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November 7, 2016

# CMIC HOLDINGS Co., Ltd. Consolidated Financial Results
## For the Year Ended September 30, 2016

(The Fiscal Year Ending September 30, 2016, Japan Accounting Standards)

CMIC HOLDINGS Co., Ltd. reported a further strengthening of existing operations and has implemented new measures in each of its segments on a consolidated basis in fiscal year 2016.

**Highlights:**

- **Sales grew 11.0% year on year to ¥62,039 million on a consolidated basis**
- **Operating income increased 138.2% to ¥3,363 million resulting in an operating margin of 5.4%**
- **Net income per share ¥47.00**
- **Order backlog grew 2.9% to ¥63,961 million**

Tokyo, November 7, 2016 – CMIC HOLDINGS Co., Ltd. （TSE Code: 2309 today reported financial results for the fiscal year ended September 30, 2016

CMIC HOLDINGS Co., Ltd. concluded the fiscal year 2016 with the following results:
In the consolidated fiscal year 2016, we promoted efforts as a single group to improve the business results of three business areas—contract management organization (CMO), site management organization (SMO), and intellectual property development (IPD)—with Project Phoenix (a project that aims to achieve a sharp recovery in results and sustained growth by eliminating unprofitable businesses and promoting cost structure reform), which we launched in the previous consolidated fiscal year (the fiscal year ending September 2015). In addition, we worked to strengthen the management foundations of individual businesses and pursue synergies between businesses with the aim of achieving further growth, and further expand services towards evolving PVC, a business model unique to the CMIC group.

In this consolidated fiscal year, sales were ¥62.039 billion (up 11.0% year-on-year [YoY]) and operating income was ¥3.363 billion (up 138.2% YoY) after returning to profitability in the CMO and SMO business, for which we recorded an operating loss in the previous consolidated fiscal year, and a robust improvement in results in other business as well.

### Segment Information

The business results by segment are listed as below:

The Institute of Applied Medicine, Inc. (currently CMIC Pharma Science Co., Ltd.), which provides analytical chemistry services for drugs from pharmaceutical companies, has changed the reported segment to which it belongs from CMO business to CRO business as part of organizational reform in October 2014. We compare the change and percentage [difference] of results by segment versus the previous consolidated fiscal year for the different segments after the change in reporting segment.

- **CRO (Contract Research Organization) Business**

（Millions of yen）

| | **FY2016** | FY2015 | YoY Change Amount（%） |
|---|---|---|---|
| Sales | **29,330** | 27,471 | ＋1,858（＋6.8%） |
| Operating income | **4,689** | 5,092 | ▵402（▵7.9%） |

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

In this consolidated fiscal year, we worked to secure and train human resources in line with strong demand in clinical services, and expanded support services for global development projects and domestic clinical trial management services by further bolstering our expertise and efficiency at responding to diverse client needs. In January 2016, we founded CMIC Shift Zero K.K. in a merger with Shift Zero Co., Ltd., which has advanced knowhow in this area, aiming to enhance services to meet increasing needs in the area of anti-cancer drugs. We are promoting sales and marketing activities in cross-cutting coordination among our group by building a system that can seamlessly support specialized needs in this area, from new drug development to post-marketing surveys.
In non-clinical services, the Institute of Applied Medicine and JCL Bioassay Co., Ltd., merged in October 2015 and re-launched as CMIC Pharma Science Co., Ltd. (hereinafter, CPhS) in order to expand business opportunities in analytical chemistry services associated with new and generic drug development. Furthermore, with the merger of CPhS and CMIC Bioresearch Center Co., Ltd., in April 2016, we are building a system that can provide a total solution in the non-clinical area, from effectiveness and safety assessment at the drug discovery stage to development consulting, a range of testing for approval applications, and drug delivery inspection at the commercial stage.
Also, in July 2016, we tied up with MEDINET Co., Ltd., which provides contract manufacturing of cell products, with the aim of strengthening business support in the field of regenerative medicine from development to manufacturing to sales. Together with consulting services for regenerative medicine, we are bolstering our development support system for regenerative medicine by collaborating with facilities that can accommodate the regenerative medicine biological safety testing newly designed by CPhS.

