CMIC HOLDINGS Co., Ltd.

Consolidated Financial Statements
For the Year ended September 30, 2019
Together with Independent Auditors' Report

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Independent Auditor's Report

The Board of Directors
CMIC HOLDINGS Co., Ltd.

We have audited the accompanying consolidated financial statements of CMIC HOLDINGS Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at September 30, 2019, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility 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 designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of CMIC HOLDINGS Co., Ltd. and its consolidated subsidiaries as at September 30, 2019, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

Ernst & Young Shinnihon LLC

December 13, 2019
Tokyo, Japan

CONSOLIDATED BALANCE SHEET

CMIC HOLDINGS Co., Ltd. and consolidated subsidiaries

As of September 30, 2018 and 2019

ASSETS	Millions of yen 2018	Millions of yen 2019	Thousands of U.S. dollars (Note 1) 2019
Current assets:			
Cash and deposits (Notes 15 and 17)	¥ 14,009	¥ 12,146	$ 112,551
Notes and accounts receivable-trade (Note 17)	13,655	13,082	121,224
Merchandise and finished goods(Note 6)	514	682	6,326
Work in process(Note 6)	3,419	4,074	37,755
Raw materials and supplies(Note 6)	1,878	2,578	23,890
Other	2,773	3,009	27,887
Allowance for doubtful accounts	(18)	(67)	(628)
Total current assets	36,233	35,506	329,005
Non-current assets:			
Property, plant and equipment:			
Buildings and structures	21,450	23,213	215,098
Machinery, equipment and vehicles	14,190	19,604	181,659
Tools, furniture and fixtures	4,253	5,249	48,638
Land	6,167	6,425	59,541
Leased assets	1,040	968	8,977
Construction in progress	4,467	1,661	15,393
Less: accumulated depreciation	(21,061)	(23,372)	(216,570)
Total property, plant and equipment	30,508	33,750	312,736
Intangible assets:			
Goodwill	419	237	2,201
Other	985	1,338	12,401
Total intangible assets	1,405	1,575	14,602
Investments and other assets:			
Investment securities (Notes 3 , 17 and 19)	3,809	3,007	27,870
Deferred tax assets (Note 22)	3,468	3,927	36,396
Lease and guarantee deposits	1,655	1,997	18,512
Other	1,564	993	9,210
Allowance for doubtful accounts	(611)	(579)	(5,374)
Total investments and other assets	9,887	9,347	86,614
Total non-current assets	41,801	44,673	413,952
Total assets	¥ 78,034	¥ 80,179	$ 742,957

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, 2018 and 2019

LIABILITIES AND NET ASSETS	Millions of yen 2018	Millions of yen 2019	Thousands of U.S. dollars (Note 1) 2019
Current liabilities:			
Notes and accounts payable-trade (Note 17)	¥ 726	¥ 1,082	$ 10,027
Short-term borrowings(Notes 17 and 18)	1,450	3,018	27,965
Current portion of long-term debt(Notes 17 and 18)	3,648	2,822	26,153
Commercial papers (Notes 17 and 18)	2,000	2,000	18,532
Accounts payable-other	4,252	5,135	47,583
Accrued expenses	1,123	1,164	10,789
Income taxes payable	1,076	647	6,000
Advances received	1,663	1,320	12,237
Provision for bonuses	2,655	2,677	24,807
Provision for directors' bonuses	63	-	-
Provision for loss on orders received	683	561	5,201
Other	3,399	2,315	21,453
Total current liabilities	22,741	22,743	210,747
Non-current liabilities:			
Long-term debt(Notes 17 and 18)	12,178	11,356	105,230
Deferred tax liabilities (Note 22)	312	302	2,805
Net defined benefit liability（Note 21）	7,544	8,721	80,811
Asset retirement obligations (Note 24)	420	495	4,587
Long-term unearned revenue	0	2,456	22,766
Other	1,299	1,109	10,281
Total non-current liabilities	21,756	24,441	226,480
Total liabilities	44,498	47,185	437,227
Contingent liabilities (Note 5)			
NET ASSETS (Note 14)			
Shareholders' equity:			
Capital stock			
Authorized-46,000,000 shares Issued-18,923,569 shares in 2018	3,087		
Authorized-46,000,000 shares Issued-18,923,569 shares in 2019		3,087	28,611
Capital surplus	6,102	6,102	56,551
Retained earnings	12,814	14,121	130,848
Treasury shares, at cost-351,521 shares in 2018 and 851,347 shares in 2019	(579)	(1,578)	(14,629)
Total shareholders' equity	21,425	21,733	201,381
Accumulated other comprehensive income（Note 13 and 21）:			
Unrealized gain (loss) on securities	1,217	613	5,688
Foreign currency translation adjustments	23	(35)	(329)
Remeasurements of defined benefit plans	(83)	(52)	(489)
Total accumulated other comprehensive income	1,157	525	4,870
Non-controlling interests	10,953	10,735	99,479
Total net assets	33,536	32,994	305,730
Total liabilities and net assets	¥ 78,034	¥ 80,179	$ 742,957

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, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars (Note1)
	2018	2019	2019
Net sales	¥ 69,869	¥ 74,373	$ 689,155
Cost of sales	(54,976)	(58,261)	(539,857)
Gross profit	14,892	16,112	149,298
Selling, general and administrative expenses (Note 7 and 8):	(10,570)	(11,706)	(108,476)
Operating income	4,321	4,405	40,822
Non-operating income (expenses):			
Interest income	6	4	43
Rent income	20	22	210
Refunded consumption taxes	14	21	200
Insurance income	3	16	150
Other income	36	32	297
Interest expenses	(116)	(114)	(1,066)
Foreign exchange gains (losses)	17	(176)	(1,633)
Share of loss of entities accounted for using equity methoc	(182)	(252)	(2,337)
Other expenses	(58)	(117)	(1,091)
Total Non-operating income (expenses)	(259)	(564)	(5,227)
Ordinary income	4,061	3,841	35,595
Special gains (losses):			
Gain on sales of non-current assets(Note 9)	-	14	133
Gain on abolishment of retirement benefit plan(Note 21)	233	-	-
Impairment loss(Note 10)	-	(225)	(2,088)
Loss on retirement of non-current assets(Note 11)	(59)	(122)	(1,133)
Loss on revision of pay regulations(Note 12)	(280)	-	-
System failure response costs	-	(62)	(575)
Other	(5)	-	-
Total special gains (losses)	(112)	(395)	(3,663)
Profit before income taxes	3,949	3,446	31,932
Income taxes (Note 22):			
Current	2,260	1,949	18,061
Deferred	(72)	(163)	(1,512)
Total income taxes	2,187	1,785	16,549
Profit	1,761	1,660	15,383
Profit attributable to non-controlling interests	274	(162)	(1,504)
Profit attributable to owners of parent	¥ 1,487	¥ 1,822	$ 16,887

