

Business Activities Report 2019



CMIC Group Business Activities Report

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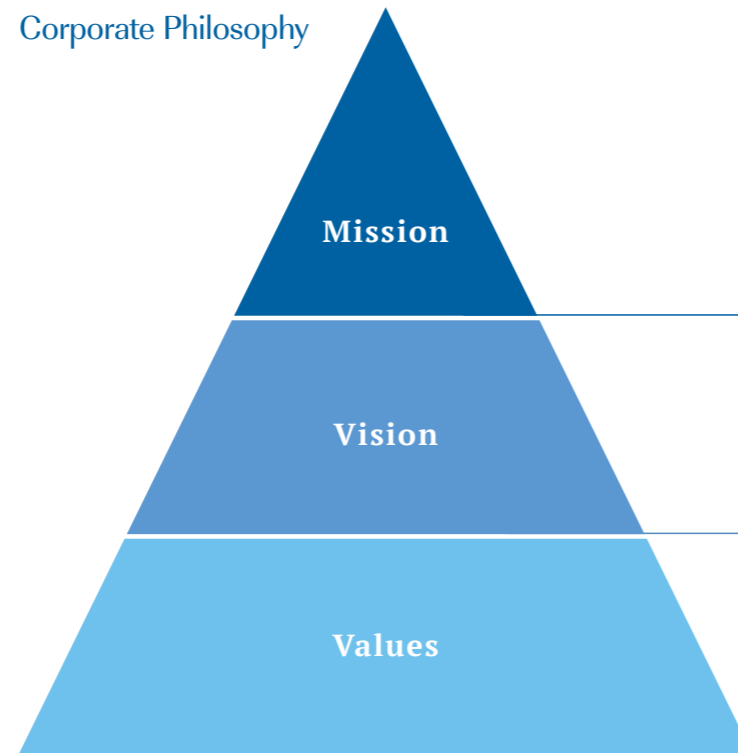
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Corporate Philosophy



CMIC is an innovative and unique provider of high-quality solutions for the healthcare industry. We create value by accelerating the access to therapies that improve patients' lives.

To advance the innovation of products and solutions that will empower people worldwide to achieve greater health and well-being.

W&3C



WELLBEING
Fully Live Every Moment

Change
Liberate opportunity by changing our vantage point

Challenge
Transform without seeking refuge in conventional wisdom

Communication
Proactively reach out to people and society

CMIC'S CREED

CMIC'S CREED is based on the ideas of our founder, Kazuo Nakamura. Right from the start of our business as the first CRO in Japan, the CREED has been the core policy of the company. We must change flexibly without fear of innovation to respond to the diverse needs of the pharmaceutical industry. At the same time, we maintain continual devotion to our CREED. Thus, we change ourselves while maintaining a steady core belief.

ABOUT CMIC'S CREED

Our CREED is a clear expression of the CMIC Group's corporate calling & raison d'être. "Bringing about innovation in healthcare fields" is our very mission.

What is more, the reason we wish to bring about innovation to healthcare fields lies in our "every desire to live fully in the moment is equally precious" ideal.

This also shows us how to follow through with our mission, and the virtues we hold dear to that end: "those who dare" (Challenge), "new perspectives" (Change), and "turning passion into value paid forward to people and the public" (Communication).

Our CREED is the CMIC Group's very corporate philosophy itself, the criteria each and every employee makes value judgments by, and the cornerstone of our actions.



Our CREED

CMIC Group will bring innovation to healthcare so that all people, regardless of age, gender or race, can live their one and only lives according to their own will.

Whether in youth, when potential has yet to blossom, or in later years, when the fruits of one's life are maturing, every individual has an equally earnest desire to live every moment to its fullest. We wish to genuinely answer each and every one of these wills to live.

To achieve this, we aspire to always challenge ourselves for a better future.

By evolving and gaining new perspectives, We will create value out of our unwavering determination, and continue to contribute to society and humanity.

What
CMIC's corporate calling & raison d'être

Why
States our corporate mission

How
Virtues we hold dear to accomplish our mission

CMIC Group History

Founded as Japan's first contract research organization (CRO), today CMIC contributes to approximately 80% of Japan's new drug development. We broadly support the value chains of pharmaceutical companies, from development to manufacturing, sales and marketing, while working to find solutions to issues faced by the medical industry.

1992 Established as a CRO industry pioneer

CMIC was founded as a CRO that contracts for clinical trials for pharmaceutical development. It was the 1997 enactment of new Good Clinical Practice (GCP) guidelines, which served to clarify the legal foundation of CROs, that led to rising CRO needs and propelled surging growth. Active not only in Japan, we have also established subsidiaries in Asia in our efforts to aggressively grow our footprint in overseas markets. In 2000, we built our Contract Sales Organization (CSO) Business, followed by the Contract Development Manufacturing Organization (CDMO) Business in 2005, expanding our reach beyond just the drug development field. Our current business model is to provide support throughout pharmaceutical companies' value chains.

2002 Stock market listing and acceleration of business development

In June 2002, CMIC shares became publicly traded on the JASDAQ market, and after subsequently being listed on the Second Section of the Tokyo Stock Exchange, in 2005 the Company became the first CRO listed on the First Section of the Tokyo Stock Exchange. Given this, CMIC bolstered its human resources in CRO and other key business areas, and taking action to leverage its M&A activities experienced a burst in business development.

2015 "Project Phoenix" launched to achieve sustainable growth

From the fiscal year ended September 30, 2015, we embarked upon our "Project Phoenix" initiative to realize sustainable growth in a period of transition in the healthcare and pharmaceutical industry. "Project Phoenix 1.0" paved the way to eliminate unprofitable businesses and initiate cost-structure reform, and this was when we formulated "CMIC'S CREED," our corporate philosophy that expresses the founding spirit of the Group's origins. Under "Project Phoenix 2.0," commenced from April 2016, we began offering a new solution (IPM) that combined the construction of an agile management structure with a framework to support the value chains of pharmaceutical companies, together with approvals (intellectual property) for manufacturing and sales. It was from April 2018 that we launched "Project Phoenix 3.0," under which we rolled out our proprietary Pharmaceutical Value Creator (PVC) business model to provide total support to pharmaceutical companies. This is representative of our efforts to create new businesses.

2018 Mid-term management plan

We formulated our mid-term management plan (2019-2021) with the fiscal year ended September 2019, as the first year. With an eye toward raising corporate value over the mid- to long-term, we positioned our proprietary PVC business model as the foundation to the Group's sustainable growth, and it is upon this that we provide comprehensive support to pharmaceutical companies' value chains. Our objective is to make a great leap forward as a solutions provider in the healthcare field, widely contributing to maintaining and improving the health of all people.

Growth trajectory
Since our founding, 27 consecutive fiscal years of increased sales



Business Model and Value Creation Process

Moving toward the creation of new value with a unique business model that facilitates one-stop shopping throughout the value chains of pharmaceutical companies

The CMIC Group is a pioneer in the CRO field with a proprietary business model as a Pharmaceutical Value Creator (PVC).

The CMIC Group's PVC model works to raise the value of pharmaceutical companies by providing support throughout the value chain, from drug development, drug formulation development and manufacturing, to sales and marketing. Pharmaceuticals require a long-term development process and R&D expenses. Given this, pharmaceutical companies contract their business to the CMIC Group so as to optimize management resources and address issues such as the leveling out of business fluctuations, and alleviating manufacturing costs and capital investment burden.

Utilizing its many years of experience providing support, the CMIC Group conducts in-house development of orphan drugs, that on account of a low number of patients do not attract the attention of

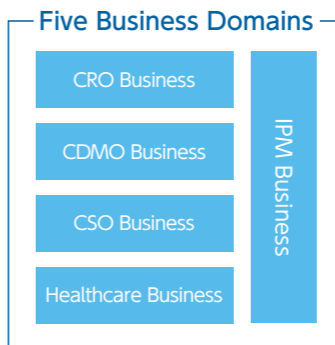
pharmaceutical companies. It also acquires marketing authorization licenses (intellectual property) as a pharmaceutical company so as to also perform manufacturing and sales. The CMIC Group combines this function as a pharmaceutical company with its PVC model, supporting each value chain of pharmaceutical companies. Through the performance of product strategy reviews for pharmaceutical companies and the support of overseas-based companies that have yet to set up a presence in Japan, CMIC offers new solutions to pharmaceutical companies, bio ventures and other stakeholders in what is known as the Innovative Pharma Model, or IPM.

The CMIC Group positions this business model as the foundation of the Group's sustainable growth. By creating a healthcare business that broadly contributes to maintaining and promoting the health of all people, we are aiming to be a company that grows hand in hand with society.

Features of the CMIC Group ①

The Pharmaceutical Value Creator (PVC) model that comprehensively supports the value chains of pharmaceutical companies

The PVC model is capable of providing all-encompassing support, from upstream to downstream, throughout a pharmaceutical company's value chain, from drug development, to manufacturing, sales and marketing. Through this business model, we offer solutions tailor-made to individual needs, and elicit the maximum value of stakeholders. Making use of its wide-ranging experience, CMIC's strength is our diverse customer base, which includes pharmaceutical companies based both in and outside of Japan, bio ventures, and companies that are new entrants in the pharmaceutical industry.

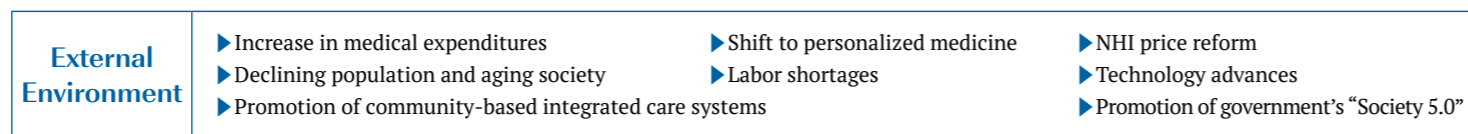


Features of the CMIC Group ②

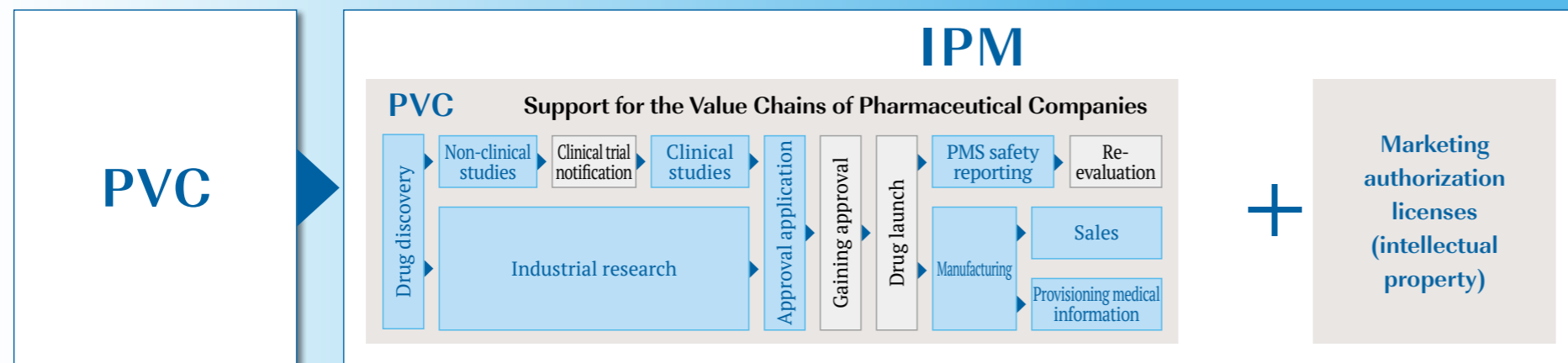
The Innovative Pharma Model (IPM), creating value as a pharmaceutical company, for pharmaceutical companies

The IPM is an evolution in the development of the PVC model.

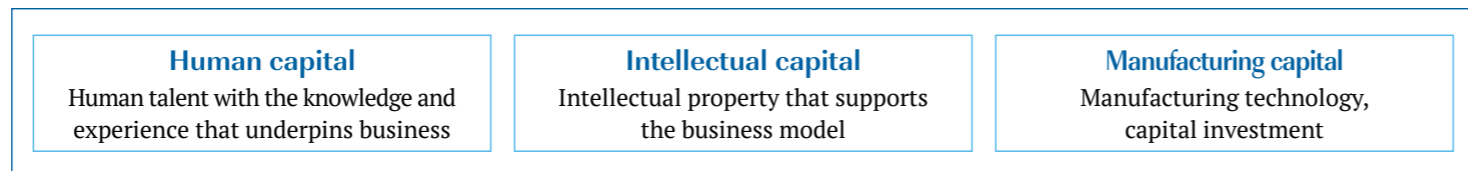
We offer management strategy options to stakeholders by combining the marketing authorization licenses (intellectual property) held by the CMIC Group, together with drug development, manufacturing, sales and marketing value chains.



Evolution of Business Model in Line with Changes in the External Environment



Source of Value Creation



Using Our Unique Business Model to Advance Innovations in Healthcare

Kazuo Nakamura
Representative Director
Chairman and CEO



The CMIC Growth Story Began by Challenging the Existing Mechanisms

Thoughts on the Founding of CMIC

CMIC was founded in 1992. In the 1980s, I was working at a domestic pharmaceutical company. At the time, many of these companies were focused on improving their ability to develop new drugs, and when I was in my 30s, I frequently traveled to the US to promote our products overseas. The US at the time was witnessing a wave of new bio-venture firms. In those days, pharmaceutical companies needed to expand and streamline their new drug pipelines while bio-ventures without in-house clinical staff were forced to outsource clinical trial of drugs under development, which requires a significant level of time and effort. This contributed to the birth and rapid expansion in the US of the **CRO**¹⁾. After learning of the CRO model during licensing negotiations with a US pharmaceutical company, I sought to launch a similar organization in Japan. The dynamic actions by the bio-venture companies in the US profoundly changed the very idea of the pharmaceutical industry in that country, yet they were still unheard of in Japan, which created a sense of crisis in me that Japan could be left behind if it did not adapt quickly. I like to try new things, and this kind of thinking eventually turns into a sense that it is my mission to attempt this new effort. After taking over a dormant pharmaceutical data analysis contactor, we re-launched it in 1992 as Japan's first CRO.

1) CRO:

Contact Research Organization: A company that provides support to pharmaceutical and medical firms in work related to clinical trials for drugs in the development stage, as well as in post-marketing clinical trials.

Development of the CRO Business

We had some difficulties generating cash as we launched our business in Japan, where the very idea of at least partially outsourcing clinical development work was all but unheard of, though foreign-owned bio-venture companies understood not only our business but also its future potential from the start. We learned quite a bit about the excitement of the business from them as well.

With the goal of ensuring the human rights and safety of test subjects, as well as advancing the reliability and quality of clinical trials, in Japan the government established in 1997 the Ministerial Ordinance on Good Clinical Practice (**GCP**²⁾) for Drugs in Japan, bringing standards in line with those in Europe and the US. While this contributed to a significant increase in work volume at pharmaceutical companies and medical device companies, it also provided the first legal standing for CROs in Japan. Amid growing demand to shorten the development period and improve testing quality, CMIC moved rapidly to establish an independent domestic quality organization as it sought to further improve quality.

I strongly believed catching up to the US and European CROs would require more than simply mimicking their models, so we also focused our sales activities from an early stage on the overseas pharmaceutical companies. Since that point, our CRO business has expanded overseas, mainly in Asia. Moreover, after establishing our first overseas subsidiary in South Korea, we focused on further expanding our operating bases, including in China and Singapore.

Development of CSO³⁾ and SMO Services

For me, the development of a business is always about challenging the status quo. Our goal is to facilitate the delivery of new drugs to the patients needing them as soon as possible. With this in mind, we have been focused on using our business model to accelerate the transformation of pharmaceutical companies and the existing healthcare system.

We launched Japan's first Site Management Organization (SMO) in 1996, providing support not only to pharmaceutical companies, but also medical institutions conducting clinical trials. An SMO supports the smooth conduct of clinical trials under a doctor's supervision at a hospital or medical institution, though at the launch of the business we had trouble recruiting patients. This led us to launch in 2000 Patient Recruit Center, Japan's first service for assistance in the recruiting of patients for clinical trial. In the same year, we launched our CSO business, adding support for sales and marketing to our services focused on the development of new drugs. Not only dispatching MRs, but also providing dispatching and educational services in the medical affairs field, CMIC differentiates itself by providing solutions that combine a variety of services with multiple channels of communication.

Entering the CDMO⁴⁾ Business to Build a Value Chain Extending from Development to Manufacturing and Sales

We launched our CDMO business by consolidating the South Korean pharmaceuticals manufacturing business in August 2005. The implementation of the Revised Pharmaceutical Affairs Act allowed this by permitting the complete outsourcing of pharmaceutical manufacturing. I have always believed that if you were following in the footsteps of the US, you should never hesitate to act in the world market. On the other hand, when considering what was unique to Japan, I believed it was necessary to maintain a manufacturing base. At the time, demand for manufacturing from pharmaceuticals companies was particularly strong, as they were faced with the necessity of reducing costs amid sustained price reductions and growing competition from generic drugs. At the same time, the CDMO business is equipment intensive, and we developed ours by taking over the existing factory of a pharmaceutical company, making that company a subsidiary, and charging it with production. Our contract development and manufacturing business currently consists of four domestic plants and two overseas plants. While taking advantage of the special characteristics and strengths of each plant, such as the Toyama plant's strengths in ointments and the Ashikaga plant's strengths in injectable highly active pharmacological agents, we are also focused on providing total solution services in pharmacological manufacturing, from formulation studies to the manufacture of clinical trial drugs and commercial production, in almost all dosage forms.

