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November 6, 2020

## **CMIC HOLDINGS Co., Ltd. Consolidated Financial Results For the Year Ended September 30, 2020**

(The Fiscal Year Ending September 30, 2020, Japan Accounting Standards)

### **Highlights:**

□ **Sales grew 2.3% year on year to ¥76.098 billion on a consolidated basis**

□ **Operating income decreased 40.9% to ¥2.605 billion**

□ **Earnings per share ¥83.27**

□ **Order of contract services grew 4.0% year on year**

Tokyo, November 6, 2020 – CMIC HOLDINGS Co., Ltd. (TSE Code: 2309 ) today reported financial results for the year ended September 30, 2020

CMIC group is rolling out a PVC (Pharmaceutical Value Creator) model, which is our unique business model contributing to increase additional values of pharmaceutical companies. We provide extensive support for development, manufacturing, sales and marketing value chains of pharmaceutical companies with our CRO (Contract Research Organization) business, CDMO (Contract Development Manufacturing Organization) business, CSO (Contract Sales Organization) business, and Healthcare business. In addition, our IPM (Innovative Pharma Model) business is providing new business solutions to pharmaceutical companies that combine marketing authorization licensing (intellectual properties) and value chains.

In the pharmaceutical industry, while creation of innovative drugs is anticipated towards providing personalized medicine or "precision medicine", drug pricing system is being revised due to impact on the health insurance budget. Further improvement of productivity and technical capability is expected for the pharmaceutical industry for transformation to the industrial structure with more global competitiveness. New technologies called the Fourth Industrial Revolution such as artificial intelligence (AI) or IoT are bringing significant changes to the society, and as way of medicine and people's ideas of health change in the healthcare arena, industry, government, academia and civil society are collaborating to achieve innovation to address the decreasing birthrate and aging population.

The global pandemic of COVID-19 that started in the beginning of 2020 has a significant impact on the social economy with no prospect of ending and much uncertainty about the future. We are recognizing the importance of drug development that is leading to maintaining the lives of patients, and are requested to ensure stable supply of drugs by further promoting the domestic production of drug substances with high dependency on overseas production.

To achieve the mid-to-long-term corporate value improvement of our group, the mid-term plan (FY2019-2021) includes focus activity items such as acceleration of PVC model, expansion of globalization, and creation of

healthcare business. The outbreak of COVID-19 is rapidly changing the medical and economic environment as well as people's way of working. CMIC will enhance digitalization and utilize our talents in the healthcare arena to prepare ourselves for the post-corona era.

As a life science company, CMIC Group will support the development of effective treatment and precautions against the new coronavirus, contribute to providing efficacious treatment for early recovery of patients and maintaining the hospital system, and deliver our mission as a healthcare company.

## Sales and Operating Income

In the current consolidated fiscal year, we are addressing the top-priority items identified in the mid-term plan including business incubation in healthcare arena. On the other hand, following the outbreak of COVID-19, we had no choice but to suspend or reduce business activities including restriction on hospital visits, delayed collection of safety information, and cancellation of academic conferences and seminars. Still, the number of business inquiries is starting to recover with COVID-19 treatment drug development and post-marketing support orders. We are strengthening the sales activities toward winning new projects.

Sales during this consolidated cumulative period was 76.098 billion (grew 2.3% year-on-year) driven by the CDMO and CSO business growth. Operating income was 2,605 million (down 40.9% year-on-year) mainly due to decrease in profits of CRO business, despite the improvements of CSO business.

## Segment Information

The business results by segment are listed as below:

Please note that reported segment was changed. We compare the percentage change in sales and operating income by segment versus the same period during the previous year, using the segments after the changes as the basis.

### ● CRO (Contract Research Organization) Business

	(Millions of yen)			
	FY2020	FY2019	YoY Change Amount	YoY Change %
Sales	34,242	36,522	(2,280)	(6.2)
Operating income	5,052	6,623	(1,571)	(23.7)

In this business, we provide services primarily to pharmaceutical companies to support drug development.

