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February 1, 2021

CMIC HOLDINGS Co., Ltd. Consolidated Financial Results For the 1st Quarter Ended December 31, 2020

(The Fiscal Year Ending September 30, 2021, Japan Accounting Standards)

Highlights:

- **Sales decreased 4.6% year on year to ¥18.885 billion on a consolidated basis**
- **Operating income decreased 12.1% to ¥811 million**
- **Earnings per share: ¥31.06**
- **Order backlog of contract services grew 5.5% year on year**

Tokyo, February 1, 2021 – CMIC HOLDINGS Co., Ltd. (TSE Code: 2309) today reported financial results for the 1st quarter ended December 31, 2020.

CMIC Group is rolling out a PVC (Pharmaceutical Value Creator) model, which is our unique business model contributing to increasing 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 licenses (intellectual properties) and value chains.

In the pharmaceutical industry, while the creation of innovative drugs is expected through technological innovation and industry-government-academia collaboration towards providing personalized medicine or “precision medicine,” there is increasing pressure to reduce drug prices, including the annual NHI drug price revision starting in FY2021. The mid-year revision in FY2021 has put pressure on the earnings of pharmaceutical companies due to the large number of drugs subject to NHI drug price reductions; therefore, pharmaceutical companies are focusing more on expanding their development pipelines through M&A and other means. Furthermore, the development of pharmaceuticals using new basic drug discovery technologies, efforts to provide total care for diseases ranging from prevention to diagnosis to treatment to prognosis, and research and development using new technologies such as artificial intelligence (AI) and IoT are being accelerated. On the other hand, since the last year, there have been a series of voluntary recalls by generic drug manufacturers and cases of production using non-approved manufacturing methods have been uncovered. Here once again, the quality of pharmaceutical products is being required to be strictly controlled.

With no end in sight to the spread of COVID-19 infection, by placing top priority on countermeasures against such an infection, clinical trial implementation and safety information collection in remote environments, real-world data utilization, and other means are expected to further promote the speed and efficiency of drug development.

CMIC Group is executing the focus activities in the mid-term business plan (FY2019-2021) to adapt ourselves to the rapidly changing external environment. While promoting various measures, including 1) Acceleration of PVC model, 2) Promoting globalization, and 3) Creation of healthcare business, we have started the “Healthcare Revolution” project to transform ourselves from a business model centering on pharmaceutical drugs to the creation of new healthcare business. We are now creating new businesses that will contribute to maintaining and improving personal health, and utilizing our talents in the healthcare arena.

CMIC Group will support the development of effective treatment and preventive measures against the COVID-19 infection, contribute to providing efficacious treatment for early recovery of patients and maintaining the medical system, and deliver our mission as a healthcare company.

Sales and Operating Income

In the consolidated cumulative first quarter, we focused on sales activities to win new projects such as those of developmental and post-marketing support services for COVID-19 infection treatment drugs, while addressing the top-priority items identified in the mid-term plan, including business incubation in the healthcare arena. Due to the spread of COVID-19 infection, we are still self-imposing restrictions on visits to medical institutions and facing delay on some developmental projects, while remote-based business activities have taken root and inquiries are increasing.

Sales in the consolidated cumulative first quarter was ¥18.885 billion (down 4.6% year-on-year) due mainly to a decrease in sales in the CRO business. Operating income was 811 million (down 12.1% year-on-year), which was below the same period of the previous year.

Segment Information

The business results by segment are listed as below:

● CRO (Contract Research Organization) Business

	(Millions of yen)			
	Q1 FY2021	Q1 FY2020	YoY Change Amount	YoY Change %
Sales	8,728	9,193	(465)	(5.1)
Operating income	1,367	1,541	(174)	(11.3)

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

In the consolidated cumulative first quarter, we supported overseas companies entering the Japanese market and non-healthcare companies entering the healthcare sphere and promoted measures to address increasingly sophisticated development needs, including biopharmaceuticals and regenerative medicines, while helping to maximize the speed of drug development by offering one-stop service from non-clinical to post-marketing.

For clinical services, we are working to improve the efficiency of clinical trial process by using the healthcare communication channel *harmo*®, proposing a new clinical trial model for the New Normal, and improving the expertise and technical capabilities of our talents.

For non-clinical services, our laboratories in Japan and the United States are in collaboration to actively provide drug discovery support for advanced medicine, including nucleic acid drugs and regenerative medicine. Sales were below the same period of the previous year due to factors such as the weakness in orders for clinical operations in the previous fiscal year as a result of the spread of COVID-19 infection. Operating income was below the same period of the previous year due to factors such as a decrease in revenue from clinical operations, despite an increase in non-clinical operations.

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

	(Millions of yen)			
	Q1 FY2021	Q1 FY2020	YoY Change Amount	YoY Change %
Sales	4,913	5,081	(168)	(3.3)
Operating income	(112)	(42)	(70)	-

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

In the consolidated cumulative first quarter, CDMO business is further improving technical capabilities and quality, developing a 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. We are focusing on a large-scale commercial production project that is scheduled to start production in the fiscal year ending September 30, 2022, the launch of new facility and production line in the United States, and the acquisition of new projects. Sales were below the same period of the previous year due to a decrease in contracted production volume. Operating loss was recorded due to the decrease in sales and prior investment costs for the contract manufacturing business of biopharmaceutical APIs.

