

**CMIC HOLDINGS Co., Ltd.**

Consolidated Financial Statements  
For the Year ended September 30,  
2020  
Together with Independent  
Auditors' Report



Ernst & Young ShinNihon LLC  
Hibiya Mitsui Tower, Tokyo Midtown Hibiya  
1-1-2 Yurakucho, Chiyoda-ku  
Tokyo 100-0006, Japan

Tel: +81 3 3503 1100  
Fax: +81 3 3503 1197  
ey.com

## Independent Auditor's Report

The Board of Directors  
CMIC HOLDINGS Co., Ltd.

### Opinion

We have audited the accompanying consolidated financial statements of CMIC HOLDINGS Co., Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at September 30, 2020, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



## **Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC  
Tokyo, Japan

December 16, 2020

/s/ Sayaka Shimura

Sayaka Shimura  
Designated Engagement Partner  
Certified Public Accountant

/s/ Kaeko Kitamoto

Kaeko Kitamoto  
Designated Engagement Partner  
Certified Public Accountant

## CONSOLIDATED BALANCE SHEET

CMIC HOLDINGS Co., Ltd. and consolidated subsidiaries

As of September 30, 2019 and 2020

<u>ASSETS</u>	Millions of yen	
	2019	2020
<b>Current assets:</b>		
Cash and deposits (Notes 15 and 17)	¥ 12,146	¥ 12,690
Notes and accounts receivable-trade (Note 17)	13,082	13,211
Merchandise and finished goods(Note 7)	682	729
Work in process(Note 7)	4,074	3,985
Raw materials and supplies(Note 7)	2,578	3,196
Other	3,009	3,696
Allowance for doubtful accounts	(67)	(66)
<b>Total current assets</b>	<b>35,506</b>	<b>37,443</b>
<b>Non-current assets:</b>		
<b>Property, plant and equipment:</b>		
Buildings and structures	23,213	26,009
Machinery, equipment and vehicles	19,604	23,558
Tools, furniture and fixtures	5,249	6,240
Land	6,425	6,425
Leased assets	968	3,596
Construction in progress	1,661	1,496
Less: accumulated depreciation	(23,372)	(27,068)
<b>Total property, plant and equipment</b>	<b>33,750</b>	<b>40,258</b>
<b>Intangible assets:</b>		
Goodwill	237	76
Other	1,338	1,645
<b>Total intangible assets</b>	<b>1,575</b>	<b>1,721</b>
<b>Investments and other assets:</b>		
Investment securities (Notes 4 , 17 and 19)	3,007	3,962
Deferred tax assets (Note 22)	3,927	3,912
Lease and guarantee deposits	1,997	1,971
Other	993	814
Allowance for doubtful accounts	(579)	(567)
<b>Total investments and other assets</b>	<b>9,347</b>	<b>10,093</b>
<b>Total non-current assets</b>	<b>44,673</b>	<b>52,074</b>
<b>Total assets</b>	<b>¥ 80,179</b>	<b>¥ 89,517</b>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

**CONSOLIDATED BALANCE SHEET (continued)**

CMIC HOLDINGS Co., Ltd. and consolidated subsidiaries

As of September 30, 2019 and 2020

<b>LIABILITIES AND NET ASSETS</b>	Millions of yen	
	2019	2020
<b>Current liabilities:</b>		
Notes and accounts payable-trade (Note 17)	¥ 1,082	¥ 1,019
Short-term borrowings(Notes 17 and 18)	3,018	6,004
Current portion of long-term debt(Notes 17 and 18)	2,822	3,258
Commercial papers (Notes 17 and 18)	2,000	3,000
Accounts payable-other	5,135	5,658
Accrued expenses	1,164	1,326
Income taxes payable	647	586
Advances received	1,320	1,723
Provision for bonuses	2,677	2,413
Provision for loss on orders received	561	824
Other	2,315	3,376
<b>Total current liabilities</b>	<b>22,743</b>	<b>29,191</b>
<b>Non-current liabilities:</b>		
Long-term debt(Notes 17 and 18)	11,356	10,321
Lease obligations	214	2,865
Deferred tax liabilities (Note 22)	302	100
Net defined benefit liability (Note 21)	8,721	9,931
Asset retirement obligations (Note 23)	495	578
Long-term unearned revenue	2,456	2,259
Other	895	257
<b>Total non-current liabilities</b>	<b>24,441</b>	<b>26,314</b>
<b>Total liabilities</b>	<b>47,185</b>	<b>55,506</b>
<b>Contingent liabilities (Note 6)</b>		
<b>NET ASSETS (Note 14)</b>		
<b>Shareholders' equity:</b>		
Capital stock		
Authorized-46,000,000 shares		
Issued-18,923,569 shares in 2019	3,087	
Authorized-46,000,000 shares		
Issued-18,923,569 shares in 2020		3,087
Capital surplus	6,102	6,100
Retained earnings	14,121	15,052
Treasury shares, at cost-851,347 shares in 2019 and 833,145 shares in 2020	(1,578)	(1,545)
<b>Total shareholders' equity</b>	<b>21,733</b>	<b>22,694</b>
<b>Accumulated other comprehensive income (Note 13 and 21):</b>		
Unrealized gain (loss) on securities	613	1,336
Foreign currency translation adjustments	(35)	(29)
Remeasurements of defined benefit plans	(52)	(373)
<b>Total accumulated other comprehensive income</b>	<b>525</b>	<b>933</b>
<b>Non-controlling interests</b>	<b>10,735</b>	<b>10,384</b>
<b>Total net assets</b>	<b>32,994</b>	<b>34,011</b>
<b>Total liabilities and net assets</b>	<b>¥ 80,179</b>	<b>¥ 89,517</b>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

**CONSOLIDATED STATEMENT OF INCOME**  
 CMIC HOLDINGS Co., Ltd. and consolidated subsidiaries  
 Years ended September 30, 2019 and 2020

	Millions of yen	
	2019	2020
<b>Net sales</b>	¥ 74,373	¥ 76,098
<b>Costs and expenses:</b>		
<b>Cost of sales</b>	(58,261)	(61,451)
<b>Gross profit</b>	16,112	14,646
<b>Selling, general and administrative expenses</b> (Note 8 and 9) :	(11,706)	(12,041)
<b>Operating income</b>	4,405	2,605
<b>Non-operating income (expenses):</b>		
Interest income	4	4
Share of profit of entities accounted for using equity method	-	394
Other income	92	156
Interest expenses	(114)	(123)
Share of loss of entities accounted for using equity method	(252)	-
Foreign exchange gains (losses)	(176)	(121)
Other expenses	(117)	(48)
Total Non-operating income (expenses)	(564)	261
<b>Ordinary income</b>	3,841	2,867
<b>Extraordinary income (losses):</b>		
Gain on sales of non-current assets(Note 10)	14	7
Gain on sales of investment securities	-	10
Gain on sales of shares of subsidiaries and affiliates	-	30
Insurance claim income	-	54
Impairment loss(Note 11)	(225)	(736)
Loss on retirement of non-current assets(Note 12)	(122)	(142)
Loss on valuation of investment securities	-	(26)
Loss on cancellation of system	-	(108)
System failure response costs	(62)	-
Total extraordinary income (losses)	(395)	(910)
<b>Profit before income taxes</b>	3,446	1,956
<b>Income taxes</b> (Note 22):		
Current	1,949	1,118
Deferred	(163)	(325)
Total income taxes	1,785	792
<b>Profit</b>	1,660	1,164
<b>Loss attributable to non-controlling interests</b>	(162)	(341)
<b>Profit attributable to owners of parent</b>	¥ 1,822	¥ 1,505
	Yen	Yen
Amounts per share of common stock:		
Profit attributable to owners of parent(Note 27)	¥ 98.93	¥ 83.27
Diluted net income	-	-
Cash dividends applicable to the year(Note 14)	32.00	25.00

The accompanying notes to the consolidated financial statements are an integral part of these statements.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CMIC HOLDINGS Co., Ltd. and consolidated subsidiaries

Years ended September 30, 2019 and 2020

	Millions of yen	
	2019	2020
<b>Profit</b>	¥ 1,660	¥ 1,164
<b>Other comprehensive income (Note 13 and 21):</b>		
Unrealized gain (loss) on securities	(604)	723
Foreign currency translation adjustments	(119)	12
Remeasurements of defined benefit plans	43	(288)
Share of other comprehensive income of entities accounted for using equity method	-	1
Total other comprehensive income	(681)	448
<b>Comprehensive income</b>	¥ 978	¥ 1,613
<b>Comprehensive income attributable to:</b>		
Owners of the parent	¥ 1,190	¥ 1,913
Non-controlling interests	(211)	(300)

The accompanying notes to the consolidated financial statements are an integral part of these statements.



## CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

CMIC HOLDINGS Co., Ltd. and consolidated subsidiaries

Years ended September 30, 2019 and 2020

	Shares	
	2019	2020
<b>Number of shares of common stock:</b>		
Balance at the beginning of the year	18,923,569	18,923,569
Balance at the end of the year	18,923,569	18,923,569
	Millions of yen	
	2019	2020
<b>Capital stock:</b>		
Balance at the beginning of the year	¥ 3,087	¥ 3,087
Balance at the end of the year	3,087	3,087
<b>Capital surplus:</b>		
Balance at the beginning of the year	6,102	6,102
Disposal of treasury shares	-	(2)
Balance at the end of the year	6,102	6,100
<b>Retained earnings:</b>		
Balance at the beginning of the year	12,814	14,121
Profit attributable to owners of parent	1,822	1,505
Cash dividends paid - ¥27.50 per share in 2019	(515)	-
¥32.00 per share in 2020	-	(583)
Change in scope of consolidation	-	8
Balance at the end of the year	14,121	15,052
<b>Treasury stock:</b>		
Balance at the beginning of the year	(579)	(1,578)
Acquisition of treasury stock	(1,000)	(0)
Disposal of treasury stock	1	33
Balance at the end of the year - 851,347 shares in 2019 and 833,145 shares in 2020	(1,578)	(1,545)
<b>Total shareholders' equity</b>	<b>21,733</b>	<b>22,694</b>
<b>Unrealized gain (loss) on securities:</b>		
Balance at the beginning of the year	1,217	613
Net change in items other than those in shareholders' equity	(603)	722
Balance at the end of the year	613	1,336
<b>Foreign currency translation adjustments:</b>		
Balance at the beginning of the year	23	(35)
Net change in items other than those in shareholders' equity	(59)	5
Balance at the end of the year	(35)	(29)
<b>Remeasurements of defined benefit plans</b>		
Balance at the beginning of the year	(83)	(52)
Net change in items other than those in shareholders' equity	30	(320)
Balance at the end of the year	(52)	(373)
<b>Total accumulated other comprehensive income</b>	<b>525</b>	<b>933</b>
<b>Non-controlling interests</b>		
Balance at the beginning of the year	10,953	10,735
Net change in items other than those in shareholders' equity	(217)	(351)
Balance at the end of the year	10,735	10,384
<b>Total net assets</b>	<b>¥ 32,994</b>	<b>¥ 34,011</b>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

CMIC HOLDINGS Co., Ltd. and consolidated subsidiaries

Years ended September 30, 2019 and 2020

	Millions of yen	
	2019	2020
<b>Cash flows from operating activities:</b>		
Profit before income taxes	¥ 3,446	¥ 1,956
Depreciation	3,620	4,529
Impairment loss	225	736
Amortization of goodwill	308	159
Increase (decrease) in allowance for doubtful accounts	49	(13)
Interest income and dividends	(4)	(4)
Interest expenses	114	123
Foreign exchange losses (gains)	147	10
Share of (profit) loss of entities accounted for using equity method	252	(394)
Decrease (increase) in notes and accounts receivable - trade	864	(132)
Decrease (increase) in inventories	(532)	(610)
Increase (decrease) in notes and accounts payable - trade	297	(64)
Increase (decrease) in provision for bonuses	(179)	(261)
Increase (decrease) in provision for directors' bonuses	(63)	-
Increase (decrease) in net defined benefit liability	1,127	740
Increase (decrease) in provision for loss on order received	(119)	211
Loss (gain) on sales of investment securities	-	(10)
Loss (gain) on valuation of investment securities	-	26
Loss (gain) on sales of shares of subsidiaries and affiliates	-	(30)
Loss (gain) on sales of non-current assets	(11)	(7)
Loss on retirement of non-current assets	122	142
Insurance claim income	-	(54)
Loss on cancellation of system	-	108
Increase (decrease) in advances received	(296)	477
Increase (decrease) in accrued expenses	2	160
Increase (decrease) in deposits received	(1,162)	155
Other, net	(734)	558
Subtotal	7,474	8,511
Interest and dividend income received	17	21
Interest expenses paid	(125)	(112)
Income taxes paid	(2,443)	(1,716)
Net cash provided by (used in) operating activities	4,922	6,703

The accompanying notes to the consolidated financial statements are an integral part of these statements.

	Millions of yen	
	2019	2020
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	(3,935)	(7,915)
Proceeds from sales of property, plant and equipment	29	23
Purchase of investment securities	(80)	(3)
Proceeds from sales of investment securities	-	110
Purchase of intangible assets	(845)	(513)
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	(347)	(31)
Proceeds from collection of lease and guarantee deposits	49	57
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation(Note 15)	225	-
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	67
Other, net	2	(5)
Net cash provided by (used in) investing activities	(4,889)	(8,542)
<b>Cash flows from financing activities:</b>		
Net increase (decrease) in short-term loans payable	1,568	2,988
Proceeds from long-term loans payable	2,000	2,250
Repayments of long-term loans payable	(3,648)	(2,849)
Purchase of treasury stocks	(1,000)	(0)
Cash dividends paid	(514)	(581)
Dividends paid to non-controlling interests	(6)	-
Repayments of lease obligations	(162)	(454)
Net increase (decrease) in commercial papers	-	1,000
Other, net	-	1
Net cash provided by (used in) financing activities	(1,764)	2,354
<b>Effect of exchange rate change on cash and cash equivalents</b>	(101)	42
<b>Net increase (decrease) in cash and cash equivalents</b>	(1,832)	557
<b>Cash and cash equivalents at the beginning of the period</b>	13,976	12,144
<b>Increase in cash and cash equivalents from newly consolidated subsidiary</b>	-	(14)
<b>Cash and cash equivalents at the end of the period (Note 15)</b>	¥ 12,144	¥ 12,688

The accompanying notes to the consolidated financial statements are an integral part of these statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CMIC HOLDINGS Co., Ltd. and consolidated subsidiaries

## 1 Basis of presenting consolidated financial statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by CMIC HOLDINGS Co., Ltd. (the "Company") and its domestic consolidated subsidiaries (the "Domestic Companies") in accordance with the provisions set forth in the Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP") which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accounts of overseas subsidiaries have been prepared in accordance with either International Financial Reporting Standards or accounting principles generally accepted in the United States, with the necessary consolidation adjustments made based on materiality.

The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

## **2 Significant accounting policies**

**Consolidation-** As of September 30, 2020, the numbers of consolidated subsidiaries and affiliates accounted for by the equity method are 23 and 1 (25 and 2 in 2019). The accompanying consolidated financial statements for the years ended September 30, 2019 and 2020 include the accounts of the Company and its subsidiaries (the "Companies").

The Company's subsidiaries established "CMIC ASIA-PACIFIC (THAILAND) LIMITED", "CMIC BIO Co., Ltd." and "CMIC Well Co., Ltd." which were newly included in the scope of consolidation during the current fiscal year.

"CMIC (Beijing) Pharmaceutical Services Co., Ltd." has been excluded from the scope of consolidation due to the merger with CMIC (Beijing) Co., Ltd. during the current fiscal year.

Both "SSI-CP Co., Ltd" and "CMIC Healthcare Co., Ltd." have been excluded from the scope of consolidation due to the merger with Site Support Institute Co., Ltd. and " Site Support Institute Co., Ltd." changed its name to CMIC Healthcare Institute Co., Ltd." during the current fiscal year.

Investments in subsidiaries and affiliates which are not consolidated or accounted for by the equity method are carried at cost or less. The Company has an affiliate as such at September 30, 2019 and 2020.

The fiscal year-end of CMIC (Beijing) Co., Ltd. is December 31. This subsidiary provisionally closes its books at September 30 for the purpose of consolidation of the Company. The fiscal year-end of the other subsidiaries other than the above subsidiaries is September 30.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to non-controlling interests, are recorded based on the fair values at the time the Company acquired the control of the respective subsidiaries.

**Securities-** Other securities with fair market values are stated at fair market value as of the balance sheet date. Unrealized gains or losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on sales of such securities are computed using the moving-average method. Other non-marketable securities are stated at cost by the moving-average method.

**Inventories-** Inventories are valued at the lower of cost or net realizable value at the fiscal year end in the balance sheet.

Merchandise and finished goods are principally stated at cost determined by the first-in first-out method. Work-in-process is principally stated at cost determined by the identified cost method, and by the first-in first-out method in certain consolidated subsidiaries. Raw materials and supplies are principally stated at cost determined by the moving-average method.

**Property, plant and equipment-** Tangible fixed assets of the Companies are depreciated using the straight-line method over the estimated useful lives.

The estimated useful lives of depreciable assets are as follows:

Buildings and structures: 2 years to 60 years

Machinery, equipment and vehicles: 2 years to 17 years

Tools, furniture and fixtures: 2 years to 15 years

**Intangible assets-** Intangible assets of the Companies are amortized using the straight-line method over the estimated useful lives. Software for internal use is amortized using the straight-line method over the estimated useful life (5 years).

**Lease assets-** Lease assets of the Companies are depreciated using the straight-line method over the lease term with no residual value.

Allowance for doubtful accounts- The Companies provide an allowance for doubtful accounts in amounts sufficient to cover probable losses on collection. It comprises an estimated uncollectible amount for certain receivables classified as “doubtful” or “bankrupt” and, for other receivables, an amount calculated using the rate of actual defaults in a certain reference period.

Provision for bonuses- The Companies provide an allowance for employees’ bonuses based on the estimated amount of the bonus payments.

Provision for directors’ bonuses- The Companies provide an allowance for directors’ bonuses based on the estimated amount of the bonus payments.

Provision for loss on orders received- To provide for future losses on orders received, the Companies reasonably estimate and provide an allowance for the amount of future foreseeable losses at the end of the year.

Retirement benefits- The retirement benefits obligation for employees is attributed to each period by the benefit formula method over estimated years of service of the eligible employees.

Prior service cost is being amortized as incurred by the straight-line method over the periods (6 years), which are shorter than the average remaining years of the employees.

Actuarial gain or loss amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over period (1 year), which is shorter than the average remaining years of service of the employees.

Certain consolidated subsidiaries adopt, in calculating their projected benefit obligation, the simplified method which assumes retirement benefit obligation to be equal to the benefits payable if all eligible employees voluntarily terminated their employment at fiscal year end.

Foreign currency translation- Receivables and payables of the Domestic Companies denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet date and Gains and losses arising foreign currency transaction are presented as “Foreign exchange gains (losses)” in “CONSOLIDATED STATEMENT OF INCOME”, except for shareholders’ equity, which is translated at historical rates. The income and expenses of the overseas subsidiaries are translated into Japanese yen at the average exchange rates of the year. Differences arising from such translation are shown as “Foreign currency translation adjustments” and “Non-controlling interests” in “Net assets”.

