



Summary of Consolidated Financial Statements for the Fiscal Year Ended March 31, 2020 (Japan GAAP)

May 11, 2020

Name of Listed Company: TSUMURA & CO.	Exchange: Tokyo Stock Exchange
Code: 4540	URL: https://www.tsumura.co.jp
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Scheduled date of general meeting of shareholders: June 26, 2020
 Scheduled date of dividend payment commencement: June 29, 2020
 Scheduled date of security report submission: June 26, 2020
 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 31, 2020 (From April 1, 2019 to March 31, 2020)

(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 3/2020	123,248	1.9	18,876	1.9	19,649	(0.3)	13,765	(5.7)
Fiscal Year 3/2019	120,906	2.6	18,520	8.6	19,702	10.0	14,593	0.6

(Note) Comprehensive income: FY 3/2020: 8,415 million yen [(35.7)%] FY 3/2019: 13,090 million yen [(19.6)%]

	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 3/2020	179.96	—	6.8	6.6	15.3
Fiscal Year 3/2019	190.87	—	7.4	6.8	15.3

(Reference) Equity in earnings of affiliates: FY 3/2020: 96 million yen FY 3/2019: 112 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, 2020	311,042	213,048	66.0	2,684.38
As of March 31, 2019	287,322	206,141	70.2	2,639.59

(Reference) Shareholders' equity: FY 3/2020: 205,377 million yen FY 3/2019: 201,816 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 3/2020	18,191	(23,488)	7,111	57,692
Fiscal Year 3/2019	5,450	(7,697)	(18,528)	56,243

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 3/2019	—	32.00	—	32.00	64.00	4,893	33.5	2.5
FY 3/2020	—	32.00	—	32.00	64.00	4,896	35.6	2.4
FY 3/2021 (Projection)	—	32.00	—	32.00	64.00		37.7	

3. Projections of consolidated business results for the term ending March 31, 2021

(From April 1, 2020 to March 31, 2021)

(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	64,200	5.6	9,100	(6.9)	9,400	(4.6)	6,800	(3.4)	88.88
Full-year	132,000	7.1	17,000	(9.9)	17,900	(8.9)	13,000	(5.6)	169.92

(Note) Since it is difficult to accurately predict when the coronavirus outbreak will end, the above forecasts do not factor in the impact of the virus. Based on the assumption that the coronavirus outbreak peaks between April and June and is then gradually brought under control, the Company estimates a negative impact on net sales of 2-4%. However, if the outbreak drags on or if there is any other material change in the situation, the Company will disclose information in a timely and appropriate manner.

Notes

(1) Important changes of subsidiaries during the term (change of specified subsidiaries that lead to a change in the scope of consolidation): Yes

New: Two companies Names: Tianjin China Medico Technology Co., Ltd., Shengshi Baicao Pharmaceutical Co., Ltd.
 Exclusion: - Name:

(Note) For details, please refer to “3. Consolidated Financial Statements and Key Notes (5) Notes to the Consolidated Financial Statements (Transfer of important subsidiaries during the fiscal year under review)” on page 13 of the Attached Documents.

(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)
- 2) Number of treasury stock at the end of the term (shares)
- 3) Average number of shares during the term (shares)

FY 3/2020	76,758,362	FY 3/2019	76,758,362
FY 3/2020	250,049	FY 3/2019	300,631
FY 3/2020	76,488,918	FY 3/2019	76,457,903

* 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, 2020

During the fiscal year under review, the pharmaceutical business in Japan continued to face a difficult environment amid the implementation of measures for controlling medical expenses to curb ever-increasing social security spending. In addition, the COVID-19 coronavirus pandemic caused the economic outlook to become more uncertain than ever and made the business environment even more challenging.

Under these circumstances, some of the production bases of Tsumura and its group companies in China were affected, but those in Japan continued to operate without stoppages. The supply of Kampo products was, therefore, unaffected and sales of prescription Kampo products continued to grow.