2) GCP:

Good Clinical Practice: Standards that must be followed when conducting clinical trials.

3) CSO:

Contract Sales Organization: An organization providing support in marketing and sales activities. This business provides Medical Representative (MR) services to pharmaceutical companies and conducts MR training activities within those companies.

4) CDMO:

Contract Development and Manufacturing Organization: An organization manufacturing pharmaceuticals under contract

Launching the IPM Business (Intellectual Property Business)

CMIC acquired licenses for the manufacture and sales of Class 1 and Class 2 pharmaceuticals in 2006 and a license for the manufacture and sales of Class 1 medical equipment in 2009, allowing the group to create a value chain extending from non-clinical trials, clinical trials and pharmaceutical manufacturing to post-marketing surveillance, the provision of medical information, and marketing and sales. However, this was still incomplete. In addition to supporting pharmaceutical companies through contract work, we wanted to promote innovation among Japanese pharmaceutical companies, medical institutions, and even the national healthcare administration. This desire resulted in the creation of the Innovative Pharma Model (IPM) business, a solutions business that provides a variety of management options to pharmaceutical companies by combining our value chain with our various manufacturing and sales licenses. In 2011, we launched Renapro® L-FABP, an *in-vitro* diagnostic drug, while in 2012 we created a joint-venture company focused on promoting collaboration in the manufacture and sale of mainly orphan drugs. We launched sales of Buphenyl® (sodium phenylbutyrate), a treatment for urea cycle disorders, in 2013, when we also started selling Normosang (Hemin) for the treatment of acute porphyria. We have since increased the number of items we sell.

The creation of a value chain has allowed the company to establish a Pharmaceutical Value Creator (PVC) business model that supports a variety of pharmaceutical company businesses and builds CMIC as a company that improves corporate value at these companies while also contributing to the improvement of medical institutions and their patients. However, this is just one stop on our way to our ultimate goal. We remain focused on creating further innovations in the healthcare field, and with that goal will press on in our efforts.

The CMIC DNA Each Employee Shares

The Source Can Be Found in the Unchanging CMIC'S CREED

As CMIC develops its business, makes decisions at the management level and at its plants, and formulates and implements its policies, strategies and vision for the future, CMIC'S CREED has remained the same since the company's founding and can rightly be described as integral to the company's DNA.

This CREED springs from our desire from the outset to promote "Wellbeing," which to me generally means existing in good condition and enjoying each moment in life, but taking a lifetime view of the concept, it means using every moment from birth to death to live every moment in life to its fullest. The idea of Wellbeing we have carried with us since our founding is supported by the three concepts of change, challenge, and communication, what we call the 3C culture. Reflecting the company's growth as well as troubles encountered at the acquired subsidiary, we moved in 2015 to enshrine this founding concept as "CMIC'S CREED." While it is certainly true that we must be flexible and open to change in order to meet the diversifying needs of the pharmaceutical industry, we also believe that one thing that should never change is our CREED.

Our position on acquisitions is that they should not take place solely for the purpose of expansion, but should only be enacted when deemed necessary for the business. Accumulated know-how in medical care is deeply rooted in the culture of a country and region, and in that sense medical care can be seen as benefitting both from globalization and localization. By bringing into the group skills and know-how we need but do not already hold, we can gradually build our accumulated knowledge and further strengthen our business base. I really believe this to be important. The acquisition of businesses is contributing to an increase in employees, not only in Japan, but overseas as well, and given the importance of sharing and entrenching our founding philosophy, we are actively engaged in deepening understanding of CMIC'S CREED among our employees through training sessions.

From a Contract Business to a Problem-Solving Solutions Business

A Business Model Making the Best Use of Our Strengths and the Source of Value

The CMIC Group has accumulated extensive experience in providing assistance to pharmaceutical companies and medical institutions conducting clinical trials, and one of our key strengths lies in our ability to quickly understand the issues and concerns these customers may have. For pharmaceutical companies, the development of new drugs is a long process that requires a substantial level of R&D spending, from basic research all the way through post-marketing surveillance. Moreover, there are not always viable drug candidates in clinical development, which significantly impairs the development process operations, or conversely, makes it impossible to catch up even when fully operational. Thus, careful outsourcing to CROs can not only act as a leveler, but also optimize management resources, including by allowing the shifting of human resources to operations that are producing higher added value. The CSO business is somewhat similar. When a new drug is released, the number of MRs can be increased markedly to raise awareness, though the level of expertise in areas such as diseases can vary according to the MR, leading to situations where the in-house workforce may be lacking. On the other hand, once a drug passes a certain point in its development, there will likely be a surplus in human resources, which shows the importance of the CSO as a "safety valve" that can be utilized according to need. That being said, it is important to remember that production sites must also be able to reduce costs as drug prices fall, and also face the risk of technological innovations making both equipment and accumulated know-how obsolescent.

CMIC takes charge of projects based on the development standards and procedures of the pharmaceutical company, which can often differ substantially from company to company. We focus on learning the appropriate procedures and our experience adapting to the quality, speed, and pricing needs of the company. This process also contributes to the accumulated know-how and technological expertise of CMIC. Applying this to the hiring of employees and our training systems results in employees with experiences and knowledge that are fundamentally different to those of the pharmaceutical companies, which forms a cornerstone in the development of a solutions business that can solve customer problems.

One of the key advantages of the CMIC business model over our competitors is that we can support one area of a pharmaceutical company's value chain, or the entire value chain. Even if you have the same function as a pharmaceutical company, if you do not deliver directly to the patient, you are not really understood as a pharmaceutical company. Accordingly, having an in-house *in-vitro* diagnostic drug development and sales business and an in-house orphan drugs sales business makes sense and gives you an advantage that other companies do not have. Revenue and value in this business are derived from human resources that are well acquainted with the business of pharmaceutical companies, as well as from business development excellence, operational excellence, and management excellence. In other words, success stems from the ability to see beyond established trends and perceive upcoming change, and then take responsibility and risks by adapting to those changes using existing technologies and expertise. Having human resources that are able to meet these high requirements means the company has the power to generate new value based on the earned trust of its customers.

The Way Forward

Realizing a Healthcare Revolution

CMIC has now launched "Project Phoenix 3.0" with the aim of realizing a "Healthcare Revolution" through the use of digitalization in the healthcare field among other new initiatives. "Healthcare Revolution" is

a fairly broad concept, but in a nutshell we are talking about the idea that healthcare is evolving toward tailor-made medical treatment. Our goal of quickly delivering new drugs to patients eagerly awaiting their release is unchanged since we launched the CRO and CSO businesses. That said, it is not enough merely to deliver new pharmaceuticals. From the individual patient side, there may be issues such as treatments that do not work or have adverse side effects, and while it may be difficult for pharmaceutical companies or medical institutions, it is in areas such as these that I believe we can provide solutions. Filling this need marks the first step in our effort to advance the “Healthcare Revolution.”

Amid a “super-aging” society and tighter restrictions on medical insurance spending, there are growing expectations in Japan for longer lifespans as well as enhanced performance from medical technologies. Alongside the treatment and prevention of disease based on individual circumstances, including genetic information, living environment, and lifestyle, as well as the introduction of personalized medicine, traditional healthcare is expected to evolve through innovations such as the use of AI and real world data (RWD) from anonymous patients in clinical settings, as well as the use of new **biomarkers**⁵⁾.

In the treatment of cancer, the effect of drug treatments can be completely different in two different people due to gene sequence differences. As such, there is a growing need for tailor-made treatments. In other diseases as well, the larger trend moving forward appears to be the advancement of medical care that can best treat a person based on their individual background.

The medical history of patients and the history of prescribed drugs are currently accumulated and stored as receipt data. However, since there is no unified foundation for electronic medical records, it is difficult to analyze all the data with any degree of consistency. On the other hand, using AI to process and analyze the huge amount of real world data could provide accurate predictions of efficacy and potential side effects, with the possibility of discovering combinations that undermine the efficacy of a drug. Moreover, the taking of a placebo in clinical trials could reduce the risk of human exposure. People mix medicines, and hospitals and pharmaceutical companies cannot clearly elucidate the effects on the body from taking one medication over several decades. CMIC believes we can provide support in this area going forward. In regard to biomarkers, CMIC has marketed Renapro® L-FABP Test, developed for the purpose of diagnosing renal disease, and I believe the ability to predict and diagnose, as well as identify signs of a disease before a specific stage of certainty has been reached, could spur a huge change in medical and pharmaceutical development.

Our goal is to achieve a “Healthcare Revolution” by supporting the development of innovative treatments, and by developing and introducing our own innovative technologies. In addition to extending the life expectancy of the body itself, we are focused on encouraging the development of medical technologies contributing to a society of healthy and long-lived citizens. Our goals are keeping patients and potential patients as far away from the risk of illness as possible so that they can live full and healthy lives, and fulfilling the promise of “Wellbeing” mentioned in our CREED. This is the corporate image we wish to pursue.

Risks and Opportunities

Fostering Human Resources and Using Their Experience as Intellectual Capital

Amid an ongoing acceleration in globalization, growth in our business is likely to be impacted by changes over the long term in the policies of countries as they build their medical and healthcare systems. After the US and China, Japan is the third largest country in the world in terms of spending on pharmaceuticals, though spending appears likely to decline moving forward as the population dwindles. Moreover, if tighter regulations make it more difficult to obtain approval for new formulations, there is some risk that pharmaceutical development and manufacturing could move overseas, resulting in a deterioration in Japan’s position as a major drug developer and manufacturer.

The utilization of human resources represents both a risk and an opportunity for the company. Given strong demand, particularly in the CRO business, we must avoid opportunity losses stemming from a lack of personnel. We recognize that securing personnel, including through successor training and addressing the generational gap, is one issue we face. On the other hand, effectively directing this human capital, in addition to its intellectual capital, in an expanding healthcare market could provide tremendous growth opportunities for the company in the long term. Our management and human resources development system focuses on adapting to non-continuous change and reading ahead, with the company following a “campus” style of management that centers less of managing creativity and more on confirming it. While it is vital to maintain a certain level of control at manufacturing sites, we are focused on creating a management system that values and maintains the diversity of each of our employees while promoting a culture of repeated destruction and creation. Strategic investment at CMIC centers on human resources investment, and we will continue to invest in this area, including in global human resources. Given the importance of sustainability, I believe it is more important for us to take the following steps than to single-mindedly pursue profit alone. First, we need to look ahead without destroying what was just created. Moreover, we need to contribute to society as well as the happiness of our employees. This requires management excellence, which by itself has no real meaning without implementation. In practice, I belong to the school of management that places an emphasis on fostering the next generation. I am not a perfect person, but I believe that by sharing experiences, including both the good and the hard experiences, we can provide value in terms of gained experience to the next generation of leaders. I also believe the importance of training can be found in its ability to teach how to look outside the box, rather than to just accept conditions as they are.

Another opportunity can be found in new technologies such as AI and RWD, which we think have the potential to be major game changers. As technology continues to rapidly evolve, we will work to incorporate that which we need now while simultaneously keeping an eye out for future opportunities. As this happens, we will also change our entire management structure, including its organizational and working mechanisms. This of course will also require management excellence, and through its application we can make the most effective use of these new technologies, leading to substantial growth opportunities for the company.

In Conclusion

We are actively focused on promoting the “Healthcare Revolution” so needed by society today. We are also concentrating our energies on the development of new drugs. As creators contributing to individual health value, there are many challenges we want to take on, including the creation of new business related to local municipalities and residents, the creation of new healthcare business comprising treatment as well as prevention and the promotion of health maintenance, and engagement in digital transformation initiatives. Through these challenges, we will build a true ecosystem and respond to inevitable changes in the healthcare system.

Of course, our efforts could also result in some failures, though in response to this risk we have sought to minimize any resultant losses through meticulous management in line with our aim of creating social value that contributes to advancements in medical care and people’s health in general. I believe that if we can create social value, economic value will follow. I would like to thank our stakeholders for their understanding and ask for their continued support as we take on these new challenges.

5) Biomarker:

An indicator for objectively measuring and evaluating a person’s physical condition.



Message from the COO

Aiming to Enhance Our Brand and Achieve Sustainable Growth

Keiko Oishi
Representative Director,
President and COO

Initiatives During the Previous Year

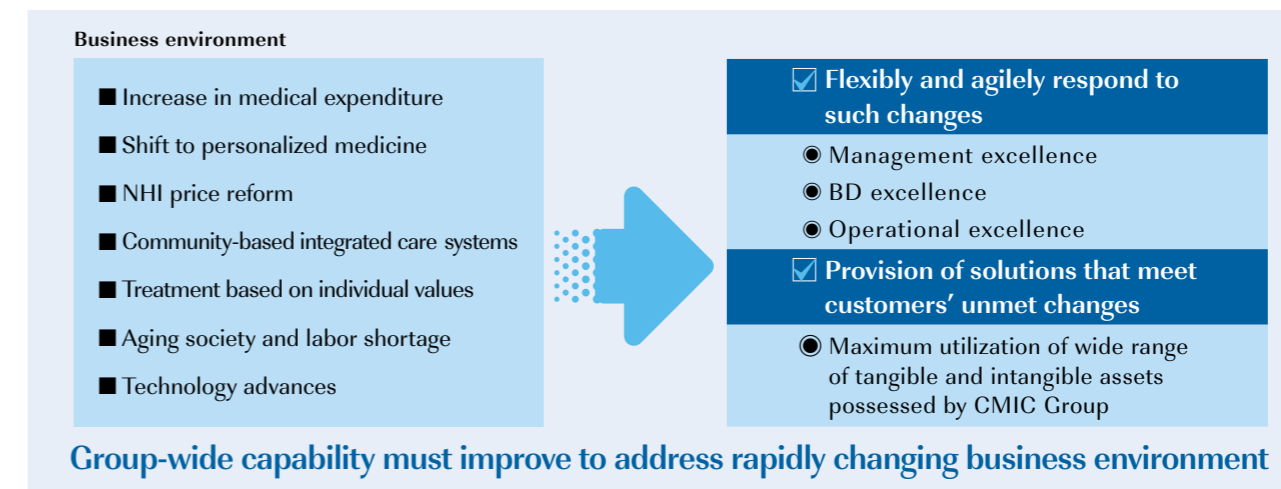
I would like to explain initiatives undertaken during my second year as COO, which involved the formulation of a mission, vision and values, as well as a revamp of our visual identity. The Group aims to link its ESG initiatives to sustainable development. For that reason, since my appointment as COO I have explained the necessity for each employee to be aware of and strengthen cooperation within the Group beyond the boundaries of individual divisions or companies, rather than being a siloed organization. To improve the Group's overall strengths and become an organization able to constantly change, we must have a management philosophy that everyone can share, one that resonates in our hearts. To this end, we formulated a tripartite consisting of a mission, vision and values that represent our management philosophy. That said, we haven't created anything totally new. The Group formulated CMIC'S CREED in 2015, which is our founding spirit and DNA. Mission, vision and value are all included in the CREED.

Our mission demonstrates how we contribute to society as a company, our vision demonstrates what we want to achieve in the future as well as our ideal modality, and our values demonstrate the ideals upon which we take action. We formulated the mission, vision and values based on a belief in the importance of understanding the direction of the Group, both from within and outside the Company. In line with these efforts, we also revamped our Visual Identity. Although CMIC maintains its position in the Japanese market centered on our core business of CRO, globalization within drug development is progressing with ever increasing speed. To increase recognition and continue strengthening the CMIC brand in global markets, we want to utilize new visuals adapted to market needs representing the CMIC brand as One CMIC outside the Company. This new visual concept is "promoting new approaches and continuous innovation." Based on this concept, which is linked to CMIC's vision, we express our attitude and values in a colorful design.

Progress on the New Mid-Term Management Plan

The business environment surrounding the Company is changing by the day. Now, amid ongoing reform to the drug pricing system due to the impact on health insurance finances, structural changes are happening in the pharmaceutical industry and medical needs are increasingly diversified, while players from different industries are accelerating their push

into the healthcare field. Under our three-year mid-term management plan (2019 to 2021) formulated to adapt to such changes with flexibility and agility, we are 1) accelerating the PVC model; 2) promoting globalization; and 3) creating a healthcare business. These are the three points of focus on which we are pressing ahead.

