CMIC
Pharmaceutical Value Creator

Business Activities Report 2020

CMIC Group Business Activities Report

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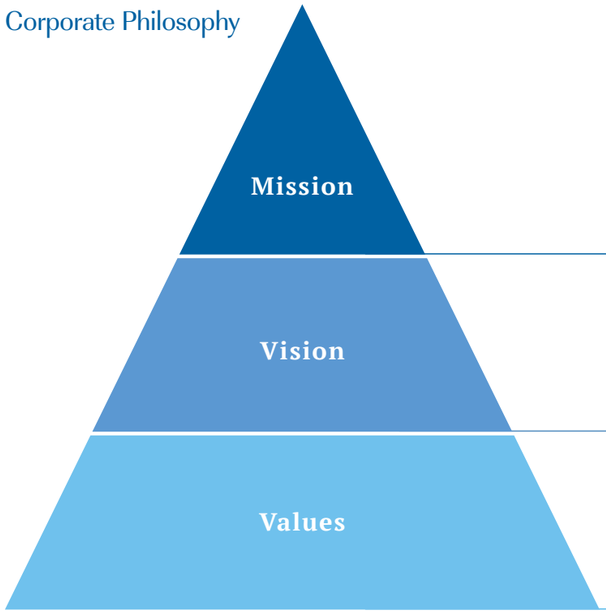
Corporate Philosophy



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

Challenge
Transform without seeking refuge in conventional wisdom

Change
Liberate opportunity by changing our vantage point

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. With this unwavering belief in our hearts, we will transform ourselves.

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.

CMIC'S CREED

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.

What
CMIC's corporate calling & raison d'être

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.

Why
States our corporate mission

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.

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.

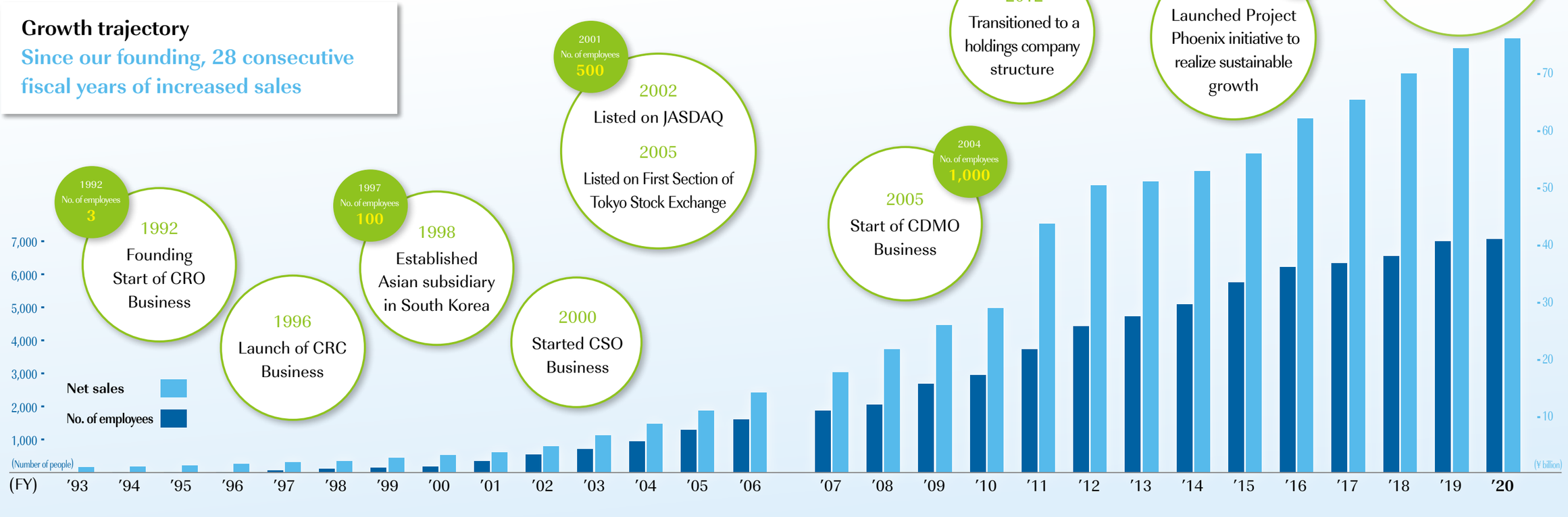
2020 Healthcare Revolution 2.0 Begins

Under the mid-term management plan (2019–2021) launched in the fiscal year ended September 2019, the entire CMIC Group is engaged in the promotion of various measures targeting focus activities such as acceleration of the PVC model, promotion of globalization and the creation of a healthcare business, all of which are aimed at realizing sustainable growth and enhancing corporate value amid a period of substantial transformation in the healthcare and pharmaceutical industry.