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

	(Millions of yen)			
	Q1 FY2021	Q1 FY2020	YoY Change Amount	YoY Change %
Sales	2,053	2,188	(135)	(6.2)
Operating income	225	233	(8)	(3.5)

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

In the consolidated cumulative first quarter, in addition to the medical representative (MR) dispatch and other related new services, we are strengthening the sales activities for Medical Affairs-related operations and providing comprehensive solution that combines multiple communication channels and various services. Sales and operating income were below the same period of the previous year due to a decline in the operation

rate in the MR dispatch services.

- **Healthcare Business**

	(Millions of yen)			
	Q1 FY2021	Q1 FY2020	YoY Change Amount	YoY Change %
Sales	2,456	2,392	+63	+2.6
Operating income	58	97	(38)	(39.8)

In this business, we provide SMO (Site Management Organization) services, as well as healthcare services related to treating and maintaining and promoting the health mainly for medical institutions, patients, and general consumers.

In the consolidated cumulative first quarter, we are expanding our new services by linking SMO operations with BPO services for medical institutions. Also, we are working on the healthcare communication channel *harmo*® business and creating new business that contributes to early detection of disease and prevention of disease aggravation. We will continuously strive to win new SMO business orders and aim to expedite the in-flow of income for the new healthcare business.

Sales were above the same period of the previous year due to growth in the SMO operations. On the other hand, operating income was below the same period of the previous year due to prior investments for the creation of new healthcare businesses.

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

	(Millions of yen)			
	Q1 FY2021	Q1 FY2020	YoY Change Amount	YoY Change %
Sales	924	1,149	(224)	(19.6)
Operating income	102	51	+50	+98.2

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 addition to selling orphan drugs, etc., including products developed in-house, we are strengthening business foundation through the provision of IPM platform that includes supporting foreign pharmaceutical companies entering the Japanese market and providing strategic options to pharmaceutical companies following changes in their business models. Multiple projects are progressing with increased demand from foreign pharmaceutical companies to use our IPM platform. We will further expand our business scale and secure profitability by

continuing to provide new business solutions.

Sales were below the same period of the previous year due to a decrease in sales volumes of some products. On the other hand, operating income was above the same period of the previous year due to effects such as the one from reduction in cost.

Ordinary Income

Ordinary income in the consolidated cumulative first quarter was ¥803 million (down 11.9% year-on-year). For non-operating income, we recorded ¥125 million of share of profit of entities accounted for using equity method, subsidy income, and others, and for non-operating expenses, we recorded ¥133 million of interest expenses and foreign exchange losses and others.

Profit attributable to owners of parent

Profit attributable to owners of parent in the consolidated cumulative first quarter was ¥561 million (up 16.7% year-on-year).

We recorded ¥115 million as a gain on forgiveness of debts for extraordinary income, ¥30 million as a loss on valuation of investment securities for extraordinary loss, ¥289 million for total income taxes, and ¥36 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 consolidated cumulative first quarter decreased by ¥74 million compared to the end of the previous consolidated fiscal year to ¥89,443 million. This is due mainly to an increase in notes and accounts receivable-trade, investment securities, and others and a decrease in cash and deposits and others.

Total liabilities decreased by ¥1,042 million compared to the end of the previous consolidated fiscal year to ¥54,464 million. This is due mainly to an increase in long-term debt and others and a decrease in short-term borrowings and provision for bonuses and others.

Total net assets increased by ¥967 million compared to the end of the previous consolidated fiscal year to ¥34,979 million. This is due mainly to an increase in valuation difference on available-for-sale securities and others.

Future Outlook

The impacts of the third wave of COVID-19 infection and the state of emergency issued on January 7 on our business are anticipated to include restrictions on visits to medical institutions and a decrease in contracted production volume, while we will strive to enhance order-taking activities for clinical trials and

post-marketing surveillance projects related to the COVID-19 infection and expand support services for medical institutions.

While there is no clear end in sight to the spread of COVID-19 infection, based on the information available at this point in time, there are no changes to the consolidated earnings forecast for the fiscal year ended September 30, 2021 in the "Consolidated Financial Results for the Fiscal Year Ended September 30, 2020" announced on November 6, 2020.

If there is expected to be an impact on our business performance in the future, we will disclose it promptly.