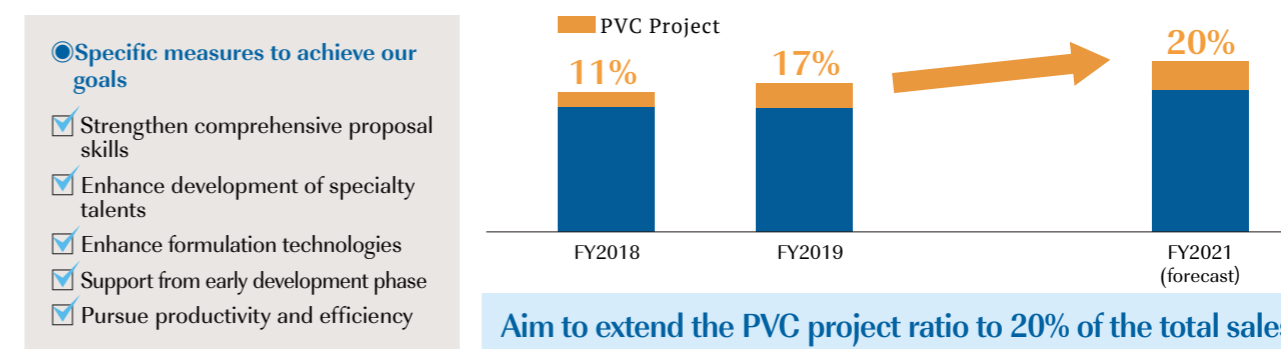


(1) Accelerating the PVC Model

The PVC model provides end-to-end services across the value chain for pharmaceutical companies. This is something we can take pride in as only we possess such capability. This business model, including the IPM Solutions Business that combines marketing authorization licenses, strengthens individually developing businesses, and at the same time, raises the collective strength of the Group while responding to the variety of needs of pharmaceutical companies and other clients.

In requests for work involving only clinical trials, there are a variety of demands, such as support throughout the entire pharmaceutical value chain for companies entering the pharmaceutical business from other industries or overseas companies entering the Japanese market with no base in Japan, as well as drug licensing strategies. Under our mid-term management plan, projects in which multiple business functions

are required for the same project are referred to as PVC projects, and we are working to increase the proportion of such projects. In fiscal 2018, PVC projects accounted for 11% of net sales. In fiscal 2019, this ratio increased 6 percentage points to a total of 17%. This was due to an increase in support activities such as consulting from the initial development phase. For example, the track record of drug sales in the IPM business have led to receiving consultations from overseas companies regarding development in Japan, and in some cases projects that lead from non-clinical to clinical trials. The latest modalities include medical device consulting, *in-vitro* diagnostics, genetic diagnosis, regenerative medicine consulting and other operations as a set, cases which our consulting team increasingly supports. PVC projects require the collective capabilities of the entire Group, and we aim to increase the proportion of the projects to 20% by fiscal 2021.



- Specific measures to achieve our goals
- ☑ Strengthen comprehensive proposal skills
 - ☑ Enhance development of specialty talents
 - ☑ Enhance formulation technologies
 - ☑ Support from early development phase
 - ☑ Pursue productivity and efficiency

(2) Promoting Globalization

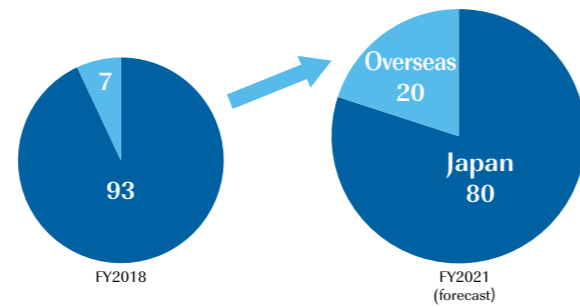
Our efforts at globalization in the fiscal year ended September 30, 2019, include the establishment of a local subsidiary in Australia, making for 14 business locations across North America, Asia and Oceania. Australia has an environment in which it is easy to conduct clinical trials targeting diverse races such as Caucasians and Asians. The tax system offers significant incentives regarding research and development expenses, and with simplified regulations for clinical trial launches, the number of clinical trials is expected to increase in the future. Additionally, as Australia complies with international standards (ICH/GCP), it provides an advantage in that trial data can be

used for applications in the US and Europe. We will continue to roll out operations, primarily in the US and Asia, as these are regions that have a high rate of growth in the medical products market, as well as in the consignment business and the CRO market. We are also considering the expansion of respective sites in Asia, and setting up a presence for the CRO Business in the US. As the competitive environment escalates in severity with rival companies vigorously working to develop Asia, CMIC is working to differentiate itself by strongly pitching the PVC model for its capability to provide one-stop shopping for all services, from CRO, and this will lead to steady growth.



● Specific measures to achieve our goal

- ☑ Expansion to Asian and European markets
- ☑ Enhance expertise to address their regulations and environments
- ☑ Strengthen organizational skills with diverse talents



Aim for an overseas sales of 20% of total sales

(3) Creating a Healthcare Business

In the Healthcare Business we are focusing efforts on launching new businesses. From April 2019, we commenced sales of a consumer-focused self-collect HPV test, "SelCheck Cervical Cancer," at pharmacies nationwide. In June 2019, we concluded an agreement with Sony Corporation for the transfer of the "harmoni" business. This is an electronic prescription record service that

has a usage track record at over 10 thousand pharmacies across Japan. We are working to strengthen patient support programs aimed at improving medication adherence and creating a health support business that utilizes technology.

Taking Action Starts with Our Human Talent

Bringing these measures to reality starts with our people. Raising the ability to communicate and other soft skills, and developing a workforce that is rich in diversity are major issues. In the Healthcare Business we are advancing business together with partner companies in separate industries with different corporate cultures. There are tasks that we cannot handle just on our own, and this is an example of our collaboration with people from industries other than our own, and in respective domains. I want these interactions to broaden the potential of

our business. We are moving forward with training and securing human resources to bring about further diversity and inclusion. Through mutual communication the Group will become stronger, and at the same time, we will drive forward measures so as to achieve the goals of the mid-term management plan. For this reason, I sincerely ask for the continued support from all of our stakeholders.

● Specific measures to achieve our goals

- ☑ Create health support business through industry-government-academia-citizens collaboration (support establishment of regional medical network)
- ☑ Utilize technology to create business to support people's health (self-screening service for cancers and other diseases)
- ☑ Contribute to prevention and treatment of diseases through provision of orphan drugs and other drugs

Identify potential needs

harmo

電子お薬手帳を基盤とした医療情報連携システム

harmo

"服薬情報。から始める人と人のつながりづくり"

知ってる？ 子宮頸がんは、ウイルスが原因です。

SelCheck

セルチェック 子宮頸がん

シミックヘルスケアは自己採集HPV検査 SelCheck 子宮頸がんサービスを開始しました。

Buphenyl®

Normosang®

Medium-term management plan
Quantitative targets

Consolidated performance targets for the year ending September 30, 2021 are as follows.

	Targets	Growth rate
Net sales	¥85.5 billion	7.0%
Operating income	¥6.8 billion	16.6%
Operating margin	8.0%	-
Return on equity (ROE)	12% and/or higher	-

Note: The starting point for the growth rate calculation is the fiscal 2018 ending in September 30, 2018.

CMIC's Earnings Structure, Finance and Capital Strategy (CFO Interview)

Earnings Structure by Segment

The CMIC Group's consolidated sales by segment for the fiscal year ended September 30, 2019 comprised the CRO Business at 52%, followed by the CDMO Business at 23%, the CSO Business at 11%, the HC Business at 10%, and the IPM Business at 4%. The businesses utilize their respective human resources, equipment and intellectual property, however, as personnel services represent our mainstay business, labor costs take up 60% of total costs (cost of sales + SG&A).

The CRO Business, which accounts for over half of consolidated sales, is highly profitable, and has an operating margin at roughly 20%. Being a human resources-focused business that does not require a large budget for capital investment, this business offers excellent capital efficiency. A majority of expenses are made up of labor costs, and we therefore ensure appropriate resource management.

Another service area, the CDMO Business, which accounts for approximately 20% of consolidated sales, is a business that requires capital investment, while operating income is impacted by plant equipment operation rates. CMIC has been conducting consignment-based production of long-listed drugs, however, having felt the impact of the government's policy to promote generic drugs, we currently seek to enhance operation rates by expanding consignment-based production. In the fiscal year ended September 30, 2019, we opened a new injection drug manufacturing building at the Ashikaga Plant that will produce antibody drugs, anticancer drugs and other products in a strategic approach to increasing the capture of contracts. In June 2019, CMIC CMO NISHINE began operations and is now expanding production capacity for the solid formulations that surface as their mainstay formulations. Although depreciation will be incurred following the start of operations at the Ashikaga Plant's new injection drug manufacturing building, we are now moving forward on the production of pharmaceuticals in the development stage and trial production of new consignment products, and we can anticipate a return to profitability in the medium term.

The Healthcare Business accounts for approximately 10% of consolidated sales and has an operating margin of roughly 10%. The primary focus of this business is on our operations to support clinical trials for medical institutions, specifically, this is driven by the Site Management Organization (SMO). Market growth has peaked, however, and this means that in addition to increasing business efficiency, we have set our sights on expanding consignments in our clinical trial support business by bolstering

collaboration with leading medical institutions and increasing market share through M&A and other initiatives. Moreover, in our mid-term management plan, we have raised "creation of healthcare business" as key theme for the Group and we will continue to make advance investments to launch new businesses. In the fiscal year ended September 30, 2019, we launched "SelCheck," a self-screening service that will contribute to the early detection of disease and to the prevention of disease aggravation, as well as "harmo," an electronic prescription record service. We are also working to strengthen our patient support programs, including those for improving drug administration adherence, and to create health support businesses that utilize technology.

A large proportion of the IPM Business is the development and sale of orphan drugs for rare diseases, including those drugs that we have produced in-house. The IPM Business works within the CMIC Group, which is basically focused on the consignment business, and together with the subsidiary OrphanPacific that functions as a pharmaceutical company, we expect it to contribute to the expansion of business opportunities. For example, this business is capable of responding to the detailed needs of pharmaceutical makers that might wish to hand off the manufacture of a drug on account of low sales volumes, or to support overseas-based pharmaceutical companies with no presence in Japan that seek to sell just a single drug product. Although the pharmaceutical company OrphanPacific incurs a certain amount of overhead costs, including those for deploying its three-tiered manufacturing and sales structure, we have established an outlook for profitability. This business offers reduced recurring costs and overseas-based pharmaceutical companies with support services and other solutions that rival companies do not provide.

Looking Back at Financial Results

The CMIC Group has achieved sustainable business growth and expanded operations to increase total assets by 3.4 times over the past 10 years. Over the same period net sales grew 2.6 times (27 consecutive years of increased sales), and operating income was up by 1.8 times. During the 27 years since our establishment, for the first half our intent was to build an earnings structure for our personnel business with a focus on CRO. Then, in 2005, we changed our financial character with the addition of the CDMO Business, which requires production facilities.

CMIC is promoting its "Project Phoenix" initiative to realize sustainable growth as a company in the healthcare and

	2009/9	2010/9	2011/9	2012/9	2013/9	2014/9	2015/9	2016/9	2017/9	2018/9	2019/9
¥ million											
Profit/Loss (Fiscal year)											
Net sales	28,784	35,861	43,555	50,303	50,934	52,836	55,904	62,039	65,282	69,869	74,373
Operating income	2,514	3,311	3,849	3,918	4,156	2,766	1,411	3,363	3,897	4,321	4,405
Financial Condition (Fiscal year-end)											
Total assets	23,355	33,266	39,381	42,265	42,855	49,237	55,861	59,104	65,605	78,034	80,179
Cash and cash equivalents	5,512	5,482	8,027	8,144	6,810	5,751	5,638	4,946	4,928	13,976	12,144
Interest-bearing debt	2,119	8,240	10,483	10,956	9,424	13,409	18,069	16,085	18,898	19,276	19,196
Net assets	14,486	15,639	16,908	18,703	19,601	20,309	20,667	21,397	23,608	33,536	32,994
Key Indices											
Operating margin (%)	8.7	9.2	8.8	7.8	8.2	5.2	2.5	5.4	6.0	6.2	5.9
Return on equity (ROE) (%)	8.0	12.6	11.4	12.6	9.2	5.9	-	4.3	7.1	6.5	8.1
Return on assets (ROA) (%)	4.7	6.3	5.0	5.5	4.1	2.5	-	1.5	2.5	2.1	2.3
Equity ratio (%)	57.8	44.9	42.8	44.0	45.6	41.1	36.4	35.5	34.9	28.9	27.8
Net D/E ratio (times)	-	0.14	0.10	0.14	0.13	0.37	0.60	0.52	0.61	0.23	0.32

pharmaceutical industry in a period of transition, undergoing changes such as emerging from a business model that had since 2015 been reliant on long-listed drugs, to a model with exceptional drug discovery capabilities. In 2016 we set a course to eliminate loss-generating businesses and reform cost structure, and together with building a system for agility in management so as to quickly respond to changes in the healthcare and pharmaceutical industry, we began offering a new solution (IPM) that combined an implementation framework with the ability to provide the pharmaceutical business value chain held by the CMIC Group with approvals (intellectual property) for manufacturing and sales. In April 2018 we transformed our top management structure and functions. Under this new management structure, which is spearheaded by the CEO, who is responsible for Group management strategy, and the COO, who is responsible for executing the Group's operations, we are not only promoting global capabilities, but have commenced "Project Phoenix 3.0," which is driving new initiatives such as the use of digital technologies in the healthcare field.

Financial Strategy Going Forward

CMIC is promoting a strategy for growth with a consideration of sustainable management. Given this, we are focused on firmly securing from within profits the investment funds required for future growth, and to that end, have set our sights on securing a 10% operating margin, as a guide, over the long term. While continuing to maintain stability in its finances, CMIC has set as its policy aggressive investments in growth that will function to achieve the key points of focus of its mid-term management plan, namely, to "accelerate the PVC & IPM solution business," "strengthen area competitiveness and promote globalization," and "create a healthcare business."

With regard to our business portfolio, we are working to transition from an emphasis on the CRO Business to a structure whereby we can grow while maintaining the profitability of each business. As we look ahead to stagnating growth in the domestic CRO market, we are accelerating our efforts to develop globally, and we will in the medium- to long-term grow our healthcare domain

business from the drug-related business.

Our investments for growth consist of human resources, new development of orphan drugs, M&A and other activities. In particular, our largest investments will go to human resources as part of our future growth strategy. We will work to hire human talent of a higher caliber and conduct ongoing internal training so as to secure human resources that can act on a global stage and lift the level of our technological capabilities. Human resource investments are fixed expenses, and as such, are undertaken while keeping an eye on the status of the mid-term management plan, and we will watch that future growth investments are in balance with financial soundness. In addition, we are also planning to continue making aggressive capital investments in the CDMO Business. To that end we will procure long-term capital with indirect funding, and will take measures using financing obtained through our capital alliance with the Development Bank of Japan (DBJ).

We will procure funds for M&A activities with shareholders' equity and long-term loans payable, although the debt/equity ratio should not exceed the 100% range, and in fact, we would like to see it decline to roughly 50% within the period of the current mid-Term Management Plan. Our intent is to actively incorporate external management resources gained through M&A activities, and in doing that we will place particular emphasis on accelerating our progress within the "Healthcare Revolution" while maintaining our attention on capital costs. We will make determinations on M&A activities that will be conditional upon their ability to contribute to CMIC's business, and the hurdle rate, or minimum rate of return, is set at 8%, as a rough guide.

Policy with Regard to Shareholder Returns

CMIC positions the return of profits to shareholders as one important management policy. We maintain retained earnings to heighten earnings capacity and to strengthen our business foundation, and have set as our basic policy the payment of dividends in accordance with our financial results. We have the consolidated dividend payout ratio goal of 30%, and have determined that we will pay ongoing and stable dividends. With regard to stable dividends, the lower limit to annual dividends is set at 10.00 yen per share.

Segment Business and Strategy

Business Overview and Characteristics



CRO Business Contract Research Organization

CMIC's CRO Business primarily supports pharmaceutical companies with services that facilitate drug development. Support encompasses a broad range of services, starting with consulting on the development of pharmaceutical products, regenerative medicine, medical equipment and other products, to approval applications and sales, and extending from that, analysis service with regard to drug quality guarantees and pharmacokinetics. It also supports confirmation for candidate substance effectiveness, safety for non-clinical trials and clinical trials, post-marketing surveillance (PMS), clinical trials and other activities. We also offer Business Process Outsourcing (BPO) geared toward the medical and pharmaceutical industry, and a human resource service.

- Strength**
- One of the largest CROs in Japan
 - Expertise in regulatory consulting
 - Diverse customer base inside and outside of Japan
 - Experience in wide range of therapeutic areas



CDMO Business Contract Development Manufacturing Organization

The CDMO Business is engaged in support for pharmaceutical companies' drug formulation development and manufacturing. This is led by consulting services with regard to the manufacture of drug products that provides comprehensive support, from drug formulation exploratory efforts to manufacturing for clinical trials and commercial production.

