CMIC HOLDINGS Co., Ltd

Consolidated Financial Statements

For the Year ended September 30, 2016

Together with Independent Auditors' Report

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Independent Auditor's Report

The Board of Directors
CMIC HOLDINGS Co., Ltd.

We have audited the accompanying consolidated financial statements of CMIC HOLDINGS Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at September 30, 2016, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of CMIC HOLDINGS Co., Ltd. and its consolidated subsidiaries as at September 30, 2016, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

Ernst & Young ShinNihon LLC

December 15, 2016
Tokyo, Japan

CONSOLIDATED BALANCE SHEET

CMIC HOLDINGS Co., Ltd. and consolidated subsidiaries
As of September 30, 2015 and 2016

ASSETS	Millions of yen 2015	Millions of yen 2016	Thousands of U.S. dollars (Note 1) 2016
Current assets:			
Cash and deposits (Notes 11 and 13)	¥ 5,804	¥ 5,069	$ 50,133
Notes and accounts receivable-trade (Note 13)	10,787	10,731	106,129
Merchandise and finished goods(Note 5)	264	486	4,816
Work in process(Note 5)	3,592	3,368	33,312
Raw materials and supplies(Note 5)	1,583	1,430	14,142
Deferred tax assets (Note 18)	1,295	1,435	14,201
Other	2,968	2,287	22,626
Allowance for doubtful accounts	(11)	(10)	(108)
Total current assets	26,283	24,799	245,250
Property, plant and equipment:			
Buildings and structures (Note 8)	16,012	17,528	173,345
Machinery, equipment and vehicles (Note 8)	9,291	10,764	106,449
Tools, furniture and fixtures (Note 8)	3,305	3,110	30,764
Land (Note 8)	6,343	6,298	62,286
Leased assets	1,937	1,264	12,504
Construction in progress	1,185	2,979	29,460
Less: accumulated depreciation	(16,166)	(16,890)	(167,031)
Total property, plant and equipment	21,910	25,055	247,777
Intangible assets:			
Goodwill	1,680	1,093	10,809
Other (Note 8)	1,596	1,274	12,600
Total intangible assets	3,276	2,367	23,409
Investments and other assets:			
Investment securities (Notes 13 and 15)	849	1,376	13,609
Lease and guarantee deposits	1,682	1,630	16,124
Deferred tax assets (Note 18)	1,609	1,683	16,653
Other (Note 3)	280	2,461	24,339
Allowance for doubtful accounts	(29)	(268)	(2,657)
Total investments and other assets	4,391	6,883	68,068
Total assets	¥ 55,861	¥ 59,104	$ 584,503

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

CONSOLIDATED BALANCE SHEET (continued)
CMIC HOLDINGS Co., Ltd. and consolidated subsidiaries
As of September 30, 2015 and 2016

LIABILITIES AND NET ASSETS	Millions of yen 2015	Millions of yen 2016	Thousands of U.S. dollars (Note 1) 2016
Current liabilities:			
Notes and accounts payable-trade (Note 13)	¥ 1,226	¥ 953	$ 9,432
Current portion of bonds payable (Notes 13 and 14)	100	50	494
Short-term borrowings(Notes 13 and 14)	3,050	2,250	22,251
Current portion of long-term debt(Notes 13 and 14)	2,869	2,783	27,525
Commercial papers (Notes 13 and 14)	3,000	2,000	19,778
Accounts payable-other	2,848	4,685	46,334
Accrued expenses	921	949	9,389
Income taxes payable	412	1,007	9,962
Advances received	1,176	1,200	11,869
Provision for bonuses	1,840	2,054	20,315
Provision for directors' bonuses	3	49	485
Provision for loss on orders received	394	402	3,983
Other (Note 20)	1,885	1,475	14,594
Total current liabilities	19,729	19,861	196,411
Noncurrent liabilities:			
Bonds payable (Note 13)	50	-	-
Long-term debt(Notes 13 and 14)	9,000	9,002	89,030
Deferred tax liabilities (Note 18)	12	23	236
Net defined benefit liability（Note 9 and 17）	5,255	6,325	62,558
Asset retirement obligations (Note 20)	401	373	3,690
Other	745	2,120	20,974
Total noncurrent liabilities	15,464	17,846	176,488
Total liabilities	35,194	37,707	372,899
Contingent liabilities (Note 4)			
NET ASSETS (Note 10)			
Shareholders' equity:			
Capital stock			
Authorized-46,000,000 shares Issued-18,923,569 shares in 2015	3,087		
Authorized-46,000,000 shares Issued-18,923,569 shares in 2016		3,087	30,536
Capital surplus	7,715	7,715	76,298
Retained earnings	9,906	10,596	104,795
Treasury stock, at cost-225,341 shares in 2015 and 219,791 shares in 2016	(271)	(265)	(2,627)
Total shareholders' equity	20,438	21,134	209,002
Accumulated other comprehensive income（Note 9 and 17）:			
Valuation difference on available-for-sale securities	67	414	4,102
Foreign currency translation adjustments	98	(143)	(1,420)
Remeasurements of defined benefit plans	(263)	(409)	(4,050)
Total accumulated other comprehensive income	(97)	(138)	(1,368)
Non-controlling interests	326	401	3,970
Total net assets	20,667	21,397	211,605
Total liabilities and net assets	¥ 55,861	¥ 59,104	$ 584,503

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

CONSOLIDATED STATEMENT OF INCOME

CMIC HOLDINGS Co., Ltd. and consolidated subsidiaries
Years ended September 30, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars (Note1)
	2015	2016	2016
Net sales	¥ 55,904	¥ 62,039	$ 613,521
Cost of sales	(44,816)	(48,941)	(483,997)
Gross profit	11,087	13,097	129,524
Selling, general and administrative expenses（Note 6 and 7）:	(9,676)	(9,733)	(96,262)
Operating income	1,411	3,363	33,262
Non-operating income (expenses):			
Interest income	12	31	316
Commission income	19	10	105
Rent income	16	16	164
Government grant	20	2	25
Compensation income	-	21	217
Gain on sales of materials	17	-	-
Other income	36	47	472
Interest expenses	(144)	(143)	(1,423)
Foreign exchange gains (losses)	(25)	(186)	(1,845)
Share of loss of entities accounted for using equity method	(291)	(108)	(1,072)
Others	(101)	(66)	(660)
Total Non-operating income (expenses)	(441)	(374)	(3,703)
Ordinary income	970	2,989	29,560
Special gains (losses):			
Gain on sales of investment securities	110	-	-
Gain on sales of shares of subsidiaries and affiliates	818	-	-
Gain on step acquisitions	27	-	-
Insurance income	72	-	-
Loss on retirement of noncurrent assets	(72)	(45)	(453)
Provision of allowance for doubtful accounts	-	(241)	(2,391)
Impairment loss (Note 8)	(74)	(11)	(110)
Loss on valuation of investment securities	(15)	(1)	(11)
Compensation for damage	(150)	-	-
Loss on revision of pay regulations	(157)	-	-
Office transfer expenses	(163)	-	-
Loss on disposal of facilities and others	(87)	-	-
Compensation expenses	-	(90)	(890)
Total special gains (losses)	309	(389)	(3,855)
Profit before income taxes	1,280	2,599	25,704
Income taxes (Note 18):			
Current	1,162	1,842	18,222
Deferred	634	(265)	(2,626)
Total income taxes	1,797	1,577	15,596
Profit (loss)	(516)	1,022	10,109
Profit attributable to non-controlling interests	25	143	1,417
Profit (loss) attributable to owners of parent	¥ (542)	¥ 878	$ 8,692

	Yen	Yen	U.S. dollars (Note 1)
Amounts per share of common stock:			
Net income (loss)	¥ (29.57)	¥ 47.00	$ 0.46
Cash dividends applicable to the year	22.50	16.00	0.16

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CMIC HOLDINGS Co., Ltd. and consolidated subsidiaries
Years ended September 30, 2015 and 2016

