



## Summary of Consolidated Financial Statements for the Fiscal Year Ended March 31, 2019 (Japan GAAP)

May 9, 2019

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Scheduled date of general meeting of shareholders: June 27, 2019  
 Scheduled date of dividend payment commencement: June 28, 2019  
 Scheduled date of security report submission: June 27, 2019  
 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, 2019 (From April 1, 2018 to March 31, 2019)

#### (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 3/2019	120,906	2.6	18,520	8.6	19,702	10.0	14,593	0.6
Fiscal Year 3/2018	117,879	2.5	17,050	6.7	17,914	9.2	14,504	16.1

(Note) Comprehensive income: FY 3/2019: 13,090 million yen [(19.6)%] FY 3/2018: 16,271 million yen [43.4%]

	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 3/2019	190.87	—	7.4	6.8	15.3
Fiscal Year 3/2018	200.55	—	8.3	7.0	14.5

(Reference) Equity in earnings of affiliates: FY 3/2019: 112 million yen FY 3/2018: 324 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, 2019	287,322	206,141	70.2	2,639.59
As of March 31, 2018	292,379	196,533	66.2	2,532.11

(Reference) Shareholders' equity: FY 3/2019: 201,816 million yen FY 3/2018: 193,599 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 3/2019	5,450	(7,697)	(18,528)	56,243
Fiscal Year 3/2018	21,066	(23,354)	50,305	78,313

### 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 3/2018	—	32.00	—	32.00	64.00	4,647	31.9	2.7
FY 3/2019	—	32.00	—	32.00	64.00	4,893	33.5	2.5
FY 3/2020 (Projection)	—	32.00	—	32.00	64.00		39.8	

### 3. Projections of consolidated business results for the term ending March 31, 2020

(From April 1, 2019 to March 31, 2020)

(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	61,500	5.5	8,100	(9.5)	8,700	(9.1)	6,000	(15.3)	78.47
Full-year	125,000	3.4	17,000	(8.2)	18,000	(8.6)	12,300	(15.7)	160.87

Notes

- (1) Important changes of subsidiaries during the term (change of specified subsidiaries that lead to a change in the scope of consolidation): No  
 (Note) Ping An Tsumura Inc. was included in the scope of consolidation in the fiscal year under review due to its increased importance, although it did not fall under changes in specified subsidiaries.
- (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 3/2019	76,758,362	FY 3/2018	76,758,362
FY 3/2019	300,631	FY 3/2018	300,382
FY 3/2019	76,457,903	FY 3/2018	72,324,992

\* 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, 2019

During the fiscal year under review, the Japanese economy grew moderately due to improvements in corporate earnings and the employment situation. The global economy remained strong, backed by the robust U.S. economy, despite the increasing uncertainty caused by a variety of factors such as the US-China trade friction, the uncertain political situation in Europe, and the slowdown in emerging economies.

Meanwhile, the Japanese pharmaceutical industry continued to face a harsh environment. The NHI drug price revision was implemented in April 2018, and the measures for controlling medical expenses remained basically unchanged.

Under these circumstances, the consolidated net sales of Tsumura and its group companies for the fiscal year under review increased 2.6% year on year to 120,906 million yen, thanks primarily to continued growth in sales of prescription Kampo products.

Profit included operating profit of 18,520 million yen (up 8.6% year on year), ordinary profit of 19,702 million yen (up 10.0% year on year), and profit attributable to owners of parent of 14,593 million yen (up 0.6% year on year). The cost-to-sales ratio fell 1.2 percentage points year on year, due mainly to reduced costs related to crude drugs, which outweighed the cost increase arising from the NHI drug price revision. On the other hand, the cost-to-SGA ratio rose 0.3 percentage points year on year. As a result, the operating profit margin rose 0.8 percentage points year on year, to 15.3%.

[Consolidated business results]

(Million yen)

	FY 3/2018	FY 3/2019	YoY Change (Percent Change)
Net sales	117,879	120,906	3,027 2.6 (%)
Operating profit	17,050	18,520	1,469 8.6 (%)
Ordinary profit	17,914	19,702	1,787 10.0 (%)
Profit attributable to owners of parent	14,504	14,593	88 0.6 (%)

Net sales of overall prescription Kampo products grew 2.7% year on year, despite the impact of the NHI drug price revisions.