In the current consolidated fiscal year, we are supporting overseas companies entering the Japanese market and non-healthcare companies entering the healthcare sphere, promoting measures to address sophisticated development needs including biopharmaceuticals and regenerative medicines, and expanding our presence in Asia.

For clinical services, we are promoting PVC projects involving multiple business units, clinical trials with the latest method and technologies (e.g. Virtual clinical trials with on-line doctor consultation, improving the efficiency of clinical trials with electronic prescription records), and improving the expertise and technical capabilities of our talents.

For non-clinical services, our laboratories in Japan and the United States are further collaborating to provide drug discovery support for advanced medicine including nucleic acid drugs and regenerative medicine.

Sales were below the same period last year due to the impact of delay in receiving orders following the downsizing/increased complexity of development projects, and cancellation/postponement of existing projects following the global pandemic of COVID-19. Operating income was also below the same period last year impacted by the subsequent reduction of operation rates.

- **CDMO (Contract Development Manufacturing Organization) Business**

	(Millions of yen)			
	FY2020	FY2019	YoY Change Amount	YoY Change %
Sales	<b>20,832</b>	17,292	+3,539	+20.5
Operating income	<b>(412)</b>	116	(529)	-

In this business, we provide services primarily to pharmaceutical companies to support drug formula development and manufacturing.

In the current consolidated fiscal year, CDMO business is further improving technical capabilities, developing low-cost production structure, and enhancing competitiveness through strategic capital investment as a global pharmaceutical drug manufacturing platform that includes formulation design, investigational new drug manufacturing, and commercial production.

Sales exceeded the same period last year thanks to increased contract volume in Japan and the sales contribution by CMIC CMO Nishine Co., Ltd. that started its operation in June 2019, despite the reduction of contract volume in the United States. Operating income fell below the previous consolidated fiscal year level reflecting the significant impact of reduced sales in the United States.

- **CSO (Contract Sales Organization) Business**

	(Millions of yen)			
	FY2020	FY2019	YoY Change Amount	YoY Change %
Sales	<b>8,626</b>	7,929	+696	+8.8
Operating income	<b>834</b>	236	+598	+252.9

In this business, we provide sales- and marketing-support services, primarily to pharmaceutical companies.

In the current consolidated fiscal year, in addition to the medical representative (MR) dispatch and other related new services, we are strengthening the sales activities for the Medical Affairs-related operations and providing comprehensive solution that combines multiple communication channels and various services.

Sales and operating income exceeded the same period last year thanks to the steady progress in MR dispatch projects acquired in the previous period and the operation rates maintained at the high level.

- **Healthcare Business**

	(Millions of yen)			
	FY2020	FY2019	YoY Change Amount	YoY Change %
Sales	<b>9,903</b>	10,107	(203)	(2.0)
Operating income	<b>583</b>	1,158	(575)	(49.7)

In this business, we provide SMO services, healthcare services related to treating, maintaining, and promoting the health for medical institutions, patients and general consumer, and services related to BPO and human resources.

In the current consolidated fiscal year, we are further strengthening the oncology capabilities in the SMO operations and providing new services. We are creating new business for early detection and prevention of aggravation of disease, including "harmo" electronic prescription record service and "SelCheck" (self-screening) service. We will strive to win new SMO business orders and aim to expedite the in-flow of income for the new healthcare business.

Sales were below the same period last year despite growth in healthcare services, due to reduction in work volume for some BPO/Staffing services. Operating income was below the same period last year impacted by lower sales of BPO/Staffing services and prior investment cost to create new healthcare business models.

- **IPM (Innovative Pharma Model) Business**

	(Millions of yen)			
	FY2020	FY2019	YoY Change Amount	YoY Change %
Sales	<b>3,395</b>	3,368	+27	+0.8
Operating income	<b>169</b>	(396)	+566	-

IPM business provides new business solutions to pharmaceutical companies that combine value chains and marketing authorization licenses (intellectual properties) possessed by our group. We are mainly delivering development and marketing services for orphan drugs and diagnostics.

In addition to selling orphan drugs including products developed in-house, we are strengthening business foundation through provision of IPM platform such as supporting foreign companies entering the Japanese market and providing strategic options to pharmaceutical companies following changes in their business models. Multiple projects are progressing with increased demand by foreign pharmaceutical companies to use our IPM platform. We will further expand the business scale and reach profitability by continuing to provide new business solutions.

