

CMIC HOLDINGS Co., Ltd.

Consolidated Financial Statements
For the Year ended September 30,2023
Together with Independent
Auditors' Report



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, 2023, 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, 2023, 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 of CMIC Bio Co., Ltd. and harmo Co.,Ltd	
Description of Key Audit Matter	Auditor's Response
<p>As at September 30, 2023, the Group recorded property, plant and equipment and intangible assets of ¥8,189 million and ¥1,579 million, respectively, in the consolidated balance sheet, accounting for 14% of total assets. As at September 30, 2023, the book values of property, plant and equipment and intangible assets held by CMIC Bio Co., Ltd. before impairment were ¥298 million and ¥0 million, respectively. Additionally, the book values of property, plant and equipment, intangible assets, and investments and other assets held by harmo Co.,Ltd before impairment were ¥2 million, ¥506 million, and ¥2 million, respectively.</p> <p>As described in Note 12. Impairment loss on non-current assets, in considering whether to recognize impairment loss on property, plant and equipment and intangible assets held by CMIC Bio Co., Ltd., the Group determined that it would be difficult to recover its investment due to factors such as its suspension of the production of active pharmaceutical ingredients for biopharmaceuticals and, as a result, undiscounted estimated future cash flows generated from the asset groups were less than their book values. Accordingly, the Group reduced the book values of the asset groups to their recoverable amounts and recognized impairment loss of ¥299 million. The Group measures the recoverable amounts at value in use, and value in use is calculated based on future cash flows.</p> <p>In addition, in considering whether to recognize impairment loss on property, plant and equipment, intangible assets, and investments and other assets held by harmo Co.,Ltd, the Group determined that it would be difficult to recover its investment due to delays in the development of internally-developed software and, as a result,</p>	<p>The audit procedures we performed to assess the impairment of non-current assets of CMIC Bio Co., Ltd. and harmo Co.,Ltd include the following, among others:</p> <ul style="list-style-type: none"> • We compared the cash flows projection period with the remaining economic useful lives of the major assets. • We considered the consistency between the estimated future cash flows and the business plan approved by the Board of Directors. • We compared the business plans for prior years with actual results to evaluate the effectiveness of management's estimation process. • We performed trend analysis and sensitivity analysis for net sales to consider the orders expected to be received, which is a significant assumption used in calculations and included in the business plan for the following fiscal year and onwards.

undiscounted estimated future cash flows generated from the asset groups were less than their book values. Accordingly, the Group reduced the book values of the asset groups to their recoverable amounts and recognized impairment loss of ¥511 million. The Group measures the recoverable amounts at value in use, and value in use is calculated based on future cash flows.

The estimated future cash flows generated from the continued use of an asset or assets group are based on future cash flows that are in accordance with the business plan. The significant assumption underlying this business plan is the orders expected to be received within the cash flow projection period.

Given that the aforementioned significant assumption used to estimate future cash flows is subject to uncertainty and requires management's judgement, and considering the quantitative materiality of property, plant and equipment and intangible assets to the consolidated balance sheet, we determined that impairment of non-current assets of CMIC Bio Co., Ltd. and harmo Co.,Ltd is a key audit matter.

Other Information

Other information comprises the information included in disclosure documents that contain audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We have concluded that other information does not exist. Accordingly, we have not performed any work related to other information.

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 consolidated 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

February 29, 2024

Seiichiro Suyama
Designated Engagement Partner
Certified Public Accountant

Mikio Shimizu
Designated Engagement Partner
Certified Public Accountant

CONSOLIDATED BALANCE SHEET

CMIC HOLDINGS Co., Ltd. and consolidated subsidiaries

As of September 30, 2022 and 2023

ASSETS	Millions of yen	
	2022	2023
Current assets:		
Cash and deposits (Note 16)	¥ 11,806	¥ 19,034
Notes and accounts receivable-trade, and contract assets (Note 3)	24,632	16,992
Merchandise and finished goods(Note 9)	526	414
Work in process(Note 9)	4,384	1,927
Raw materials and supplies(Note 9)	3,932	1,077
Other	2,786	2,997
Allowance for doubtful accounts	(58)	(121)
Total current assets	48,010	42,322
Non-current assets:		
Property, plant and equipment:		
Buildings and structures	29,412	9,120
Machinery, equipment and vehicles	25,593	1,642
Tools, furniture and fixtures	8,026	4,984
Land	6,836	1,247
Leased assets	5,183	638
Construction in progress	4,335	91
Less: accumulated depreciation	(36,565)	(9,536)
Total property, plant and equipment	42,822	8,189
Intangible assets:		
Goodwill	32	337
Other	2,260	1,241
Total intangible assets	2,292	1,579
Investments and other assets:		
Investment securities (Notes 18 and 20)	3,039	9,369
Deferred tax assets (Note 24)	8,471	5,718
Lease and guarantee deposits	2,350	2,246
Other	1,321	789
Allowance for doubtful accounts	(719)	—
Total investments and other assets	14,464	18,123
Total non-current assets	59,580	27,892
Total assets	¥ 107,590	¥ 70,215

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, 2022 and 2023

LIABILITIES AND NET ASSETS	Millions of yen	
	2022	2023
Current liabilities:		
Notes and accounts payable-trade	¥ 1,190	¥ 85
Current portion of long-term borrowings(Notes 18 and 19)	3,602	1,123
Accounts payable-other	8,400	5,929
Accrued expenses	2,024	1,586
Income taxes payable	3,868	564
Contract liabilities	4,470	2,014
Provision for bonuses	6,110	4,335
Provision for bonuses for directors	92	100
Provision for loss on orders received	1,225	1,030
Other	4,888	3,901
Total current liabilities	35,872	20,670
Non-current liabilities:		
Long-term borrowings(Notes 18 and 19)	13,534	1,677
Lease obligations	3,627	127
Deferred tax liabilities (Note 24)	12	4
Retirement benefit liability (Note 22)	11,000	9,388
Asset retirement obligations (Note 25)	370	259
Long-term unearned revenue	1,581	—
Other	322	255
Total non-current liabilities	30,448	11,711
Total liabilities	66,320	32,382
NET ASSETS (Note 15)		
Shareholders' equity:		
Share capital		
Authorized-46,000,000 shares Issued-18,923,569 shares in 2022	3,087	
Authorized-46,000,000 shares Issued-18,923,569 shares in 2023		3,087
Capital surplus	6,093	6,050
Retained earnings	24,444	30,712
Treasury shares, at cost-1,367,340 shares in 2022 and 2,038,924 shares in 2023	(2,346)	(3,580)
Total shareholders' equity	31,279	36,271
Accumulated other comprehensive income (Notes 14 and 22) :		
Valuation difference on available-for-sale securities	742	352
Foreign currency translation adjustments	(432)	(557)
Remeasurements of defined benefit plans	34	18
Total accumulated other comprehensive income	344	(186)
Non-controlling interests	9,645	1,748
Total net assets	41,269	37,833
Total liabilities and net assets	¥ 107,590	¥ 70,215

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, 2022 and 2023

	Millions of yen	
	2022	2023
Net sales (Note 8)	¥ 108,461	¥ 104,701
Costs and expenses:		
Cost of sales	(82,203)	(79,999)
Gross profit	26,258	24,702
Selling, general and administrative expenses (Notes 10 and 11) :	(14,412)	(14,434)
Operating profit	11,845	10,267
Non-operating income (expenses):		
Interest income	3	22
Foreign exchange gains	1,720	135
Subsidy income	23	37
Other income	83	57
Interest expenses	(152)	(154)
Share of loss of entities accounted for using equity method	—	(295)
Other expenses	(73)	(47)
Total Non-operating income (expenses)	1,604	(244)
Ordinary income	13,450	10,022
Extraordinary income (losses):		
Gain on change in equity	—	38
Gain on sales of investment securities	—	3,349
Gain on reversal of asset retirement obligations	139	—
Impairment losses(Note 12)	(1,386)	(1,090)
Loss on retirement of non-current assets(Note 13)	(155)	(233)
Loss on valuation of investment securities	(8)	(62)
Loss on liquidation of subsidiaries	—	(49)
Compensation for loss	—	(100)
Total extraordinary income (losses)	(1,410)	1,852
Profit before income taxes	12,039	11,875
Income taxes (Note 24):		
Current	6,066	4,163
Deferred	(3,071)	421
Total income taxes	2,994	4,585
Profit	9,045	7,289
Profit attributable to non-controlling interests	657	137
Profit attributable to owners of parent	¥ 8,387	¥ 7,152

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, 2022 and 2023

	2022	2023
	Yen	Yen
Amounts per share of common stock:		
Profit attributable to owners of parent(Note 31)	¥ 469.44	¥ 416.25
Diluted net income	—	—
Cash dividends applicable to the year(Note 15)	50.00	50.00

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, 2022 and 2023

	Millions of yen	
	2022	2023
Profit	¥ 9,045	¥ 7,289
Other comprehensive income (Notes 14 and 22) :		
Valuation difference on available-for-sale securities	99	(390)
Foreign currency translation adjustments	(828)	4
Remeasurements of defined benefit plans	(173)	(12)
Share of other comprehensive income of entities accounted for using equity method	—	(130)
Total other comprehensive income	(902)	(529)
Comprehensive income	¥ 8,142	¥ 6,760
Comprehensive income attributable to:		
Owners of the parent	¥ 7,909	¥ 6,622
Non-controlling interests	233	138

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, 2022 and 2023

	Shares	
	2022	2023
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	<u>18,923,569</u>	<u>18,923,569</u>
	Millions of yen	
	2022	2023
Capital stock:		
Balance at the beginning of the year	¥ 3,087	¥ 3,087
Balance at the end of the year	<u>3,087</u>	<u>3,087</u>
Capital surplus:		
Balance at the beginning of the year	6,100	6,093
Disposal of treasury shares		2
Change in ownership interest of parent due to transactions with non-controlling interests	(6)	(45)
Balance at the end of the year	<u>6,093</u>	<u>6,050</u>
Retained earnings:		
Balance at the beginning of the year	16,600	24,444
Cumulative effects of changes in accounting policies	67	—
Restated balance	16,667	24,444
Profit attributable to owners of parent	8,387	7,152
Cash dividends paid - ¥ 33.50 per share in 2022	(610)	
¥ 50.00 per share in 2023		(884)
Change in scope of consolidation	(0)	—
Balance at the end of the year	<u>24,444</u>	<u>30,712</u>
Treasury stock:		
Balance at the beginning of the year	(1,546)	(2,346)
Acquisition of treasury stock	(800)	(1,269)
Disposal of treasury shares	—	35
Balance at the end of the year	<u>(2,346)</u>	<u>(3,580)</u>
- 1,367,340 shares in 2022 and 2,038,924 shares in 2023		
Total shareholders' equity	<u>¥ 31,279</u>	<u>¥ 36,271</u>