	Yen	Yen	U.S. dollars (Note 1)
Amounts per share of common stock:			
Profit attributable to owners of parent(Note 28)	¥ 79.71	¥ 98.93	$ 0.92
Cash dividends applicable to the year(Note 14)	27.50	32.00	0.30

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, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2019	2019
Profit	¥ 1,761	¥ 1,660	$ 15,383
Other comprehensive income（Note 13 and 21）:			
Unrealized gain (loss) on securities	553	(604)	(5,602)
Foreign currency translation adjustments	18	(119)	(1,109)
Remeasurements of defined benefit plans	41	43	399
Total other comprehensive income	613	(681)	(6,312)
Comprehensive income	¥ 2,375	¥ 978	$ 9,071
Comprehensive income attributable to:			
Owners of the parent	¥ 2,166	¥ 1,190	$ 11,032
Non-controlling interests	208	(211)	(1,961)

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, 2018 and 2019

	Shares	
	2018	2019
Number of shares of common stock:		
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		Thousands of U.S. dollars (Note 1)
	2018	2019	2019
Capital stock:			
Balance at the beginning of the year	¥ 3,087	¥ 3,087	$ 28,611
Balance at the end of the year	3,087	3,087	28,611
Capital surplus:			
Balance at the beginning of the year	7,715	6,102	56,551
Increase (Decrease) of capital surplus by change of share to consolidated subsidiary	(1,612)	-	-
Balance at the end of the year	6,102	6,102	56,551
Retained earnings:			
Balance at the beginning of the year	11,847	12,814	118,737
Profit attributable to owners of parent	1,487	1,822	16,887
Cash dividends paid - ￥27.50 ($0.242) per share in 2018	(519)	-	-
￥32.00 ($0.297) per share in 2019	-	(515)	(4,776)
Change in scope of consolidation	(1)	-	-
Balance at the end of the year	12,814	14,121	130,848
Treasury stock:			
Balance at the beginning of the year	(261)	(579)	(5,370)
Acquisition of treasury stock	(326)	(1,000)	(9,270)
Disposal of treasury stock	8	1	11
Balance at the end of the year - 315,521 shares in 2018 and 851,347 shares in 2019	(579)	(1,578)	(14,629)
Total shareholders' equity	21,425	21,733	201,381
Unrealized gain (loss) on securities:			
Balance at the beginning of the year	663	1,217	11,278
Net change in items other than those in shareholders' equity	553	(603)	(5,590)
Balance at the end of the year	1,217	613	5,688
Foreign currency translation adjustments:			
Balance at the beginning of the year	15	23	218
Net change in items other than those in shareholders' equity	8	(59)	(547)
Balance at the end of the year	23	(35)	(329)
Remeasurements of defined benefit plans			
Balance at the beginning of the year	(200)	(83)	(771)
Net change in items other than those in shareholders' equity	117	30	282
Balance at the end of the year	(83)	(52)	(489)
Total accumulated other comprehensive income	1,157	525	4,870
Non-controlling interests			
Balance at the beginning of the year	740	10,953	101,496
Net change in items other than those in shareholders' equity	10,212	(217)	(2,017)
Balance at the end of the year	10,953	10,735	99,479
Total net assets	¥ 33,536	¥ 32,994	$ 305,730

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, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2019	2019
Cash flows from operating activities:			
Profit before income taxes	¥ 3,949	¥ 3,446	$ 31,932
Depreciation	3,127	3,620	33,543
Amortization of goodwill	318	308	2,862
Increase (decrease) in allowance for doubtful accounts	6	49	457
Increase (decrease) in provision for bonuses	337	(179)	(1,662)
Increase (decrease) in provision for directors' bonuses	10	(63)	(584)
Increase (decrease) in net defined benefit liability	995	1,127	10,451
Interest income and dividends	(6)	(4)	(43)
Interest expenses	116	114	1,065
Increase (decrease) in provision for loss on order received	114	(119)	(1,111)
Foreign exchange losses (gains)	(17)	147	1,364
Share of (profit) loss of entities accounted for using equity method	182	252	2,337
Decrease (increase) in notes and accounts receivable - trade	(652)	864	8,009
Decrease (increase) in inventories	(372)	(532)	(4,933)
Increase (decrease) in notes and accounts payable - trade	(315)	297	2,759
Increase (decrease) in accrued expenses	116	2	27
Increase (decrease) in advances received	501	(296)	(2,743)
Loss (gain) on valuation of investment securities	4	-	-
Loss (gain) on sales of non-current assets	0	(11)	(105)
Loss on retirement of non-current assets	59	122	1,133
Impairment loss	-	225	2,088
Gain on abolishment of retirement benefit plan	(233)	-	-
Increase (decrease) in deposits received	1,338	(1,162)	(10,775)
Other, net	227	(734)	(6,808)
Subtotal	9,811	7,474	69,263
Interest and dividend income received	14	17	159
Interest expenses paid	(118)	(125)	(1,160)
Income taxes paid	(2,219)	(2,443)	(22,646)
Net cash provided by (used in) operating activities	7,488	4,922	45,616

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2019	2019
Cash flows from investing activities:			
Payments into time deposits	(30)	(15)	(147)
Proceeds from withdrawal of time deposits	16	28	267
Purchase of property, plant and equipment	(5,609)	(3,935)	(36,470)
Proceeds from sales of property, plant and equipment	1	29	278
Purchase of intangible assets	(270)	(845)	(7,834)
Purchase of investment securities	(280)	(80)	(748)
Payments for lease and guarantee deposits	(58)	(347)	(3,223)
Proceeds from collection of lease and guarantee deposits	42	49	459
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation(Note 15)	-	225	2,086
Net decrease (increase) in short-term loans receivable	(15)	-	-
Other, net	-	2	26
Net cash provided by (used in) investing activities	(6,203)	(4,889)	(45,306)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	400	1,568	14,529
Net increase (decrease) in commercial papers	(1,000)	-	-
Proceeds from long-term loans payable	4,000	2,000	18,532
Repayments of long-term loans payable	(3,021)	(3,648)	(33,808)
Repayments of lease obligations	(196)	(162)	(1,508)
Purchase of treasury stocks	(326)	(1,000)	(9,270)
Cash dividends paid	(519)	(514)	(4,770)
Dividends paid to non-controlling interests	(64)	(6)	(55)
Proceeds from share issuance to non-controlling shareholders	8,499	-	-
Net cash provided by (used in) financing activities	7,770	(1,764)	(16,350)
Effect of exchange rate change on cash and cash equivalents	(26)	(101)	(937)
Net increase (decrease) in cash and cash equivalents	9,028	(1,832)	(16,977)
Cash and cash equivalents at the beginning of the period	4,928	13,976	129,511
Increase in cash and cash equivalents from newly consolidated subsidiary	19	-	-
Cash and cash equivalents at the end of the period (Note 15)	¥ 13,976	¥ 12,144	$ 112,534

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.