Though sales stay at the same level as the previous fiscal year, operating surplus was recorded due to the effect of cost reduction.

## **Ordinary Income**

Ordinary income for the current fiscal year was ¥2,867 million (down 25.4% YoY).

For non-operating income, we recorded ¥555 million of share of profit of entities accounted for using equity method and other, for non-operating expenses we recorded ¥293 million of Interest expenses and foreign exchange losses and other.

## **Profit attributable to owners of parent**

Current profit attributable to owners of parent for the current fiscal year was ¥1,505 million (down 17.4% YoY).

For extraordinary income, we recorded ¥103 million as gain on sales of shares of subsidiaries and insurance claim income and other, and as for extraordinary losses, we recorded ¥1,013 million as impairment loss and loss on retirement of non-current assets and other. ¥792 million was recorded as total income taxes, and ¥341 million as loss attributable to non-controlling interests.

## **Overview of the financial condition and Cash Flow**

### **Assets, liabilities, and net assets**

Total assets at the end of the current fiscal year increased by ¥9,337 million YoY to ¥89,517 million. This is mainly due to an increase in cash and deposits, and tangible fixed assets of CDMO business and investment securities.

Total liabilities increased by ¥8,320 million YoY to ¥55,506 million. Most of the above is attributable to increase in borrowings from financial institutions anticipating the impact of COVID-19.

For our overseas consolidated subsidiary to which International Financial Reporting Standards or US GAAP are applied, due to the impact of adopting IFRS No. 16 Leases standard and the new US GAAP leases guidance

starting from this fiscal year, the balance of lease assets and lease liabilities are increasing.

Total net assets increased by ¥1,017 million YoY to ¥34,011 million. This is mainly due to increase in retained earnings and valuation difference on available-for-sale securities, and decrease in remeasurements of defined benefit plans and non-controlling interests.

#### Cash Flows

Cash and cash equivalents at end of year increase by ¥543 million YoY to ¥12,688 million.

Status of each cash flow and key factors are as follows:

##### (Cash flow from operating activities)

Cash flow from operating activities was ¥6,703 million in revenue (¥4,922 million in revenue in the previous fiscal year). This was mainly due to proceeds from profit before income taxes, depreciation and increase in retirement benefit liability and deposits received, and a decline in cash flows from income taxes paid and increase in inventories.

##### (Cash flow from investing activities)

Cash flow from investing activities was ¥8,542 million in expenditure (¥4,889 million in expenditure in the previous fiscal year). This was mainly due to purchase of tangible fixed assets of CDMO business.

##### (Cash flow from financing activities)

Cash flow from financing activities was ¥2,354 million in revenue (¥1,764 million in expenditure in the previous fiscal year). This was mainly due to borrowings from financial institutions anticipating the impact of COVID-19 and cash dividends paid.

## Future Outlook

In the pharmaceutical industry, while creation of innovative drugs is anticipated through technological innovation and industry-government-academia collaboration towards providing personalized medicine or “precision medicine”, there is increasing pressure to reduce drug prices such as annual NHI drug price revision starting in 2021. Pharmaceutical companies are focusing on expanding their development pipelines through M&A, and they are also developing pharmaceuticals with new drug discovery platform technologies and providing total care for diseases from prevention to diagnosis, treatment, and prognosis. New technologies called the Fourth Industrial Revolution such as artificial intelligence (AI) and IoT are bringing significant changes to the society. Digital treatment and on-line medical consultation are introduced in the healthcare arena, and as people's attitudes toward medicine and health change, industry, government, academia and civil society are collaborating to achieve innovation to address the decreasing birthrate and aging population. The global pandemic of COVID-19 has a broad impact ranging from social economy to personal values, and it is believed to accelerate the digitalization and innovation in the healthcare sector.

