KPMG

CMIC Co., Ltd

Consolidated Financial Statements
For the Years ended September 30,
2004 and 2005
Together with Independent
Auditors' Report

KPMG AZSA & Co.

CONSOLIDATED BALANCE SHEETS

CMIC Co., Ltd and consolidated subsidiaries

As of September 30, 2004 and 2005

ASSETS	Thousands of yen 2004	Thousands of yen 2005	Thousands of U.S. dollars (Note 1) 2005
Current assets:			
Cash on hand and in banks (Notes 2 and 8)	¥ 4,421,454	¥ **3,349,007**	$ **29,587**
Trade notes and accounts receivables			
Trade	2,802,993	**3,317,985**	**29,313**
Allowance for doubtful accounts (Notes 2)	(982)	**(1,173)**	**(10)**
Inventories (Notes 2 and 4)	302,138	**472,485**	**4,174**
Deferred income taxes (Notes 2 and 13)	233,122	**270,609**	**2,391**
Other current assets	139,508	**338,536**	**2,991**
Total current assets	7,898,233	**7,747,449**	**68,446**
Property and equipments:			
Buildings and structures (Notes 2 and 3)	799,355	**1,169,836**	**10,335**
Machinery and automobiles (Notes 2)	13,795	**188,210**	**1,663**
Furniture and fixtures (Notes 2)	433,554	**446,090**	**3,941**
Land (Notes 2 and 3)	96,472	**351,818**	**3,108**
Less accumulated depreciation (Notes 2)	(656,231)	**(1,021,719)**	**(9,026)**
Net property, plant and equipments	686,945	**1,134,235**	**10,021**
Intangible assets:			
Consolidation difference (Notes 2)	893,735	**816,894**	**7,217**
Other intangible assets (Notes2)	155,442	**277,218**	**2,449**
Total intangible assets	1,049,177	**1,094,112**	**9,666**
Investments and other assets:			
Investments in securities (Notes 2 and 10)	44,004	**457,203**	**4,039**
Deferred income taxes (Notes 2 and 13)	141,634	**200,795**	**1,774**
Leasehold deposits	512,218	**683,644**	**6,040**
Other investments	12,101	**48,804**	**431**
Total investments and other assets	709,957	**1,390,446**	**12,284**
Total assets	¥ 10,344,312	¥ **11,366,242**	$ **100,417**

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

CONSOLIDATED BALANCE SHEETS (continued)

CMIC Co., Ltd and consolidated subsidiaries
As of September 30, 2004 and 2005

LIABILITIES AND SHAREHOLDERS' EQUITY	Thousands of yen 2004	Thousands of yen 2005	Thousands of U.S. dollars (Note 1) 2005
Current liabilities:			
Trade notes and accounts payable	¥ 224,583	**¥ 352,602**	**$ 3,115**
Current maturities of long-term debt (Notes 3 and 5)	43,200	**55,200**	**488**
Other accounts payable	199,562	**243,086**	**2,147**
Accrued expences	532,181	**698,332**	**6,170**
Accrued income taxes	503,193	**467,703**	**4,132**
Advances from customers	234,092	**203,338**	**1,796**
Other current liabilities	204,398	**193,219**	**1,707**
Total current liabilities	1,941,209	**2,213,480**	**19,555**
Long-term liabilities:			
Long-term debt (Notes 3 and 5)	235,200	**230,000**	**2,032**
Employees' severance and retirement benefits (Notes 2 and 12	251,414	**374,973**	**3,313**
Deferred income taxes (Notes 2 and 13)	-	**16,295**	**144**
Consolidation difference (Notes 2)	-	**122,320**	**1,080**
Long-term payables-other	-	**26,250**	**232**
Total long-term liabilities	486,614	**769,838**	**6,801**
Total liabilities	2,427,823	**2,983,318**	**26,356**
Minority interests	21,964	**68,257**	**603**
Shareholders' equity			
Common stock (Notes 6 and 16)	3,081,750	**3,081,750**	**27,226**
Additional paid-in capital (Notes 16)	3,326,990	**3,326,990**	**29,393**
Retained earnings (Notes 16)	1,486,653	**1,908,146**	**16,858**
Foreign currency translation adjustments	(868)	**(2,219)**	**(19)**
Total shareholders' equity	7,894,525	**8,314,667**	**73,458**
Total liabilities, minority interests and shareholders' equity	¥ 10,344,312	**¥ 11,366,242**	**$ 100,417**

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

CONSOLIDATED STATEMENTS OF INCOME

CMIC Co., Ltd and consolidated subsidiaries
Years then ended September 30, 2004 and 2005