As a result, the consolidated net sales for the fiscal year under review increased 1.9% year on year, to 123,248 million yen.

Looking at profit, operating profit was 18,876 million yen (up 1.9% year on year) and ordinary profit was 19,649 million yen (down 0.3% year on year). Profit attributable to owners of parent was 13,765 million yen (down 5.7% year on year), reflecting the recording of a loss on valuation of investments in capital of subsidiaries and associates of 431 million yen under extraordinary losses in connection with a decision to dissolve and liquidate SPH TSUMURA PHARMACEUTICALS CO., LTD. The cost-to-sales ratio rose 0.3 percentage points year on year because the Company was unable to absorb the cost increase arising from the NHI drug price revision. In addition, the cost-to-SGA ratio fell 0.3 percentage point year on year, partly due to the voluntary cancellation of activities due to the coronavirus outbreak. As a result, the operating profit margin was 15.3%, unchanged from a year ago.

[Consolidated business results]

(Million yen)

	FY 3/2019	FY 3/2020	YoY Change (Percent Change)
Net sales	120,906	123,248	2,341 1.9 %
Operating profit	18,520	18,876	356 1.9 %
Ordinary profit	19,702	19,649	(52) (0.3) %
Profit attributable to owners of parent	14,593	13,765	(828) (5.7) %

Net sales of overall prescription Kampo products grew 1.8% year on year. To expand the Kampo market and establish a presence in the market in a sustained manner, which are the strategic challenges adopted in the Medium-Term Management Plan, the Company has positioned the geriatric field, the cancer domain (supportive care) and the gynecology field as three important domains. The Company has been active in providing information on matters focused on five drug fostering program formulations*1 and five growing formulations*2.

In the fiscal year under review, net sales of Daikenchuto, a drug fostering program formulation that is a staple item for the Company, decreased 0.7% year on year. The Company will fully implement activities for providing information in the hospitals market afresh. At the same time, the Company will step up activities for winning new markets by focusing on abdominal flatulence, in relation to which satisfaction with treatment may be low. Net sales grew solidly for Hangeshashinto, another drug fostering program formulation, and Bakumondoto and Goreisan, both of which are growing formulations. In other formulations, net sales of Ninjin'yoeito increased favorably.

Demand for Kampo medicine is diversifying increasingly among health care professionals. The Company will continue its activities for providing appropriate information on subjects, including evidence in basic and clinical medicine, clinical practice guidelines in which Kampo products are described, and the proper use of Kampo medicine based on Kampo diagnosis, with positioning meetings with doctors, presentations for medical institutions and Kampo medicine seminars as well as web seminars as the basis of these operations.

*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

(2) Overview of financial position during the fiscal year ended March 31, 2020

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 23,719 million yen from the end of the previous fiscal year, to 311,042 million yen. Current assets increased 4,261 million yen from the end of the previous fiscal year, mainly due to a rise in inventories despite a decrease in advance payments-trade. This was mainly due to the inclusion of Tianjin China Medico Technology Co., Ltd. and its five subsidiaries in the scope of consolidation. Non-current assets grew 19,458 million yen from the end of the previous fiscal year, mainly due to an increase in goodwill associated with the consolidation of Tianjin China Medico Technology Co., Ltd., offsetting a decrease in investment securities mainly due to a fall in share prices.

Total liabilities were 97,993 million yen, an increase of 16,812 million yen from the end of the previous fiscal year. Current liabilities increased 15,156 million yen from the end of the previous fiscal year, mainly due to an increase in short-term loans payable to fund the acquisition of an equity interest in Tianjin China Medico Technology Co., Ltd., which offset a decrease in accounts payable-other. Non-current liabilities rose 1,655 million yen from the end of the previous fiscal year.