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, 2022 and 2023

	Millions of yen	
	2022	2023
Valuation difference on available-for-sale securities:		
Balance at the beginning of the year	¥ 642	¥ 742
Net change in items other than those in shareholders' equity	100	(390)
Balance at the end of the year	<u>742</u>	<u>352</u>
Foreign currency translation adjustments:		
Balance at the beginning of the year	(1)	(432)
Net change in items other than those in shareholders' equity	(431)	(124)
Balance at the end of the year	<u>(432)</u>	<u>(557)</u>
Remeasurements of defined benefit plans		
Balance at the beginning of the year	182	34
Net change in items other than those in shareholders' equity	(147)	(16)
Balance at the end of the year	<u>34</u>	<u>18</u>
Total accumulated other comprehensive income	<u>344</u>	<u>(186)</u>
Non-controlling interests		
Balance at the beginning of the year	9,420	9,645
Net change in items other than those in shareholders' equity	224	(7,896)
Balance at the end of the year	<u>9,645</u>	<u>1,748</u>
Total net assets	<u>¥ 41,269</u>	<u>¥ 37,833</u>

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, 2022 and 2023

	Millions of yen	
	2022	2023
Cash flows from operating activities:		
Profit before income taxes	¥ 12,039	¥ 11,875
Depreciation	5,227	4,660
Impairment losses	1,386	1,090
Amortization of goodwill	21	103
Increase (decrease) in allowance for doubtful accounts	105	(619)
Interest and dividend income	(3)	(22)
Interest expenses	152	154
Foreign exchange losses (gains)	(1,646)	(444)
Share of loss (profit) of entities accounted for using equity method	—	295
Decrease (increase) in trade receivables	(6,064)	4,678
Decrease (increase) in inventories	(1,398)	(32)
Increase (decrease) in trade payables	124	(23)
Increase (decrease) in provision for bonuses	2,962	(1,559)
Increase (decrease) in provision for directors' bonuses	2	8
Increase (decrease) in retirement benefit liability	471	616
Increase (decrease) in provision for loss on orders received	(81)	(198)
Loss (gain) on sales of investment securities	—	(3,349)
Loss (gain) on valuation of investment securities	8	62
Loss on retirement of non-current assets	155	233
Loss (gain) on change in equity	—	(38)
Gain on reversal of asset retirement obligations	(139)	—
Loss on liquidation of subsidiaries	—	49
Compensation for loss	—	100
Subsidy income	(23)	(37)
Increase (decrease) in contract liabilities	2,111	71
Increase (decrease) in accrued expenses	488	(91)
Increase (decrease) in deposits received	557	126
Other, net	173	296
Subtotal	16,631	18,004
Interest and dividend received	2	23
Interest expenses paid	(154)	(156)
Subsidies received	23	37
Income taxes paid	(5,289)	(7,458)
Net cash provided by (used in) operating activities	¥ 11,213	¥ 10,449

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, 2022 and 2023

	Millions of yen	
	2022	2023
Cash flows from investing activities		
Payments into time deposits	¥ (99)	¥ (41)
Purchase of property, plant and equipment	(6,508)	(5,417)
Proceeds from sales of property, plant and equipment	12	6
Purchase of investment securities	(80)	(486)
Proceeds from sales of investment securities	30	5,039
Purchase of intangible assets	(885)	(826)
Proceeds from sale of intangible assets	—	1
Purchase of shares of subsidiaries	(136)	—
Payments for lease and guarantee deposits	(466)	(74)
Proceeds from refund of leasehold and guarantee deposits	98	187
Proceeds from collection of long-term loans receivable	—	3,907
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(160)
Other, net	(8)	(0)
Net cash provided by (used in) investing activities	(8,045)	2,136
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(918)	(25)
Proceeds from long-term borrowings	4,700	3,500
Repayments of long-term borrowings	(3,684)	(2,770)
Purchase of treasury shares	(800)	(1,260)
Dividends paid	(610)	(883)
Dividends paid to non-controlling interests	(8)	(5)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	(210)
Proceeds from share issuance to non-controlling shareholders	—	250
Repayments of lease liabilities	(552)	(451)
Proceeds from sale and leaseback transactions	643	—
Purchase of treasury shares of a subsidiary	—	(12,000)
Proceeds from disposal of treasury shares of a subsidiary	—	12,249
Net cash provided by (used in) financing activities	(1,230)	(1,606)
Effect of exchange rate change on cash and cash equivalents	325	109
Net increase (decrease) in cash and cash equivalents	2,263	11,088
Cash and cash equivalents at beginning of period	9,379	11,703
Increase in cash and cash equivalents from newly consolidated subsidiary	60	—
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation (Note 16)	—	(3,760)
Cash and cash equivalents at end of period (Note 16)	¥ 11,703	¥ 19,032

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 Act 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 Act. 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 Significant accounting policies

Consolidation- As of September 30, 2023, the numbers of consolidated subsidiaries and affiliates

accounted for by the equity method are 22 and 4 (24 and 1 in 2022). The accompanying consolidated financial statements for the years ended September 30, 2022 and 2023 include the accounts of the Company and its subsidiaries (the “Companies”).

The Company acquired shares in “KNOCK ON THE DOOR Inc.” through a third-party allotment in which the Company subscribed to and received issued voting preferred shares, thereby resulting in KNOCK ON THE DOOR Inc.’s inclusion within the scope of consolidation.

“CMIC CMO Co., Ltd.” and its subsidiaries, “CMIC CMO Korea Co., Ltd.,” and “CMIC CMO USA Corporation”, have been excluded from the scope of consolidation and included within the scope of equity method application due to a decrease in the percentage of shares owned by the Company.

This significant change is a result of the dissolution of the capital business alliance between the Company and Development Bank of Japan Inc. in the CDMO (Contract Development and Manufacturing Organization) business, as well as a disposal of treasury stock and implementation of third-party allotment by CMIC CMO Co., Ltd. to Dai Nippon Printing Co., Ltd. As a result of changes in the scope of consolidation and the application of the equity method, the total assets and total liabilities in the consolidated balance sheet have decreased as of the end of the current consolidated fiscal year. Furthermore, these changes are deemed to have a significant impact on the consolidated financial statements for the next consolidated fiscal year. The main impact is a decrease in net sales in the consolidated income statement, among other factors.

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, 2022 and 2023.

Non-consolidated subsidiary including animo Co., Ltd. was excluded from the scope of consolidation because it is small-sized company and its total assets, net sales, and the Company’s interests in their respective amounts of profit or loss and retained earnings in aggregate have minimal impact on the consolidated financial statements and do not have importance as a whole. 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- Securities are classified into three categories: trading, held-to-maturity or available-for-sale.

The Companies have no securities categorized as trading securities or held-to-maturity securities. Marketable securities classified as available-for-sale securities are stated at fair value.

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. Non-marketable securities classified as available-for-sale 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 20 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.

Accounting standards for significant revenue and expenses- For the Companies' revenue from contracts with customers, the details of major performance obligations in their major businesses and a point in time when the performance obligation is satisfied (a point in time when revenue is recognized) are as follows:

(1)Pharmaceutical Solutions

CRO(Contract Research Organization)-Main customers are pharmaceutical companies, and the Companies carry out services related to pharmaceutical development support. The Companies recognizes performance obligations to provide the services, which include consulting services from development to application for approval and launch of pharmaceuticals, regenerative medicine products, medical devices, analytical chemistry services related to quality assurance and pharmacokinetics ,non-clinical and clinical studies to confirm the efficacy and safety of candidate substances, PMS (post-marketing surveillance) ,and clinical research , etc. The Companies recognize that such performance obligations are satisfied primarily in accordance with the provision of services in contracts with customers. When an invoiced amount (right to invoice) directly corresponds to the consideration amount for the satisfied performance obligation, the Companies recognize revenue by the amount in which the invoice is entitled.

CDMO(Contract Development Manufacturing Organization)-Main customers are pharmaceutical companies, and the Companies carry out services related to pharmaceutical formulation development and manufacturing support. Mainly the Companies have performance obligations to provide customers with the products for commercial production, and recognize the revenue at the time when the performance obligation is completed by customers' acceptance of the products, because control of the products is transferred to the customers and the performance obligation is satisfied at that time.

Market Solutions-Main customers are pharmaceutical companies, and the Companies carry out services related to CSO(Contract Sales Organization) and provide services on dispatching MR to pharmaceutical companies and dispatching SR(Sales Representative) to medical device manufacturers , mainly. The companies recognize that performance obligations of dispatching service is to provide labor under contracts. The companies recognize that such performance obligations are satisfied in accordance with the provision of labor to customers, and the revenue is recognized based on the amount stipulated in the temporary staffing contract according to the utilization performance of the temporary staff during the dispatch period. In addition, regarding the distribution business for orphan and other drugs, the companies have performance obligations to deliver the product, and recognize the revenue at the time when the performance obligation is completed by customers' acceptance of the product, because control of the products is transferred to the customer and the performance obligation is satisfied at that time.

(2)Healthcare Solutions -Healthcare Solutions is constituted Site Support Solutions business and Healthcare Revolution business, Site Support Solutions business provides comprehensive support for healthcare-related facilities and healthcare professionals, and Healthcare Revolution business provides solutions using a new ecosystem for healthcare to individuals and local governments. In both business, the companies recognize the provision of services in contracts with customers as performance obligation. The Companies recognize that such performance obligations are satisfied primarily in accordance with the provision of services in contracts with customers. When an invoiced amount (right to invoice) directly corresponds to the consideration amount for the satisfied performance obligation, the Companies recognize revenue by the amount in which the invoice is entitled.

In addition, regarding to provide the product for self-checking, the Companies have performance obligations to provide it for customers and recognize the revenue at the time when the performance obligation is completed by the customers' acceptance of the product, because control of the products is transferred to the customers and the performance obligation is satisfied at that time.

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 Gains 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.

Japanese Group Relief System- The Company and certain domestic consolidated subsidiaries apply the Japanese Group Relief System.

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

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

(Significant accounting estimates)

For the year ended September 30, 2022

• Impairment loss on non-current assets

(1) Amount recorded in the consolidated financial statements for the years ended September 30, 2022.

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 ¥ 4,999 million) However, the Company did not recognize an impairment loss on tangible assets and intangible assets of CMIC CMO as the undiscounted estimated future cash flows generated from the asset group exceeded the book value .

(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.

② Major assumptions

The major assumptions in estimating future cash flows include sales unit price and order volume which serve as the basis of the business plan.

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.

For the year ended September 30, 2023

The Companies have omitted this disclosure as no significant risks were identified in the accounting estimates made in preparing the consolidated financial statements for the subsequent consolidated fiscal year.

(Changes in accounting policies)

(Application of “Implementation Guidance on Accounting Standard for Fair Value Measurement”)

The “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Statement No.31, June17, 2021) is applied from the first quarter of the fiscal year ending September 30, 2023. Based on the transitional treatment prescribed in Paragraph 27-2 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement”, the Companies have decided to apply the new accounting policies set forth by the “Implementation Guidance on Accounting Standard for Fair Value Measurement” in the future. These changes had no impact on the consolidated financial statements.