- Strength**
- Covers almost all formulations
 - Capability to manufacture special formulations (including high-potency drugs)
 - Formulation development technologies (synergy with CRO business)
 - Manufacturing base in the United States (only CDMO in Japan with a US factory)



CSO Business Contract Sales Organization

The CSO Business's primary role is to provide support for pharmaceutical companies' sales and marketing efforts. With a primary focus on dispatching medical representatives (MRs) to pharmaceutical companies and service reps (SRs: medical device sales representatives) to medical device manufacturers, this segment carries out dispatch and education-related tasks in the medical affairs field, and provides comprehensive solutions that combine multiple communications channels with a diverse range of services.

- Strength**
- Multi-channel service
 - No. 2 positioning for the contract MR business
 - Expansion to Medical Affairs arena (providing the first MA training course in the private sector)



Healthcare Business

The Site Management Organization (SMO) Business is engaged in healthcare information services with a focus on support for healthcare institutions and patients, medical care for general consumers, as well as for the maintenance and promotion of their health. It supports the implementation of clinical trials and the administrative tasks conducted by medical institutions, the provision of clinical trial information through a portal site and patient support programs, self-screening services contributing to the early detection and prevention of serious diseases and the "harmoni" electronic prescription record service.

- Strength**
- Medical institutions network and highly specialized talents
 - Experience in broad range of therapeutic areas from large-scale clinical trials for lifestyle-related diseases to intractable/orphan diseases



Innovative Pharma Model (IPM) Business

Combining the marketing authorization licenses (intellectual property) held by the CMIC Group with value chains enables the Company to offer new value chains to pharmaceutical companies. Duties are mainly the development and sale of orphan drugs and diagnostic drugs.

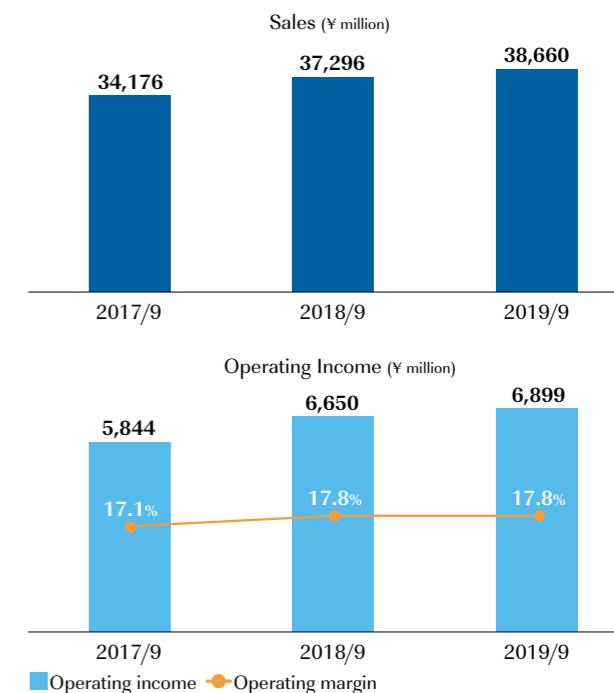
- Strength**
- Addressing the needs for the IPM platform following changes in pharmaceutical companies' business models
 - Supporting the launch of academia/bio-venture seeds
 - Providing strategic options to pharmaceutical companies
 - Providing support to overseas pharmaceutical companies including MAH



CRO Business

Results for the Year Ended September 2019

In the fiscal year under review, CMIC facilitated support for foreign companies entering the Japanese market as well as companies in different industries entering the healthcare market, while responding to increasingly sophisticated development needs for biologics, regenerative medicine and other therapeutic areas. In clinical services ranging from market entry consulting to safety information management, we are strengthening our comprehensive contract development system, which is one of the CMIC Group's strengths. We also established a subsidiary in Australia to strengthen competitiveness in the Asia/Oceania region. In non-clinical services, we are proactively engaged in drug discovery support in cutting-edge domains, including nucleic acid drugs and regenerative medicine. In October 2018, we formed a business alliance with the Japanese arm of Sophion Bioscience, a leading global company engaged in the ion channel-related business, with the aim of expanding our safe pharmacology evaluation service.



Sales and operating income exceeded those from the previous year thanks to robust growth in new and existing contracts.



Bioresearch Center (Yamanashi Prefecture)

Key Mid-Term Issues and Sustainable Growth Initiatives

Business environment

- Increasing number of global clinical trials and decreasing number of Japanese subjects
- Utilization of Real World Data (RWD)
- Productivity improvement using RPA and AI for routine/non-routine operations
- Alliance for global development

Focus activities

- Enhanced support for advanced therapies including biologics and regenerative medicine (full support for filing by academia and BV)
- Proactive take on nucleic acid medicine projects through collaboration of laboratories in Japan and the United States
- Proactive take on global clinical studies (clinical trials in Asia, Japan-US bioanalysis business)
- Business expansion to US and Asia
- Aim for Number 1 share in Japan

Australia, where CMIC established a local subsidiary, has an environment in which it is easy to conduct clinical trials targeting diverse races such as Caucasians and Asians. Additionally, as Australia complies with international standards (ICH/GCP), it provides an advantage in that trial data can be used for applications in the US and Europe. The tax system offers significant incentives with regard to research and development expenses, and with simplified regulations for

clinical trial launches, the number of clinical trials is expected to increase in the future. Through the establishment of this subsidiary, CMIC will meet client needs. We are also moving forward with post-marketing surveillance utilizing medical databases, enhanced support for clinical research and the handling of projects in cutting-edge domains. Going forward, we will maintain efforts to achieve steady growth while responding to changes in development trends.



CDMO Business

Results for the Year Ended September 2019

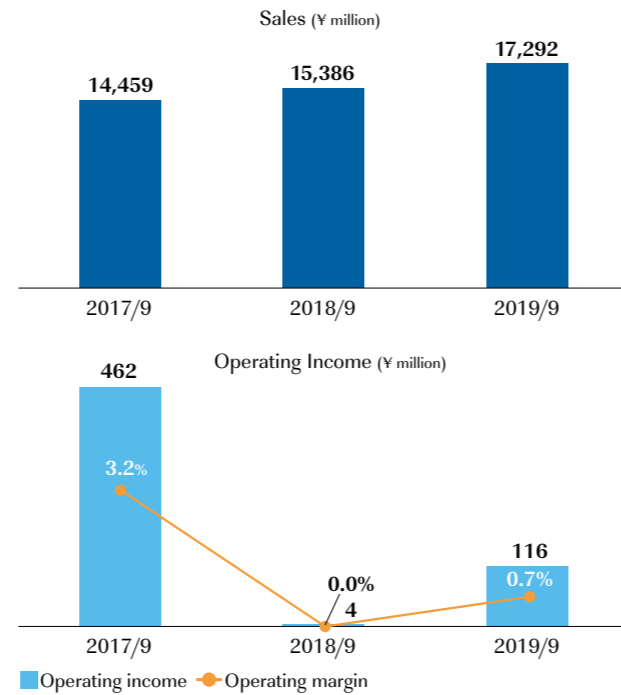
In the fiscal year under review, CMIC concluded business alliance agreements in March 2019 with US companies possessing manufacturing technologies that utilize 3D printers and advanced flexible dosing tablet technologies to enable CMIC to introduce new technologies for drug manufacturing and improve formulation technologies. In June 2019, we also completed the transfer of the Astellas Pharma Tech Co., Ltd., Nishine Plant, a manufacturing subsidiary of Astellas Pharma Inc., and subsequently launched operations as CMIC CMO Nishine Co., Ltd., with the aim of enhancing the production capacity of our mainstay solid dosage forms.



Nishine Plant exterior



Newly constructed Ashikaga injection drug manufacturing building for high-potency drugs (anticancer drugs, etc.)



Sales exceeded that of the previous year thanks to new contributions from CMIC CMO Nishine Co., Ltd., and increased contract manufacturing in Japan and the United States. Operating profit was also higher than in the previous year due to the absorption of increased depreciation costs associated with the newly constructed Ashikaga injection drug manufacturing building.

Key Mid-Term Issues and Sustainable Growth Initiatives

Business environment

- Changes in contract manufacturing products: Reduced production volume following the NHI price reduction/capabilities to manufacture biologics and other drugs
- Low cost operations: Change in production system, high-mix low-volume production
- Global alliance

Focus activities

- Readiness for biopharmaceutical production (preparation for the launch of parental drug manufacturing building in Ashikaga)
- Enhance formulation technologies (including the use of 3D printers)
- Expansion of production lines in the US
- Network expansion inside and outside Japan through collaboration with DBJ

With the addition of the Nishine Plant, the CMIC Group currently provides total solutions from six drug manufacturing bases, including four in Japan and one each in the United States and South Korea. We aim to further improve our technological capabilities, develop low-cost production systems and strengthen our competitiveness through strategic capital investment as a platform for global drug manufacturing, from formulation studies and clinical trial drug production to commercial production. The injection drug building for high-potency drugs newly constructed at the Ashikaga Plant has commenced production of clinical trial drugs, and we are strengthening

our sales activities in order to acquire clinical trial drugs and commercial production projects. Although the injection drug building constructed at the Ashikaga Plant commenced operations in October 2018, production will be launched in stages, thus it will not reach full operation until fiscal 2020. We expect improvements from fiscal 2021.

Additionally, in the United States, business opportunities are increasing, including for Japanese pharmaceutical companies, and we have decided to expand our production capacity in fiscal 2020.

Through these efforts, we will attempt to grow the CDMO business from fiscal 2021 onwards.

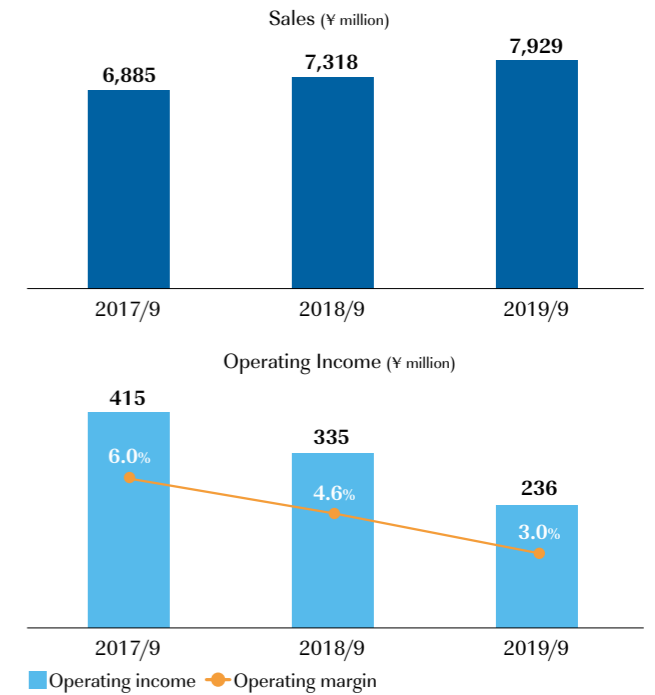


CSO Business

Results for the Year Ended September 2019

In the fiscal year under review, CMIC Ashfield Co., Ltd., which is engaged in medical representative (MR) dispatch services, promoted the provision of comprehensive solutions combined with a diverse array of services through multiple communication channels, including the “MA Academy,” the first private-sector course to train Medical Affairs (MA) personnel.

Service Areas



Sales exceeded that of the previous year thanks to the steady acquisition of new and existing contracts, but operating income was less than that of the previous year due to the costs required to take on new projects.

Key Mid-Term Issues and Sustainable Growth Initiatives

Business environment

- Reduced demand for CMR
- Heightening needs for specialty (MSL)
- Change in promotion following the growth of comprehensive regional care

Focus activities

- Expand MA Business (training)
- Expand positioning in MR dispatch business
- Promotion of multi-channel

The CSO Business has the second-largest share of the contract MR market in the industry (CMIC estimate). We are promoting the provision of comprehensive solutions combining multiple communication channels and a diverse array of services in response to various promotional activities conducted by pharmaceutical companies.

One of these is “Medical Affairs Solutions,” a business that requires a high degree of expertise and academic knowledge the area of disease. Leveraging CMIC’s consulting and dispatching experience, this fiscal year we launched the MA Academy, the first private-sector course to train Medical Affairs personnel. We plan to further strengthen this program going forward.



Healthcare Business

Results for the Year Ended September 2019

In April 2019, BELL24-Cell Product, Inc., became a Group company for the purpose of strengthening the Site Management Organization (SMO) business foundation in Hokkaido.

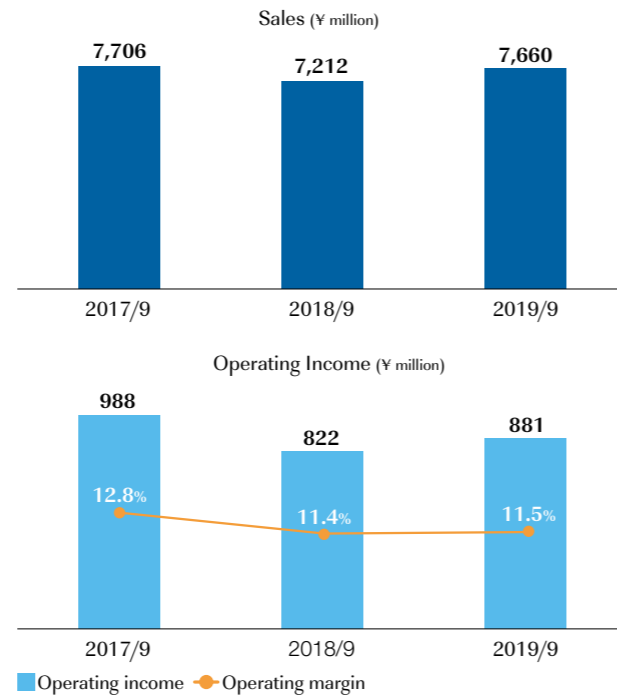
In healthcare information services, we provide a portal site and other services using clinical trial information and launched “SelCheck” self-screening services contributing to the early detection and prevention of disease. In June 2019, we took over the “harmo” electronic prescription record service business from Sony Corporation and are working to strengthen prescription drug adherence and other patient support programs as well as create health support businesses that utilize technology.



人と人をつなぐ
電子お薬手帳サービス



The “harmo” electronic prescription record service connects people



Sales and operating income exceeded that of the previous consolidated fiscal year due to the steady progression of new project acquisitions.

Key Mid-Term Issues and Sustainable Growth Initiatives

Business environment

- Increasing number of highly difficult development areas
- Increasing number of new services that use new technologies
- Productivity improvement using RPA and AI for routine/non-routine operations
- New entry to healthcare service and increase in alliance

Focus activities

- Shifting from treatment to prevention/prognosis market (prophylaxis treatment and treatment using apps)
- Expansion of self-screening services
- Providing support for University Hospital network and other networks

In the SMO business, CMIC is enhancing its disease area and medical institution networks, including the addition of an SMO subsidiary in Hokkaido, and is committed to supporting faster, higher-quality clinical trials.

We are also promoting initiatives aimed at creating new business in healthcare. With the January 2020 merger of two healthcare businesses, we combined a variety of information and

know-how accumulated through the SMO business with CMIC healthcare disease prevention and health information and IT technologies to accelerate the creation of healthcare businesses. This requires up-front investment to create new business under the mid-term plan, thus we plan to quickly launch operations in cooperation with other industries and companies.



IPM Business

Results for the Year Ended September 2019

In the orphan drug business, we promoted initiatives to bolster the foundation of the IPM business, including support for overseas companies entering the Japanese market, through the provision of the IPM platform and strategic options in response to changing pharmaceutical company business models.



Rasilez®



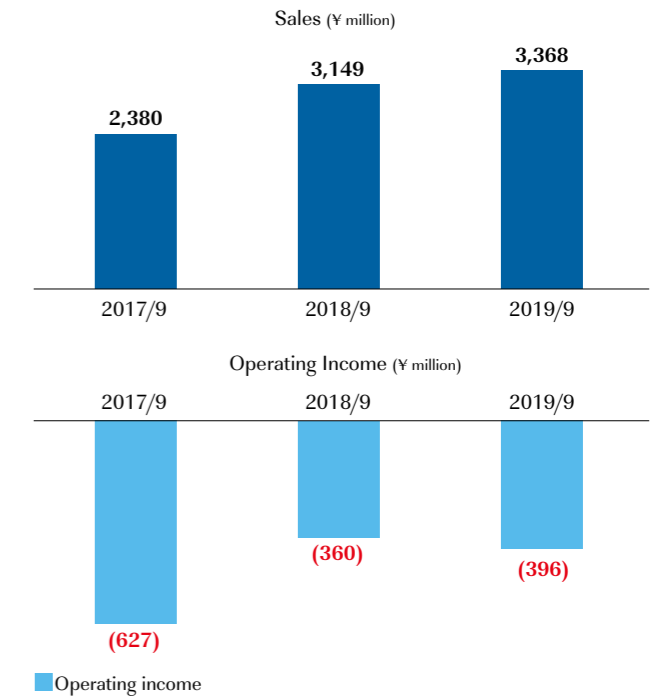
Diazoxide®



Somazon®



Buphenyl®



Sales exceeded that of the same period previous year due to increased sales of orphan drugs and other products. Despite recording an operating loss attributable to research and development expenses, we continue to expand business scale through the provision of new solutions aiming for a return to profitability.