Net assets totaled 213,048 million yen, an increase of 6,907 million yen from the end of the previous fiscal year. Shareholders' equity rose 9,021 million yen from the end of the previous fiscal year, mainly reflecting an increase in retained earnings. Accumulated other comprehensive income dropped 5,460 million yen from the end of the previous fiscal year, chiefly attributable to a fall in valuation difference on available-for-sale securities. Non-controlling interests increased 3,346 million yen from the end of the previous fiscal year.

As a result, the equity ratio fell 4.2 percentage points, to 66.0%.

(3) Overview of cash flow during the fiscal year ended March 31, 2020

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

At the end of the fiscal year under review, cash provided by operating activities was 18,191 million yen, cash used in investing activities was 23,488 million yen and cash provided by financing activities was 7,111 million yen.

Cash provided by operating activities was 18,191 million yen. Looking at its breakdown, a major cash inflow item was profit before income taxes of 19,223 million yen, while a major cash outflow item was a decrease (an increase) in inventories of 3,930 million yen. Compared to the previous fiscal year, cash inflow increased 12,740 million yen.

Cash used in investing activities was 23,488 million yen. Looking at its breakdown, a major cash outflow item was the purchase of investments in subsidiaries resulting in change in scope of consolidation of 17,891 million yen. Compared to the previous fiscal year, cash outflow increased 15,790 million yen.

Cash provided by financing activities was 7,111 million yen. Looking at its breakdown, a major cash inflow item was proceeds from short-term borrowings of 11,304 million yen. Compared to the previous fiscal year, cash inflow grew 25,639 million yen.

As a result, cash and cash equivalents increased 1,448 million yen from the end of the previous fiscal year, to 57,692 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, 2021 is 132,000million yen (up7.1%). Profit forecasts are operating income of 17,000million yen (down9.9%), ordinary income of 17,900million yen (down8.9%), and profit attributable to owners of parent of 13,000million yen (down5.6%). Since it is difficult to accurately predict when the coronavirus outbreak will end, the above forecasts do not factor in the impact of the virus. Based on the assumption that the coronavirus outbreak peaks between April and June and is then gradually brought under control, the Company estimates a negative impact on net sales of 2-4%. However, if the outbreak drags on or if there is any other material change in the situation, the Company will disclose information in a timely and appropriate manner.

The Company's Shizuoka Plant, Ibaraki Plant and Ishioka Center, LOGITEM TSUMURA CO., LTD. And YUBARI TSUMURA CO., LTD. and the bases of Group companies located in China have all put measures in place to prevent the virus from spreading and are operating as usual, to maintain a stable supply of prescription Kampo products. 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
FY 3/2021	132,000	17,000	17,900	13,000
Percent Change	7.1%	(9.9)%	(8.9)%	(5.6)%

(5) Critical contracts for operation

At a meeting held on February 28, 2020, the Company's Board of Directors passed a resolution to conclude an equity interest transfer agreement for the acquisition of an 80% equity interest in Tianjin China Medico Technology Co., Ltd. by Ping An Tsumura Inc., which is a consolidated subsidiary of the Company. Ping An Tsumura Inc. concluded the agreement on March 22, 2020 and acquired the 80% equity interest in Tianjin China Medico Technology Co., Ltd. on March 30, 2020.

Details are as stated in "3. Consolidated Financial Statements and Key Notes (5) Notes to the Consolidated Financial Statements (Business combinations)

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, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	72,240	61,957
Notes and accounts receivable-trade	44,524	47,161
Merchandise and finished goods	9,382	10,338
Work in process	11,125	12,418
Raw materials and supplies	31,299	50,553
Advance payments - trade	16,514	3,741
Other	4,945	8,140
Allowance for doubtful accounts	(4)	(22)
Total current assets	190,027	194,288
Non-current assets		
Property, plant and equipment		
Buildings and structures	64,800	68,672
Machinery, equipment and vehicles	50,214	52,012
Tools, furniture and fixtures	10,815	11,340
Land	9,052	9,051
Construction in progress	15,199	18,748
Other	392	451
Accumulated depreciation	(76,769)	(83,069)
Total property, plant and equipment	73,703	77,207
Intangible assets		
Goodwill	—	12,016
Other	872	1,324
Total intangible assets	872	13,341
Investment and other assets		
Investment securities	15,642	10,750
Retirement benefit asset	1,934	1,213
Deferred tax assets	366	755
Other	4,777	13,485
Allowance for doubtful accounts	(0)	(0)
Total investment and other assets	22,719	26,204
Total non-current assets	97,295	116,753
Total assets	287,322	311,042