#### Hedge accounting-

(1) Hedge accounting method:

The Companies adopt the deferral method. The exceptional treatment is applied with respect to interest rate swaps, in cases where criteria for the exceptional treatment are met.

(2) Hedging instruments and hedged items:

The derivatives designated as hedging instruments are interest rate swap contracts.

The hedged items are interest on borrowings.

(3) Hedging policy:

The Companies’ policy is to utilize the above hedging instruments in order to reduce the Companies’ exposure to the risk of interest rate fluctuation.

(4) Methods for evaluating hedge effectiveness:

The Companies evaluate effectiveness of hedging transactions by reference to the accumulated gains or losses on the hedging instruments and the related hedged for transactions from the commencement of the hedges.

The Companies omit an evaluation of effectiveness to which the exceptional treatment is applied.

Goodwill- Goodwill represents the difference between the cost and the underlying net equity at fair value of investments in consolidated subsidiaries and in affiliates accounted for by the equity method has been amortized on a straight-line basis over the estimated useful life with the exception of minor amounts which are charged to the consolidated statement of income in the year of acquisition.

Cash and cash equivalents- In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits and short-term highly liquid investments with a maturity not exceeding three months at the time of purchase without significant risk of change in value are considered to be cash and cash equivalents.

Consumption taxes- Transactions subject to consumption taxes are recorded at amounts excluding the consumption taxes.

Consolidated taxation system- The Company and certain domestic consolidated subsidiaries adopt the consolidated taxation system.

Application of tax effect accounting for the transition from the consolidated taxation system to the group taxsharing system-

The Company and its some domestic subsidiaries do not apply Paragraph 44 of the “Implementation Guidance on Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Guidance No. 28 issued on February 16, 2018) to the transition to the group tax sharing system established under the “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 8 of 2020) and items revised under the non-consolidated taxation system in connection with the transition to the group tax sharing system, pursuant to the treatment as provided in Paragraph 3 of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (PITF No. 39 issued on March 31, 2020), and instead apply the pre-amendment income tax provisions to the amount of deferred tax assets and deferred tax liabilities.

Amounts per share of common stock- Computations of profit attributable to owners of parent per share are based on the weighted-average number of shares outstanding during the respective years. Diluted profit attributable to owners of parent per share is computed based on the weighted-average number of shares of common stock and contingent issuance of common stock from warrants. Cash dividends per share represent the actual amount declared as applicable to the respective years.

Reclassification- Certain prior year amounts have been reclassified to conform to the current year presentation.

(Changes in accounting policies)

(Application of “Leases” (IFRS 16 and ASU 2016-02))

The Company’s overseas consolidated subsidiaries applying IFRS or US-GAAP have applied “Leases” (IFRS 16 or ASU2016-02) from the current consolidated fiscal year. Accordingly, lessees recognize assets and liabilities for all leases in principle.

In accordance with transitional treatment, “the Company’s overseas consolidated subsidiaries applying IFRS or US-GAAP” have recognized the impact of adoption of this accounting standard cumulatively as of the date of adoption for balances at the beginning of the consolidated fiscal year ended September 30, 2020.

As a result, in the consolidated balance sheet as of beginning of the consolidated fiscal year ended September 30, 2020, “Leased assets” under property, plant and equipment increased ¥3,312 million, “other” under current liabilities and “Lease obligations” under non-current liabilities increased ¥297million and ¥3,056million respectively, “other” under non-current liabilities decreased ¥45million.

In the consolidated statement of income, the impact on operation income and loss for the current consolidated fiscal year was immaterial.

(Accounting Standards Issued but Not Yet Effective)

- The Company and its domestic consolidated subsidiaries

Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, dated March 30, 2018)

Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, dated March 30, 2018)

(1) Overview

This is a comprehensive accounting standard for revenue recognition. Specifically, the accounting standard establishes the following five-step model that will apply to revenue from customers:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

(2) Scheduled date of adoption

The Company expects to adopt the accounting standard and the implementation guidance from the beginning of the fiscal year ending September 30, 2022.

(3) Impact of the adoption of accounting standard and implementation guidance

The Company is currently evaluating the effect of the adoption of this accounting standard and implementation guidance on its consolidated financial statements.



Accounting Standard for Fair Value Measurement (ASBJ Statement No.30 issued on July 4, 2019)

Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31 issued on July 4, 2019)

Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9 issued on July 4, 2019)

Accounting Standard for Financial Instruments (ASBJ Statement No. 10 issued on July 4, 2019)

Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19 issued on March 31, 2020)

(1) Overview

To improve comparability with international accounting standards, the “Accounting Standard for Fair Value Measurement” and the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (hereinafter referred to as the “Fair Value Measurement Accounting Standard, etc.”) have been developed, and guidance, etc. was set forth on how to measure fair value. Fair Value Measurement Accounting Standard, etc. will be applied in determining the fair value of the following items:

- Financial Instruments set forth in the “Accounting Standard for Fair Value Measurement”
- Inventories held for trading purposes set forth in “Accounting Standard for Measurement of Inventories”

In addition, the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” has been revised to set forth footnotes to the breakdown, etc. by the level of fair value of financial instruments.

(2) Scheduled date of adoption

The Company expects to adopt the accounting standard and the implementation guidance from the beginning of the fiscal year ending September 30, 2022.

(3) Impact of the adoption of accounting standard and implementation guidance

The Company is currently evaluating the effect of the adoption of this accounting standard and implementation guidance on its consolidated financial statements.

Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No.31 issued on March 31, 2020)

(1) Overview

This accounting standard has been released to provide guidance on disclosure of information that deepens the understanding of users of the financial statements about estimates that embody a risk of a significant impact on the financial statements of the following accounting period.

(2) Scheduled date of adoption

The Company expects to adopt the accounting standard from the end of the fiscal year ending September 30, 2021.

Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections (ASBJ Statement No. 24 issued on March 31, 2020)

(1) Overview

This accounting standard has been released to provide an outline of the applicable accounting principles and procedures in cases where directly relevant accounting standards are not available.

(2) Scheduled date of adoption

The Company expects to adopt the accounting standard from the end of the fiscal year ending September 30, 2021.

(Additional information)

Accounting for Employee Stock Ownership Plan (J-ESOP)- The Company introduced “the Stock Granting Trust (J-ESOP)” as a mid- to long-term incentive program for employees of the Company and its subsidiaries and affiliates, based on approval at the board of directors meeting held on November 7, 2012.

(1) Overview of the transactions

J-ESOP is a program to grant the Company's common stocks to the employees of the companies who fulfill requirements under the regulations of the Company. The Companies vest points to each employee based on their contributions, and grant the Company's common stocks according to their total points at the time that fulfill requirements under the regulations of the Company. Such stocks, including stocks to be granted in the future, are purchased by money held in the J-ESOP trust, managed separately from book of the Company.

J-ESOP is an incentive program to motivate them to improve corporate value, and to secure talented people.

(2) While adopting “Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts” (PITF No.30, issued on March 26, 2015), the Company applies the same accounting treatment as before.

(3) Information related to the stocks of the Company which the trusts hold

- ① Book value of the stocks of the Company within the trust for the years ended September 30, 2019 and 2020 were ¥190 million and ¥184 million.
- ② These stocks were recorded as the treasury stock in the total shareholders' equity.
- ③ The number of stocks within the trust at the year-end for the years ended September 30, 2019 and 2020 were 171 thousands shares and 166 thousands shares and the average number of stocks within the trust for the years ended September 30, 2019 and 2020 were 171 thousands shares and 168 thousands shares.
- ④ The number of shares at the year-end and the average number of stocks were included in the treasury stock, which is deducted when calculating amounts per share information.

Accounting estimates relating to the spread of the novel coronavirus (COVID-19)-The Company prepared its accounting estimates based on the assumption that the impact of the spread of COVID-19 on the companies' business results would be limited as of September 30, 2020.

### 3 Reduction entry

Reduction entry amounts have been deducted from the acquisition cost of fixed assets by the national subsidies as of September 30, 2019 and 2020 are as follows:

	Millions of yen	
	2019	2020
Reduction entry	¥ -	¥ 113
(breakdown)		
Property, plant and equipment		
Buildings and structures	-	41
Machinery, equipment and vehicles	-	59
Tools, furniture and fixtures	-	11

### 4 Shares of subsidiaries and associates

Shares of subsidiaries and associates as of September 30, 2019 and 2020 are as follows:

	Millions of yen	
	2019	2020
Investment securities	¥ 119	¥ 155
“Other” investments and other assets	-	10
Total	119	165
(The investment amount for Jointly Controlled Entities included in the above)	9	9

### 5 Commitment line

In order to efficiently finance business funds, the Company established commitment line contracts with three banks. Commitment lines as of September 30, 2019 and 2020 are as follows.

	Millions of yen	
	2019	2020
Commitment lines	¥ 5,000	¥ 5,000
Used portion of Commitment lines	-	-
Unused portion of Commitment lines	¥ 5,000	¥ 5,000

In the commitment line contracts, there are Financial covenants based on “the net asset value in the consolidated balance sheet”, “the operating profit / loss and the ordinary profit / loss in the consolidated statements of income” and so on.

## 6 Contingent liabilities

The company provides the guarantee for the unconsolidated affiliate which is made for the bank loan.

The amount guaranteed by the company as of September 30, 2019 and 2020 are as follows:

	Millions of yen	
	2019	2020
Guarantee of obligations:		
Unconsolidated affiliate	¥ 1,385	¥ -

The obligations under guarantee are based on a joint liability on guarantee. Since the guarantors' ability to pay is sufficient and the self-payment ratio is specified, the amount represents the portion of the company's obligation within the guarantors. In addition, the unconsolidated affiliate that was guaranteed was liquidated on September 17, 2020.