	Millions of yen				Thousands of U.S. dollars (Note 1)	
	2015		2016		2016	
Profit (loss)	¥	(516)	¥	1,022	$	10,109
Other comprehensive income（Note 9 and 17）:						
Valuation difference on available-for-sale securities		67		347		3,436
Foreign currency translation adjustments		67		(263)		(2,611)
Remeasurements of defined benefit plans, net of tax		(229)		(163)		(1,618)
Total other comprehensive income		(93)		(80)		(793)
Comprehensive income	¥	(610)	¥	941	$	9,316
Comprehensive income attributable to:						
Owners of the parent	¥	(644)	¥	838	$	8,290
Non-controlling interests		34		103		1,026

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

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

CMIC HOLDINGS Co., Ltd. and consolidated subsidiaries

Years ended September 30, 2015 and 2016

	Shares	
	2015	2016
Number of shares of common stock:		
Balance at the beginning of the year	18,221,860	18,923,569
Changes due to share exchanges	701,709	-
Balance at the end of the year	18,923,569	18,923,569

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Capital stock:			
Balance at the beginning of the year	¥ 3,087	¥ 3,087	$ 30,536
Balance at the end of the year	3,087	3,087	30,536
Capital surplus:			
Balance at the beginning of the year	6,292	7,715	76,298
Disposal of treasury stock	0	(0)	(0)
Changes due to share exchanges	1,422	-	-
Balance at the end of the year	7,715	7,715	76,298
Retained earnings:			
Balance at the beginning of the year	11,098	9,906	97,971
Net income (loss)	(542)	878	8,692
Cash dividends paid - ￥35.00 ($0.292) per share in 2015	(648)	-	-
￥10.00 ($0.099) per share in 2016	-	(188)	(1,868)
Balance at the end of the year	9,906	10,596	104,795
Treasury stock:			
Balance at the beginning of the year	(258)	(271)	(2,686)
Acquisition of treasury stock	(452)	(0)	(7)
Disposal of treasury stock	438	6	66
Balance at the end of the year - 225,341 shares in 2015 and 219,791 shares in 2016	(271)	(265)	(2,627)
Total shareholders' equity	20,438	21,134	209,002
Valuation difference on available-for-sale securities:			
Balance at the beginning of the year	(0)	67	666
Net change in items other than those in shareholders' equity	67	347	3,436
Balance at the end of the year	67	414	4,102
Foreign currency translation adjustments:			
Balance at the beginning of the year	39	98	971
Net change in items other than those in shareholders' equity	58	(241)	(2,390)
Balance at the end of the year	98	(143)	(1,420)
Remeasurements of defined benefit plans			
Balance at the beginning of the year	(34)	(263)	(2,603)
Net change in items other than those in shareholders' equity	(228)	(146)	(1,448)
Balance at the end of the year	(263)	(409)	(4,050)
Total accumulated other comprehensive income	(97)	(138)	(1,368)
Minority interests			
Balance at the beginning of the year	85	326	3,229
Net change in items other than those in shareholders' equity	241	74	741
Balance at the end of the year	326	401	3,970
Total net assets	¥ 20,667	¥ 21,397	$ 211,605

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

CONSOLIDATED STATEMENT OF CASH FLOWS

CMIC HOLDINGS Co., Ltd. and consolidated subsidiaries

Years ended September 30, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Cash flows from operating activities:			
Profit before income taxes	¥ 1,280	¥ 2,599	$ 25,704
Depreciation	2,314	2,566	25,382
Impairment loss	74	11	110
Amortization of goodwill	583	554	5,482
Loss (gain) on step acquisitions	(27)	-	-
Increase (decrease) in net defined benefit liability	669	823	8,140
Increase (decrease) in provision for bonuses	(217)	213	2,115
Increase (decrease) in provision for directors' bonuses	(35)	46	455
Increase (decrease) in allowance for doubtful accounts	(0)	241	2,388
Increase (decrease) in provision for loss on order received	64	10	105
Interest income	(12)	(31)	(316)
Interest expenses	144	143	1,423
Share of (profit) loss of entities accounted for using equity method	291	108	1,072
Foreign exchange losses (gains)	(4)	182	1,805
Loss (gain) on sales of investment securities	(110)	-	-
Loss (gain) on valuation of investment securities	-	1	11
Loss on retirement of non-current assets	72	45	453
Relocation expenses	163	-	-
Compensation for damage	150	-	-
Loss on disposal of plant facilities	87	-	-
Loss (gain) on sales of shares of subsidiaries and associates	(818)	-	-
Subsidy income	(20)	(2)	(25)
Decrease (increase) in notes and accounts receivable - trade	(639)	(23)	(237)
Decrease (increase) in inventories	(377)	115	1,146
Increase (decrease) in notes and accounts payable - trade	122	(253)	(2,507)
Increase (decrease) in accrued expenses	(45)	34	341
Increase (decrease) in advances received	(246)	53	532
Increase (decrease) in deposits received	(36)	(241)	(2,386)
Other, net	35	214	2,117
Subtotal	3,463	7,413	73,312
Interest and dividend income received	28	16	161
Interest expenses paid	(150)	(132)	(1,307)
Compensation for damage paid	(320)	-	-
Proceeds from subsidy income	20	2	25
Income taxes paid	(2,151)	(806)	(7,979)
Net cash provided by (used in) operating activities	889	6,493	64,212

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Cash flows from investing activities:			
Payments into time deposits	(180)	(168)	(1,670)
Proceeds from withdrawal of time deposits	196	180	1,788
Purchase of property, plant and equipment	(3,108)	(4,140)	(40,945)
Proceeds from sales of property, plant and equipment	20	7	74
Purchase of intangible assets	(640)	(186)	(1,846)
Payments for asset retirement obligations	-	(18)	(186)
Payments for retirement of non-current assets	(15)	-	-
Proceeds from sales of intangible assets	-	13	135
Payments for lease and guarantee deposits	(929)	(69)	(692)
Proceeds from collection of lease and guarantee deposits	766	110	1,097
Purchase of investment securities	(616)	(1)	(13)
Proceeds from sales of investment securities	141	-	-
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation(Note 11)	102	-	-
Purchase of shares of subsidiaries and associates	(90)	-	-
Proceeds from sales of shares of subsidiaries and associates	1,126	-	-
Net decrease (increase) in short-term loans receivable	(233)	(32)	(324)
Payments of long-term loans receivable	-	(331)	(3,276)
Collection of long-term loans receivable	-	124	1,234
Other, net	-	(127)	(1,261)
Net cash provided by (used in) investing activities	(3,461)	(4,639)	(45,886)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	2,400	(800)	(7,911)
Proceeds from long-term loans payable	3,400	3,000	29,668
Repayments of long-term loans payable	(3,537)	(3,084)	(30,500)
Redemption of bonds	(50)	(100)	(989)
Repayments of lease obligations	(201)	(220)	(2,176)
Net increase (decrease) in commercial papers	1,000	(1,000)	(9,889)
Purchase of treasury shares	(458)	(0)	(7)
Cash dividends paid	(648)	(190)	(1,884)
Other, net	0	4	40
Net cash provided by (used in) financing activities	1,904	(2,391)	(23,649)
Effect of exchange rate change on cash and cash equivalents	21	(153)	(1,522)
Net increase (decrease) in cash and cash equivalents	(646)	(692)	(6,846)
Cash and cash equivalents at beginning of period	5,751	5,638	55,762
Increase in cash and cash equivalents from share exchange (Note 11)	533	-	-
Cash and cash equivalents at end of period (Note 11)	¥ 5,638	¥ 4,946	$ 48,917

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CMIC HOLDINGS Co., Ltd. and consolidated subsidiaries

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by CMIC HOLDINGS Co., Ltd. (the "Company") and its domestic consolidated subsidiaries (the "Domestic Companies") in accordance with the provisions set forth in the Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP") which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.
The accounts of overseas subsidiaries have been prepared in accordance with either International Financial Reporting Standards or accounting principles generally accepted in the United States, with the necessary consolidation adjustments made based on materiality.
The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The U.S. dollar amounts shown in the accompanying consolidated financial statements and notes thereto have been translated from Japanese yen into U.S. dollars on the basis of ¥101.12 to U.S. $1.00, the rate of exchange prevailing at September 30, 2016. These U.S. dollar amounts are not intended to imply that the Japanese yen amounts have been, could have been or could in future be converted, realized or settled in U.S. dollars at this or any other rate of exchange. As a result, the total Japanese yen and U.S. dollar amounts shown in the financial statements and notes do not necessarily agree with the sum of the individual amounts.
Amounts less than one million yen is rounded down and one thousand U.S. dollar is rounded.
In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