Sales have exceeded those from the previous consolidated fiscal year on solid growth in new orders and existing projects in monitoring services and post-marketing survey services and added sales from JCL Bioassay Co., Ltd. (now CPhS). Meanwhile, operating income fell from the previous consolidated fiscal year due to a lag in order growth in non-clinical services, including in the United States, and an increase in amortization of goodwill.

- **CMO (Contract Manufacturing Organization) Business**

（Millions of yen）

| | FY2016 | FY2015 | YoY Change Amount（%） |
|---|---|---|---|
| Sales | **14,167** | 13,810 | ＋356（＋2.6%） |
| Operating income | **305** | (325) | ＋630（ - ） |

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

In this consolidated fiscal year, we aimed for early recovery of business results by shifting to a price-competitive cost structure through efforts at structural reform begun by CMIC CMO Co., Ltd., in the previous consolidated fiscal year. We have also steadily increased project demand and investigational new drug contract manufacturing by promoting the strengthening of sales and marketing activities toward acquiring new contracts. With the merger of CMIC CMO Ashikaga Co., Ltd., with CMIC CMO Co., Ltd., in April 2016 to reorganize the CMO business in Japan, we are reinforcing cost responsiveness, centralizing manufacturing technical capacity and quality assurance capabilities, and fortifying a system to provide high-quality services to a wide range of clients. Furthermore, we have decided to build a new injection building at the Ashikaga plant to handle highly active pharmacological agents and biologics so as to meet the needs of manufacturing contracts in the field of anti-cancer agents, the market for which is expected to grow in the future. We are aiming to begin operations at the end of 2018.

Sales were up from the last consolidated fiscal year on robust growth in new project contract production. We have also recorded an operating surplus by significantly improving profitability through ongoing efforts at cost structure reform.

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

（Millions of yen）

| | FY2016 | FY2015 | YoY Change Amount（%） |
|---|---|---|---|
| Sales | **9,712** | 8,875 | ＋836（＋9.4%） |
| Operating income | **905** | 716 | ＋188（＋26.3%） |

In this business, we provide sales- and marketing-support services, primarily to pharmaceutical companies, as well as business process outsourcing (BPO) and personnel services for the healthcare and pharmaceutical industries.

In this consolidated fiscal year, CMIC Ashfield K.K. has worked steadily to strengthen its capacity to meet demand for medical representative (MR) dispatch services and move through existing projects. Since October 2015, we have also been working to expand our service model by launching Japan’s first contract service “syndicated sales force” to handle products from multiple companies in different areas in projects with only one MR. Although new project acquisition in MR dispatch services has been slower than expected as outsourcing needs are a temporary arrangement, the level of recent orders has been recovering.

Sales and operating income have come in higher than those from the previous consolidated fiscal year on solid growth in existing projects in MR dispatch services and BPO services.

- **Healthcare Business**

(Millions of yen)

| | **FY2016** | FY2015 | YoY Change Amount（%） |
|---|---|---|---|
| Sales | 6,895 | 5,640 | ＋1,255（＋22.3%） |
| Operating income | 172 | △1,188 | ＋1,360（ - ） |

In this business, we provide site management organization (SMO) and healthcare information services, primarily to medical institutions, patients, and general consumers, to support maintaining and promoting health and healthcare.

In this consolidated fiscal year, we have continued to promote measures to streamline management, such as cost cutting and strengthening project management, which SMO service provider Site Support Institute Co., Ltd., has pushed since last consolidated fiscal year aiming at early recovery of business results. In addition, strong efforts to acquire new orders by further reinforcing sales and marketing activities and expanding our network of medical institutions has led to strong recovery of orders.

Sales were significantly higher than during the previous consolidated fiscal year on robust growth in new orders and existing projects in SMO services and healthcare information services for the pharmaceutical industry. In addition to increased sales, we have recorded an operating surplus by significantly improving profitability through deploying managerial streamlining measures in SMO services.