	Thousands of yen		Thousands of U.S. dollars (Note 1)
	2004	**2005**	**2005**
Net sales	¥ 10,797,402	**¥ 14,028,233**	**$ 123,935**
Costs and expenses:			
Cost of sales	(7,548,692)	**(9,836,443)**	**(86,902)**
Selling, general and administrative expenses	(2,009,503)	**(2,798,278)**	**(24,722)**
	(9,558,195)	**(12,634,721)**	**(111,624)**
Operating income	1,239,207	**1,393,512**	**12,311**
Other income (expenses):			
Interest and dividend income	450	**741**	**7**
Received commission	358	**411**	**4**
Received rents	8,869	**26,271**	**232**
Foreign exchange gains	967	**22,684**	**200**
Received compensation	2,904	**-**	**-**
Other non-operating profits	1,911	**5,946**	**53**
Interest expenses	(6,822)	**(6,312)**	**(56)**
Stock issuance costs	(18,866)	**-**	**-**
Payment of commission	-	**(4,025)**	**(36)**
Other non-operating losses	(1,046)	**(6,337)**	**(56)**
Gain from sale of fixed assets	498	**0**	**0**
Loss from sale of fixed assets	-	**(314)**	**(3)**
Loss from disposal of fixed assets	(20,429)	**(74,997)**	**(662)**
Removal expenses of head quarters	(101,373)	**(56,043)**	**(495)**
Loss on devaluation of investment securities	-	**(9,277)**	**(82)**
Loss from change in ownership percentage of a subsidiary	-	**(19,701)**	**(174)**
Total other income (expenses)	(132,579)	**(120,953)**	**(1,068)**
Income before income taxes and minority interests	1,106,628	**1,272,559**	**11,243**
Income taxes (Notes 2 and 13)			
Current	632,883	**774,647**	**6,844**
Deferred	(89,020)	**(96,648)**	**(854)**
Minority interests	512	**(24,742)**	**(219)**
Net income	¥ 562,253	**¥ 619,302**	**$ 5,472**
	Yen	Yen	U.S. dollars (Note 1)
Amount per share of common stock:			
Net income	¥ 715.71	**¥ 704.09**	**$ 6.22**
Diluted net income	711.88	**700.65**	**6.19**
Cash dividends applicable to the period	166.00	**186.00**	**1.64**

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

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

CMIC Co., Ltd and consolidated subsidiaries

Years then ended September 30, 2004 and 2005

	Shares	
	2004	**2005**
Numbers of shares of common stock		
Balance at beginning of the year	673,600	**754,600**
Capital increase by public offering	70,000	**-**
Exercise of stock options	11,000	**-**
Balance at end of the year	754,600	**754,600**

	Thousands of yen				Thousands of U.S. dollars (Note 1)	
	2004		**2005**		**2005**	
Common stock:						
Balance at beginning of the year	¥	1,216,060	**¥**	**3,081,750**	**$**	**27,226**
Capital increase by public offering		1,849,190		**-**		**-**
Exercise of stock options		16,500		**-**		**-**
Balance at end of the year	¥	3,081,750	**¥**	**3,081,750**	**$**	**27,226**
Additional paid-in capital:						
Balance at beginning of the year	¥	1,461,370	**¥**	**3,326,990**	**$**	**29,393**
Capital increase by public offering		1,849,120		**-**		**-**
Exercise of stock options		16,500		**-**		**-**
Balance at end of the year	¥	3,326,990	**¥**	**3,326,990**	**$**	**29,393**
Retained earnings						
Balance at beginning of the year	¥	1,066,294	**¥**	**1,486,653**	**$**	**13,134**
Net income		562,253		**619,302**		**5,471**
Cash dividends paid - \129.00 per share in 2004						
- \176.00 ($1.584) per share in 2005		(86,894)		**(132,809)**		**(1,173)**
Bonuses to directors		(55,000)		**(65,000)**		**(574)**
Balance at end of the year	¥	1,486,653	**¥**	**1,908,146**	**$**	**16,858**
Foreign currency translation adjustment						
Balance at beginning of the year	¥	-	**¥**	**(868)**	**$**	**(7)**
Adjustments from translation of foreign currency financial statements		(868)		**(1,351)**		**(12)**
Balance at end of the year	¥	(868)	**¥**	**(2,219)**	**$**	**(19)**
Total shareholders' equity	¥	7,894,525	**¥**	**8,314,667**	**$**	**73,458**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

