CMIC HOLDINGS Co., Ltd.

Consolidated Financial Statements

For the Year ended September 30,2021

Together with Independent

Auditors' Report

Building a better
working world

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

Tel: +81 3 3503 1100
ey.com

Independent Auditor's Report

The Board of Directors
CMIC HOLDINGS Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of CMIC HOLDINGS Co., Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at September 30, 2021, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of non-current assets (Ashikaga plant of CMIC CMO Co., Ltd.)	
Description of Key Audit Matter	Auditor's Response
On September 30, 2021, property, plant and equipment and intangible assets are valued at ¥42,051 million in the consolidated balance sheet, which represented 46% of total assets. CMIC HOLDINGS Co., Ltd. (the Company) recorded property, plant and equipment and intangible assets on Ashikaga Plant of CMIC CMO Co., Ltd. in CDMO business of ¥7,954 million as of September 30, 2021.The amount of the asset group on the new sterile injectable production facility was ¥5,985 million and the asset group excluding the new sterile injectable production facility was ¥1,968 million. (1) An asset group of the new sterile injectable production facility As described in the Note (Significant Accounting Estimates), the Company determined that there was an indication of impairment for the asset group due to continuous operating losses recorded. However, the Company did not recognize an impairment loss as the undiscounted estimated future cash flows generated from the asset group exceeded the book value. The estimated future cash flows generated from the continued use of an asset group are determined based on the business plan approved by the Board of Directors and net realizable value as of period with the remaining economic lives of the major assets was calculated based on the real estate appraisal value. As described in Note (Significant Accounting Estimates), significant assumptions in estimating future cash flows include sales unit price and order volume which serve as the basis of the business plan, as well as the net realizable value.	The audit procedures we performed to assess impairment loss on property, plant and equipment and intangible assets in Ashikaga Plant of CMIC CMO Co., Ltd. include the following, among others: (An asset group of Ashikaga Plant in CMIC CMO Co., Ltd.) • We compared the cash flows projection period with the remaining economic lives of the major assets. • We compared the estimated future cash flows with the business plan approved by the Board of Directors to evaluate consistency. • We compared the Company's business plan for prior years with actual results to evaluate the effectiveness of management's estimation process. • We assessed the significant assumptions in the Company's business plan including sales unit price and order volume which serve as the basis of the business plan, by discussing with the management and compared contract, estimation and order forecast to evaluate consistency. • With the involvement of the valuation specialists of our network firm, we evaluated the acceptability of the assumptions of appraisal value, appraisal method used and judgment process of calculation of appraisal value regarding of the real estate appraisal report.

(2) An asset group excluding for the new sterile injectable production facility As described in the Note (Note 10 Impairment loss on non-current assets), the Company determined that there was an indication of impairment for the asset group due to the decline in profitability caused by changes in the business environment. As the undiscounted estimated future cash flows generated from the asset group is below the book value. the Company reduced the book value to the recoverable amount and recognized an impairment loss of ¥2,102 million. In assessing the amount of impairment loss on non-current assets, the Company measures the recoverable amount of the asset group based on its value in use. The value in use is calculated as the present value of estimated future cash flows. The estimated future cash flows generated from the continued use of an asset group are determined based on the business plan approved by the Board of Directors and net realizable value as of period with the remaining economic lives of the major assets was calculated based on the real estate appraisal value. Significant assumptions in estimating the value in use include sales unit price and order volume which serve as the basis of the business plan, as well as the net realizable value and discount rate. Given that the significant assumptions used to estimate the recoverable amount are subject to uncertainty and require management's judgement, as well as quantitative materiality of property, plant and equipment and intangible assets on this business, we determined impairment loss on non-current assets to be a key audit matter.	(An asset group excluding for the new sterile injectable production facility) • With the involvement of the valuation specialists of our network firm, we evaluated the acceptability the discount rate of the value in use by evaluating the consistency of the inputs used to calculate the discount rates with publicly available data.

Impairment of non-current assets (CMIC CMO USA Corporation)	
Description of Key Audit Matter	Auditor's Response
On September 30, 2021, property, plant and equipment and intangible assets are valued at ¥42,051 million in the consolidated balance sheet, which represented 46% of total assets. As described in the Note (Significant Accounting Estimates), the Company determined that there was an indication of impairment for the asset group related to property, plant and equipment and intangible assets of ¥3,106 million in CMIC CMO USA Corporation due to continuous operating losses recorded. However, the Company did not recognize an impairment loss as the undiscounted future cash flows generated from the asset group exceeded the book value. The estimated future cash flows generated from the continued use of an asset group are determined based on the business plan approved by the Board of Directors. As described in Note (Significant Accounting Estimates), significant assumptions in estimating future cash flows include sales unit price and order volume which serve as the basis of the business plan, as well as the labor costs. Given that the significant assumptions used to estimate future cash flows are subject to uncertainty and require management's judgement, as well as quantitative materiality of property, plant and equipment and intangible assets on this business, we determined impairment loss on non-current assets to be a key audit matter.	The audit procedures we performed to assess impairment loss on property, plant and equipment and intangible assets by involving the component audit teams in the United States included the following, among others: • We compared the cash flows projection period with the remaining economic lives of the major assets. • We compared the estimated future cash flows with the business plan approved by the Board of Directors to evaluate consistency. • We compared the Company's business plan for prior years with actual results to evaluate the effectiveness of management's estimation process. • We assessed the significant assumptions including sales units prices and order volume which serve as the basis of the business plan, by discussing with the management and compared contract and sales forecast with the Company's business plan to evaluate consistency. Also, we compared the outcome of trend analyses based on past performance to labor costs.

EY
Building a better working world

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

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the Corporate Auditor and the Board of Corporate Auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

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

Ernst & Young ShinNihon LLC
Tokyo, Japan

December 15, 2021

/s/ Sayaka Shimura
Sayaka Shimura
Designated Engagement Partner
Certified Public Accountant

/s/ Kaeko Kitamoto
Kaeko Kitamoto
Designated Engagement Partner
Certified Public Accountant

CONSOLIDATED BALANCE SHEET

CMIC HOLDINGS Co., Ltd. and consolidated subsidiaries

As of September 30, 2020 and 2021

ASSETS	Millions of yen 2020		Millions of yen 2021	
Current assets:				
Cash and deposits (Notes 14 and 16)	¥	12,690	¥	**9,381**
Notes and accounts receivable-trade (Note 16)		13,211		**18,065**
Merchandise and finished goods(Note 6)		729		**560**
Work in process(Note 6)		3,985		**4,715**
Raw materials and supplies(Note 6)		3,196		**2,503**
Other		3,696		**3,409**
Allowance for doubtful accounts		(66)		**(59)**
Total current assets		37,443		**38,577**
Non-current assets:				
Property, plant and equipment:				
Buildings and structures		26,009		**26,886**
Machinery, equipment and vehicles		23,558		**24,059**
Tools, furniture and fixtures		6,240		**7,118**
Land		6,425		**6,570**
Leased assets		3,596		**3,792**
Construction in progress		1,496		**3,414**
Less: accumulated depreciation		(27,068)		**(31,752)**
Total property, plant and equipment		40,258		**40,089**
Intangible assets:				
Goodwill		76		**54**
Other		1,645		**1,907**
Total intangible assets		1,721		**1,961**
Investments and other assets:				
Investment securities (Notes 4 , 16 and 18)		3,962		**2,813**
Deferred tax assets (Note 21)		3,912		**5,389**
Lease and guarantee deposits		1,971		**1,974**
Other		814		**998**
Allowance for doubtful accounts		(567)		**(611)**
Total investments and other assets		10,093		**10,564**
Total non-current assets		52,074		**52,615**
Total assets	¥	89,517	¥	**91,192**