(Accounting Standards Issued but Not Yet Effective)

- Accounting Standard for Current Income Taxes (ASBJ Statement No.27, dated October 28, 2022)
- Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No.25, dated October 28, 2022)
- Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No.28, dated October 28, 2022)

(1) Overview

These accounting standards stipulate the accounting categories of corporate income taxes and so on that are imposed on other comprehensive income and the handling of tax effect accounting in relation to the sale of the equities of subsidiaries when the group corporate tax system is applied.

(2) Scheduled application date

The Company plans to apply these accounting standards from the beginning of the fiscal year ending on September 30, 2025.

(3) Impact of the application of these accounting standards

The Company is currently evaluating the financial impact of the application of the Accounting Standard for Current Income Taxes and others on its consolidated financial statements.

(Additional information)

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

(1) Overview of the transactions

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

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

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

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

- ① Book value of the stocks of the Company within the trust for the years ended September 30, 2022 and 2023 were ¥184 million and ¥175 million.
- ② These stocks were recorded as the treasury stock in the total shareholders’ equity.
- ③ The number of stocks within the trust at the year-end for the years ended September 30, 2022

and 2023 were 166 thousands shares and 158 thousands shares and the average number of stocks within the trust for the years ended September 30, 2022 and 2023 were 166 thousands shares and 161 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, 2023.

3 The amounts of receivables and contract assets arising from contracts with customers

Of notes and accounts receivable - trade and contract assets, the amounts of receivables and contract assets arising from contracts with customers are as follows.

	Millions of yen	
	2022	2023
Accounts receivable-trade	¥ 18,779	¥ 13,345
Contract assets	5,852	3,647

4 Reduction entry

Reduction entry amounts have been deducted from the acquisition cost of fixed assets by the national subsidies as of September 30, 2022 and 2023 are as follows:

	Millions of yen	
	2022	2023
Reduction entry	¥ 276	¥ 19
(breakdown)		
Property, plant and equipment		
Buildings and structures	44	-
Machinery, equipment and vehicles	199	-
Tools, furniture and fixtures	32	19

5 Shares of subsidiaries and affiliates

Shares of subsidiaries and affiliates as of September 30, 2022 and 2023 are as follows:

	Millions of yen	
	2022	2023
Investment securities	¥ 129	¥ 8,299
“Other” investments and other assets	13	-
Total	143	8,299
(The investment amount for Jointly Controlled Entities included in the above)	13	-

6 Commitment line

In order to efficiently finance business funds, the Company established commitment line contracts with three banks.

Commitment lines as of September 30, 2022 and 2023 are as follows.

	Millions of yen	
	2022	2023
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.

7 Guaranteed debt

The Companies provide debt guarantee for business transactions with the following affiliated companies.

The amount guaranteed by the company as of September 30, 2022 and 2023 are as follows:

	Millions of yen	
	2022	2023
CMIC CMO Co., Ltd.	¥ —	¥ 263
CMIC CMO USA Corporation	—	141

8 Revenue from contracts with customers

Revenue from contracts with customers and other revenue are not separately presented at the net sales. Amounts of revenue from contracts with customers are stated in Note 28 Revenue Recognition - 1. Information on disaggregated revenue from contracts with customers.

9 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, 2022 and 2023, are as follows:

	Millions of yen	
	2022	2023
Loss on valuation of inventories	¥ (477)	¥ 684

10 Selling, General and Administrative Expenses

The main components of “Selling, General and Administrative Expenses” for the years ended September 30, 2022 and 2023, are as follows:

	Millions of yen	
	2022	2023
Provision for directors' bonuses	¥ 92	¥ 100
Salaries and allowances	4,652	5,004
Bonuses and provision for bonuses	1,904	1,552
Retirement benefit expenses	221	263
Commission expenses	1,333	1,653
Provision for doubtful accounts	1	97

11 Research and development expenses

The research and development expenses included in Selling, general and administrative expenses for the year ended September 30, 2022 and 2023 are as follows:

	Millions of yen	
	2022	2023
Research and development expenses	¥ 304	¥ 369

12 Impairment loss on non-current assets

Impairment loss on non-current assets for the year ended September 30, 2022, is as follows:

Company Name	Use	Location	Classification	Millions of yen
				2022
CMIC CMO USA Corporation	CDMO Business facilities	Cranberry, New Jersey , USA	Buildings and structures, Machinery, equipment and vehicles, Tools, furniture and fixtures, Construction in progress	¥ 1,386

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 previous fiscal year, the start of operation of the new facility of CMIC CMO USA Corporation has been significantly delayed from the original plan due to the novel coronavirus (COVID-19) and other factors, making it difficult to recover the amount in the current fiscal year within the originally expected period.

As a result, the book value of the new facility of CMIC CMO USA Corporation has been reduced to the fair value and the difference has been recognized as impairment loss on non-current assets. The fair value is measured by net selling price.

Impairment loss on non-current assets for the year ended September 30, 2023, is as follows:

Company Name	Use	Location	Classification	Millions of yen
				2023
harmo Co., Ltd.	Business facilities	Minato, Tokyo Japan	Tools, furniture and fixtures,	¥ 511
			Software	
CMIC Bio Co., Ltd.	Business facilities	Minato, Tokyo Japan	Software in progress	299
			Investments and other assets(Long-term prepaid expenses)	
CMIC Co., Ltd.	Business facilities	Minato, Tokyo Japan	Buildings and structures, Machinery, equipment and vehicles,	279
			Tools, furniture and fixtures, Software	
			Software in progress	279

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.

harmo Co., Ltd. due to the impact of development delays in internally developed software, and CMIC Bio Co., Ltd., due to the interruption of raw material manufacturing for bio pharmaceuticals, have determined that the recovery of investments has become difficult. As a result, the recoverable amount of the asset group has significantly decreased, leading to a reduction of the book value of the asset group to the recoverable amount, and recognizing the corresponding decrease as impairment loss. harmo Co., Ltd. has recognized an impairment loss totaling ¥511 million. This includes ¥2 million for tools, equipment, and fixtures, ¥345 million for software, ¥160 million for the software in progress, and ¥2 million for investments and other assets. Similarly, CMIC Bio Co., Ltd. has recognized an impairment loss totaling ¥299 million, with ¥175 million for buildings and structures, ¥26 million for machinery, equipment, and vehicles, ¥96 million for tools, equipment, and fixtures, ¥0 million for software.

The recoverable amount is evaluated based on the value in use. The value in use is calculated based on the future cash flows expected to be generated by the continued use of the asset group, taking into account the business plan approved by the board of directors. As the future cash flows are expected to be negative, the recoverable amount is assessed as zero.

CMIC Co., Ltd. has made a decision to reassess the development scope of the software it was working on. As a result, the book value of the software has been reduced to its recoverable amount, and the corresponding decrease has been recognized as an impairment loss.

The recoverable amount was measured based on the value in use. However, since no future cash flows are expected, the value in use has been assessed as zero for measuring the impairment loss.

13 Loss on retirement of non-current assets

Loss on retirement of non-current assets for the years ended September 30, 2022 and 2023, are as follows:

		Millions of yen	
		2022	2023
Buildings and structures		¥ 74	¥ 79
Machinery, equipment and vehicles		50	5
Tools, furniture and fixtures		5	1
Long-term prepaid expenses		—	36
Software in progress		—	99
Other		25	10
	Total	¥ 155	¥ 233

14 Other comprehensive income

The components of other comprehensive income including reclassification adjustments and tax effects income for the years ended September 30, 2022 and 2023, are as follows:

	Millions of yen	
	2022	2023
Valuation difference on available-for-sale securities:		
Amount arising during the year	¥ (433)	¥ (325)
Reclassification adjustments	577	(237)
Amount before tax effect	144	(562)
Tax effects	(44)	171
Sub-total, net of tax	99	(390)
Foreign currency translation adjustments:		
Amount arising during the year	(828)	4
Remeasurements of defined benefit plans:		
Amount arising during the year	(101)	(12)
Reclassification adjustments	(156)	(6)
Amount before tax effect	(258)	(18)
Tax effects	84	6
Sub-total, net of tax	(173)	(12)
Share of other comprehensive income of entities accounted for using equity method		
Amount arising during the year	—	(130)
Total other comprehensive income	¥ (902)	¥ (529)

15 Net assets

Information regarding changes in net assets for the years ended September 30, 2022 and 2023, are as follows:

1. Shares issued and outstanding / Treasury stock

For the year ended September 30, 2022

Type of Shares	Number of shares at October 1, 2021	Increase	Decrease	Number of shares at September 30, 2022
Shares issued:				
Common Stock	18,923,569	—	—	18,923,569
Treasury stock				
Common Stock (Notes 1 and 2)	833,290	534,050	—	1,367,340

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

Increase due to acquire of treasury stock by resolution of the Board of Directors	532,500
Increase due to free acquisition due to retirement of rights recipients (Restricted stock compensation plan)	1,320
Increase due to purchase of shares of less than one unit	230

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, 2021	166,000
Number of shares at September 30, 2022	166,000

For the year ended September 30, 2023

Type of Shares	Number of shares at October 1, 2022	Increase	Decrease	Number of shares at September 30, 2023
Shares issued:				
Common Stock	18,923,569	—	—	18,923,569
Treasury stock				
Common Stock (Notes 1 ,2 and 3)	1,367,340	694,124	22,540	2,038,924

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

Increase due to acquire of treasury stock by resolution of the Board of Directors	693,700
Increase due to purchase of shares of less than one unit	424

2. Details of the decrease are as follows:

Decrease due to the issuance of restricted stock under a restricted stock compensation plan	14,540
Decrease due to the issuance of shares through the Stock Granting Trust (J-ESOP)	8,000

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

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

Number of shares at October 1, 2022	166,000
Number of shares at September 30, 2023	158,000

2. Dividends

(1) Dividends paid

For the year ended September 30, 2022

Resolution	Type of shares	Total dividends (millions of yen)	Dividends per share (yen)	Cut-off date	Effective date
Meeting of the Board of Directors on November 15, 2021	Common stock	*1 520	28.50	September 30, 2021	December 1, 2021
Meeting of the Board of Directors on April 28, 2022	Common stock	*2 90	5.00	March 31, 2022	June 15, 2022

*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, 2023

Resolution	Type of shares	Total dividends (millions of yen)	Dividends per share (yen)	Cut-off date	Effective date
Meeting of the Board of Directors on November 15, 2022	Common stock	*1 797	45.00	September 30, 2022	December 1, 2022
Meeting of the Board of Directors on April 28, 2023	Common stock	*2 86	5.00	March 31, 2023	June 15, 2023

*1 The total dividends includes dividends of ¥ 7 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, 2022 and the effective date in the year ended September 30, 2023

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, 2022	Common stock	* 797	Retained earnings	45.00	September 30, 2022	December 1, 2022

* The total dividends includes dividends of ¥ 7 million for the Stock Granting Trust (J-ESOP).

Dividends with the cut-off date in the year ended September 30, 2023 and the effective date in the year ended September 30, 2024

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, 2023	Common stock	* 766	Retained earnings	45.00	September 30, 2023	December 1, 2023

* The total dividends includes dividends of ¥ 7 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.