CMIC Co., Ltd and consolidated subsidiaries

Years then ended September 30, 2004 and 2005

	Thousands of yen		Thousands of U.S. dollars (Note 1)
	2004	**2005**	**2005**
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 1,106,628	**¥ 1,272,559**	**$ 11,243**
Depreciation and amortization	112,946	**199,518**	**1,763**
Depreciation and amortization for consolidation adjustment account	-	**59,718**	**527**
Provision for losses on trade receivables	-	**(21)**	**0**
Interest and dividend income	(450)	**(741)**	**(7)**
Interest expenses	6,822	**6,312**	**56**
Foreign exchange gain and loss	(939)	**(24,073)**	**(213)**
Increase or decrease of accrued post-employment benefit	64,915	**113,479**	**1,002**
Loss on devaluation of investment securities	-	**9,277**	**82**
Loss on disposal of fixed assets	20,429	**74,997**	**662**
Gain from sale of fixed assets	(498)	**-**	**-**
Loss from sale of fixed assets	-	**314**	**3**
Loss from change in ownership percentage of a subsidiary		**19,701**	**174**
Increase or decrease of trade receivable	(738,133)	**(488,463)**	**(4,315)**
Increase or decrease of inventories assets	209,073	**(97,545)**	**(862)**
Increase or decrease of purchase liabilities	87,274	**73,761**	**652**
Increase or decrease of accrued expenses	91,935	**156,669**	**1,384**
Increase or decrease of advances from customers	(42,577)	**(34,006)**	**(300)**
Increase or decrease of deposit	7,576	**11,649**	**103**
Other	(70,225)	**(119,554)**	**(1,056)**
Subtotal	854,776	**1,233,551**	**10,898**
Interest and dividends received	694	**482**	**4**
Interest paid	(7,008)	**(6,312)**	**(56)**
Income taxes paid	(534,145)	**(863,710)**	**(7,630)**
Net cash provided by operating activities	314,317	**364,011**	**3,216**
Cash flows from investing activities:			
Payments of time deposits	-	**(10,000)**	**(88)**
Purchase of property and equipment	(189,398)	**(220,173)**	**(1,945)**
Proceeds from sales of property and equipment	3,318	**630**	**5**
Purchase of intangible assets	(58,932)	**(171,012)**	**(1,511)**
Pledging of leasehold deposit	(252,118)	**(192,755)**	**(1,703)**
Reversing of leasehold deposits	91,404	**25,529**	**226**
Purchase of investment securities	(20,000)	**(410,750)**	**(3,629)**
Purchase of subsidiaries' stock	(1,266,921)	**(213,036)**	**(1,882)**
Payments for advances	-	**(110,000)**	**(972)**
Proceeds from other investing activities	-	**7,341**	**65**
Payments for other investing activities	-	**(45,143)**	**(399)**
Other	0	**1**	**0**
Net cash used in investing activities	(1,692,647)	**(1,339,368)**	**(11,833)**
Cash flows from financing activities:			
Proceeds from long-term debt	-	**60,000**	**530**
Repayment of long-term debt	(350,273)	**(53,200)**	**(470)**
Dividends paid	(86,894)	**(131,671)**	**(1,163)**
Proceeds from issuance of common stocks	3,731,310	**-**	**-**
Proceeds from issuance of common stocks by minority shareholders	-	**15,000**	**132**
Net cash provided by (used in) financing activities	3,294,143	**(109,871)**	**(971)**
Effect of exchange rate changes on cash and cash equivalents	(1,301)	**2,781**	**25**
Net increase (desrease) in cash and cash equivalents	1,914,512	**(1,082,447)**	**(9,563)**
Cash and cash equivalents at beginning of year (Notes 2)	2,506,942	**4,421,454**	**39,062**
Cash and cash equivalents at end of year (Notes 2 and 8)	¥ 4,421,454	**¥ 3,339,007**	**$ 29,499**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CMIC Co., Ltd. and consolidated subsidiaries

1. <u>Basis of presenting financial statements</u>

The accompanying consolidated financial statements have been prepared based on the accounts maintained by CMIC Co., Ltd. (the "Company") and its subsidiaries in accordance with the provisions set forth in the Commercial Code of Japan and the Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan (“Japanese GAAP”) which are different in certain respects as to application and disclosure requirements of international Financial reporting Standards.
The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile.
The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of consolidated statements of shareholders’ equity) 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 Securities and Exchange Law. Some 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 ¥113.19 to U.S.$1.00, the rate of exchange prevailing at September 30, 2005, and have been then rounded to the nearest thousand. 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.
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. <u>Significant accounting policies</u>

<u>Consolidation-</u> The Company has 11 subsidiaries (CMIC CRC Co., Ltd., CMIC-BS Co., Ltd., CMIC MPSS Co., Ltd., CMIC ADC Co., Ltd., PCN Co., Ltd., CMIC Korea Co., Ltd., Institute of Applied Medicine, Inc., CMIC (Beijing) Co., Ltd., MDS Co., Ltd., CMIC CP Co., Ltd., and HAEDONG SS Pharmaceutical Co., Ltd.) at September 30, 2005. The consolidated financial statements for the years ended September 30, 2005 and 2004 include the accounts of the Company and all of its subsidiaries (the “Companies”). The Company does not have unconsolidated subsidiary. The Company has an affiliate (20% to 50% owned), FUJIFILM CMIC HEALTHCARE Co., Ltd., at September 30, 2005.
The end of accounting period of the subsidiaries is September 30 except for CMIC (Beijing) Co., Ltd. and HAEDONG SS Pharmaceutical Co., Ltd. whose financial year-end is December 31. Balance sheet of CMIC (Beijing) Co., Ltd. and HAEDONG SS Pharmaceutical Co., Ltd. at September 30 is accounted by the same procedures as at the year-end. In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are recorded based on the fair values at the time the Company acquired control of the respective subsidiaries.