CMIC Group is executing the focus activities in the mid-term business plan (FY2019-2021) to adapt ourselves to the rapidly changing external environment in a timely and flexible manner. While promoting various measures including 1) Acceleration of PVC model, 2) Promoting globalization, and 3) Creation of Healthcare business, we have started the “Healthcare Revolution” project to transform ourselves from business model centering on pharmaceutical drugs to creation of new healthcare business. We will continue to create new businesses that will contribute to maintaining and improving personal health, and utilize our talents in the healthcare arena. In the next fiscal year, while we expect the impact of COVID-19 to continue to some extent, assuming that our business environment will gradually recover following the progress of treatment drug and vaccine development. We expect both sales and operating income to increase compared with this fiscal year.

The business outlooks by segment are listed as below:

CRO business, our core business, will continue to support as a leading domestic company those foreign companies and companies from other industries entering the Japanese pharmaceutical market. We will respond to increasingly sophisticated development needs, provide comprehensive services that range from early development to post-marketing, and increase our operational efficiency by using digital technologies. Sales and operating income growth is expected for CRO business due to increase in clinical research and post-marketing surveillance, steady performance in clinical trials, and strong order intake for non-clinical operations.

CDMO business, as a globally pharmaceutical drug manufacturing platform that covers from formulation design to IMP and commercial production, we will continue to strengthen our competitive capabilities through new technologies, improved quality, low-cost production, and strategic capital investments. In addition, we will focus on the large-scale commercial production at our parenteral building in Ashikaga (start of production scheduled for the fiscal year ending in September 2022), and the start of new facility and production line in the United States. Sales and operating income are expected to increase due to the increase of contract manufacturing volume in Japan and acquisition of new projects in the United States, despite the upfront investment costs for the contract manufacturing of biopharmaceutical API that started in July 2020.

For CSO business, in addition to MR dispatching and new services including remote detailing, we will strengthen sales activities for medical affairs-related business and promote the provision of comprehensive solutions combining multiple communication channels and various services.

Sales figures are expected to be at the same level as this fiscal year. As for operating income, the margin went up due to limited MR activities and curtailed expenses in this fiscal year following the COVID-19 outbreak. However, operating income is expected to go down in the next fiscal year assuming that we will return to normal activities.

For Healthcare business, we are combining various information and know-how accumulated through SMO operations with disease prevention, health information, and IT technology to launch new businesses including the “harmo” electronic medicine notebook. Despite the upfront investment required for new businesses, thanks to the increased number of clinical researches for SMO operations, steady performance in clinical trials, and growth

in new business, we expect an increase in both sales and operating income.

For IPM business, we will continue to expand our business scale and provide various services with new solutions by utilizing the marketing authorization licenses possessed by the CMIC Group.

Sales figures are expected to be at the same level as this fiscal year, but operating income is expected to go down due to promotion of R&D activities for orphan drugs.

Consolidated business results forecasts for the fiscal year ending September 30, 2021	Amount (Millions of yen)	YoY change (%)
Net sales	80,000	+5.1
Operating income	3,300	+26.6
Ordinary income	3,100	+8.1
Profit attributable to owners of parent	1,650	+9.6

Outlook by segment is as follows (note that outlook on sales by segment includes inter-segment sales).

Consolidated sales forecasts for the fiscal year ending September 30, 2021	Amount (Millions of yen)	YoY change (%)
CRO Business	36,100	+5.4
CDMO Business	22,100	+6.1
CSO Business	8,500	(1.5)
Healthcare Business	10,750	+8.5
IPM Business	3,450	+1.6
Total	80,900	+5.1
Adjustments	△900	-
Consolidated	80,000	+5.1

**Cautionary statement:**

This material includes forward-looking statements based on assumptions and beliefs in light of the information currently available to management, and is subject to significant risks and uncertainties. Actual financial results may vary materially from the content of this material depending on a number of factors. While this material contains information on pharmaceuticals (including compounds under development), this information is not intended to make any representations or advertisements regarding the efficacy or effectiveness of their preparations, promote any kind of unapproved uses, nor provide medical advice of any kind.