- **IPD (Intellectual Property Development) Business**

(Millions of yen)

| | **FY2016** | FY2015 | YoY Change Amount（%） |
|---|---|---|---|
| Sales | 2,643 | **762** | ＋1,881（＋246.8%） |
| Operating income | △177 | **△356** | ＋178（ - ） |

In this business, we primarily provide services to support the development and marketing of diagnostics and orphan drugs.

In the diagnostics business, in September 2016, our group released a high-sensitivity type in-vitro diagnostic drug “human L-type fatty acid-binding protein kit” developed for the purpose of diagnosing renal disease. In August 2016, the simple test (Dip-test) kit was covered for insurance, since which point we have been working to expand the

market and strengthen promotion.
In the orphan drug business, OrphanPacific, Inc., is continuing its policy to improve disease recognition for two of its own orphan drug products. They are also working to increase sales volume and cut sales expenses by distributing three orphan drug products that have been approved for manufacture and sale by Astellas Pharma, Inc.

Sales have come in significantly higher than those from the previous consolidated fiscal year based on increased diagnostics and orphan drug sales, and we have also reduced the operating loss.

## Consolidated Financial Position and Cash Flow

Assets, liabilities, and net assets
Total assets this consolidated fiscal year increased by ¥3.243 billion YoY, to ¥59.104 billion. This is mainly due to an increase in tangible fixed assets.
Total liabilities increased by ¥2.513 billion YoY, to ¥37.707 billion. This is mainly due to an increase in long-term accounts payable.
Total net assets increased by ¥730 million YoY, to ¥21.397 billion. This is mainly due to an increase in earned surplus.

Cash Flow
Cash and cash equivalents in this consolidated fiscal year decreased by ¥692 million YoY, to ¥4.946 billion.

Cash flow from operating activities was ¥6.493 billion in revenue (against ¥889 million of revenue the previous consolidated fiscal year). This is due to a capital increase from net income before income taxes and depreciation expenses, and payment of corporate taxes.
Cash flow from investing activities was ¥4.639 billion of expenditures (against ¥3.461 billion of expenditures the previous consolidated fiscal year). This is mainly due to purchase of tangible fixed assets and intangible fixed assets.
Cash flow from financing activities was ¥2.391 billion of expenditures (against ¥1.904 billion of revenue the previous consolidated fiscal year). This is mainly due to revenue from long-term loans and expenditures from repayment of long-term loans, the issuance of commercial paper, net change in commercial paper, and net decrease in short-term loans.

## Distribution of Profits and Dividends

Our basic policy is to prioritize distribution of profits to shareholders as one of our key managerial policies and to distribute performance-based dividends while securing retained earnings to improve earnings and strengthen our corporate base. We make steady and stable distributions with a target 30% consolidated payout ratio. Toward stable dividends, our annual dividend is currently set at a minimum of ¥10 per share.
Our intention with internal reserves is to reinforce a corporate culture that can respond to changes in the management environment and utilize the reserves for capital and development investment to achieve sustainable growth.

Our basic policy is to distribute surplus twice a year, as mid-term and term-end dividends.
We distribute dividends twice this fiscal year. The mid-term dividend was ¥5.00 per share. We have set the term-end dividend at ¥11.00 per share, as announced on April 28, 2016, and thus plan to distribute an annual dividend of ¥16.00 per share (consolidated payout ratio of 34.0%).
For the next fiscal year, we plan to distribute an annual dividend of ¥19.00 per share (mid-term dividend of ¥5.00 per share and term-end dividend of ¥14.00 per share) based on our basic policy of distributing profits.

**Future Outlook**

Business conditions in the pharmaceutical industry remain difficult due to the effects of the action to curb medical expenditures (by, for example revising NHI drug prices and promoting wider adoption of generic drugs), and the expiration of patents on flagship products. However, the Government’s new growth strategy of collaboration & cooperation between industry, government and the academic community for the activation of the healthcare industry and creation of scientific technology innovation is encouraging. Through the introduction of academic collaboration, pharmaceutical companies have been accelerating development of new drugs and pipeline. While Japanese pharmaceutical companies are trying to expand business in Asia and other developing countries, foreign-based bio ventures are actively competing in the Japanese market. At the same time, the drug development, manufacture, and marketing support industry to which the CMIC Group belongs is continuously growing, propelled by an increase in outsourcing in order to reduce study costs and timing and increase overall study efficiency.