2 Significant accounting policies

Consolidation- The Company has 21 and 19 subsidiaries at September 30, 2015 and 2016, respectively. The accompanying consolidated financial statements for the years ended September 30, 2015 and 2016 include the accounts of the Company and all of its subsidiaries (the "Companies").
During the current fiscal year, Institute of Applied Medicine, Inc. absorbed JCL Bioassay Corporation in an absorption-type merger and the company name changed to CMIC Pharma Science Co., Ltd. on October 1, 2015.
CMIC Pharma Science Co., Ltd. absorbed CMIC Bioresesearch Center Co., Ltd. in an absorption-type merger on April 1, 2016.
CMIC CMO Co., Ltd. absorbed CMIC CMO ASHIKAGA Co., Ltd. on April 1, 2016.
In addition, the Company established CMIC ShiftZero K.K. as a consolidated subsidiary on January 15, 2016.

The Company has 2 and 2 affiliates, to which the equity method is applied, at September 30, 2015 and 2016, respectively.
The fiscal year-end of CMIC (Beijing) Pharmaceutical Services Co., Ltd. and CMIC (Beijing) Co., Ltd. is December 31. These subsidiaries provisionally close their books at September 30 for the purpose of consolidation of the Company. The fiscal year-end of the other subsidiaries other than the above subsidiaries is September 30.
In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are recorded based on the fair values at the time the Company acquired the control of the respective subsidiaries.
Other securities- Other securities with fair market values are stated at fair market value as of the balance sheet date. Unrealized gains or losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on sales of such securities are computed using the moving-average method. Other non-marketable securities are stated at cost or amortized cost computed by the moving-average method.

Inventories- Inventories are valued at the lower of cost or net realizable value at the fiscal year end in the balance sheet. Merchandise and finished goods are principally stated at cost determined by the first-in first-out method. Work-in-process is principally stated at cost determined by the identified cost method, and by the first-in first-out method in certain consolidated subsidiaries. Raw materials and supplies are principally stated at cost determined by the moving-average method.

Property, plant and equipment- Tangible fixed assets of the Companies are amortized using the straight-line method over the estimated useful lives.
The estimated useful lives of depreciable assets are as follows:

Buildings and structures: 2 years to 60 years
Machinery, equipment and vehicles: 4 years to 17 years
Tools, furniture and fixtures: 2 years to 15 years

Lease assets- The straight-line method is applied with the useful life of the asset being the lease term and the residual value being zero.

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

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

Retirement benefits- The retirement benefits obligation for employees is attributed to each period by the benefit formula method over estimated years of service of the eligible employees.
Prior service cost is being amortized as incurred by the straight-line method over the periods (6 years), which are shorter than the average remaining years of the employees.
Actuarial gain or loss amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over period (1 year), which is shorter than the average remaining years of service of the employees.
Certain consolidated subsidiaries adopt, in calculating their projected benefit obligation, the simplified method which assumes retirement benefit obligation to be equal to the benefits payable if all eligible employees voluntarily terminated their employment at fiscal year end.

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

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

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

Foreign currency translation- Receivables and payables of the Domestic Companies denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. 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 the overseas subsidiaries are translated into Japanese yen at the average exchange rates of the year. Differences arising from such translation are shown as "Foreign currency translation adjustments" and "Non-controlling interests" in "Net assets".

Hedge accounting-

(1) Hedge accounting method:

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

(2) Hedging instruments and hedged items:

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

The hedged items are interest on borrowings.

(3) Hedging policy:

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

(4) Methods for evaluating hedge effectiveness:

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

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

Consumption taxes- Transactions of the Domestic Companies subject to consumption tax and/or regional consumption tax are recorded at amounts excluding the consumption tax.

Consolidated taxation system-

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

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 years. 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.

Goodwill- The difference between the cost and the underlying net equity of investments in consolidated subsidiaries or affiliates 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, or 5 years in case the useful life cannot be estimated, 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 a maturity not exceeding three months at the time of purchase without significant risk of change in value are considered to be cash and cash equivalents.

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

(Accounting standards issued but not yet effective)
"Implementation guideline for the recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26 issued on March 28, 2016)

(1) Outline
The implementation guideline for the recoverability of deferred tax assets, reviews and reflects the following treatments basically following the framework of Audit Committee Report No. 66 "Audit Treatment of Judgements with Regard to Recoverability of Deffered Tax Assets" in which companies are classified into five categories and the amount of deferred tax assets are estimated according to such categories.
① Treatment of companies which do not meet any of the requirements to be classified as Category 1 to 5
② Requirements for Category 2 or Category 3
③ Treatment of future deductible temporary differences which scheduling is impracticable for companies that fall under Category 2
④ Treatment of a period in which taxable income before adjusting future temporary differences can be rationally estimated for companies that fall under Category 3
⑤ Treatment of a case in which companies which meet the requirement to be classified as Category 4 fall under Category 2 or 3

(2) Expected adoption date
The implementation guidance will be adopted from the beginning of the fiscal year ending September 30, 2017.

(3) Impact of the adoption
The Impact of adopting the implementation guidance is under evaluation at the time of preparation of the consolidated financial statements.

(Changes in accounting policies)

Business combinations and related matters

Effective from the year ended September 30, 2016, the Company adopted “Accounting Standard for Business Combinations” (ASBJ Statement No. 21 on September 13, 2013), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22 on September 13, 2013) and “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7 on September 13, 2013), and then records the amount of difference of the changes in parent’s ownership interest of subsidiaries which the Company keeps its control as capital surplus, and expenses acquisition-related cost in the fiscal year when such cost is incurred. For business combinations conducted after the beginning of the fiscal year, the Company has changed to the method to reflect the effect of change in the allocation of acquisition cost based on finalization of provisional accounting treatment in consolidated financial statements for a fiscal year in which business combinations take place. In addition, the Company has changed the presentation of profit (loss) attributable to owners of parent, and also changed the presentation from minority interests to non-controlling interests. Certain reclassifications have been made to consolidated financial statements for the previous fiscal year to reflect the change of the presentation.

The Company adopted the Accounting Standard for Business Combinations and other standards in accordance with the transitional treatments stipulated in Article 58-2 (4) of the Accounting Standard for Business Combinations, Article 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and Article 57-4 (4) of the Accounting Standard for Business Divestitures from the beginning of the fiscal year.

In the consolidated statements of cash flows for the fiscal year, cash flow related to the acquisition or sale of shares of subsidiaries not accompanied by a change in the scope of consolidation is classified as “cash flows from financing activities,” while costs related to acquisition of shares of subsidiaries accompanied by a change in the scope of consolidation and cash flow for expenses incurred by acquisition or sale of shares of subsidiaries not accompanied by a change in the scope of consolidation are classified as “cash flows from operating activities.”

The impacts on the consolidated financial statements and per share information are insignificant.

(Additional information)

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

(1) Overview of the transactions
J-ESOP is a program to grant the Company’s common stocks to the employees of the companies who fulfill requirements under the regulations of the Company. The Companies vest points to each employee based on their contributions, and grant the Company’s common stocks according to their total points at the time that fulfill requirements under the regulations of the Company. Such stocks, including stocks to be granted in the future, are purchased by money held in the J-ESOP trust, managed separately from book of the Company.
J-ESOP is an incentive program to motivate them to improve corporate value, and to secure talented people.

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

(3) Information related to the stocks of the Company which the trusts hold
①Book value of the stocks of the Company within the trust for the years ended September 30, 2015 and 2016 were ¥211 million and ¥204 million ($ 2,023 thousand).
②These stocks were recorded as the treasury stock in the total shareholders’ equity.
③The number of stocks within the trust at the year-end for the years ended September 30, 2015 and 2016 were 190,000 shares and 184,000 shares and the average number of stocks within the trust for the years ended September 30, 2015 and 2016 were 190,000 shares and 187,750 shares.
④The number of shares at the year-end and the average number of stocks were included in the treasury stock, which is deducted when calculating per-share information.