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, 2020 and 2021

	Millions of yen	
LIABILITIES AND NET ASSETS	2020	**2021**
Current liabilities:		
Notes and accounts payable-trade (Note 16)	¥ 1,019	¥ **1,034**
Short-term borrowings(Notes 16 and 17)	6,004	**918**
Current portion of long-term debt(Notes 16 and 17)	3,258	**3,652**
Commercial papers (Notes 16 and 17)	3,000	**-**
Accounts payable-other	5,658	**6,495**
Accrued expenses	1,326	**1,484**
Income taxes payable	586	**3,312**
Advances received	1,723	**1,944**
Provision for directors' bonuses	-	**89**
Provision for bonuses	2,413	**3,138**
Provision for loss on orders received	824	**1,307**
Other	3,376	**4,445**
Total current liabilities	29,191	**27,823**
Non-current liabilities:		
Long-term debt(Notes 16 and 17)	10,321	**12,469**
Lease obligations	2,865	**2,689**
Deferred tax liabilities (Note 21)	100	**11**
Net defined benefit liability（Note 20）	9,931	**10,258**
Asset retirement obligations (Note 22)	578	**571**
Long-term unearned revenue	2,259	**2,542**
Other	257	**340**
Total non-current liabilities	26,314	**28,883**
Total liabilities	55,506	**56,706**
NET ASSETS (Note 13)		
Shareholders' equity:		
Capital stock		
Authorized-46,000,000 shares Issued-18,923,569 shares in 2020	3,087	
Authorized-46,000,000 shares Issued-18,923,569 shares in 2021		**3,087**
Capital surplus	6,100	**6,100**
Retained earnings	15,052	**16,600**
Treasury shares, at cost-833,145 shares in 2020 and 833,290 shares in 2021	(1,545)	**(1,546)**
Total shareholders' equity	22,694	**24,242**
Accumulated other comprehensive income（Note 12 and 20）:		
Unrealized gain (loss) on securities	1,336	**642**
Foreign currency translation adjustments	(29)	**(1)**
Remeasurements of defined benefit plans	(373)	**182**
Total accumulated other comprehensive income	933	**822**
Non-controlling interests	10,384	**9,420**
Total net assets	34,011	**34,485**
Total liabilities and net assets	¥ 89,517	¥ **91,192**

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, 2020 and 2021

	Millions of yen	
	2020	**2021**
Net sales	¥ 76,098	¥ **85,788**
Costs and expenses:		
Cost of sales	(61,451)	**(68,061)**
Gross profit	14,646	**17,727**
Selling, general and administrative expenses (Note 7 and 8):	(12,041)	**(12,806)**
Operating income	2,605	**4,920**
Non-operating income (expenses):		
Interest income	4	**2**
Subsidy income	43	**98**
Share of profit of entities accounted for using equity method	394	**20**
Other income	113	**88**
Interest expenses	(123)	**(133)**
Foreign exchange gains (losses)	(121)	**190**
Other expenses	(48)	**(95)**
Total Non-operating income (expenses)	261	**170**
Ordinary income	2,867	**5,091**
Extraordinary income (losses):		
Gain on sales of non-current assets(Note 9)	7	**-**
Gain on sales of investment securities	10	**577**
Gain on sales of shares of subsidiaries and affiliates	30	**19**
Gain on forgiveness of debts	-	**117**
Insurance claim income	54	**-**
Impairment loss(Note 10)	(736)	**(2,102)**
Loss on retirement of non-current assets(Note 11)	(142)	**(107)**
Loss on valuation of investment securities	(26)	**(122)**
Loss on cancellation of system	(108)	**-**
Total extraordinary income (losses)	(910)	**(1,617)**
Profit before income taxes	1,956	**3,474**
Income taxes (Note 21)**:**		
Current	1,118	**3,947**
Deferred	(325)	**(1,550)**
Total income taxes	792	**2,397**
Profit	1,164	**1,077**
Loss attributable to non-controlling interests	(341)	**(946)**
Profit attributable to owners of parent	¥ 1,505	¥ **2,023**

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

CONSOLIDATED STATEMENT OF INCOME (continued)

CMIC HOLDINGS Co., Ltd. and consolidated subsidiaries

Years ended September 30, 2020 and 2021

	2020	**2021**
	Yen	Yen
Amounts per share of common stock:		
Profit attributable to owners of parent(Note 26)	¥ 83.27	¥ **111.85**
Diluted net income	-	**-**
Cash dividends applicable to the year(Note 13)	25.00	**33.50**

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, 2020 and 2021

	Millions of yen	
	2020	**2021**
Profit	¥ 1,164	¥ **1,077**
Other comprehensive income（Note 12 and 20）:		
Unrealized gain (loss) on securities	723	**(694)**
Foreign currency translation adjustments	12	**7**
Remeasurements of defined benefit plans	(288)	**561**
Share of other comprehensive income of entities accounted for using equity method	1	**(1)**
Total other comprehensive income	448	**(127)**
Comprehensive income	¥ 1,613	¥ **949**
Comprehensive income attributable to:		
Owners of the parent	¥ 1,913	¥ **1,913**
Non-controlling interests	(300)	**(963)**

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, 2020 and 2021

	Shares	
	2020	**2021**
Number of shares of common stock:		
Balance at the beginning of the year	18,923,569	**18,923,569**
Balance at the end of the year	18,923,569	**18,923,569**

	Millions of yen	
	2020	**2021**
Capital stock:		
Balance at the beginning of the year	¥ 3,087	**¥ 3,087**
Balance at the end of the year	3,087	**3,087**
Capital surplus:		
Balance at the beginning of the year	6,102	**6,100**
Disposal of treasury shares	(2)	**-**
Balance at the end of the year	6,100	**6,100**
Retained earnings:		
Balance at the beginning of the year	14,121	**15,052**
Profit attributable to owners of parent	1,505	**2,023**
Cash dividends paid - ￥32.00 per share in 2020	(583)	**-**
￥25.00 per share in 2021	-	**(456)**
Change in scope of consolidation	8	**(18)**
Balance at the end of the year	15,052	**16,600**
Treasury stock:		
Balance at the beginning of the year	(1,578)	**(1,545)**
Acquisition of treasury stock	(0)	**(0)**
Disposal of treasury stock	33	**-**
Balance at the end of the year - 833,145 shares in 2020 and 833,290 shares in 2021	(1,545)	**(1,546)**
Total shareholders' equity	¥ 22,694	**¥ 24,242**

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

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS (continued)

CMIC HOLDINGS Co., Ltd. and consolidated subsidiaries
Years ended September 30, 2020 and 2021

