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	29,901	78,313

(5) Notes to the Consolidated Financial Statements

(Notes on premise of a going concern)

There are no applicable matters.

(Transfer of important subsidiaries during the fiscal year under review)

There are no applicable matters.

Though not a transfer of a specified subsidiary, Tsumura China Inc. has been consolidated due to the completion of investment in the company during the fiscal year under review.

(Segment information)

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

(Per share information)

	FY 3/2017 (From April 1, 2016 to March 31, 2017)	FY 3/2018 (From April 1, 2017 to March 31, 2018)
Net assets per share	2,250.34 yen	2,532.11 yen
Profit per share	179.46 yen	200.55 yen

(Notes) 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, 2017	As of March 31, 2018
Total net assets (million yen)	157,397	196,533
Deduction from total net assets (million yen)	2,613	2,933
(Non-controlling interests)	(2,613)	(2,933)
Net assets related to common stock at the end of the fiscal year (million yen)	154,783	193,599
Number of shares of common stock at the end of the fiscal year used for calculation of net assets per share (thousand shares)	68,782	76,457

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

	FY 3/2017 (From April 1, 2016 to March 31, 2017)	FY 3/2018 (From April 1, 2017 to March 31, 2018)
Profit attributable to owners of parent (million yen)	12,488	14,504
Amount not attributable to common stockholders (million yen)	—	—
Profit attributable to owners of parent related to common stock (million yen)	12,488	14,504
Average number of shares of common stock during the fiscal year under review (thousand shares)	69,592	72,324

(Significant subsequent events)

There are no applicable matters.

#### 4. Other

Changes in officers

1.Changes in representatives

Not applicable

2. Changes in other officers (scheduled for June 28, 2018)

(1) Candidate for director

(New Title)	(Name)	(Current Title)
Director, Managing Executive Officer	Susumu Adachi	Managing Executive Officer
Outside Director	Hiroshi Miyake	

(2) Directors to retire

(Name)	(Current Title)
Toru Sugita※	Director
Yayoi Masuda	Outside Director

※Toru Sugita will be advisor to the Company