The U.S. dollar amounts shown in the accompanying consolidated financial statements and notes thereto have been translated from Japanese yen into U.S. dollars on the basis of ¥107.92 to U.S. $1.00, the rate of exchange prevailing at September 30, 2019. These U.S. dollar amounts are not intended to imply that the Japanese yen amounts have been, could have been or could in future be converted, realized or settled in U.S. dollars at this or any other rate of exchange. As a result, the total Japanese yen and U.S. dollar amounts shown in the financial statements and notes do not necessarily agree with the sum of the individual amounts.
Amounts less than one million yen is rounded down and one thousand U.S. dollar is rounded.
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, 2019, the numbers of consolidated subsidiaries and affiliates accounted for by the equity method are 25 and 2 (23 and 2 in 2018). The accompanying consolidated financial statements for the years ended September 30, 2018 and 2019 include the accounts of the Company and its subsidiaries (the “Companies”).

The Company’s subsidiary established “CMIC ASIA-PACIFIC (AUSTRALIA) PTY LTD”, which was newly included in the scope of consolidation during the current fiscal year.

The Company’s subsidiaries acquired the shares of “SSI-CP Co., Ltd” and “CMIC CMO NISHINE Co., Ltd.”, which were newly included in the scope of consolidation 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, 2018 and 2019.

The fiscal year-end of CMIC (Beijing) Pharmaceutical Services Co., Ltd., CMIC (Beijing) Co., Ltd. and CMIC (Suzhou) Pharmaceutical Technology Co., Ltd. is December 31. These subsidiaries provisionally close their 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.

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.

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

Provision for bonuses- The Companies provide an allowance for employees’ 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.

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 Gaines 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.

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.

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.

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.

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

(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.

・Overseas consolidated subsidiaries

Leases (IFRS 16)

Leases (US GAAP ASU 2016-02)

(1) Overview

In principle, these standards require the lessee to recognize right to use assets and associated liabilities for payments, in respect of nearly all leases.

(2) Scheduled date of adoption

The Company expects to adopt the accounting standard and the implementation guidance for IFRS16 from the beginning of the fiscal year ending September 30, 2020.

The Company expects to adopt the accounting standard and the implementation guidance for US GAAP ASU 2016-02 from the beginning of the fiscal year ending September 30, 2021.

(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.

(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

①Book value of the stocks of the Company within the trust for the years ended September 30, 2018 and 2019 were ¥191million and ¥190 million ($1,762 thousand).

②These stocks were recorded as the treasury stock in the total shareholders’ equity.

③The number of stocks within the trust at the year-end for the years ended September 30, 2018 and 2019 were 172 thousands shares and 171 thousands shares and the average number of stocks within the trust for the years ended September 30, 2018 and 2019 were 175 thousands shares and 171 thousands shares.

④The 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.

3 Shares of subsidiaries and associates

Shares of subsidiaries and associates as of September 30, 2018 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Investment securities	¥ 109	¥ 119	$ 1,108
(The investment amount for Jointly Controlled Entities included in the above)	15	9	83

4 Commitment line

In order to efficiently finance business funds, the Company established commitment line contracts with three banks. Commitment lines as of September 30, 2018 and 2019 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Commitment lines	¥ 5,000	¥ 5,000	$ 46,331
Used portion of Commitment lines	-	-	-
Unused portion of Commitment lines	¥ 5,000	¥ 5,000	$ 46,331

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.

5 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, 2018 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Guarantee of obligations:			
Unconsolidated affiliate	¥ 1,374	¥ 1,385	$ 12,834

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.

6 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, 2018 and 2019, are as follows:

	Millions of yen				Thousands of U.S. dollars	
	2018		2019		2019	
Loss on valuation of inventories	¥	(21)	¥	31	$	288

7 Selling, General and Administrative Expenses

The main components of “Selling, General and Administrative Expenses” for the years ended September 30, 2018 and 2019, are as follows:

	Millions of yen				Thousands of U.S. dollars	
	2018		2019		2019	
Salaries and allowances	¥	3,371	¥	3,784	$	35,070
Bonuses and provision for bonuses		750		811		7,518
Retirement benefit expenses		160		259		2,409
Provision for directors' bonuses		63		-		-
Provision for doubtful accounts		6		5		52

8 Research and development expenses

	Millions of yen				Thousands of U.S. dollars	
	2018		2019		2019	
Research and development expenses	¥	214	¥	333	$	3,094

9 Gain on sales of non-current assets

Gain on sale of non-current assets for the years ended September 30, 2018 and 2019, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Machinery, equipment and vehicles	¥ -	¥ 2	$ 19
Tools, furniture and fixtures	-	11	110
Leased assets	-	0	4
Total	¥ -	¥ 14	$ 133

10 Impairment loss on non-current assets

There was no Impairment loss on non-current assets to be reported as of September 30, 2018.

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

Company Name	Use	Location	Classification	Millions of yen	Thousands of U.S. dollars
				2019	2019
CMIC Co., Ltd.	CRO Business facilities	Tokyo, Japan	Software in progress Investments and other assets-Other(Long-term prepaid expenses)	¥ 225	$ 2,088

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.

11 Loss on retirement of non-current assets

Loss on retirement of non-current assets for the years ended September 30, 2018 and 2019, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Buildings and structures	¥ 32	¥ 90	$ 840
Machinery, equipment and vehicles	12	13	125
Tools, furniture and fixtures	0	12	117
Leased assets	-	2	26
Other	13	2	25
Total	¥ 59	¥ 122	$ 1,133

12 Loss on revision of pay regulations

Loss on revision of pay regulations is one-time cost associated with the personnel system change of some employees enrolled in CDMO Business for the years ended September 30, 2018.

13 Other comprehensive income

The components of other comprehensive income including reclassification adjustments and tax effects income for the years ended September 30, 2018 and 2019, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Unrealized gain (loss) on securities:			
Amount arising during the year	¥ 797	¥ (871)	$ (8,076)
Amount before tax effect	797	(871)	(8,076)
Tax effects	(244)	266	2,474
Sub-total, net of tax	553	(604)	(5,602)
Foreign currency translation adjustments:			
Amount arising during the year	18	(119)	(1,109)
Remeasurements of defined benefit plans:			
Amount arising during the year	(52)	(40)	(376)
Reclassification adjustments	157	92	857
Amount before tax effect	105	51	481
Tax effects	(64)	(8)	(82)
Sub-total, net of tax	41	43	399
Total other comprehensive income	¥ 613	¥ (681)	$ (6,312)

14 Net assets

Information regarding changes in net assets for the years ended September 30, 2018 and 2019, is as follows:

a. Shares issued and outstanding / Treasury stock

For the year ended September 30, 2018

Type of Shares	Number of shares at October 1, 2017	Increase	Decrease	Number of shares at September 30, 2018
Shares issued:				
Common Stock	18,923,569	—	—	18,923,569
Treasury stock				
Common Stock (Notes 1 ,2 and 3)	216,028	143,493	8,000	351,521

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

Increase due to acquire of treasury stock by resolution of the Board of Directors	142,500
Increase due to purchase of shares of less than one unit	993

2. Details of the decrease are as follows:

Decrease due to transfer of treasury stock by the Stock Granting Trust (J-ESOP)	8,000

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

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

Number of shares at October 1, 2017	180,000
Number of shares at September 30, 2018	172,000

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

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

The number of shares of treasury stock includes the number of stock 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

b. Dividends

(1) Dividends paid

For the year ended September 30, 2018

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 15, 2017	Common stock	*1 424	22.50	September 30, 2017	December 1, 2017
Meeting of the Board of Directors on April 27, 2018	Common stock	*2 94	5.00	March 31, 2018	June 15, 2018

*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)..

