CMIC Co., Ltd

Consolidated Financial Statements
For the Years ended September 30,
2008 and 2009
Together with Independent
Auditors' Report

KPMG AZSA & Co.

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, 2009 and 2008, and the related consolidated statements of income, changes in net assets 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 financial position of CMIC Co., Ltd. and subsidiaries as of September 30, 2009 and 2008, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following.
(1) As discussed in Note12 the Company's business segment information has been changed from the fiscal year ending September 30, 2009.

(2)As discussed in Note15, the Company and DAIICHI SANKYO Co., Ltd. have signed a binding Memorandum of Understanding (MOU) on July 31, 2009 and an acquisition agreement on November 30, 2009 whereby the Shizuoka Plant of DAIICHI SANKYO's wholly owned subsidiary DAIICHI SANKYO PROPHARMA Co., Ltd. will be transferred to the ownership of the Company. This transfer includes the land, buildings and facilities of the Shizuoka Plant. To make this transfer DAIICHI SANKYO established a new wholly owned subsidiary, CMIC CMO Co., Ltd., which assumed the assets of the business to be transferred through an absorption-type company split. Subsequently, the Company will acquire all outstanding shares in CMIC CMO Co., Ltd.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended September 30, 2009 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 15, 2009

CONSOLIDATED BALANCE SHEETS

CMIC Co., Ltd. and consolidated subsidiaries
As of September 30, 2008 and 2009

ASSETS	Thousands of yen 2008	Thousands of yen 2009	Thousands of U.S. dollars (Note 1) 2009
Current assets:			
Cash and deposits (Note 5)	¥ 6,631,529	¥ **5,953,343**	$ **65,994**
Trade notes and accounts receivables	5,164,862	**5,931,046**	**65,747**
Merchandise and finished goods	2,347	**18,904**	**210**
Work in process	1,366,416	**1,440,758**	**15,971**
Raw materials and supplies	151,865	**216,120**	**2,396**
Deferred tax assets (Note 10)	551,138	**646,550**	**7,167**
Other	492,844	**595,849**	**6,605**
Allowance for doubtful accounts	(8,182)	**(1,645)**	**(18)**
Total current assets	14,352,819	**14,800,925**	**164,072**
Property, plant and equipment:			
Buildings and structures	4,845,158	**5,315,737**	**58,926**
Machinery, equipment and vehicles	2,546,324	**2,660,755**	**29,495**
Tools, furniture and fixtures	868,519	**909,467**	**10,082**
Land	1,734,321	**1,716,676**	**19,030**
Lease assets	2,616	**313,726**	**3,478**
Construction in progress	288,425	**97,545**	**1,081**
Less accumulated depreciation	(5,771,669)	**(6,011,844)**	**(66,643)**
Total property, plant and equipments	4,513,694	**5,002,062**	**55,449**
Intangible assets:			
Goodwill	617,614	**672,291**	**7,452**
Other	578,376	**620,344**	**6,877**
Total intangible assets	1,195,990	**1,292,635**	**14,329**
Investments and other assets:			
Investment securities (Note 7)	529,725	**464,727**	**5,152**
Deferred tax assets (Note 10)	406,454	**565,260**	**6,266**
Lease and guarantee deposits	1,027,681	**1,178,716**	**13,066**
Other	47,083	**55,583**	**616**
Allowance for doubtful accounts	(287)	**(4,738)**	**(52)**
Total investments and other assets	2,010,656	**2,259,548**	**25,048**
Total assets	¥ 22,073,159	¥ **23,355,170**	$ **258,898**

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

CONSOLIDATED BALANCE SHEETS (continued)

CMIC Co., Ltd. and consolidated subsidiaries
As of September 30, 2008 and 2009

LIABILITIES AND NET ASSETS	Thousands of yen 2008	Thousands of yen 2009	Thousands of U.S. dollars (Note 1) 2009
Current liabilities:			
Notes and accounts payable-trade	¥ 602,463	¥ **536,240**	$ **5,944**
Short-term loans payable(Note 3)	-	**749,000**	**8,303**
Current portion of long-term loans payable (Note 3)	629,600	**679,600**	**7,534**
Accounts payable-other	704,487	**501,811**	**5,563**
Accrued expences	598,339	**273,382**	**3,031**
Income taxes payable	1,032,869	**931,871**	**10,330**
Advances received	978,890	**1,291,303**	**14,314**
Provision for bonuses	830,011	**1,080,928**	**11,982**
Provision for directors' bonuses	66,318	**80,490**	**892**
Provision for loss contracts	8,427	**115,153**	**1,276**
Deferred tax liabilities (Note 10)	8,984	**19,638**	**218**
Other	333,491	**470,344**	**5,214**
Total current liabilities	5,793,879	**6,729,760**	**74,601**
Noncurrent liabilities:			
Long-term loans payable (Note 3)	1,245,900	**691,300**	**7,663**
Provision for retirement benefits (Note 9)	913,007	**1,186,635**	**13,154**
Deferred tax liabilities(Note 10)	31,355	**27,453**	**305**
Negative goodwill	35,837	-	-
Other	2,069	**233,183**	**2,585**
Total noncurrent liabilities	2,228,168	**2,138,571**	**23,707**
Total liabilities	8,022,047	**8,868,331**	**98,308**
NET ASSETS			
Shareholders' equity:			
Capital stock			
Authorized-2,300,000 shares			
Issued-894,957 shares in 2008 and 2009	3,087,750	**3,087,750**	**34,228**
Capital surplus	5,960,881	**5,960,881**	**66,078**
Retained earnings	4,254,540	**5,082,406**	**56,340**
Treasury stock at cost－1,002 shares in 2008 and 16,013 shares in 2009	(36,651)	**(416,285)**	**(4,615)**
Total shareholders' equity	13,266,520	**13,714,752**	**152,031**
Valuation and translation adjustments:			
Foreign currency translation adjustments	(131,494)	**(205,975)**	**(2,283)**
Total valuation and translation adjustments	(131,494)	**(205,975)**	**(2,283)**
Minority interests	916,086	**978,062**	**10,842**
Total net assets	14,051,112	**14,486,839**	**160,590**
Total liabilities and net assets	¥ 22,073,159	¥ **23,355,170**	$ **258,898**

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

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

CMIC Co., Ltd. and consolidated subsidiaries

Years ended September 30, 2008 and 2009

	Shares	
	2008	**2009**
Numbers of shares of common stock:		
Balance at beginning of year	758,600	**894,957**
Issue for stock exchange	136,357	**-**
Balance at end of year	894,957	**894,957**