## 7 Loss on Valuation of Inventories

The ending inventory balance is the amount after write-down of book value due to decline in profitability, and the loss on valuation included in cost of sales ( Brackets are the gain on valuation of included in cost of sales) for the years ended September 30, 2019 and 2020, are as follows:

	Millions of yen	
	2019	2020
Loss on valuation of inventories	¥ 31	¥ 76

## 8 Selling, General and Administrative Expenses

The main components of "Selling, General and Administrative Expenses" for the years ended September 30, 2019 and 2020, are as follows:

	Millions of yen	
	2019	2020
Salaries and allowances	¥ 3,784	¥ 4,081
Bonuses and provision for bonuses	811	756
Retirement benefit expenses	259	236
Provision for doubtful accounts	5	-

## 9 Research and development expenses

	Millions of yen	
	2019	2020
Research and development expenses	¥ 333	¥ 478

## 10 Gain on sales of non-current assets

Gain on sale of non-current assets for the years ended September 30, 2019 and 2020, are as follows:

	Millions of yen	
	2019	2020
Buildings and structures	¥ -	¥ 0
Machinery, equipment and vehicles	2	0
Tools, furniture and fixtures	11	7
Leased assets	0	-
Total	¥ 14	¥ 7

## 11 Impairment loss on non-current assets

Impairment loss on non-current assets for the year ended September 30, 2019, is as follows:

Company Name	Use	Location	Classification	Millions of yen	
				2019	
CMIC Co., Ltd.	CRO Business facilities	Tokyo, Japan	Software in progress, Investments and other assets-Other(Long-term prepaid expenses)	¥	225

To calculate impairment loss on non-current assets, assets of the Companies are grouped into the smallest unit that generates identifiable cash flows that are largely independent of cash flows from other assets or groups of assets. During the fiscal year, CMIC Co., Ltd. has decided to change the scope of use of Software in progress and Investments and other assets-Other (Long-term prepaid expenses). As a result, the carrying amount has been reduced to the recoverable amount and the difference has been recognized as impairment loss on non-current assets. The recoverable amount of assets of the Companies is measured at the value in use.

Impairment loss on non-current assets for the year ended September 30, 2020, is as follows:

Company Name	Use	Location	Classification	Millions of yen	
				2020	
CMIC CMO USA Corporation	CDMO Business facilities	Cranbury, State of New Jersey, USA	Buildings and structures, Machinery, equipment and vehicles, Tools, furniture and fixtures, Leased assets, and other assets	¥	736

To calculate impairment loss on non-current assets, assets of the Companies are grouped into the smallest unit that generates identifiable cash flows that are largely independent of cash flows from other assets or groups of assets.

During the fiscal year, CMIC CMO USA Corporation launched a new plant. Therefore, CMIC CMO USA Corporation decided to stop manufacturing and to relocate from current plant. As a result, the carrying amount of the current plant has been reduced to the recoverable amount and the difference has been recognized as impairment loss on non-current assets.

The recoverable amount of assets of the Companies is measured at zero.

## 12 Loss on retirement of non-current assets

Loss on retirement of non-current assets for the years ended September 30, 2019 and 2020, are as follows:

	Millions of yen	
	2019	2020
Buildings and structures	¥ 90	¥ 107
Machinery, equipment and vehicles	13	24
Tools, furniture and fixtures	12	7
Leased assets	2	0
Other	2	2
Total	¥ 122	¥ 142

## 13 Other comprehensive income

The components of other comprehensive income including reclassification adjustments and tax effects income for the years ended September 30, 2019 and 2020, are as follows:

	Millions of yen	
	2019	2020
Unrealized gain (loss) on securities:		
Amount arising during the year	¥ (871)	¥ 1,052
Reclassification adjustments	-	(10)
Amount before tax effect	(871)	1,042
Tax effects	266	(319)
Sub-total, net of tax	604	723
Foreign currency translation adjustments:		
Amount arising during the year	(119)	12
Remeasurements of defined benefit plans:		
Amount arising during the year	(40)	(552)
Reclassification adjustments	92	81
Amount before tax effect	51	(470)
Tax effects	(8)	182
Sub-total, net of tax	43	(288)
Share of other comprehensive income of entities accounted for using equity method		
Amount arising during the year	-	1
Total other comprehensive income	¥ (681)	¥ 448

## 14 Net assets

Information regarding changes in net assets for the years ended September 30, 2019 and 2020, are as follows:

### a. Shares issued and outstanding / Treasury stock

For the year ended September 30, 2019

Type of Shares	Number of shares at October 1, 2018	Increase	Decrease	Number of shares at September 30, 2019
Shares issued:				
Common Stock	18,923,569	—	—	18,923,569
Treasury stock				
Common Stock (Notes 1 ,2 and 3)	351,521	500,826	1,000	851,347

Notes:1. Details of the increase are as follows:

Increase due to acquire of treasury stock by resolution of the Board of Directors	500,600
Increase due to purchase of shares of less than one unit	226

2. Details of the decrease are as follows:

Decrease due to transfer of treasury stock by the Stock Granting Trust (J-ESOP)	1,000
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3. The Stock Granting Trust (J-ESOP):

The number of shares of treasury stock includes the number of stocks of the Stock Granting Trust (J-ESOP)

Number of shares at October 1, 2018 172,000

Number of shares at September 30, 2019 171,000

For the year ended September 30, 2020

Type of Shares	Number of shares at October 1, 2019	Increase	Decrease	Number of shares at September 30, 2020
Shares issued:				
Common Stock	18,923,569	—	—	18,923,569
Treasury stock				
Common Stock (Notes 1 ,2 and 3)	851,347	306	18,508	833,145

Notes:1. Details of the increase are as follows:

Increase due to free acquisition due to retirement of rights recipients (Restricted stock compensation plan)	234
Increase due to purchase of shares of less than one unit	72

2. Details of the decrease are as follows:

Decrease due to transfer of treasury stock (Restricted stock compensation plan)	13,360
Decrease due to transfer of treasury stock by the Stock Granting Trust (J-ESOP)	5,000
Decrease due to accepting requests for the purchase of shares of less than one unit	148

3. The Stock Granting Trust (J-ESOP):

The number of shares of treasury stock includes the number of stocks of the Stock Granting Trust (J-ESOP)

Number of shares at October 1, 2019 171,000

Number of shares at September 30, 2020 166,000

b. Dividends

(1) Dividends paid

For the year ended September 30, 2019

Resolution	Type of shares	Total dividends (millions of yen)	Dividends per share (yen)	Cut-off date	Effective date
Meeting of the Board of Directors on November 14, 2018	Common stock	*1421	22.50	September 30, 2018	November 30, 2018
Meeting of the Board of Directors on April 26, 2019	Common stock	*293	5.00	March 31, 2019	June 14, 2019

\*1 The total dividends includes dividends of ¥ 3 million for the Stock Granting Trust (J-ESOP).

\*2 The total dividends includes dividends of ¥ 0 million for the Stock Granting Trust (J-ESOP).

For the year ended September 30, 2020

Resolution	Type of shares	Total dividends (millions of yen)	Dividends per share (yen)	Cut-off date	Effective date
Meeting of the Board of Directors on November 13, 2019	Common stock	*1492	27.00	September 30, 2019	November 29, 2019
Meeting of the Board of Directors on May 1, 2020	Common stock	*291	5.00	March 31, 2020	June 15, 2020

\*1 The total dividends includes dividends of ¥ 4 million for the Stock Granting Trust (J-ESOP).

\*2 The total dividends includes dividends of ¥ 0 million for the Stock Granting Trust (J-ESOP).

(2) Dividends with the cut-off date in the year ended September 30, 2019 and the effective date in the year ended September 30, 2020

Resolution	Type of shares	Total dividends (millions of yen)	Source of dividends	Dividends per share (yen)	Cut-off date	Effective date
Meeting of the Board of Directors on November 13, 2019	Common stock	*492	Retained earnings	27.00	September 30, 2019	November 29, 2019

\* The total dividends includes dividends of ¥ 4 million for the Stock Granting Trust (J-ESOP).

Dividends with the cut-off date in the year ended September 30, 2020 and the effective date in the year ending September 30, 2021

Resolution	Type of shares	Total dividends (millions of yen)	Source of dividends	Dividends per share (yen)	Cut-off date	Effective date
Meeting of the Board of Directors on November 16, 2020	Common stock	*365	Retained earnings	20.00	September 30, 2020	December 2, 2020

\* The total dividends includes dividends of ¥ 3 million for the Stock Granting Trust (J-ESOP).

The Corporation Law of Japan provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made any time by resolution of the shareholders or by the Board of Directors if certain conditions are met.



## 15 Supplemental cash flow information

(1) The reconciliation between cash and deposits shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows as of September 30, 2019 and 2020 are as follows:

	Millions of yen	
	2019	2020
Cash and deposits	¥ 12,146	¥ 12,690
Less:		
Time deposits over three months	(1)	(1)
Cash and cash equivalents	¥ 12,144	¥ 12,688

(2) A summary of the assets and liabilities of the company which became the consolidated subsidiary newly through stock acquisition

- The year ended September 30, 2019

The Company acquired CMIC CMO NISHINE Corporation through stock acquisition by the year ended September 30, 2019. The summary of the assets, liabilities, acquisition cost and net increase in cash of the company newly acquired at the start of consolidation is as follows:

	Millions of yen	
	2019	
Current assets	¥	3,836
Non-current assets		1,461
Goodwill		14
Current liabilities		(538)
Non-current liabilities		(2,583)
Acquisition cost of the stock in CCN	¥	2,191
Cash and cash equivalents held by CCN		(2,483)
Net increase in Cash and cash equivalents due to acquisition	¥	291

There is no other material subsidiary acquired during the fiscal year ended September 30, 2019.

- The year ended September 30, 2020

There is no applicable matter.

