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February 3, 2020

## **CMIC HOLDINGS Co., Ltd. Consolidated Financial Results For the 1<sup>st</sup> Quarter Ended December 31, 2019**

(The Fiscal Year Ending September 30, 2020, Japan Accounting Standards)

### **Highlights:**

□ **Sales grew 13.8% year on year to ¥19.8 billion on a consolidated basis**

□ **Operating income decreased 4.4% to ¥923 million**

□ **Earnings per share ¥26.63**

• **Orders received grew 10.4% year on year to ¥19.2 billion**

□ **Order backlog of contract services grew 1.7% year on year to ¥74.7 billion**

Tokyo, February 3, 2020 – CMIC HOLDINGS Co., Ltd. (TSE Code: 2309 ) today reported financial results for the 1<sup>st</sup> quarter ended December 31, 2019

CMIC group is rolling out a PVC (Pharmaceutical Value Creator) model, which is our unique business model contributing to increase additional values of pharmaceutical companies. We provide extensive support for development, manufacturing, sales and marketing value chains of pharmaceutical companies with our CRO (Contract Research Organization) business, CDMO (Contract Development Manufacturing Organization) business, CSO (Contract Sales Organization) business, and Healthcare business. In addition, our IPM (Innovative Pharma Model) business is providing new business solutions to pharmaceutical companies that combine marketing authorization licensing (intellectual properties) and value chains.

In the pharmaceutical industry, while creation of innovative drugs is anticipated towards providing personalized medicine or "precision medicine", drug pricing system is being revised, such as introduction of cost-effective assessments and consideration of special or specified medical care coverage, due to impact on the health insurance budget. Further improvement of productivity and technical capability is expected for the pharmaceutical industry for transformation to the industrial structure with more global competitiveness. New technologies called the Fourth Industrial Revolution such as artificial intelligence (AI) or IoT are bringing significant changes to the society, and as way of medicine and people's ideas of health change in the healthcare arena, industry, government, academia and civil society are collaborating to achieve innovation to address the decreasing birthrate and aging population.

The CMIC Group has been promoting "Project Phoenix" to adapt ourselves to the rapidly changing external environment in a timely and flexible manner and to achieve sustainable growth. We have started "Project Phoenix 3.0" to expand the application of our unique business model "PVC" (that provides end-to-end support for pharmaceutical companies) to the healthcare arena and promote new business creation. In addition, to achieve the mid-to-long-term corporate value improvement of our group, the mid-term plan (FY2019-2021) includes focus activity items such as acceleration of PVC model, expansion of globalization, and creation of healthcare

business. We are implementing various group-wide measures to execute such activities continuously to achieve the mid-term plan.

### Sales and Operating Income

In the first quarter of the current fiscal year, we are addressing the top-priority items identified in the mid-term plan including business incubation in healthcare arena.

Sales in the first quarter of fiscal year 2020 was 19.8 billion (grew 13.8% year-on-year) driven by the CDMO and CSO business growth. Operating income was 923 million (down 4.4% year-on-year) mainly due to decrease in profits of CRO business, despite the improvements of CDMO business and CSO business.

### Segment Information

The business results by segment are listed as below:

Please note that reported segment was partly changed. We compare the percentage change in sales and operating income by segment versus the same period during the previous year, using the segments after the changes as the basis.

- **CRO (Contract Research Organization) Business**

	(Millions of yen)			
	Q1 FY2020	Q1 FY2019	YoY Change Amount	YoY Change %
Sales	9,193	9,106	+87	+1.0
Operating income	1,541	2,051	(509)	(24.9)

In this business, we provide services primarily to pharmaceutical companies to support drug development. In the first quarter of the current fiscal year, we are supporting overseas companies entering the Japanese market and non-healthcare companies entering the healthcare sphere, promoting measures to address sophisticated development needs including biopharmaceuticals and regenerative medicines, and expanding our presence in Asia.

For clinical services, we are promoting our order-receiving activities for global studies and PVC projects with involvement of multiple business units, and improving the expertise and technical capabilities of our human resources.

For non-clinical services, our laboratories in Japan and the United States are further collaborating to provide drug discovery support for advanced medicine including nucleic acid drugs and regenerative medicine.

Sales was about the same as 1Q 2019, but operating income was below that of the same period of the previous year due to lower occupancy rates and listing of unprofitable projects.