	Millions of yen	
	2020	2021
Unrealized gain (loss) on securities:		
Balance at the beginning of the year	¥ 613	¥ **1,336**
Net change in items other than those in shareholders' equity	722	**(694)**
Balance at the end of the year	1,336	**642**
Foreign currency translation adjustments:		
Balance at the beginning of the year	(35)	**(29)**
Net change in items other than those in shareholders' equity	5	**28**
Balance at the end of the year	(29)	**(1)**
Remeasurements of defined benefit plans		
Balance at the beginning of the year	(52)	**(373)**
Net change in items other than those in shareholders' equity	(320)	**555**
Balance at the end of the year	(373)	**182**
Total accumulated other comprehensive income	933	**822**
Non-controlling interests		
Balance at the beginning of the year	10,735	**10,384**
Net change in items other than those in shareholders' equity	(351)	**(963)**
Balance at the end of the year	10,384	**9,420**
Total net assets	¥ 34,011	¥ **34,485**

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, 2020 and 2021

	Millions of yen	
	2020	**2021**
Cash flows from operating activities:		
Profit before income taxes	¥ 1,956	¥ **3,474**
Depreciation	4,529	**5,161**
Impairment loss	736	**2,102**
Amortization of goodwill	159	**21**
Increase (decrease) in allowance for doubtful accounts	(13)	**34**
Interest income and dividends	(4)	**(2)**
Interest expenses	123	**133**
Foreign exchange losses (gains)	10	**(41)**
Share of loss (profit) of entities accounted for using equity method	(394)	**(20)**
Decrease (increase) in notes and accounts receivable – trade	(132)	**(4,795)**
Decrease (increase) in inventories	(610)	**147**
Increase (decrease) in notes and accounts payable – trade	(64)	**3**
Increase (decrease) in provision for bonuses	(261)	**721**
Increase (decrease) in provision for directors' bonuses	—	**89**
Increase (decrease) in net defined benefit liability	740	**1,163**
Increase (decrease) in provision for loss on order received	211	**481**
Loss (gain) on sales of investment securities	(10)	**(577)**
Loss (gain) on valuation of investment securities	26	**122**
Loss (gain) on sales of shares of subsidiaries and affiliates	(30)	**(19)**
Loss (gain) on sales of non-current assets	(7)	—
Loss on retirement of non-current assets	142	**107**
Insurance claim income	(54)	—
Gain on forgiveness of debt	—	**(117)**
Subsidy income	(43)	**(98)**
Loss on cancellation of system	108	—
Increase (decrease) in advances received	477	**215**
Increase (decrease) in accrued expenses	160	**155**
Increase (decrease) in deposits received	155	**398**
Other, net	558	**1,991**
Subtotal	8,468	**10,850**
Interest and dividend income received	21	**47**
Interest expenses paid	(112)	**(141)**
Income taxes paid	(1,716)	**(1,050)**
Proceeds from subsidy income	43	**98**
Net cash provided by (used in) operating activities	¥ 6,703	¥ **9,804**

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

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

CMIC HOLDINGS Co., Ltd. and consolidated subsidiaries
Years ended September 30, 2020 and 2021

		Millions of yen		
		2020		**2021**
Cash flows from investing activities				
Purchase of property, plant and equipment	¥	(7,915)	¥	**(6,527)**
Proceeds from sales of property, plant and equipment		23		**9**
Purchase of investment securities		(3)		**(80)**
Proceeds from sales of investment securities		110		**734**
Purchase of intangible assets		(513)		**(744)**
Payment for investments in subsidiaries		—		**(60)**
Net decrease (increase) in short-term loans receivable		(331)		**1**
Payments for lease and guarantee deposits		(31)		**(54)**
Proceeds from collection of lease and guarantee deposits		57		**55**
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation		67		**—**
Other, net		(5)		**(19)**
Net cash provided by (used in) investing activities		(8,542)		**(6,685)**
Cash flows from financing activities				
Net increase (decrease) in short-term loans payable		2,988		**(5,000)**
Proceeds from long-term loans payable		2,250		**5,800**
Repayments of long-term loans payable		(2,849)		**(3,259)**
Purchase of treasury stock		(0)		**(0)**
Cash dividends paid		(581)		**(456)**
Repayments of lease obligations		(454)		**(431)**
Net increase (decrease) in commercial papers		1,000		**(3,000)**
Other, net		1		**—**
Net cash provided by (used in) financing activities		2,354		**(6,348)**
Effect of exchange rate change on cash and cash equivalents		42		**(82)**
Net increase (decrease) in cash and cash equivalents		557		**(3,310)**
Cash and cash equivalents at beginning of period		12,144		**12,688**
Increase in cash and cash equivalents from newly consolidated subsidiary		—		**1**
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation		(14)		**—**
Cash and cash equivalents at end of period (Note 14)	¥	12,688	¥	**9,379**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CMIC HOLDINGS Co., Ltd. and consolidated subsidiaries

1 Basis of presenting consolidated financial statements

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

2 <u>Significant accounting policies</u>

Consolidation- As of September 30, 2021, the numbers of consolidated subsidiaries and affiliates accounted for by the equity method are 24 and 0 (23 and 2 in 2020). The accompanying consolidated financial statements for the years ended September 30, 2020 and 2021 include the accounts of the Company and its subsidiaries (the “Companies”).

“CMIC ASIA-PACIFIC (VIETNAM) COMPANY LIMITED”, has been included in the scope of consolidation due to its increasing significance during the current fiscal year.

Investments in subsidiaries and affiliates which are not consolidated or accounted for by the equity method are carried at cost or less. The Company has an affiliate as such at September 30, 2020 and 2021.

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

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

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

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

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

The estimated useful lives of depreciable assets are as follows:

Buildings and structures: 2 years to 60 years

Machinery, equipment and vehicles: 2 years to 17 years

Tools, furniture and fixtures: 2 years to 15 years

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

Lease assets- The Companies use the same depreciation method that applies to self-owned fixed assets for finance lease transactions that transfer ownership and use the straight-line method over the lease term with no residual value for finance lease transactions that do not transfer ownership.

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

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

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

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

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

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

Hedge accounting-

(1) Hedge accounting method:

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

(2) Hedging instruments and hedged items:

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

The hedged items are interest on borrowings.

(3) Hedging policy:

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

(4) Methods for evaluating hedge effectiveness:

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

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

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

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

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

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

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

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

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

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

(Significant accounting estimates)

・Impairment loss on non-current assets

(1) Amount recorded in the consolidated financial statements for the years ended September 30, 2021.

The Company determined that there was an indication of impairment for property, plant and equipment (tangible assets) and intangible assets of the asset group related to Ashikaga Plant (the new sterile injectable production facility) of CMIC CMO Co., Ltd. (CMIC CMO) (book value ¥ 5,985 million) and tangible assets and intangible assets of CMIC CMO USA Corporation (CMIC CMO USA) (book value ¥ 3,106 million). However, the Company did not recognize an impairment loss on tangible assets and intangible assets of CMIC CMO and CMIC CMO USA. as the undiscounted estimated future cash flows generated from the asset group exceeded the book value respectively.

