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July 31, 2020

## **CMIC HOLDINGS Co., Ltd. Consolidated Financial Results For the 3<sup>rd</sup> Quarter Ended June 30, 2020**

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

### **Highlights:**

□ **Sales grew 3.4% year on year to ¥56.7 billion on a consolidated basis**

□ **Operating income decreased 22.1% to ¥3.1 billion**

□ **Profit attributable to owners of parent increased 24.3% to ¥2.3 billion**

□ **Earnings per share ¥131.26**

Tokyo, July 31, 2020 – CMIC HOLDINGS Co., Ltd. (TSE Code: 2309 ) today reported financial results for the 3<sup>rd</sup> quarter ended June 30, 2020

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 assessment 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 global epidemic of COVID-19 that started at the beginning of 2020 is significantly impacting the socioeconomics, increasing the uncertainty about the future with no prospect of when it will be contained. We are recognizing the importance of drug development that is leading to maintaining the lives of patients, and are requested to ensure stable supply of drugs by further promoting the domestic production of drug substances with high dependency on overseas production.

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. The outbreak of COVID-19 is rapidly changing the medical and economic environment as well as people's way of working. CMIC will enhance digitalization and utilize our talents in the healthcare arena to prepare ourselves for the post-corona era.

As a life science company, CMIC Group will support the development of effective treatment and precautions against the new coronavirus, contribute to providing efficacious treatment for early recovery of patients and maintaining the hospital system, and deliver our mission as a healthcare company.

### Sales and Operating Income

In the 3<sup>rd</sup> 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.

On the other hand, following the outbreak of COVID-19, we had no choice but to suspend or reduce business activities including restriction on hospital visits, delayed collection of safety information, and cancellation of academic conferences and seminars. We are strengthening the sales activities toward winning new projects of COVID-19 treatment drug development support operations etc.

Sales in the 3<sup>rd</sup> quarter of fiscal year 2020 was 56.7 billion (grew 3.4% year-on-year) driven by the CDMO and CSO business growth. Operating income was 3,137 million (down 22.1% 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 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)			
	Q3 FY2020	Q3 FY2019	YoY Change Amount	YoY Change %
Sales	25,605	27,523	(1,918)	(7.0)
Operating income	4,288	5,718	(1,430)	(25.0)

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

In the 3<sup>rd</sup> 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 sophisticating development needs including biopharmaceuticals and regenerative medicines, and expanding our presence in Asia.

For clinical services, we are promoting PVC projects involving multiple business units, clinical trials with the latest

method and technologies (e.g. Virtual clinical trials with on-line doctor consultation, improving the efficiency of clinical trials with electronic prescription records), and improving the expertise and technical capabilities of our talents.

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 were below the same period last year due to the impact of delay in receiving orders and cancellation/postponement of existing projects following the global pandemic of COVID-19 and downsizing/increased complexity of development projects. Operating income was also below the same period last year impacted by reduced operation rates and listing of unprofitable projects.

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

	(Millions of yen)			
	Q3 FY2020	Q3 FY2019	YoY Change Amount	YoY Change %
Sales	15,199	11,858	+3,340	+28.2
Operating income	15	(156)	+172	-

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

In the 3<sup>rd</sup> 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 and operating income exceeded the same period last year thanks to increased contract volume in Japan and the sales contribution by CMIC CMO Nishine Co., Ltd., despite the reduction of contract volume following the inventory adjustment by customers in the United States.

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

	(Millions of yen)			
	Q3 FY2020	Q3 FY2019	YoY Change Amount	YoY Change %
Sales	6,516	5,795	+720	+12.4
Operating income	768	100	+667	+661.6

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

In the 3<sup>rd</sup> quarter of the current fiscal year, in addition to the medical representative (MR) dispatch and other related services, we are providing comprehensive solution that combines multiple communication channels and

various services including dispatch and training of Medical Affairs personnel.

Sales and operating income exceeded the same period last year thanks to the steady progress in MR dispatch projects acquired in the previous period and the operation rates maintained at the high level.

● **Healthcare Business**

	(Millions of yen)			
	Q3 FY2020	Q3 FY2019	YoY Change Amount	YoY Change %
Sales	7,463	7,613	(149)	(2.0)
Operating income	586	946	(360)	(38.1)

In this business, we provide SMO services, healthcare services related to treating, maintaining, and promoting the health for medical institutions, patients and general consumer, and services related to BPO and human resources. In the 3<sup>rd</sup> 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 were below the same period last year despite growth in healthcare services, due to reduction in work volume for some BPO/Staffing services. Operating income was below the same period last year impacted by lower sales of BPO/Staffing services and prior investment cost to create new healthcare business models.

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

	(Millions of yen)			
	Q3 FY2020	Q3 FY2019	YoY Change Amount	YoY Change %
Sales	2,564	2,695	(131)	(4.9)
Operating income	121	(199)	+320	-

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.

In the 3<sup>rd</sup> quarter of the current 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.

Though sales were below that of the corresponding period last year due to reduction in sales volume of some products, operating surplus was recorded due to the effect of cost reduction and commission income.