With diversifying needs for Kampo medicine among healthcare professionals, the Company conducts activities for providing appropriate information on evidence in basic and clinical medicine, clinical practice guidelines in which Kampo products are described and various uses for Kampo medicine prescriptions mainly through meetings with doctors, presentations for medical institutions and Kampo medicine seminars.

The Company will continue to provide more information on Kampo medicine and Kampo products and work to expand the Kampo market where there is significant potential, mainly in the three important domains of geriatric health, cancer (supportive care) and women's health.

(2) Overview of financial position during the fiscal year ended March 31, 2019

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

Please note that the Company adopted the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018), etc. at the beginning of the fiscal year under review, and therefore the figures below were compared with those at the end of the previous fiscal year, which were treated retrospectively.

Total assets shrank 5,056 million yen from the end of the previous fiscal year, mainly due to a decrease in cash and deposits as a result of the repayment of the current portion of long-term loans payable, to 287,322 million yen.

Liabilities decreased 14,665 million yen, chiefly due to the repayment of the current portion of long-term loans payable, to 81,181 million yen.

Net assets rose 9,608 million yen from the end of the previous fiscal year, to 206,141 million yen.

As a result, the equity ratio rose 4.0 percentage points, to 70.2%.

(3) Overview of cash flow during the fiscal year ended March 31, 2019

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

Cash flow provided by operating activities was 5,450 million yen. Compared with the previous fiscal year, cash inflow decreased 15,615 million yen, due largely to a fall in advance payments and a decline in inventories.

Cash used in investing activities was 7,697 million yen. Compared with the previous fiscal year, cash used decreased 15,656 million yen year on year, mainly due to an increase in time deposits and an increase in proceeds from the sale and redemption of short-term and long-term investment securities.

Cash used in financing activities was 18,528 million yen. Compared with the previous fiscal year, cash provided decreased 68,833 million yen, mainly reflecting a decrease in proceeds from the issuance of bonds and a decrease in proceeds from the issuance of common shares.

As a result, cash and cash equivalents at the end of the fiscal year under review decreased 22,069 million yen from the end of the previous fiscal year, to 56,243 million yen.

(4) Future outlook

The financial forecasts for the fiscal year ending March 31, 2020 include net sales of 125,000 million yen (up3.4%), profit comprising operating income of 17,000 million yen(down8.2%)and ordinary income of 18,000 million yen(down8.6%), and profit attributable to owners of parent of 12,300million yen(down15.7%), 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 3/2020	125,000	17,000	18,000	12,300
Percent Change	3.4%	(8.2)%	(8.6) %	(15.7) %

## 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, 2018	As of March 31, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	83,520	72,240
Notes and accounts receivable-trade	42,906	44,524
Securities	3,500	—
Merchandise and finished goods	8,008	9,382
Work in process	12,797	11,125
Raw materials and supplies	29,188	31,299
Advance payments - trade	6,710	16,514
Other	4,261	4,945
Allowance for doubtful accounts	(4)	(4)
Total current assets	190,888	190,027
Non-current assets		
Property, plant and equipment		
Buildings and structures	64,778	64,800
Machinery, equipment and vehicles	50,559	50,214
Tools, furniture and fixtures	10,502	10,815
Land	9,052	9,052
Construction in progress	11,879	15,199
Other	334	392
Accumulated depreciation	(75,776)	(76,769)
Total property, plant and equipment	71,329	73,703
Intangible assets	526	872
Investment and other assets		
Investment securities	14,179	15,642
Net defined benefit asset	1,908	1,934
Deferred tax assets	227	366
Other	13,319	4,777
Allowance for doubtful accounts	(0)	(0)
Total investment and other assets	29,634	22,719
Total non-current assets	101,491	97,295
Total assets	292,379	287,322

(Million yen)