	Thousands of yen		Thousands of U.S. dollars (Note 1)
	2008	**2009**	**2009**
Capital stock:			
Balance at the end of current period	¥ 3,087,750	**¥ 3,087,750**	**$ 34,228**
Capital surplus:			
Balance at the end of previous period	3,332,990	**5,960,881**	**66,078**
Disposal of treasury stock	0	**(0)**	**(0)**
Changes due to stock exchange	2,627,891	**-**	**-**
Balance at the end of current period	5,960,881	**5,960,881**	**66,078**
Retained earnings:			
Balance at the end of previous period	3,687,873	**4,254,540**	**47,163**
Effect of changes in accounting policies applied to foreign subsidiaries	-	**33,861**	**375**
Net income	829,699	**1,059,685**	**11,747**
Cash dividends paid - ¥241.00 per share in 2008	(263,032)	**-**	**-**
¥300.00 ($3.326) per share in 2009	-	**(265,680)**	**(2,945)**
Balance at the end of current period	4,254,540	**5,082,406**	**56,340**
Treasury stock:			
Balance at the end of previous period	-	**(36,651)**	**(406)**
Acquisition of treasury stock	(36,687)	**(379,790)**	**(4,210)**
Disposal of treasury stock	36	**156**	**1**
Balance at the end of current period - 1,002 shares in 2008 and 16,013 shares in 2009	(36,651)	**(416,285)**	**(4,615)**
Total shareholders' equity	13,266,520	**13,714,752**	**152,031**
Foreign currency translation adjustments:			
Balance at the end of previous period	70,198	**(131,494)**	**(1,457)**
Total changes of items during the period	(201,692)	**(74,481)**	**(826)**
Balance at the end of current period	(131,494)	**(205,975)**	**(2,283)**
Minority interests	916,086	**978,062**	**10,842**
Total net assets	¥ 14,051,112	**¥ 14,486,839**	**$ 160,590**

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

CONSOLIDATED STATEMENTS OF INCOME

CMIC Co., Ltd. and consolidated subsidiaries
Years ended September 30, 2008 and 2009

	Thousands of yen		Thousands of U.S. dollars (Note 1)
	2008	**2009**	**2009**
Net sales	¥ 25,777,298	¥ **28,784,829**	$ **319,087**
Costs and expenses:			
Cost of sales	(18,612,768)	**(20,927,193)**	**(231,983)**
Selling, general and administrative expenses (Note 4)	(4,889,449)	**(5,343,404)**	**(59,233)**
Total costs and expenses	(23,502,217)	**(26,270,597)**	**(291,216)**
Operating income	2,275,081	**2,514,232**	**27,871**
Other income (expenses):			
Interest income	26,090	**14,589**	**162**
Commission income	885	**1,288**	**14**
Rent income	22,395	**21,317**	**236**
Amortization of negative goodwill	79,311	**35,838**	**397**
Equity in earnings of affiliates	1,462	**1,862**	**21**
Other income	29,845	**33,538**	**372**
Interest expenses	(39,678)	**(41,051)**	**(455)**
Foreign exchange losses	(121,081)	**(78,528)**	**(871)**
Investment amount of equity losses incurred	(62,472)	**(79,487)**	**(881)**
Other expenses	(24,244)	**(23,438)**	**(260)**
Gain on sales of noncurrent assets	624	**-**	**-**
Gain on sales of investment securities	-	**1,200**	**13**
Gain on sales of subsidiaries and affiliates' stocks	266	**-**	**-**
Loss on sale of noncurrent assets	(2,017)	**-**	**-**
Loss on retirement of noncurrent assets	(25,726)	**(35,913)**	**(398)**
Loss on valuation of investment securities	(22,897)	**(80,288)**	**(890)**
Retirement benefit expenses	-	**(29,329)**	**(325)**
Office transfer expenses	(17,904)	**(19,676)**	**(218)**
Loss on cancellation of lease contracts	(14,539)	**-**	**-**
Total other income (expenses)	(169,680)	**(278,078)**	**(3,083)**
Income before income taxes and minority interests	2,105,401	**2,236,154**	**24,788**
Income taxes (Note 10)**:**			
Income taxes-current	1,367,277	**1,333,661**	**14,784**
Income taxes-deferred	(201,494)	**(251,766)**	**(2,791)**
Minority interests in income	109,919	**94,574**	**1,048**
Net income	¥ 829,699	¥ **1,059,685**	$ **11,747**

	Yen	Yen	U.S. dollars (Note 1)
Amount per share of common stock:			
Net income	¥ 1,003.94	¥ **1,205.63**	$ **13.36**
Diluted net income	-	**-**	**-**
Cash dividends applicable to the period	266.00	**334.00**	**3.70**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

CMIC Co., Ltd. and consolidated subsidiaries
Years ended September 30, 2008 and 2009