## Summary of Results for Ended September 30, 2020 (October 1, 2019 through September 30, 2020)

(1) Consolidated financial results (Millions of yen; amounts less than one million yen are omitted)  
 (Percentage figures indicate increase/decrease compared with the corresponding period of the prior fiscal year)

	FY2020		FY2019	
		Change (%)		Change (%)
Net sales	<b>76,098</b>	<b>2.3</b>	74,373	6.4
Operating income	<b>2,605</b>	<b>(40.9)</b>	4,405	1.9
Ordinary income	<b>2,867</b>	<b>(25.4)</b>	3,841	(5.4)
Profit attributable to owners of parent	<b>1,505</b>	<b>(17.4)</b>	1,822	22.5
Earnings per share (Yen)	<b>83.27</b>		98.93	
Diluted net income per share (Yen)	—		—	

Reference: Comprehensive income: FY2020: ¥1,613 million (up 64.8% YoY)  
 FY2019: ¥978 million (down 58.8% YoY)

(2) Consolidated financial position (Millions of yen; amounts less than one million yen are omitted)

	Year End FY2020	Year End FY2019
Total assets	<b>89,517</b>	80,179
Net assets	<b>34,011</b>	32,994
Equity ratio (%)	<b>26.4</b>	27.8
Book value per share (Yen)	<b>1,306.08</b>	1,231.65

Reference: Shareholders' equity: FY2020: ¥23,627 million  
 FY2019: ¥22,258 million.

(3) Consolidated cash flows (Millions of yen; amounts less than one million yen are omitted)

	FY2020	FY2019
Net cash provided by (used in) operating activities	<b>6,703</b>	4,922
Net cash provided by (used in) investing activities	<b>(8,542)</b>	(4,889)
Net cash provided by (used in) financing activities	<b>2,354</b>	(1,764)
Cash and cash equivalents at end of period	<b>12,688</b>	12,144

## Distribution Status

	(Yen)		
	FY2019	FY2020	FY2021 (Estimated)
Dividend per share (Base date)			
End of first quarter	—	—	—
End of second quarter	5.00	<b>5.00</b>	5.00
End of third quarter	—	—	—
End of FY	27.00	<b>20.00</b>	22.00
Total	32.00	<b>25.00</b>	27.00
Total cash dividends (annual) (Million yen)	586	<b>456</b>	
Dividend payout ratio (consolidated) (%)	32.3	<b>30.0</b>	29.6
Dividend on equity ratio (consolidated) (%)	2.6	<b>2.0</b>	

## Consolidated Financial Statements for the Fiscal Year Ended September 30, 2020

### (1) Consolidated Balance Sheets

(Millions of yen)

	Year End FY2020 (September 30, 2020)	Year End FY2019 (September 30, 2019)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	12,690	12,146
Notes and accounts receivable - trade	13,211	13,082
Merchandise and finished goods	729	682
Work in process	3,985	4,074
Raw materials and supplies	3,196	2,578
Other	3,696	3,009
Allowance for doubtful accounts	(66)	(67)
<b>Total current assets</b>	<b>37,443</b>	<b>35,506</b>
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings and structures	26,009	23,213
Accumulated depreciation	(10,787)	(9,742)
Buildings and structures, net	15,221	13,471
Machinery, equipment and vehicles	23,558	19,604
Accumulated depreciation	(11,550)	(9,755)
Machinery, equipment and vehicles, net	12,008	9,848
Tools, furniture and fixtures	6,240	5,249
Accumulated depreciation	(3,692)	(3,178)
Tools, furniture and fixtures, net	2,548	2,070
Land	6,425	6,425
Leased assets	3,596	968
Accumulated depreciation	(1,038)	(695)
Leased assets, net	2,558	273
Construction in progress	1,496	1,661
<b>Total property, plant and equipment</b>	<b>40,258</b>	<b>33,750</b>
Intangible assets		
Goodwill	76	237
Other	1,645	1,338
<b>Total intangible assets</b>	<b>1,721</b>	<b>1,575</b>
Investments and other assets		
Investment securities	3,962	3,007
Deferred tax assets	3,912	3,927
Lease and guarantee deposits	1,971	1,997
Other	814	993

Allowance for doubtful accounts	(567)	(579)
<b>Total investments and other assets</b>	<b>10,093</b>	<b>9,347</b>
<b>Total non-current assets</b>	<b>52,074</b>	<b>44,673</b>
<b>Total assets</b>	<b>89,517</b>	<b>80,179</b>