3 Assets pledged as collateral

Assets pledged as collateral against short-term borrowings and long-term debt from financial institutions of companies other than the Company and the Companies as of September 30, 2015 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Assets pledged as collateral:			
Other (in Investments and other assets)	¥ —	¥ 114	$ 1,135

4 Contingent liabilities

Contingent liabilities as of September 30, 2015 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Guarantee of obligations:			
Unconsolidated affiliate	¥ 493	¥ 572	$ 5,660

The obligations under guarantee are based on a joint liability on guarantee. Since the guarantors' ability to pay is sufficient and the self-payment ratio is specified, the Company's payment amount is stated.

5 Loss on Valuation of Inventories

The ending inventory balance is the amount after write-down of book value due to decline in profitability, and the loss on valuation of included in cost of sales (Brackets are the gain on valuation of included in cost of sales) for the years ended September 30, 2015 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Loss on valuation of inventories	¥ 99	¥ (313)	$ (3,097)

6 Selling, General and Administrative Expenses

The main components of "Selling, General and Administrative Expenses" for the years ended September 30, 2015 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Directors' compensations	¥ 499	¥ 428	$ 4,238
Salaries and allowances	3,056	2,973	29,410
Bonuses and provision for bonuses	594	689	6,819
Retirement benefit expenses	137	155	1,541
Temporary employee expenses	114	120	1,193
Provision for directors' bonuses	3	49	485
Rent expenses	901	1,023	10,120

7 Research and development expenses

Research and development expenses included in selling, general and administrative expenses for the years ended September 30, 2015 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Research and development expenses	¥ 154	¥ 169	$ 1,674

The amount of grant income the Companies received from the government is deducted from the total research and development expenses.

8 Impairment Loss on Fixed Assets

Impairment loss on fixed assets for the year ended September 30, 2015 was as follows:

Company Name	Use	Location	Classification	Millions of yen
				2015
JCL Bioassay Corporation	CRO Business facilities	Osaka, Japan Other 1 location	Buildings and structures	¥ 2
			Other	4
CMIC Korea Co., Ltd.	CRO Business facilities	Seoul, Korea	Buildings and structures	21
			Other	2
Site Support Institute Co., Ltd.	Healthcare Business facilities	Fukuoka, Japan Other 5 locations	Buildings and structures	39
			Tools, furniture and fixtures	2
OrphanPacific, Inc.	IPD Business facilities	Nagoya, Japan Other 5 locations	Buildings and structures	1
			Other	0

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

During the fiscal year, JCL Bioassay Corporation and Site Support Institute Co., Ltd. have decided to move and close several branches, respectively. As a result, the carrying amount has been reduced to the recoverable amount and the difference has been recognized as impairment loss on fixed assets.

In addition, during the fiscal year, CMIC Korea Co., Ltd. and OrphanPacific, Inc. continuously generated losses from their operating activities, respectively, and both companies are expected to continue to generate losses. As a result, the carrying amount has been reduced to the recoverable amount and the difference has been recognized as impairment loss on fixed assets.

The recoverable amount of assets of the Companies is measured at the net realizable value or value in use, but the value in use was assessed by setting the recoverable amount at zero based on expected negative future cash flows.

Impairment loss on Fixed Assets for the year ended September 30, 2016 was as follows:

Company Name	Use	Location	Classification	Millions of yen	Thousands of U.S. dollars
				2016	2016
CMIC CMO Korea Co., Ltd.	CMO Business facilities	Gyeonggi-do, Korea	Land	¥ 10	$ 106
OrphanPacific, Inc.	IPD Business facilities	Tokyo, Japan	Software	0	4

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

During the fiscal year, CMIC CMO Korea Co., Ltd. and OrphanPacific, Inc. continuously generated losses for their operating activities, respectively, and both companies are expected to continue to generate losses. As a result, the carrying amount has been reduced to the recoverable amount and the difference has been recognized as impairment loss on fixed assets.

The recoverable amount of assets of the Companies is measured at the net realizable value or value in use and the determination of the net realizable value is based on the expected sales price. In addition, value in use was assessed by setting the recoverable amount at zero based on expected negative future cash flows.

9 Other comprehensive income

The components of other comprehensive income including reclassification adjustments and tax effects income for the year ended September 30, 2015 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Unrealized gain (loss) on securities:			
Amount arising during the year	¥ 85	¥ 499	$ 4,939
Amount before tax effect	85	499	4,939
Tax effects	(18)	(152)	(1,504)
Sub-total, net of tax	67	347	3,436
Foreign currency translation adjustments:			
Amount arising during the year	67	(263)	(2,611)
Remeasurements of defined benefit plans:			
Amount arising during the year	(347)	(427)	(4,224)
Reclassification adjustment	38	172	1,703
Amount before tax effect	(308)	(254)	(2,520)
Tax effects	79	91	902
Sub-total, net of tax	(229)	(163)	(1,618)
Total other comprehensive income	¥ (93)	¥ (80)	$ (793)

10 Net assets

Information regarding changes in net assets for the years ended September 30, 2015 and 2016 is as follows:

a. Shares issued and outstanding / Treasury stock

For the year ended September 30, 2015

Type of Shares	Number of shares at October 1, 2014	Increase	Decrease	Number of shares at September 30, 2015
Shares issued:				
Common Stock (Note 1)	18,221,860	701,709	—	18,923,569
Treasury stock				
Common Stock (Notes 2, 3 and 4)	224,140	258,223	257,022	225,341

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

Increase due to issue of shares by the Share Exchange to make JCL Bioassay Corporation a wholly-owned subsidiary at March 1, 2015	701,709

2 Details of the increase are as follows:

Increase due to purchase of shares of less than standard unit	1,323
Increase due to purchase of shares by resolution of Meeting of the Board of Directors on November 17, 2014 (Period: From November 18, 2014 to January 26, 2015)	256,900

3. Details of the decrease are as follows:

Decrease due to accepting requests for the purchase of shares of less than standard unit	122
Decrease due to transfer treasury stock by the Share Exchange to make JCL Bioassay Corporation a wholly-owned subsidiary at March 1, 2015.	256,900

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

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

Number of shares at October 1, 2014	190,000
Number of shares at September 30, 2015	190,000

For the year ended September 30, 2016

Type of Shares	Number of shares at October 1, 2015	Increase	Decrease	Number of shares at September 30, 2016
Shares issued:				
Common Stock	18,923,569	—	—	18,923,569
Treasury stock				
Common Stock (Notes 1, 2 and 3)	225,341	463	6,013	219,791

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

Increase due to purchase of shares of less than standard unit	463

2. Details of the decrease are as follows:

Decrease due to accepting requests for the purchase of shares of less than standard unit	13
Decrease due to transfer treasury stock by the Stock Granting Trust (J-ESOP)	6,000

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

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

Number of shares at October 1, 2015	190,000
Number of shares at September 30, 2016	184,000

b. Dividends

(1) Dividends paid

For the year ended September 30, 2015

Resolution	Type of shares	Total dividends (millions of yen)	Dividends per share (yen)	Cut-off date	Effective date
Annual general meeting of the shareholders on December 17, 2014	Common stock	¥ *318	¥ 17.50	September 30, 2014	December 18, 2014
Meeting of the Board of Directors on April 30, 2015	Common stock	*330	17.50	March 31, 2015	June 15, 2015

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

For the year ended September 30, 2016

Resolution	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars)	Dividends per share (yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Annual general meeting of the shareholders on December 16, 2015	Common stock	¥ *1 94	$ 934	¥ 5.00	$ 0.05	September 30, 2015	December 17, 2015
Meeting of the Board of Directors on April 28, 2016	Common stock	*2 94	934	5.00	0.05	March 31, 2016	June 15, 2016

*1 The total dividends includes dividends of 0 million yen($ 9 thousand) for the Stock Granting Trust (J-ESOP).

*2 The total dividends includes dividends of 0 million yen($ 9 thousand) for the Stock Granting Trust (J-ESOP).