	Thousands of yen		Thousands of U.S. dollars (Note 1)
	2008	**2009**	**2009**
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 2,105,401	¥ **2,236,154**	$ **24,788**
Depreciation and amortization	473,089	**703,496**	**7,799**
Amortization of goodwill	92,860	**114,999**	**1,275**
Amortization of negative goodwill	(79,311)	**(35,838)**	**(397)**
Increase (decrease) in provision for bonuses	830,011	**241,938**	**2,682**
Increase (decrease) in provision for directors' bonuses	(76,342)	**14,171**	**157**
Increase (decrease) of allowance for doubtful accounts	5,749	**(1,273)**	**(14)**
Increase (decrease) in provision for retirement benefits	172,329	**270,818**	**3,002**
Increase (decrease) in provision for loss contracts	(4,573)	**106,726**	**1,183**
Interest income	(26,090)	**(14,589)**	**(162)**
Interest expenses	39,678	**41,050**	**455**
Equity in (earnings) losses of affiliates	(1,462)	**(1,862)**	**(21)**
Foreign exchange losses (gains)	109,291	**96,586**	**1,071**
Loss (gain) on valuation of investment securities	22,897	**80,288**	**890**
Loss (gain) on sales of investment securities	-	**(1,200)**	**(13)**
Investment amount of equity losses incurred	62,472	**79,487**	**881**
Loss on retirement of noncurrent assets	25,726	**35,913**	**398**
Gain on sales of noncurrent assets	(624)	**-**	**-**
Loss on sales of noncurrent assets	2,017	**-**	**-**
Loss (gain) on sales of stocks of subsidiaries and affiliates	(266)	**-**	**-**
Decrease (increase) in notes and accounts receivable-trade	83,819	**(742,628)**	**(8,232)**
Decrease (Increase) of inventories	(445,387)	**(164,996)**	**(1,829)**
Increase (decrease) in notes and accounts payable-trade	(76,979)	**(47,229)**	**(523)**
Increase (decrease) of accrued expenses	(586,036)	**(320,433)**	**(3,552)**
Increase (decrease) in advances received	193,874	**310,439**	**3,441**
Increase (decrease) of deposits received	58,117	**(419)**	**(5)**
Other,net	(106,424)	**(59,342)**	**(658)**
Subtotal	2,873,836	**2,942,256**	**32,616**
Interest and dividends income received	26,635	**21,972**	**244**
Interest expenses paid	(40,276)	**(42,094)**	**(467)**
Income taxes paid	(1,227,775)	**(1,453,431)**	**(16,112)**
Net cash provided by operating activities	1,632,420	**1,468,703**	**16,281**
Cash flows from investing activities:			
Payments into time deposits	(592,599)	**(468,050)**	**(5,189)**
Proceeds from withdrawal of time deposits	518,526	**636,350**	**7,054**
Purchase of property, plant and equipment	(623,134)	**(802,187)**	**(8,892)**
Proceeds from sales of property, plant and equipment	14,908	**-**	**-**
Purchase of intangible assets	(299,440)	**(316,745)**	**(3,511)**
Deposit payments for deposit to be paid	(101,339)	**(206,219)**	**(2,286)**
Proceeds from collection of lease and guarantee deposits	11,685	**46,927**	**520**
Purchase of investment securities	(286,322)	**(134,049)**	**(1,486)**
Purchase of investments in subsidiaries resulting in change in scope of consolidation(Note 5)	(265,859)	**(143,670)**	**(1,593)**
Proceeds from sales of investment in subsidiaries	4,075	**-**	**-**
Proceeds from sales of investment securities	-	**4,587**	**51**
Collection of loans receivable	43,587	**22,431**	**249**
Other, net	3,150	**-**	**-**
Net cash used in investing activities	(1,572,762)	**(1,360,625)**	**(15,083)**
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	-	**649,000**	**7,194**
Proceeds from long-term loans payable	270,000	**150,000**	**1,663**
Repayment of long-term loans payable	(685,165)	**(701,104)**	**(7,772)**
Repayment of lease obligations	(8,741)	**(61,182)**	**(678)**
dividends paid	(179,762)	**(266,625)**	**(2,956)**
dividends paid to minority shareholders	(12,510)	**(22,488)**	**(249)**
Dividends paid to former shareholders of newly consolidated subsidiaries	(80,210)	**-**	**-**
disposal of treasury stock	36	**156**	**2**
Purchase of treasury stock	(36,687)	**(379,791)**	**(4,210)**
Net cash used in financing activities	(733,039)	**(632,034)**	**(7,006)**
Effect of exchange rate changes on cash and cash equivalents	(79,261)	**(33,773)**	**(375)**
Net desrease in cash and cash equivalents	(752,642)	**(557,729)**	**(6,183)**
Cash and cash equivalents at beginning of period	4,505,933	**6,070,677**	**67,295**
Increase in cash and cash equivalents of newly consolidated subsidiaries(Note 5)	2,317,387	**-**	**-**
Cash and cash equivalents at end of period (Note 5)	¥ 6,070,678	¥ **5,512,948**	$ **61,112**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CMIC Co., Ltd. and consolidated subsidiaries

1. Basis of presenting financial statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by CMIC Co., Ltd. (the "Company") and its domestic subsidiaries 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 and practices 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 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 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. 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 ¥90.21 to U.S.$1.00, the rate of exchange prevailing at September 30, 2009, 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. Significant accounting policies

Consolidation- The Company has 14 and 13 subsidiaries at September 30, 2008 and 2009, respectively.
The consolidated financial statements for the years ended September 30, 2008 and 2009 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) at September 30, 2008 and 2009.
Financial year-end of CMIC (Beijing) Co., Ltd. and CMIC BRASIL RESQUISAS CLINICAS LIDA is December 31. These subsidiaries provisionally close their books at September 30 for the purpose of consolidation of the Company. Except for above subsidiaries the end of accounting period of the subsidiaries is September 30.
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.

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- Finished goods and merchandises are principally stated at the cost determined by the first-in first-out method (the figures shown in the balance sheet have been calculated in accordance with the write-down approach based on decline in profitability).Work-in-process is principally stated at the cost determined by the identified cost method (the figures shown in the balance sheet have been calculated in accordance with the write-down approach based on decline in profitability). Raw materials are principally stated at the cost determined by the moving average method.

Property, plant and equipment- Property, plant and equipment are carried at cost. Depreciation is computed on the declining-balance method over the following estimated useful lives of the assets except for buildings acquired after April 1, 1998, which are computed on a straight-line method.
The estimated useful lives of depreciable assets are as follows:

Buildings and structures: 6 years to 50 years
Machinery, equipment and vehicles: 4 years to 10 years
Tools, furniture and fixtures : 2 years to 15 years

On the other hand, CMIC Korea Co., Ltd. and CMIC CMO Korea 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. , CMIC BRASIL RESQUISAS CLINICAS LTDA , CMIC ASIA-PACIFIC,PTE.LTD. and CMIC-VPS Corporation 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 respective countries.

(Additional information)
The Company and its domestic consolidated subsidiaries have recorded assets acquired before March 31, 2007 based on the previous depreciation method. Following the revised corporation tax law, when the assets is depreciated to the residual value, which is 5% of the acquisition cost under the tax law, the residual value is equally depreciated over five years from October 1, 2007. The impact of the change was not material for the year ended September 30, 2008. The impact on the segment information is stated in Note 12. Segment information.

Intangible assets and software- Intangible assets of the Company and its domestic subsidiaries (the "Domestic companies"), are amortized using the straight-line method over the estimated useful lives. 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.

Leased assets- The straight-line method is applied with the useful life of the asset being the lease term and the residual value being zero.The accounting treatment for finance lease transaction, other than those involving a transfer of title, for which the starting date of the lease was September 30, 2008 or earlier is similar to the accounting treatment for operating lease transactions.

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.

Provision for retirement benefits- Employees' severance and retirement benefits is provided for the payments of employees’ retirement benefits based on the estimated amounts of the projected retirement benefit obligation at the end of the consolidated fiscal year. Prior service cost is being amortized as incurred by the straight-line method over the period of principally 6 years which are shorter than the average remaining years of service of the employees. Net actuarial difference is amortized using the straight-line method over 1 year commencing from the succeeding period.