For the year ended September 30, 2019

Resolution	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars)	Dividends per share (yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Meeting of the Board of Directors on November 14, 2018	Common stock	*1 421	3,908	22.50	0.21	September 30, 2018	November 30, 2018
Meeting of the Board of Directors on April 26, 2019	Common stock	*2 93	868	5.00	0.05	March 31, 2019	June 14, 2019

*1 The total dividends includes dividends of ¥ 3 million($ 36 thousand) for the Stock Granting Trust (J-ESOP).

*2 The total dividends includes dividends of ¥ 0 million($ 8 thousand) for the Stock Granting Trust (J-ESOP).

(2) Dividends with the cut-off date in the year ended September 30, 2018 and the effective date in the year ended September 30, 2019

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 14, 2018	Common stock	* 421	Retained earnings	22.50	September 30, 2018	November 30, 2018

* 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, 2019 and the effective date in the year ending September 30, 2020

Resolution	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars)	Source of dividends	Dividends per share (yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Meeting of the Board of Directors on November 13, 2019	Common stock	* 492	4,564	Retained earnings	27.00	0.25	September 30, 2019	November 29, 2019

* The total dividends includes dividends of ¥ 4 million($ 43 thousand) 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, 2018and 2019are as follows:

	Millions of yen				Thousands of U.S. dollars	
	2018		2019		2019	
Cash and deposits	¥	14,009	¥	12,146	$	112,551
Less:						
Time deposits over three months		(32)		(1)		(17)
Cash and cash equivalents	¥	13,976	¥	12,144	$	112,534

(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, 2018
There is no applicable matter.

・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		Thousands of U.S. dollars	
	2019		2019	
Current assets	¥	3,836	$	35,553
Non-current assets		1,461		13,543
Goodwill		14		130
Current liabilities		(538)		(4,988)
Non-current liabilities		(2,583)		(23,935)
Acquisition cost of the stock in CCN	¥	2,191	$	20,303
Cash and cash equivalents held by CCN		(2,483)		(23,008)
Net increase in Cash and cash equivalents due to acquisition	¥	291	$	2,705

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

16 Leases

Lessees' accounting

1. Finance lease transactions that do not transfer ownership

(1) Details of leased assets

① Property, plant and equipment
Mainly 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.

2. Operating leases

Obligations for future minimum payment under non-cancelable operating leases as of September 30, 2018 and 2019, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Due within one year	¥ 1,540	¥ 2,092	$ 19,387
Due after one year	3,507	5,303	49,144
Total	¥ 5,047	¥ 7,395	$ 68,531

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, 2018, are as follows:

	Millions of yen		
	Book value	Fair value	Difference
Assets			
(1) Cash and deposits	¥ 14,009	¥ 14,009	¥ —
(2) Notes and accounts receivable-trade	13,655		
Allowance for doubtful accounts(*1)	(6)		
	13,649	13,649	—
(3) Investment securities	1,906	1,906	—
Total assets	¥ 29,566	¥ 29,566	¥ —
Liabilities			
(1) Notes and accounts payable-trade	726	726	—
(2) Short-term borrowings	1,450	1,450	—
(3) Commercial papers	2,000	2,000	—
(4) Long-term debt (*2)	15,827	15,833	6
Total liabilities	¥ 20,003	¥ 20,010	¥ 6

*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, 2019, are as follows:

	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Assets						
(1) Cash and deposits	¥ 12,146	¥ 12,146	¥ —	$ 112,551	$ 112,551	$ —
(2) Notes and accounts receivable-trade	13,082			121,224		
Allowance for doubtful accounts(*1)	(5)			(51)		
	13,077	13,077	—	121,173	121,173	—
(3) Investment securities	1,116	1,116	—	10,345	10,345	—
Total assets	¥ 26,339	¥ 26,339	¥ —	$ 244,069	$ 244,069	$ —
Liabilities						
(1) Notes and accounts payable-trade	1,082	1,082	—	10,027	10,027	—
(2) Short-term borrowings	3,018	3,018	—	27,965	27,965	—
(3) Commercial papers	2,000	2,000	—	18,532	18,532	—
(4) Long-term debt (*2)	14,178	14,190	11	131,383	131,492	109
Total liabilities	¥ 20,278	¥ 20,290	¥ 11	$ 187,907	$ 188,016	$ 109

*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		Thousands of U.S. dollars
	2018	2019	2019
Book value in consolidated balance sheet			
Unlisted shares(*)	¥ 1,793	¥ 1,771	$ 16,417
Stocks of affiliates(*)	109	119	1,108
Total	¥ 1,902	¥ 1,891	$ 17,525

* 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		Thousands of U.S. dollars	
	2020	2021 and thereafter	2020	2021 and thereafter
Cash and deposits	¥ 12,144	¥ —	$ 112,533	$ —
Notes and accounts receivable-trade	13,082	—	121,224	—
	¥ 25,227	¥ —	$ 233,757	$ —

Note 4: Redemption schedule for long-term debt subsequent to September 30, 2019.