(2) Information on significant accounting estimates for the identified items

① Calculation method

The Companies base their assets grouping into the smallest unit (asset group) that generates identifiable cash flows that are largely independent of cash flows from other assets or asset groups and determines whether there is an indication of impairment for each asset group. Whenever there are indications of impairment for an asset or an asset group, the Company determines whether recognition of impairment loss is necessary or not. When the Company determines that an impairment loss should be recognized, the book value is reduced to recoverable amount and an impairment loss is recognized.

The estimated future cash flows generated from the continued use of an asset or asset group are determined based on the business plan approved by the Board of Directors or other organs. In addition, the net realizable value is calculated based on the real estate appraisal value.

② Major assumptions

The major assumptions in estimating future cash flows include sales unit price, order volume, labor costs which serve as the basis of the business plan, and net realizable value of non-current assets.

③ Impact on consolidated financial statements for the next consolidated fiscal year

If major assumptions deviate from the actual results due to fluctuations in future economic trends, the Companies may determine that there are indications of impairment for new assets or asset groups. If the recoverable amount is less than the book value, an impairment loss may occur in the next consolidated fiscal year.

(Accounting Standards Issued but Not Yet Effective)

・The Company and its domestic consolidated subsidiaries

Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, dated March 30, 2020)
Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, dated March 26, 2021)

(1) Overview

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

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

(2) Scheduled date of adoption

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

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

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

Accounting Standard for Fair Value Measurement (ASBJ Statement No.30 issued on July 4, 2019)
Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31 issued on June 17, 2021)
Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9 issued on July 4, 2019)
Accounting Standard for Financial Instruments (ASBJ Statement No. 10 issued on July 4, 2019)
Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19 issued on March 31, 2020)

(1) Overview

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

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

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

(2) Scheduled date of adoption

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

The Company expects to adopt "Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31 revised in 2021)" from the beginning of the fiscal year ending September 30, 2023.

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

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

(Changes in Presentation)

Application of the "Accounting Standard for Disclosure of Accounting Estimates")

The Company applied the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No.31, March 31, 2020) from the years ended September 30, 2021 and disclosed notes on significant accounting estimates.

However, information concerning the years ended September 30, 2020 is not disclosed in accordance with the transitional treatment stipulated in the proviso of Paragraph 11 of the accounting standard.

(Additional information)

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

(1) Overview of the transactions

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

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

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

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

①Book value of the stocks of the Company within the trust for the years ended September 30, 2020 and 2021were ¥184 million and ¥184 million.

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, 2020 and 2021 were 166 thousands shares and 166 thousands shares and the average number of stocks within the trust for the years ended September 30, 2020 and 2021 were 168 thousands shares and 166 thousands shares.

④The number of shares at the year-end and the average number of stocks were included in the treasury stock, which is deducted when calculating amounts per share information.

Accounting estimates relating to the spread of the novel coronavirus (COVID-19)-The Company prepared its accounting estimates based on the assumption that the impact of the spread of COVID-19 on the companies’ business results would be limited as of September 30, 2021.

3 Reduction entry

Reduction entry amounts have been deducted from the acquisition cost of fixed assets by the national subsidies as of September 30, 2020 and 2021 are as follows:

	Millions of yen	
	2020	**2021**
Reduction entry	¥ 113	**¥ 272**
(breakdown)		
Property, plant and equipment		
Buildings and structures	41	**44**
Machinery, equipment and vehicles	59	**199**
Tools, furniture and fixtures	11	**28**

4 Shares of subsidiaries and associates

Shares of subsidiaries and associates as of September 30, 2020 and 2021 are as follows:

	Millions of yen	
	2020	**2021**
Investment securities	¥ 155	**¥ 60**
“Other” investments and other assets	10	**0**
Total	165	**60**
(The investment amount for Jointly Controlled Entities included in the above)	9	**-**

5 Commitment line

In order to efficiently finance business funds, the Company established commitment line contracts with three banks.
Commitment lines as of September 30, 2020 and 2021 are as follows.

	Millions of yen	
	2020	**2021**
Commitment lines	¥ 5,000	**¥ 5,000**
Used portion of Commitment lines	-	**-**
Unused portion of Commitment lines	¥ 5,000	**¥ 5,000**

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

6 Loss on Valuation of Inventories

The ending inventory balance is the amount after write-down of book value due to decline in profitability, and the loss on valuation included in cost of sales (Brackets are the gain on valuation of included in cost of sales) for the years ended September 30, 2020 and 2021, are as follows:

	Millions of yen	
	2020	**2021**
Loss on valuation of inventories	¥ 76	**¥ 489**

7 Selling, General and Administrative Expenses

The main components of “Selling, General and Administrative Expenses” for the years ended September 30, 2020 and 2021, are as follows:

	Millions of yen	
	2020	**2021**
Provision for directors’ bonuses	¥ -	**¥ 89**
Salaries and allowances	4,081	**4,456**
Bonuses and provision for bonuses	756	**1,259**
Retirement benefit expenses	236	**389**
Provision for doubtful accounts	-	**0**

8 Research and development expenses

	Millions of yen	
	2020	**2021**
Research and development expenses	¥ 478	**¥ 422**

9 Gain on sales of non-current assets

Gain on sale of non-current assets for the years ended September 30, 2020 and 2021, are as follows:

	Millions of yen	
	2020	**2021**
Buildings and structures	¥ 0	**¥ -**
Machinery, equipment and vehicles	0	**-**
Tools, furniture and fixtures	7	**-**
Total	¥ 7	**¥ -**

10 Impairment loss on non-current assets

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

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

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

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

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

Impairment loss on non-current assets for the year ended September 30, 2021, is as follows:

Company Name	Use	Location	Classification	Millions of yen	
				2021	
CMIC CMO Co., Ltd.	CDMO Business facilities	Ashikaga, Tochigi, Japan	Buildings and structures, Machinery, equipment and vehicles, Tools, furniture and fixtures,	**¥**	**2,102**

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

During the fiscal year, CMIC CMO Co., Ltd. have embarked on a drastic improvement plan aimed at establishing the future stable manufacturing , due to a drop in the production volume of our mainstay products and the deterioration of facilities on the non-current assets of the Ashikaga Plant(excluding the new sterile injectable production facility) . As a result, the book value of Ashikaga Plant (excluding the new sterile injectable production facility) has been reduced to the recoverable amount and the difference has been recognized as impairment loss on non-current assets.

The recoverable amount is measured based on the value in use. The value in use is calculated based on the estimated future cash flows generated from the continued use of the asset group based on the business plan approved by the Board of Directors, and the net realized value as of period with the remaining economic lives of the major assets based on the real estate appraisal value. The discount rate of the future cash flows is 5.69%.