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

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

Provision for loss contracts-To provide for future losses on the contracts, the Companies reasonably estimate and provide the amount of foreseeable losses in the future years after September 30, 2008 and 2009.

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 income 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 “Net assets”.

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, special accounting treatment is applied 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 (“Special treatment”).
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 hedge transaction to which the Special treatment is applied.

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

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.

Goodwill, including negative goodwill- The difference between the cost and the underlying net equity of investment in consolidated subsidiaries or associates accounted for by the equity method has been allocated to identifiable assets based on fair market value at the date of acquisition. Any unassigned residual amount is recognized as goodwill and deferred and amortized on a straight-line basis over the estimated useful life, with the exception of minor amounts, which are charged to 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 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.

Reclassification and restatement- Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications and restatement had no impact on previously reported results of operations.

(Change in accounting policy)
Changes in Valuation Methods of Inventories
Previously, inventories held for sale in the ordinary course of business were principally stated at the acquisition cost determined by the identified cost method. However, effective October 1, 2008, the Company has adopted the “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9 of July 5, 2006) and accordingly such inventories are now principally stated at the cost determined by the identified cost method (the figures shown in the balance sheet have been calculated in accordance with the write-down approach based on decline in profitability).The effect of the adoption on net income is insignificant.

Practical solution on unification of accounting policies applied to foreign subsidiaries forconsolidated financial statements
From the current consolidated fiscal year, the Company has adopted the Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (Practical Issues Task Force No. 18, May 17, 2006) and has revised the consolidated financial statements accordingly.
As a result of this change, retained earnings as of the beginning of the year has increased by ¥33,861 thousand ($375 thousand), the effect of the adoption on net income is insignificant.

Accounting Standards for Lease Transactions

Previously finance lease transactions that do not transfer the ownership to the lessee was accounted for in the same manner as ordinary operating lease transactions. However, form the current consolidated fiscal year, the Accounting Standards for Lease Transactions (ASBJ Statement No. 13, originally issued by the Corporate Accounting Council on June 17, 1993, and revised by ASBJ on March 30, 2007) and the Guidance on the Accounting Standard for Lease Transactions(ASBJ Guidance No. 16, originally issued by the Japanese Institute of Certified Public Accountants on January 18, 1994 and revised by ASBJ on March 30, 2007) were adopted and the accounting treatment for such finance lease transactions has been changed to methods similar to ordinary buying and selling transactions. The finance lease transactions, which do not transfer the ownership to the lessee, and which started before the initial year of the new accounting rule's adoption continue to be accounted for similar to rental transactions. The effect of the adoption on net income is insignificant.

(Additional Information)

Provision for retirement benefits

Site Support Institute Co., Ltd., a consolidated subsidiary, changed its calculation of retirement benefit obligation from the simplified method to the proper method since the number of employees increased to more than 300 after the merger with CMIC-CRC Co., Ltd. As a result of this change, the difference between retirement benefit obligations under the simplified method and the proper method was ¥29,329 thousand ($325 thousand), which was recorded as an other income(expenses).

3. **Short-term loans payable and Long-term loans payable**

Long-term loans payable at September 30, 2008 and 2009 consisted of the following:

	Thousands of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Long-term loans payable:			
Due through 2012 at rate of 1.66% and 1.51 % at September 30,2008 and 2009,respectively	¥ 1,875,500	¥ **1,370,900**	$ **15,197**
Less:			
Current portion of long-term loans payable	629,600	**679,600**	**7,534**
	¥ 1,245,000	¥ **691,300**	$ **7,663**

The annual maturities of Long-term loans payable at September 30, 2009 were as follows:

Years ending September 30,	Thousands of yen	Thousands of U.S. dollars
2010	¥ 679,600	$ 7,534
2011	634,600	7,035
2012	56,700	628

4. Research and development expenses

Research and development expenses included in selling, general and administrative expenses for the years ended September 30, 2008 and 2009 were as follows:

	Thousands of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Selling, general and administrative expenses	¥ 80,436	¥ **210,997**	$ **2,339**
	¥ 80,436	**¥** **210,997**	$ **2,339**

5. Supplemental cash flow information

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, 2008 and 2009 were as follows:

	Thousands of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Cash on hand and in banks	¥ 6,631,529	**¥** **5,953,343**	$ **65,994**
Less:			
The deposits over three months	560,851	**440,395**	**4,882**
Cash and cash equivalents	¥ 6,070,678	**¥** **5,512,948**	$ **61,112**

For the year ended September 30, 2008, the Company acquired shares in CMIC-VPS Corporation. CMIC-VPS Corporation then became a consolidated subsidiary. Summary of the information on the assets and liabilities of the company at the start of consolidation was as follows:

	Thousands of yen
	2008
Current assets	¥ 102,815
Non-current assets	233,196
Goodwill	88,606
Current liabilities	(57,810)
Non-current liabilities	(16,678)
Minority interest	(54,082)
Acquisition cost of the equity of the subsidiary	296,047
Cash and cash equivalents of the newly consolidated subsidiary	(30,188)
Net cash and cash equivalent decreased due to the purchase of additional shares in the newly consolidated subsidiary	¥ 265,859

Site Support Institute Co., Ltd. became a consolidated subsidiary after the Company acquired the shares by way of share exchange in the years ended September 30, 2008.

	Thousands of yen	
	2008	
Current assets	¥	3,540,467
Non-current assets		287,172
Current liabilities		(1,157,142)
Non-current liabilities		(42,605)
Cash and cash equivalents from the newly consolidated subsidiary		(2,317,387)

For the year ended September 30, 2009, the Company acquired shares in Medical Trials Co., Ltd. Medical Trials Co., Ltd. then became a consolidated subsidiary. Summary of the information on the assets and liabilities of the company at the start of consolidation was as follows:

	Thousands of yen		Thousands of U.S. dollars	
	2009		**2009**	
Current assets	¥	**285,233**	$	**3,162**
Non-current assets		**22,691**		**251**
Goodwill		**190,420**		**2,111**
Current liabilities		**(158,623)**		**(1,758)**
Non-current liabilities		**(22,818)**		**(253)**
Acquisition cost of the equity of the subsidiary		**316,903**		**3,513**
Cash and cash equivalents of the newly consolidated subsidiary		**(173,233)**		**(1,920)**
Net cash and cash equivalents decreased due to the purchase of additional shares in the newly consolidated subsidiary	¥	**143,670**	$	**1,593**

6. Information for certain leases

Lessee:

Finance leases which do not transfer ownership to lessees

If finance leases which do not transfer ownership to lessees were capitalized at September 30, 2008 and 2009, they would have been recorded on the financial statements as follows:

	Thousands of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Acquisition cost:	¥ 2,127,335	**¥ 1,971,807**	**$ 21,858**
Buildings and structures	33,100	**22,000**	**244**
Machinery	297,187	**297,187**	**3,294**
Tools, furniture and fixtures	1,653,988	**1,543,058**	**17,105**
Intangible assets	143,060	**109,562**	**1,215**
Accumulated depreciation	¥ 992,462	**¥ 1,230,763**	**$ 13,643**
Buildings and structures	22,908	**16,208**	**180**
Machinery	156,298	**210,138**	**2,329**
Tools, furniture and fixtures	737,537	**926,634**	**10,272**
Intangible assets	75,719	**77,783**	**862**
Net book value	¥ 1,134,873	**¥ 741,044**	**$ 8,215**
Buildings and structures	10,192	**5,792**	**64**
Machinery	140,889	**87,050**	**965**
Tools, furniture and fixtures	916,451	**616,423**	**6,833**
Intangible assets	67,341	**31,779**	**353**

Lease payments under finance leases which are accounted for in the same manner as operating leases for the years ended September 30, 2008 and 2009, except to the interest, were ¥443,064 thousand and ¥441,385 thousand ($ 4,893 thousand), respectively. Future lease payments as of September 30, 2008 and 2009, exclusive of interest, under such leases were ¥1,161,688 thousand and ¥767,072 thousand ($ 8,503 thousand), including ¥409,651 thousand and ¥326,325 thousand ($ 3,617 thousand), respectively, due within one year.

Equivalent amount of depreciation for the years ended September 30, 2008 and 2009 amounted to ¥411,478 thousand and ¥410,134 thousand ($4,546 thousand), respectively, due within one year.

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

Equivalent amount of interest expenses for the years ended September 30, 2008 and 2009 amounted to ¥38,248 thousand and ¥30,662 thousand ($ 340 thousand), respectively.

The interest equivalents were the deference between the sum of payments of lease and equivalents of the acquisition cost of lease assets, and an allocation of the interest equivalents is based on the interest method.

Future lease payments for non-cancelable operating as of September 30, 2008 and 2009, were ¥7,568 thousand and ¥64,994 thousand ($ 720 thousand), including ¥4,944 thousand and ¥20,444 thousand ($227 thousand) due within one year, respectively.

7. Securities

The Companies had no available-for-sale securities with available fair values as of September 30, 2008 and 2009.

The following tables summarize book values of securities with no available fair values as of September 30, 2008.

	Type	Book value Thousands of yen
Available-for-sale securities	Non-marketable foreign bonds	¥ 75
	Non-listed equity securities	202,170
	Non-listed stock acquisition rights	48,000
	The amount of investment in investment limited liability partnerships	234,755

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

(Thousands of yen)

Type	Within 1 year	Over 1 year but within 5 years
Bonds	¥ -	¥ 75

The following tables summarize book values of securities with no available fair values as of September 30, 2009.

	Type	Book value	
		Thousands of yen	Thousands of U.S. dollars
Available-for-sale securities	Non-marketable foreign bonds	**¥ 36**	**$ 0**
	Non-listed equity securities	**198,982**	**2,206**
	Non-listed stock acquisition rights	**24,000**	**266**
	The amount of investment in investment limited liability partnerships	**195,120**	**2,163**

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

(Thousands of yen)

Type	Within 1 year	Over 1 year but within 5 years
Bonds	**¥ -**	**¥ 36**

(Thousands of U.S. dollars)

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

8. 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 does 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

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, 2008 derivative transactions for which hedge accounting is not applied:
Currency related:

(Thousands of yen)

For 2008	Type	Year ended September 30, 2008			
		Contracted amount	Over one year	Market value	Recognized losses
Items not traded on exchanges	Forward foreign exchange contracts:				
	Sell:				
	Yen	¥ 18,435	-	¥ 17,481	¥ (954)
	Buy:				
	Yen	¥ 58,607	-	¥ 64,782	¥ 6,175
Total		-	-	-	¥ 5,221

The following tables summarize market value information as of September 30, 2009 derivative transactions for which hedge accounting has not been applied:
Currency related:

(Thousands of yen)

For 2009	Type	Year ended September 30, 2009			
		Contracted amount	Over one year	Market value	Recognized losses
Items not traded on exchanges	Forward foreign exchange contracts:				
	Sell:				
	Yen	¥ 6,160	-	¥ 6,091	¥ (69)
	Buy:				
	Yen	19,742	-	¥ 19,360	(382)
Total		-	-	-	¥ (451)

(Thousands of U.S. dollars)

For 2009	Type	Year ended September 30, 2009			
		Contracted amount	Over one year	Market value	Recognized losses
Items not traded on exchanges	Forward foreign exchange contracts:				
	Sell:				
	Yen	$ 68	-	$ 68	$ (1)
	Buy:				
	Yen	219	-	215	(4)
Total		-	-	-	$ (5)

9. Provision for retirement benefits

The Company and its domestic 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. Some subsidiaries have general type of employee pension plans and contributory funded defined benefit pension plans such as employee pension plans.
Certain overseas subsidiaries have defined contribution pension plans.

Provision for retirement benefits included in the liability section of the consolidated balance sheet as of September 30, 2008 and 2009 are as follows:

	Thousands of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Retirement benefit obligation	¥ (1,278,972)	**¥ (1,638,419)**	**$ (18,162)**
Plan assets	211,695	**204,262**	**2,264**
Unfunded projected benefit obligation	(1,067,277)	**(1,434,157)**	**(15,898)**
Unrecognized actuarial difference	(9,333)	**84,713**	**939**
Unrecognized prior service cost	163,603	**162,809**	**1,805**
Provision for retirement benefits	¥ (913,007)	**¥ (1,186,635)**	**$ (13,154)**

Included in the consolidated statement of income for the years ended September 30, 2008 and 2009 are severance and retirement benefit expenses comprised of the followings:

	Thousands of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Service costs	¥ 255,528	**¥ 317,090**	**$ 3,515**
Interest cost	18,223	**24,406**	**271**
Amortization of unrecognized actuarial difference	1,014	**(9,333)**	**(103)**
Amortization of prior service cost	29,502	**38,462**	**426**
Extra retirement payments	50,506	**-**	**-**
Amortization of changes to the law in principle	-	**29,329**	**325**
Severance and retirement benefit expenses	¥ 354,773	**¥ 399,954**	**$ 4,434**

Summary of assumption on benefit obligations, etc for the years ended September 30, 2008 and 2009 were as follows:

	2008	2009
Periodic distribution method of expected benefit	Straight-line method	Straight-line method
Discount rate	2.5%	1.3%
Amortization of unrecognized prior service cost	6 year	6 year
Amortization period of actuarial loss	1 year	1 year

10. <u>Income taxes</u>

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 40.69% for 2008 and 2009.