Securities- Other non-marketable securities are stated at cost or amortized cost computed by the moving-average method. Unrealized gains and losses on other securities are included in shareholders' equity, net of applicable income taxes.

Derivatives- Derivatives are stated at market value, with changes in fair value in net gains or losses for the period in which they arise, except for derivatives that are designated as "hedging instruments".

Inventories- The cost of work in progress are stated at cost determined by job order costing and not offset against advances received on uncompleted contracts which are included in current liabilities. The cost of finished goods and merchandise are stated at the lower cost or market, cost being determined by the first-in, first-out method. The cost of raw materials are stated at cost determined by the moving-average method.

Property, plant and equipment- Property, plant and equipment are carried at cost. Depreciation is provided using the declining-balance method at rates based on the estimated useful lives as stipulated by the Japanese Corporation Tax Law except buildings acquired after March 31, 1998, which are depreciated using the straight-line method. Otherwise, CMIC Korea Co., Ltd. and HAEDONG SS Pharmaceutical Co., Ltd. adopt the depreciation using the declining-balance method at rates based on the accounting principles and practices generally accepted in the country, CMIC (Beijing) Co., Ltd. adopt the depreciation using the straight-line method over the estimated useful lives as stipulated by the accounting principles and practices generally accepted in the country.

Intangible assets and software- Intangible assets of the domestic companies are amortized using the straight-line method over the estimated useful lives and software for their own use of the domestic companies are amortized using the straight-line method over the estimated useful lives (5 years). Intangible assets and software of the overseas subsidiaries are amortized using the straight-line method over the estimated useful lives as stipulated by the accounting principles and practices generally accepted in the respective countries.

Stock issuance- Stock issuance costs are principally charged to income as incurred.

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

Employees' severance and retirement benefits- Employees' severance and retirement benefits are provided for the payments of employees' retirement benefits based on estimated amounts of the projected retirement benefit obligation at the end of the fiscal year.
Net actuarial difference is amortized using the straight-line method at the next year as incurred.

Translation of foreign currency- 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.
The balance sheets of overseas subsidiaries are translated into Japanese yen at the exchange rates prevailing at the balance sheet date except for shareholders' equity, which is translated at historical rates.
The revenues and expenses of overseas subsidiaries are translated into Japanese yen at the average rates of the year.
Differences arising from such translation are shown as "Foreign currency translation adjustments" and are

included in “Shareholders’ Equity”.

Accounting for certain lease transactions- Finance leases which do not transfer ownership rights to lessee are not capitalized and accounted for in the same manner as operating leases.

Accounting for Hedging- The Companies use the deferral method. Gains or losses arising from changes in fair value of the derivatives designated as “hedging instruments” are deferred as an asset or liability and included in net profit or loss in the same period during which the gains and losses on the hedged items or transactions are recognized. If interest rate swap contracts are used as hedge and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed (“Exception”).
The derivatives designated as hedging instruments are interest rate swap contracts.
The related hedged items are interest on borrowings.
The Companies’ policy to utilize the above hedging instruments in order to reduce the Companies’ exposure to the risk of interest rate fluctuation.
The Companies evaluate effectiveness of its hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedges.
The Companies omit to evaluate effectiveness of transaction to which the Exception is applied.
There was no hedging derivative financial instrument at September 30, 2005.

Consumption Tax - The National Consumption Tax and Local Consumption Tax are excluded from transaction amounts.

Accounting for Treasury Stock and Reversal of Capital and Legal Reserves- The Company adopted the Statement of Financial Accounting Standard No.1 “Accounting for Treasury Stock and Reversal of Capital and Legal Reserves” issued by the Accounting Standards Board of Japan.

Amounts per share of common stock- Computations of net income per share of common stock are based on the weighted-average number of shares outstanding during the respective year. Diluted net income 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.
The Company adopted the Statement of Financial Accounting Standard No.2 “Earnings per Share” issued by the Accounting standards Board of Japan. The statement requires that net income should be adjusted by deducting bonuses paid to directors to be recognized as an appropriation of retained earnings from net income shown in the Statements of Income, and the calculation of primary net income per share be made on that adjusted net income basis.

Consolidation difference- The difference between investment cost of a subsidiary and the amount of underlying equity in net assets of the subsidiary at the date of acquisition is treated as an income or an expense, as the case may be.
However, the difference of consolidation of Institute of Applied Medicine, Inc. is amortized over 15 effective years on the straight-line basis due to be incurred mainly by evaluation of extra-income in the future. The difference of consolidation of HAEDONG SS Pharmaceutical Co., Ltd. is amortized over 3 effective years on the straight-line basis.