The outlook by segment is as follows. CMIC-BS Co., Ltd. (now CMIC Career Co., Ltd.) will change its reported segment from CSO to CRO as of October 1, 2016, in line with changes to its organizational system. We will also change the segment name from CMO business to CDMO (contract development and manufacturing organization) business as of October 1, 2016, to develop into a total solution business providing not only drug manufacturing support but also drug formulation review, investigational new drug manufacturing, and commercial production by strengthening formulation and production technology capabilities. In addition, we will also change the IPD business segment name to IPM (innovative pharma model) business, with the aim of providing solutions to patients and pharmaceutical companies and contributing to medical care through innovative means.

**Outlook for each segment:**
CRO is our core business, and as a leading company in Japan in this area, we will continue to support foreign companies and companies in different industries as they enter the market, to strengthen medical device-related business, to expand business in the Asian region, and to grow business related to regenerative medicine. We also aim to achieve robust growth in clinical services and reinforce systems in non-clinical services. We anticipate an increase in revenue and profit in the CRO business as orders continue to remain strong around monitoring services and new orders for non-clinical services are recovering.
For the CMO business, we are moving forward with establishing a structure for total service provision for drug manufacturing, from formulation design to investigational new drug manufacturing to commercial production, and trying to improve our competitiveness through further strengthening technological capacity and strategic capital investment. At CMIC JSR Biologics Co., Ltd., we are also moving forward with designing next-generation antibody

drugs and developing a manufacturing process. In the CDMO business, although existing contract production has decreased due to a fall in sales of long-term listed products associated with the accelerated use of generic drugs, we expect higher revenue and profits on an increase in new projects for generic drugs.

For the CSO business, CMIC Ashfield K.K. aims to grow its market share by continuing to work to strengthen its capacity to meet demand for MR dispatch services and enhance its service model. We expect both revenue and profit in the CSO business to increase as new orders for MR dispatch services are recovering.

Although the healthcare business is in a difficult business environment and facing industry reorganization due to intensified competition, we anticipate increased revenue as new orders in SMO business are recovering and orders for new projects in healthcare information services, such as adherence services (support services for patients related to treatment continuation and drug administration compliance), are increasing.

For the IPM business, we forecast increased revenue on increased sales in the orphan drug business, but anticipate an operating loss due to R&D expenses for overseas sales of renal disease biomarkers, which is our own product. We are continuing to work to build an efficient sales structure and reduce costs to reduce the operating loss.

| Consolidated business results forecasts for the fiscal year ending September 30, 2017 | Amount | YoY change |
|---|---|---|
| Net sales | 66,500 | 7.2% |
| Operating income | 3,700 | 10.0% |
| Ordinary income | 3,420 | 14.4% |
| Net income | 1,200 | 36.5% |

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, 2017 | Amount | YoY change |
|---|---|---|
| CRO Business | 35,200 | 10.1% |
| CDMO Business | 14,600 | 3.0% |
| CSO Business | 7,900 | 6.8% |
| Healthcare Business | 7,200 | 4.4% |
| IPM Business | 2,400 | 3.6% |
| Total | 67,300 | 7.2% |
| Less inter-segment sales | △800 | - |
| Consolidated | 66,500 | 7.2% |

*CMIC-BS Co., Ltd. (now CMIC Career Co., Ltd.) will change its reported segment from CSO business to CRO business in line with changes to its organizational system on October 1, 2016. We will also change a portion of the IPD services provided by CMIC Holdings Co., Ltd. to the CRO business. We compare the percentage change in sales by segment against the previous consolidated fiscal year based on segment after changes.

*We will change the segment name of the CMO business to CDMO (contract development and manufacturing organization) business on October 1, 2016.

*We will change the segment name of the IPD business to IPM (innovative pharma model) business on October 1, 2016.