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, 2008 and 2009 are as follows:

	2008		**2009**	
Statutory income tax rate	40.69	%	**40.69**	%
Effect on operating loss carryforwards of subsidiaries	7.51		**2.48**	
Permanently non-deductible expenses	0.88		**0.74**	
Per capita inhabitants tax	1.45		**1.77**	
Amortization of negative goodwill	(0.82)		-	
Tax on undistributed earnings (of family corporation)	2.23		-	
Provision for director's bonuses	1.28		**1.12**	
Undistributed earnings of affiliated companies overseas	1.12		-	
Allowance for doubtful accounts	2.07		-	
Loss on valuation of investment securities	-		**1.02**	
Use of losses	-		**(0.83)**	
Other	(1.04)		**1.39**	
Actual effective income tax rate	55.37	%	**48.38**	**%**

Significant components of the deferred tax assets and liabilities as of September 30, 2008 and 2009 are as follows:

	Thousands of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Deferred tax assets			
Provision for bonuses	¥ 351,982	¥ **411,042**	$ **4,557**
Provision for loss contracts	-	**46,856**	**519**
Accrued business office taxes	10,934	-	-
Enterprise tax payable	83,901	**84,771**	**940**
Loss on valuation of inventories	44,319	**85,867**	**952**
Provision for retirement benefits	325,898	**437,085**	**4,845**
Property, plant and equipment	13,618	-	-
Net operating loss carryforwards	433,300	**456,468**	**5,060**
Allowance for doubtful accounts	43,679	-	-
Loss on valuation of investment securities	118,579	**199,145**	**2,208**
Other	24,756	**46,528**	**515**
	1,450,966	**1,767,762**	**19,596**
Less: Valuation allowance	(493,375)	**(555,952)**	**(6,163)**
Total deferred tax assets	¥ 957,591	¥ **1,211,810**	$ **13,433**
Deferred tax liabilities			
Property, plant and equipment	(12,710)	**(28,149)**	**(313)**
Undistributed earnings of overseas affiliated companies	(18,168)	-	-
Other	(9,461)	**(18,942)**	**(210)**
Total deferred tax liabilities	(40,339)	**(47,091)**	**(523)**
Net deferred tax assets	¥ 917,252	¥ **1,164,719**	$ **12,910**

11. Business combinations

Ⅰ.The Company executed a share exchange agreement with Site Support Institute Co., Ltd.(SSI). SSI became a wholly owned subsidiary of the Company on April 1, 2008.

1. Name of company combined and description of its businesses, legal form of the combination, name of the company after the combination, and outline of the combination, including the purpose of the combination

(1) Name of company acquired and description of its businesses

Name: Site Support Institute Co., Ltd.

Businesses: Clinical trial site management organization (SMO), others

(2) Legal form of the combination

Share exchange

(3) Name of the company after the combination

Name: Site Support Institute Co., Ltd.

(4) Outline of the combination, including the purpose of the combination

CMIC and SSI have continued to strengthen their collaboration in clinical trials, epideminological studies and so forth. However, in order to build a solid infrastructure that supports both the CRO and SMO within the ever changing clinical environment, the Company and SSI have collectively determined that merging is the best solution. Furthermore, by having a strictly regulated organizational structure and standard operating procedure for both companies, the potential problems surrounding the operation of the CRO and SMO as a single entity will be minimized.

2. Outline of accounting treatment of the combination

The merger was accounted for in accordance with "Section 4. Accounting treatment for transaction involving entities under common control, Section 3. Accounting Standards for Business Combinations, Accounting Standards for Business Combinations (Business Accounting Council; October 31, 2003)."

3. Details of share exchange allocation

(1) Details of share exchange allocation

One share of the Company : 0.0391 share of SSI

(2) Calculation basis of share exchange allocation

The Company and the SSI independently consulted with third party financial institutions regarding the share exchange ratio. The Company consulted with Nomura Securities Co., Ltd. (Nomura Securities), whereas SSI consulted with SN Corporate Advisory Co., Ltd. (SNCA) as the officially designated third party institutions.

Nomura Securities determined the share exchange ratio by calculating the average market value for both companies and applying the discounted cash flow (DCF) method. SNCA determined the share exchange ratio by calculating the average market value for both companies and applying the DCF method.

Both the Company and SSI worked closely with third party financial institutions, and were diligent in their negotiations to reach the share exchange ratio. Upon validation of the ratio analysis, the Company and SSI agreed upon the ratio.

(3) Number of shares delivered and their value

Common stock : 136,357

Value : ¥2,627,891 thousand ($29,130 thousand)

Ⅱ.The Company merged with consolidated subsidiary CMIC-CP., Ltd. on August 1, 2008.

1. Names of companies merged and description of their businesses, legal form of the combination, name and business of the company after the combination, and outline of the merger, including purpose of the merger

(1) Names of company merged and description of its businesses

i. Merging company (surviving company)

Name: CMIC Co., Ltd.

Businesses: Clinical research organization business, clinical manufacturing organization business, clinical sales organization business, and others

ii. Merged company (absorbed company)

Name: CMIC-CP Co., Ltd.

Businesses: Monitoring services

(2) Legal form of the combination

Merger and absorption with the Company as the surviving company and CMIC-CP as the expired company

(3) Name and businesses of the company after the combination

Name: CMIC Co., Ltd.

Businesses: Clinical research organization business, clinical manufacturing organization business, clinical sales organization business, and others

(4) Outline of the merger, including purpose of the merger

CMIC-CP, which undertook dispatched monitoring services, was observed into and merged with the Company as part of our efforts to revamp our system for providing monitoring services, and integrated the network and human resources of the two companies.

2. Outline of accounting treatment of the merger

The merger was accounted for in accordance with “Section 4. Accounting treatment for transaction involving entities under common control, Section 3. Accounting Standards for Business Combinations, Accounting Standards for Business Combinations (Business Accounting Council; October 31, 2003).”

Ⅲ.Consolidated subsidiary CMIC-CRC Co., Ltd., and Site Support Institute Co., Ltd. (SSI), which became a consolidated subsidiary on April 1, 2008, merged on October 1, 2008.