(Millions of yen)

	Year End FY2020 (September 30, 2020)	Year End FY2019 (September 30, 2019)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable – trade	1,019	1,082
Short-term borrowings	6,004	3,018
Current portion of long-term debt	3,258	2,822
Commercial papers	3,000	2,000
Accounts payables-other	5,658	5,135
Accrued expenses	1,326	1,164
Income taxes payable	586	647
Advances received	1,723	1,320
Provision for bonuses	2,413	2,677
Provision for loss on orders received	824	561
Other	3,376	2,315
<b>Total current liabilities</b>	<b>29,191</b>	<b>22,743</b>
<b>Non-current liabilities</b>		
Long-term debt	10,321	11,356
Lease obligations	2,865	214
Deferred tax liabilities	100	302
Net defined benefit liability	9,931	8,721
Asset retirement obligations	578	495
Long-term unearned revenue	2,259	2,456
Other	257	895
<b>Total non-current liabilities</b>	<b>26,314</b>	<b>24,441</b>
<b>Total liabilities</b>	<b>55,506</b>	<b>47,185</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	3,087	3,087
Capital surplus	6,100	6,102
Retained earnings	15,052	14,121
Treasury shares	(1,545)	(1,578)
<b>Total shareholders' equity</b>	<b>22,694</b>	<b>21,733</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	1,336	613
Foreign currency translation adjustments	(29)	(35)
Remeasurements of defined benefit plans	(373)	(52)
<b>Total accumulated other comprehensive income</b>	<b>933</b>	<b>525</b>
<b>Non-controlling interests</b>	<b>10,384</b>	<b>10,735</b>
<b>Total net assets</b>	<b>34,011</b>	<b>32,994</b>
<b>Total liabilities and net assets</b>	<b>89,517</b>	<b>80,179</b>

## (2) Consolidated Statement of Income

(Millions of yen)

	FY2020 (October 1, 2019– September 30, 2020)	FY2019 (October 1, 2018– September 30, 2019)
<b>Net sales</b>	<b>76,098</b>	<b>74,373</b>
<b>Cost of sales</b>	<b>61,451</b>	<b>58,261</b>
<b>Gross profit</b>	<b>14,646</b>	<b>16,112</b>
<b>Selling, general and administrative expenses</b>	<b>12,041</b>	<b>11,706</b>
<b>Operating income</b>	<b>2,605</b>	<b>4,405</b>
<b>Non-operating income</b>		
Interest income	4	4
Share of profit of entities accounted for using equity method	394	-
Other	156	92
<b>Total non-operating income</b>	<b>555</b>	<b>97</b>
<b>Non-operating expenses</b>		
Interest expenses	123	114
Share of loss of entities accounted for using equity method	-	252
Foreign exchange losses	121	176
Other	48	117
<b>Total non-operating expenses</b>	<b>293</b>	<b>661</b>
<b>Ordinary income</b>	<b>2,867</b>	<b>3,841</b>
<b>Extraordinary income</b>		
Gain on sales of non-current assets	7	14
Gain on sales of investment securities	10	-
Gain on sales of shares of subsidiaries	30	-
Insurance claim income	54	-
<b>Total extraordinary income</b>	<b>103</b>	<b>14</b>
<b>Extraordinary losses</b>		
Impairment loss	736	225
Loss on retirement of non-current assets	142	122
Loss on valuation of investment securities	26	-
Loss on cancellation of system	108	-
System failure response cost	-	62
<b>Total extraordinary losses</b>	<b>1,013</b>	<b>409</b>
<b>Profit before income taxes</b>	<b>1,956</b>	<b>3,446</b>
Current	1,118	1,949
Deferred	(325)	(163)

Total income taxes	792	1,785
Profit	1,164	1,660
Profit (loss) attributable to non-controlling interests	(341)	(162)
Profit attributable to owners of parent	1,505	1,822