(Million yen)

	As of March 31, 2019	As of March 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,267	10,128
Short-term borrowings	10,314	22,874
Accounts payable - other	8,032	5,874
Income taxes payable	2,101	3,607
Provision for sales returns	10	10
Other	6,594	5,982
Total current liabilities	33,320	48,476
Non-current liabilities		
Bonds payable	30,000	30,000
Long-term borrowings	9,376	12,394
Deferred tax liabilities	1,905	0
Deferred tax liabilities for land revaluation	1,179	1,179
Retirement benefit liability	74	72
Other	5,324	5,869
Total non-current liabilities	47,861	49,516
Total liabilities	81,181	97,993
Net assets		
Shareholders' equity		
Capital stock	30,142	30,142
Capital surplus	14,027	14,041
Retained earnings	149,740	158,610
Treasury shares	(815)	(678)
Total shareholders' equity	193,095	202,116
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,697	2,767
Deferred gains or losses on hedges	740	87
Revaluation reserve for land	2,673	2,673
Foreign currency translation adjustment	(313)	(1,318)
Remeasurements of defined benefit plans	(76)	(949)
Total accumulated other comprehensive income	8,721	3,260
Non-controlling interests	4,324	7,671
Total net assets	206,141	213,048
Total liabilities and net assets	287,322	311,042

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

Consolidated Statements of Income

(Million yen)

	FY 3/2019 (From April 1, 2018 to March 31, 2019)	FY 3/2020 (From April 1, 2019 to March 31, 2020)
Net sales	120,906	123,248
Cost of sales	49,451	50,747
Gross profit	71,455	72,500
Selling, general and administrative expenses	52,935	53,623
Operating profit	18,520	18,876
Non-operating income		
Interest income	507	573
Dividend income	235	253
Share of profit of entities accounted for using equity method	112	96
Foreign exchange gains	164	—
Other	400	401
Total non-operating income	1,420	1,325
Non-operating expenses		
Interest expenses	162	142
Foreign exchange losses	—	254
Loss on abandonment of inventories	—	94
Other	76	61
Total non-operating expenses	238	552
Ordinary profit	19,702	19,649
Extraordinary income		
Gain on sales of non-current assets	1	5
Gain on sales of investment securities	324	339
Total extraordinary income	325	344
Extraordinary losses		
Loss on sales of non-current assets	0	1
Loss on retirement of non-current assets	130	50
Loss on sales of investment securities	—	19
Loss on valuation of investment securities	—	267
Loss on valuation of investments in capital of subsidiaries and associates	—	431
Total extraordinary losses	130	770
Profit before income taxes	19,897	19,223
Income taxes - current	4,670	5,611
Income taxes - deferred	393	(344)
Total income taxes	5,064	5,266
Profit	14,833	13,956
Profit attributable to non-controlling interests	239	191
Profit attributable to owners of parent	14,593	13,765

Consolidated Statements of Comprehensive Income

(Million yen)

	FY 3/2019 (From April 1, 2018 to March 31, 2019)	FY 3/2020 (From April 1, 2019 to March 31, 2020)
Profit	14,833	13,956
Other comprehensive income		
Valuation difference on available-for-sale securities	949	(2,930)
Deferred gains or losses on hedges	417	(652)
Foreign currency translation adjustment	(2,826)	(1,078)
Remeasurements of defined benefit plans	(234)	(872)
Share of other comprehensive income (loss) of entities accounted for using equity method	(48)	(7)
Total other comprehensive income (loss)	(1,742)	(5,541)
Comprehensive income	13,090	8,415
Comprehensive income attributable to		
Owners of parent	13,111	8,304
Non-controlling interests	(20)	110