	As of March 31, 2018	As of March 31, 2019
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	5,507	6,267
Short-term loans payable	10,314	10,314
Current portion of long-term loans payable	15,000	—
Accounts payable - other	7,823	8,032
Income taxes payable	3,538	2,101
Provision for sales returns	10	10
Other	6,573	6,594
Total current liabilities	48,766	33,320
Non-current liabilities		
Bonds payable	30,000	30,000
Long-term loans payable	9,376	9,376
Deferred tax liabilities	889	1,905
Deferred tax liabilities for land revaluation	1,179	1,179
Net defined benefit liability	88	74
Other	5,547	5,324
Total non-current liabilities	47,080	47,861
<b>Total liabilities</b>	<b>95,846</b>	<b>81,181</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	30,142	30,142
Capital surplus	14,027	14,027
Retained earnings	140,040	149,740
Treasury shares	(814)	(815)
Total shareholders' equity	183,396	193,095
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,748	5,697
Deferred gains or losses on hedges	323	740
Revaluation reserve for land	2,673	2,673
Foreign currency translation adjustment	2,301	(313)
Remeasurements of defined benefit plans	157	(76)
Total accumulated other comprehensive income	10,203	8,721
Non-controlling interests	2,933	4,324
<b>Total net assets</b>	<b>196,533</b>	<b>206,141</b>
<b>Total liabilities and net assets</b>	<b>292,379</b>	<b>287,322</b>

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

## Consolidated Statements of Income

(Million yen)

	FY 3/2018 (From April 1, 2017 to March 31, 2018)	FY 3/2019 (From April 1, 2018 to March 31, 2019)
Net sales	117,879	120,906
Cost of sales	49,603	49,451
Gross profit	68,275	71,455
Selling, general and administrative expenses	51,224	52,935
Operating profit	17,050	18,520
Non-operating income		
Interest income	166	507
Dividend income	382	235
Share of profit of entities accounted for using equity method	324	112
Foreign exchange gains	—	164
Other	498	400
Total non-operating income	1,371	1,420
Non-operating expenses		
Interest expenses	190	162
Bond issuance cost	143	—
Share issuance cost	108	—
Foreign exchange losses	25	—
Other	39	76
Total non-operating expenses	507	238
Ordinary profit	17,914	19,702
Extraordinary income		
Gain on sales of non-current assets	10	1
Gain on sales of investment securities	1,498	324
Subsidy income	1,000	—
Total extraordinary income	2,509	325
Extraordinary losses		
Loss on sales of non-current assets	13	0
Loss on retirement of non-current assets	60	130
Environmental expenses	66	—
Total extraordinary losses	140	130
Profit before income taxes	20,284	19,897
Income taxes - current	5,440	4,670
Income taxes - deferred	49	393
Total income taxes	5,489	5,064
Profit	14,794	14,833
Profit attributable to non-controlling interests	289	239
Profit attributable to owners of parent	14,504	14,593

## Consolidated Statements of Comprehensive Income

(Million yen)

	FY 3/2018 (From April 1, 2017 to March 31, 2018)	FY 3/2019 (From April 1, 2018 to March 31, 2019)
Profit	14,794	14,833
Other comprehensive income		
Valuation difference on available-for-sale securities	902	949
Deferred gains or losses on hedges	(601)	417
Foreign currency translation adjustment	902	(2,826)
Remeasurements of defined benefit plans	260	(234)
Share of other comprehensive income (loss) of entities accounted for using equity method	13	(48)
Total other comprehensive income (loss)	1,477	(1,742)
Comprehensive income	16,271	13,090
Comprehensive income attributable to		
Owners of parent	15,896	13,111
Non-controlling interests	374	(20)

(3) Consolidated Statements of Changes in Equity  
 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

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

## (4) Consolidated Statements of Cash Flows

(Million yen)