(2) Dividends with the cut-off date in the year ended September 30, 2015 and the effective date in the year ended September 30, 2016

Resolution	Type of shares	Total dividends (millions of yen)	Source of dividends	Dividends per share (yen)	Cut-off date	Effective date
Annual general meeting of the shareholders on December 16,2015	Common stock	¥ *94	Retained earnings	¥ 5.00	September 30, 2015	December 17, 2015

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

Dividends with the cut-off date in the year ended September 30, 2016 and the effective date in the year ending September 30, 2017

Resolution	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars)	Source of dividends	Dividends per share (yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Annual general meeting of the shareholders on December 15,2016	Common stock	¥ *207	$ 2,055	Retained earnings	¥ 11.00	$ 0.11	September 30, 2016	December 16, 2016

* The total dividends includes dividends of 2 million yen ($ 20 thousand) for the Stock Granting Trust (J-ESOP).

11 Supplemental cash flow information

(1) The reconciliation between cash and deposits shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows as of September 30, 2015 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Cash and deposits	¥ 5,804	¥ 5,069	$ 50,133
Less:			
Time deposits over three months	(165)	(122)	(1,216)
Cash and cash equivalents	¥ 5,638	¥ 4,946	$ 48,917

(2) Assets and liabilities newly acquired

The Company acquired JCL Bioassay Corporation (the "JCL") and another company through share exchange during the year ended September 30, 2015.

A summary of the assets and liabilities of these companies newly acquired at the start of consolidation is as follows:

	Millions of yen	
	2015	
Current assets	¥	1,545
Noncurrent assets		1,535
Goodwill		1,377
Current liabilities		(887)
Noncurrent liabilities		(1,161)
Book value of equity method investment at the acquisition of control		(459)
Gain on step acquisitions		(27)
Expense for share exchanges		(60)
Acquisition cost of the shares in JCL and another company	¥	1,861
Cash and cash equivalents held by JCL and another company		533
Issue price of shares through share exchanges		(1,362)
(Treasury stock issuance cost)		(498)
Net increase in Cash and cash equivalents due to share exchange	¥	533

(3)Content of material noncash transaction

	Millions of yen				Thousands of U.S. dollars	
	2015		2016		2016	
Decrease in Treasury stock by share exchanges	¥	438	¥	-	$	-
Increase in Capital surplus by share exchanges:	¥	1,422	¥	-	$	-

12 Leases: Operating lease transactions

Obligations and future minimum payments under non-cancelable operating lease transactions subsequent to September 30, 2015 and 2016, were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2015		2016		2016	
Due within one year	¥	1,256	¥	1,267	$	12,537
Due after one year		5,643		4,411		43,623
Total	¥	6,899	¥	5,678	$	56,160

13 Financial instruments

1. Overall status of financial instruments

(1) Policy for financial instruments

The Companies manage temporary cash surpluses through low risk financial instruments. The Companies obtain debt financing from banks and issuance of commercial papers. The Companies use derivative transactions only for the purpose of hedging exchange and interest rate fluctuation risks and do not engage in speculative derivative transactions.

(2) Type and risk of financial instruments

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

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

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

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

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

(3) Risk management

1) Credit risk

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

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

2) Market risk

The Companies have a very small portion of trade receivables and payables denominated in foreign currencies.

Market risk of investment securities are periodically assessed by checking the financial status of the issuers, and the merits of holding such securities are continuously reviewed, taking into account the Companies’ relationship with respective issuers.

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

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

3) Liquidity risk in funding

The Company centrally controls the cash position of both the Company and certain domestic consolidated subsidiaries, and manages cash flows, in order to reduce the liquidity risk and keep sufficient funds at the Company.

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

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

2. Fair value of financial instruments

The book value, fair value and the difference as of September 30, 2015 are as follows:

	Millions of yen		
	Book value	Fair value	Difference
Assets			
(1) Cash and deposits	¥ 5,804	¥ 5,804	¥ —
(2) Notes and accounts receivable-trade	10,787		
Allowance for doubtful accounts(*1)	(1)		
	10,785	10,785	—
(3) Investment securities	127	127	—
Total assets	¥ 16,716	¥ 16,716	¥ —
Liabilities			
(1) Notes and accounts payable-trade	1,226	1,226	—
(2) Short-term borrowings	3,050	3,050	—
(3) Commercial papers	3,000	3,000	—
(4) Bonds payable(*2)	150	150	—
(5) Long-term debt (*3) (*4)	11,870	11,928	58
Total liabilities	¥ 19,297	¥ 19,355	¥ 58
Derivative transactions	¥ —	¥ —	¥ —

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

*2. Bonds payable includes the current portion of bonds payable.

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

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

The book value, fair value and the difference as of September 30, 2016 are as follows:

	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Assets						
(1) Cash and deposits	¥ 5,069	¥ 5,069	¥ —	$ 50,133	$ 50,133	$ —
(2) Notes and accounts receivable-trade	10,731			106,129		
Allowance for doubtful accounts(*1)	(7)			(76)		
	10,724	10,724	—	106,053	106,053	—
(3) Investment securities	721	721	—	7,134	7,134	—
Total assets	¥ 16,514	¥ 16,514	¥ —	$ 163,321	$ 163,321	$ —
Liabilities						
(1) Notes and accounts payable-trade	953	953	—	9,432	9,432	—
(2) Short-term borrowings	2,250	2,250	—	22,251	22,251	—
(3) Commercial papers	2,000	2,000	—	19,778	19,778	—
(4) Bonds payable(*2)	50	50	—	494	494	—
(5) Long-term debt (*3) (*4)	11,786	11,829	43	116,555	116,984	429
Total liabilities	¥ 17,039	¥ 17,083	¥ 43	$ 168,510	$ 168,939	$ 429
Derivative transactions	¥ —	¥ —	¥ —	$ —	$ —	$ —

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

*2. Bonds payable is the current portion of bonds payable.

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

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

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

Assets

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

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

(3) Investment securities

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

For information on investment securities by holding purpose, please refer to “15. Securities”

Liabilities

(1) Notes and accounts payable-trade

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

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

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

(4) Bonds payable (Current portion of bonds)

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

(5) Long-term debt including current portion of long-term debt

The fair value of long-term debt with fixed interest rates is calculated based on the total amount of principal and interest discounted by the interest rate which would be applied if the debt were refinanced at the year-end. Book value is used as the fair value for long-term debt with floating interest rates, as the fair value of such debt is almost identical to the book value because it reflects the market rate for the short-term period. However, the fair value of certain long-term debt with floating interest rates hedged by interest rate swaps to which the exceptional method is applied is calculated by discounting the total amount of principal and interest that were treated as a single transaction with the interest rate swap using the interest rate that is reasonably estimated to be applicable to similar fixed rate loans debt.

Derivative transactions

For information relating to derivative transactions, please refer to "16. Derivative financial instruments"

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

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Book value in consolidated balance sheet			
Unlisted shares(*)	¥ 645	¥ 550	$ 5,444
Stocks of affiliates(*)	76	104	1,031
Investments in capital of affiliates(*)	45	—	—
Total	¥ 767	¥ 654	$ 6,475

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

Note 3: Redemption schedule for monetary claims and marketable securities with maturities subsequent to September 30, 2016.

	Millions of yen		Thousands of U.S. dollars	
	2017	2018 and thereafter	2017	2018 and thereafter
Cash and deposits	¥ 5,066	¥ —	$ 50,102	$ —
Notes and accounts receivable-trade	10,731	—	106,129	—
	¥ 15,797	¥ —	$ 156,231	$ —

Note 4: Redemption schedule for long-term debt subsequent to September 30, 2016.

Please refer to "14. Short-term borrowings and long-term debt" .