(3) Consolidated Statements of Changes in Equity
FY 3/2019 (From April 1, 2018 to March 31, 2019)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	30,142	14,027	140,040	(814)	183,396
Changes of items during the period					
Dividends of surplus			(4,893)		(4,893)
Net income attributable to owners of parent			14,593		14,593
Purchase of treasury shares				(0)	(0)
Increase of consolidated subsidiaries - non-controlling interests					—
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	9,700	(0)	9,699
Balance at end of current period	30,142	14,027	149,740	(815)	193,095

	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	4,748	323	2,673	2,301	157	10,203	2,933	196,533
Changes of items during the period								
Dividends of surplus								(4,893)
Net income attributable to owners of parent								14,593
Purchase of treasury shares								(0)
Increase of consolidated subsidiaries - non-controlling interests							1,468	1,468
Net changes of items other than shareholders' equity	949	417	—	(2,614)	(234)	(1,482)	(77)	(1,559)
Total changes of items during the period	949	417	—	(2,614)	(234)	(1,482)	1,391	9,608
Balance at end of current period	5,697	740	2,673	(313)	(76)	8,721	4,324	206,141

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	30,142	14,027	149,740	(815)	193,095
Changes of items during the period					
Dividends of surplus			(4,894)		(4,894)
Net income attributable to owners of parent			13,765		13,765
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		13		138	152
Increase of consolidated subsidiaries - non-controlling interests					—
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	13	8,870	137	9,021
Balance at end of current period	30,142	14,041	158,610	(678)	202,116

	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	5,697	740	2,673	(313)	(76)	8,721	4,324	206,141
Changes of items during the period								
Dividends of surplus								(4,894)
Net income attributable to owners of parent								13,765
Purchase of treasury shares								(0)
Disposal of treasury shares								152
Increase of consolidated subsidiaries - non-controlling interests							2,556	2,556
Net changes of items other than shareholders' equity	(2,930)	(652)	—	(1,004)	(872)	(5,460)	790	(4,670)
Total changes of items during the period	(2,930)	(652)	—	(1,004)	(872)	(5,460)	3,346	6,907
Balance at end of current period	2,767	87	2,673	(1,318)	(949)	3,260	7,671	213,048

(4) Consolidated Statements of Cash Flows

(Million yen)

	FY 3/2019 (From April 1, 2018 to March 31, 2019)	FY 3/2020 (From April 1, 2019 to March 31, 2020)
Cash flows from operating activities		
Profit before income taxes	19,897	19,223
Depreciation	6,362	6,406
Increase (decrease) in allowance for doubtful accounts	0	0
Interest and dividend income	(742)	(827)
Interest expenses	162	142
Share of loss (profit) of entities accounted for using equity method	(112)	(96)
Loss (gain) on sales and retirement of property, plant and equipment	127	47
Loss on valuation of investments in capital of subsidiaries and associates	—	431
Decrease (increase) in trade receivables	(1,676)	(866)
Decrease (increase) in inventories	(2,651)	(3,930)
Increase (decrease) in trade payables	915	134
Decrease (increase) in advance payments	(9,808)	(213)
Loss (gain) on sales of short-term and long-term investment securities	(324)	(319)
Loss (gain) on valuation of short-term and long-term investment securities	—	267
Decrease (increase) in retirement benefit asset	(385)	(552)
Increase (decrease) in retirement benefit liability	8	13
Other	(847)	1,446
Subtotal	10,926	21,307
Interest and dividend income received	696	1,164
Interest paid	(163)	(141)
Income taxes paid	(6,009)	(4,138)
Net cash provided by (used in) operating activities	5,450	18,191
Cash flows from investing activities		
Decrease (increase) in time deposits	(1,136)	11,558
Purchase of property, plant and equipment	(8,514)	(10,007)
Proceeds from sales of property, plant and equipment	3	6
Purchase of intangible assets	(427)	(545)
Purchase of short-term and long-term investment securities	(20,822)	(39,826)
Proceeds from sales and redemption of short-term and long-term investment securities	24,512	40,560
Purchase of investments in capital of subsidiaries	(952)	(4,226)
Purchase of investments in capital of subsidiaries resulting in change in scope of consolidation	—	(17,891)
Payments for investments in capital of subsidiaries and associates	(239)	—
Loan advances	(3)	(3,001)
Collection of loans receivable	3	3
Other	(123)	(117)
Net cash provided by (used in) investing activities	(7,697)	(23,488)