In July 2020, we launched the new project Healthcare Revolution 2.0 to promote the creation of businesses that contribute to the maintenance and promotion of individual health as well as the deployment of Group human resources in the healthcare field.

Growth trajectory

Since our founding, 28 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.

External Environment

- Increase in medical expenditures
- Declining population and aging society
- Total care for diseases
- Shift to personalized medicine
- Expansion of digitization
- Spread of COVID-19 infections
- NHI price reform
- Implementation of Society 5.0

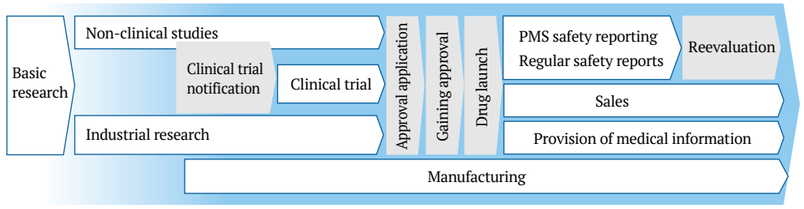
Evolution of Business Model

in Line with Changes in the External Environment

PVC

IPM

PVC: Support for the Value Chains of Pharmaceutical Companies



\+ Marketing authorization licenses (intellectual property)

Source of Value Creation

Human capital
Human talent with the knowledge and experience that underpins business

Intellectual capital
Intellectual property that supports the business model

Manufacturing capital
Manufacturing technology, capital investment

SUSTAINABLE DEVELOPMENT GOALS

PHVC

"Healthcare Revolution"

New Value Creation in the Medical and Healthcare Field

Aiming to be a partner to improve individual health value

PHVC: Personal Health Value Creator

Message from the CEO

Beyond Coronavirus, CMIC will Launch Full-scale Reforms Centered on Healthcare Revolution 2.0

Kazuo Nakamura
Representative Director
Chairman and CEO

The spread of COVID-19 has brought about major changes in socio-economics as well as in what people value. Wellbeing is important for living a full life—the question is, to what extent can every person live a happy life? Guided by CMIC'S CREED, we will transform ourselves and seize new business opportunities in healthcare.

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 trials 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. Within the development process for pharmaceuticals and other products, a company engaged mainly in contracted clinical trials and post-marketing clinical trials as well as support for the development of pharmaceuticals.

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.

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

Development of CSO[3)] 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.

3) CSO:
Contract Sales Organization: Pharmaceutical contract sales organization. Service providing Medical Representative (MR) activities to pharmaceutical companies.

Entering the CDMO[4)] 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.

4) CDMO:
Contract Development and Manufacturing Organization: Pharmaceutical contract manufacturing development organization. A company engaged mainly in the contracted development and manufacture of pharmaceuticals and other products from pharmaceutical companies.

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

Since April 2018, CMIC has been aiming to realize 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].

5) Biomarker:
An indicator for objectively measuring and evaluating a person's physical condition.

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 not confirmed in the human body that undermine the efficacy of a drug. Moreover, the taking of a placebo in clinical trials could mitigate risks associated with exposure to the human body. People mix medicines, and hospitals and pharmaceutical companies cannot clearly elucidate the effects on the body from taking one medication over several decades. CMIC, which does a wide range of business with various pharmaceutical companies, is positioned to make the most of its capabilities, and in addition to the integrated collection and centralized management of personal medical care, long-term care and health information, we believe that the use of CMIC's Healthcare Communication Channel, "harmo®," is effective.

Launch of Healthcare Revolution 2.0

The global spread of COVID-19, which began in early 2020, has had a tremendous impact on the healthcare environment, human consciousness and workstyles as the future remains uncertain. In the healthcare field, I want to express my sincere appreciation for all the medical personnel who are making an effort to treat COVID-19 infections. And, to those who suffer from COVID-19 and to everyone whose lives have been impacted by the pandemic, I would like to express my deepest sympathies. There are many CMIC employees who continue to provide support services at medical institutions. CMIC appreciates this work and will respond with a sense of mission as a healthcare-related company.