11 Loss on retirement of non-current assets

Loss on retirement of non-current assets for the years ended September 30, 2020 and 2021, are as follows:

	Millions of yen			
	2020		**2021**	
Buildings and structures	¥	107	**¥**	**46**
Machinery, equipment and vehicles		24		**33**
Tools, furniture and fixtures		7		**6**
Leased assets		0		**-**
Other		2		**20**
Total	¥	142	**¥**	**107**

12 Other comprehensive income

The components of other comprehensive income including reclassification adjustments and tax effects income for the years ended September 30, 2020 and 2021, are as follows:

	Millions of yen			
	2020		**2021**	
Unrealized gain (loss) on securities:				
Amount arising during the year	¥	1,052	**¥**	**(434)**
Reclassification adjustments		(10)		**(567)**
Amount before tax effect		1,042		**(1,001)**
Tax effects		(319)		**306**
Sub-total, net of tax		723		**(694)**
Foreign currency translation adjustments:				
Amount arising during the year		12		**7**
Remeasurements of defined benefit plans:				
Amount arising during the year		(552)		**271**
Reclassification adjustments		81		**572**
Amount before tax effect		(470)		**843**
Tax effects		182		**(281)**
Sub-total, net of tax		(288)		**561**
Share of other comprehensive income of entities accounted for using equity method				
Amount arising during the year		1		**(1)**
Total other comprehensive income	¥	448	**¥**	**(127)**

13 Net assets

Information regarding changes in net assets for the years ended September 30, 2020 and 2021, are as follows:

1. Shares issued and outstanding / Treasury stock

For the year ended September 30, 2020

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

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

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

2. Details of the decrease are as follows:

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

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

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

Number of shares at October 1, 2019	171,000
Number of shares at September 30, 2020	166,000

For the year ended September 30, 2021

Type of Shares	Number of shares at October 1, 2020	Increase	Decrease	Number of shares at September 30, 2021
Shares issued:				
Common Stock	18,923,569	-	-	18,923,569
Treasury stock				
Common Stock (Notes 1 and 2)	833,145	145	-	833,290

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

Increase due to purchase of shares of less than one unit	145

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

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

Number of shares at October 1, 2020	166,000
Number of shares at September 30, 2021	166,000

2. Dividends

(1) Dividends paid

For the year ended September 30, 2020

Resolution	Type of shares	Total dividends (millions of yen)	Dividends per share (yen)	Cut-off date	Effective date
Meeting of the Board of Directors on November 13, 2019	Common stock	*1 492	27.00	September 30, 2019	November 29, 2019
Meeting of the Board of Directors on May 1, 2020	Common stock	*2 91	5.00	March 31, 2020	June 15, 2020

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

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

For the year ended September 30, 2021

Resolution	Type of shares	Total dividends (millions of yen)	Dividends per share (yen)	Cut-off date	Effective date
Meeting of the Board of Directors on November 16, 2020	Common stock	*1 365	20.00	September 30, 2020	December 2, 2020
Meeting of the Board of Directors on April 28, 2021	Common stock	*2 91	5.00	March 31, 2021	June 15, 2021

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

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

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

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

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

Dividends with the cut-off date in the year ended September 30, 2021 and the effective date in the year ending September 30, 2022

Resolution	Type of shares	Total dividends (millions of yen)	Source of dividends	Dividends per share (yen)	Cut-off date	Effective date
Meeting of the Board of Directors on November 15, 2021	Common stock	* 520	Retained earnings	28.50	September 30, 2021	December 1, 2021

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

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

14 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, 2020 and 2021 are as follows:

	Millions of yen	
	2020	**2021**
Cash and deposits	¥ 12,690	**¥ 9,381**
Less:		
Time deposits over three months	(1)	**(1)**
Cash and cash equivalents	¥ 12,688	**¥ 9,379**

15 Leases

Lessees' accounting

1-1. Finance lease transactions that transfer ownership

(1) Details of leased assets

Property, plant and equipment

Warehouse equipment

(2) Depreciation method for leased assets

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

1-2. Finance lease transactions that do not transfer ownership

(1) Details of leased assets

① Property, plant and equipment

Mainly manufacturing plant, test & measurement instrument and production facility

② Intangible assets

Software

(2) Depreciation method for leased assets

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

Overseas subsidiaries that adopt IFRS or US GAAP have applied IFRS No. 16 "Leases" or US - GAAP ASU2016-02 "Leases"

Details of "leased assets" recorded as assets and depreciation method for "leased assets" are described in 1-2(1) and (2) above.

2. Operating leases

Obligations for future minimum payment under non-cancelable operating leases as of September 30, 2020 and 2021, are as follows:

	Millions of yen	
	2020	**2021**
Due within one year	¥ 1,258	**¥ 383**
Due after one year	1,154	**736**
Total	¥ 2,413	**¥ 1,119**

16 Financial instruments

1. Overall status of financial instruments

(1) Policy for financial instruments

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

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

(2) Type and risk of financial instruments

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

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

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

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

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

(3) Risk management

① Credit risk

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

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

② Market risk

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

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

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

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

③ Liquidity risk in funding

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

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

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

2. Fair value of financial instruments

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

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

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

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

The book value, fair value and the difference as of September 30, 2021, are as follows:

	Millions of yen		
	Book value	Fair value	Difference
Assets			
(1) Cash and deposits	¥ 9,381	¥ 9,381	¥ -
(2) Notes and accounts receivable-trade	18,065		
Allowance for doubtful accounts (*1)	(2)		
	18,062	18,062	-
(3) Investment securities	995	995	-
Total assets	¥ 28,439	¥ 28,439	¥ -
Liabilities			
(1) Notes and accounts payable-trade	1,034	1,034	-
(2) Short-term borrowings	918	918	-
(3) Commercial papers	-	-	-
(4) Long-term debt (*2)	16,121	16,123	2
Total liabilities	¥ 18,074	¥ 18,076	¥ 2

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

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

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

Assets

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

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

(3) Investment securities

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

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

Liabilities

(1) Notes and accounts payable-trade

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

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

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

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

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

Derivative transactions

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

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

	Millions of yen			
	2020		**2021**	
Book value in consolidated balance sheet				
Unlisted shares (*)	¥	1,718	**¥**	**1,758**
Stocks of shares of subsidiaries and affiliates (*)		155		**60**
Total	¥	1,873	**¥**	**1,818**

* Unlisted shares and stocks of shares of subsidiaries and 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, 2020.

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

Note 4: Redemption schedule for monetary claims and marketable securities with maturities subsequent to September 30, 2021.

	Millions of yen			
	2022		2023 and thereafter	
Cash and deposits	**¥**	**9,378**	**¥**	**-**
Notes and accounts receivable-trade		**18,065**		**-**
	¥	**27,444**	**¥**	**-**

Note 5: Redemption schedule for long-term debt subsequent to September 30, 2021.
Please refer to “17. Short-term borrowings and long-term debt”.