14 Short-term borrowings and long-term debt

(1) Short-term borrowings at September 30, 2015 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Short-term borrowings:			
Weighted average interest rate of 0.48% and 0.35% at September 30, 2015 and 2016, respectively	¥ 3,050	¥ 2,250	$ 22,251

(2) Commercial papers at September 30, 2015 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Commercial papers:			
Weighted average interest rate of 0.24% and 0.08% at September 30, 2015 and 2016, respectively	¥ 3,000	¥ 2,000	$ 19,778

(3) Current portion of bonds payable at September 30, 2015 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Current portion of bonds payable:			
Base interest rate of 6-month JBA Japanese Yen TIBOR	¥ 150	¥ 50	$ 494

(4) Long-term debt at September 30, 2015 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Long-term debt:			
Due 2017 to 2023 with weighted average interest rates of 0.89% and 0.74% at September 30,2015 and 2016, respectively	¥ 11,870	¥ 11,786	$ 116,555
Less:			
Current portion of long-term debt:			
Weighted average interest rates of 1.26% and 1.00% at September 30, 2015 and 2016, respectively	2,869	2,783	27,525
	¥ 9,000	¥ 9,002	$ 89,030

(5) Annual maturities of long-term debt at September 30, 2016 are as follows:

Years ending September 30,	Millions of Yen		Thousands of U.S. dollars	
	2016		2016	
2017	¥	2,783	$	27,525
2018		2,961		29,285
2019		3,278		32,421
2020		962		9,522
2021		921		9,113
2022 and thereafter		878		8,689
	¥	11,786	$	116,555

(6) Lease obligations at September 30, 2015 and 2016 are as follows:

	Millions of yen				Thousands of U.S. dollars	
	2015		2016		2016	
Lease obligations:						
Due 2017 to 2024 with weighted average interest rates of 2.03% and 1.79% at September 30, 2015 and 2016, respectively	¥	626	¥	604	$	5,980
Less:						
Current portion of long-term debt:						
Weighted average interest rates of 2.07% and 1.84% at September 30, 2015 and 2016, respectively		202		200		1,986
	¥	424	¥	403	$	3,994

(7) Annual maturities of Lease obligations at September 30, 2016 are as follows:

Years ending September 30,	Millions of Yen		Thousands of U.S. dollars	
	2016		2016	
2017	¥	200	$	1,986
2018		182		1,809
2019		107		1,059
2020		66		659
2021 and thereafter		47		467
	¥	604	$	5,980

15 Securities

(1) The Companies did not hold any trading securities as of September 30, 2015 and 2016.

(2) The Companies did not hold any held-to-maturity securities as of September 30, 2015 and 2016.

(3) The Companies held shares of other securities as of September 30, 2015 and 2016.

The book value, the acquisition cost and the unrealized gain or loss as of September 30, 2015 and 2016 are as follows:

	Millions of yen						Thousands of U.S. dollars		
	2015			2016			2016		
	Book value	Acquisition cost	Unrealized gain(loss)	Book value	Acquisition cost	Unrealized gain(loss)	Book value	Acquisition cost	Unrealized gain(loss)
Securities with book value exceeding acquisition cost:									
stock	¥124	¥60	¥ 64	¥ 721	¥ 33	¥ 687	$ 7,134	$ 333	$6,802
Securities with book value not exceeding acquisition cost:									
stock	¥ 2	¥ 2	¥ (0)	¥—	¥ —	¥—	$ —	$ —	$—
Total	¥ 127	¥ 62	¥64	¥ 721	¥ 33	¥687	$7,134	$ 333	$6,802

Unlisted shares and unlisted warrants are not included in the above table because they have no market value and it is extremely difficult to estimate their future cash flows or fair value.

Investments in limited partnerships are not included in the above table because assets of the partnership consist of unlisted shares and other assets/investments, for which it is extremely difficult to estimate their fair value.

(4) There was no sale of other securities for the year ended September 30, 2016.The Company had the gain on the sale of ¥ 110 million by selling other securities in ¥141 million for the year ended September 30, 2015.

(5) The amount of impairment loss recognized on the stock in other securities was ¥1 million for the year ended September 30, 2016, and ¥15 million for the year ended September 30, 2015.

If the market value of securities with fair market value other than trading securities declines to less than 50% of the acquisition cost, the difference is recognized as impairment loss, in principle. If the market value drops by between 30 and 50%, the impairment loss is calculated based on the possibility of recovery in market value. If the value of shares with no market value drops by over 50% of the acquisition cost, the amount considered to be impaired is recognized as impairment loss unless the possibility of recovery is demonstrated by sufficient evidence.

16 Derivative financial instruments

(1) The following table summarizes the derivative transactions as of September 30, 2015 and 2016 for which hedge accounting has not been applied:

There was no derivative transaction for which hedge accounting has not been applied on September of 30, 2015 and 2016.

(2) The following table summarizes the derivative transactions as of September 30, 2015 and 2016 for which hedge accounting has been applied:

Interest related:

			Millions of yen		
			2015		
Hedge accounting method	Classification	Hedged item	Contract amount		Fair value
			Total	Due after one year	
Exceptional method for interest rate swaps	Interest rate swap contracts: Pay/fixed and receive/floating	Long-term debt	¥ 3,718	¥ 2,374	(*)

			Millions of yen			Thousands of U. S. dollars		
			2016			2016		
Hedge accounting method	Classification	Hedged item	Contract amount		Fair value	Contract amount		Fair value
			Total	Due after one year		Total	Due after one year	
Exceptional method for interest rate swaps	Interest rate swap contracts: Pay/fixed and receive/floating	Long-term debt	¥ 3,209	¥ 2,210	(*)	$ 31,743	$ 21,862	(*)

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

17 Retirement benefits

The Company and certain of its subsidiaries provide an unfunded lump-sum payment plan under which all eligible employees are entitled to benefits based on the level of salaries at the time of retirement, length of service and certain other factors.
Certain subsidiaries have general type of employee pension plans, defined benefit pension plans and defined contribution pension plans, such as employee pension plans.

1.The required contributions to employees' pension plan fund systems, which are accounted for in the same manner as the defined contribution plan, for the years ended September 30, 2015 and 2016 are ¥27 million and ¥67 million($672 thousand), respectively.

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

(a) Movement in retirement benefit obligation

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Balance at the beginning of the year	¥ 3,141	¥ 4,616	$ 45,654
Service cost	565	651	6,440
Interest cost	42	54	536
Actuarial losses (gains) arising during the year	125	427	4,224
Retirement benefits paid	(197)	(168)	(1,663)
Prior service cost	242	-	-
Transfers regarding a change in calculation from simplified method to principle method	707	-	-
Other	(10)	(17)	(177)
Balance at the end of the year	¥ 4,616	¥ 5,562	$ 55,013

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

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Retirement benefit obligation under the unfunded plans	¥ 4,616	¥ 5,562	$ 55,013
Net defined benefit liability	¥ 4,616	¥ 5,562	$ 55,013

(c) Retirement benefit cost

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Service cost	¥ 565	¥ 651	$ 6,440
Interest cost	42	54	536
Amortization of actuarial losses (gains)	31	125	1,238
Amortization of prior service cost	26	47	466
Other	-	-	-
Total retirement benefit costs	¥ 666	¥ 877	$ 8,679

(d) Remeasurements of defined benefit plans before tax effects

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Prior service cost	¥ 215	¥ (47)	$ (466)
Actuarial loss	93	301	2,986
Total	¥ 308	¥ 254	$ 2,520

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

	Millions of yen				Thousands of U.S. dollars	
	2015		2016		2016	
Unrecognized prior service cost	¥	238	¥	191	$	1,892
Unrecognized actuarial losses (gains)		125		427		4,224
Total	¥	363	¥	618	$	6,116

(f) Actuarial assumptions

The principal actuarial assumption at September 30, 2015 and 2016 are as follows:

	2015	2016
Weighted average discount rate	0.70%~1.30%	0.20%~0.70%

The Company uses the index of salary increases by age at September 30, 2015 and 2016 as the expected rate of future salary increases.