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, 2020 (October 1, 2020 through December 31, 2020)

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

	Q1 FY2021		Q1 FY2020	
		Change (%)		Change (%)
Net sales	18,885	(4.6)	19,800	13.8
Operating income	811	(12.1)	923	(4.4)
Ordinary income	803	(11.9)	911	5.8
Profit attributable to owners of parent	561	16.7	481	(10.3)
Earnings per share (Yen)	31.06		26.63	
Diluted net income per share (Yen)	—		—	

Reference: Comprehensive income: 1st quarter FY2021: ¥1,332 million (up 211.4% YoY)
1st quarter FY2020: ¥427 million (- %)

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

	Q1 FY2021	Year End FY2020
Total assets	89,443	89,517
Net assets	34,979	34,011
Equity ratio (%)	27.4	26.4
Book value per share (Yen)	1,356.53	1,306.08

Reference: Shareholders' equity: 1st quarter FY2021: ¥24,540 million
Year End FY2020: ¥23,627 million

Distribution Status

	(Yen)		
	FY2020	FY2021	FY2021 (Estimated)
Dividend per share (Base date)			
End of first quarter	—	—	—
End of second quarter	5.00		5.00
End of third quarter	—		—
End of FY	20.00		22.00
Total	25.00		27.00

Consolidated Financial Statements for the 1st Quarter Ended December 31, 2020

(1) Consolidated Balance Sheets

(Millions of yen)

	Q1 FY2021 (December 31, 2020)	Year End FY2020 (September 30, 2020)
Assets		
Current assets		
Cash and deposits	9,773	12,690
Notes and accounts receivable – trade	14,072	13,211
Merchandise and finished goods	945	729
Work in process	4,535	3,985
Raw materials and supplies	2,982	3,196
Other	4,661	3,696
Allowance for doubtful accounts	(58)	(66)
Total current assets	36,912	37,443
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	15,126	15,221
Machinery, equipment and vehicles, net	11,794	12,008
Land	6,453	6,425
Other, net	6,803	6,603
Total property, plant and equipment	40,177	40,258
Intangible assets		
Goodwill	70	76
Other	1,649	1,645
Total intangible assets	1,720	1,721
Investments and other assets		
Investment securities	4,559	3,962
Lease and guarantee deposits	1,969	1,971
Other	4,661	4,727
Allowance for doubtful accounts	(557)	(567)
Total investments and other assets	10,632	10,093
Total non-current assets	52,530	52,074
Total assets	89,443	89,517

(Millions of yen)

	Q1 FY2021 (December 31, 2020)	Year End FY2020 (September 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	972	1,019
Short-term borrowings	3,917	6,004
Current portion of long-term debt	3,364	3,258
Commercial papers	3,000	3,000
Income taxes payable	534	586
Provision for bonuses	640	2,413
Provision for loss on orders received	921	824
Other	12,444	12,084
Total current liabilities	25,796	29,191
Non-current liabilities		
Long-term debt	12,709	10,321
Net defined benefit liability	9,925	9,931
Other	6,033	6,061
Total non-current liabilities	28,667	26,314
Total liabilities	54,464	55,506
Net assets		
Shareholders' equity		
Capital stock	3,087	3,087
Capital surplus	6,100	6,100
Retained earnings	15,248	15,052
Treasury shares	(1,545)	(1,545)
Total shareholders' equity	22,891	22,694
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,757	1,336
Foreign currency translation adjustments	9	(29)
Remeasurements of defined benefit plans	(118)	(373)
Total accumulated other comprehensive income	1,649	933
Non-controlling interests	10,438	10,384
Total net assets	34,979	34,011
Total liabilities and net assets	89,443	89,517

(2) Consolidated Statement of Income

(Millions of yen)

	Q1 FY2021 (October 1, 2020– December 31, 2020)	Q1 FY2020 (October 1, 2019– December 31, 2019)
Net sales	18,885	19,800
Cost of sales	15,052	15,723
Gross profit	3,832	4,076
Selling, general and administrative expenses	3,020	3,153
Operating income	811	923
Non-operating income		
Interest income	3	1
Foreign exchange gains	-	20
Share of profit of entities accounted for using equity method	27	-
Subsidy income	56	1
Other	37	28
Total non-operating income	125	51
Non-operating expenses		
Interest expenses	32	30
Share of loss of entities accounted for using equity method	-	15
Foreign exchange losses	84	-
Other	16	16
Total non-operating expenses	133	63
Ordinary income	803	911
Extraordinary income		
Gain on sales of non-current assets	-	3
Gain on forgiveness of debts	115	-
Total extraordinary income	115	3
Extraordinary losses		
Loss on retirement of non-current assets	-	25
Loss on valuation of investment securities	30	-
Total extraordinary losses	30	25
Profit before income taxes	888	889
Total income taxes	289	416
Profit	598	473
Profit (Loss) attributable to non-controlling interests	36	(8)
Profit attributable to owners of parent	561	481

(3) Consolidated Statement of Comprehensive Income

(Millions of yen)

	Q1 FY2021 (October 1, 2020– December 31, 2020)	Q1 FY2020 (October 1, 2019– December 31, 2019)
Profit	598	473
Other comprehensive income		
Valuation difference on available-for-sale securities	421	(129)
Foreign currency translation adjustments	52	65
Remeasurements of defined benefit plans	259	19
Share of other comprehensive income of entities accounted for using equity method	0	-
Total other comprehensive income	733	(45)
Comprehensive income	1,332	427
Comprehensive income attributable to		
Owners of parent	1,277	405
Non-controlling interests	54	21