## 16 Leases

Lessees' accounting

### 1. Finance lease transactions that do not transfer ownership

#### (1) Details of leased assets

- ① Property, plant and equipment  
Mainly manufacturing plant, test & measurement instrument and production facility
- ② Intangible assets  
Software

#### (2) Depreciation method for leased assets

As described in "Lease assets" of "2. Significant accounting policies" forming the basis for preparing consolidated financial statements.

As described in (Changes in Accounting policies), overseas subsidiaries that apply IFRS or US GAAP have applied IFRS No. 16 "Leases" or US -GAAP ASU2016-02 "Leases" from the beginning of the current consolidated fiscal year.

Regarding this change in accounting policy, details of "leased assets" and depreciation method for "leased assets" are described in (1) and (2) above.

### 2. Operating leases

Obligations for future minimum payment under non-cancelable operating leases as of September 30, 2019 and 2020, are as follows:

	Millions of yen	
	2019	2020
Due within one year	¥ 2,092	¥ 1,258
Due after one year	5,303	1,154
Total	¥ 7,395	¥ 2,413

\*Some overseas consolidated subsidiaries have applied IFRS No. 16 "Leases" or US- GAAP ASU2016-02 "Leases" from the beginning of the current consolidated fiscal year.

The amounts in the above table didn't include obligations for future minimum payment under non-cancelable operating leases related to these subsidiaries.

## 17 Financial instruments

### 1. Overall status of financial instruments

#### (1) Policy for financial instruments

The Companies manage temporary cash surpluses through low risk financial instruments. The Companies obtain debt financing from banks and issuance of commercial papers.

The Companies use derivative transactions only for the purpose of hedging exchange and interest rate fluctuation risks and do not engage in speculative derivative transactions.

#### (2) Type and risk of financial instruments

Notes and accounts receivable-trade are exposed to customer credit risk. Notes and accounts receivable-trade denominated in foreign currencies are exposed to risk from fluctuations in foreign exchange rates.

Investment securities are composed of shares of entities with which the Companies have business relationships. Those securities are exposed to the business risk of the entities and the risk from fluctuations in foreign exchange rates.

Almost all notes and accounts payable-trade are settled within one year. Notes and accounts payable-trade denominated in foreign currencies are exposed to the risk from fluctuations in foreign exchange rates.

Short-term borrowings are used as financing mainly for operating activities and is exposed to the risk from fluctuation in interest rates. Long-term debt is used as financing mainly for M&A, capital investment and operating activities and is exposed to the risk from fluctuation in interest rates.

Derivative transactions include forward foreign exchange contracts to hedge the risk associated with trade receivables and payables denominated in foreign currencies, and interest rate swaps to hedge the interest rate risk for loans. Details on hedge accounting related to hedging instruments, hedged items, hedging policy and assessment of hedge effectiveness are outlined in Hedge Accounting in Note 2, Significant accounting policies.

### **(3) Risk management**

#### **1) Credit risk**

The Companies examine credit information for new customers before entering into a new transaction, periodically monitor the overdue balance, and take necessary actions such as negotiation for the payment and assessment of the customer's financial position so that credit risks can be minimized.

The counterparties to derivative transactions are limited to financial institutions with high credit ratings, and the credit risk is minimal.

#### **2) Market risk**

The Companies have a very small portion of trade receivables and payables denominated in foreign currencies. Market risk of investment securities are periodically assessed by checking the financial status of the issuers, and the merits of holding such securities are continuously reviewed, taking into account the Companies' relationship with respective issuers.

The finance division of the Company continually monitors the foreign exchange market to minimize the market risk. The Companies use interest-rate swaps for the purpose of reducing risk from interest rate fluctuation for loans from banks.

Derivative transactions are executed and managed under the approval by the responsible officer in the finance division of the Company in accordance with internal rules.

#### **3) Liquidity risk in funding**

In order to optimize capital efficiency, the Company promotes cash control through a centralized cash management way for each applicable subsidiary, and the company has credit line for commercial paper, overdraft and commitment line to secure cash flexibility.

### **(4) Supplementary explanation on the fair value of financial instruments**

The fair value of financial instruments is based on market price. In case no market price is available, the fair value is calculated based on the amount reasonably estimated. As a number of variables are incorporated in such calculation, the estimated fair value may change if different assumptions are used.

## 2. Fair value of financial instruments

The book value, fair value and the difference as of September 30, 2019, are as follows:

	Millions of yen		
	Book value	Fair value	Difference
<b>Assets</b>			
(1) Cash and deposits	¥ 12,146	¥ 12,146	¥ -
(2) Notes and accounts receivable-trade	13,082		
Allowance for doubtful accounts(*1)	(5)		
	13,077	13,077	-
(3) Investment securities	1,116	1,116	-
<b>Total assets</b>	<b>¥ 26,339</b>	<b>¥ 26,339</b>	<b>¥ -</b>
<b>Liabilities</b>			
(1) Notes and accounts payable-trade	1,082	1,082	-
(2) Short-term borrowings	3,018	3,018	-
(3) Commercial papers	2,000	2,000	-
(4) Long-term debt (*2)	14,178	14,190	11
<b>Total liabilities</b>	<b>¥ 20,278</b>	<b>¥ 20,290</b>	<b>¥ 11</b>

\*1. Allowance for doubtful accounts calculated as the specific reserve for the default possibility of notes and accounts receivable-trade are included.

\*2. Long-term debt includes the current portion of long-term debt.

Interest-rate swaps for which the exceptional method is applied are valued at fair value which is included in the underlying long-term debt as such swaps are treated as a single transaction with the hedged long-term debt.

The book value, fair value and the difference as of September 30, 2020, are as follows:

	Millions of yen		
	Book value	Fair value	Difference
<b>Assets</b>			
(1) Cash and deposits	¥ 12,690	¥ 12,690	¥ -
(2) Notes and accounts receivable-trade	13,211		
Allowance for doubtful accounts(*1)	(2)		
	13,208	13,208	-
(3) Investment securities	2,089	2,089	-
<b>Total assets</b>	<b>¥ 27,988</b>	<b>¥ 27,988</b>	<b>¥ -</b>
<b>Liabilities</b>			
(1) Notes and accounts payable-trade	1,019	1,019	-
(2) Short-term borrowings	6,004	6,004	-
(3) Commercial papers	3,000	3,000	-
(4) Long-term debt (*2)	13,579	13,582	2
<b>Total liabilities</b>	<b>¥ 23,603</b>	<b>¥ 23,606</b>	<b>¥ 2</b>

\*1. Allowance for doubtful accounts calculated as the specific reserve for the default possibility of notes and accounts receivable-trade are included.

\*2. Long-term debt includes the current portion of long-term debt.

Interest-rate swaps for which the exceptional method is applied are valued at fair value which is included in the underlying long-term debt as such swaps are treated as a single transaction with the hedged long-term debt.

Note 1: Method of calculating fair value of financial instruments, and information on investment securities and derivative transactions.

### **Assets**

#### (1) Cash and deposits, and (2) Notes and accounts receivable-trade

These items are recorded at book value, as they are settled in the short term and the fair value approximates the book value.

#### (3) Investment securities

The fair values of equity securities are measured based on quoted market price.

For information on investment securities by holding purpose, please refer to "19. Securities"

### **Liabilities**

#### (1) Notes and accounts payable-trade

These items are recorded at book value, as they are settled in the short term and the fair value approximates the book value.

#### (2) Short-term borrowings, and (3) Commercial papers

These items are recorded at book value, as the fair value is almost identical to the book value because it reflects the market interest rate for the short-term period.

#### (4) Long-term debt including current portion of long-term debt

The fair value of long-term debt with fixed interest rates is calculated based on the total amount of principal and interest discounted by the interest rate which would be applied if the debt were refinanced at the year-end.

Book value is used as the fair value for long-term debt with floating interest rates, as the fair value of such debt is almost identical to the book value because it reflects the market interest rate for the short-term period.

However, the fair value of certain long-term debt with floating interest rates hedged by interest rate swaps to which the exceptional method is applied is calculated by discounting the total amount of principal and interest

that were treated as a single transaction with the interest rate swap using the interest rate that is reasonably estimated to be applicable to similar fixed rate loans debt.

### Derivative transactions

For information relating to derivative transactions, please refer to “20. Derivative financial instruments”

Note 2: Financial instruments for which it is extremely difficult to determine the fair value.

	Millions of yen	
	2019	2020
Book value in consolidated balance sheet		
Unlisted shares(*)	¥ 1,771	¥ 1,718
Stocks of affiliates(*)	119	155
Total	¥ 1,891	¥ 1,873

\* Unlisted shares and stocks of affiliates do not have a market value and it is not possible to estimate future cash flows. Accordingly, appraising the fair value of such items is extremely difficult, and they are excluded from Assets (3) Investment securities above.

Note 3: Redemption schedule for monetary claims and marketable securities with maturities subsequent to September 30, 2019.

	Millions of yen	
	2020	2021 and thereafter
Cash and deposits	¥ 12,144	¥ -
Notes and accounts receivable-trade	13,082	-
	¥ 25,227	¥ -

Note 4: Redemption schedule for monetary claims and marketable securities with maturities subsequent to September 30, 2020.

	Millions of yen	
	2021	2022 and thereafter
Cash and deposits	¥ 12,687	¥ -
Notes and accounts receivable-trade	13,211	-
	¥ 25,899	¥ -

Note 5: Redemption schedule for long-term debt subsequent to September 30, 2020.

Please refer to “18. Short-term borrowings and long-term debt”.