16 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, 2022 and 2023 are as follows:

	Millions of yen	
	2022	2023
Cash and deposits	¥ 11,806	¥ 19,034
Less:		
Time deposits over three months	(103)	(2)
Cash and cash equivalents	¥ 11,703	¥ 19,032

As a result of the disposal of treasury stock and the implementation of third-party allotment of shares by our subsidiary, CMIC CMO Co., Ltd., to Dainippon Printing Co., Ltd., our ownership percentage decreased, leading to the exclusion of CMIC CMO Co., Ltd., CMIC CMO Korea Co., Ltd., and CMIC CMO USA Corporation from the scope of consolidation. The decreased amounts of assets and liabilities are as follows:

	Millions of yen
Current assets	12,952
Non-current assets	37,425
Total assets	50,377
Current liabilities	9,802
Non-current liabilities	23,410
Total liabilities	33,213

17 Leases

Lessees' accounting

1-1. Finance lease transactions that transfer ownership

(1) Details of leased assets

Property, plant and equipment

Production facility and 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, 2022 and 2023, are as follows:

	Millions of yen	
	2022	2023
Due within one year	¥ 571	¥ 311
Due after one year	525	235
Total	¥ 1,097	¥ 546

18 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, and contract assets are exposed to customer credit risk. Notes and accounts receivable-trade, and contract assets 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 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, 2022, are as follows:

		Millions of yen		
		Book value	Fair value	Difference
Assets				
	Investment securities(*2)	¥ 671	¥ 671	¥ —
Total assets		¥ 671	¥ 671	¥ —
Liabilities				
	Long-term debt (*3)	¥ 17,136	¥ 17,082	¥ (54)
Total liabilities		¥ 17,136	¥ 17,082	¥ (54)

*1. Regarding cash and deposits, notes and accounts receivable - trade, and contract assets, notes and accounts payable - trade, the disclosure is omitted because they are cash in nature and their carrying value approximates fair value since they are settled in a short period of time.

*2. Non-marketable securities are not included in "Investment securities" in the above table. The book values of these financial instruments are as follows.

		Millions of yen	
Book value in consolidated balance sheet			
	Unlisted shares	¥	2,238
	Stocks of shares of subsidiaries and affiliates		129
Total		¥	2,368

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

The book value, fair value and the difference as of September 30, 2023, are as follows:

		Millions of yen		
		Book value	Fair value	Difference
Assets				
	Investment securities(*2)	¥ 519	¥ 519	¥ —
Total assets		¥ 519	¥ 519	¥ —
Liabilities				
	Long-term debt (*3)	¥ 2,800	¥ 2,787	¥ (13)
Total liabilities		¥ 2,800	¥ 2,787	¥ (13)

*1. Regarding cash and deposits, notes and accounts receivable-trade, and contract assets, notes and accounts payable - trade, the disclosure is omitted because they are cash in nature and their carrying value approximates fair value since they are settled in a short period of time.

*2. Non-marketable securities are not included in "Investment securities" in the above table. The book values of these financial instruments are as follows.

		Millions of yen	
Book value in consolidated balance sheet			
	Unlisted shares	¥	551
	Stocks of shares of subsidiaries and affiliates		8,299
Total		¥	8,850

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

3. Redemption schedule for monetary claims and marketable securities with maturities subsequent

September 30, 2022.

	Millions of yen	
	With in one year	Over one year
Cash and deposits	¥ 11,804	¥ —
Notes and accounts receivable-trade, and contract assets	24,632	—
	<u>¥ 36,436</u>	<u>¥ —</u>

September 30, 2023.

	Millions of yen	
	With in one year	Over one year
Cash and deposits	¥ 19,033	¥ —
Notes and accounts receivable-trade, and contract assets	16,992	—
	<u>¥ 36,026</u>	<u>¥ —</u>

Note : Redemption schedule for long-term debt subsequent to September 30, 2023 .

Please refer to “19. Short-term borrowings and long-term debt”.

4. Regarding fair value hierarchy of financial instruments

The Companies classify the fair values of financial instruments into three categories depending on whether inputs for their value measurements are observable or significant.

Level 1 fair value : Fair value measured by using quoted market prices of applicable assets or liabilities formed in active markets as observable inputs for fair value measurement.

Level 2 fair value: Fair value measured by using observable inputs other than those for Level 1

Level 3 fair value: Fair value measured by using unobservable inputs

When multiple inputs that have a significant influence on the fair value calculation are used, the fair value is classified into the lowest priority level in the fair value calculation among the levels to which those inputs belong.

(1) Financial instruments measured at fair value in the consolidated balance sheet
September 30, 2022

	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities	¥ 671	¥ —	¥ —	¥ 671
Total assets	¥ 671	¥ —	¥ —	¥ 671

September 30, 2023

	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities	¥ 519	¥ —	¥ —	¥ 519
Total assets	¥ 519	¥ —	¥ —	¥ 519

(2) Financial instruments other than those measured at fair value in the consolidated balance sheet

September 30, 2022

	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Long-term debt	¥ —	¥ 17,082	¥ —	¥ 17,082
Total liabilities	¥ —	¥ 17,082	¥ —	¥ 17,082

September 30, 2023

	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Long-term debt	¥ —	¥ 2,787	¥ —	¥ 2,787
Total liabilities	¥ —	¥ 2,787	¥ —	¥ 2,787

Notes

Explanation of valuation techniques and inputs used for fair value measurement

Investment securities

The fair value of listed shares is measured based on quoted market price. Since they are traded in active markets, the fair value is classified into Level 1.

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. The fair value of long-term debt with floating interest rates is measured by using book value, 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. The fair value is classified into Level 2.

19 Short-term borrowings and long-term debt

(1) Short-term borrowings as of September 30, 2022 and 2023, are as follows:

There is no applicable matter.

(2) Long-term debt as of September 30, 2022 and 2023 are as follows:

	Millions of yen	
	2022	2023
Long-term debt:		
Due 2023 to 2032 with weighted average interest rate of 0.85% as of September 30,2022 and due 2024 to 2028 with weighted average interest rate of 0.75% as of September 30,2023	¥ 17,136	¥ 2,800
Less:		
Current portion of long-term debt:		
Weighted average interest rates of 0.69% and 0.65% as of September 30, 2022 and 2023, respectively	3,602	1,123
	<u>¥ 13,534</u>	<u>¥ 1,677</u>

(3)Annual maturities of long-term debt as of September 30, 2022, are as follows:

Years ending September 30,	Millions of Yen
	2022
2023	¥ 3,602
2024	3,563
2025	2,665
2026	2,105
2027	1,214
2028 and thereafter	3,985
	<u>¥ 17,136</u>

(4) Annual maturities of long-term debt as of September 30, 2023, are as follows:

Years ending September 30,	Millions of Yen	
	2023	
2024	¥	1,123
2025		772
2026		323
2027		295
2028		286
2029 and thereafter		—
	¥	2,800

(5) Lease obligations as of September 30, 2022 and 2023, are as follows:

	Millions of yen	
	2022	2023
Lease obligations:		
Due 2023 to 2031 with weighted average interest rate of 1.61% as of September 30,2022 and due 2024 to 2028 with weighted average interest rate of 3.87% as of September 30,2023	¥ 4,157	¥ 184
Less:		
Current portion of long-term debt:		
Weighted average interest rates of 1.60% and 6.27% as of September 30, 2022 and 2023, respectively	530	57
	¥ 3,627	¥ 127

(6) Annual maturities of lease obligations as of September 30, 2023, are as follows:

Years ending September 30,	Millions of Yen	
	2023	
2024	¥	57
2025		92
2026		18
2027		11
2028		4
2029 and thereafter		-
	¥	184

20 Securities

- (1) The Companies did not hold any trading securities as of September 30, 2022 and 2023.
- (2) The Companies did not hold any held-to-maturity securities as of September 30, 2022 and 2023.
- (3) The Companies held shares of available-for-sale securities as of September 30, 2022 and 2023. The book value, the acquisition cost and the unrealized gain or loss as of September 30, 2022 and 2023, are as follows:

		Millions of yen					
		2022			2023		
		Book value	Acquisition cost	Unrealized gain(loss)	Book value	Acquisition cost	Unrealized gain(loss)
Securities with book value exceeding acquisition cost:							
	Stock	¥ 666	24	642	¥ 519	24	494
Securities with book value not exceeding acquisition cost:							
	Stock	4	7	(2)	—	—	—
	Total	¥ 671	31	639	¥ 519	24	494

Unlisted shares are not included in the above table because they have no market price. Their book values are ¥ 2,238 million and ¥ 551 million as of September 30, 2022 and 2023, respectively.

- (4) There is no applicable matter for the year ended September 30, 2022. The Company had the gain on the sale of ¥ 3,349 million by selling available-for-sale securities in ¥5,005 million for the year ended September 30, 2023.
- (5) The amount of impairment loss recognized on the stock in available-for-sale securities was ¥8 million and ¥ 62 million for the year ended September 30, 2022 and 2023, 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 non-marketable securities 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.

21 Derivative financial instruments

(1) There was no derivative transaction for which hedge accounting has not been applied on September 30, 2022 and 2023.

(2) The following table summarizes the derivative transactions as of September 30, 2022 and 2023, for which hedge accounting has been applied:

Interest related:

			Millions of yen					
			2022			2023		
Hedge accounting method	Classification	Hedged item	Contract amount			Contract amount		
			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	¥ 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.

22 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) The changes in the retirement benefit obligation for the years ended September 30, 2022 and 2023 are as follows:

	Millions of yen	
	2022	2023
Balance at the beginning of the year	¥ 10,037	¥ 10,781
Service cost	1,037	1,007
Interest cost	28	27
Actuarial losses (gains) arising during the year	18	12
Retirement benefits paid	(432)	(499)
Prior service cost	84	—
Reduction amount associated with changing the consolidation scope	—	(2,178)
Other	7	(9)
Balance at the end of the year	¥ 10,781	¥ 9,141

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

	Millions of yen	
	2022	2023
Retirement benefit obligation under the unfunded plans	¥ 10,781	¥ 9,141
Net defined benefit liability	¥ 10,781	¥ 9,141

(3) Retirement benefit cost

	Millions of yen	
	2022	2023
Service cost	¥ 1,037	¥ 1,007
Interest cost	28	27
Amortization of actuarial losses (gains)	(139)	22
Amortization of prior service cost	(16)	(16)
Total retirement benefit costs	¥ 910	¥ 1,041

(4) Remeasurements of defined benefit plans before tax effects

	Millions of yen	
	2022	2023
Prior service cost	¥ 100	¥ 23
Actuarial loss	158	(4)
Total	¥ 258	¥ 18

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

	Millions of yen	
	2022	2023
Unrecognized prior service cost	¥ (40)	¥ (87)
Unrecognized actuarial losses (gains)	27	12
Total	¥ (12)	¥ (75)

(6) Actuarial assumptions

The principal actuarial assumption at September 30, 2022 and 2023 are as follows:

	2022	2023
Weighted average discount rate	0.20%~0.70%	0.20%~1.30%

The Company uses the index of salary increases by age at September 30, 2022 and 2023, 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	
	2022	2023
Balance at the beginning of the year	¥ 220	¥ 218
Retirement benefit cost	123	112
Retirement benefit paid	(127)	(39)
Reduction amount associated with changing the consolidation scope	—	(76)
Other	1	31
Balance at the end of the year	¥ 218	¥ 246

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

	Millions of yen	
	2022	2023
Retirement benefit obligation under the funded plans	¥ 60	¥ —
Plan assets	(5)	—
Retirement benefit obligation under the unfunded plans	163	246
Net defined benefit liability	¥ 218	¥ 246

(3) Retirement benefit cost

	Millions of yen	
	2022	2023
Retirement benefit cost	¥ 123	¥ 112

4. Defined contribution plans

Contribution obligations to the defined contribution pension plans are ¥150 million as of September 30, 2022, and ¥159 million as of September 30, 2023.