Key Mid-Term Issues and Sustainable Growth Initiatives

Business environment

- Review of profit structure for long-listed product and premium to promote the development of new drugs (PMP)
- Review of development/promotion focus items by pharmaceutical companies, accelerated license-out activities
- Increasing number of joint development projects with Academia.

Focus activities

- Address unmet medical business needs with our IPM model
- Expansion of business scale and R&D activities toward the positive turnaround of orphan drugs and diagnostic drugs.

OrphanPacific, Inc., established in May 2012 as a joint venture between the CMIC Group and the Medipal Group, sells seven products, including four orphan drug products certified by the Japanese government.

This company responds to an expanding portfolio of existing products due to changes in applications and formulations,

introduces new orphan drugs and supports overseas companies entering the Japanese market. Inquiries are increasing on an annual basis as a solutions business no other company can match, and we expect a return to profitability in fiscal 2020. As we approach fiscal 2021, we will strive to further improve efficiency and secure profits.

Basic CSR Policies and Basic Principles for CSR Activities

Basic CSR Policies of the CMIC Group

We at CMIC see our socially beneficial enterprises, such as in the pharmaceutical manufacturing industry/medical center support and orphan drug supply, as contributions to the improvement of our sustainability (an ability to carry on) in and of themselves.

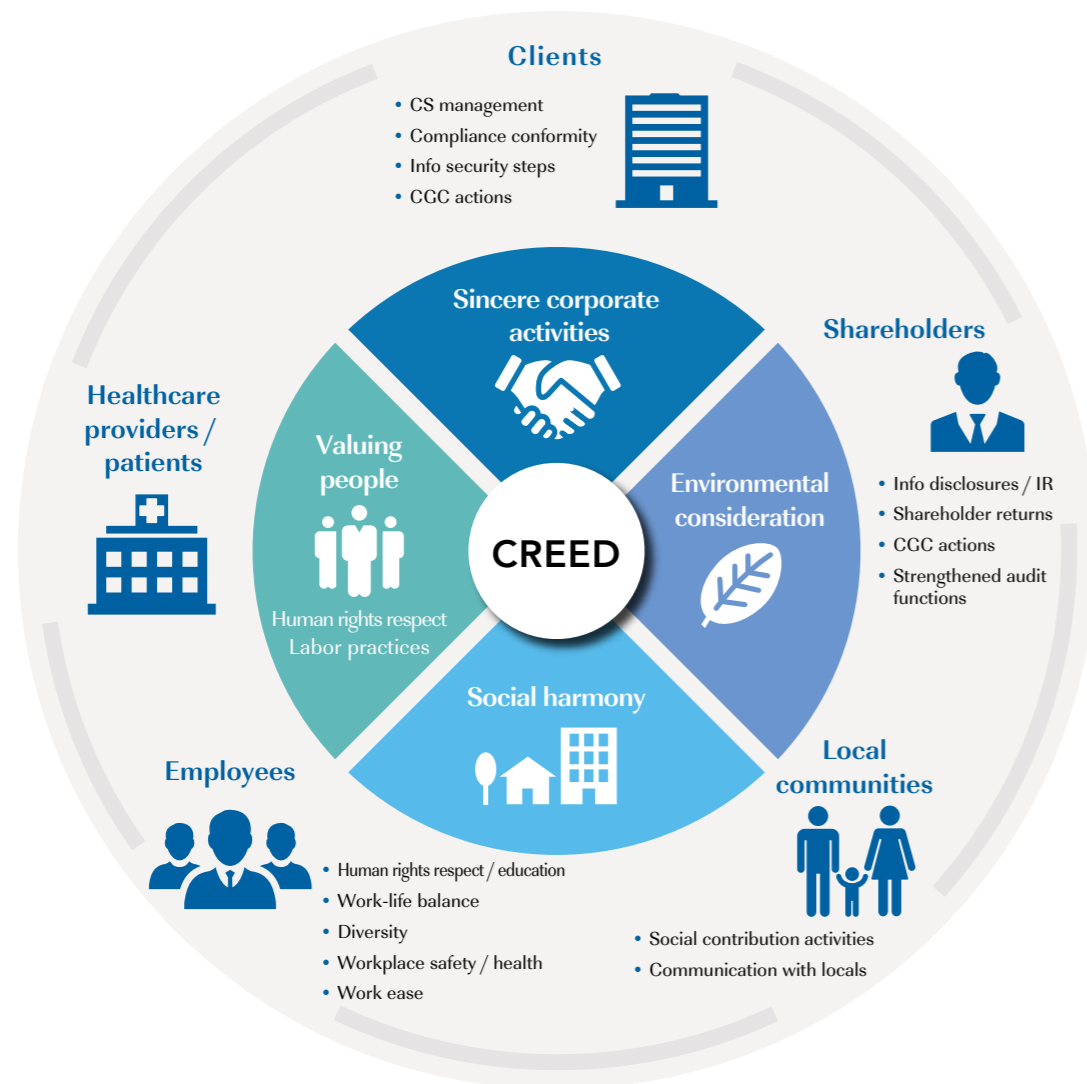
Additionally, we engage in activities for our various stakeholders, as we are aware that any activity based on the CMIC Group's Basic CSR Policies increases our sustainability all the more.

The CMIC Group formulated its Basic CSR Policies in 2009. Their intent is to be shared/implemented by all employees, so that we may be a respected member of society, and a trusted enterprise.

Basic Principles of CMIC's CSR Activities

Every employee of the CMIC Group will actively engage in various activities, always with noble intentions and high ethics, so the CMIC Group can fulfill its responsibility as a good corporate citizen and win the trust of society.

When engaging in CSR activities, the CMIC Group does so with a full understanding of the importance of our role as a company that contributes to life-saving drug and medical care businesses, and pays adequate attention to local characteristics and social equality based on our activity guidelines and a global perspective that goes beyond that of Japan.



Human Resource Management

The CMIC Group defines its human resources as the source of its ability to create corporate value, and believes that human resource development is essential for sustainable corporate growth. For this reason, we are working to create workplace environments that enable our human resources to improve their skills and to realize their full potential.

Human Resource Development Basic Policy

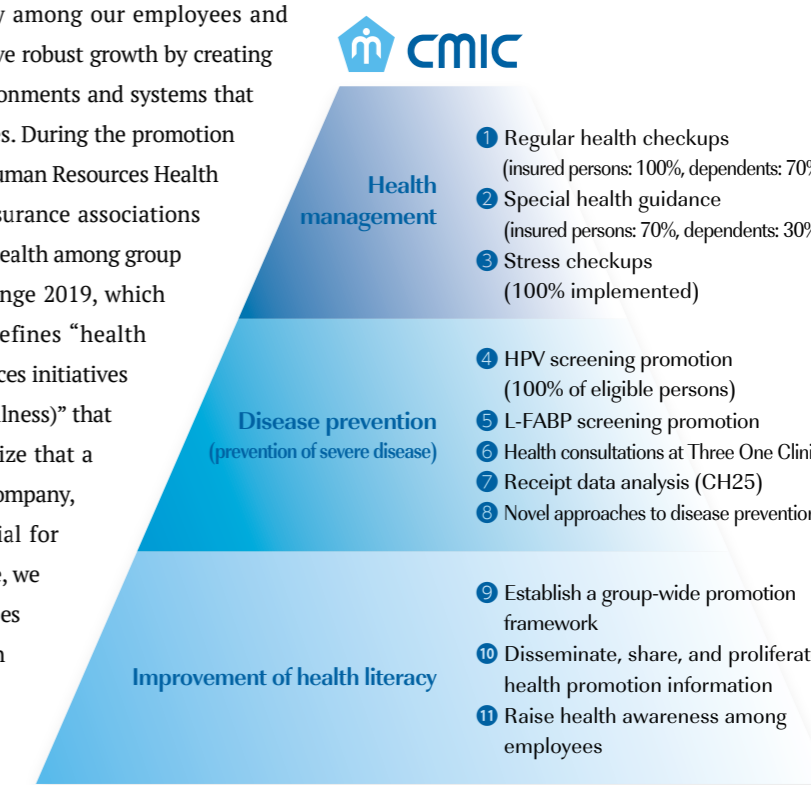
The CMIC Group contributes to maximizing the value of pharmaceutical companies through the education of executives and employees, as well as through our unique business model. At the same time, the CMIC Group contributes to and is increasing its presence among society by expanding its business into the healthcare field. Human resource development and education is about much more than short-term results. Instead, managers and department heads also take responsibility for systematically undertaking these from the perspective of ensuring medium- to long-term performance.

Diversity

CMIC'S CREED states that the "CMIC Group will bring innovation to healthcare so that all people, regardless of age, gender or race, can live their lives according to their own will." It is upon the basis of these ideals that we believe employing a diverse range of personnel, irrespective of race, gender, or disability, as well as respecting and finding value in the differences between these individuals, is indispensable for business growth. We therefore hold up diversity as a management theme of great importance. Specifically, in addition to granting promotions to women, we aim to improve performance by mutually venerating the ways in which our work and thoughts differ to arrive at a higher caliber of discussion and outcomes.

Health and Productivity Management

Along with placing importance on diversity among our employees and working styles, the CMIC Group aims to achieve robust growth by creating a healthy organization through working environments and systems that prioritize health maintenance for its employees. During the promotion of health and productivity management, the Human Resources Health Promotion Group cooperates with health insurance associations and group companies, and strives to promote health among group employees and their families. Health Challenge 2019, which summarizes the specific initiatives, both defines "health management" as a priority measure and advances initiatives for "disease prevention (prevention of severe illness)" that stay true to the CMIC Group. We also recognize that a greater level of health awareness among the company, organization, and every employee is essential for health and productivity management. Likewise, we work to improve the health of group employees and their families by promoting greater health literacy, which nurtures the ability to search for, understand, and apply health and medical information.



Quality Management

The CMIC Group recognizes that the height of quality (quality of work) connects to customer satisfaction, helps build relationships of trust with customers, improves the profits of the CMIC Group, and is a management theme of great importance that is essential for sustainable growth. We are working to improve efficiency by ascertaining customer needs and expectations, and by continuously improving the quality of all operating processes, not simply the quality of the final product, from the perspective of overall optimization in working to ensure an “appropriate level of quality” that meets these needs and expectations. Moreover, we are working to enhance quality management by systematically implementing human resource development through training-based quality education and continuous PDCA-based improvements.

Quality Management Basic Policy

As a corporate group involved in the business of supporting human life, the CMIC Group has formulated the CMIC Group Code of Conduct based on a foundation that places utmost importance on ethics and science. Based on this Code, we have formulated the CMIC Group Quality Policy and established and implement an integrated Quality Management System, which enables us to continuously provide high-quality products and services that deliver value and satisfaction to our customers.

● The CMIC Group Code of Conduct

- 1 With the mission to protect and improve the healthy life of humanity, to operate business aiming to create added value within the medical and health care industries.
- 2 To provide high-quality products and services based on leading technology and earn customer satisfaction and trust in order to contribute to the establishment of evidence-based medicine (EBM) to the maximum extent possible.
- 3 To continuously strive to improve the expertise and technology with regard to medical care and pharmaceuticals, and to contribute to the development of life science including facilitation of drug seeds discovery and drug fostering.
- 4 To recognize the importance of personal/customer information, and to ensure proper protection and management of this information in accordance with laws, regulations, and internal regulations.
- 5 To diligently listen to inquiry, opinion, and claim, and to make faithful responses so that the quality of products and services improves continuously.

● The CMIC Group Quality Policy

- 1 Ensure our customers’ needs and expectations are continually monitored
- 2 Set our quality objectives
- 3 Establish effective and efficient operating processes
- 4 Ensure continual improvement in our processes and procedures
- 5 Enhance competence of all employees

Quality Management Promotion Framework

As part of promoting quality management, under the CMIC Group Quality Policy, the CMIC Group established and implements an integrated Quality Management System (QMS) in compliance with its Quality Management Guidelines, which identify the elements, frameworks, and actions required to achieve the CMIC Group Quality Policy. Our QMS ensures that incidents that have occurred at group companies are quickly reported to top management in positions of responsibility at each company through each company’s QMS supervisor and manager. Following this, the CMIC Group’s QMS manager takes charge of the situation, and provides management and guidance. We also implement corrective and precautionary measures for problematic cases that occur during the QMS activity process, and take steps to prevent recurrence of similar problems.

The CMIC Group has established organizational and individual goals as part of the quality targets based on the mid-term management plan and makes continuous improvements through the implementation of a PDCA cycle in working to strengthen the Quality Management Framework.

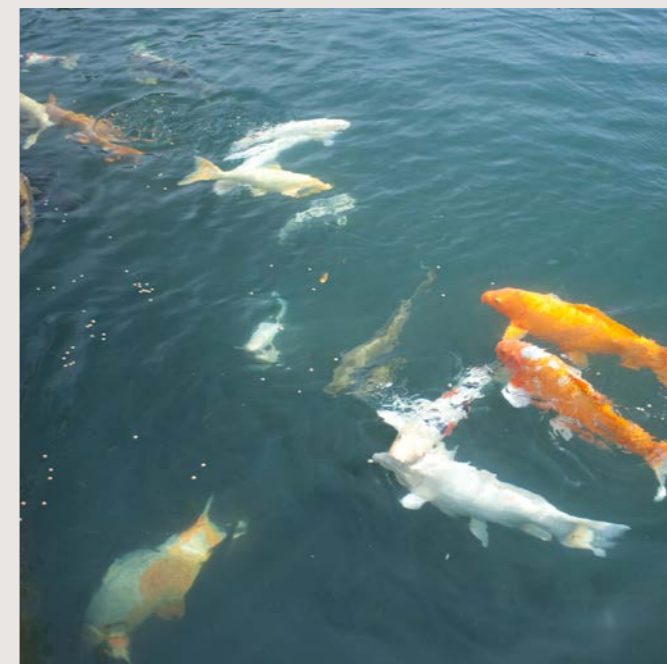
Environmental Management

Within the CMIC Group Code of Conduct, the CMIC Group recognizes that tackling environmental issues is an essential prerequisite for the continued existence and activities of the corporation, and stipulates that it must take voluntary, progressive action in this respect. Additionally, the CMIC Group Code of Conduct stipulates that we as individuals must also seriously consider environmental issues and resolutely take action.

The CMIC Group conducts business at 43 locations in Japan (four plants, six pharmaceutical development centers) and 15 locations globally (two plants, one pharmaceutical development center). We have acquired ISO 14001 certification for the manufacturing plants used by our Contract Development and Manufacturing Organization (CDMO) services, and take the global environment into consideration by promoting greening activities and maintaining green environments, as well as through initiatives that reduce carbon dioxide (CO₂) emissions. Specifically, we are working to reduce CO₂ emissions released from these plants by replacing crude oil fuel with LNG (natural gas). In addition, we biologically treat wastewater released by these plants as a means of optimizing wastewater.



LNG satellite facility and small boiler facility



Carp swimming in the final wastewater pond

As drug manufacturing sites, these plants also submit legal data to the competent authorities. Our pharmaceutical development centers that conduct our CRO services’ non-clinical business also consider the environment by taking measures for toxic substances and waste.

Going forward, we will extend these initiatives throughout the Group and establish a CMIC Group Environmental Management Framework in aims of minimizing the environmental impact generated by all business fields, and will work to formulate an Environmental Management Plan.

Efforts on PSCI Principles Established March 1, 2020

As a pharmaceutical company supplier, the CMIC Group practices responsible corporate behavior, endorses the Pharmaceutical Supply Chain Initiative (PSCI) principles corresponding to society and business and promotes the following initiatives.

Introduction

The Mission of the CMIC Group (“We”) is “CMIC is an innovative and unique provider of high-quality solutions for the healthcare industry. We create value by accelerating the access to therapies that improve patients’ lives.”

In accomplishing this mission, we will comply with the fundamental principles of conduct set forth in the CMIC Group Code of Conduct and observe the following items with respect to ethics, labor, safety, health, environment and related management systems in accordance with the Pharmaceutical Industry Principles for Responsible Supply Chain Management (the “Principles”).

Ethics

We conduct our business ethically and act with integrity. The Ethics elements include:

1. ANTI-BRIBERY AND CORRUPTION

All forms of bribery, corruption, extortion and embezzlement are prohibited. We do not pay or accept bribes or participate in other illegal inducements in business or government relationships, or through the use of intermediaries. We ensure that we have adequate systems in place to prevent bribery and comply with applicable laws.

2. FAIR COMPETITION

We conduct our business consistent with fair and vigorous competition and in compliance with all applicable anti-trust laws. We employ fair business practices including accurate and truthful advertising.

3. ANIMAL WELFARE

Animals shall be treated humanely with pain and stress minimized. Animal testing should be performed after consideration to replace animals, to reduce the numbers of animals used, or to refine procedures to minimize distress. Alternatives should be used wherever these are scientifically valid and acceptable to regulators.

4. DATA PRIVACY AND SECURITY

We safeguard and make only proper use of confidential information to ensure that company, worker, patient, subject and donor privacy rights are protected. We comply with applicable privacy and data protection laws and ensure the protection, security and lawful use of personal data.