What does CMIC need to do in order to survive beyond the COVID-19. Each group officer and employee must take on the challenge of transforming themselves and accelerating the speed at which we do business. To this end, I launched the "Healthcare Revolution 2.0," a Company-wide project, in July 2020. We will shift from a business model centered on pharmaceuticals to one that creates a new healthcare business, creates businesses that contribute to maintaining and improving the health of individuals and promotes the deployment of Group human resources in the healthcare field.

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 management style that affirms creativity rather than "managing" 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.

Message from the COO

Promoting Business Reforms, Aiming for Sustainable Growth

Keiko Oishi
Representative Director,
President and COO

Initiatives During the Previous Year

This fiscal year, the global spread of COVID-19 infections has also impacted the CMIC Group. From the initial stage as the infections spread, in preparation for unforeseen circumstances, we worked closely with medical institutions and governments at each of our bases in Japan and overseas in an effort to remain up-to-date with the latest information. With due consideration for ensuring the safety of CMIC clients and employees, we have monitored the status of business continuity as necessary and have continued providing services.

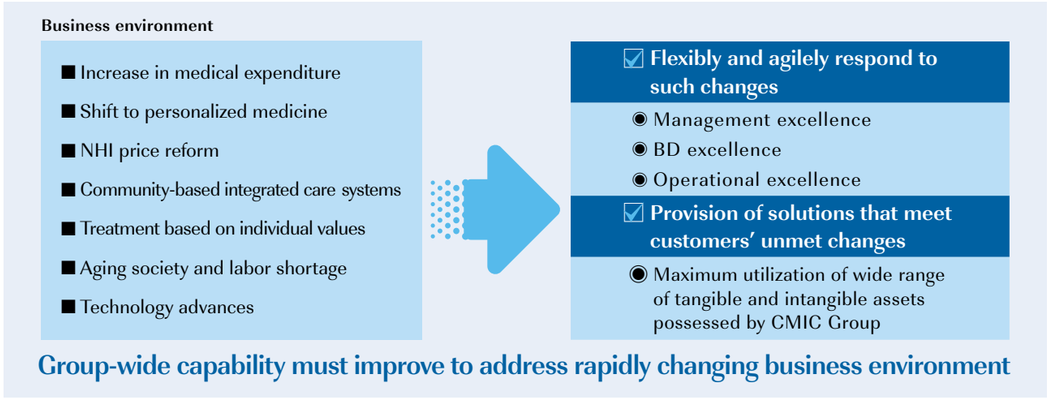
However, as the CMIC Group's business activities support pharmaceutical companies, medical institutions and other organizations through the development, manufacture and sales of pharmaceutical drugs, the cooperation of medical institutions is indispensable for clinical trials confirming the efficacy and safety of drug candidate substances as well as engagement in critical business activities such as the collection of safety information after a drug has been brought to market. The global spread of COVID-19 has resulted in the urgent development of therapeutic agents for new COVID-19 infections, while at the same time, many drug development projects scheduled to be implemented at medical institutions to prevent the collapse of the healthcare system have been postponed or canceled within and outside Japan, forcing CMIC to curtail business activities and adversely impacting our business performance.

Under these circumstances, the CMIC Group was involved in supporting clinical trials and production of the anti-influenza tablets "Avigan®," reminding our employees of the importance of contributing to society, which we consider to be a valuable experience. The production of "Avigan®" is also a valuable achievement that we can use in future contract proposals, as we have been able to supply products with a drastically shortened start-up period, including the approval of partial changes in just 10 days rather than the usual three or more months. We have received many inquiries about development and post-marketing support services for new COVID-19 infections and orders are on track for a recovery. Although restrictions on visits remain in place at some medical institutions and the impact of COVID-19 is expected to continue through 2021, CMIC will always obtain the latest information and take measures appropriate for current conditions in an effort to return business performance to normal.

This fiscal year, CMIC announced the introduction of a new shareholder benefit program as a shareholder initiative. The purpose of this program is to show our appreciation for the daily support of all our shareholders, enhance the investment appeal of our shares and deepen shareholder understanding of our business so that more investors will hold our shares over the medium- to long-term. The introduction of this program increased the number of shareholders 1.7 times compared to the end of the previous fiscal year to a total of 9,277 people. We are sincerely grateful that so many shareholders have acquired new shares.