## Corporate Information

The CMIC Group was the first CRO (Contract Research Organization) in Japan and provides services that contribute to increasing efficiency and quality of clinical research. Currently, based on PVC (Pharmaceutical Value Creator) business model, the Group provides services in the following business areas: CRO (Contract Research Organization) business, CMO (Contract Manufacturing Organization) business, CSO (Contract Sales Organization) business, Healthcare business, IPD (Intellectual Property Development) business. For more information about the CMIC Group, please visit http://www.cmic-holdings.co.jp/e/.

## Note on the appropriate use of business forecasts contained in this report

Earnings forecasts and other forward-looking statements contained in this report are based on information currently available to the Company and certain assumptions that the Company has judged to be reasonable. Actual results may vary significantly from forecasts due to a variety of factors. Important factors that might cause such a difference include, but are not limited to, risks associated with: (i) business trends among customers, (ii) laws and regulations and government policies, (iii) competitors, (iv) compliance, (v) information management, (vi) securing human resources, (vii) conducting clinical trials under contract, (viii) product liability, (ix) research and development, (x) international business, (xi) financial market conditions, (xii) natural disasters, and (xiii) environmental regulations. The Company undertakes no obligation to update these forward-looking statements in the future.

**Summary of Results for the Fiscal Year Ended September 30, 2016 (October 1, 2015 through September 30, 2016)**

(1) Consolidated financial results

(Millions of yen; amounts less than one million yen are omitted)

(Percentage figures indicate increase compared with the corresponding period of the prior fiscal year)

| | **Fiscal year ended September 30, 2016** | | Fiscal year ended September 30, 2015 | |
|---|---|---|---|---|
| | | Change (%) | | Change (%) |
| Net sales | **62,039** | **11.0** | 55,904 | 5.8 |
| Operating income | **3,363** | **138.2** | 1,411 | (49.0) |
| Ordinary income | **2,989** | **207.9** | 970 | (63.3) |
| Net income | **878** | **—** | (542) | — |
| Net income per share (Yen) | **47.00** | | (29.57) | |
| Diluted net income per share (Yen) | | | | |
| Return on equity (%) | **4.3** | | (2.7) | |
| Ordinary income/total capital (%) | **5.2** | | 1.8 | |
| Operating income/net sales (%) | **5.4** | | 2.5 | |

Reference: Comprehensive income: FY2016: ¥941 million, FY2015: (¥610) million

Equity in earnings (losses) of affiliates: FY2016: ¥million, FY2015: ¥ million

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

| | **September 2016** | September 2015 |
|---|---|---|
| Total assets | **59,104** | 55,861 |
| Net assets | **21,397** | 20,667 |
| Equity ratio (%) | **35.5** | 36.4 |
| Equity per share (Yen) | **1,122.55** | 1,087.84 |

Reference: Shareholders' equity: September 2016: ¥ 20,995million, September 2015: ¥ 20,340million

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

| | **Fiscal year ended September 30, 2016** | Fiscal year ended September 30, 2015 |
|---|---|---|
| Net cash provided by (used in) operating activities | **6,493** | 889 |
| Net cash provided by (used in) investing activities | **(4,639)** | (3,461) |
| Net cash provided by (used in) financing activities | **(2,391)** | 1,904 |
| Cash and cash equivalents at end of period | **4,946** | 5,638 |

**Dividend Status**

(Yen)

| | FY ended September 2015 | **FY ended September 2016** | FY ending September 2017 (Estimated) |
|---|---|---|---|
| Dividend per share (Base date) | | | |
| End of first quarter | – | | |
| End of second quarter | 17.50 | **5.00** | 5.00 |
| End of third quarter | – | — | — |
| End of FY | 5.00 | **11.00** | 14.00 |
| Total | 22.50 | **16.00** | 19.00 |
| Total cash dividends (annual) (Million yen) | 424 | **302** | |
| Dividend payout ratio (consolidated) (%) | — | **34.0** | 30.00 |
| Dividend on equity ratio (consolidated) (%) | 2.0 | **1.4** | |