5. PATIENT SAFETY AND ACCESS TO INFORMATION

We ensure that adequate management systems are in place to minimize the risk of adversely impacting on the rights of patients, subjects and donors, including their rights to health and to access information directly.

6. CONFLICTS OF INTEREST

We take reasonable care to avoid and manage conflicts of interest.

Human Rights and Labor

We are committed to uphold the human and employment rights of workers and to treat them with dignity and respect. The Labor elements include:

1. FREELY CHOSEN EMPLOYMENT

We do not use forced, bonded or indentured labor or involuntary prison labor. No worker shall pay for a job or be denied freedom of movement.

2. CHILD LABOR AND YOUNG WORKERS

We do not use child labor. The employment of young workers below the age of 18 shall only occur in non-hazardous work and when young workers are above a country’s legal age for employment or the age established for completing compulsory education.

3. NON-DISCRIMINATION

We provide a workplace free from discrimination. There shall be no discrimination for reasons such as race, color, age, pregnancy, gender, sexual orientation, ethnicity, disability, religion, political affiliation, union membership or marital status.

4. FAIR TREATMENT

We provide a workplace free of harassment, harsh and inhumane treatment, including any sexual harassment, sexual abuse, corporal punishment, mental or physical coercion or verbal abuse of workers and no threat of any such treatment.

5. WAGES, BENEFITS AND WORKING HOURS

We pay workers according to applicable wage laws, including minimum wages, overtime hours and mandated benefits.

We communicate with the worker the basis on which they are being compensated in a timely manner. We are also expected to communicate with the worker whether overtime is required and the wages to be paid for such overtime. Overtime shall be consistent with applicable national and international standards.

6. FREEDOM OF ASSOCIATION

Open communication and direct engagement with workers to resolve workplace and compensation issues is encouraged.

We respect the rights of workers, as set forth in local laws, to associate freely, join or not join labor unions, seek representation and join workers’ councils. Workers shall be able to communicate openly with management regarding working conditions without threat of reprisal, intimidation or harassment.

Health and Safety

We provide a safe and healthy working environment, including – where applicable – for any company-provided living quarters. Health and Safety measures shall extend to contractors and subcontractors on supplier sites. The Health and Safety elements include:

1. WORKER PROTECTION

We protect workers from over exposure to chemical, biological, physical hazards and physically demanding tasks in the workplace and in any company provided living quarters. We ensure appropriate housekeeping and provide workers with access to potable water.

2. PROCESS SAFETY

We have management processes in place to identify the risks from chemical and biological processes and to prevent or respond to catastrophic release of chemical or biological agents.

3. EMERGENCY PREPAREDNESS AND RESPONSE

We identify and assess emergency situations in the workplace and any company provided living quarters, and to minimize their impact by implementing emergency plans and response procedures.

4. HAZARD INFORMATION

Safety information relating to hazardous materials – including pharmaceutical compounds and pharmaceutical intermediate materials – shall be available to educate, train, and protect workers from hazards.

Environment

We operate in an environmentally responsible and efficient manner to minimize adverse impacts on the environment. We are encouraged to conserve natural resources, to avoid the use of hazardous materials where possible and to engage in activities that reuse and recycle. The Environmental elements include:

1. ENVIRONMENTAL AUTHORIZATIONS AND REPORTING

We comply with all applicable environmental regulations. All required environmental permits, licenses, information registrations and restrictions shall be obtained, and their operational and reporting requirements followed.

2. WASTE AND EMISSIONS

We have systems in place to ensure the safe handling, movement, storage, disposal, recycling, reuse, or management of waste, air emissions and wastewater discharges. Any waste, wastewater or emissions with the potential to adversely impact human or environmental health shall be appropriately managed, controlled and treated prior to release into the environment. This includes managing releases of active pharmaceuticals into the environment (PIE).

3. SPILLS AND RELEASES

We have systems in place to prevent and mitigate accidental spills and releases to the environment and adverse impacts on the local community.

4. RESOURCE USE

We take measures to improve efficiency and reduce the consumption of resources.

5. SUSTAINABLE SOURCING AND TRACEABILITY

We carry out due diligence on the source of critical raw materials to promote legal and sustainable sourcing.

Management Systems

We use management systems to maintain business continuity, facilitate continual improvement and compliance with the expectations of these Principles. The Management System elements include:

1. COMMITMENT AND ACCOUNTABILITY

We demonstrate commitment to the concepts described in this document by allocating appropriate resources and identifying senior responsible personnel.

2. LEGAL AND CUSTOMER REQUIREMENTS

We identify and comply with applicable laws, regulations, standards and relevant customer requirements.

3. RISK MANAGEMENT

We have mechanisms to determine and manage risks in all areas addressed by these Principles.

4. DOCUMENTATION

We maintain documentation necessary to demonstrate conformance with these Principles and compliance with applicable regulations.

5. TRAINING AND COMPETENCY

We have a training program that achieves an appropriate level of knowledge, skills and abilities in management and workers to address the expectations in these Principles.

6. CONTINUAL IMPROVEMENT

We are expected to continually improve by setting performance objectives, executing implementation plans and taking necessary corrective actions for deficiencies identified by internal or external assessments, inspections, and management reviews.

7. IDENTIFICATION OF CONCERNS

All workers shall be encouraged to report concerns, illegal activities or breaches of these Principles in the workplace without threat of or actual reprisal, intimidation or harassment. We investigate and take corrective action if needed.

8. COMMUNICATION

We have effective systems to communicate these Principles to workers, contractors and suppliers.

Corporate Governance

Basic Principle of Corporate Governance

As a company involved in the business of supporting human life, the CMIC Group places the utmost importance on ethics and science, and believes the basis of corporate governance is to secure the soundness, transparency, legal compliance, and fairness of management for all stakeholders, including shareholders and customers.

Based on this basic principle, as a holding company the Group endeavors to further improve corporate value by ensuring the efficiency and speed of management decision-making and business execution, clarifying the responsibilities of management, ensuring compliance, and strengthening risk management.

Organizational Structure and Framework

Organizational Format	Company with Auditors
No. of Directors Under the Articles of Incorporation	15
Director Term Under the Articles of Incorporation	1 year
Board of Directors Chairperson	Chairman
No. of Directors (No. of Outside Directors)	13 (5)
No. of Independent Directors Appointed Among the Outside Directors	4
Number of Audit & Supervisory Board Members (No. of Outside Audit & Supervisory Board Members)	4 (3)
No. of Independent Auditors Appointed Among the Outside Audit & Supervisory Board Members	2
Executive Officer System	Adopted

1) Nomination and Remuneration Committee

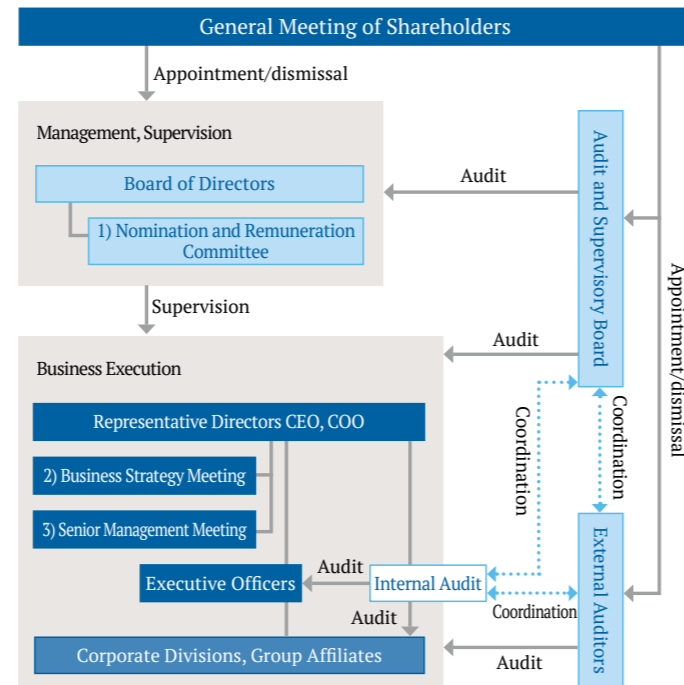
This discretionary committee was established to nominate directors, appoint and dismiss representative directors, and evaluate the performance of and calculate remuneration for directors and executive officers. The committee comprises a majority of outside directors and is chaired by an outside director.

2) Business Strategy Meeting

This is a forum for formulating and determining Group business strategy and discussing overall and individual strategies. Meetings are held quarterly, chaired by the CEO and attended by senior management (executive officers in supervisory positions), with additional participants selected for their relevance to specific agenda items.

3) Senior Management Meeting

This meeting is held to make decisions regarding major issues and deliberate and approve matters resolved by the Board of Directors, among other important items. Held, in principle, once per month, meetings are chaired by the CEO and attended by senior management, with additional participants selected for their relevance to specific agenda items.



Corporate Governance Code Compliance Status

The CMIC Group implements all principles established in the Tokyo Stock Exchange Corporate Governance Code except the following.

■ Supplementary Principle 4.8.1: Meetings Consisting Solely of Independent Outside Directors

The Group does not take any special measures such as regularly holding meetings consisting solely of independent outside directors.

Each of the Group's outside directors form their own opinions from their individual standpoints and actively participate in discussions at the Board of Directors, Board of Auditors, and other meetings. In addition, the outside directors meet individually with the management as a means of sharing information and cooperation. The Group continues to believe that respecting the thoughts and independence of the outside directors will enable active discussion. Moreover, the Group will continue to expand the opportunities for outside directors and the CEO to exchange information and achieve a shared understanding.

■ Supplementary Principle 4.8.2: Lead Independent Outside Director

The Group has thus far held individual meetings between the independent outside directors and management as a means of information sharing and cooperation. However, the Group has not established a framework wherein a lead independent outside director is selected to contact and coordinate with the management or cooperate with the auditors or Board of Auditors. The Group feels that individual discussions held between the independent outside directors and the management based on the views of each independent outside director and their cooperation with the auditors will contribute to the sustainable growth of the Group and to greater medium- and long-term corporate value.

For details on the compliance status with the Corporate Governance Code, see the Corporate Governance Report <https://www.cmicgroup.com/files/user/ir/pdf/cg20191220.pdf> (Japanese only)

Board of Directors Diversity

CMIC Group's Board of Directors requires a composition comprised of individuals having profound knowledge in the healthcare field, including pharmaceuticals and medical instruments, as well as experts in finance, planning, and other forms of business management. Having this composition, the Group feels its Board of Directors is sufficiently organized to support the Group's PVC business model. The Board of Directors includes two females.

The Group feels that the proper size of its Board of Directors is 10 to 15 members, which takes into account the diversity required to support the Group's business scope and scale, and ensures diversity from the perspectives of gender and internationality, while still enabling practical discussions.

Board of Directors Effectiveness Assessment

Execution Process	Evaluations were collected from the directors and auditors appointed for the period ending September 2019 using questionnaires. These evaluations were then compiled and the effectiveness of the Board of Directors analyzed and assessed. [Evaluation Items] (1) Board of Directors composition, (2) Board of Directors management, (3) Information sharing with the Board of Directors, (4) Discussion and decision-making processes
Results Overview	<ul style="list-style-type: none"> ● Board of Directors composition: Although the evaluations indicated that the ratios of women among the Board are fairly low, the scale and diversity of the Board are generally appropriate. ● Board of Directors management: The frequency of meetings and time allotted for discussion are both appropriate. ● Discussion and decision-making processes: The ratio of positive evaluations for each question regarding the number of agenda issues, the scope of issues, and the sufficiency of opportunities to voice opinions maintained the previous year's high level. <p>Given the above, the Group feels its Board of Directors functions effectively.</p>
Improvement Points	<ul style="list-style-type: none"> ● Issues were shared suggesting the need to continue further enhancing the quality of deliberations related to major directions at the business strategy level, risk management and CSR. ● To address one measure with regard to risk management and from the perspective of enhancing the Board of Directors' supervisory function, going forward the results of internal audits are also to be shared with the Board of Directors. ● The highest evaluations were received for "Sharing Information with the Board of Directors." However, providing materials at an earlier stage to outside executives remains an issue.

Officer Appointments and Dismissals

■ Officer Appointments

During the nomination process for director and auditor candidates, and during the appointment process for executive officers that serve as top management, in addition to selecting individuals with a rich law-abiding spirit, excellent character, and superior insight, CMIC Group maintains a basic policy of selecting individuals based on the following comprehensive assessments. Further, executive officers must also conform to the provisions of the Group's Executive Officer Rules. Independent officers must conform with our "Independence Standards for Outside Officers."

- Inside director candidates and executive officers: Comprehensive assessment indicating abundant knowledge and experience in the Group's business scope, foresight and insight acquired in these areas, leadership, and the ability to make judgments and act, etc.
- Outside director candidates: Comprehensive assessment indicating sufficient insight to objectively audit management, ability to make judgments, and abundant knowledge and experience in specialized fields, such as corporate management, finance, accounting, law, etc.
- Auditor candidates: Comprehensive assessment indicating sufficient knowledge and experience in the Group's business scope, high level of knowledge in finance and accounting, and ability to make objective judgments, etc.
- Outside audit and supervisory board member candidates: Comprehensive assessment indicating sufficient insight to objectively audit the execution of duties among the directors, the ability to make judgments, and abundant knowledge and experience in specialized fields, such as finance, accounting, and law, etc.

■ Officer Dismissals

The conditions regarding dismissal of executive officers are clearly stipulated in the Executive Officer Rules. The Board of Directors maintains the power to dismiss executive officers in the event an executive officer commits fraud or conducts his or herself improperly, or in the event an executive officer is judged to be lacking in qualification in light of the above basic policy.

Officer Remuneration

Method of Deciding Officer Remuneration

Remuneration for the Company's officers is decided, within the scope of officer remuneration determined at the general meeting of shareholders, by focusing on the relationship of remuneration with operating performance and medium- to long-term corporate value and with amounts that appropriately reflect shared value with the shareholders and officers' roles and responsibilities. To ensure objectivity and transparency in determining officer remuneration, remuneration is deliberated by the Nomination and Remuneration Committee, a voluntary body.

Remuneration Framework and Recipients

Director remuneration is composed of three parts to reflect in the execution of business a focus on meeting short-term targets for operating performance and raise awareness toward enhancing corporate value over the medium to long term. These parts are "basic compensation," which is fixed; "officers' bonuses," or short-term incentive-based remuneration; and "share-based compensation (share-based compensation with restrictions on transfer)*," a type of long-term incentive-based remuneration. Performance-linked compensation is set to be around 20-30% of total remuneration when performance targets are met. Outside directors receive only basic compensation, reflecting their role in providing management supervision and advice to the Company and the Group as a whole. Auditors receive only basic compensation, reflecting their role in supervising the execution of operations by directors.

* At a Board of Directors meeting on November 13, 2019, a resolution was passed to introduce a system of share-based compensation with restrictions on transfer. This system was tabled as an agenda item and approved at the 35th Ordinary General Meeting of Shareholders on December 13, 2019.

Total Remuneration by Officer Classification of the Submitting Company, Total Remuneration by Type of Remuneration, and Number of Eligible Officers

Officer classification	Total remuneration (millions of yen)	Total remuneration by type (millions of yen)		Number of eligible officers
		Fix remuneration	Performance-based remuneration	
Director (excluding outside directors)	302	302	-	9
Audit & Supervisory Board member (excluding outside Audit & Supervisory Board members)	16	16	-	3
Outside director	34	34	-	8

Notes: The above includes one director and two outside Audit and Supervisory Board members who retired from office as of the conclusion of the 34th Ordinary General Meeting of Shareholders on December 14, 2018.

Corporate Governance Framework

As a holdings company, the CMIC Group has established frameworks to ensure that each Group company operates appropriately, including those for allocating the required management resources to each group company from the perspective of overall optimization and for governing and monitoring the business management of each group company. Specifically, the Group has defined the management standards for each group company, established the Affiliated Company Management Rules in order to help mutually raise management efficiency, and formed a Management Agreement between each group company based on these Rules. Each Group company makes regular reports to and shares information with the Group regarding their operational progress, financial standings, and other important matters provided for in the Management Agreement. When important matters are to be executed, prior to decision-making, each Group company reports on and discusses the matter with the department in charge at the Group and receives the necessary approval. The Group also dispatches directors and auditors to each Group company as a means of improving the governance of the entire CMIC Group.

Compliance

CMIC Group Compliance Framework

Based on its Code of Conduct, the CMIC Group strives to disseminate and thoroughly implement the Company Rules, nurture a corporate culture of conforming to norms, and cultivate compliance awareness. The Group is strengthening initiatives that enable all Group executives and employees to correctly understand this concept and to always put it into practice as part of their individual duties.

Code of Conduct Formulation, Measures for Education and Dissemination

As a basic policy with which all CMIC Group executives and employees must adhere from the perspective of complying with laws and regulations and acting in a manner that conforms to social ethics when conducting business activities, the Group formulated the CMIC Group Code of Conduct. All Group executives and employees are required to act conscientiously based on the CMIC Group Code of Conduct, where compliance officers are responsible for promoting such behavior.