The total amount of future contribution in preparation for the shared risk of asset management after the next fiscal year is ¥128 million and the remaining years for the payment are 14 years and 11 months.

The accumulated amount of contribution payable for the employees' past services at the time of transition is ¥120 million, and is recognized as accounts payable-other (current liabilities) and other long-term liabilities (non-current liabilities) as of September 30, 2023.

23 Stock options

1. The expense recognition amount and account names related to stock options are as follows:

There is no applicable matter.

2. Details, size, and changes in stock options

(1)Details

Company Name	KNOCK ON THE DOOR Inc.	KNOCK ON THE DOOR Inc.	KNOCK ON THE DOOR Inc.	KNOCK ON THE DOOR Inc.
Name of the stock warrant	1st Stock acquisition rights	2nd Stock acquisition rights	3rd Stock acquisition rights	4th Stock acquisition rights
Date of Resolution	Jun. 30, 2020	Jun. 30, 2020	Jun. 27, 2022日	Jun. 27, 2022
Position and number of grantees	Director 1 Employees 6 Others 2	Employees 2 Others 7	Employees 11 Others 1	Others 15
Number of stock options granted by type of shares *1	Common stock 1,050 shares	Common stock 560 shares	Common stock 340 shares	Common stock 205 shares
Grant date	Jun. 30, 2020	Jun. 30, 2020	Jun. 30, 2022	Jun. 30, 2022
Conditions for entitlement determination	Notes 2 and 5	Notes 3 and 5	Notes 2 and 5	Notes 4 and 5
Service period	No specific period	No specific period	No specific period	No specific period
Exercise period	From Jul. 22, 2022 to Jun. 30, 2030	From Jul. 1, 2020 to Jun. 30, 2030	From Jun. 28, 2024 to Jun. 27, 2032	From Jun. 28, 2022 to Jun. 27, 2032

Company Name	KNOCK ON THE DOOR Inc.	KNOCK ON THE DOOR Inc.	KNOCK ON THE DOOR Inc.	KNOCK ON THE DOOR Inc.
Name of the stock warrant	5th Stock acquisition rights	6th Stock acquisition rights	5th Stock acquisition rights (2)	6th Stock acquisition rights (2)
Date of Resolution	Jun. 27, 2023	Jun. 27, 2023	Sept. 19, 2023	Sept. 19, 2023
Position and number of grantees	Employees 16	Others 7	Directors 6 Employees 1	Auditor 1
Number of stock options granted by type of shares *1	Common stock 355 shares	Common stock 115 shares	Common stock 245 shares	Common stock 10 shares
Grant date	Jul. 10, 2023	Jul. 10, 2023	Sept. 25, 2023	Sept. 25, 2023
Conditions for entitlement determination	Notes 2 and 5	Notes 4 and 5	Notes 2 and 5	Notes 4 and 5
Service period	No specific period	No specific period	No specific period	No specific period
Exercise period	From Jun. 25, 2025 to Jun. 27, 2033	From Jun. 28, 2025 to Jun. 27, 2033	From Sept. 20, 2025 to Sept. 19, 2033	From Sept. 20, 2025 to Sept. 19, 2033

(Notes) 1. The number of stock options has been converted into the number of shares.

2. In the event that a person exercises this warrant, the person is required to hold a position as a director, auditor, or employee of the Company (excluding cases of retirement due to expiration of the term, retirement age, or other legitimate reasons as determined by the Company's board of directors).
3. In the event that a person exercises this warrant, the person is required to hold a position as a director, auditor, employee, or a position recognized by the Company as a founding collaborator (if a corporate is a warrant holder, the corporate is required to have a capital relationship with the Company at the time of exercise) (excluding cases of retirement due to expiration of the term, retirement age, or other legitimate reasons as determined by the company's resolution of the board of directors).
4. In the event that a person exercises this warrant, the person is required to hold a position as a director, auditor, employee, or a position recognized by the Company as a collaborator (if a corporate is a warrant holder, the corporate is required to have a capital relationship with the Company at the time of exercise)

(excluding cases of retirement due to expiration of the term, retirement age, or other legitimate reasons as determined by the Company's the board of directors).

5. It is stipulated that the right to exercise the warrant cannot be exercised until KNOCK ON THE DOOR Inc. is listed on the Tokyo Stock Exchange or any other domestic or foreign stock exchange of a similar nature.

(2) Size, and changes in stock options

The number of stock options has been converted into the number of shares.

① Number of stock options

Company Name	KNOCK ON THE DOOR Inc.	KNOCK ON THE DOOR Inc.	KNOCK ON THE DOOR Inc.	KNOCK ON THE DOOR Inc.
Name of the stock warrant	1st Stock acquisition rights	2nd Stock acquisition rights	3rd Stock acquisition rights	4th Stock acquisition rights
Date of resolution	Jun. 30, 2020	Jun. 30, 2020	Jun. 27, 2022日	Jun. 27, 2022
Non-vested				
Outstanding at September 30,2022	-	-	-	-
Changes in the consolidation scope	1,050	560	340	205
Granted	-	-	-	-
Forfeited	-	-	-	-
Vested	-	-	-	-
Outstanding of non-vested at September 30,2023	1,050	560	340	205

Company Name	KNOCK ON THE DOOR Inc.	KNOCK ON THE DOOR Inc.	KNOCK ON THE DOOR Inc.	KNOCK ON THE DOOR Inc.
Name of the stock warrant	5th Stock acquisition rights	6th Stock acquisition rights	5th Stock acquisition rights (2)	6th Stock acquisition rights (2)
Date of resolution	Jun. 27, 2023	Jun. 27,2023	Sept. 19, 2023	Sept. 19, 2023
Non-vested				
Outstanding at September 30,2022	-	-	-	-
Changes in the consolidation scope	-	-	-	-
Granted	355	115	245	10
Forfeited	-	-	-	-
Vested	-	-	-	-
Outstanding of non-vested at September 30,2023	355	115	245	10

②Price per unit information

Company Name	KNOCK ON THE DOOR Inc.	KNOCK ON THE DOOR Inc.	KNOCK ON THE DOOR Inc.	KNOCK ON THE DOOR Inc.
Name of the stock warrant	1st Stock acquisition rights	2nd Stock acquisition rights	3rd Stock acquisition rights	4th Stock acquisition rights
Date of resolution	Jun. 30, 2020	Jun. 30, 2020	Jun. 27, 2022日	Jun. 27, 2022
Exercise price(yen)	5,000	5,000	8,800	8,800
Exercise-time average share price(yen)	-	-	-	-
Fair value per share at the grant date(yen)	-	-	-	-

Company Name	KNOCK ON THE DOOR Inc.	KNOCK ON THE DOOR Inc.	KNOCK ON THE DOOR Inc.	KNOCK ON THE DOOR Inc.
Name of the stock warrant	5th Stock acquisition rights	6th Stock acquisition rights	5th Stock acquisition rights (2)	6th Stock acquisition rights (2)
Date of resolution	Jun. 27, 2023	Jun. 27, 2023	Sept. 19, 2023	Sept. 19, 2023
Exercise price(yen)	9,000	9,000	9,000	9,000
Exercise-time average share price(yen)	-	-	-	-
Fair value per share at the grant date(yen)	-	-	-	-

3. Method for estimating the fair value per share of the granted stock options

As KNOCK ON THE DOOR Inc. is a privately held company, the method used to estimate the fair value per share of the stock options is based on the estimation of intrinsic value per unit.

Additionally, the valuation method used for the company's shares, which serves as the basis for calculating the intrinsic value per unit, is determined using the Discounted Cash Flow (DCF) method.

However, as a result of the calculation, the intrinsic value per unit at the time of grant is determined to be zero, therefore the fair value per share is not disclosed.

4. Method used to estimate the number of vested rights

Due to the inherent difficulty in estimating future forfeitures, the companies primarily rely on the actual number of forfeitures in our calculation of vested rights.

5.(1)Total intrinsic value at the end of the consolidated fiscal year ¥— million

(2)Total intrinsic value of stock options exercised during the consolidated fiscal year ¥— million

24 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, 2022 and 2023 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, 2022 and 2023 are as follows:

	2022	2023
Statutory income tax rate	30.62 %	30.62 %
Permanently non-deductible expenses	0.56	0.58
Tax Credits for Salary Growth	(2.11)	—
Tax credits for wage increase and productivity improvement		(3.67)
Per capita inhabitants tax	0.65	0.54
Amortization of goodwill	0.06	0.27
Equity in losses of affiliates	—	0.76
Change in valuation allowance	(12.94)	6.05
Statutory tax rate difference between the Company and certain subsidiaries	5.30	3.88
Other	2.73	(0.42)
Actual effective income tax rates	24.87 %	38.61 %

(2) Significant components of deferred tax assets and liabilities as of September 30, 2022 and 2023, are as follows:

	Millions of yen	
	2022	2023
Deferred tax assets:		
Provision for bonuses	¥ 2,393	¥ 1,704
Provision for loss on orders received	412	340
Allowance for doubtful accounts	194	23
Enterprise tax payable	300	100
Loss on valuation of inventories	135	68
Asset retirement obligations	78	82
Accounts payable-other	13	5
Long-term accounts payable-other	105	87
Net defined benefit liability	3,697	3,132
Net operating loss carry-forwards ^{*2}	681	496
Loss on valuation of investment securities	109	145
Accumulated depreciation	1,318	321
Long-term unearned revenue	1,125	—
Other	482	403
Total deferred tax assets	11,049	6,915
Valuation allowance for net operating loss carry-forwards ^{*2}	(681)	(495)
Valuation allowance for total deductible temporary differences	(1,048)	(417)
Total Valuation allowance ^{*1}	(1,729)	(912)
Net deferred tax assets	9,320	6,002
Deferred tax liabilities:		
Gain on revaluation of fixed assets	(79)	(2)
Removal expenses associated with asset retirement obligations	(37)	(33)
Unrealized gain (loss) on securities	(314)	(142)
Liability adjustment account	(358)	(52)
Other	(70)	(57)
Total deferred tax liabilities	(860)	(288)
Net deferred tax assets	¥ 8,459	¥ 5,713

*1 For the year ended September 30, 2023, the valuation allowance decreased by ¥816 million. This is mainly due to the impact of the exclusion of CMIC CMO Co.,Ltd. and CMIC CMO USA Corporation from the scope of consolidation.