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, 2018 and 2019, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Short-term borrowings:			
Weighted average interest rate of 0.35% and 0.39% at September 30, 2018 and 2019, respectively	¥ 1,450	¥ 3,018	$ 27,965

(2) Commercial papers at September 30, 2018 and 2019, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Commercial papers:			
Weighted average interest rate of 0.05% and 0.04% at September 30, 2018 and 2019, respectively	¥ 2,000	¥ 2,000	$ 18,532

(3) Long-term debt at September 30, 2018 and 2019, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Long-term debt:			
Due 2019 to 2026 with weighted average interest rates of 0.63% and 0.61% at September 30,2018 and 2019, respectively	¥ 15,827	¥ 14,178	$ 131,383
Less:			
Current portion of long-term debt:			
Weighted average interest rates of 0.61% and 0.67% at September 30, 2018 and 2019, respectively	3,648	2,822	26,153
	¥ 12,178	¥ 11,356	$ 105,230

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

Years ending September 30,	Millions of Yen	Thousands of U.S. dollars
	2019	2019
2020	¥ 2,822	$ 26,153
2021	2,822	26,153
2022	2,586	23,969
2023	2,136	19,799
2024	1,922	17,813
2025 and thereafter	1,888	17,496
	¥ 14,178	$ 131,383

(5) Lease obligations at September 30, 2018 and 2019, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Lease obligations:			
Due 2019 to 2024 with weighted average interest rates of 1.65% and 3.97% at September 30, 2018 and 2019, respectively	¥ 325	¥ 315	$ 2,924
Less:			
Current portion of long-term debt:			
Weighted average interest rates of 1.60% and 3.20% at September 30, 2018 and 2019, respectively	135	134	1,244
	¥ 190	¥ 181	$ 1,680

(6) Annual maturities of lease obligations at September 30, 2019, are as follows:

Years ending September 30,	Millions of Yen	Thousands of U.S. dollars
	2019	2019
2020	¥ 134	$ 1,244
2021	104	966
2022	58	540
2023	13	124
2024	5	50
2025 and thereafter	—	—
	¥ 315	$ 2,924

19 Securities

(1) The Companies did not hold any trading securities as of September 30, 2018 and 2019.

(2) The Companies did not hold any held-to-maturity securities as of September 30, 2018 and 2019.

(3) The Companies held shares of other securities as of September 30, 2018 and 2019.

The book value, the acquisition cost and the unrealized gain or loss as of September 30, 2018 and 2019, are as follows:

	Millions of yen						Thousands of U.S. dollars		
	2018			2019			2019		
	Book value	Acquisition cost	Unrealized gain(loss)	Book value	Acquisition cost	Unrealized gain(loss)	Book value	Acquisition cost	Unrealized gain(loss)
Securities with book value exceeding acquisition cost:									
Stock	¥ 1,833	¥ 34	¥ 1,798	¥ 1,064	¥ 34	¥ 1,029	$ 9,866	$ 324	$ 9,542
Securities with book value not exceeding acquisition cost:									
Stock	¥ 72	¥ 99	¥ (27)	¥ 51	¥ 99	¥ (48)	$ 479	$ 927	$ (448)
Total	¥ 1,906	¥ 134	¥ 1,771	¥ 1,116	¥ 134	¥ 981	$ 10,345	$ 1,251	$ 9,094

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 ¥ 1,793 million and ¥ 1,771 million ($16,417 thousand) as of September 30, 2018 and 2019, respectively.

(4) There was no sale of other securities for the years ended September 30, 2018 and 2019, respectively.

(5) The amount of impairment loss recognized on the stock in other securities was ¥4 million and ¥ 1 million ($11 thousand) for the year ended September 30, 2018 and 2019, 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, 2018 and 2019, for which hedge accounting has not been applied:

There was no derivative transaction for which hedge accounting has not been applied on September 30, 2018 and 2019.

(2) The following table summarizes the derivative transactions as of September 30, 2018 and 2019, for which hedge accounting has been applied:

Interest related:

			Millions of yen		
			2018		
			Contract amount		
Hedge accounting method	Classification	Hedged item	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	¥ 1,733	¥ 1,271	(*)

			Millions of yen			Thousands of U. S. dollars		
			2019			2019		
			Contract amount			Contract amount		
Hedge accounting method	Classification	Hedged item	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	(*)	$ 11,781	$ 7,545	(*)

* 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

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.

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

(a) Movement in retirement benefit obligation

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Balance at the beginning of the year	¥ 6,173	¥ 6,945	$ 64,360
Service cost	773	792	7,340
Interest cost	18	21	195
Actuarial losses (gains) arising during the year	52	40	376
Retirement benefits paid	(308)	(336)	(3,115)
Effect of transition to risk sharing pension plan	(416)	-	-
Transfers regarding changes in calculation from simplified method to principle method	441	458	4,248
Effect of changes in calculation from simplified method to principle method	148	472	4,377
Revision of retirement benefit plan	67	-	-
Increase resulting from inclusion of subsidiaries in consolidation	-	111	1,031
Other	(5)	(3)	(32)
Balance at the end of the year	¥ 6,945	¥ 8,501	$ 78,780

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Retirement benefit obligation under the unfunded plans	¥ 6,945	¥ 8,501	$ 78,780
Net defined benefit liability	¥ 6,945	¥ 8,501	$ 78,780

(c) Retirement benefit cost

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Service cost	¥ 773	¥ 792	$ 7,340
Interest cost	18	21	195
Amortization of actuarial losses (gains)	119	52	482
Amortization of prior service cost	43	40	375
Effect of changes in calculation from simplified method to principle method	148	472	4,377
Total retirement benefit costs	¥ 1,104	¥ 1,377	$ 12,769

In the previous fiscal year, In addition to the above, special gain of ¥ 233 million was recognized as the transition of the defined benefit plan to risk sharing pension plan for the year ended September, 2018.

(d) Remeasurements of defined benefit plans before tax effects

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Prior service cost	¥ (43)	¥ (40)	$ (375)
Actuarial loss	(62)	(11)	(106)
Total	¥ (105)	¥ (51)	$ (481)

In the previous fiscal year, Amounts of actuarial loss at the end of the current consolidated fiscal year include ¥ 4 million of reclassification adjustments to the transition to risk sharing pension plan.

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Unrecognized prior service cost	¥ 101	¥ 60	$ 562
Unrecognized actuarial losses (gains)	52	40	376
Total	¥ 153	¥ 101	$ 938

(f) Actuarial assumptions

The principal actuarial assumption at September 30, 2018 and 2019 are as follows:

	2018	2019
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, 2018 and 2019, as the expected rate of future salary increases.

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

(a) Movement in net defined benefit liability

	Millions of yen				Thousands of U.S. dollars	
	2018		2019		2019	
Balance at the beginning of the year	¥	894	¥	599	$	5,551
Retirement benefit cost		204		152		1,415
Retirement benefit paid		(73)		(60)		(563)
Transfers regarding changes in calculation from simplified method to principle method		(441)		(458)		(4,248)
Other		14		(13)		(124)
Balance at the end of the year	¥	599	¥	219	$	2,031

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

	Millions of yen				Thousands of U.S. dollars	
	2018		2019		2019	
Retirement benefit obligation under the funded plans	¥	66	¥	68	$	632
Plan assets		(6)		(5)		(51)
Retirement benefit obligation under the unfunded plans		538		156		1,450
Net defined benefit liability	¥	599	¥	219	$	2,031

(c) Retirement benefit cost

	Millions of yen				Thousands of U.S. dollars	
	2018		2019		2019	
Retirement benefit cost	¥	204	¥	152	$	1,415

3. Defined contribution plans

Contribution obligations to the defined contribution pension plans are ¥19 million as of September 30, 2018, and ¥107 million ($ 1,001 thousand) as of September 30, 2019.