1. Names of companies merged and description of their businesses; legal form of the combination; name of the company after the combination, and outline of the merger, including the purpose of the merger

(1) Name of company merged and description of its businesses

i. Merging company (surviving company)

Name: Site Support Institute Co., Ltd.

Businesses: Clinical trial site management organization (SMO), others

ii. Merged company (absorbed company)

Name: CMIC-CRC Co., Ltd.

Businesses: Clinical research coordinator (CRC) services

(2) Legal form of the combination

Merger and absorption with SSI as the surviving company and CMIC-CRC as the expired company

(3) Name and businesses of the company after the combination

Name: Site Support Institute Co., Ltd.

Businesses: SMO business including CRC services, others

(4) Outline of the merger, including the purpose of the merger

In the SMO industry, realignment is accelerating in response to changes in the environment for clinical trials and the industry operating environment. In this climate, as it is essential to build a solid operating base, this merger’s objectives include the reinforcement of market competitiveness, improvements in the efficiency of personnel recruitment and service execution, and enhancement of productivity.

2. Outline of accounting treatment of the merger

The merger was accounted for in accordance with “Section 4. Accounting treatment for transaction involving entities under common control, Section 3. Accounting Standards for Business Combinations, Accounting Standards for Business Combinations (Business Accounting Council; October 31, 2003).”

Ⅳ.Consolidated subsidiary Site Support Institute Co., Ltd. and Medical Trials Co., Ltd., which became a consolidated subsidiary of SSI on March 2, 2009, merged on June 1, 2009.

1. Names of company merged and description of its businesses, legal form of the combination, name of the company after the combination, and outline of the merger, including the purpose of the merger

(1) Names of company merged and description of its businesses

i. Merging company (surviving company)

Name: Site Support Institute Co., Ltd.

Businesses: Clinical trial site management organization (SMO), others

ii. Merged company (absorbed company)

Name: Medical Trials Inc.

Businesses: Healthcare service

(2) Legal form of the combination

Merger and absorption with SSI as the surviving company and Medical Trials as the expired company

(3) Name and businesses of the company after the combination

Name: Site Support Institute Co., Ltd

Businesses: Clinical trial site management organization (SMO), others

(4) Outline of the merger, including purpose of the merger

SSI integrated its operations with Medical Trials with the aim of reinforcing SSI's network of medical institutions in the Kanto regions where demand in SMO business is likely expanding.

2. Outline of accounting treatment of the merger

The merger was accounted for in accordance with "Section 4. Accounting treatment for transaction involving entities under common control, Section 3. Accounting Standards for Business Combinations, Accounting Standards for Business Combinations (Business Accounting Council; October 31, 2003)."

12. Segment information

a. Segment information by business category

FY 2008 (October 1, 2007 through September 30, 2008) (Thousands of yen)

	CRO	CMO	CSO	Healthcare	Other	Total	Eliminations/ Headquarters	Consolidated
I Net sales and operating income (loss)								
Net sales								
(1) Outside customers	16,262,732	2,434,159	1,901,892	4,139,550	1,038,965	25,777,298	—	25,777,298
(2) Inter-segment	14,532	20,023	—	189,606	139,977	364,138	(364,138)	—
Total	16,277,264	2,454,182	1,901,892	4,329,156	1,178,942	26,141,436	(364,138)	25,777,298
Operating expenses	13,962,594	2,516,489	1,888,528	4,070,576	1,428,168	23,866,355	(364,138)	23,502,217
Operating income (loss)	2,314,670	(62,307)	13,364	258,580	(249,226)	2,275,081	—	2,275,081
II Assets, depreciation, and capital expenditures								
Assets	11,735,922	4,097,264	1,188,610	4,714,827	527,520	22,264,143	(190,984)	22,073,159
Depreciation	255,875	223,822	16,030	65,757	4,465	565,949	—	565,949
Capital expenditures	973,463	173,100	1,317	74,459	139	1,222,478	—	1,222,478

Notes:
1. Business segments have been reclassified from the subject fiscal year. Figures for the previous fiscal year have been recalculated in line with the revised segments for easier comparison.
2. Within operating expenses, there are no unallocated operating expenses included in eliminations/headquarters.
3. Within assets, under the eliminations/headquarters classification, there is no amount for assets assigned to headquarters.
4. The company and its domestic consolidated subsidiaries recorded assets acquired before March 31, 2007, based on the previous deprecation method. When the assets is depreciated to the residual value, which is 5% of the acquisition cost under the tax law, the residual value is equally depreciated over five years of period. The impact of this change was material for the year ended September 30, 2008.

FY 2009 (October 1, 2008 through September 30, 2009) (Thousands of yen)

	CRO	CMO	CSO	Healthcare	Other	Total	Eliminations/ Headquarters	Consolidated
I Net sales and operating income (loss)								
Net sales								
(1) Outside customers	16,694,794	2,744,233	1,940,803	6,461,939	943,060	28,784,829	—	28,784,829
(2) Inter-segment	112,187	17,924	21,409	118,870	151,614	422,004	(422,004)	—
Total	16,806,981	2,762,157	1,962,212	6,580,809	1,094,674	29,206,833	(422,004)	28,784,829
Operating expenses	14,861,809	2,821,974	1,939,980	5,672,130	1,408,422	26,704,315	(433,718)	26,270,597
Operating income (loss)	1,945,172	(59,817)	22,232	908,679	(313,748)	2,502,518	11,714	2,514,232
II Assets, depreciation, and capital expenditures								
Assets	12,139,312	4,312,905	1,019,982	5,924,311	630,993	24,027,503	(672,333)	23,355,170
Depreciation	355,153	286,582	22,486	142,609	11,665	818,495	—	818,495
Capital expenditures	640,838	388,833	1,577	336,117	100,413	1,467,778	—	1,467,778

FY 2009 (October 1, 2008 through September 30, 2009) (Thousands of U.S.dollars)

	CRO	CMO	CSO	Healthcare	Other	Total	Eliminations/ Headquarters	Consolidated
I Net sales and operating income (loss)								
Net sales								
(1) Outside customers	185,066	30,421	21,514	71,632	10,454	319,087	—	319,087
(2) Inter-segment	1,243	199	237	1,318	1,681	4,678	(4,678)	—
Total	186,309	30,620	21,751	72,950	12,135	323,765	(4,678)	319,087
Operating expenses	164,747	31,282	21,505	62,877	15,613	296,024	(4,808)	291,216
Operating income (loss)	21,562	(662)	246	10,073	(3,478)	27,741	130	27,871
II Assets, depreciation, and capital expenditures								
Assets	134,567	47,810	11,307	65,672	6,995	266,351	(7,453)	258,898
Depreciation	3,937	3,177	249	1,581	129	9,073	—	9,073
Capital expenditures	7,104	4,310	18	3,726	1,113	16,271	—	16,271

Notes: 1.Method for classifying business segments
Businesses are classified by taking into account products and service groupings and market similarities.