- **CDMO (Contract Development Manufacturing Organization) Business**

(Millions of yen)

	Q1 FY2020	Q1 FY2019	YoY Change Amount	YoY Change %
Sales	5,081	3,384	+1,696	+50.1
Operating income	(42)	(377)	+335	-

In this business, we provide services primarily to pharmaceutical companies to support drug formula development and manufacturing.

In the first quarter of the current fiscal year, CDMO business is further improving technical capabilities, developing low-cost production structure, and enhancing competitiveness through strategic capital investment as a global pharmaceutical drug manufacturing platform that includes formulation design, investigational new drug manufacturing, and commercial production.

Sales exceeded that of the same period of the previous year mainly due to increase of contract production sales in Japan and the contribution of CMIC CMO Nishine, which became a CMIC Group company in June 2019.

While operating loss was recorded due to listing of depreciation cost for the new parenteral drug manufacturing facility in Ashikaga and the decrease of contract production sales in the United States, the loss amount has decreased.

- **CSO (Contract Sales Organization) Business**

(Millions of yen)

	Q1 FY2020	Q1 FY2019	YoY Change Amount	YoY Change %
Sales	<b>2,188</b>	1,782	+406	+22.8
Operating income	<b>233</b>	(44)	+277	-

In this business, we provide sales- and marketing-support services, primarily to pharmaceutical companies.

In the first quarter of the current fiscal year, in addition to the medical representative (MR) dispatch and other related services, CMIC Ashfield Co., Ltd. is providing comprehensive solution that combines multiple communication channels and various services including dispatch and training of Medical Affairs personnel.

Sales and operating income exceeded significantly that of the same period of the previous year thanks to the steady progress in MR dispatch projects acquired in the previous period.

- **Healthcare Business**

	(Millions of yen)			
	Q1 FY2020	Q1 FY2019	YoY Change Amount	YoY Change %
Sales	<b>2,392</b>	2,347	+45	+1.9
Operating income	<b>97</b>	177	(79)	(45.1)

In this business, In addition to the SMO (Site Management Organization) operations, we provide services to medical institutions, patients, and general consumers in the area of medical treatment, health maintenance, and health promotion.

In the first quarter of the current fiscal year, we are further strengthening the oncology capabilities in the SMO operations and providing new services. We are creating new business for early detection and prevention of aggravation of disease, including “harmo” electronic prescription record service and "SelCheck" (self-screening) service. We will strive to win new SMO business orders and aim to expedite the in-flow of income for the new healthcare business.

Sales exceeded that of the same period I of the previous year due to the growth of both SMO operations and healthcare service.

Operating income was below that of the same period of the previous year due to prior investment to create new healthcare business opportunities.

- **IPM (Innovative Pharma Model) Business**

	(Millions of yen)			
	Q1 FY2020	Q1 FY2019	YoY Change Amount	YoY Change %
Sales	<b>1,149</b>	954	+194	+20.4
Operating income	<b>51</b>	(12)	+64	-

IPM business provides new business solutions to pharmaceutical companies that combine value chains and marketing authorization licenses (intellectual properties) possessed by our group. We are mainly delivering development and marketing services for orphan drugs and diagnostics.

In the first quarter of this fiscal year, we are selling orphan drugs, including products developed in-house.

Further, we are strengthening business foundation through provision of IPM platform such as supporting foreign companies entering the Japanese market and providing strategic options to pharmaceutical companies in accordance with their business model changes. We will further expand the business scale and reach profitability by continuing to provide new business solutions.

Sales exceeded that of the same period of the previous year due to sales increase of orphan drugs and achieved operating surplus.

## Ordinary Income

Ordinary income for the first quarter of the current fiscal year was ¥911 million (up 5.8% YoY).

For non-operating income, we recorded ¥51 million of rent income, and foreign exchange gains, and for non-operating expenses we recorded ¥63 million of interest expenses, and share of loss of entities accounted for using equity method.

## Profit attributable to owners of parent

Current profit attributable to owners of parent for the first quarter of the current fiscal year was ¥481 million (down 10.3% YoY).

For extraordinary income, we recorded ¥3 million as gain on sales of non-current assets, and as for extraordinary losses, we recorded ¥25 million as loss on retirement of non-current assets. ¥416 million was recorded as total income taxes, and ¥8 million as loss attributable to non-controlling interests.