The total amount of future contribution in preparation for the shared risk of asset management after the next fiscal year is ¥163million ($1,514 thousand) and the remaining years for the payment are 18 years and 11 months.

The accumulated amount of contribution payable for the employees' past services at the time of transition is ¥169 million ($1,569 thousand) , and is recognized as accounts payable-other (current liabilities) and other long-term liabilities (non-current liabilities) as of September 30, 2019.

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 30.86% for the year ended September 30, 2018 and 30.62% for the year ended September 30, 2019.

The reconciliation of the difference between the statutory income tax rates and the actual effective income tax rates for the years ended September 30, 2018 and 2019 is as follows:

	2018	2019
Statutory income tax rate	30.86 %	30.62 %
Permanently non-deductible expenses	1.88	1.09
Salary increase tax credit	-	(4.43)
Per capita inhabitants tax	2.07	2.16
Amortization of goodwill	2.21	2.73
Equity in losses of affiliates	0.44	2.08
Change in valuation allowance	7.28	14.72
Statutory tax rate difference between the Company and certain subsidiaries	6.18	6.35
Other	4.47	(3.50)
Actual effective income tax rates	55.39 %	51.82 %

(2) Significant components of deferred tax assets and liabilities as of September 30, 2018 and 2019, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Deferred tax assets:			
Provision for bonuses	¥ 1,051	¥ 1,037	$ 9,609
Provision for loss on orders received	229	187	1,737
Allowance for doubtful accounts	156	153	1,418
Enterprise tax payable	105	91	852
Loss on valuation of inventories	178	213	1,976
Asset retirement obligations	129	150	1,396
Accounts payable-other	23	12	113
Long-term accounts payable-other	62	58	541
Net defined benefit liability	2,504	2,911	26,975
Net operating loss carry-forwards*2	1,221	1,468	13,608
Loss on valuation of investment securities	77	79	732
Accumulated depreciation	48	44	414
Long-term unearned revenue	-	841	7,799
Other	149	252	2,342
Total deferred tax assets	5,938	7,501	69,512
Valuation allowance for net operating loss carry-forwards*2	-	(1,396)	(12,943)
Valuation allowance for total deductible temporary differences*1	-	(1,129)	(10,468)
Total Valuation allowance	(2,030)	(2,526)	(23,411)
Net deferred tax assets	3,908	4,975	46,101
Deferred tax liabilities:			
Gain on revaluation of fixed assets	(83)	(79)	(732)
Removal expenses associated with asset retirement obligations	(79)	(89)	(827)
Unrealized gain (loss) on securities	(524)	(257)	(2,385)
Liability adjustment account	-	(882)	(8,174)
Other	(65)	(42)	(392)
Total deferred tax liabilities	(752)	(1,350)	(12,510)
Net deferred tax assets	¥ 3,155	¥ 3,625	$ 33,591

*1 For the year ended September 30,2019, the valuation allowance increased by ¥496 million ($4,597thousand). This is mainly due to increased valuation allowance for net operating loss carry-forwards by ¥213 million ($1,977thousand) of CMIC CMO Co., Ltd.

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

(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	6	0	-	-	58	6	71

(Thousands of U.S. dollars)

	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	62	260	1,054	1,099	2,442	8,691	13,608
Valuation allowance	(0)	(256)	(1,054)	(1,099)	(1,900)	(8,634)	(12,943)
Deferred tax assets	62	4	-	-	542	57	665

(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 ($665 thousand) have been recorded regarding to the operating loss carryforward of ¥1,468 million ($13,608 thousand) (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 Business combinations

Business Combinations through acquisitions

1. Outline of the business combination

   a. Name and business of the acquired company
      Name of the acquired company: Nishine Pharmatech Co., Ltd.
      Description of business: CDMO Business

   b. Objective of the acquisition
      This transaction allows us to secure a stable supply and gain flexibility in production of solid dosage forms, which is the mainstay dosage form, by joint effort among our existing sites in Japan as well as our new addition, Nishine Plant. We will further strengthen our manufacturing and pharmaceutical development capabilities by combining the high quality control capabilities and technological capabilities of Nishine Plant with the existing sites of CMIC CMO Co., Ltd., and will provide flexible and prompt services to cater various needs of domestic and overseas pharmaceutical companies promoting outsourcing.

   c. Date of business combination
      June 1, 2019 (Share acquisition date)
      June 30, 2019 (Deemed acquisition date)

   d. Legal form of business combination
      Acquisition of shares through cash payment

   e. Name of acquired company after acquisition
      CMIC CMO NISHINE Co., Ltd. (Company name changed on June 1, 2019)

   f. Percentage of voting rights acquired
      100%

   g. Major reason for determining the acquiring company
      The Company is the acquiring company due to the acquisition of stocks by cash.

2. Period for which acquired company’s business results are included in the consolidated financial statements
   From July 1, 2019 to September 30, 2019

3. Breakdown of acquisition cost for the acquired company and each type of payment

Consideration for acquisition Cash and deposits	¥2,191 million ($20,303 thousand)
Acquisition cost	¥2,191 million ($20,303 thousand)

4. Main details and amount of acquisition-related expenses
   Advisory fees and commissions ¥8 million ($77 thousand)

5. Amount of goodwill that arose, reasons for incidence, and amortization method and period
   a. Amount of goodwill that arose
      14 million yen ($130 thousand)

   b. Reasons for incidence
      Goodwill is recognized as the result of the excess of the acquisition cost over the net amount allocated to the assets acquired and the liabilities assumed.

   c. Amortization method and period
      Due to immateriality, goodwill is amortized in a lump sum as incurred.

6. Amount of assets received and liabilities undertaken on the date of the business combination, and their breakdown

Current assets	¥3,836 million	$35,553 thousand
Non-current assets	1,461	13,543
Total assets	5,298	49,096
Current liabilities	538	4,988
Non-current liability	2,583	23,935
Total liabilities	3,121	28,923

7. Estimated impact on consolidated statements of income for the fiscal year under review assuming business combination was completed on the first day of the fiscal year under review
   This information is omitted because it is difficult to calculate the estimated amount for the current consolidated fiscal year.

24 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 50 years and discounted by rates ranging from 0.2% to 2.3%.

Movement of asset retirement obligations for the year ended September 30, 2018 and 2019, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Balance at the beginning of the year	¥ 416	¥ 420	$ 3,897
Liabilities incurred due to the acquisition of property, plant and equipment	3	62	576
Accretion adjustment	3	3	34
Settlement of obligations	(2)	(3)	(36)
Other	(0)	12	116
Balance at the end of the year	¥ 420	¥ 495	$ 4,587

25 Investment and rental property

There is no material investment and rental property to be reported as of September 30, 2018 and 2019 respectively.

26 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.