*2 A breakdown of net operating loss carry-forwards and valuation allowance by expiry date as of September 30, 2022 and 2023, are as follows:

As of September 30, 2022

(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)	28	31	31	26	—	564	681
Valuation allowance	(28)	(31)	(31)	(26)	—	(564)	(681)
Deferred tax assets	—	—	—	—	—	—	—

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

As of September 30, 2023

(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)	31	31	26	—	0	407	496
Valuation allowance	(31)	(31)	(26)	—	(0)	(406)	(495)
Deferred tax assets	—	—	—	—	—	1	1

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

25 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, 2022 and 2023, are as follows:

	Millions of yen	
	2022	2023
Balance at the beginning of the year	¥ 577	¥ 370
Liabilities incurred due to the acquisition of property, plant and equipment	37	12
Accretion adjustment	4	2
Settlement of obligations	(8)	(0)
Reduction amount associated with changing the consolidation scope	—	(110)
Decrease due to release from restoration obligations	(266)	—
Other	25	1
Balance at the end of the year	¥ 370	¥ 276

26 Investment and rental property

There is no material investment and rental property to be reported as of September 30, 2022 and 2023 respectively.

27 Business Combinations

(Change in consolidated subsidiaries)

At a meeting of the Board of Directors held on April 17, 2023, the Company resolved to dissolve the capital and business alliance in the CDMO (Contract Development and Manufacturing Organization) business between the Company and Development Bank of Japan, Inc. In addition, the Company made decisions on the conclusion of contract regarding a disposal of treasury shares and a third-party allotment of new shares to Dai Nippon Printing Co., Ltd. (hereinafter referred to as "DNP") by its consolidated subsidiary CMIC CMO Co., Ltd., and the conclusion of a basic agreement regarding a strategic business alliance in the medical and healthcare field between the Company and DNP (hereinafter referred to as "the Alliance"). The respective agreements were executed on the same date and the transaction was executed on May 31, 2023.

As a result of this transaction, CMIC CMO Co., Ltd., and its affiliates CMIC CMO Korea Co., Ltd. and CMIC CMO USA Corporation were transferred from our consolidated subsidiaries to affiliates accounted for by the equity method.

(1) Outline of Business Divestiture

1. Name of the successor company
Dai Nippon Printing Co., Ltd.

2. Name and business of the divested consolidated subsidiaries
CMIC CMO Co., Ltd. (Manufacture, import, export and sales of pharmaceuticals)
CMIC CMO Korea Co., Ltd. (Manufacture, import, export and sales of pharmaceuticals)
CMIC CMO USA Corporation (Manufacture of investigational drugs and pharmaceuticals)

3. Main reason for business divestiture

The CMIC Group and DNP are collaborating on COVID-19 vaccination support services for local governments, jointly developing injectable drugs by combining technologies for developing formulations and packaging materials, and studying the expansion of bulk drug production. DNP's capital participation in CMIC CMO Co., Ltd. as a long-term management partner through the Alliance and the disposal of treasury shares and a third-party allotment, will contribute to the expansion and growth of CMIC CMO Co., Ltd. This will help the CMIC Group to maintain its strategic policy of developing its unique PVC (Pharmaceutical Value Creator) business model, while effectively utilizing its management resources to create healthcare business and achieve sustainable growth.

Furthermore, synergistic effects are expected to be created by the addition of DNP's strong management base and advanced technologies to the Group's broad knowledge in the medical and healthcare field.

4. Date of business divestiture

May 31, 2023 (Deemed transfer date June 30, 2023)

5. Outline of other transactions including legal form

CMIC CMO Co., Ltd. disposed of 2,445 shares of treasury stock (49.6% shareholding ratio) to DNP and issued 50 shares to DNP through a third-party allotment, resulting in DNP holding 2,495 shares of the company. CMIC CMO Co., Ltd. is a joint venture in which 49.9% is owned by the Company and 50.1% is owned by DNP.

(2) Summary of accounting treatment performed

1. Amount of gain (loss) on transfer

CMIC CMO Co., Ltd., CMIC CMO Korea Co., Ltd. and CMIC CMO USA Corporation have changed from consolidated subsidiaries to affiliates accounted for by the equity method, resulting in a gain on change in equity of ¥38 million (extraordinary income).

2. Appropriate book value of assets and liabilities related to the business to be divested and their high-level breakdown

	<u>Millions of yen</u>
Current assets	12,952
Non-current assets	<u>37,425</u>
Total assets	<u><u>50,377</u></u>
Current liabilities	9,802
Non-current liabilities	<u>23,410</u>
Total liabilities	<u><u>33,213</u></u>

(3) Reportable segment that includes the business to be divested
Pharmaceutical Solutions

(4) Amount of gain (loss) related to the business to be divested recognized in the quarterly consolidated statements for the current consolidated fiscal year.

	<u>Millions of yen</u>
Net sales	19,784
Operating profit	707

28 Revenue Recognition

1. Information on disaggregated revenue from contracts with customers

	Millions of yen			
	2022		2023	
Net Sales				
CRO	¥	39,667	¥	41,679
CDMO		24,672		19,913
Market Solutions		13,594		15,603
Pharmaceutical Solutions	¥	77,934	¥	77,196
Healthcare Solutions	¥	30,526	¥	27,471
Adjustment (Note)	¥	—	¥	32
Revenue from contracts with customers	¥	108,461	¥	104,701
Revenue from others		—		—
Sales to external customers	¥	108,461	¥	104,701

(Note)The adjustment amount of ¥32 million is the revenue attributable to the Company (holding company) and has not been allocated to individual segments.

2. Basic information for understanding revenue from contracts with customers

Basic information for understanding revenue from contracts with customers is stated in “2 Significant accounting policies”, Basis for recognition of significant revenue and expenses.

3. Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from such contracts, and the amount and timing of revenue expected to be recognized in subsequent periods from contracts with customers that existed at the end of the current fiscal year

(1) Balances of contract assets and contract liabilities

	Millions of yen	
	2022	2023
Receivables from contracts with customers at beginning of period	¥ 14,558	¥ 18,779
Receivables from contracts with customers at end of period	18,779	13,345
Contract assets at beginning of period	3,506	5,852
Contract assets at end of period	5,852	3,647
Contract liabilities at beginning of period	1,944	4,470
Contract liabilities at end of period	4,470	2,014

"Contract assets" is mainly the rights of the Companies, under contracts with customers (pharmaceutical companies, etc.) for pharmaceutical development support, to the consideration for the provision of services that have been completed but not yet invoiced as of the end of consolidated fiscal year "Contract assets" is transferred to receivable-trade from contracts with customers when the Companies' rights to the consideration become unconditional. Consideration for pharmaceutical development support, etc. with pharmaceutical companies, etc. is requested within approximately three months and received within approximately five months, in accordance with the contracts.

"Contract liabilities" is mainly equivalent to the portion of the amount received in advance which does not satisfy performance obligations in contracts with customers for pharmaceutical development support and pharmaceutical manufacturing support with pharmaceutical companies. "Contract liabilities" is reversed with the recognition of revenue.

The revenues recognized in the ended year September 30, 2022, included in the contract liabilities balance at the beginning of this period, are ¥1,158 million.

The revenues recognized in the ended year September 30, 2023, included in the contract liabilities balance at the beginning of this period, are ¥1,399 million.

The decrease of ¥2,205 million in contract assets during the year ended September 30, 2023 was mainly due to a decrease in demand for large-scale vaccination projects for local governments. Further, the decrease of ¥2,455 million in contract liabilities was due to the transition of CMIC CMO Co.,Ltd., CMIC CMO Korea Co., Ltd., and CMIC CMO USA Corporation from consolidated subsidiaries to equity-method affiliates.

(2) Transaction prices allocated to remaining performance obligations

The total amount of transaction prices allocated to remaining performance obligations and the period in which revenues are expected be recognized are as follows.

	Millions of yen	
	2022	2023
Due within one year	¥ 51,203	¥ 36,587
Due after one year	39,679	46,213
Total	¥ 90,882	¥ 82,800

29 Segment information

1. General Information about Reportable Segments

CMIC Group has two reportable segments, "Pharmaceutical Solutions", "Healthcare Solutions", which have been summarized business segments and classified under the similarity of the service content and the customers who the services are provided for. "Pharmaceutical Solutions" develops the original business model, PVC (Pharmaceutical Value Creator), that contributes to increasing the added value of pharmaceutical companies, and "Healthcare Solutions" contributes to personal health through medical institutions and local governments.

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

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

Segment	Products/Services	CMIC Group Companies (as of September 30, 2023)
Pharmaceutical Solutions	Services related to pharmaceutical development support, analytical chemistry services, pharmaceutical formulation development, and manufacturing support. Pharmaceutical sales support. Development, manufacturing, sales and distribution of orphan drugs, etc.	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. CMIC BIO Co., Ltd. CMIC Ashfield Co., Ltd. OrphanPacific, Inc.
Healthcare Solutions	Comprehensive support for healthcare-related facilities and healthcare professionals. Provides solutions using a new ecosystem for healthcare to individuals and local governments.	CMIC HOLDINGS Co., Ltd. CMIC Healthcare Institute Co., Ltd. CMIC Solutions Co., Ltd. CMIC Well Co., Ltd. harmo Co.,Ltd KNOCK ON THE DOOR Inc.

Notes 1. During the third quarter of the consolidated fiscal year, CMIC CMO Co., Ltd., CMIC CMO Korea Co., Ltd., and CMIC CMO USA Corporation, which belonged to the Pharmaceutical Solutions segment, transitioned from consolidated subsidiaries to equity-method affiliates. The results up until the end of the current third quarter consolidated accounting period are included in the consolidated fiscal year.

2. CMIC ShiftZero K.K. was integrated into CMIC Co., Ltd. through an absorption-type merger effective October 1, 2023.

3. CMIC Ashfield Co., Ltd. changed its company name to CMIC Inizio Co., Ltd. effective October 1, 2023.

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, 2022

(Millions of yen)

	Pharmaceutical Solutions	Healthcare Solutions	Total	Adjustment Notes 1 and 3	Consolidated Note 2
Net sales					
External customers	¥ 77,934	¥ 30,526	¥ 108,461	¥ —	¥ 108,461
Inter-segment	254	480	735	(735)	—
Total	78,188	31,007	109,196	(735)	108,461
Segment profit (loss)	4,752	8,660	13,412	(1,566)	11,845
Segment assets	97,818	21,521	119,340	(11,750)	107,590
Others					
Depreciation	¥ 5,048	¥ 178	¥ 5,227	¥ —	¥ 5,227
Amortization of goodwill	—	21	21	—	21
Increase in fixed assets	7,620	673	8,293	552	8,846

Notes: 1. The adjustment amount of ¥ (1,566) million in segment profit (loss) is unallocated corporate expenses and expenses related to the Company (the holding company).

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

3. The adjustment amount of ¥ (11,750) million in segment assets includes unallocated corporate assets of ¥23,556 million and intersegment elimination and others of ¥ (35,306) million.

Depreciation and amortization included in corporate assets were allocated to each of the reporting segments.