2.Principal services included within each business segment

CRO(Clinical Research Organization):
Monitoring services, data management services, pharmaceutical affairs consulting services, pre-clinical work

CMO(Clinical Manufacturing Organization):
Contract manufacturing organization services

CSO(Clinical Support Organication):
Pharmaceutical marketing support and MR dispatch

Healthcare:SMO services, provision of healthcare information via the internet

Other: Human resources organizational support, diagnostic drug development, new businesses

3. Within operating expenses, there are no unallocated operating expenses included in eliminations/headquarters.

4. Within assets, under the eliminations/headquarters classification, there is no amount for assets assigned to headquarters.
5. Change in business segment classifications
   Previously, the Company's business segment information was based on the following classifications: CRO business; CMO business; and CSO and other businesses. However, from the fiscal year ending September 30, 2009, this has been changed to five classifications: CRO business; CMO business; CSO business; Healthcare business; and Other business.
   This change is aimed at unifying decision-making, expediting the execution of operations and enhancing efficiency. With the aim of building a structure capable of increasing earnings potential and productivity, the Board of Directors passed a resolution on September 17, 2008, to establish Group-wide in-house companies on October 1, 2008. These in-house companies are: CRO Company, CMO Company, CSO Company and Healthcare Company. The new business segments are designed to show the development of the Company's businesses and the current status of these businesses more clearly.

b. Segment information by geographic region

The disclosure of geographical segment information is omitted as net sales of the foreign operations constituted less than 10% of the consolidated results for both the six months ended September 30, 2008 and 2009.

c. Overseas sales

Overseas sales of the Companies constituted less than 10% of the consolidated net sales for both one year ended September 30, 2008 and 2009.

13. Net assets and net income per share

	Yen		U.S. dollars
	2008	**2009**	**2009**
Net assets per share	¥ 14,693.16	¥ **15,369.33**	$ **170.37**
Net income per share	1,003.94	**1,205.63**	**13.36**

No diluted net income per share is presented for the years ended September 30, 2008 and 2009 since no potentially dilutive securities were issued.

14. Net assets

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Japanese Corporate Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit or could be capitalized by a resolution of shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends.

All additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

15. Subsequent event

The following appropriation of retained earnings at September 30, 2009 was approved at the ordinary general shareholders' meeting held on December 15, 2009.

	Thousands of yen	Thousands of U.S. dollars
Cash dividends (¥167.00 per share)	¥ 146,784	$ 1,627
Bonuses to directors and corporate auditors	20,000	222

The Company and DAIICHI SANKYO Co., Ltd. have signed a binding Memorandum of Understanding (MOU) on July 31, 2009 and an acquisition agreement on November 30, 2009 whereby, the Shizuoka Plant of DAIICHI SANKYO's wholly owned subsidiary DAIICHI SANKYO PROPHARMA Co., Ltd. will be transferred to the ownership of the Company. This transfer includes the land, buildings and facilities of the Shizuoka Plant. To make this transfer DAIICHI SANKYO established a new wholly owned subsidiary, CMIC CMO Co., Ltd., which assumed the assets of the business to be transferred through an absorption-type company split.
Subsequently, the Company will acquire all outstanding shares in CMIC CMO Co., Ltd.

(1) Reasons for the Acquisition
The CMIC Group has built a system to support the pharmaceutical development, manufacturing the marketing activities of pharmaceutical companies. Based on its unique business model as a Pharmaceutical Value Creator(PVC), CMIC strives to help pharmaceutical companies maximize their value. At present, CMIC is working to strengthen and enhance its support services and further expand its earnings base.

In the CMO business, the CMIC Group will aim to maximize its strengths while striving aggressively to boost orders from existing clients and win new clients. The CMIC Group is committed to remaining flexible and responsive as it implements strategies that are in tune with current industry needs and lead to enhanced corporate value.

(2) Overview of the CMIC CMO Co., Ltd.
Location 1-588, Kanaya-azuma, Shimada, Shizuoka
Principle business Contract manufacturing organization services
Capital ¥ 100,000,000
(3) Schedule
November 30, 2009 Signing of definitive agreement
April 1, 2010 Transfer of shares; commencement of operations

(4) Number of shares to acquire and ownership percentage
Shares to acquire: 2,000
Ownership percentage: 100%

16. Transactions with related parties

Current term (October 1, 2008 to September 30, 2009)

There is not the pertinence matter.

Effective the year ended September 30, 2009, the Group has adopted "Accounting Standard for Related Party Disclosures" (ASBJ Statement No.11 issued on October 17, 2006) and "Guidance on Accounting Standard for Related Party Disclosures" (ASBJ Guidance No.13 issued on October 17, 2006). As a result of the adoption of these accounting standards related party transactions of the Company and its consolidated subsidiaries were initially disclosed for the year ended September 30, 2009.

Previous term (October 1, 2007 to September 30, 2008)

Type of Relationship	Name	Location	Capital or investment (Thousands of U.S.dollars)	Nature of business	% of voting rights held (%)	Relationship		Transaction content	Amount of transaction (Thousands of yen)	Item	Balance at end of FY (Thousands of yen)
						Executives in common	Business relationship				
Companies in which directors or close relatives hold more than 50% of voting rights (including company subsidiaries)	Keith Japan Co.,Ltd.	Kobuchisawa-cho, Hokuto-shi, Yamanashi-ken	10,000	Management of museum	-	-	Lease of building to company	Receipt of rent for property	5,141	Accrued revenue	457
							Purchase of sales promotion materials	Purchase of sales promotion materials	2,860	Other accounts payable	3
	Site Support Institute Co.,Ltd.	Shinagawa-ku, Tokyo	673,000	SMO	-	-	Customer in business	Consign-ment business	67,622	Accounts payable	-
								Trustee business	4,400	Accounts receivable	4,620
	System Inn Nakagomi Co.,Ltd.	Chuo-shi, Yamanashi-ken	10,000	Manufacturing and sales of computer systems	-	-	Customer in business	Consign-ment business	2,850	Accounts payable	-