Impairment of fixed assets- In the year ended September 30, 2005, the Company did not adopt early the

new accounting standard for impairment of fixed assets (“Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets” issued by the Business Accounting Deliberation Council on August 9,2002) and the implementation guidance for the accounting standard for impairment of fixed assets (the Financial Accounting Standard Implementation Guidance No.6 issued by Accounting Standards Board of Japan on October 31,2003).The new accounting standard is required to be adopted in periods beginning on or after April 1,2005.
The Company has begun its analysis of possible impairment of fixed assets. The Company cannot currently estimate the effect of adoption of the new standard, because the company has not yet completed its analysis.

Appropriation of retained earnings- Under the Commercial Code of Japan, the appropriation of retained earnings, such as cash dividends, bonuses to directors and statutory auditors and appropriations to the legal reserve, with respect to a given financial year is made by resolution of the shareholders at a general meeting to be held subsequent to the end of such financial year.
Cash dividends, bonuses to directors and statutory auditors and appropriations to the legal reserve charged to retained earnings during the year represent dividends and bonuses paid out during the years and the related appropriations to the legal reserves.

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 maturity of not exceeding three months at the time of purchase without significant risk of change in value are considered to be cash and cash equivalents.

Income taxes- Income taxes consist of corporation, enterprise and inhabitant taxes for domestic companies and foreign income taxes.
In accordance with Business Report 12 “Treatment of Pro Forma Standard Tax Portions on Statement of Income” (Accounting Standards Board of Japan; February 13, 2004), enterprise taxes levied in proportion to value-added and capital portions of ¥41,057 thousands ($363 thousands) shall be treated as selling, general and administrative expenses.
Deferred income taxes are provided for the income tax expenses under the asset and liability method. Deferred income tax assets and liabilities are determined based on temporary differences between the financial statements and tax bases of assets and liabilities, using enacted tax rates in effect during the years in which the differences are expected to reverse, and on available tax credits carryforward.

3. **Pledged assets**

The following assets, at their respective net book values, are pledged as collateral for obligations of the Companies at September 30, 2004 and 2005.

	Thousands of yen		Thousands of U.S. dollars
	2004	**2005**	**2005**
Land	¥ 94,990	**¥ 94,990**	**$ 839**
Buildings and structures	72,387	**68,364**	**604**
	¥ 167,377	**¥ 163,354**	**$ 1,443**

The obligations secured by such collateral are as follows:

	Thousands of yen		Thousands of U.S. dollars
	2004	**2005**	**2005**
Current maturities of long-term debt	¥ 43,200	**¥ 55,200**	**$ 488**
Long-term debt	235,200	**230,000**	**2,032**
	¥ 278,400	**¥ 285,200**	**$ 2,520**

4. Inventories

Inventories at September 30, 2004 and 2005 comprised the following:

	Thousands of yen		Thousands of U.S. dollars
	2004	**2005**	**2005**
Finished goods and merchandise	¥ -	**¥ 24,732**	**$ 219**
Work in progress	298,223	**394,408**	**3,484**
Raw materials	-	**42,902**	**379**
Supplies	3,915	**10,443**	**92**
	¥ 302,138	**¥ 472,485**	**$ 4,174**

5. Current maturities of long-term debt and long-term debt

Long-term debt at September 30, 2004 and 2005 consisted of the following:

	Thousands of yen		Thousands of U.S. dollars
	2004	**2005**	**2005**
Long-term debt from banks:			
Secured, due through 2006 at rate of 2.00 %	¥ 278,400	**¥ 285,200**	**$ 2,520**
Less:			
Current maturities of long-term debt	43,200	**55,200**	**488**
	¥ 235,200	**¥ 230,000**	**$ 2,032**

The annual maturities of long-term debt at September 30, 2005 are as follows:

Year ending September 30,	Thousands of yen	Thousands of U.S. dollars
2006	¥ 55,200	$ 488
2007	55,200	488
2008	55,200	488
2009	55,200	488
2010	45,200	399
2011 or later	19,200	169

6. Issued stocks

Number of shares of common stock (issued) was 754,600 as of September 30, 2004 and 2005.
Number of shares authorized of common stock was 2,300,000 as of September 30, 2004 and 2005.