## 18 Short-term borrowings and long-term debt

(1) Short-term borrowings at September 30, 2019 and 2020, are as follows:

	Millions of yen	
	2019	2020
Short-term borrowings:		
Weighted average interest rate of 0.39% and 0.38% at September 30, 2019 and 2020, respectively	¥ 3,018	¥ 6,004

(2) Commercial papers at September 30, 2019 and 2020, are as follows:

	Millions of yen	
	2019	2020
Commercial papers:		
Weighted average interest rate of 0.04% and 0.11% at September 30, 2019 and 2020, respectively	¥ 2,000	¥ 3,000

(3) Long-term debt at September 30, 2019 and 2020, are as follows:

	Millions of yen	
	2019	2020
Long-term debt:		
Due 2020 to 2026 with weighted average interest rates of 0.61% and 0.60% at September 30, 2019 and 2020, respectively	¥ 14,178	¥ 13,579
Less:		
Current portion of long-term debt:		
Weighted average interest rates of 0.67% and 0.66% at September 30, 2019 and 2020, respectively	2,822	3,258
	¥ 11,356	¥ 10,321

(4) Annual maturities of long-term debt at September 30, 2019, are as follows:

Years ending September 30,	Millions of Yen
	2019
2020	¥ 2,822
2021	2,822
2022	2,586
2023	2,136
2024	1,922
2025 and thereafter	1,888
	¥ 14,178

(5) Annual maturities of long-term debt at September 30, 2020, are as follows:

Years ending September 30,	Millions of Yen	
	<b>2020</b>	
2021	¥	<b>3,258</b>
2022		<b>3,022</b>
2023		<b>2,563</b>
2024		<b>2,367</b>
2025		<b>1,459</b>
2026 and thereafter		<b>908</b>
	¥	<b>13,579</b>

(6) Lease obligations at September 30, 2019 and 2020, are as follows:

	Millions of yen	
	2019	2020
Lease obligations:		
Due 2020 to 2031 with weighted average interest rates of 3.97% and 1.79% at September 30, 2019 and 2020, respectively	¥ 315	¥ <b>3,253</b>
Less:		
Current portion of long-term debt:		
Weighted average interest rates of 3.20% and 2.16% at September 30, 2019 and 2020, respectively	134	<b>387</b>
	¥ 181	¥ <b>2,865</b>

Note: Overseas subsidiaries that apply IFRS or US GAAP have applied IFRS No. 16 “Leases” or US -GAAP ASU2016-02 “Leases” from the beginning of the current consolidated fiscal year.

“Lease obligations” at the beginning and the ending of the current consolidated fiscal year were included the amount affected by this change in accounting policy.

(7) Annual maturities of lease obligations at September 30, 2020, are as follows:

Years ending September 30,	Millions of Yen	
	<b>2020</b>	
2021	¥	<b>387</b>
2022		<b>390</b>
2023		<b>361</b>
2024		<b>348</b>
2025		<b>311</b>
2026 and thereafter		<b>1,452</b>
	¥	<b>3,253</b>



## 19 Securities

- (1) The Companies did not hold any trading securities as of September 30, 2019 and 2020.
- (2) The Companies did not hold any held-to-maturity securities as of September 30, 2019 and 2020.
- (3) The Companies held shares of other securities as of September 30, 2019 and 2020.

The book value, the acquisition cost and the unrealized gain or loss as of September 30, 2019 and 2020, are as follows:

		Millions of yen					
		2019			2020		
		Book value	Acquisition cost	Unrealized gain(loss)	Book value	Acquisition cost	Unrealized gain(loss)
Securities with book value exceeding acquisition cost:							
	Stock	¥ 1,064	34	1,029	¥ 2,089	36	2,053
Securities with book value not exceeding acquisition cost:							
	Stock	51	99	(48)	-	-	-
	Total	¥ 1,116	134	981	¥ 2,089	36	2,053

Unlisted shares are not included in the above table because they have no market value and it is extremely difficult to estimate their future cash flows or fair value. Their book values are ¥ 1,771 million and ¥ 1,718 million as of September 30, 2019 and 2020, respectively.

- (4) There was no sale of other securities for the years ended September 30, 2019.  
The Company had the gain on the sale of ¥ 10 million by selling other securities in ¥110 million for the year ended September 30, 2020.
- (5) The amount of impairment loss recognized on the stock in other securities was ¥1 million and ¥ 26 million for the year ended September 30, 2019 and 2020, respectively.

If the market value of securities with fair market value other than trading securities declines to less than 50% of the acquisition cost, the difference is recognized as impairment loss, in principle. If the market value drops by between 30% and 50%, the impairment loss is calculated based on the possibility of recovery in market value. If the value of shares which does not have market value drops by over 50% of the acquisition cost, the amount considered to be impaired is recognized as impairment loss unless the possibility of recovery is demonstrated by sufficient evidence.

## 20 Derivative financial instruments

(1) The following table summarizes the derivative transactions as of September 30, 2019 and 2020, for which hedge accounting has not been applied:

There was no derivative transaction for which hedge accounting has not been applied on September 30, 2019 and 2020.

(2) The following table summarizes the derivative transactions as of September 30, 2019 and 2020, for which hedge accounting has been applied:

Interest related:

			Millions of yen					
			2019			2020		
Hedge accounting method	Classification	Hedged item	Contract amount			Contract amount		
			Total	Due after one year	Fair value	Total	Due after one year	Fair value
Exceptional method for interest rate swaps	Interest rate swap contracts: Pay/fixed and receive/floating	Long-term debt	¥ 1,271	814	(*)	¥ 814	357	(*)

\* Interest-rate swaps for which the exceptional method is applied are valued at fair value and included in the value of the underlying long-term debt as such swaps are treated as a single transaction with the hedged long-term debt.

## 21 Retirement benefits

### 1. Overview of the retirement benefit plan adopted

The Company and certain of its subsidiaries provide an unfunded lump-sum payment plan under which all eligible employees are entitled to benefits based on the level of salaries at the time of retirement, length of service and certain other factors.

Two of the consolidated subsidiaries have defined contribution pension plan. Another has a risk sharing pension plan. Another has an unfunded lump-sum payment plan and a defined benefit pension plan. In the risk sharing pension plan, contributions by the “Companies” to the pension fund are defined in advance in the constitution for the pension plan, and the risk of asset management of the pension is shared between the “Companies” and their employees by increase or decrease of the amount of benefits paid to the employees according to the financial status of the corporate pension fund.

### 2. Defined benefit plans (except the plans to which the simplified method has been applied)

#### (a) Movement in retirement benefit obligation

	Millions of yen	
	2019	2020
Balance at the beginning of the year	¥ 6,945	¥ 8,501
Service cost	792	951
Interest cost	21	24
Actuarial losses (gains) arising during the year	40	552
Retirement benefits paid	(336)	(344)
Transfers regarding changes in calculation from simplified method to principle method	458	-
Effect of changes in calculation from simplified method to principle method	472	-
Increase resulting from inclusion of subsidiaries in consolidation	111	-
Other	(3)	(1)
Balance at the end of the year	¥ 8,501	¥ 9,684

#### (b) Reconciliation between retirement benefit obligation and net defined benefit liability on the Consolidated balance sheets

	Millions of yen	
	2019	2020
Retirement benefit obligation under the unfunded plans	¥ 8,501	¥ 9,684
Net defined benefit liability	¥ 8,501	¥ 9,684

#### (c) Retirement benefit cost

	Millions of yen	
	2019	2020
Service cost	¥ 792	¥ 951
Interest cost	21	24
Amortization of actuarial losses (gains)	52	40
Amortization of prior service cost	40	40
Effect of changes in calculation from simplified method to principle method	472	-
Total retirement benefit costs	¥ 1,377	¥ 1,056

(d) Remeasurements of defined benefit plans before tax effects

	Millions of yen	
	2019	2020
Prior service cost	¥ (40)	¥ (40)
Actuarial loss	(11)	511
Total	¥ (51)	¥ 470

(e) Accumulated remeasurements of defined benefit plans before tax effects

	Millions of yen	
	2019	2020
Unrecognized prior service cost	¥ 60	¥ 20
Unrecognized actuarial losses (gains)	40	552
Total	¥ 101	¥ 572

(f) Actuarial assumptions

The principal actuarial assumption at September 30, 2019 and 2020 are as follows:

	2019	2020
Weighted average discount rate	0.20%~0.70%	0.20%~0.70%

The Company uses the index of salary increases by age at September 30, 2019 and 2020, as the expected rate of future salary increases.

### 3. Defined benefit plans to which the simplified method has been applied

#### (a) Movement in net defined benefit liability

	Millions of yen	
	2019	2020
Balance at the beginning of the year	¥ 599	¥ 219
Retirement benefit cost	152	80
Retirement benefit paid	(60)	(56)
Transfers regarding changes in calculation from simplified method to principle method	(458)	-
Other	(13)	4
Balance at the end of the year	¥ 219	¥ 247

#### (b) Reconciliation between retirement benefit obligation and net defined benefit liability on the consolidated balance sheets

	Millions of yen	
	2019	2020
Retirement benefit obligation under the funded plans	¥ 68	¥ 69
Plan assets	(5)	(5)
Retirement benefit obligation under the unfunded plans	156	184
Net defined benefit liability	¥ 219	¥ 247

#### (c) Retirement benefit cost

	Millions of yen	
	2019	2020
Retirement benefit cost	¥ 152	¥ 80

### 4. Defined contribution plans

Contribution obligations to the defined contribution pension plans are ¥107 million as of September 30, 2019, and ¥119 million as of September 30, 2020.

The total amount of future contribution in preparation for the shared risk of asset management after the next fiscal year is ¥154 million and the remaining years for the payment are 17 years and 11 months.

The accumulated amount of contribution payable for the employees' past services at the time of transition is ¥157 million, and is recognized as accounts payable-other (current liabilities) and other long-term liabilities (non-current liabilities) as of September 30, 2020.

## 22 Income taxes

(1) Income taxes in the consolidated statements of income consist of corporation tax, inhabitant taxes and enterprise tax. The aggregate statutory income tax rate was approximately 30.62% for the year ended September 30, 2019 and 2020 respectively.