As a part of the Group's initiative designed to strengthen compliance awareness, the Group produced and distributed the CMIC WAY Compliance Handbook to all Group executives and employees. This handbook contains many examples that enable Group executives and employees to comply with laws, ordinances, and Company Rules, to understand the concrete standards for acting in conformity with social norms, and to independently judge their own actions and sense of ethics. In this way, the Group is working to enhance the understanding of and further disseminate and instill the concept of compliance.

The Group also conducts business ethics and compliance training for all Group executives and employees once per year. The results of this training serve as the basis for the mindset of each Group executive and employee, and aim to connect to compliance management throughout the Group.

Early Detection, Response, and Prevention of Problems

For the purpose of detecting, addressing, and preventing the occurrence of compliance-related problems early on, the CMIC Group established the "CMIC Group Compliance Reporting / Consultation Desk." This organization serves the purpose of receiving a wide range of reports and consultations from all employees regarding compliance-related matters. This organization consists of internal and external contact channels, where employees can choose the person to whom they report or consult with from among several contact representatives within the company that have been appointed by the Compliance Officer and from among lawyers who serve as external contacts, thereby working towards the prevention and early detection of fraud and scandal. The contact receiving the report or consultation, or the contact office, objectively and fairly investigates and addresses the report or consultation, and promptly works to improve upon the problem and prevent recurrence.

Moreover, the Internal Audit Department monitors the enforcement status of compliance among the Group and Group companies.

Risk Management Framework

The CMIC Group formulated the CMIC Group Risk Management Rules from the perspective of addressing incidents where the Group is directly faced with risk management issues or a management crisis. As part of this framework, the risk management officer oversees risk management and crisis management, and promotes risk management as part of business management across the Group.

Risk management and incident management serve to centralize information both at the Group and at the individual Group company level, analyze the information and investigate the cause, promptly convey information, and make an appropriate response. Important matters are escalated to the risk management officer, who then directs the necessary response. When a management crisis emerges due to the event of a disaster or some other occurrence, a Group Emergency Response Headquarters is organized to respond to the event.

Management Team | Board of Directors



Kazuo Nakamura, Ph.D.

Representative Director,
Chairman and CEO



Keiko Oishi

Representative Director, President and
COO, Supervisory Manager of Business
Development & Marketing



Toru Fujieda

Corporate Director, Executive Vice President,
Supervisory Manager of Clinical CRO



Wataru Mochizuki

Corporate Director, Executive Vice
President and CFO, Supervisory
Manager of Administration and Support
Unit
Internal Control and Disclosure Officer



Makoto Matsukawa

Corporate Director, Executive Vice
President, Supervisory Manager of
CDMO



Yoshiyuki Hano

Corporate Director, Executive Vice
President and CHO, Supervisory
Manager of Administration and Support
Unit



Yoichi Kuwajima

Corporate Director, Vice Chairman,
Supervisory Manager of Strategy
Management



Takeshi Hamaura, Ph.D.

Corporate Director, Executive Vice
President and CTO, Assistant to
Supervisory Manager of CDMO



Akira Nakamura

External Corporate Director, Independent
Significant concurrent positions outside
the Company:
Chairman and Director, ASK PLANNING, INC.
Director, ASK GROUP HOLDINGS, INC.
Director, Car7 Development. CO., LTD.



Shinji Kobayashi

External Corporate Director, Independent
Significant concurrent positions outside
the Company:
President and Representative Director,
IPI Co., LTD.



Masaru Iwasaki, M.D. & Ph.D.

External Corporate Director
Significant concurrent positions outside
the Company:
Vice President, University of Yamanashi
Program Director, Program Supervisor,
Japan Agency for Medical Research and
Development
Visiting Professor, Juntendo University
School of Medicine



Takeshi Karasawa

External Corporate Director, Independent
Significant concurrent positions outside
the Company:
Project Professor, Graduate School of
Media and Governance, Keio University
Outside Director, Value HR Co., Ltd.



Eriko Kawai

External Corporate Director, Independent
Significant concurrent positions outside
the Company:
Professor, Graduate School of
Advanced Integrated Studies in Human
Survivability, Kyoto University
Outside Director, Daiwa Securities
Group Inc.

Management Team | Audit and Supervisory Board Members



Yasuo Yoshimune

Audit and Supervisory Board Member



Kei Hata

External Audit and Supervisory Board
Member
Significant concurrent positions outside
the Company:
Representative, Hata & Co. Law Offices
Lecturer, Graduate School, Rikkyo
University



Hidetoshi Watanabe

External Audit and Supervisory Board
Member
Significant concurrent positions outside
the Company:
Outside Director, Audit and Supervisory
Committee Member, Business Brain
Showa-Ota Inc.



Masaru Ota

External Audit and Supervisory Board
Member
Significant concurrent positions outside
the Company:
Representative Director, Ascent Partners
Outside Corporate Auditor, MORITA
HOLDINGS CORPORATION
Outside Audit & Supervisory Board
Member, Wealth Management, Inc.

Senior Management

Senior Management	Roles and Functions
Kazuo Nakamura Chairman and CEO	Head of Strategy Planning Unit
Yoichi Kuwajima Vice Chairman	Strategy Planning Unit Supervisory Manager of Strategy Management
Keiko Oishi President and COO	Head of BD & Marketing Unit, Operations Unit, and Administration/Support Unit Supervisory Manager of Business Development & Marketing
Hidetoshi Takeda Executive Vice President	Strategy Planning Unit Supervisory Manager of Strategy Planning, US Business Operations
Wataru Mochizuki Executive Vice President, CFO	Supervisory Manager of Administration and Support Unit (Finance, Legal Compliance, Corporate Planning, Quality Management) Internal Control and Disclosure Officer
Makoto Matsukawa Executive Vice President	Operations Unit Supervisory Manager of CDMO
Toru Fujieda Executive Vice President	Operations Unit Supervisory Manager of Clinical CRO
Philippe Auvaro Executive Vice President	Operations Unit Supervisory Manager of IPM
Akihisa Mitake Executive Vice President	Operations Unit Supervisory Manager of Healthcare
Yoshiyuki Hano Executive Vice President, CHO	Supervisory Manager of Administration and Support Unit (Human Capital, Talent Development, ICT)
Takashi Sano Executive Vice President	Administration and Support Unit Head of Secretarial Office, Human Capital Development Center Director Liaison Officer
Takeshi Hamaura Executive Vice President, CTO	Operations Unit Assistant to Supervisory Manager of CDMO
Teruo Saito Executive Vice President, CLCO	Administration and Support Unit Head of Legal Compliance Division Chief Privacy Officer
Hisao Matsubara Senior Vice President	Operations Unit Supervisory Manager of CSO Administration and Support Unit Risk and Crisis management Officer Head of Corporate Planning Department
Hiroshi Kosaku Senior Vice President	Operations Unit Supervisory Manager of Non Clinical CRO

11-Year Financial and Non-Financial Highlights

CMIC HOLDINGS Co., Ltd. and Consolidated Subsidiaries
Fiscal years ended September 30

	2009/9	2010/9	2011/9	2012/9	2013/9	2014/9	2015/9	2016/9	2017/9	2018/9	2019/9
¥ million											
Profit and Loss (For the year)											
Net sales	28,784	35,861	43,555	50,303	50,934	52,836	55,904	62,039	65,282	69,869	74,373
Gross profit	7,857	9,583	10,593	11,574	12,142	10,887	11,087	13,097	14,237	14,892	16,112
Selling, general and administrative expenses	5,343	6,272	6,744	7,655	7,985	8,120	9,676	9,733	10,340	10,570	11,706
Operating income	2,514	3,311	3,849	3,918	4,156	2,766	1,411	3,363	3,897	4,321	4,405
Ordinary income	2,400	3,214	3,712	3,835	3,941	2,645	970	2,989	3,732	4,061	3,841
Profit attributable to owners of parent	1,059	1,786	1,811	2,241	1,753	1,174	(542)	878	1,550	1,487	1,822
Capital expenditures	1,467	1,555	2,151	2,985	4,117	3,253	4,418	5,611	6,372	4,933	5,990
Depreciation and amortization	703	1,428	1,998	1,814	1,833	1,579	2,314	2,566	2,822	3,127	3,620
Cash Flows (For the year)											
Cash flows from operating activities	1,468	1,607	4,666	2,817	5,201	2,677	889	6,493	4,937	7,488	4,922
Cash flows from investing activities	(1,360)	(7,308)	(2,845)	(2,474)	(4,059)	(6,910)	(3,461)	(4,639)	(7,541)	(6,203)	(4,889)
Free cash flows	108	(5,701)	1,821	343	1,142	(4,233)	(2,572)	1,854	(2,604)	1,285	33
Cash flows from financing activities	(632)	5,690	765	(239)	(2,587)	3,111	1,904	(2,391)	2,458	7,770	(1,764)
Financial Condition (Year-end)											
Total assets	23,355	33,266	39,381	42,265	42,855	49,237	55,861	59,104	65,605	78,034	80,179
Cash and cash equivalents	5,512	5,482	8,027	8,144	6,810	5,751	5,638	4,946	4,928	13,976	12,144
Interest-bearing debt	2,119	8,240	10,483	10,956	9,424	13,409	18,069	16,085	18,898	19,276	19,196
Net assets	14,486	15,639	16,908	18,703	19,601	20,309	20,667	21,397	23,608	33,536	32,994
Per Share Data (Yen)											
Earnings per share ¹	60.28	101.62	100.73	123.25	97.36	65.26	(29.57)	47.00	82.90	79.71	98.93
Book value per share ¹	768.47	848.91	926.76	1,021.97	1,086.27	1,123.74	1,087.84	1,122.55	1,222.37	1,215.95	1,231.65
Dividend per share ¹	16.70	26.50	30.25	35.00	35.00	35.00	22.50	16.00	27.50	27.50	32.00
Key Indices											
Overseas sales ratio (%)	4.6	4.4	3.8	3.0	3.0	4.9	5.7	5.9	7.3	6.8	7.6
Operating margin (%)	8.7	9.2	8.8	7.8	8.2	5.2	2.5	5.4	6.0	6.2	5.9
ROE (%)	8.0	12.6	11.4	12.6	9.2	5.9	-	4.3	7.1	6.5	8.1
ROA (%)	4.7	6.3	5.0	5.5	4.1	2.5	-	1.5	2.5	2.1	2.3
Equity ratio (%)	57.8	44.9	42.8	44.0	45.6	41.1	36.4	35.5	34.9	28.9	27.8
Net D/E ratio (times)	-	0.14	0.10	0.14	0.13	0.37	0.60	0.52	0.61	0.23	0.32
Stock price at year-end (yen) ¹	1,238	1,316	1,388	1,289	1,342	1,971	1,700	1,532	1,573	2,291	1,716
Price earning ratio (times)	20.5	12.9	13.8	10.5	13.8	30.2	-	32.6	19	28.7	17.3
Price book value ratio (times)	0.1	0.1	1.5	1.3	1.2	1.8	1.6	1.4	1.3	1.9	1.4
Dividend yield (%)	1.3	2.0	2.2	2.7	2.6	1.8	1.3	1.0	1.7	1.2	1.9
Non-Financial Data											
Number of employees (consolidated)	2,225	2,776	3,315	3,509	3,687	4,192	4,473	4,539	4,704	4,962	5,344
(of which average number of temporary employees)	(534)	(700)	(820)	(906)	(1,068)	(1,170)	(1,327)	(1,368)	(1,409)	(1,499)	(1,567)
Ratio of female employees (%)	68	64	62	60	61	57	55	55	56	56	55
CO ₂ emissions (thousand tons CO ₂) ²	-	-	-	-	-	-	-	-	-	26	28

Notes: 1. The Company conducted a 20-For-1 stock split on common shares effective April 1, 2011. Data in the table presented on this page have been retroactively revised to take into account the impact attributable to the stock split.
2. Aggregate of the three CDMO business plants in Japan.

Consolidated Balance Sheets

CMIC HOLDINGS Co., Ltd., and Consolidated Subsidiaries
As of September 30, 2018 and 2019

	¥ million	
	2018	2019
Assets		
Current assets		
Cash and deposits	14,009	12,146
Notes and accounts receivable - trade	13,655	13,082
Merchandise and finished goods	514	682
Work in process	3,419	4,074
Raw materials and supplies	1,878	2,578
Other	2,773	3,009
Allowance for doubtful accounts	(18)	(67)
Total current assets	36,233	35,506
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	21,450	23,213
Accumulated depreciation	(8,917)	(9,742)
Buildings and structures, net	12,533	13,471
Machinery, equipment and vehicles	14,190	19,604
Accumulated depreciation	(8,667)	(9,755)
Machinery, equipment and vehicles, net	5,522	9,848
Tools, furniture and fixtures	4,253	5,249
Accumulated depreciation	(2,715)	(3,178)
Tools, furniture and fixtures, net	1,537	2,070
Land	6,167	6,425
Leased assets	1,040	968
Accumulated depreciation	(760)	(695)
Leased assets, net	279	273
Construction in progress	4,467	1,661
Total property, plant and equipment	30,508	33,750
Intangible assets		
Goodwill	419	237
Other	985	1,338
Total intangible assets	1,405	1,575
Investments and other assets		
Investment securities	3,809	3,007
Deferred tax assets	3,468	3,927
Lease and guarantee deposits	1,655	1,997
Other	1,564	993
Allowance for doubtful accounts	(611)	(579)
Total investments and other assets	9,887	9,347
Total non-current assets	41,801	44,673
Total assets	78,034	80,179

	¥ million	
	2018	2019
Liabilities		
Current liabilities		
Notes and accounts payable – trade	726	1,082
Short-term borrowings	1,450	3,018
Current portion of long-term debt	3,648	2,822
Commercial papers	2,000	2,000
Accounts payable – other	4,252	5,135
Accrued expenses	1,123	1,164
Income taxes payable	1,076	647
Advances received	1,663	1,320
Provision for bonuses	2,655	2,677
Provision for directors' bonuses	63	-
Provision for loss on order received	683	561
Other	3,399	2,315
Total current liabilities	22,741	22,743
Noncurrent liabilities		
Long-term debt	12,178	11,356
Deferred tax liabilities	312	302
Net defined benefit liability	7,544	8,721
Asset retirement obligations	420	495
Long-term unearned revenue	0	2,456
Other	1,300	1,109
Total noncurrent liabilities	21,756	24,441
Total liabilities	44,498	47,185
Net assets		
Shareholders' equity		
Capital stock	3,087	3,087
Capital surplus	6,102	6,102
Retained earnings	12,814	14,121
Treasury stock	(579)	(1,578)
Total shareholders' equity	21,425	21,733
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,217	613
Foreign currency translation adjustments	23	(35)
Remeasurements of defined benefit plans	(83)	(52)
Total accumulated other comprehensive income	1,157	525
Non-controlling interests	10,953	10,735
Total net assets	33,536	32,994
Total liabilities and net assets	78,034	80,179

Consolidated Statements of Income

CMIC HOLDINGS Co., Ltd., and Consolidated Subsidiaries
For the fiscal years ended September 30, 2018 and 2019

	¥ million	
	2018	2019
Net sales	69,869	74,373
Cost of sales	54,976	58,261
Gross profit	14,892	16,112
Selling, general and administrative expenses	10,570	11,706
Operating income	4,321	4,405
Non-operating income		
Interest income	6	4
Foreign exchange gains	17	-
Rent income	20	22
Refunded consumption taxes	14	21
Insurance Income	3	16
Other	36	32
Total non-operating income	98	97
Non-operating expenses		
Interest expenses	116	114
Foreign exchange losses	-	176
Share of loss of entities accounted for using equity method	182	252
Other	58	117
Total non-operating expenses	357	661
Ordinary income	4,061	3,841
Extraordinary income		
Gain on sales of non-current assets	-	14
Gain on abolishment of retirement benefit plan	233	-
Total extraordinary income	233	14
Extraordinary losses		
Impairment loss	-	225
Loss on retirement of non-current assets	59	122
Loss on revision of pay regulations	280	-
Corresponding cost system failure	-	62
Other	5	-
Total extraordinary losses	346	409
Profit before income taxes	3,949	3,446
Current	2,260	1,949
Deferred	(72)	(163)
Total income taxes	2,187	1,785
Profit	1,761	1,660
Profit (loss) attributable to non-controlling interests	274	(162)
Profit attributable to owners of parent	1,487	1,822

Consolidated Statements of Comprehensive Income

CMIC HOLDINGS Co., Ltd., and Consolidated Subsidiaries
For the fiscal years ended September 30, 2018 and 2019

	¥ million	
	2017	2019
Profit	1,761	1,660
Other comprehensive income		
Valuation difference on available-for-sale securities	553	(604)
Foreign currency translation adjustments	18	(119)
Remeasurements of defined benefit plans	41	43
Total other comprehensive income	613	(681)
Comprehensive income	2,375	978
Comprehensive income attributable to		
Owners of parent	2,166	1,190
Non-controlling interests	208	(211)