	FY 3/2018 (From April 1, 2017 to March 31, 2018)	FY 3/2019 (From April 1, 2018 to March 31, 2019)
<b>Cash flows from operating activities</b>		
Profit before income taxes	20,284	19,897
Depreciation	6,157	6,362
Increase (decrease) in allowance for doubtful accounts	0	0
Interest and dividend income	(548)	(742)
Interest expenses	190	162
Bond issuance cost	143	—
Share issuance cost	108	—
Share of (profit) loss of entities accounted for using equity method	(324)	(112)
Loss (gain) on sales and retirement of property, plant and equipment	74	127
Decrease (increase) in notes and accounts receivable - trade	(2,529)	(1,676)
Decrease (increase) in inventories	2,566	(2,651)
Increase (decrease) in notes and accounts payable - trade	(1,304)	915
Decrease (increase) in advance payments	(79)	(9,808)
Loss (gain) on sales of short-term and long-term investment securities	(1,498)	(324)
Decrease (increase) in net defined benefit asset	(422)	(385)
Increase (decrease) in net defined benefit liability	(47)	8
Other	1,794	(847)
<b>Subtotal</b>	<b>24,565</b>	<b>10,926</b>
Interest and dividend income received	537	696
Interest expenses paid	(161)	(163)
Income taxes paid	(3,875)	(6,009)
<b>Net cash provided by (used in) operating activities</b>	<b>21,066</b>	<b>5,450</b>
<b>Cash flows from investing activities</b>		
Decrease (increase) in time deposits	(15,186)	(1,136)
Purchase of property, plant and equipment	(10,463)	(8,514)
Proceeds from sales of property, plant and equipment	19	3
Purchase of intangible assets	(318)	(427)
Purchase of short-term and long-term investment securities	(13,510)	(20,822)
Proceeds from sales and redemption of short-term and long-term investment securities	16,154	24,512
Purchase of investments in capital of subsidiaries	—	(952)
Payments for investments in capital of subsidiaries and associates	—	(239)
Payments of loans receivable	(4)	(3)
Collection of loans receivable	4	3
Other	(49)	(123)
<b>Net cash provided by (used in) investing activities</b>	<b>(23,354)</b>	<b>(7,697)</b>

(Million yen)

	FY 3/2018 (From April 1, 2017 to March 31, 2018)	FY 3/2019 (From April 1, 2018 to March 31, 2019)
Cash flows from financing activities		
Decrease in short-term loans payable	(2,267)	—
Repayments of long-term loans payable	—	(15,000)
Proceeds from issuance of bonds	29,856	—
Proceeds from issuance of common shares	21,201	—
Proceeds from sales of treasury shares	6,012	—
Proceeds from share issuance to non-controlling shareholders	—	1,468
Cash dividends paid	(4,404)	(4,893)
Dividends paid to non-controlling interests	(49)	(54)
Other	(45)	(47)
Net cash provided by (used in) financing activities	50,305	(18,528)
Effect of exchange rate change on cash and cash equivalents	394	(1,294)
Net increase (decrease) in cash and cash equivalents	48,412	(22,069)
Cash and cash equivalents at beginning of period	29,901	78,313
Cash and cash equivalents at end of period	78,313	56,243

(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.

Ping An Tsumura Inc. was included in the scope of consolidation in the fiscal year under review due to its increased importance, although it did not fall under changes in specified subsidiaries.

(Segment information)

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

(Per share information)

	FY 3/2018 (From April 1, 2017 to March 31, 2018)	FY 3/2019 (From April 1, 2018 to March 31, 2019)
Net assets per share	2,532.11 yen	2,639.59 yen
Profit per share	200.55 yen	190.87 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, 2018	As of March 31, 2019
Total net assets (million yen)	196,533	206,141
Deduction from total net assets (million yen)	2,933	4,324
[Non-controlling interests]	[2,933]	[4,324]
Net assets related to common stock at the end of the fiscal year (million yen)	193,599	201,816
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	76,457

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

	FY 3/2018 (From April 1, 2017 to March 31, 2018)	FY 3/2019 (From April 1, 2018 to March 31, 2019)
Profit attributable to owners of parent (million yen)	14,504	14,593
Amount not attributable to common stockholders (million yen)	—	—
Profit attributable to owners of parent related to common stock (million yen)	14,504	14,593
Average number of shares of common stock during the fiscal year under review (thousand shares)	72,324	76,457

(Significant subsequent events)

There are no applicable matters.

(Additional information)

(Change following the adoption of “Partial Amendments to Accounting Standard for Tax Effect Accounting”)

The Company adopted “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) at the beginning of the fiscal year under review. Accordingly, “deferred tax assets” is now included in “investments and other assets,” and “deferred tax liabilities” is now included in “non-current liabilities.” As a result, in the consolidated balance sheet for the previous fiscal year, “deferred tax assets” under “current assets” decreased 1,512 million yen, and “deferred tax assets” under “investments and other assets” increased 190 million yen. In addition, “deferred tax liabilities” under “non-current liabilities” decreased 1,321 million yen.

Deferred tax assets and liabilities related to taxes levied by the same taxation authority are offset, and total assets decreased 1,321 million yen from before the change.