The reconciliation of the difference between the statutory income tax rates and the actual effective income tax rates for the years ended September 30, 2019 and 2020 is as follows:

	2019	2020
Statutory income tax rate	30.62 %	<b>30.62 %</b>
Permanently non-deductible expenses	1.09	<b>0.55</b>
Salary increase tax credit	(4.43)	-
Per capita inhabitants tax	2.16	<b>4.00</b>
Amortization of goodwill	2.73	<b>2.55</b>
Equity in losses of affiliates	2.08	<b>(10.85)</b>
Change in valuation allowance	14.72	<b>(0.73)</b>
Statutory tax rate difference between the Company and certain subsidiaries	6.35	<b>16.46</b>
Other	(3.50)	<b>(2.11)</b>
Actual effective income tax rates	51.82 %	<b>40.49 %</b>

(2) Significant components of deferred tax assets and liabilities as of September 30, 2019 and 2020, are as follows:

	Millions of yen	
	2019	2020
Deferred tax assets:		
Provision for bonuses	¥ 1,037	¥ 939
Provision for loss on orders received	187	279
Allowance for doubtful accounts	153	149
Enterprise tax payable	91	89
Loss on valuation of inventories	213	222
Asset retirement obligations	150	152
Accounts payable-other	12	49
Long-term accounts payable-other	58	68
Net defined benefit liability	2,911	3,324
Net operating loss carry-forwards*2	1,468	1,216
Loss on valuation of investment securities	79	87
Accumulated depreciation	44	219
Long-term unearned revenue	841	773
Other	252	343
Total deferred tax assets	7,501	7,917
Valuation allowance for net operating loss carry-forwards*2	(1,396)	(1,183)
Valuation allowance for total deductible temporary differences*1	(1,129)	(1,408)
Total Valuation allowance	(2,526)	(2,591)
Net deferred tax assets	4,975	5,325
Deferred tax liabilities:		
Gain on revaluation of fixed assets	(79)	(79)
Removal expenses associated with asset retirement obligations	(89)	(84)
Unrealized gain ( loss ) on securities	(257)	(619)
Liability adjustment account	(882)	(692)
Other	(42)	(37)
Total deferred tax liabilities	( 1,350 )	(1,513)
Net deferred tax assets	¥ 3,625	¥ 3,812

\*1 For the year ended September 30,2020, the valuation allowance increased by ¥65 million. This is mainly due to decreased valuation allowance for net operating loss carry-forwards by ¥213 million and increased valuation allowance for accumulated depreciation by ¥157 million, valuation allowance for net defined benefit liability by ¥47 million and valuation allowance for accounts payable-other by ¥30 million.

\*2 A breakdown of net operating loss carry-forwards and valuation allowance by expiry date as of September 30, 2019 and 2020, are as follows:

As of the year ended September 30, 2019

(Millions of yen)

	Within 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years	Total
Operating loss carry-forward(a)	6	28	113	118	263	937	1,468
Valuation allowance	(0)	(27)	(113)	(118)	(205)	(931)	(1,396)
Deferred tax assets(b)	6	0	-	-	58	6	71

(a) The amount is determined by multiplying the corresponding net operating loss carry-forwards by the effective statutory tax rate.

(b) Deferred Tax Assets of ¥71 million have been recorded regarding to the operating loss carryforward of ¥1,468 million (amount multiplied by effective statutory tax rate).

The primary factor of this amount is net operating loss carry-forwards of one of subsidiaries.

Valuation allowance has not been recognized only if net operating loss carry-forwards was estimated to reduce future taxable income.

As of the year ended September 30, 2020

(Millions of yen)

	Within 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years	Total
Operating loss carry-forward	1	56	117	226	147	666	1,216
Valuation allowance	(1)	(56)	(117)	(205)	(136)	(666)	(1,183)
Deferred tax assets(b)	-	-	-	21	11	-	32

(a) The amount is determined by multiplying the corresponding net operating loss carry-forwards by the effective statutory tax rate.

(b) Deferred Tax Assets of ¥32 million have been recorded regarding to the operating loss carryforward of ¥1,216 million (amount multiplied by effective statutory tax rate).

The primary factor of this amount is net operating loss carry-forwards of one of subsidiaries.

Valuation allowance has not been recognized only if net operating loss carry-forwards was estimated to reduce future taxable income.



## 23 Asset retirement obligations

The asset retirement obligations are mainly the estimated future restoration obligations pursuant to the office rental agreements and expenses for removing asbestos in accordance with the "Ordinance on Prevention of Asbestos Hazards". The asset retirement obligations are calculated based upon the estimated period of use ranging from 2 to 35 years and discounted by rates ranging from 0.0% to 2.3%.

Movement of asset retirement obligations for the year ended September 30, 2019 and 2020, are as follows:

	Millions of yen	
	2019	2020
Balance at the beginning of the year	¥ 420	¥ 495
Liabilities incurred due to the acquisition of property, plant and equipment	62	101
Accretion adjustment	3	4
Settlement of obligations	( 3 )	( 16 )
Other	12	0
Balance at the end of the year	¥ 495	¥ 585

## 24 Investment and rental property

There is no material investment and rental property to be reported as of September 30, 2019 and 2020 respectively.

## 25 Segment information

### 1. General Information about Reportable Segments

CMIC Group has five reportable segments, CRO business, CDMO business, CSO business, Healthcare business and IPM business, which have been summarized and classified under the services and business domain which CMIC group offers based on the concept of Pharmaceutical Value Creator (PVC). PVC is the original business model of our group, which strives for increasing the value of pharmaceutical companies.

Each reportable segment can provide its individual financial reports respectively, and the individual financial reports can also be an object of the deliberation at Board Meeting when Board Members decide the distribution of the business resources or evaluate the business performance regularly.

Due to the change in our Group's organizational structure in October, 2019, the assigned segment of CMIC Career Co., Ltd. has been changed from CRO business to Healthcare business from the current fiscal year.

The segment information of preceding fiscal year is recalculated in accordance with current segment classification.

Each segment consists of the companies and its affiliates as follows;

Segment	Products/Services	CMIC Group Companies (as of September 30, 2020)
CRO Business	Services related to pharmaceutical development support, and analytical chemistry services	CMIC HOLDINGS Co., Ltd. CMIC Co., Ltd. CMIC ShiftZero K.K. CMIC Korea Co., Ltd. CMIC ASIA-PACIFIC, PTE. LTD. CMIC ASIA PACIFIC (MALAYSIA) SDN. BHD. CMIC Asia-Pacific (Hong Kong) Limited CMIC Asia-Pacific (PHILIPPINES) , INC. CMIC ASIA-PACIFIC (AUSTRALIA) PTY LTD CMIC ASIA-PACIFIC (THAILAND) LIMITED CMIC (Beijing) Co., Ltd. CMIC DATA SCIENCE VIETNAM COMPANY LIMITED CMIC Pharma Science Co., Ltd. CMIC, INC.
CDMO Business	Services related to drug formulation development and manufacturing support, from formulation design to investigational new drug manufacturing to commercial production of ethical drugs and nonprescription drugs for pharmaceutical companies	CMIC CMO Co., Ltd. CMIC CMO NISHINE Co., Ltd. CMIC CMO Korea Co., Ltd. CMIC CMO USA Corporation CMIC BIO Co., Ltd.
CSO Business	Services provided to pharmaceutical companies related to sales & marketing support	CMIC Ashfield Co., Ltd.
Healthcare Business	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	CMIC HOLDINGS Co., Ltd. CMIC Healthcare Institute Co., Ltd. CMIC Career Co., Ltd. CMIC Well Co., Ltd.
IPM Business	Provision of new business solution to pharmaceutical companies that combines the system to support all value chains and manufacturing authorization and other licenses (intellectual properties) held by CMIC Group	CMIC HOLDINGS Co., Ltd. CMIC CMO Co., Ltd. OrphanPacific, Inc.

## 2. Method for calculating the amount of net sales, profit (loss), assets, liabilities and other items by segment

Accounting policies applied to reportable segments are the same as those described in “Significant accounting policies” except valuation bases of inventories. Segment profit is based on operating income. Inter-segment sales and transfers between segments are based on market prices.

### 3. Financial information by reportable segment

For the year ended September 30, 2019

(Millions of yen)

	CRO	CDMO	CSO	Healthcare	IPM	Total	Adjustment Notes 1 and 3	Consolidated Note 2
Net sales								
External customers	¥ 36,270	¥ 17,237	¥ 7,926	¥ 9,570	¥ 3,367	¥ 74,373	¥ -	¥ 74,373
Inter-segment	251	54	2	537	0	846	(846)	-
Total	36,522	17,292	7,929	10,107	3,368	75,220	(846)	74,373
Segment profit (loss)	6,623	116	236	1,158	(396)	7,738	(3,332)	4,405
Segment assets	30,959	42,287	2,671	7,638	2,709	86,265	(6,085)	80,179
Others								
Depreciation	¥ 1,122	¥ 2,318	¥ 43	¥ 127	¥ 8	¥ 3,620	¥ -	¥ 3,620
Amortization of goodwill	275	14	6	12	-	308	-	308
Increase in fixed assets	1,443	3,808	12	92	0	5,356	633	5,990

Notes: 1. The adjustment amount of ¥(3,332) million in segment profit (loss) includes intersegment eliminations and others of ¥(0) million and unallocated corporate expenses of ¥(3,331) million.

2. Segment profit corresponds with operating income in the consolidated statement of income.

3. The adjustment amount of ¥(6,085) million in segment assets includes unallocated corporate assets of ¥16,033 million and intersegment elimination and others of ¥(22,119) million. Depreciation and amortization included in corporate assets were allocated to each of the reporting segments.