## Overview of the financial condition

Assets, liabilities, and net assets

Total assets at the end of the first quarter of the current fiscal year increased by ¥234 million YoY to ¥80.414 billion. This is mainly due to an increase in notes and accounts receivable - trade, against a decrease in cash and deposits.

Total liabilities increased by ¥303 million YoY to ¥47.489 billion. This is mainly due to an increase in commercial papers and long-term debt against a decrease in short-term borrowings and provision for bonuses.

Total net assets decreased by ¥69 million YoY to ¥32.924 billion. This is mainly due to a decrease in unrealized gain(loss) on securities.

## Future Outlook

There are no changes from the consolidated performance forecast (CMIC HOLDINGS Co., Ltd. Consolidated Financial Results for the year ended September 30, 2019) announced on November 7, 2019.

### Cautionary statement:

This material includes forward-looking statements based on assumptions and beliefs in light of the information currently available to management, and is subject to significant risks and uncertainties. Actual financial results may vary materially from the content of this material depending on a number of factors. While this material contains information on pharmaceuticals (including compounds under development), this information is not intended to make any representations or advertisements regarding the efficacy or effectiveness of their preparations, promote any kind of unapproved uses, nor provide medical advice of any kind.

**Summary of Results for the 1st Quarter Ended December 31, 2019 (October 1, 2019 through December 31, 2019)**

(1) Consolidated financial results (Millions of yen; amounts less than one million yen are omitted)  
(Percentage figures indicate increase compared with the corresponding period of the prior fiscal year)

	Q1 FY2020		Q1 FY2019	
		Change (%)		Change (%)
Net sales	<b>19,800</b>	<b>13.8</b>	17,399	4.6
Operating income	<b>923</b>	<b>(4.4)</b>	965	(4.8)
Ordinary income	<b>911</b>	<b>5.8</b>	861	(16.8)
Profit attributable to owners of parent	<b>481</b>	<b>(10.3)</b>	536	(1.4)
Earnings per share (Yen)	<b>26.63</b>		28.89	
Diluted net income per share (Yen)	—		—	

Reference: Comprehensive income: 1<sup>st</sup> quarter FY2020: ¥427 million ( - %), 1<sup>st</sup> quarter FY2019: ¥(434) million ( - %)

(2) Consolidated financial position (Millions of yen; amounts less than one million yen are omitted)

	Q1 FY2020	Year End FY2019
Total assets	<b>80,414</b>	80,179
Net assets	<b>32,924</b>	32,994
Equity ratio (%)	<b>27.6</b>	27.8
Book value per share (Yen)	<b>1,226.61</b>	1,231.65

Reference: Shareholders' equity: 1<sup>st</sup> quarter FY2020: ¥22,167 million, year-end FY2019: ¥22,258 million.

**Distribution of Profits and Dividends**

In the fiscal year ending September 30, 2020, the Company plans to make two payments of dividends – an interim payment at ¥5.00 and a year-end payment at ¥33.00 –, totaling to an annual payment of ¥38.00.

Consolidated Financial Statements for the 1st Quarter Ended December 31, 2019

(1) Consolidated Balance Sheets

(Millions of yen)

	Q1 FY2020 (December 31, 2019)	Year End FY2019 (September 30, 2019)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	10,938	12,146
Notes and accounts receivable - trade	14,067	13,082
Merchandise and finished goods	622	682
Work in process	4,023	4,074
Raw materials and supplies	2,627	2,578
Other	3,193	3,009
Allowance for doubtful accounts	(68)	(67)
<b>Total current assets</b>	<b>35,403</b>	<b>35,506</b>
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings and structures, net	13,434	13,471
Machinery, equipment and vehicles, net	10,447	9,848
Land	6,436	6,425
Other, net	4,010	4,004
<b>Total property, plant and equipment</b>	<b>34,328</b>	<b>33,750</b>
<b>Intangible assets</b>		
Goodwill	161	237
Other	1,354	1,338
<b>Total intangible assets</b>	<b>1,516</b>	<b>1,575</b>
<b>Investments and other assets</b>		
Investment securities	2,861	3,007
Lease and guarantee deposits	1,991	1,997
Other	4,897	4,921
Allowance for doubtful accounts	(584)	(579)
<b>Total investments and other assets</b>	<b>9,165</b>	<b>9,347</b>
<b>Total non-current assets</b>	<b>45,010</b>	<b>44,673</b>
<b>Total assets</b>	<b>80,414</b>	<b>80,179</b>

(Millions of yen)