## Consolidated Financial Statements for the Fiscal Year Ended September 30, 2016

### (1) Consolidated Balance Sheets

(Millions of yen)

| | **FY 2016 (September 30, 2016)** | FY 2015 (September 30, 2015) |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and deposits | 5,069 | 5,804 |
| Notes and accounts receivable-trade | 10,731 | 10,787 |
| Merchandise and finished goods | 486 | 264 |
| Work in process | 3,368 | 3,592 |
| Raw materials and supplies | 1,430 | 1,583 |
| Deferred tax assets | 1,435 | 1,295 |
| Other | 2,287 | 2,968 |
| Allowance for doubtful accounts | (10) | (11) |
| **Total current assets** | **24,799** | **26,283** |
| **Noncurrent assets** | | |
| Property, plant and equipment | | |
| Buildings and structures | 17,528 | 16,012 |
| Machinery, equipment and vehicles | 10,764 | 9,291 |
| Tools, furniture and fixtures | 3,110 | 3,305 |
| Land | 6,298 | 6,343 |
| Lease assets | 1,264 | 1,937 |
| Construction in progress | 2,979 | 1,185 |
| **Total property, plant and equipment** | **25,055** | **21,910** |
| Intangible assets | | |
| Goodwill | 1,093 | 1,680 |
| Other | 1,274 | 1,596 |
| **Total intangible assets** | **2,367** | **3,276** |
| Investments and other assets | | |
| Investment securities | 1,376 | 849 |
| Deferred tax assets | 1,630 | 1,609 |
| Lease and guarantee deposits | 1,683 | 1,682 |
| Other | 2,461 | 280 |
| Allowance for doubtful accounts | (268) | (29) |
| **Total investments and other assets** | **6,883** | **4,391** |
| **Total noncurrent assets** | **34,305** | **29,578** |
| **Total assets** | **59,104** | **55,861** |

(Millions of yen)

| | FY 2016 (September 30, 2016) | FY 2015 (September 30, 2015) |
|---|---|---|
| **Liabilities** | | |
| **Current liabilities** | | |
| Notes and accounts payable-trade | 953 | 1,226 |
| Current portion of bonds payable | 50 | 100 |
| Short-term borrowings | 2,250 | 3,050 |
| Commercial papers | 2,783 | 3,000 |
| Current portion of long-term debt | 2,000 | 2,869 |
| Accounts payable-other | 4,685 | 2,848 |
| Accrued expenses | 949 | 921 |
| Income taxes payable | 1,007 | 412 |
| Advances received | 1,200 | 1,176 |
| Provision for bonuses | 2,054 | 1,840 |
| Provision for directors' bonuses | 49 | 3 |
| Provision for loss on order received | 402 | 394 |
| Other | 1,475 | 1,885 |
| **Total current liabilities** | **19,861** | **19,729** |
| **Noncurrent liabilities** | | |
| Bonds payable | - | 50 |
| Long-term debt | 9,002 | 9,000 |
| Net defined benefit liability | 23 | 5,255 |
| Deferred tax liabilities | 6,325 | 12 |
| Asset retirement obligations | 373 | 401 |
| Other | 2,120 | 745 |
| **Total noncurrent liabilities** | **17,846** | **15,464** |
| **Total liabilities** | **37,707** | **35,194** |
| **Net assets** | | |
| **Shareholders' equity** | | |
| Capital stock | 3,087 | 3,087 |
| Capital surplus | 7,715 | 7,715 |
| Retained earnings | 10,596 | 9,906 |
| Treasury stock | (265) | (271) |
| **Total shareholders' equity** | **21,134** | **20,438** |
| **Accumulated other comprehensive income** | | |
| Valuation difference on available-for-sale securities | 414 | 67 |
| Foreign currency translation adjustment | (143) | 98 |
| Premeasurements of defined benefit plans | (409) | (263) |

| | | |
|---|---|---|
| Total accumulated other comprehensive income | (138) | (97) |
| Minority interests | 401 | 326 |
| Total net assets | 21,397 | 20,667 |
| Total liabilities and net assets | 59,104 | 55,861 |