For the year ended September 30, 2023

(Millions of yen)

	Pharmaceutical Solutions	Healthcare Solutions	Total	Adjustment Notes 1 and 3	Consolidated Note 2
Net sales					
External customers	¥ 77,196	¥ 27,471	¥ 104,668	¥ 32	¥ 104,701
Inter-segment	863	450	1,314	(1,314)	—
Total	78,060	27,922	105,983	(1,281)	104,701
Segment profit (loss)	5,184	7,029	12,214	(1,946)	10,267
Segment assets	57,743	18,031	75,774	(5,559)	70,215
Others					
Depreciation	¥ 4,359	¥ 301	¥ 4,660	¥ —	¥ 4,660
Amortization of goodwill	—	103	103	—	103
Increase in fixed assets	3,607	474	4,082	869	4,951

Notes: 1. The adjustment amount of ¥ (1,946) million for segment profit (loss) includes the overall company expenses of ¥(1,979) million attributable to the Company (holding company) that have not been allocated to each reporting segment, as well as the revenue of ¥32 million attributable to the Company (holding company) that has not been allocated to each reporting segment.

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

3. The adjustment amount of ¥ (5,559) million in segment assets includes unallocated corporate assets of ¥27,322 million and intersegment elimination and others of ¥ (32,882) 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 of 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, 2022

(Millions of yen)

	Japan	North America	Others	Total
Net sales	¥ 97,032	¥ 6,896	¥ 4,532	¥ 108,461
Percentage of the consolidated net sales	89.5%	6.4%	4.1%	100.0%

For the year ended September 30, 2023

(Millions of yen)

	Japan	North America	Others	Total
Net sales	¥ 92,512	¥ 7,410	¥ 4,778	¥ 104,701
Percentage of the consolidated net sales	88.3%	7.1%	4.6%	100.0%

(2) Tangible fixed assets

September 30, 2022

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.

September 30, 2023

(Millions of yen)

Japan	North America	Others	Total
¥ 7,209	¥ 899	¥ 80	¥ 8,189

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, 2022

(Millions of yen)

	Pharmaceutical Solutions	Healthcare Solutions	Total	Adjustment	Consolidated
Impairment loss	¥ 1,386	¥ —	¥ 1,386	¥ —	¥ 1,386

For the year ended September 30, 2023

(Millions of yen)

	Pharmaceutical Solutions	Healthcare Solutions	Total	Adjustment	Consolidated
Impairment loss	¥ 578	¥ 511	¥ 1,090	¥ —	¥ 1,090

(Information about amortization of goodwill and unamortized balance)

For the year ended September 30, 2022

(Millions of yen)

	Pharmaceutical Solutions	Healthcare Solutions	Total	Adjustment	Consolidated
Amortization of goodwill	¥ —	¥ 21	¥ 21	¥ —	¥ 21
Unamortized balance	—	32	32	—	32

For the year ended September 30, 2023

(Millions of yen)

	Pharmaceutical Solutions	Healthcare Solutions	Total	Adjustment	Consolidated
Amortization of goodwill	¥ —	¥ 103	¥ 103	¥ —	¥ 103
Unamortized balance	—	337	337	—	337

(Information about amount of gain on negative goodwill)

For the year ended September 30, 2022

There was no gain on negative goodwill for the year ended September 30, 2022

For the year ended September 30, 2023

There was no gain on negative goodwill for the year ended September 30, 2023.

30 Transactions with related parties

1. Transactions between the Company and related parties for the years ended September 30, 2022 and 2023, are as follows:

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

As of and for the year ended September 30, 2022

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 1)	Shibuya-ku, Tokyo	¥11	Asset management	(22.7) owned, directly	Administrative service	¥31	Accounts receivable - other	¥0
				Management of the museum and accommodation				Accounts payable-other	¥12

Notes 1. Chairman & CEO of CMIC HOLDINGS Co., Ltd. Kazuo Nakamura, President & COO of CMIC HOLDINGS Co., Ltd. Keiko Oishi and their family indirectly hold 100% of the voting rights.

2. 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, 2023

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 1)	Shibuya-ku, Tokyo	¥11	Asset management	(23.6) owned, directly	Administrative service	¥55	Accounts receivable - other	¥0
				Management of the museum and accommodation				Accounts payable-other	¥5
	Keith Japan Co., Ltd. (Note 2)	Hokuto, Yamanashi	¥10	Buying, selling and rental of real estate	(20.8) owned, directly	Purchase of land	¥69	Advances paid	¥0

Notes 1. Chairman & CEO of CMIC HOLDINGS Co., Ltd. Kazuo Nakamura, President & COO of CMIC HOLDINGS Co., Ltd. Keiko Oishi and their family indirectly hold 100% of the voting rights.

2. Chairman & CEO of CMIC HOLDINGS Co., Ltd. Kazuo Nakamura, and President & COO of CMIC HOLDINGS Co., Ltd. Keiko Oishi indirectly hold 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.

The purchase price of land is determined by referring to the appraisal of a real estate appraiser.

2. Transactions between consolidated subsidiaries of the Company and related parties for the years ended September 30, 2022 and 2023, are as follows:

Company directors, shareholders (Individual only), etc.

As of and for the year ended September 30, 2022

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 1)	Shibuya-ku, Tokyo	¥11	Asset management	(22.7) owned, directly	Administrative service	¥21	Accounts receivable - other	¥0
				Management of the museum and accommodation		Rent of accommodation facilities for training	¥18	Accounts payable - other	¥2

Notes 1. Chairman & CEO of CMIC HOLDINGS Co., Ltd. Kazuo Nakamura, President & COO of CMIC HOLDINGS Co., Ltd. Keiko Oishi and their family indirectly hold 100% of the voting rights.

2. 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, 2023

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 1)	Shibuya-ku, Tokyo	¥11	Asset management	(23.6) owned, directly	Administrative service	¥32	Accounts receivable - other	¥0
				Management of the museum and accommodation		Rent of accommodation facilities for training	¥17	Accounts payable - other	¥4

Notes 1. Chairman & CEO of CMIC HOLDINGS Co., Ltd. Kazuo Nakamura, President & COO of CMIC HOLDINGS Co., Ltd. Keiko Oishi and their family indirectly hold 100% of the voting rights.

2. 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.

31 Amounts per share

Net assets and profit attributable to owners of parent per share as of and for the years ended September 30, 2022 and 2023, are as follows:

	Yen	
	2022	2023
Net assets per share	¥ 1,801.31	¥ 2,137.24
Profit attributable to owners of parent per share (Note)	469.44	416.25

Diluted profit attributable to owners of parent per share for the year ended September 30, 2022 is not presented since no potential shares exist.

Diluted profit attributable to owners of parent per share for the year ended September 30, 2023 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	
	2022	2023
Profit attributable to owners of parent	¥ 8,387	¥ 7,152
Amount not attributable to common shareholders	—	—
Profit attributable to owners of parent of common stock	¥ <u>8,387</u>	¥ <u>7,152</u>
Weighted average number of shares outstanding (thousands of shares)	17,867	17,183

The following is an overview of the potential shares that were not included in the calculation of diluted profit attributable to owners of parent per share, as they do not have a dilutive effect:

As of and for the year ended September 30, 2022

There is no applicable matter.

As of and for the year ended September 30, 2023

Consolidated subsidiary: KNOCK ON THE DOOR Inc.

1st Stock acquisition rights : Number of stock acquisition rights	1,050(common stock 1,050 shares)
2nd Stock acquisition rights : Number of stock acquisition rights	560(common stock 560 shares)
3rd Stock acquisition rights : Number of stock acquisition rights	340(common stock 340 shares)
4th Stock acquisition rights : Number of stock acquisition rights	205(common stock 205 shares)
5th Stock acquisition rights : Number of stock acquisition rights	355(common stock 355 shares)
6th Stock acquisition rights : Number of stock acquisition rights	115(common stock 115 shares)
5th Stock acquisition rights (2): Number of stock acquisition rights	245(common stock 245 shares)
6th Stock acquisition rights (2): Number of stock acquisition rights	10(common stock 10 shares)

(2) Reasons for Occurrence

It occurred due to the expected future excess earning power from future business expansion.

(3) Amortization Method and Period

Amortized evenly over a period of 8 years

(Implementation of tender offer).

The Company resolved at its board of directors meeting held on November 7, 2023 to endorse the tender offer (the “Tender Offer”) for the common shares of the Company (the “Company Shares”) conducted by Hokuto Management Co., Ltd. (the “Tender Offeror”) as follows as part of a management buyout (MBO – see Note), and to encourage the shareholders of the Company to tender shares in the Tender Offer.

This resolution of the board of directors was adopted on the premise that the Company Shares will be delisted following the Tender Offer and subsequent procedures.

Note: A “management buyout” (MBO) generally refers to a transaction in which the management of the target company contributes all or part of the funds used to acquire shares of the target company on the premise that the target company will continue to operate.

1. Outline of the Tender Offeror

(1) Name	Hokuto Management Co., Ltd.
(2) Address	10060 Kobuchizawa-cho, Hokuto-shi, Yamanashi
(3) Job title and name of representative	Kazuo Nakamura, Representative Director
(4) Description of business	Acquisition and ownership of the Company Shares, etc.
(5) Stated capital	¥100,000
(6) Date of establishment	October 2, 2023
(7) Major shareholders and shareholding ratios	SORA Corporation 100%
(8) Relationship between the Company and the Tender Offeror	
Capital relationship	Not applicable. Mr. Kazuo Nakamura (“Mr. Nakamura”), the representative director of the Tender Offeror, holds 565,638 Company Shares as of November 7, 2023 (including 18 Company Shares held indirectly through cumulative stock investment (rounded down to the nearest whole share) and 2,400 Company Shares granted as restricted share awards; ownership ratio (see Note): 3.32%).
Personnel relationship	Mr. Nakamura, the representative director of the Tender Offeror, currently serves as representative director, chairman and CEO of the Company.
Transactional relationship	Not applicable
Status as a related party	Because Mr. Nakamura, the representative director, chairman and CEO of the Company, holds all voting rights in the Tender Offeror, the Tender Offeror is a related party of the Company.

Note: "Ownership ratio" means the percentage (rounded to two decimal places) of the difference (17,042,645 shares) of the total number of issued shares of the Company (18,923,569 shares) as of September 30, 2023, as stated in the "Consolidated Financial Results for the Fiscal Year Ending September 2023" published by the Company on November 7, 2023 (the "Financial Results"), less the number of treasury shares held by the Company (1,880,924 shares) as of that date (the Company Shares owned by the Company's employee stock ownership plan (J-ESOP) as of that date (158,000 shares) are recorded as treasury shares in the Company's financial results, but are not included in the number of treasury shares (1,880,924 shares) because the Tender Offeror plans to acquire those shares through the Tender Offer).

2. Overview of the Public Tender Offer

(1) Types of Securities to be Acquired

Common stock

(2) Period of the Tender Offer

From Wednesday, November 8, 2023 to Thursday, January 4, 2024 (37 business days)

(3) Offer Price

¥2,650 per share of common stock

(4) Number of Securities Intended to be Acquired

Type of stock certificate	Predicted purchase quantity	Lower limit of predicted purchase quantity	Upper limit of predicted purchase quantity
Common stock	12,722,645	7,037,500	—

(Result of the Tender Offer by Hokuto Management Co., Ltd. and Changes in the Parent Company and the largest major shareholder)

The Tender Offer for the common shares of the Company (the "Company Shares"), which had been conducted by Hokuto Management Co., Ltd. (the "Tender Offeror") since November 8, 2023, was completed on January 4, 2024.