Consolidated Statements of Changes in Equity

CMIC HOLDINGS Co., Ltd., and Consolidated Subsidiaries

	Shareholders' equity					Accumulated other comprehensive income				Non-controlling interests	Total net assets
For the fiscal year ended September 30, 2018	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	3,087	7,715	11,847	(261)	22,389	663	15	(200)	478	740	23,608
Changes in items during period											
Dividends of surplus			(424)		(424)						(424)
Dividends of surplus (Interim dividends)			(94)		(94)						(94)
Profit (loss) attributable to owners of parent			1,487		1,487						1,487
Purchase of treasury shares				(326)	(326)						(326)
Disposal of treasury shares				8	8						8
Change in scope of consolidation			(1)		(1)						(1)
Change in capital surplus from changes in ownership interest of consolidated subsidiary		(1,612)			(1,612)						(1,612)
Net changes in items other than shareholders' equity						553	8	117	678	10,212	10,891
Total changes in items during period	-	(1,612)	966	(317)	(963)	553	8	117	678	10,212	9,927
Balance at end of period	3,087	6,102	12,814	(579)	21,425	1,217	23	(83)	1,157	10,953	33,536

	Shareholders' equity					Accumulated other comprehensive income				Non-controlling interests	Total net assets
For the fiscal year ended September 30, 2019	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	3,087	6,102	12,814	(579)	21,425	1,217	23	(83)	1,157	10,953	33,536
Changes in items during period											
Dividends of surplus			(421)		(421)						(421)
Dividends of surplus (Interim dividends)			(93)		(93)						(93)
Profit (loss) attributable to owners of parent			1,822		1,822						1,822
Purchase of treasury shares				(1,000)	(1,000)						(1,000)
Disposal of treasury shares				1	1						1
Net changes in items other than shareholders' equity						(603)	(59)	30	(631)	(217)	(849)
Total changes in items during period	-	-	1,307	(999)	307	(603)	(59)	30	(631)	(217)	(541)
Balance at end of period	3,087	6,102	14,121	(1,578)	21,733	613	(35)	(52)	525	10,735	32,994

Consolidated Statements of Cash Flows

CMIC HOLDINGS Co., Ltd., and Consolidated Subsidiaries
For the fiscal years ended September 30, 2018 and 2019

	¥ million	
	2018	2019
Cash flows from operating activities:		
Profit before income taxes	3,949	3,446
Depreciation	3,127	3,620
Amortization of goodwill	318	308
Increase (decrease) in allowance for doubtful accounts	6	49
Increase (decrease) in provision for bonuses	337	(179)
Increase (decrease) in provision for directors' bonuses	10	(63)
Increase (decrease) in net defined benefit liability	995	1,127
Interest and dividend income	(6)	(4)
Interest expenses	116	114
Increase (decrease) in provision for loss on order received	114	(119)
Foreign exchange losses (gains)	(17)	147
Share of (loss) profit of entities accounted for using equity method	182	252
Decrease (increase) in notes and accounts receivable - trade	(652)	864
Decrease (increase) in inventories	(372)	(532)
Increase (decrease) in notes and accounts payable - trade	(315)	297
Increase (decrease) in accrued expenses	116	2
Increase (decrease) in advances received	501	(296)
Loss (gain) on valuation of investment securities	4	-
Loss (gain) on sales of non-current assets	0	(11)
Loss on retirement of non-current assets	59	122
Impairment loss	-	225
Gain on abolishment of retirement benefit plan	(233)	-
Increase (decrease) in deposits received	1,338	(1,162)
Other, net	227	(734)
Subtotal	9,811	7,474
Interest and dividend income received	14	17
Interest expenses paid	(118)	(125)
Income taxes paid	(2,219)	(2,443)
Net cash provided by (used in) operating activities	7,488	4,922
Cash flows from investing activities:		
Payments into time deposits	(30)	(15)
Proceeds from withdrawal of time deposits	16	28
Purchase of property, plant and equipment	(5,609)	(3,935)
Proceeds from sales of property, plant and equipment	1	29
Purchase of intangible assets	(270)	(845)
Purchase of investment securities	(280)	(80)
Payments for lease and guarantee deposits	(58)	(347)
Proceeds from collection of lease and guarantee deposits	42	49
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	225
Net decrease (increase) in short-term loans receivable	(15)	-
Other, net	-	2
Net cash provided by (used in) investing activities	(6,203)	(4,889)
Cash flows from financing activities:		
Net increase (decrease) in short-term loans payable	400	1,568
Net increase (decrease) in commercial papers	(1,000)	-
Proceeds from long-term loans payable	4,000	2,000
Repayments of long-term loans payable	(3,021)	(3,648)
Repayments of lease obligations	(196)	(162)
Purchase of treasury stock	(326)	(1,000)
Cash dividends paid	(519)	(514)
Dividends paid to non-controlling interests	(64)	(6)
Proceeds from share issuance to non-controlling interests	8,499	-
Net cash provided by (used in) financing activities	7,770	(1,764)
Effect of exchange rate change on cash and cash equivalents	(26)	(101)
Net increase (decrease) in cash and cash equivalents	9,028	(1,832)
Cash and cash equivalents at beginning of period	4,928	13,976
Increase in cash and cash equivalents from newly consolidated subsidiary	19	-
Cash and cash equivalents at end of period	13,976	12,144

Group Network

Major Consolidated Subsidiaries
As of September, 2019

Business segment	Company name	Paid-in capital	Share ownership (%)	Main business
CRO Business	CMIC Co., Ltd.	100 million yen	100.00%	Clinical services
	CMIC ShiftZero K.K.	10 million yen	60.00%	Clinical services for oncology drugs
	CMIC Korea Co., Ltd.	1,300 million won	100.00%	Clinical services in South Korea
	CMIC ASIA-PACIFIC, PTE. LTD.	350 thousand US dollars	100.00%	Clinical services in Singapore and Taiwan
	CMIC ASIA PACIFIC (MALAYSIA), SDN. BHD.	30 thousand Malaysian ringgit	100.00%	Clinical services in Malaysia
	CMIC Asia-Pacific (Hong Kong) Limited	10 thousand Hong Kong dollar	100.00%	Clinical services in Hong Kong
	CMIC ASIA-PACIFIC (PHILIPPINES), INC.	10 million Philippine peso	99.90%	Clinical services in the Philippines
	CMIC ASIA-PACIFIC (AUSTRALIA) PTY LTD	100 thousand Australian dollar	100.00%	Clinical services in Australia
	CMIC (Beijing) Pharmaceutical Services Co., Ltd.	190 million yen	100.00%	Clinical services in China
	CMIC (Beijing) Co., Ltd.	118 million yen	100.00%	Clinical services in China
	CMIC DATA SCIENCE VIETNAM COMPANY LIMITED	88 thousand US dollars	84.00%	Clinical services in Vietnam
	CMIC Career Co., Ltd.	25 million yen	100.00%	BPO services for medical and pharmaceutical industries; staff dispatch service
	CMIC Pharma Science Co., Ltd.	99 million yen	100.00%	Non-clinical services (bioanalysis service/non-clinical trials)
	CMIC, INC.	11 thousand US dollars	100.00%	Non-clinical services (bioanalysis service/US)
	CMIC (Suzhou) Pharmaceutical Technology Co., Ltd.	20 million yuan	51.00%	Non-clinical services (bioanalysis service/China)
	CDMO Business	CMIC CMO Co., Ltd.	100 million yen	50.41%
CMIC CMO NISHINE Co., Ltd.		100 million yen	50.41%	Pharmaceutical development and contracted drug manufacturing
CMIC CMO Korea Co., Ltd.		3,827 million won	50.41%	Pharmaceutical development and contracted drug manufacturing/South Korea
	CMIC CMO USA Corporation	1,339 thousand US dollars	43.35%	Pharmaceutical development and contracted drug manufacturing/United States
CSO Business	CMIC Ashfield Co., Ltd.	55 million yen	50.01%	Medical representative (MR) dispatch; drug sales and marketing support
Healthcare Business	Site Support Institute Co., Ltd.	99 million yen	100.00%	Site Management Organization (SMO) business (clinical trial support service)
	SSI-CP Co., Ltd.	60 million yen	100.00%	Site Management Organization (SMO) business (clinical trial support service)
	CMIC Healthcare Co., Ltd.	100 million yen	100.00%	Healthcare information service
	CMIC VIETNAM COMPANY LIMITED	120 thousand US dollars	100.00%	Introduction support of Japanese medicines, medical devices in Vietnam
IPM Business	OrphanPacific, Inc.	100 million yen	66.00%	Development and sales of orphan drugs, etc.



Corporate Data/Investor Information

Corporate Overview

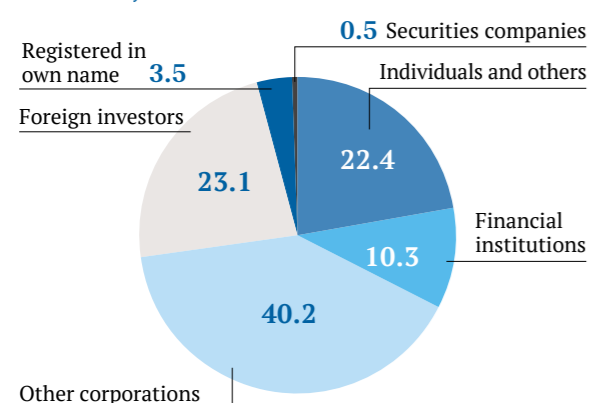
Company name	CMIC HOLDINGS Co., Ltd.	Number of shares issued	18,923,569 shares (As of March 31, 20)
Headquarters	1-1-1 Shibaura, Minato-ku, Tokyo, Japan 105-0023	Trading unit	100 shares
Founded	1992 (Established on March 14, 1985)	Number of shareholders	9,264 (As of March 31, 2020)
Paid-in capital	¥3,087.75 million (As of March 31, 2020)	Transfer agent	Mizuho Trust & Banking Co., Ltd.
Number of employees (consolidated)	6,911 (As of March 31, 2020)	Fiscal year-end	September 30
Stock exchange listing	First Section of Tokyo Stock Exchange	Ordinary general meeting of shareholders	December
Number of authorized shares	46,000,000	Record date	September 30

Major Shareholders (As of March 31, 2020)

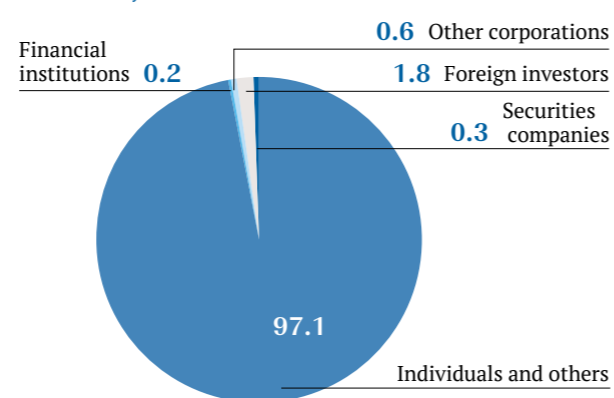
Shareholders	Number of shares held	Ratio of shares held *(%)
Artemis Inc.	4,022,200	22.03
Keith Japan	3,551,440	19.45
Employees' Stockholding	666,755	3.65
GOLDMAN, SACHS & CO. REG	651,908	3.57
THE BANK OF NEW YORK-JASDECTREATY ACCOUNT	640,000	3.51
Kazuo Nakamura	564,220	3.09
The Master Trust Bank of Japan, Ltd.	528,300	2.89
Japan Trustee Services Bank, Ltd.	296,900	1.63
PERSHING-DIV. OF DLJ SECS. CORP.	289,931	1.59
STATE STREET BANK AND TRUST COMPANY 505103	255,897	1.40
Total	11,467,551	62.81

*The ratio of shares held is calculated excluding the treasury stock.

Breakdown by Number of Shares Held



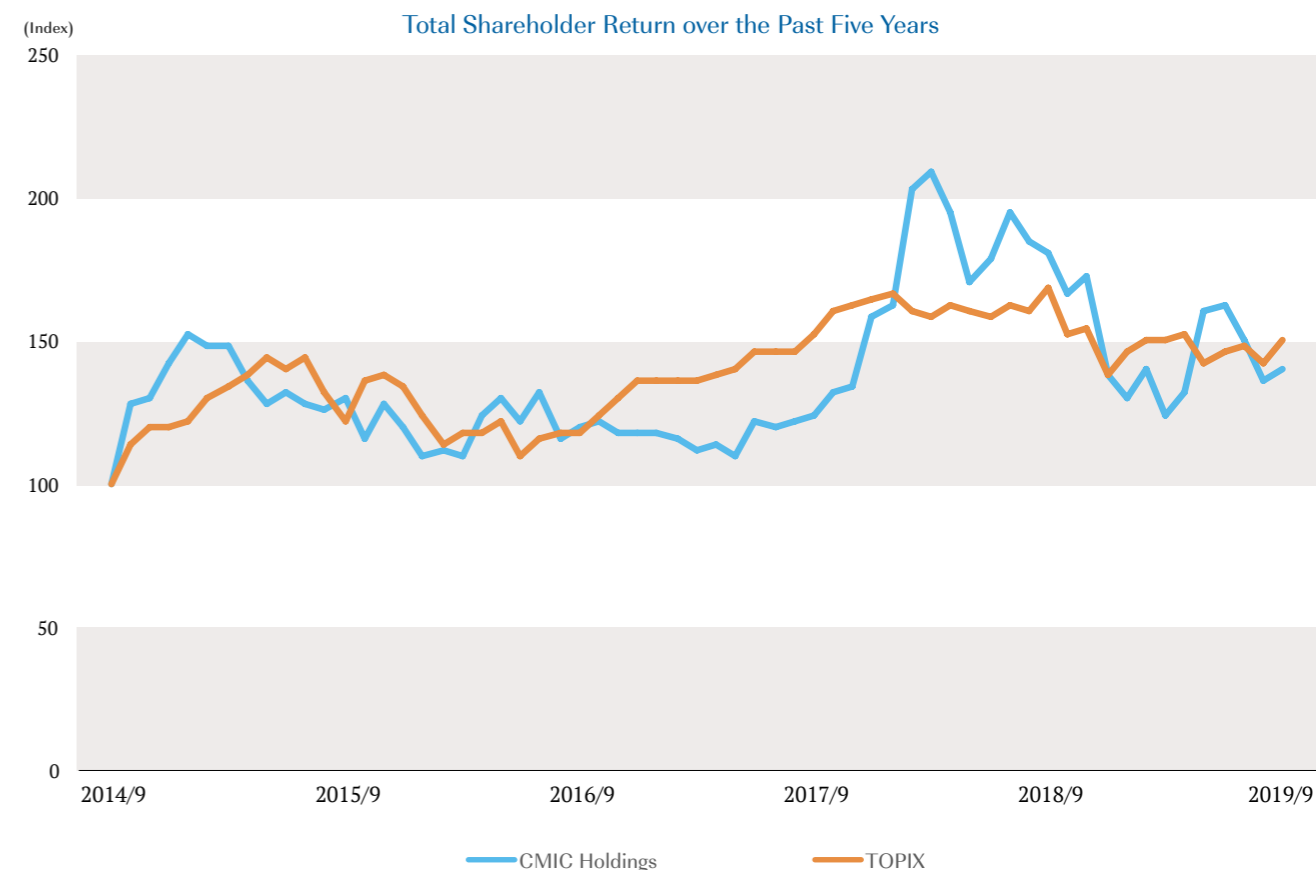
Breakdown by Number of Shareholders



Shareholder Distribution by Number of Shares Held

Less than 1 share unit	12.14	100 or more but fewer than 500 share units	0.59
1 or more but fewer than 5 share units	73.87	500 or more but fewer than 1,000 share units	0.18
5 or more but fewer than 10 share units	6.38	1,000 or more but fewer than 5,000 share units	0.18
10 or more but fewer than 50 share units	5.96	5,000 or more share units	0.08
50 or more but fewer than 100 share units	0.60	Registered in own name	0.01

Total Shareholder Return



Note: The above chart shows the rate of return taking into consideration the dividend as of September 30, 2019, and the stock price when an investment was conducted on September 30, 2014. Investment performance including dividends has been added to the CMIC Holdings stock price and indexed at 100 as of September 30, 2014. The TSE Stock Price Index (TOPIX), which is a comparative index, also uses indexed data and is indexed in the same way.

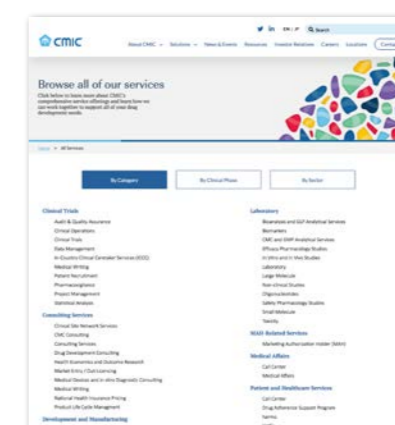
Other Information about CMIC Group

Investor Relations



<https://www.cmicgroup.com/e/ir/>

Our Services



<https://en.cmicgroup.com/all-services/>

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