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

Segment	Products/Services	CMIC Group Companies (as of September 30, 2019)
CRO Business	Services related to pharmaceutical development support, analytical chemistry services, and healthcare for pharmaceutical companies, and BPO and personnel services for the pharmaceutical industry	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 (Beijing) Pharmaceutical Services Co., Ltd. CMIC (Beijing) Co., Ltd. CMIC DATA SCIENCE VIETNAM COMPANY LIMITED CMIC Pharma Science Co., Ltd. CMIC, INC. CMIC (Suzhou) Pharmaceutical Technology Co., Ltd. CMIC Career Co., Ltd.
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
CSO Business	Services provided to pharmaceutical companies related to sales & marketing support	CMIC Ashfield Co., Ltd.
Healthcare Business	Support services primarily for medical institutions and treating, maintaining, and promoting the health of patients and general consumers, such as SMO services and healthcare information services	Site Support Institute Co., Ltd. SSI-CP Co., Ltd. CMIC Healthcare Co., Ltd. CMIC VIETNAM COMPANY LIMITED
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, 2018 (Millions of yen)

	CRO	CDMO	CSO	Healthcare	IPM	Total	Adjustment Notes 1 and 3	Consolidated Note 2
Net sales								
External customers	¥ 37,003	¥ 15,255	¥ 7,316	¥ 7,145	¥ 3,149	¥ 69,869	¥ -	¥ 69,869
Inter-segment	292	130	2	66	0	492	(492)	-
Total	37,296	15,386	7,318	7,212	3,149	70,361	(492)	69,869
Segment profit (loss)	6,650	4	335	822	(360)	7,451	(3,130)	4,321
Segment assets	32,776	38,431	2,356	5,979	2,708	82,252	(4,218)	78,034
Others								
Depreciation	¥ 1,035	¥ 1,953	¥ 31	¥ 99	¥ 7	¥ 3,127	¥ -	¥ 3,127
Amortization of goodwill	311	-	6	-	-	318	-	318
Increase in fixed assets	707	3,959	23	88	5	4,784	149	4,933

Notes: 1. The adjustment amount of ¥(3,130) million in segment profit (loss) includes intersegment eliminations and others of ¥(3) million and unallocated corporate expenses of ¥(3,126) million .

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

3. The adjustment amount of ¥(4,218) million in segment assets includes unallocated corporate assets of ¥16,862 million and intersegment elimination and others of ¥(21,080) million. Depreciation and amortization included in corporate assets were allocated to each of the reporting segments.

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	¥ 38,269	¥ 17,237	¥ 7,926	¥ 7,571	¥ 3,367	¥ 74,373	¥ -	¥ 74,373
Inter-segment	390	54	2	89	0	536	(536)	-
Total	38,660	17,292	7,929	7,660	3,368	74,910	(536)	74,373
Segment profit (loss)	6,899	116	236	881	(396)	7,738	(3,332)	4,405
Segment assets	32,048	42,287	2,671	6,522	2,709	86,239	(6,059)	80,179
Others								
Depreciation	¥ 1,147	¥ 2,318	¥ 43	¥ 102	¥ 8	¥ 3,620	¥ -	¥ 3,620
Amortization of goodwill	275	14	6	12	-	308	-	308
Increase in fixed assets	1,449	3,808	12	86	0	5,356	633	5,990

For the year ended September 30, 2019 (Thousands of U.S. dollars)

	CRO	CDMO	CSO	Healthcare	IPM	Total	Adjustment Notes 1 and 3	Consolidated Note 2
Net sales								
External customers	$ 354,615	$ 159,730	$ 73,452	$ 70,154	$ 31,204	$ 689,155	$ -	$ 689,155
Inter-segment	3,614	502	25	826	5	4,972	(4,972)	-
Total	358,229	160,232	73,477	70,980	31,209	694,127	(4,972)	689,155
Segment profit (loss)	63,934	1,078	2,192	8,171	(3,674)	71,701	(30,879)	40,822
Segment assets	296,970	391,837	24,759	60,437	25,104	799,107	(56,150)	742,957
Others								
Depreciation	$ 10,630	$ 21,487	$ 406	$ 945	$ 75	$ 33,543	$ -	$ 33,543
Amortization of goodwill	2,552	131	61	118	-	2,862	-	2,862
Increase in fixed assets	13,428	35,289	114	805	3	49,639	5,869	55,508

Notes: 1. The adjustment amount of ¥(3,332) million($(30,879) thousand) in segment profit (loss) includes intersegment eliminations and others of ¥(0) million($(6) thousand) and unallocated corporate expenses of ¥(3,331) million($(30,873) thousand) .
2. Segment profit corresponds with operating income in the consolidated statement of income.
3. The adjustment amount of ¥(6,059) million ($(56,150) thousand) in segment assets includes unallocated corporate assets of ¥16,033 million ($148,572 thousand) and intersegment elimination and others of ¥(22,093) million ($(204,722) thousand). Depreciation and amortization included in corporate assets were allocated to each of the reporting segments.

(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, 2018 (Millions of yen)

	Japan	North America	Others	Total
Net sales	¥ 60,223	¥ 6,961	¥ 2,684	¥ 69,869
Percentage of the consolidated net sales	86.2%	10.0%	3.8%	100.0%

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%

(Thousands of U.S. dollars)

	Japan	North America	Others	Total
Net sales	$ 594,827	$ 65,402	$ 28,926	$ 689,155
Percentage of the consolidated net sales	86.3%	9.5%	4.2%	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, 2018

There was no impairment loss for non-current assets for the year ended September 30, 2018

For the year ended September 30, 2019 (Millions of yen)

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

For the year ended September 30, 2019 (Thousands of U.S. dollars)

	CRO	CDMO	CSO	Healthcare	IPM	Total	Adjustment	Consolidated
Impairment loss	$ 2,088	$ -	$ -	$ -	$ -	$ 2,088	$ -	$ 2,088

(Information about amortization of goodwill and unamortized balance)

For the year ended September 30, 2018 (Millions of yen)

	CRO	CDMO	CSO	Healthcare	IPM	Total	Adjustment	Consolidated
Amortization of goodwill	¥ 311	¥ -	¥ 6	¥ -	¥ -	¥ 318	¥ -	¥ 318
Unamortized balance	413	-	6	-	-	419	-	419

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, 2019 (Thousands of U.S. dollars)

	CRO	CDMO	CSO	Healthcare	IPM	Total	Adjustment	Consolidated
Amortization of goodwill	$ 2,552	$ 131	$ 61	$ 118	$ -	$ 2,862	$ -	$ 2,862
Unamortized balance	1,276	-	-	925	-	2,201	-	2,201

(Information about amount of gain on negative goodwill)

For the year ended September 30, 2018

There was no gain on negative goodwill for the year ended September 30, 2018.

(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.

27 Transactions with related parties

1. Transactions between the Company and related parties for the years ended September 30, 2018 and 2019, are as follows:

Company directors, shareholders (Individual only), etc.