7. Research and development expenses

Research and development expenses included in cost of sales and selling, general and administrative expenses for the years ended September 30, 2004 and 2005 are as follows:

	Thousands of yen				Thousands of U.S. dollars	
	2004		**2005**		**2005**	
Cost of sales	¥	1,718	¥	**116**	$	**1**
Selling general and administrative expenses		16,887		**61,224**		**541**
	¥	18,605	¥	**61,340**	$	**542**

8. Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of cash flows agree with cash on hand and in banks deposits in the consolidated balance sheets as of September 30, 2004 and 2005.
The reconciliation between cash on hand and in banks shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows as of September 30, 2004 and 2005 are as follows:

	Thousands of yen				Thousands of U.S. dollars	
	2004		**2005**		**2005**	
Cash on hand and in banks	¥	4,421,454	¥	**3,349,007**	$	**29,587**
Less:						
The deposits over three months		-		**10,000**		**88**
Cash and cash equivalents	¥	4,421,454	¥	**3,339,007**	$	**29,499**

For the year ended September 30, 2004, the Company newly consolidated the subsidiary, Institute of Applied Medicine, Inc. Summary information on the assets and liabilities of the newly consolidated subsidiary was as follows:

	Thousands of yen	
	2004	
Current assets	¥	706,518
Non-current assets		382,261
Current liabilities		(275,525)
Non-current liabilities		(256,989)
Consolidation difference		893,735
Acquisition cost of the equity of the subsidiary		1,450,000
Cash and cash equivalents of the newly consolidated subsidiary		(183,327)
Net cash and cash equivalent decreased due to the purchase of additional shares in the newly consolidated subsidiary	¥	1,266,673

For the year ended September 30, 2005, the Company newly consolidated the subsidiary, HAEDONG SS

Pharmaceutical Co., Ltd. Summary information on the assets and liabilities of the newly consolidated subsidiary is as follows:

	Thousands of yen	Thousands of U.S. dollars
	2005	**2005**
Current assets	**¥ 246,799**	**$ 2,180**
Non-current assets	**381,508**	**3,370**
Current liabilities	**(67,371)**	**(595)**
Non-current liabilities	**(26,375)**	**(233)**
Consolidation difference	**(122,319)**	**(1,080)**
Minority interests	**(53,456)**	**(472)**
Acquisition cost of the equity of the subsidiary	**358,786**	**3,170**
Cash and cash equivalents of the newly consolidated subsidiary	**(145,750)**	**(1,288)**
Net cash and cash equivalent decreased due to the purchase of additional shares in the newly consolidated subsidiary	**¥ 213,036**	**$ 1,882**

9. <u>Information for certain leases</u>

Lessee:

<u>Finance leases which do not transfer ownership rights to lessees</u>

If finance leases which do not transfer ownership rights to lessees had been capitalized at September 30, 2004 and 2005, they would have been recorded on the financial statements as follows:

	Thousands of yen		Thousands of U.S. dollars
	2004	**2005**	**2005**
Acquisition cost:	¥ 831,398	**¥ 959,662**	**$ 8,478**
Buildings	29,401	**29,401**	**260**
Machinery	37,407	**67,952**	**600**
Furniture and fixtures	584,207	**694,726**	**6,138**
Intangible assets	180,383	**167,583**	**1,480**
Accumulated depreciation	¥ 395,676	**¥ 534,147**	**$ 4,719**
Building	13,034	**18,913**	**167**
Machinery	5,441	**18,013**	**159**
Furniture and fixtures	294,144	**394,915**	**3,489**
Intangible assets	83,057	**102,306**	**904**
Net book value	¥ 435,722	**¥ 425,514**	**$ 3,759**
Building	16,367	**10,486**	**92**
Machinery	31,966	**49,938**	**441**
Furniture and fixtures	290,063	**299,812**	**2,649**
Intangible assets	97,326	**65,278**	**577**

Lease payments under finance leases which are accounted for in the same manner as operating leases for the years ended September 30, 2004 and 2005, except to the interest, were ¥89,314 thousand and ¥210,858 thousand ($ 1,863 thousand), respectively. Future lease payments as of September 30, 2004 and 2005, exclusive of interest, under such leases were ¥450,093 thousand and ¥439,274 thousand ($ 3,881 thousand), including ¥174,169 thousand and ¥178,416 thousand ($ 1,576 thousand) due within one year.

Equivalent amount of depreciation for the years ended September 30, 2004 and 2005 amounted to ¥83,523 thousand and ¥193,048 thousand ($1,706 thousand), respectively.

The depreciation equivalents were calculated using the straight-line method over the lease terms assuming no remained value.

Equivalent amount of interest expense for the years ended September 30, 2004 and 2005 amounted to ¥6,622 thousand and ¥17,220 thousand ($ 152 thousand), respectively.

The interest equivalents were the deference between the sum of payments of lease and the acquisition equivalents of lease assets, and divided to the respective year using calculation of compound interest.

Future lease payments for non-cancelable operating as of September 30, 2004 and 2005, were ¥2,944 thousand and ¥13,661 thousand ($ 121 thousand), including ¥1,104 thousand and ¥4,798 thousands ($ 42 thousand) due within one year, respectively.

10. Securities

The Companies had no available-for-sale securities with available fair values as of September 30, 2004 and 2005.

The following tables summarize book values of securities with no available fair values as of September 30, 2004.