17 Short-term borrowings and long-term debt

(1) Short-term borrowings at September 30, 2020 and 2021, are as follows:

	Millions of yen	
	2020	**2021**
Short-term borrowings:		
Weighted average interest rate of 0.38% and 0.26% at September 30, 2020 and 2021, respectively	¥ 6,004	**¥ 918**

(2) Commercial papers at September 30, 2020 and 2021, are as follows:

	Millions of yen	
	2020	**2021**
Commercial papers:		
Weighted average interest rate of 0.11% and 0.00% at September 30, 2020 and 2021, respectively	¥ 3,000	**¥ -**

(3) Long-term debt at September 30, 2020 and 2021, are as follows:

	Millions of yen	
	2020	**2021**
Long-term debt:		
Due 2022 to 2031 with weighted average interest rates of 0.60% and 0.73% at September 30,2019 and 2020, respectively	¥ 13,579	**¥ 16,121**
Less:		
Current portion of long-term debt:		
Weighted average interest rates of 0.66% and 0.68% at September 30, 2020 and 2021, respectively	3,258	**3,652**
	¥ 10,321	**¥ 12,469**

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

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

(5) Annual maturities of long-term debt at September 30, 2021, are as follows:

Years ending September 30,	Millions of Yen
	2021
2022	¥ **3,652**
2023	**3,260**
2024	**3,064**
2025	**2,157**
2026	**1,597**
2027 and thereafter	**2,389**
	¥ **16,121**

(6) Lease obligations at September 30, 2020 and 2021, are as follows:

	Millions of yen	
	2020	**2021**
Lease obligations:		
Due 2022 to 2031 with weighted average interest rates of 1.79% and 1.67% at September 30, 2020 and 2021, respectively	¥ 3,253	¥ **3,077**
Less:		
Current portion of long-term debt:		
Weighted average interest rates of 2.16% and 2.08% at September 30, 2020 and 2021, respectively	387	**387**
	¥ 2,865	¥ **2,689**

(7) Annual maturities of lease obligations at September 30, 2021, are as follows:

Years ending September 30,	Millions of Yen
	2021
2022	¥ **387**
2023	**392**
2024	**375**
2025	**333**
2026	**226**
2027 and thereafter	**1,360**
	¥ **3,077**

18 Securities

(1) The Companies did not hold any trading securities as of September 30, 2020 and 2021.
(2) The Companies did not hold any held-to-maturity securities as of September 30, 2020 and 2021.
(3) The Companies held shares of other securities as of September 30, 2020 and 2021.
The book value, the acquisition cost and the unrealized gain or loss as of September 30, 2020 and 2021, are as follows:

	Millions of yen							
	2020				**2021**			
		Book value	Acquisition cost	Unrealized gain(loss)		Book value	Acquisition cost	Unrealized gain(loss)
Securities with book value exceeding acquisition cost:								
Stock	¥	2,089	36	2,053	**¥**	**989**	**24**	**965**
Securities with book value not exceeding acquisition cost:								
Stock		-	-	-		**5**	**6**	**(1)**
Total	¥	2,089	36	2,053	**¥**	**995**	**30**	**964**

Unlisted shares are not included in the above table because they have no market value and it is extremely difficult to estimate their future cash flows or fair value. Their book values are ¥ 1,718 million and ¥ 1,758 million as of September 30, 2020 and 2021, respectively.

(4) The Company had the gain on the sale of ¥ 10 million by selling other securities in ¥110 million for the year ended September 30, 2020.
The Company had the gain on the sale of ¥ 577 million by selling other securities in ¥588 million for the year ended September 30, 2021.
(5) The amount of impairment loss recognized on the stock in other securities was ¥26 million and ¥ 122 million for the year ended September 30, 2020 and 2021, respectively.
If the market value of securities with fair market value other than trading securities declines to less than 50% of the acquisition cost, the difference is recognized as impairment loss, in principle. If the market value drops by between 30% and 50%, the impairment loss is calculated based on the possibility of recovery in market value. If the value of shares which does not have market value drops by over 50% of the acquisition cost, the amount considered to be impaired is recognized as impairment loss unless the possibility of recovery is demonstrated by sufficient evidence.

19 Derivative financial instruments

(1) The following table summarizes the derivative transactions as of September 30, 2020 and 2021, for which hedge accounting has not been applied:
There was no derivative transaction for which hedge accounting has not been applied on September 30, 2020 and 2021.

(2) The following table summarizes the derivative transactions as of September 30, 2020 and 2021, for which hedge accounting has been applied:

Interest related:

			Millions of yen					
			2020			2021		
			Contract amount			Contract amount		
Hedge accounting method	Classification	Hedged item	Total	Due after one year	Fair value	Total	Due after one year	Fair value
Exceptional method for interest rate swaps	Interest rate swap contracts: Pay/fixed and receive/floating	Long-term debt	¥ 814	357	(*)	**¥ 357**	**64**	**(*)**

* 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.

20 Retirement benefits

1. Overview of the retirement benefit plan adopted
The Company and certain of its subsidiaries provide an unfunded lump-sum payment plan under which all eligible employees are entitled to benefits based on the level of salaries at the time of retirement, length of service and certain other factors.
Two of the consolidated subsidiaries have defined contribution pension plan. Another has a risk sharing pension plan. Another has an unfunded lump-sum payment plan and a defined benefit pension plan. In the risk sharing pension plan, contributions by the “Companies” to the pension fund are defined in advance in the constitution for the pension plan, and the risk of asset management of the pension is shared between the “Companies” and their employees by increase or decrease of the amount of benefits paid to the employees according to the financial status of the corporate pension fund.

2. Defined benefit plans (except the plans to which the simplified method has been applied)
(1) Movement in retirement benefit obligation

	Millions of yen			
	2020		**2021**	
Balance at the beginning of the year	¥	8,501	**¥**	**9,684**
Service cost		951		**1,028**
Interest cost		24		**26**
Actuarial losses (gains) arising during the year		552		**(175)**
Retirement benefits paid		(344)		**(463)**
Prior service cost		-		**(161)**
Transfers regarding changes in calculation from simplified method to principle method		-		**66**
Effect of changes in calculation from simplified method to principle method		-		**46**
Other		(1)		**(16)**
Balance at the end of the year	¥	9,684	**¥**	**10,037**

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

	Millions of yen			
	2020		**2021**	
Retirement benefit obligation under the unfunded plans	¥	9,684	**¥**	**10,037**
Net defined benefit liability	¥	9,684	**¥**	**10,037**

(3) Retirement benefit cost

	Millions of yen			
	2020		**2021**	
Service cost	¥	951	**¥**	**1,028**
Interest cost		24		**26**
Amortization of actuarial losses (gains)		40		**506**
Amortization of prior service cost		40		**0**
Effect of changes in calculation from simplified method to principle method		-		**46**
Total retirement benefit costs	¥	1,056	**¥**	**1,609**

(4) Remeasurements of defined benefit plans before tax effects

	Millions of yen			
	2020		**2021**	
Prior service cost	¥	(40)	**¥**	**(161)**
Actuarial loss		511		**(682)**
Total	¥	470	**¥**	**(843)**

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

	Millions of yen			
	2020		**2021**	
Unrecognized prior service cost	¥	20	**¥**	**(141)**
Unrecognized actuarial losses (gains)		552		**(130)**
Total	¥	572	**¥**	**(271)**

(6) Actuarial assumptions

The principal actuarial assumption at September 30, 2020 and 2021 are as follows:

	2020	**2021**
Weighted average discount rate	0.20%~0.70%	**0.20%~0.70%**

The Company uses the index of salary increases by age at September 30, 2020 and 2021, as the expected rate of future salary increases.

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

(1) Movement in net defined benefit liability

	Millions of yen			
	2020		**2021**	
Balance at the beginning of the year	¥	219	**¥**	**247**
Retirement benefit cost		80		**83**
Retirement benefit paid		(56)		**(64)**
Transfers regarding changes in calculation from simplified method to principle method		-		**(66)**
Other		4		**20**
Balance at the end of the year	¥	247	**¥**	**220**

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

	Millions of yen			
	2020		**2021**	
Retirement benefit obligation under the funded plans	¥	69	**¥**	**88**
Plan assets		(5)		**(4)**
Retirement benefit obligation under the unfunded plans		184		**137**
Net defined benefit liability	¥	247	**¥**	**220**

(3) Retirement benefit cost

	Millions of yen			
	2020		**2021**	
Retirement benefit cost	¥	80	**¥**	**83**

4. Defined contribution plans

Contribution obligations to the defined contribution pension plans are ¥119 million as of September 30, 2020, and ¥130 million as of September 30, 2021.