For the year ended September 30, 2020

(Millions of yen)

	CRO	CDMO	CSO	Healthcare	IPM	Total	Adjustment Notes 1 and 3	Consolidated Note 2
Net sales								
External customers	¥ 33,858	¥ 20,755	¥ 8,626	¥ 9,463	¥ 3,395	¥ 76,098	¥ -	¥ 76,098
Inter-segment	383	76	-	440	-	901	(901)	-
Total	34,242	20,832	8,626	9,903	3,395	77,000	(901)	76,098
Segment profit (loss)	5,052	(412)	834	583	169	6,226	(3,621)	2,605
Segment assets	31,869	44,071	3,324	7,789	2,895	89,951	(434)	89,517
Others								
Depreciation	¥ 1,116	¥ 3,247	¥ 33	¥ 89	¥ 41	¥ 4,529	¥ -	¥ 4,529
Amortization of goodwill	137	-	-	21	-	159	-	159
Increase in fixed assets	1,391	7,119	4	82	0	8,597	466	9,063

Notes: 1. The adjustment amount of ¥(3,621) million in segment profit (loss) includes intersegment eliminations and others of ¥2 million and unallocated corporate expenses of ¥(3,623) million.

2. Segment profit corresponds with operating income in the consolidated statement of income.

3. The adjustment amount of ¥(434) million in segment assets includes unallocated corporate assets of ¥21,198 million and intersegment elimination and others of ¥(21,632) million. Depreciation and amortization included in corporate assets were allocated to each of the reporting segments.

4. The amount of "Increase in fixed assets" doesn't include the amount affected by (Changes in accounting policies)- (Application of "Leases" (IFRS 16 and ASU 2016-02)).

(Related Information)

1. Information by products and services

The disclosure information by products and services is omitted because identical information is disclosed as segment information.

2. Segment information by geographic areas

(1) Net sales

For the year ended September 30, 2019

(Millions of yen)

	Japan	North America	Others	Total
Net sales	¥ 64,193	¥ 7,058	¥ 3,121	¥ 74,373
Percentage of the consolidated net sales	86.3%	9.5%	4.2%	100.0%

For the year ended September 30, 2020

(Millions of yen)

	Japan	North America	Others	Total
Net sales	¥ 67,664	¥ 4,758	¥ 3,675	¥ 76,098
Percentage of the consolidated net sales	88.9%	6.3%	4.8%	100.0%

(2) The disclosure of geographical segment information of property, plant and equipment is omitted as more than 90% of property, plant and equipment on the consolidated balance sheet is located in Japan.

3. Information by major customers

There is no major unaffiliated customer which accounts for 10% or more of the net sales on consolidated statements of income.

(Information about impairment loss for non-current assets)

For the year ended September 30, 2019

	CRO	CDMO	CSO	Healthcare	IPM	Total	Adjustment	Consolidated
Impairment loss	¥ 225	¥ -	¥ -	¥ -	¥ -	¥ 225	¥ -	¥ 225

For the year ended September 30, 2020

(Millions of yen)

	CRO	CDMO	CSO	Healthcare	IPM	Total	Adjustment	Consolidated
Impairment loss	¥ -	¥ 736	¥ -	¥ -	¥ -	¥ 736	¥ -	¥ 736

(Information about amortization of goodwill and unamortized balance)

For the year ended September 30, 2019

(Millions of yen)

	CRO	CDMO	CSO	Healthcare	IPM	Total	Adjustment	Consolidated
Amortization of goodwill	¥ 275	¥ 14	¥ 6	¥ 12	¥ -	¥ 308	¥ -	¥ 308
Unamortized balance	137	-	-	99	-	237	-	237

For the year ended September 30, 2020

(Millions of yen)

	CRO	CDMO	CSO	Healthcare	IPM	Total	Adjustment	Consolidated
Amortization of goodwill	¥ 137	¥ -	¥ -	¥ 21	¥ -	¥ 159	¥ -	¥ 159
Unamortized balance	-	-	-	76	-	76	-	76

(Information about amount of gain on negative goodwill)

For the year ended September 30, 2019

There was no gain on negative goodwill for the year ended September 30, 2019.

For the year ended September 30, 2020

There was no gain on negative goodwill for the year ended September 30, 2020.

## 26 Transactions with related parties

1. Transactions between the Company and related parties for the years ended September 30, 2019 and 2020, are as follows:

(1) Company directors, shareholders (Individual only), etc.

As of and for the year ended September 30, 2019

Type	Name	Location	Capital (Millions of yen)	Type of business	Percentage of voting stock owned by CMIC HOLDINGS Co., Ltd. (owned in CMIC HOLDINGS Co., Ltd.) (%)	Transaction details	Transaction amount (Millions of yen)	Item	Balance at fiscal year- end (Millions of yen)
Company in which directors or close relatives hold a majority of the voting stock	Artemis Inc. (Note 2)	Shibuya- ku, Tokyo	¥11	Asset management	(22.0) owned, directly	Administrative service	¥40	Accounts receivable - other	¥1
				Management of the museum and accommodation		Rent of accommodation facilities for training	¥27	Accounts payable-other	¥4

Note 1. Transaction amounts do not include consumption tax.

2. Chairman & CEO of CMIC HOLDINGS Co., Ltd. Kazuo Nakamura, President & COO of CMIC HOLDINGS Co., Ltd. Keiko Oishi and their family indirectly holds 100% of the voting rights.

3. Information on transaction terms and policy for determining the terms

Transactions with related parties are based on consideration of normal transaction conditions and market prices.

As of and for the year ended September 30, 2020

Type	Name	Location	Capital (Millions of yen)	Type of business	Percentage of voting stock owned by CMIC HOLDINGS Co., Ltd. (owned in CMIC HOLDINGS Co., Ltd.) (%)	Transaction details	Transaction amount (Millions of yen)	Item	Balance at fiscal year- end (Millions of yen)
Company in which directors or close relatives hold a majority of the voting stock	Artemis Inc. (Note 2)	Shibuya- ku, Tokyo	¥11	Asset management	(22.0) owned, directly	Administrative service	¥38	Accounts receivable - other	¥1
				Management of the museum and accommodation		Rent of accommodation facilities for training	¥30	Accounts payable-other	¥5

Note 1. Transaction amounts do not include consumption tax.

2. Chairman & CEO of CMIC HOLDINGS Co., Ltd. Kazuo Nakamura, President & COO of CMIC HOLDINGS Co., Ltd. Keiko Oishi and their family indirectly holds 100% of the voting rights.

3. Information on transaction terms and policy for determining the terms

Transactions with related parties are based on consideration of normal transaction conditions and market prices.

(2) Unconsolidated subsidiary companies and affiliated companies

As of and for the year ended September 30, 2019

There is no applicable matter.

As of and for the year ended September 30, 2020

Type	Name	Location	Capital (Millions of yen)	Type of business	Percentage of voting stock owned by CMIC HOLDINGS Co., Ltd. (owned in CMIC HOLDINGS Co., Ltd.) (%)	Transaction details	Transaction amount (Millions of yen)	Item	Balance at fiscal year- end (Millions of yen)
Affiliates	CMIC JSR Biologics Co., Ltd.	Minato-ku, Tokyo	¥50	Research and development related to the manufacture of pharmaceuticals, quasi-drugs, medical devices, etc.	- (Note 1)	Debt waiver	¥323	-	-

Note 1. CMIC JSR Biologics Co., Ltd. was liquidated on September 17, 2020 and was excluded from the scope of Affiliates by the equity method.

2. Information on transaction terms and policy for determining the terms

In the current consolidated fiscal year, the Board of Directors of CMIC HOLDINGS Co., Ltd. resolved to waive the loan to CMIC JSR Biologics Co., Ltd. of 323 million yen.

2. Transactions between consolidated subsidiaries of the Company and related parties for the years ended September 30, 2019 and 2020, are as follows:

Company directors, shareholders (Individual only), etc.

As of and for the year ended September 30, 2019

Type	Name	Location	Capital (Millions of yen)	Type of business	Percentage of voting stock owned by CMIC HOLDINGS Co., Ltd. (owned in CMIC HOLDINGS Co., Ltd.) (%)	Transaction details	Transaction amount (Millions of yen)	Item	Balance at fiscal year- end (Millions of yen)
Company in which directors or close relatives hold a majority of the voting stock	Artemis Inc. (Note 2)	Shibuya- ku, Tokyo	¥11	Asset management  Management of the museum and accommodation	(22.0) owned, directly	Administrative service	¥10	-	-

Note 1. Transaction amounts do not include consumption tax.

2. Chairman & CEO of CMIC HOLDINGS Co., Ltd. Kazuo Nakamura, President & COO of CMIC HOLDINGS Co., Ltd. Keiko Oishi and their family indirectly holds 100% of the voting rights.

3. Information on transaction terms and policy for determining the terms

Transactions with related parties are based on consideration of normal transaction conditions and market prices.

As of and for the year ended September 30, 2020

There is no applicable matter.

## 27 Amounts per share

Net assets and profit attributable to owners of parent per share as of and for the years ended September 30, 2019 and 2020, are as follows:

	Yen	
	2019	2020
Net assets per share	¥ 1,231.65	¥ <b>1,306.08</b>
Profit attributable to owners of parent per share (Note)	98.93	<b>83.27</b>

Diluted profit attributable to owners of parent per share for the years ended September 30, 2019 and 2020 is not presented, since no potential shares that could have had a dilutive effect exist.

Note: The following is the basis for calculating the basic and diluted net income per share :

	Millions of yen	
	2019	2020
Profit attributable to owners of parent	¥ 1,822	¥ <b>1,505</b>
Amount not attributable to common shareholders	-	-
Profit attributable to owners of parent of common stock	¥ <b>1,822</b>	¥ <b>1,505</b>
Weighted average number of shares outstanding (thousands of shares)	18,421	<b>18,084</b>



**28 Subsequent event**

There is no applicable matter.