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

(a) Movement in net defined benefit liability

	Millions of yen				Thousands of U.S. dollars	
	2015		2016		2016	
Balance at the beginning of the year	¥	940	¥	639	$	6,323
Retirement benefit cost		311		297		2,941
Retirement benefit paid		(83)		(106)		(1,049)
Contribution to the plans		(27)		(67)		(672)
Transfers regarding a change in calculation from simplified method to principle method		(707)		-		-
Increase resulting from inclusion of subsidiaries in consolidation		197		-		-
Other		6		0		3
Balance at the end of the year	¥	639	¥	762	$	7,545

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

	Millions of yen				Thousands of U.S. dollars	
	2015		2016		2016	
Retirement benefit obligation under the funded plans	¥	58	¥	50	$	501
Plan assets		(11)		(6)		(64)
Retirement benefit obligation under the unfunded plans		592		718		7,108
Net defined benefit liability	¥	639	¥	762	$	7,545

(c) Retirement benefit cost

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Retirement benefit cost	¥ 311	¥ 297	$ 2,941

4. Defined contribution plans

Contributions to the defined contribution pension plans are ¥27 million as of September 30, 2015, and ¥8 million ($ 86thousand) as of September 30, 2016.

18 Income taxes

(1) Income taxes in the consolidated statements of income consist of corporation tax, inhabitant taxes and enterprise tax. The aggregate statutory income tax rate was approximately 35.64% for the year ended September 30, 2015 and 33.06% for the year ended September 30, 2016.

The reconciliation of the difference between the statutory income tax rates and the actual effective income tax rates for the years ended September 30, 2015 and 2016 are as follows:

	2015	2016
Statutory income tax rate	35.64 %	33.06 %
Permanently non-deductible expenses	1.15	1.73
Per capita inhabitants tax	5.42	2.77
Amortization of goodwill	14.09	5.74
Equity in losses of affiliates	8.13	1.38
Change in valuation allowance	67.25	13.13
Effect of enacted change in tax highs and rates	—	(0.32)
Effect of enacted change in tax lows and rates	12.07	—
Statutory tax rate difference between the Company and certain subsidiaries	(1.53)	3.29
Gain on step acquisitions	(0.78)	—
Other	(1.09)	(0.11)
Actual effective income tax rates	140.35 %	60.67 %

(2) Significant components of deferred tax assets and liabilities as of September 30, 2015 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Deferred tax assets:			
Provision for bonuses	¥ 754	¥ 841	$ 8,324
Provision for loss on orders received	134	137	1,358
Allowance for doubtful accounts	—	74	732
Enterprise tax payable	77	83	830
Loss on valuation of inventories	284	183	1,815
Asset retirement obligations	156	127	1,266
Accounts payable-other	1	33	327
Net defined benefit liability	1,797	2,152	21,284
Net operating loss carry-forwards	984	1,044	10,332
Loss on valuation of investment securities	252	239	2,367
Accumulated depreciation	163	114	1,133
Other	171	227	2,254
Total deferred tax assets	4,778	5,260	52,023
Less: Valuation allowance	(1,626)	(1,730)	(17,112)
Net deferred tax assets	3,151	3,530	34,911
Deferred tax liabilities:			
Gain on revaluation of fixed assets	(109)	(96)	(959)
Removal expenses associated with asset retirement obligations	(96)	(86)	(858)
Unrealized gain (loss) on securities	(20)	(201)	(1,994)
Other	(32)	(48)	(488)
Total deferred tax liabilities	(259)	(434)	(4,298)
Net deferred tax assets	¥ 2,892	¥ 3,095	$ 30,612

(3) The Act for Partial Amendment of the Income Tax Act, etc. (Act No. 15 of 2016) and the Act for Partial Amendment of the Local Tax Act, etc. (Act No. 13 of 2016)

The Act for Partial Amendment of the Income Tax Act, etc. (Act No. 15 of 2016) and the Act for Partial Amendment of the Local Tax Act, etc. (Act No. 13 of 2016) were enacted in the Diet session on March 29, 2016. With this revision, corporate tax rates, etc. will be reduced starting from the fiscal year beginning on or after April 1, 2016. In conjunction with this, the statutory tax rate used to calculate deferred tax assets and deferred tax liabilities was changed from the previous rate of 33.06% to 30.86% for temporary differences expected to be reversed in the fiscal year beginning on October 1, 2016 and October 1, 2017, and to 30.62% for temporary differences expected to be realized or settled in the fiscal years beginning on or after October 1, 2018.

The impacts on the consolidated financial statements are insignificant.

19 Business combinations

There was no material Business combinations to be reported as of September 30, 2016.

20 Asset retirement obligations

The asset retirement obligations are mainly the estimated future restoration obligations pursuant to the office rental agreements and expenses for removing asbestos in accordance with the “Ordinance on Prevention of Asbestos Hazards”. The asset retirement obligations are calculated based upon the estimated period of use ranging from 2 to 50 years and discounted by rates ranging from 0.1% to 2.3%.

Asset retirement obligations as of September 30, 2015 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Balance at the beginning of the year	¥ 372	¥ 401	$ 3,968
Liabilities incurred due to the acquisition of property, plant and equipment	263	12	121
Accretion adjustment	4	4	40
Settlement of obligations	(184)	(18)	(184)
Other	(54)	11	111
Balance at the end of the year	¥ 401	¥ 410	$ 4,055

21 Investment and rental property

There was no material investment and rental property to be reported as of September 30, 2015 and 2016 respectively.

22 Segment information

1. General Information about Reportable Segments

Under the unique business model of a Pharmaceutical Value Creator (PVC), which contributes to enhance pharmaceutical companies' value, the Group have five reportable segments, CRO Business, CMO Business, CSO Business, Healthcare Business and IPD Business, which have been classified according to duties domain and the business domain of the service to offer. Individual financial information of each reportable segment is available and the Board of Directors regularly reviews the information to allocate management resources and evaluate performances. The Companies and its affiliates are classified into the following reportable segments.

Segment	Products/Services	CMIC Group Companies (as of September 30, 2016)
CRO Business	Services provided to pharmaceutical companies related to support in drug development ・clinical trials ・nonclinical trials ・analytical chemistry	CMIC HOLDINGS Co., Ltd. CMIC Co., Ltd. CMIC-PMS Co., Ltd. CMIC ShiftZero K.K. CMIC Pharma Science Co., Ltd. (Overseas) CMIC Inc. CMIC Korea Co., Ltd. CMIC ASIA-PACIFIC, PTE. LTD. CMIC ASIA PACIFIC（MALAYSIA） SDN. BHD. CMIC(Beijing) Pharmaceutical Service Co., Ltd. CMIC (Beijing) Co., Ltd.
CMO Business	Services provided to pharmaceutical companies related to : ・manufacturing ethical, investigational and over-the-counter drugs	CMIC CMO Co., Ltd. (Overseas) CMIC CMO Korea Co., Ltd. CMIC CMO USA Corporation
CSO Business	Services provided to pharmaceutical companies related to support for drug sales and marketing (e.g., Contract MR and MR Training) and BPO and staffing service business specializing in pharmaceuticals and healthcare.	CMIC Ashfield Co., Ltd. CMIC BS Co., Ltd.
Healthcare Business	Services for medical institutes, patients and general consumers (e.g., SMO, Healthcare Information services)	Site Support Institute Co., Ltd. Healthclick Co., Ltd. (Overseas) CMIC VIETNAM COMPANY LIMITED
IPD Business	Utilization of intellectual properties i.e. development and marketing of biomarkers and orphan drugs.	CMIC HOLDINGS Co., Ltd. Orphan Pacific, Inc.

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

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

3. Financial information by reportable segment

As of and for the year ended September 30, 2015 (Millions of yen)

	CRO	CMO	CSO	Healthcare	IPD	Total	Adjustment Notes 1 and 3	Consolidated Note 2
Net sales								
External customers	¥27,378	¥13,771	¥8,425	¥5,605	¥723	¥55,904	—	¥55,904
Inter-segment	93	38	450	34	38	656	¥(656)	—
Total	27,471	13,810	8,875	5,640	762	56,560	(656)	55,904
Segment profit (loss)	¥5,092	¥(325)	¥716	¥(1,188)	¥(356)	¥3,938	¥(2,526)	¥1,411
Segment assets	¥21,465	¥22,412	¥3,183	¥4,714	¥865	¥52,641	¥3,219	¥55,861
Others								
Depreciation	653	1,514	35	95	16	2,314	—	2,314
Impairment loss	30	—	—	41	2	74	—	74
Amortization of goodwill	503	—	13	66	—	583	—	583
Increase in fixed assets	822	2,189	7	41	2	3,063	1,355	4,418

Notes: 1. The adjustment amount of ¥2,526 million in segment profit (loss) includes intersegment eliminations and others of ¥14 million and unallocated corporate expenses of ¥2,512 million.