(3) Consolidated Statement of Comprehensive Income

	(Millions of yen)	
	FY2020 (October 1, 2019– September 30, 2020)	FY2019 (October 1, 2018– September 30, 2019)
<b>Profit</b>	<b>1,164</b>	<b>1,660</b>
Other comprehensive income		
Valuation difference on available-for-sale securities	723	(604)
Foreign currency translation adjustments	12	(119)
Remeasurements of defined benefit plans	(288)	43
Share of other comprehensive income of entities accounted for using equity method	1	-
<b>Total other comprehensive income</b>	<b>448</b>	<b>(681)</b>
<b>Comprehensive income</b>	<b>1,613</b>	<b>978</b>
<b>Comprehensive income attributable to</b>		
Owners of parent	1,913	1,190
Non-controlling interests	(300)	(211)

**(4) Consolidated Statement of Cash Flows**

(Millions of yen)

	<b>FY2020</b> <b>(October 1, 2019–</b> <b>September 30, 2020)</b>	<b>FY2019</b> <b>(October 1, 2018–</b> <b>September 30, 2019)</b>
<b>Cash flows from operating activities:</b>		
Profit before income taxes	1,956	3,446
Depreciation	4,529	3,620
Impairment loss	736	225
Amortization of goodwill	159	308
Increase (decrease) in allowance for doubtful accounts	(13)	49
Interest and dividend income	(4)	(4)
Interest expenses	123	114
Foreign exchange losses (gains)	10	147
Share of loss (profit) of entities accounted for using equity method	(394)	252
Decrease (increase) in notes and accounts receivable - trade	(132)	864
Decrease (increase) in inventories	(610)	(532)
Increase (decrease) in notes and accounts payable – trade	(64)	297
Increase (decrease) in provision for bonuses	(261)	(179)
Increase (decrease) in provision for directors' bonuses	-	(63)
Increase (decrease) in retirement benefit liability	740	1,127
Increase (decrease) in provision for loss on order received	211	(119)
Loss (gain) on sales of investment securities	(10)	-
Loss (gain) on valuation of investment securities	26	-
Loss (gain) on sales of shares of subsidiaries	(30)	-
Loss (gain) on sales of non-current assets	(7)	(11)
Loss on retirement of non-current assets	142	122
Insurance claim income	(54)	-
Loss on cancellation of system	108	-
Increase (decrease) in advances received	477	(296)
Increase (decrease) in accrued expenses	160	2
Increase (decrease) in deposits received	155	(1,162)
Other, net	558	(734)
Subtotal	8,511	7,474
Interest and dividend income received	21	17

Interest expenses paid	(112)	(125)
Income taxes paid	(1,716)	(2,443)
<b>Net cash provided by (used in) operating activities</b>	<b>6,703</b>	<b>4,922</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(7,915)	(3,935)
Proceeds from sales of property, plant and equipment	23	29
Purchase of investment securities	(3)	(80)
Proceeds from sales of investment securities	110	-
Purchase of intangible assets	(513)	(845)
Payments into time deposits	-	(15)
Proceeds from withdrawal of time deposits	-	28
Net decrease (increase) in short-term loans receivable	(331)	-
Payments for lease and guarantee deposits	(31)	(347)
Proceeds from collection of lease and guarantee deposits	57	49
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	225
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	67	-
Other, net	(5)	2
<b>Net cash provided by (used in) investing activities</b>	<b>(8,542)</b>	<b>(4,889)</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	2,988	1,568
Proceeds from long-term loans payable	2,250	2,000
Repayments of long-term loans payable	(2,849)	(3,648)
Purchase of treasury stock	(0)	(1,000)
Cash dividends paid	(581)	(514)
Dividends paid to non-controlling interests	-	(6)
Repayments of lease obligations	(454)	(162)
Net increase (decrease) in commercial papers	1,000	-
Other, net	1	-
<b>Net cash provided by (used in) financing activities</b>	<b>2,354</b>	<b>(1,764)</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>42</b>	<b>(101)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>557</b>	<b>(1,832)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>12,144</b>	<b>13,976</b>
<b>Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation</b>	<b>(14)</b>	<b>-</b>
<b>Cash and cash equivalents at end of period</b>	<b>12,688</b>	<b>12,144</b>