(2) **Consolidated Statements of Income**

(Millions of yen)

| | FY 2016 (October 1, 2014– September 30, 2016) | FY 2015 (October 1, 2014– September 30, 2015) |
|---|---|---|
| **Net sales** | **62,039** | **55,904** |
| **Cost of sales** | **48,941** | **44,816** |
| **Gross profit** | **13,097** | **11,087** |
| **Selling, general and administrative expenses** | **9,733** | **9,676** |
| **Operating income** | **3,363** | **1,411** |
| **Non-operating income** | | |
| Interest income | 31 | 12 |
| Commission income | 10 | 19 |
| Rent income | 16 | 16 |
| Government grant | 2 | 20 |
| Gain on sales of materials | — | 17 |
| Other income | 47 | 36 |
| **Total non-operating income** | **131** | **122** |
| **Non-operating expenses** | | |
| Interest expenses | 143 | 144 |
| Foreign exchange loss | 186 | 25 |
| Investment loss of affiliates | 108 | 291 |
| Other expenses | 66 | 101 |
| **Total non-operating expenses** | **505** | **563** |
| **Ordinary income** | **2,989** | **970** |
| **Special gains (losses)** | | |
| Gain on sales of investment securities | — | 110 |
| Gain on sales of shares of subsidiaries and affiliates | — | 818 |
| Gain on step acquisitions | — | 27 |
| Insurance income | — | 72 |
| **Total extraordinary income** | **—** | **1,029** |
| **Extraordinary loss** | | |
| Loss on retirement of noncurrent assets | 45 | 72 |
| Provision of allowance of doubtful accounts | 241 | — |
| Impairment loss on noncurrent assets | 11 | 74 |
| Loss on valuation of investment securities | 1 | 15 |
| Compensation for damage | — | 150 |
| Loss on revision of pay regulations | — | 157 |
| Office transfer expenses | — | 163 |

| | | |
|---|---|---|
| Loss on disposal of facilities and others | — | 87 |
| Compensation payable | 90 | — |
| **Total extraordinary losses** | **389** | **720** |
| **Income before income taxes and minority interests** | **2,599** | **1,280** |
| Income taxes-current | 1,842 | 1,162 |
| Income taxes-deferred | (265) | 634 |
| **Total income taxes** | **1,577** | **1,797** |
| **Income before minority interests** | **1,022** | **(516)** |
| **Minority interests in income (loss)** | **143** | **25** |
| **Net income** | **878** | **(542)** |

(3) **Consolidated Statements of Comprehensive Income**

(Amounts in millions of yen)

| | **FY2016 (October 1, 2015 – June 30, 2016)** | FY2015 (October 1, 2014 – June 30, 2015) |
|---|---|---|
| **Income before minority interests** | **1,022** | **(516)** |
| **Other comprehensive income** | | |
| Unrealized gain (loss) on securities | 347 | 67 |
| Foreign currency translation adjustment | (263) | 67 |
| Premeasurements of defined benefit plans | (163) | (229) |
| **Total other comprehensive income** | **(80)** | **(93)** |
| **Comprehensive income** | **941** | **(610)** |
| Comprehensive income (loss) attributable to: | | |
| Owners of the parent | 838 | (644) |
| Minority interests | 193 | 34 |

## (4) Consolidated Statements of Cash Flows

(Millions of yen)