As of and for the year ended September 30, 2018

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	(21.5) owned, directly	Administrative service Rent of accommodation facilities for training	¥45 ¥23	Accounts payable-other	¥3

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, 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)	Transaction amount (Thousands of U.S. dollars)	Item	Balance at fiscal year-end (Millions of yen)	Balance at fiscal year-end (Thousands of U.S. dollars)
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 Rent of accommodation facilities for training	¥40 ¥27	$377 $253	Accounts receivable - other Accounts payable-other	¥1 ¥4	$14 $45

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. Transactions between consolidated subsidiaries of the Company and related parties for the years ended September 30, 2018 and 2019, are as follows:

Company directors, shareholders (Individual only), etc.

As of and for the year ended September 30,2018

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	(21.5) owned, directly	Administrative service	¥12	Accounts payable-other	¥1

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, 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)	Transaction amount (Thousands of U.S. dollars)	Item	Balance at fiscal year-end (Millions of yen)	Balance at fiscal year-end (Thousands of U.S. dollars)
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	$100	-	-	-

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.

28 Amounts per share

Net assets and profit attributable to owners of parent per share as of and for the years ended September 30, 2018 and 2019, are as follows:

	Yen				U.S. dollars	
	2018		2019		2019	
Net assets per share	¥	1,215.95	¥	1,231.65	$	11.41
Profit attributable to owners of parent per share (Note)		79.71		98.93		0.92

Diluted profit attributable to owners of parent per share for the years ended September 30, 2018 and 2019 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				Thousands of U.S. dollars	
	2018		2019		2019	
Profit attributable to owners of parent	¥	1,487	¥	1,822	$	16,887
Amount not attributable to common shareholders		-		-		-
Profit attributable to owners of parent of common stock	¥	1,487	¥	1,822	$	16,887
Weighted average number of shares outstanding(thousands of shares)		18,663		18,421		

29 Subsequent event

Introduction of Restricted Stock Compensation Plan

Board of Directors meeting of the Company, held on November 13, 2019, resolved to introduce a restricted stock compensation plan (the "Plan") as a result of reconsideration of directors' remuneration system. The proposal for the Plan was approved by the 35th regular share holders' meeting on December 13, 2019.

1. Purpose of the Plan

   The purpose of the Plan is providing Directors excluding External Directors ("Eligible Directors") an incentive to sustainably increase the Company's corporate value and further promoting shared value with shareholders.

2. Overview of the Plan

   The remuneration to be given to the Eligible Directors for granting restricted shares shall be a monetary claim (the "Monetary Remuneration Claim"), and its total amount shall be ¥50 million($463 thousand) or less per year (however, which excludes employee salaries of Directors concurrently serving as employees), which is the amount deemed as appropriate in light of the purpose of the Plan. The specific timing for providing thereof and the allocation to each Eligible Director shall be determined by the Board of Directors.

   The Eligible Director shall make contributions in-kind of all of the Monetary Remuneration Claims given in accordance with the resolution by the Board of Directors of the Company, and in return receive common shares of the Company, upon issuance or disposal thereof. The total number of common shares of the Company for issuance or disposal thereof shall amount to 30,000 shares or less per year.

   However, the total number shall be adjusted to a reasonable extent, in cases where, following the date on which this proposal is approved and adopted, there is a share split of common shares of the Company (including allotment of common shares of the Company without contribution) or share consolidation thereof, or otherwise in cases where circumstances arise necessitating adjustment in the total number of common shares of the Company to be issued or disposed of as restricted shares.

   In addition, the amount to be paid in per share shall be determined by the Board of Directors to the extent that the amount would not be particularly favorable to Eligible Directors receiving such common shares, based on the closing price of common shares of the Company on the Tokyo Stock Exchange on the business day preceding the day of each resolution of the Board of Directors (or the closing price on the closest preceding trading day in cases where no transactions are concluded on such date).

3. Overview of Restricted Share Allocation Agreement

   For the issuance or disposal of common shares of the Company, the Company and the Eligible Directors shall enter into an agreement on the allotment of restricted shares containing the following details (the "Allotment Agreement").

(1) Restriction period

   The Eligible Director must not transfer, create a security interest on, or dispose of in any other way common shares of the Company allotted under the Allotment Agreement (the "Allotted Shares"), for a period of minimum three years and maximum 30 years from the day the shares are allotted under the Allotment Agreement, as predetermined by the Board of Directors of the Company (the "Restriction Period"). The restrictions described in the preceding sentence will hereinafter be collectively referred to as the "transfer restrictions."

(2) Lifting of transfer restrictions

   Notwithstanding the provision of (1) above, under the condition that the Eligible Director has remained in any position determined in advance by the Board of Directors of the Company throughout the Restriction Period, the Company shall lift the transfer restrictions for all of the Allotted Shares upon the expiration of the Restriction Period. However, in cases where the Eligible Director in question retires from the position defined in (3) below prior to expiration of the Restriction Period due to expiration of term, death or other fair reasons, the number of the Allotted Shares for which the transfer restrictions will be lifted and the timing of the lifting of the transfer restrictions shall be reasonably adjusted as necessary. In accordance with the provision above, the Company shall automatically acquire without contribution the Allotted Shares on which the transfer restrictions have not been lifted as of the time immediately after the transfer restrictions were lifted.

(3) Treatment on retirement from the position

In cases where the Eligible Director retires from all positions determined in advance by the Board of Directors of the Company prior to expiration of the Restriction Period, excluding cases where the retirement is caused by expiration of term, death or other fair reasons, the Company shall automatically acquire the Allotted Shares without contribution.

(4) Treatment during reorganization, etc.

Notwithstanding the provision of (1) above, if, during the Restriction Period, matters relating to a merger agreement in which the Company is the disappearing company, a share exchange agreement or share transfer plan in which the Company becomes a wholly owned subsidiary, or other reorganization, etc. are approved at the Company’s General Meeting of Shareholders (or at a meeting of its Board of Directors in cases where approval at the Company’s General Meeting of Shareholders is not required in relation to the reorganization, etc.), the Company shall lift the transfer restrictions on the Allotted Shares with the number of shares that is reasonably determined considering the period from the start date of the Restriction Period to the date of approval of the reorganization, etc. prior to the date on which the reorganization, etc. becomes effective, by resolution of the Board of Directors of the Company. In cases specified above, the Company shall automatically acquire without contribution the Allotted Shares on which the transfer restrictions have not been lifted as of the time immediately after the transfer restrictions were lifted.

(5) Other matters

Other matters regarding the Allotment Agreement shall be determined by the Board of Directors of the Company.

(Reference)

On the condition that this proposal is approved and adopted, in addition to Eligible Directors, the Company plans to grant the same restricted shares as those granted to Eligible Directors to Corporate Officers not concurrently serving as Corporate Directors of the Company as stipulated by the resolution of the Board of Directors, and newly issue or dispose of common shares of the Company.