	Type	Book value Thousands of yen
Available-for-sale securities	Non-marketable foreign bonds	¥ 4
	Non-listed equity securities	44,000

The planned redemption schedule of available-for-sale securities with maturities are as follows:

(Thousands of yen)

Type	Within 1 year	Over 1 year but within 5 years
Bonds	¥ 2	¥ 2

The following tables summarize book values of securities with no available fair values as of September 30, 2005.

	Type	Book value: Thousands of yen	Book value: Thousands of U.S. dollars
Available-for-sale securities	Non-marketable foreign bonds	**¥ 47**	**$ 0**
	Non-listed equity securities	**144,000**	**1,272**
	The amount of investment in investment limited liability partnerships	**273,156**	**2,413**

The planned redemption schedule of available-for-sale securities with maturities are as follows:

(Thousands of yen)

Type	Within 1 year	Over 1 year but within 5 years
Bonds	**¥ 2**	**¥ 45**

(Thousands of U.S. dollars)

Type	Within 1 year	Over 1 year but within 5 years
Bonds	**$ 0**	**$ 0**

11. Derivative financial instruments

The Company utilized interest rate swap contracts as derivative financial instruments in order to avoid adverse effects of fluctuations of interest rate. The Company did not use derivatives for speculative purposes.

The following summarizes hedging derivative financial instruments used by the Companies and items hedged:

Hedging instruments: Interest rate swap contracts
Hedged items: Interest on borrowings

There was no derivative financial instrument except those instruments to which hedge accounting was applied as of September 30, 2004.

The Company utilizes foreign currency forward contracts as derivative financial instruments in order to avoid adverse effects of fluctuations in foreign currency exchange rate. The Company does not use derivatives for speculative purposes.

Forward foreign currency is subject to risks of foreign exchange.

Derivative financial instruments are executed only with creditworthy banks and the management believes that there is little risk of default by counterparties.

The following tables summarize market value information as of September 30, 2005 derivative transactions for which hedge accounting has not been applied:

Currency related:

(Thousands of yen)

For 2005	Type	Year ended September 30, 2005 Contracted amount	Over one year	Market value	Recognized losses
Items not traded on exchanges	Forward foreign exchange contracts:				
	Sell:				
	Yen	¥ 8,455	¥ -	¥ 8,510	¥ (55)
	Buy:				
	Yen	39,913	-	38,657	(1,256)
Total		-	-	-	¥ (1,311)

(Thousands of U.S. dollars)

For 2005	Type	Year ended September 30, 2005 Contracted amount	Over one year	Market value	Recognized losses
Items not traded on exchanges	Forward foreign exchange contracts:				
	Sell:				
	Yen	$ 75	$ -	$ 75	$ (0)
	Buy:				
	Yen	352	-	341	(11)
Total		-	-	-	$ (11)

12. Employees' severance and retirement benefits

The Company and its domestic consolidated subsidiaries provide 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.

The liabilities for severance and retirement benefits included in the liability section of the consolidated balance sheet as of September 30, 2004 and 2005 are as follows:

	Thousands of yen 2004	2005	Thousands of U.S. dollars 2005
Retirement benefit obligation	¥ (273,184)	**¥ (375,438)**	**$ (3,317)**
Unrecognized actuarial difference	21,770	**465**	**4**
Employees' severance and retirement benefits	¥ (251,414)	**¥ (374,973)**	**$ (3,313)**

Included in the consolidated statement of income for the years ended September 30, 2004 and 2005 are severance and retirement benefit expenses comprised of the followings:

	Thousands of yen 2004	2005	Thousands of U.S. dollars 2005
Service costs	¥ 74,244	**¥ 116,568**	**$ 1,030**
Interest cost	4,057	**5,873**	**52**
Amortization of unrecognized actuarial difference	6,922	**21,770**	**192**
Severance and retirement benefit expenses	¥ 85,223	**¥ 144,211**	**$ 1,274**

Summary of assumption on benefit obligations, etc for the years ended September 30, 2004 and 2005 are as follows:

Periodic distribution method of expected benefit	Straight-line method
Discount rate	2.5%
Amortization period of actuarial loss	1 year

13. Income taxes

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 41.88% and 40.69% for 2004 and 2005, respectively.

The actual effective income tax rates in the accompanying consolidated statements of income differ from the statutory income tax rate due to such items as permanently non-deductible expenses.