The total amount of future contribution in preparation for the shared risk of asset management after the next fiscal year is ¥146 million and the remaining years for the payment are 16 years and 11 months.

The accumulated amount of contribution payable for the employees’ past services at the time of transition is ¥144 million , and is recognized as accounts payable-other (current liabilities) and other long-term liabilities (non-current liabilities) as of September 30, 2021.

21 Income taxes

(1) Income taxes in the consolidated statements of income consist of corporation tax, inhabitant taxes and enterprise tax. The aggregate statutory income tax rate was approximately 30.62% for the year ended September 30, 2020 and 2021 respectively.
The reconciliation of the difference between the statutory income tax rates and the actual effective income tax rates for the years ended September 30, 2020 and 2021 is as follows:

	2020	**2021**
Statutory income tax rate	30.62 %	**30.62 %**
Permanently non-deductible expenses	0.55	**0.55**
Per capita inhabitants tax	4.00	**2.29**
Amortization of goodwill	2.55	**0.22**
Equity in losses of affiliates	(10.85)	**0.29**
Change in valuation allowance	(0.73)	**26.51**
Statutory tax rate difference between the Company and certain subsidiaries	16.46	**7.81**
Other	(2.11)	**0.71**
Actual effective income tax rates	40.49 %	**69.00 %**

(2) Significant components of deferred tax assets and liabilities as of September 30, 2020 and 2021, are as follows:

	Millions of yen	
	2020	**2021**
Deferred tax assets:		
Provision for bonuses	¥ 939	**¥ 1,265**
Provision for loss on orders received	279	**444**
Allowance for doubtful accounts	149	**160**
Enterprise tax payable	89	**259**
Loss on valuation of inventories	222	**358**
Asset retirement obligations	152	**149**
Accounts payable-other	49	**139**
Long-term accounts payable-other	68	**114**
Net defined benefit liability	3,324	**3,389**
Net operating loss carry-forwards*2	1,216	**1,066**
Loss on valuation of investment securities	87	**108**
Accumulated depreciation	219	**934**
Long-term unearned revenue	773	**871**
Other	343	**395**
Total deferred tax assets	7,917	**9,657**
Valuation allowance for net operating loss carry-forwards*2	(1,183)	**(1,066)**
Valuation allowance for total deductible temporary differences*1	(1,408)	**(2,281)**
Total Valuation allowance	(2,591)	**(3,347)**
Net deferred tax assets	5,325	**6,310**
Deferred tax liabilities:		
Gain on revaluation of fixed assets	(79)	**(79)**
Removal expenses associated with asset retirement obligations	(84)	**(73)**
Unrealized gain (loss) on securities	(619)	**(270)**
Liability adjustment account	(692)	**(477)**
Other	(37)	**(32)**
Total deferred tax liabilities	(1,513)	**(932)**
Net deferred tax assets	¥ 3,812	**¥ 5,377**

*1 For the year ended September 30, 2021, the valuation allowance increased by ¥756 million. This is mainly due to increase valuation allowance for impairment loss of Ashikaga Plant , CMIC CMO Co., Ltd. by ¥641 million.

*2 A breakdown of net operating loss carry-forwards and valuation allowance by expiry date as of September 30, 2020 and 2021, are as follows:

As of the year ended September 30, 2020

(Millions of yen)

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

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

(b) Deferred Tax Assets of ¥32 million have been recorded regarding to the operating loss carryforward of ¥1,216 million (amount multiplied by effective statutory tax rate).
The primary factor of this amount is net operating loss carry-forwards of one of subsidiaries.
Valuation allowance has not been recognized only if net operating loss carry-forwards was estimated to reduce future taxable income.

As of the year ended September 30, 2021

(Millions of yen)

	Within 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years	Total
Operating loss carry-forward(a)	**-**	**89**	**182**	**131**	**162**	**500**	**1,066**
Valuation allowance	**-**	**(89)**	**(182)**	**(131)**	**(162)**	**(500)**	**(1,066)**
Deferred tax assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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

22 Asset retirement obligations

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

Movement of asset retirement obligations for the year ended September 30, 2020 and 2021, are as follows:

	Millions of yen			
		2020		**2021**
Balance at the beginning of the year	¥	495	**¥**	**585**
Liabilities incurred due to the acquisition of property, plant and equipment		101		**-**
Accretion adjustment		4		**4**
Settlement of obligations		(16)		**(17)**
Other		0		**4**
Balance at the end of the year	¥	585	**¥**	**577**

23 Investment and rental property

There is no material investment and rental property to be reported as of September 30, 2020 and 2021 respectively.

24 Segment information

1. General Information about Reportable Segments

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

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

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

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

Segment	Products/Services	CMIC Group Companies (as of September 30, 2021)
CRO Business	Services related to pharmaceutical development support, and analytical chemistry services	CMIC HOLDINGS Co., Ltd. CMIC Co., Ltd. CMIC ShiftZero K.K. CMIC Korea Co., Ltd. CMIC ASIA-PACIFIC, PTE. LTD. CMIC ASIA PACIFIC (MALAYSIA) SDN. BHD. CMIC Asia-Pacific (Hong Kong) Limited CMIC Asia-Pacific (PHILIPPINES) , INC. CMIC ASIA-PACIFIC (AUSTRALIA) PTY LTD CMIC ASIA-PACIFIC (THAILAND) LIMITED CMIC ASIA-PACIFIC (VIETNAM) COMPANY LIMITED CMIC (Beijing) Co., Ltd. CMIC DATA SCIENCE VIETNAM COMPANY LIMITED CMIC Pharma Science Co., Ltd. CMIC, INC.
CDMO Business	Services related to drug formulation development and manufacturing support, from formulation design to investigational new drug manufacturing to commercial production of ethical drugs and nonprescription drugs for pharmaceutical companies	CMIC CMO Co., Ltd. CMIC CMO NISHINE Co., Ltd. CMIC CMO Korea Co., Ltd. CMIC CMO USA Corporation CMIC BIO Co., Ltd.
CSO Business	Services provided to pharmaceutical companies related to sales & marketing support	CMIC Ashfield Co., Ltd.
Healthcare Business	SMO services, healthcare services related to treating, maintaining, and promoting the health for medical institutions, patients and consumer, and services related to BPO and human resources	CMIC HOLDINGS Co., Ltd. CMIC Healthcare Institute Co., Ltd. CMIC Solutions Co., Ltd. CMIC Well Co., Ltd.
IPM Business	Provision of new business solution to pharmaceutical companies that combines the system to support all value chains and manufacturing authorization and other licenses (intellectual properties) held by CMIC Group	CMIC HOLDINGS Co., Ltd. CMIC CMO Co., Ltd. OrphanPacific, Inc.