| | **FY 2016 (October 1, 2015– September 30, 2016)** | FY 2015 (October 1, 2014– September 30, 2015) |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Income before income taxes and minority interests | 2,599 | 1,280 |
| Depreciation and amortization | 2,566 | 2,314 |
| Impairment loss on noncurrent assets | 11 | 74 |
| Amortization of goodwill | 554 | 583 |
| Gain for a bargain purchase | — | (27) |
| Increase (decrease) in net defined benefit liability | 823 | 669 |
| Increase (decrease) in provision for bonuses | 213 | (217) |
| Increase (decrease) in provision for directors' bonuses | 46 | (35) |
| Increase (decrease) in allowance for doubtful accounts | 241 | (0) |
| Increase (decrease) in provision for loss on order received | 10 | 64 |
| Interest and dividends income | (31) | (12) |
| Interest expenses | 143 | 144 |
| Equity in (earnings) losses of affiliates | 108 | 291 |
| Foreign exchange losses (gains) | 182 | (4) |
| Loss (gain) on sales of investment securities | 1 | (110) |
| Loss on retirement of noncurrent assets | 45 | 72 |
| Office transfer expenses | — | 163 |
| Compensation for damage | — | 150 |
| Loss on disposal of facilities and others | — | 87 |
| Loss (gain) on sales of shares of subsidiaries and affiliates | — | (818) |
| Government grant | (2) | (20) |
| Decrease (increase) in notes and accounts receivable-trade | (23) | (639) |
| Decrease (increase) in inventories | 115 | (377) |
| Increase (decrease) in notes and accounts payable-trade | (253) | 122 |
| Increase (decrease) in accrued expenses | 34 | (45) |
| Increase (decrease) in advances received | 53 | (246) |
| Increase (decrease) in deposits received | (241) | (36) |
| Other, net | 214 | 35 |
| Subtotal | **7,413** | **3,463** |
| Interest and dividends income received | 16 | 28 |
| Interest expenses paid | (132) | (150) |
| Compensation for damage paid | — | (320) |

| | | |
|---|---|---|
| Proceeds from government grant | 2 | 20 |
| Income taxes paid | (806) | (2,151) |
| **Net cash provided by operating activities** | **6,493** | **889** |

| | | (Millions of yen) |
|---|---|---|
| | **FY 2016 (October 1, 2015– September 30, 2016)** | FY 2015 (October 1, 2014– September 30, 2015) |
| **Cash flows from investing activities:** | | |
| Payments into time deposits | (168) | (180) |
| Proceeds from withdrawal of time deposits | 180 | 196 |
| Purchase of property, plant and equipment | (4,140) | (3,108) |
| Proceeds from sales of property, plant and equipment | 7 | 20 |
| Purchase of intangible assets | (186) | (640) |
| Expenditures from asset retirement obligations | (18) | — |
| Payments for retirement of noncurrent assets | — | (15) |
| Proceeds from sale of intangible fixed assets | 13 | — |
| Payments for lease and guarantee deposits | (69) | (929) |
| Proceeds from collection of lease and guarantee deposits | 110 | 766 |
| Purchase of investments securities | (1) | (616) |
| Proceeds from sales of investments securities | — | 141 |
| Purchase of investments in subsidiaries resulting in change in scope of consolidation | — | 102 |
| Proceeds from sales of shares of subsidiaries and affiliates | — | 1,126 |
| Purchase of investments in subsidiaries | — | (90) |
| Payments of loans receivable | (32) | (233) |
| Payments of long-term loans receivable | (331) | — |
| Collection of long-term loans receivable | 124 | — |
| Other, net | (127) | — |
| **Net cash provided by (used in) investing activities** | **(4,639)** | **(3,461)** |
| **Cash flows from financing activities:** | | |
| Net increase (decrease) in short-term borrowings | (800) | 2,400 |
| Proceeds from long-term debt | 3,000 | 3,400 |
| Repayments of long-term debt | (3,084) | (3,537) |
| Repayments of lease obligations | (100 | (201) |
| Redemption of bonds | (220) | (50) |
| Net increase (decrease) in commercial papers | (1,000) | 1,000 |
| Purchases of treasury stock | (0) | (458) |
| Dividends paid | (190) | (648) |
| Other, net | 4 | — |

| | | |
|---|---|---|
| Net cash provided by (used in) financing activities | (2,391) | **1,904** |
| **Effect of exchange rate change on cash and cash equivalents** | **(153)** | **21** |
| **Net increase (decrease) in cash and cash equivalents** | **(692)** | **(646)** |
| **Cash and cash equivalents at beginning of period** | **5,638** | **5,751** |
| **Increase in cash and cash equivalents resulting from share exchanges** | **—** | **533** |
| **Cash and cash equivalents at end of period** | **4,946** | **5,368** |