Reconciliations of the difference between the statutory income tax rate and the actual effective income tax rates for the years ended September 30, 2004 and 2005 are as follows:

	2004		**2005**	
Statutory income tax rate	41.88	%	**40.69**	**%**
Effect on operating carryforwards of subsidiaries	2.48		**4.83**	
Permanently non-deductible expenses	1.40		**1.68**	
Per capita inhabitants tax	1.51		**1.40**	
Tax on undistributed earnings (of family corporation)	1.78		**1.63**	
Amortization of consolidation adjustment account	-		**1.91**	
Loss from change in ownership percentage of a subsidiary	-		**0.63**	
Others	0.10		**0.51**	
Actual effective income tax rate	49.15	%	**53.28**	**%**

Significant components of the deferred income taxes as of September 31, 2004 and 2005 are as follows:

	Thousands of yen		Thousands of U.S. dollars
	2004	**2005**	**2005**
Deferred income tax assets			
Excess bonuses accrued	¥ 177,075	¥ **218,419**	$ **1,930**
Business facility tax payable	5,717	**6,766**	**60**
Enterprise tax payable	41,503	**39,520**	**349**
Excess employees’ retirement benefits	97,163	**142,862**	**1,262**
Property and equipment	16,931	**15,997**	**141**
Net operating loss carryforwards	84,402	**159,921**	**1,413**
Others	12,715	**11,836**	**104**
	435,507	**595,321**	**5,259**
Less: Valuation allowance	(60,751)	**(122,938)**	**(1,086)**
Total deferred tax assets	¥ 374,756	¥ **472,383**	$ **4,173**
Deferred tax liabilities			
Property and equipment	-	**(16,295)**	**(144)**
Securities investment s	-	**(979)**	**(8)**
Total deferred tax liabilities	-	**(17,274)**	**(152)**
Net deferred tax assets	¥ 374,756	¥ **455,109**	$ **4,021**

14. Segment information

The Companies are primarily engaged in sales in the CRO segment in Japan. As net sales, operating income and total assets from the CRO business of the Companies constituted more than 90% of the consolidated totals for both years ended September 30, 2004 and 2005, the disclosure of business segment information has been omitted.

The disclosure of geographical segment information has also been omitted as net sales and total assets of the foreign operations constituted less than 10%, of the consolidated totals for both the years ended September 30, 2004 and 2005.

Overseas sales of the Companies constituted less than 10%, of the consolidated net sales for both the years ended September 30, 2004 and 2005.

15. Net assets and net income per share

	Yen		U.S. dollars
	2004	**2005**	**2005**
Net assets per share	¥ 10,375.73	¥ **10,902.02**	$ **96.31**
Net income per share	715.71	**704.09**	**6.22**
Diluted net income per share	711.88	**700.65**	**6.19**

16. Shareholders' equity

Under the Commercial Code of Japan (the "Code"), at least 50% of the issue price of new shares is required to be credited to common stock. The portion which is to be credited to common stock is determined by resolution of the Board of Directors. Proceeds in excess of the amounts credited to common stock are credited to additional paid-in capital, which is included in capital surplus.

The Code provides that an amount equal to at least 10% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal earnings reserve until the total amount of legal earnings reserve and additional paid-in capital equals 25% of common stock. The legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the shareholders' meeting or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal earnings reserve and additional paid-in capital remains being equal to or exceeding 25% of common stock, they are available for distribution by the resolution of shareholders' meeting.

Legal earnings reserve is included in retained earnings in the consolidated balance sheets.

The maximum amount that the Company can distribute, subject to approval of shareholders, as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Code.

Appropriations are not accrued in the financial statements for the period to which they relate, but are recorded in the subsequent accounting period when the shareholders' approval has been obtained. Retained earnings at September 30, 2005 include amounts representing the year-end cash dividends and bonuses to directors and corporate auditors, which were approved at the shareholders' meeting held on December 16, 2005 as described in Note 17.

17. Subsequent event

The following appropriation of retained earnings at September 30, 2005 was approved at the ordinary general shareholders' meeting held on December 16, 2005.

	Thousands of yen	Thousands of U.S. dollars
Cash dividends (¥118.00 per share)	¥89,042	$787
Bonuses to directors and corporate auditors	46,000	406

18. Stock option

By resolution of ordinary general shareholders' meeting held on December 26, 2001, the Company introduced a stock option plan in accordance with Article 280-19 of the former Commercial Code of Japan, and granted stock purchase rights at advantageous terms to (i) directors（Retired Part-time directors）and (ii) employees of the Company.
The stock purchase rights can be exercised at a price of ¥300,000 per share（¥3,000 per share, after splitting on February 1,2002）per share in the period from December 27, 2002 to December 26, 2007, and a total of 150 shares（15,000 shares, after share splitting on February 1, 2002） of common stock could be issued by the exercise of these rights. The exercise price of stock purchase rights would be adjusted, if the Company

issues new shares at a price below the market price.

KPMG

Independent Auditors' Report

To the Board of Directors of
CMIC Co., Ltd.:

We have audited the accompanying consolidated balance sheets of CMIC Co., Ltd. and consolidated subsidiaries as of September 30, 2004 and 2005, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of CMIC Co., Ltd. and subsidiaries as of September 30, 2004 and 2005, and the consolidated results of their operations and their cash flows for the years then ended,in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended September 30, 2005 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AzsA & Co.

Tokyo, Japan
December 16, 2005