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

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

3. Financial information by reportable segment

For the year ended September 30, 2020

(Millions of yen)

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

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

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

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

For the year ended September 30, 2021

(Millions of yen)

	CRO	CDMO	CSO	Healthcare	IPM	Total	Adjustment Notes 1 and 3	Consolidated Note 2
Net sales								
External customers	¥ 34,602	¥ 21,087	¥ 8,977	¥ 17,456	¥ 3,664	¥ 85,788	¥ -	¥ 85,788
Inter-segment	351	108	0	420	18	899	(899)	-
Total	34,954	21,196	8,977	17,876	3,683	86,688	(899)	85,788
Segment profit (loss)	4,364	(153)	890	3,590	(19)	8,672	(3,751)	4,920
Segment assets	35,269	44,899	3,393	13,362	2,793	99,718	(8,525)	91,192
Others								
Depreciation	¥ 1,122	¥ 3,849	¥ 30	¥ 113	¥ 45	¥ 5,161	¥ -	¥ 5,161
Amortization of goodwill	-	-	-	21	-	21	-	21
Increase in fixed assets	645	5,732	4	333	-	6,715	254	6,969

Notes: 1. The adjustment amount of ¥(3,751) million in segment profit (loss) includes intersegment eliminations and others of ¥(8) million and unallocated corporate expenses of ¥(3,743) million.

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

3. The adjustment amount of ¥(8,525) million in segment assets includes unallocated corporate assets of ¥18,375 million and intersegment elimination and others of ¥(26,900) million. Depreciation and amortization included in corporate assets were allocated to each of the reporting segments.

(Related Information)

1. Information by products and services

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

2. Segment information by geographic areas

   (1) Net sales

   For the year ended September 30, 2020

(Millions of yen)

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

For the year ended September 30, 2021

(Millions of yen)

	Japan	North America	Others	Total
Net sales	**¥ 76,164**	**¥ 5,392**	**¥ 4,232**	**¥ 85,788**
Percentage of the consolidated net sales	**88.8%**	**6.3%**	**4.9%**	**100.0%**

   (2) Tangible fixed assets

   For the year ended September 30, 2020

   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.

   For the year ended September 30, 2021

(Millions of yen)

Japan	North America	Others	Total
¥ 35,912	**¥ 3,737**	**¥ 439**	**¥ 40,089**

3. Information by major customers

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

(Information about impairment loss for non-current assets)

For the year ended September 30, 2020

(Millions of yen)

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

For the year ended September 30, 2021

(Millions of yen)

	CRO	CDMO	CSO	Healthcare	IPM	Total	Adjustment	Consolidated
Impairment loss	**¥ -**	**¥ 2,102**	**¥ -**	**¥ -**	**¥ -**	**¥ 2,102**	**¥ -**	**¥ 2,102**

(Information about amortization of goodwill and unamortized balance)

For the year ended September 30, 2020

(Millions of yen)

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

For the year ended September 30, 2021

(Millions of yen)

	CRO	CDMO	CSO	Healthcare	IPM	Total	Adjustment	Consolidated
Amortization of goodwill	**¥ -**	**¥ -**	**¥ -**	**¥ 21**	**¥ -**	**¥ 21**	**¥ -**	**¥ 21**
Unamortized balance	**-**	**-**	**-**	**54**	**-**	**54**	**-**	**54**

(Information about amount of gain on negative goodwill)

For the year ended September 30, 2020

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

For the year ended September 30, 2021

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

25 Transactions with related parties

1. Transactions between the Company and related parties for the years ended September 30, 2020 and 2021, are as follows:

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

As of and for the year ended September 30, 2020

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

Note 1. Transaction amounts do not include consumption tax.

2. Chairman & CEO of CMIC HOLDINGS Co., Ltd. Kazuo Nakamura, President & COO of CMIC HOLDINGS Co., Ltd. Keiko Oishi and their family indirectly holds 100% of the voting rights.
3. Information on transaction terms and policy for determining the terms
Transactions with related parties are based on consideration of normal transaction conditions and market prices.

As of and for the year ended September 30, 2021

Type	Name	Location	Capital (Millions of yen)	Type of business	Percentage of voting stock owned by CMIC HOLDINGS Co., Ltd. (owned in CMIC HOLDINGS Co., Ltd.) (%)	Transaction details	Transaction amount (Millions of yen)	Item	Balance at fiscal year-end (Millions of yen)
Company in which directors or close relatives hold a majority of the voting stock	Artemis Inc. (Note 2)	Shibuya-ku,Tokyo	¥11	Asset management Management of the museum and accommodation	(22.0) owned, directly	Land purchase Administrative service Rent of accommodation facilities for training	¥100 ¥42 ¥31	Accounts receivable - other Accounts payable-other	¥1 ¥7

Note 1. Transaction amounts do not include consumption tax.

2. Chairman & CEO of CMIC HOLDINGS Co., Ltd. Kazuo Nakamura, President & COO of CMIC HOLDINGS Co., Ltd. Keiko Oishi and their family indirectly holds 100% of the voting rights.
3. Information on transaction terms and policy for determining the terms
Transactions with related parties are based on consideration of normal transaction conditions and market prices.
We determine the purchase price of land by referring to the appraisal of a real estate appraiser.

(2) Unconsolidated subsidiary companies and affiliated companies

As of and for the year ended September 30, 2020

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

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

2. Information on transaction terms and policy for determining the terms
In the current consolidated fiscal year, the Board of Directors of CMIC HOLDINGS Co., Ltd. resolved to waive the loan to CMIC JSR Biologics Co., Ltd. of 323 million yen.

As of and for the year ended September 30, 2021
There is no applicable matter.

2. Transactions between consolidated subsidiaries of the Company and related parties for the years ended September 30, 2020 and 2021, are as follows:

Company directors, shareholders (Individual only), etc.

As of and for the year ended September 30,2020
There is no applicable matter.

As of and for the year ended September 30, 2021
There is no applicable matter.

26 Amounts per share

Net assets and profit attributable to owners of parent per share as of and for the years ended September 30, 2020 and 2021, are as follows:

	Yen			
		2020		**2021**
Net assets per share	¥	1,306.08	**¥**	**1,385.55**
Profit attributable to owners of parent per share (Note)		83.27		**111.85**

Diluted profit attributable to owners of parent per share for the years ended September 30, 2020 and 2021 is not presented, since no potential shares that could have had a dilutive effect exist.

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

	Millions of yen			
		2020		**2021**
Profit attributable to owners of parent	¥	1,505	**¥**	**2,023**
Amount not attributable to common shareholders		-		**-**
Profit attributable to owners of parent of common stock	¥	1,505	**¥**	**2,023**
Weighted average number of shares outstanding (thousands of shares)		18,084		**18,090**

27 Subsequent event

Change of reportable segment
At the board of directors meeting held on November 5, 2021, the company has decided to change to two segments of "Pharmaceutical Solutions" and "Healthcare Solutions" from the year ending September 30, 2022. The group's reportable segments will be "Pharmaceutical Solutions" which develops the original business model, PVC (Pharmaceutical Value Creator), that contributes to increasing the added value of pharmaceutical companies, and "Healthcare Solutions" which contributes to personal health through medical institutions and local governments.
Sales, profits, or losses, assets and other items for each reportable segment for the years ended September 30, 2021 according to the changed reportable segment classification is currently being calculated.