## Ordinary Income

Ordinary income for the 3<sup>rd</sup> quarter of the current fiscal year was ¥3,486 million (down 4.3% YoY).

For non-operating income, we recorded ¥519 million of share of profit of entities accounted for using equity method and other, for non-operating expenses we recorded ¥170 million of interest expenses and other.

## Profit attributable to owners of parent

Current profit attributable to owners of parent for the 3<sup>rd</sup> quarter of the current fiscal year was ¥2,373 million (up 24.3% YoY).

For extraordinary income, we recorded ¥46 million as gain on sales of shares of subsidiaries and other, and as for extraordinary losses, we recorded ¥75 million as loss on retirement of non-current assets. ¥877 million was recorded as total income taxes, and ¥205 million as profit attributable to non-controlling interests.

## Overview of the financial condition

Assets, liabilities, and net assets

Total assets at the end of the 3<sup>rd</sup> quarter of the current fiscal year increased by ¥5,888 million YoY to ¥86.068 billion. This is mainly due to an increase in cash and deposits, inventories, and tangible fixed assets of CDMO business.

Total liabilities increased by ¥3,749 million YoY to ¥50.935 billion. Most of the above is attributable to increase in borrowings from financial institutions anticipating the impact of COVID-19 and decrease in income taxes payable and provision for bonuses.

Total net assets increased by ¥2,138 million YoY to ¥35.133 billion. This is mainly due to an increase in retained earnings.

## Future Outlook

Since it was quite difficult to reasonably calculate our future business performance due to the impact of COVID-19 including delay, postponement, and cancellation of many pharmaceutical drug development projects, CMIC Group's future outlook was previously undetermined. Following the recent partial resumption of new drug development projects, we calculated and revised its forecast based on all available information gathered at this point. Our FY2020 performance forecast for sales is expected to be 75,000 million yen, operating income is expected to be 2,300 million yen, ordinary income is expected to be 2,600 million yen, and profit attributable to owners of parent is expected to be 1,350 million yen.

**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 3<sup>rd</sup> Quarter Ended June 30, 2020 (October 1, 2019 through June 30, 2020)

(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)

	Q3 FY2020		Q3 FY2019	
		Change (%)		Change (%)
Net sales	56,736	3.4	54,855	6.3
Operating income	3,137	(22.1)	4,028	0.3
Ordinary income	3,486	(4.3)	3,643	(4.3)
Profit attributable to owners of parent	2,373	24.3	1,909	55.3
Earnings per share (Yen)	131.26		103.04	
Diluted net income per share (Yen)	—		—	

Reference: Comprehensive income: 3<sup>rd</sup> quarter FY2020: ¥2,733 million (up141.1% YoY), 3<sup>rd</sup> quarter FY2019: ¥1,133 million (down 29.7% YoY)

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

	End Q3 FY2020	Year End FY2019
Total assets	86,068	80,179
Net assets	35,133	32,994
Equity ratio (%)	28.1	27.8
Book value per share (Yen)	1,338.52	1,231.65

Reference: Shareholders' equity: : 3<sup>rd</sup> quarter FY2020: ¥24,214million, year-end FY2019: ¥22,258 million.

## Distribution of Profits and Dividends

We regard the return of profits to shareholders as one of our most important management policies. Our basic policy is to pay dividends in accordance with our business performance, while securing internal reserves to improve profitability and strengthen our business foundation. At the same time, we will maintain a consolidated dividend payout ratio of 30% and pay continuous and stable dividends. For the time being, the minimum annual dividend is set at ¥10.00 for stable dividends. The year-end dividend forecast for the fiscal year ending September 2020 is ¥17.00 per share, based on the full-year earnings forecast. We paid an interim dividend of 5.00 yen per share as announced at the beginning of the fiscal year. As a result, the total dividend of the current fiscal year is ¥ 22.00 per share.

## Consolidated Financial Statements for the 3<sup>rd</sup> Quarter Ended June 30, 2020

### (1) Consolidated Balance Sheets

(Millions of yen)

	Q3 FY2020 (June 30, 2020)	Year End FY2019 (September 30, 2019)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	12,905	12,146
Notes and accounts receivable - trade	13,261	13,082
Merchandise and finished goods	1,010	682
Work in process	4,498	4,074
Raw materials and supplies	2,500	2,578
Other	4,467	3,009
Allowance for doubtful accounts	(69)	(67)
<b>Total current assets</b>	<b>38,575</b>	<b>35,506</b>
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings and structures, net	15,274	13,471
Machinery, equipment and vehicles, net	10,557	9,848
Land	6,425	6,425
Other, net	5,138	4,004
<b>Total property, plant and equipment</b>	<b>37,396</b>	<b>33,750</b>
<b>Intangible assets</b>		
Goodwill	81	237
Other	1,492	1,338
<b>Total intangible assets</b>	<b>1,574</b>	<b>1,575</b>
<b>Investments and other assets</b>		
Investment securities	3,110	3,007
Lease and guarantee deposits	1,975	1,997
Other	4,013	4,921
Allowance for doubtful accounts	(576)	(579)
<b>Total investments and other assets</b>	<b>8,523</b>	<b>9,347</b>
<b>Total non-current assets</b>	<b>47,493</b>	<b>44,673</b>
<b>Total assets</b>	<b>86,068</b>	<b>80,179</b>