	Q1 FY2020 (December 31, 2019)	Year End FY2019 (September 30, 2019)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable – trade	1,065	1,082
Short-term borrowings	1,668	3,018
Current portion of long-term debt	2,922	2,822
Commercial papers	3,000	2,000
Income taxes payable	94	647
Provision for bonuses	640	2,677
Provision for loss on orders received	664	561
Other	11,496	9,935
<b>Total current liabilities</b>	<b>21,552</b>	<b>22,743</b>
<b>Non-current liabilities</b>		
Long-term debt	12,550	11,356
Net defined benefit liability	8,912	8,721
Other	4,473	4,364
<b>Total non-current liabilities</b>	<b>25,936</b>	<b>24,441</b>
<b>Total liabilities</b>	<b>47,489</b>	<b>47,185</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	3,087	3,087
Capital surplus	6,102	6,102
Retained earnings	14,105	14,121
Treasury shares	(1,578)	(1,578)
<b>Total shareholders' equity</b>	<b>21,717</b>	<b>21,733</b>
<b>Accumulated other comprehensive income</b>		
Unrealized gain(loss) on securities	483	613
Foreign currency translation adjustments	8	(35)
Remeasurements of defined benefit plans	(42)	(52)
<b>Total accumulated other comprehensive income</b>	<b>450</b>	<b>525</b>
<b>Non-controlling interests</b>	<b>10,757</b>	<b>10,735</b>
<b>Total net assets</b>	<b>32,924</b>	<b>32,994</b>
<b>Total liabilities and net assets</b>	<b>80,414</b>	<b>80,179</b>



**(2) Consolidated Statement of Income**

(Millions of yen)

	<b>Q1 FY2020</b> <b>(October 1, 2019–</b> <b>December 31, 2019)</b>	<b>Q1 FY2019</b> <b>(October 1, 2018–</b> <b>December 31, 2018)</b>
<b>Net sales</b>	<b>19,800</b>	<b>17,399</b>
<b>Cost of sales</b>	<b>15,723</b>	<b>13,677</b>
<b>Gross profit</b>	<b>4,076</b>	<b>3,721</b>
<b>Selling, general and administrative expenses</b>	<b>3,153</b>	<b>2,756</b>
<b>Operating income</b>	<b>923</b>	<b>965</b>
<b>Non-operating income</b>		
Interest income	1	1
Foreign exchange gains	20	-
Rent income	5	5
Other	23	25
<b>Total non-operating income</b>	<b>51</b>	<b>32</b>
<b>Non-operating expenses</b>		
Interest expenses	30	32
Share of loss of entities accounted for using equity method	15	35
Foreign exchange losses	-	56
Other	16	11
<b>Total non-operating expenses</b>	<b>63</b>	<b>135</b>
<b>Ordinary income</b>	<b>911</b>	<b>861</b>
<b>Extraordinary income</b>		
Gain on sales of non-current assets	3	6
<b>Total extraordinary income</b>	<b>3</b>	<b>6</b>
<b>Extraordinary losses</b>		
Loss on retirement of non-current assets	25	47
<b>Total extraordinary losses</b>	<b>25</b>	<b>47</b>
<b>Profit before income taxes</b>	<b>889</b>	<b>820</b>
Current	59	36
Deferred	357	514
<b>Total income taxes</b>	<b>416</b>	<b>551</b>
<b>Profit</b>	<b>473</b>	<b>269</b>
<b>Loss attributable to non-controlling interests</b>	<b>(8)</b>	<b>(267)</b>
<b>Profit attributable to owners of parent</b>	<b>481</b>	<b>536</b>

(3) Consolidated Statement of Comprehensive Income

(Millions of yen)

	<b>Q1 FY2020</b> <b>(October 1, 2019–</b> <b>December 31, 2019)</b>	<b>Q1 FY2019</b> <b>(October 1, 2018–</b> <b>December 31, 2018)</b>
<b>Profit</b>	<b>473</b>	<b>269</b>
Other comprehensive income		
Unrealized gain(loss) on securities	(129)	(696)
Foreign currency translation adjustments	65	(27)
Remeasurements of defined benefit plans	19	19
<b>Total other comprehensive income</b>	<b>(45)</b>	<b>(703)</b>
<b>Comprehensive income</b>	<b>427</b>	<b>(434)</b>
<b>Comprehensive income attributable to</b>		
Owners of parent	405	(155)
Non-controlling interests	21	(279)