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

3. The adjustment amount of ¥3,219 million in segment assets includes unallocated corporate assets of ¥17,149 million and intersegment elimination and others of ¥13,929 million. Depreciation and amortization included in corporate assets were allocated to each of the reporting segments.

As of and for the year ended September 30, 2016 (Millions of yen)

	CRO	CMO	CSO	Healthcare	IPD	Total	Adjustment Notes 1 and 3	Consolidated Note 2
Net sales								
External customers	¥29,197	¥14,130	¥9,286	¥6,833	¥2,590	¥62,039	—	¥62,039
Inter-segment	132	37	425	61	52	710	¥(710)	—
Total	29,330	14,167	9,712	6,895	2,643	62,749	(710)	62,039
Segment profit (loss)	¥4,689	¥305	¥905	¥172	¥(177)	¥5,895	¥(2,531)	¥3,363
Segment assets	¥22,673	¥24,568	¥3,302	¥5,236	¥3,089	¥58,869	¥235	¥59,104
Others								
Depreciation	827	1,573	44	103	16	2,566	—	2,566
Impairment loss	—	10	—	—	0	11	—	11
Amortization of goodwill	517	—	0	37	—	554	—	554
Increase in fixed assets	1,301	4,090	29	36	—	5,458	153	5,611

As of and for the year ended September 30, 2016 (Thousands of U.S. dollars)

	CRO	CMO	CSO	Healthcare	IPD	Total	Adjustment Notes 1 and 3	Consolidated Note 2
Net sales								
External customers	$288,745	$139,739	$91,834	$67,582	$25,621	$613,521	—	$613,521
Inter-segment	1,311	369	4,213	609	521	7,023	$(7,023)	—
Total	290,056	140,108	96,047	68,191	26,142	620,543	(7,023)	613,521
Segment profit (loss)	$46,376	$3,021	$8,957	$1,703	$(1,758)	$58,298	$(25,036)	$33,262
Segment assets	$224,222	$242,963	$32,656	$51,790	$30,549	$582,179	$2,324	$584,503
Others								
Depreciation	8,185	15,565	439	1,027	167	25,382	—	25,382
Impairment loss	—	106	—	—	4	110	—	110
Amortization of goodwill	5,115	—	0	367	—	5,482	—	5,482
Increase in fixed assets	12,872	40,455	290	360	—	53,977	1,520	55,497

Notes: 1. The adjustment amount of ¥2,531 million ($25,036 thousand) in segment profit (loss) includes intersegment eliminations and others of ¥6 million ($60 thousand) and unallocated corporate expenses of ¥2,537 million ($25,096 thousand).

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

3. The adjustment amount of ¥235 million ($2,324 thousand) in segment assets includes unallocated corporate assets of ¥17,632 million ($174,377 thousand) and intersegment elimination and others of ¥17,397 million ($172,053 thousand). Depreciation and amortization included in corporate assets were allocated to each of the reporting segments.

(Related Information)

1. Information by products and services

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

2. Segment information by geographic areas

(1) Net sales

(Millions of yen)

	Japan	Americas	Others	Total
Net sales	55,349	5,182	1,506	62,039
Percentage of the consolidated net sales	89.2%	8.4%	2.4%	100.0%

(Thousands of U.S. dollars)

	Japan	Americas	Others	Total
Net sales	547,364	51,256	14,901	613,521
Percentage of the consolidated net sales	89.2%	8.4%	2.4%	100.0%

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

3. Information by major customers for the year ended September 30, 2016 is as follows:

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

23 Transactions with related parties

1. Transactions between the Company and related parties for the year ended September 30, 2015 and 2016 are as follows:

Company directors, shareholders (Individual only), etc.

As of and for the year ended September 30, 2015

Type	Name	Location	Capital (Millions of yen)	Type of business	Percentage of voting stock owned by CMIC HOLDINGS Co., Ltd. (owned in CMIC HOLDINGS Co., Ltd.) (%)	Transaction details	Transaction amount (Millions of yen)	Transaction amount (Thousands of U.S. dollars)	Item	Balance at fiscal year－end (Millions of yen)	Balance at fiscal year－end (Thousands of U.S. dollars)
Company in which directors or close relatives hold a majority of the voting stock	Artemis Inc. (Note 2)	Shibuya-ku, Tokyo	¥11	Asset management	33.9	Administrative service Lease of training facilities	¥9 ¥11	$82 $98	Other_Current assets Accounts payable－other	¥1 ¥1	$11 $11
Company in which directors or close relatives hold a majority of the voting stock	Kobuchizawa art village resort & spa Inc. (Note 3)	Hokuto-shi	¥10	Management of the museum and accommodation	—	Use of lodging facility	¥11	$98	Accounts payable－other	¥1	$8

Information on transaction terms and policy for determining the terms

Note 1: Transaction amounts do not include consumption tax.

2. Chairman & CEO of CMIC HOLDINGS Co., Ltd. Kazuo Nakamura, Representative managing director of CMIC HOLDINGS Co., Ltd. Keiko Nakamura and their family directly holds 100% of the voting rights.

3: Chairman & CEO of CMIC HOLDINGS Co., Ltd. Kazuo Nakamura directly holds 100% of the voting rights.

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

As of and for the year ended September 30, 2016

Type	Name	Location	Capital (Millions of yen)	Type of business	Percentage of voting stock owned by CMIC HOLDINGS Co., Ltd. (owned in CMIC HOLDINGS Co., Ltd.) (%)	Transaction details	Transaction amount (Millions of yen)	Transaction amount (Thousands of U.S. dollars)	Item	Balance at fiscal year－end (Millions of yen)	Balance at fiscal year－end (Thousands of U.S. dollars)
Company in which directors or close relatives hold a majority of the voting stock	Artemis Inc. (Note 2)	Shibuya-ku, Tokyo	¥11	Asset management Management of the museum and accommodation	21.4	Administrative service Lease of training facilities	¥27 ¥16	$274 $166	Accounts payable－other	¥6	$64

Information on transaction terms and policy for determining the terms

Note 1: Transaction amounts do not include consumption tax.

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

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

2. Transactions between consolidated subsidiaries of the Company and related parties for the year ended September 30, 2015 and 2016 are as follows:

Company directors, shareholders (Individual only), etc.

As of and for the year ended September 30, 2015

Type	Name	Location	Capital (Millions of yen)	Type of business	Percentage of voting stock owned by CMIC HOLDINGS Co., Ltd. (owned in CMIC HOLDINGS Co., Ltd.) (%)	Transaction details	Transaction amount (Millions of yen)	Transaction amount (Thousands of U.S. dollars)	Item	Balance at fiscal year－end (Millions of yen)	Balance at fiscal year －end (Thousands of U.S. dollars)
Company in which directors or close relatives hold a majority of the voting stock	Kobuchizawa art village resort & spa Inc. (Note 2)	Hokuto-shi	¥10	Management of the museum and accommodation	—	Administrative service, etc.	¥11	$99	Accounts payable－other	¥0	$5

Information on transaction terms and policy for determining the terms

Note 1: Transaction amounts do not include consumption tax.

2: Chairman & CEO of CMIC HOLDINGS Co., Ltd. Kazuo Nakamura directly holds 100% of the voting rights.

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

As of and for the year ended September 30, 2016

No related parties transaction was recorded.

24 Net assets and net income per share

Net assets and net income (loss) per share as of and for the years ended September 30, 2015 and 2016 are as follows:

	Yen		U.S. dollars
	2015	2016	2016
Net assets per share	¥ 1087.84	¥ 1,122.55	$ 11.10
Net income (loss) per share	(29.57)	47.00	0.46

No diluted net income (loss) per share is presented for the years ended September 30, 2015 and 2016 since no potentially dilutive securities were issued.

25 Subsequent event

There was no material Subsequent event to be reported as of September 30, 2016.