As a result of the Tender Offer, the Company's parent company and the Company's largest major shareholder is expected to change as of January 12, 2024 (the commencement date of settlement of the Tender Offer).

The Company received a report on the results of the Tender Offer from the Tender Offeror on January 5, 2024 stating that the Tender Offer has been completed, since the tender offer involved a subscription for 10,487,063 shares of Company Shares that exceeded the minimum of the planned number of shares to be purchased (7,037,500 shares) and, accordingly the Tender Offeror decided to acquire all tendered shares.

As a result, upon settlement of the Tender Offer on January 12, 2024 (the commencement date of the settlement of the Tender Offer), the ratio of the number of voting rights held by the Tender Offeror to the number of voting rights held by all shareholders has exceeded 50%. Therefore, the Tender Offeror became the parent company and the largest major shareholder of the Company. In conjunction with this, SORA Co., Ltd. ("SORA"), the parent company of the Tender Offeror, also indirectly owned Company Shares through the tender offer. As a result, it has been newly classified as the Company's parent company on January 12, 2024 (the commencement date of the settlement of the Tender Offer).

In addition, Artemis Inc. ("Artemis"), the largest major shareholder of the Company, was no longer the largest major shareholder of the Company as of January 12, 2024 (the commencement date of the settlement of the Tender Offer) because, as a result of the settlement of the Tender Offer, the

Tender Offeror was newly classified as the Company's largest shareholder.

(Share Consolidation, Abolition of the Number of Shares Constituting One Unit of Shares, and Partial Amendments to the Articles of Incorporation)

The Board of Directors of the Company resolved at a meeting held on January 31, 2024 to convene an extraordinary general meeting of shareholders (the "Extraordinary General Meeting of Shareholders") to be held on March 4, 2024, and to submit Agenda Item 1 "Reverse Stock Split Share Consolidation" and Agenda Item 2 "Partial Amendment to the Articles of Incorporation" to the Extraordinary General Meeting of Shareholders.

In the course of the above procedures, the shares of common stock of the Company (the "Company's Shares") will fall under the delisting standards stipulated in the Securities Listing Regulations of the Tokyo Stock Exchange, Inc. (the "Tokyo Stock Exchange") in the course of the above-mentioned procedures. As a result, the Company's shares will be designated as securities to be delisted from March 4, 2024 to March 27, 2024, and then delisted as of March 28, 2024.

I.Share Consolidation

1.Purpose and Reason for the Share Consolidation

Tender Offeror has decided to acquire all of the Company's shares (except for treasury stock held by the Company and 2,160,000 shares of the Company's stock held by Artemis Inc. ("Artemis") (ownership ratio (Note): 12.67%) and 2,160,000 shares of the Company held by Keith Japan Co., Ltd. ("Keith Japan")(ownership ratio 12.67%). Such shares of the Company owned by Artemis and Keith Japan are hereinafter referred to as the "Non-Tendered Shares") in a series of transactions (the "Transactions") for the purpose of taking the Company's shares private. As part of a series of transactions (the "Transaction") to acquire all of the Company's shares and take the Company's shares private, the Tender Offeror conducted a tender offer for the Company's shares with the Tender Offer Period from November 8, 2023 to January 4, 2024.

As a result of the completion of the Tender Offer, Tender Offeror acquired 10,487,063 shares of the Company (ownership ratio: 61.53%) on January 12, 2024, the commencement date of settlement of the Tender Offer.

Note: "Ownership ratio" means the percentage (rounded to two decimal places) of the difference (17,042,645 shares) of the total number of issued shares of the Company (18,923,569 shares) as of September 30, 2023, as stated in the "Consolidated Financial Results for the Fiscal Year Ending September 2023" published by the Company on November 7, 2023 (the "Financial Results"), less the number of treasury shares held by the Company (1,880,924 shares) as of that date (the Company Shares owned by the Company's employee stock ownership plan (J-ESOP) as of that date (158,000 shares) are recorded as treasury shares in the Company's financial results, but are not included in the number of treasury shares (1,880,924 shares) because the Tender Offeror plans to acquire those shares through the Tender Offer).

As described above, the Tender Offer was consummated, but Tender Offeror was unable to acquire all of the Company's shares (excluding the treasury stock held by the Company and the non-tendered shares) through the Tender Offer. As announced in the Opinion Press Release, at the request of Tender Offeror and subject to shareholder approval at the Extraordinary

General Meeting of Shareholders held on January 31, 2024, the Company's Board of Directors has resolved that, in accordance with Tender Offeror's request, the Tender Offeror, Artemis and Keith Japan (collectively, the "Tender Offer Related Parties") will be the only shareholders of the Company. In order to take the Company's shares private, the Company will conduct a Share Consolidation (the "Share Consolidation") as described in "2.Summary of the Share Consolidation", and resolved to submit a proposal for the Share Consolidation to the Extraordinary General Meeting of Shareholders. As a result of the Share Consolidation, the number of shares of the Company held by shareholders other than the Tender Offer Related Parties will be reduced to fractions of less than one share.

2.Summary of Share Consolidation

(1)Schedule of Share Consolidation

Date of Public Notice of the Record Date for this Extraordinary General Meeting of Shareholders	January 5, 2024
Record date of this Extraordinary General Meeting of Shareholders	January 20, 2024
Date of resolution by the Board of Directors	January 31, 2024
Date of the Extraordinary General Meeting of Shareholders	March 4, 2024 (tentative)
Date of designation as Securities to Be Delisted	March 4, 2024 (tentative)
Last day of trading of the Company's shares	March 27, 2024 (tentative)
Delisting date of the Company's shares	March 28, 2024 (tentative)
Effective date of Share Consolidation	March 30, 2024 (tentative)

(2)Details of the share consolidation

1. Type of shares to be consolidated

Common stock

2. Consolidation ratio

The Company's shares will be consolidated into one share at a ratio of 2,160,000 shares.

3. Total number of shares issued and outstanding to be reduced

17,279,992 shares

(Note) The Company's Board of Directors resolved on January 31, 2024 to cancel 1,643,569 shares of treasury stock on March 29, 2024, so the "Total number of shares issued and outstanding to be reduced" is based on the number of shares issued and outstanding after such cancellation.

4. Total number of shares issued and outstanding before the effective date

17,280,000 shares

(Note) Since the Company's Board of Directors resolved on January 31, 2024 to cancel 1,643,569 shares of treasury stock on March 29, 2024, the "Total number of shares issued and outstanding before the effective date" is the number of shares after deducting the number of treasury stock (1,643,569 shares) that the Company plans to cancel on March 29, 2024.

5. Total number of shares issued and outstanding after the effective date
8 shares
6. Total number of shares authorized to be issued as of the effective date
32 shares

II. Partial Amendments to the Articles of Incorporation

1. Aim of the Amendments to the Articles of Incorporation

- (1) If the proposal for the Share Consolidation is approved at this Extraordinary General Meeting of Shareholders as originally proposed and the Share Consolidation takes effect, the total number of authorized shares of the Company's stock will be reduced to 32 shares in accordance with the provisions of Article 182, Paragraph 2 of the Companies Act. In order to clarify this point, Article 6 (Total Number of Authorized Shares) of the Articles of Incorporation is to be amended on the condition that the Share Consolidation takes effect.
- (2) When the Share Consolidation takes effect, the total number of Company Shares will be 8 shares, and there will be no need to determine the number of shares per unit. Therefore, in order to abolish the provisions regarding the number of shares per unit of our shares, which is currently 1 unit of 100 shares, under the condition that the effect of this stock consolidation occurs, the Company proposes to delete the entire text of Article 7 (Number of Shares Constituting One Unit of Shares) and Article 8 (Additional Purchase of Shares Less Than One Unit) of the Articles of Incorporation, and carry forward the numbering of the articles in connection with such change.
- (3) When the Share Consolidation takes effect, the only shareholders of the Company will be the Tender Offer Related Parties, and since the Company's shares will be delisted, the provisions relating to the electronic provision system for the materials of the General Meeting of Shareholders will lose their necessity. Therefore, subject to the Share Consolidation taking effect, the Company proposes to delete the entire text of Article 14 (Measures for Electronic Provision, etc.) of the Articles of Incorporation and to carry forward the number of articles in connection with such change.

2. Amendments to be applied to the Articles of Incorporation

The details of the amendment are as follows. The amendments to the Articles of Incorporation pertaining to this proposal will become effective on March 30, 2024, on the condition that the proposal for the Share Consolidation is approved and passed as originally proposed at the Extraordinary General Meeting of Shareholders and the Share Consolidation takes effect.

(The sections underlined are the points of change)

Description in the current Articles of Incorporation	Proposed changes
Article 6 (Total Number of Authorized Shares) The total number of authorized shares of the Company shall be <u>46,000,000</u> .	Article 6 (Total Number of Authorized Shares) The total number of authorized shares of the Company shall be <u>32</u> .
<u>Article 7 (Number of Shares Constituting One Unit of Shares)</u> <u>The number of shares constituting one unit of shares of the Company shall be 100 shares.</u>	(To be deleted)
<u>Article 8 (Additional Purchase of Shares Less Than One Unit)</u> <u>Any shareholder of the Company may, in accordance with the Share Handling Regulations, request the Company to sell to him the number of shares that, together with the number of shares less than one unit held by such shareholder, will constitute one unit of shares.</u>	(To be deleted)
Articles <u>9-13</u> (Omitted)	Articles <u>7-11</u> (no change)
<u>Article 14 (Electronic Provision of Information, etc.)</u> <u>(1) When convening a general meeting of shareholders, the Company shall take measures to provide electronically the information contained in the Reference Documents for the General Meeting of Shareholders, etc.</u> <u>(2) The Company shall not be required to include all or part of the matters for which it takes electronic provision of information as provided for in the applicable Ordinance of the Ministry of Justice in the document to be delivered to shareholders who have made a written request by the Record Date for Voting Rights.</u>	(To be deleted)
Articles <u>15-39</u> (Omitted)	Articles <u>12-36</u> (no change)

(Cancellation of treasury shares)

The Board of Directors of the Company resolved on January 31, 2024 to cancel its treasury shares pursuant to the provisions of Article 178 of the Companies Act. In addition, the cancellation of treasury shares is subject to the approval of the proposal for the share consolidation with the effective date of March 30, 2024 at the Company's extraordinary shareholders' meeting scheduled to be held on March 4, 2024.

1.Type of shares to be cancelled

Shares of the Company's common stock

2.Number of shares to be cancelled

1,643,569 Shares (Percentage of total issued shares before cancellation 8.69%)

(Note)Figures are rounded to three decimal places.

3.Scheduled date of the cancellation

March 29, 2024

4.Total number of issued shares after the cancellation

17,280,000 shares