(Million yen)

	FY 3/2019 (From April 1, 2018 to March 31, 2019)	FY 3/2020 (From April 1, 2019 to March 31, 2020)
Cash flows from financing activities		
Proceeds from short-term borrowings	—	11,304
Repayments of long-term borrowings	(15,000)	—
Proceeds from share issuance to non-controlling shareholders	1,468	816
Dividends paid	(4,893)	(4,897)
Dividends paid to non-controlling interests	(54)	(56)
Other	(47)	(54)
Net cash provided by (used in) financing activities	(18,528)	7,111
Effect of exchange rate change on cash and cash equivalents	(1,294)	(366)
Net increase (decrease) in cash and cash equivalents	(22,069)	1,448
Cash and cash equivalents at beginning of period	78,313	56,243
Cash and cash equivalents at end of period	56,243	57,692

(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)

In the fiscal year under review, Ping An Tsumura Inc., which is a consolidated subsidiary of the Company, acquired an 80% equity interest in Tianjin China Medico Technology Co., Ltd. and, as a result, Tianjin China Medico Technology Co., Ltd. and its five subsidiaries were included in the scope of consolidation. Tianjin China Medico Technology Co., Ltd. and its subsidiary Shengshi Baicao Pharmaceutical Co., Ltd. fall under specified subsidiaries of the Company.

Pingcun Medical (Shenzhen) Co., Ltd. was included in the scope of consolidation in the fiscal year under review due to its establishment, although it did not fall under changes in specified subsidiaries.

(Business combinations)

Business combination through acquisition

At a meeting held on February 28, 2020, the Company's Board of Directors passed a resolution to conclude an equity interest transfer agreement for the acquisition of an 80% equity interest in Tianjin China Medico Technology Co., Ltd. ("China Medico") by Ping An Tsumura Inc. ("Ping An Tsumura"), which is a consolidated subsidiary of the Company. Ping An Tsumura concluded the agreement on March 22, 2020 and acquired the 80% equity interest in China Medico on March 30, 2020. As a result, China Medico and its five subsidiaries became consolidated subsidiaries of the Company.

1. Outline of business combination

(1) Name of acquired company and its business description

Name of acquired company: Tianjin China Medico Technology Co., Ltd. and its five subsidiaries

Business description: Production, manufacturing, sales of traditional Chinese medicine and crude drug pieces

(2) Main reasons for business combination

China Medico has been in business with Tsumura Group since its establishment in 2011 as the main supplier of crude drugs in China. In 2016, Tsumura and China Medico signed a comprehensive business alliance agreement and have promoted the supply and procurement of crude drugs, research on crude drug cultivation and processing, quality control of crude drugs, and overall management of place of production of crude drugs. In March 2018, Tsumura established TSUMURA SHENGSHI PHARMACEUTICALS CO., LTD, a joint venture in Tianjin, China, and is preparing to enter the Kampo extract powder (intermediate for Kampo preparation) and the traditional Chinese medicinal product business.