(Millions of yen)

	<b>Q3 FY2020</b> <b>(June 30, 2020)</b>	Year End FY2019 (September 30, 2019)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable – trade	939	1,082
Short-term borrowings	7,006	3,018
Current portion of long-term debt	3,158	2,822
Commercial papers	2,000	2,000
Income taxes payable	222	647
Provision for bonuses	571	2,677
Provision for loss on orders received	558	561
Other	12,739	9,935
<b>Total current liabilities</b>	<b>27,195</b>	<b>22,743</b>
<b>Non-current liabilities</b>		
Long-term debt	11,135	11,356
Net defined benefit liability	9,205	8,721
Other	3,398	4,364
<b>Total non-current liabilities</b>	<b>23,739</b>	<b>24,441</b>
<b>Total liabilities</b>	<b>50,935</b>	<b>47,185</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	3,087	3,087
Capital surplus	6,100	6,102
Retained earnings	15,919	14,121
Treasury shares	(1,545)	(1,578)
<b>Total shareholders' equity</b>	<b>23,562</b>	<b>21,733</b>
<b>Accumulated other comprehensive income</b>		
Unrealized gain(loss) on securities	723	613
Foreign currency translation adjustments	(50)	(35)
Remeasurements of defined benefit plans	(20)	(52)
<b>Total accumulated other comprehensive income</b>	<b>652</b>	<b>525</b>
<b>Non-controlling interests</b>	<b>10,919</b>	<b>10,735</b>
<b>Total net assets</b>	<b>35,133</b>	<b>32,994</b>
<b>Total liabilities and net assets</b>	<b>86,068</b>	<b>80,179</b>

**(2) Consolidated Statement of Income**

(Millions of yen)

	<b>Q3 FY2020</b> <b>(October 1, 2019–</b> <b>June 30, 2020)</b>	<b>Q3 FY2019</b> <b>(October 1, 2018–</b> <b>June 30, 2019)</b>
<b>Net sales</b>	<b>56,736</b>	<b>54,855</b>
<b>Cost of sales</b>	<b>44,710</b>	<b>42,349</b>
<b>Gross profit</b>	<b>12,026</b>	<b>12,506</b>
<b>Selling, general and administrative expenses</b>	<b>8,888</b>	<b>8,477</b>
<b>Operating income</b>	<b>3,137</b>	<b>4,028</b>
<b>Non-operating income</b>		
Interest income	3	3
Share of profit of entities accounted for using equity method	401	-
Other	115	70
<b>Total non-operating income</b>	<b>519</b>	<b>73</b>
<b>Non-operating expenses</b>		
Interest expenses	89	84
Share of loss of entities accounted for using equity method	-	162
Foreign exchange losses	45	173
Other	35	38
<b>Total non-operating expenses</b>	<b>170</b>	<b>458</b>
<b>Ordinary income</b>	<b>3,486</b>	<b>3,643</b>
<b>Extraordinary income</b>		
Gain on sales of non-current assets	5	7
Gain on sales of investment securities	10	-
Gain on sales of shares of subsidiaries	30	-
<b>Total extraordinary income</b>	<b>46</b>	<b>7</b>
<b>Extraordinary losses</b>		
Impairment loss	-	124
Loss on sales of non-current assets	-	1
Loss on retirement of non-current assets	75	65
<b>Total extraordinary losses</b>	<b>75</b>	<b>190</b>
<b>Profit before income taxes</b>	<b>3,457</b>	<b>3,460</b>
Current	290	1,080
Deferred	587	742
<b>Total income taxes</b>	<b>877</b>	<b>1,823</b>
<b>Profit</b>	<b>2,579</b>	<b>1,637</b>
<b>Profit(loss) attributable to non-controlling interests</b>	<b>205</b>	<b>(272)</b>
<b>Profit attributable to owners of parent</b>	<b>2,373</b>	<b>1,909</b>

**(3) Consolidated Statement of Comprehensive Income**

(Millions of yen)

	<b>Q3 FY2020</b> <b>(October 1, 2019–</b> <b>June 30 , 2020)</b>	<b>Q3 FY2019</b> <b>(October 1, 2018–</b> <b>June 30, 2019)</b>
<b>Profit</b>	<b>2,579</b>	<b>1,637</b>
Other comprehensive income		
Valuation difference on available-for-sale securities	110	(467)
Foreign currency translation adjustments	(13)	(95)
Remeasurements of defined benefit plans	57	59
<b>Total other comprehensive income</b>	<b>154</b>	<b>(503)</b>
<b>Comprehensive income</b>	<b>2,733</b>	<b>1,133</b>
<b>Comprehensive income attributable to</b>		
Owners of parent	2,500	1,437
Non-controlling interests	233	(304)