To contribute to the health of the Chinese people, Tsumura and China Medico will share Tsumura's knowhow in the Kampo and crude drug business and China Medico's unique knowledge to work on traditional Chinese medicine and other businesses with their strengthened relationship, and continue to combine their strengths in a variety of fields, including technology and market routes.

(3) Date of business combination

March 30, 2020 (Deemed acquisition date: December 31, 2019)

(4) Legal form of business combination

Acquisition of equity interest

(5) Name of company after business combination

Unchanged

(6) Percentage of voting rights acquired

80%

(7) Main reason to decide the acquiring company

Because Ping An Tsumura acquired an 80% equity interest in exchange for cash.

2. The period of results of the acquired company included in the consolidated financial statements

Since December 31, 2019 is taken as the deemed acquisition date and only the balance sheets are consolidated in the fiscal year under review, the results of the acquired company are not included.

3. Breakdown of acquisition costs and consideration for acquisition of the acquired company by type

Consideration for acquisition	Cash and deposits	1,200 million RMB (18,840 million yen)
Acquisition costs		1,200 million RMB (18,840 million yen)

4. Breakdown and amount of major expenses related to acquisition

Advisory fee, etc. 2 million RMB (39 million yen)

5. Amount of goodwill that occurred, the cause for the occurrence, the amortization method, and the amortization period

(1) Amount of goodwill that occurred

765 million RMB (12,016 million yen)

The amount of goodwill is a provisional amount as allocation of acquisition cost was not completed at the end of the fiscal year under review.

(2) Cause for the occurrence

Since the acquisition cost exceeded the fair value of the net assets at the time of the business combination, the difference was recognized as goodwill.

(3) Amortization method and amortization period

Amortized in equal amounts over 20 years

6. Amount of assets and liabilities assumed on the date of business combination and its major breakdown

Current assets	1,674 million RMB (26,292 million yen)
Noncurrent assets	365 million RMB (5,793 million yen)
Total assets	2,039 million RMB (32,086 million yen)
Current liabilities	1,212 million RMB (19,029 million yen)
Noncurrent liabilities	241 million RMB (3,788 million yen)
Total liabilities	1,453 million RMB (22,818 million yen)

7. Allocation of acquisition cost

Since the allocation of acquisition cost was not completed at the end of the fiscal year under review, provisional accounting treatment was adopted based on reasonable information available at the time.

8. Approximate impact on the Consolidated Statement of Income for the fiscal year under review, with the method of its calculation, assuming that the business combination was completed at the date of commencement of the consolidated fiscal year

Net sales 294 million RMB (4,627 million yen)

(Method of calculation of approximate impact)

The difference between net sales calculated on the assumption that the business combination was completed at the date of commencement of the fiscal year and net sales in the Consolidated Statement of Income of the Acquiring Company is used as the approximate impact.

These notes are not subject to audit certification.

(Segment information)

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

(Per share information)

	FY 3/2019 (From April 1, 2018 to March 31, 2019)	FY 3/2020 (From April 1, 2019 to March 31, 2020)
Net assets per share	2,639.59 yen	2,684.38 yen
Profit per share	190.87 yen	179.96 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, 2019	As of March 31, 2020
Total net assets (million yen)	206,141	213,048
Deduction from total net assets (million yen)	4,324	7,671
[Non-controlling interests]	[4,324]	[7,671]
Net assets related to common stock at the end of the fiscal year (million yen)	201,816	205,377
Number of shares of common stock at the end of the fiscal year used for calculation of net assets per share (thousand shares)	76,457	76,508

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

	FY 3/2019 (From April 1, 2018 to March 31, 2019)	FY 3/2020 (From April 1, 2019 to March 31, 2020)
Profit attributable to owners of parent (million yen)	14,593	13,765
Amount not attributable to common stockholders (million yen)	—	—
Profit attributable to owners of parent related to common stock (million yen)	14,593	13,765
Average number of shares of common stock during the fiscal year under review (thousand shares)	76,457	76,488

(Significant subsequent events)

There are no applicable matters.