Progress on the New Mid-Term Management Plan

At present, the CMIC Group is engaged in three focus activities under our mid-term management plan: (1) acceleration of the "PVC model," (2) expansion of globalization and (3) creation of a healthcare business. We have set targets for the fiscal year ending September 30, 2021, the final year of the management plan, comprising sales of JPY 85.5 billion and operating income of JPY 6.8 billion. Unfortunately, as of the end of the fiscal year ended September 30, 2020, we expect to fall short of the sales target by JPY 5.5 billion and the operating income target by JPY 3.5 billion.



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 ended in September 30, 2018.

The mid-term management plan aims to steadily grow the CRO business, improve profitability in the CDMO business and return the IPM business to profitability, while also taking on the challenge of launching a new healthcare business. During this period, the business environment has changed, including the introduction of drug price revisions every year in order to curb medical costs, changes in the drug pricing and approval system, and changes in the clinical trial environment and drug development trends. Furthermore, the spread of COVID-19, which began in early 2020, has had a major impact on our business activities.

Given these conditions, the CMIC Group is committed to maximizing the speed of market access in order to return business performance to normal. Pharmaceutical companies and other clients want to shorten development time, obtain rapid approval and maximize profits. They want to streamline various development processes and bring products to market in the shortest time possible. We see an opportunity to provide comprehensive support, from non-clinical studies to clinical trials, as well as support that leverages the CMIC Group business model to provide pharmaceutical development and analysis services.

In terms of core business activities, CRO business initiatives pursue the maximization of speed as a CRO with a comprehensive system, from non-clinical studies to post-marketing. Utilizing data accumulated as a CRO pioneer and

networks with medical institutions, we will accelerate patient accrual, leading to shorter development periods. In addition, we are streamlining the clinical trial process using “harmo®” and proposing new types of clinical trials to clients, such as virtual clinical trials utilizing online medical examinations, with specific projects already underway.

Next, we have established local CRO subsidiaries in Oceania (Australia), which is considered to be a growth market for pharmaceuticals and medical devices, as well as in Southeast Asia (Thailand), and we will also accelerate expansion in the area.

Going forward, we will actively pursue alliances and partnerships, including those in other industries, both domestically and overseas. Although the CRO business was faced with a downsizing phase due to the impact of the spread of COVID-19 in 2020, we want return to a growth trajectory by pursuing speed and meeting customer needs.With regard to the CDMO business, it took time to acquire orders for the new injection drug manufacturing building at the Ashikaga Plant, and there was a decrease in contract manufacturing in the United States, thus it took some time to monetize, but recovery is visible.

The new injection drug manufacturing building at the Ashikaga Plant, which commenced operations in 2019, won a large-scale project in 2020 and the decision has been made to commence production in 2022. In addition, since other plants in Japan have won multiple large-scale projects, the steady launch of these projects is expected to enhance business performance.

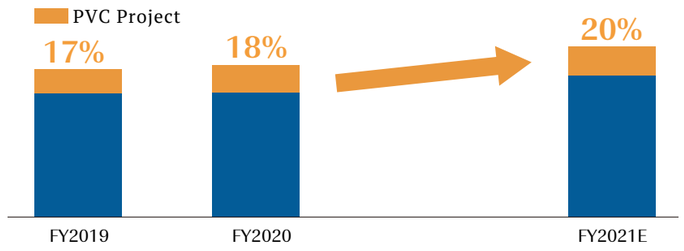
At the same time, in overseas operations, we are capturing outbound demand from Japanese companies expanding into the US market, where we plan to commence production at a new facility in 2022. In South Korea, we will continue to supply products to Asia, aiming to grow as a CDMO supplying clients in Japan and overseas.

In the Healthcare business, we are focusing efforts on the launch of a new healthcare business centered on “harmo®.” Utilizing the functionality of the “harmo®” electronic prescription record service, we provide services to improve medication adherence and provide medical and health-related information. In addition, we are promoting the use of Personal Health Record (PHR) as a Healthcare Communication Channel that centrally manages personal health information. At present, we are building the infrastructure for both initiatives and aim to achieve profitability as early as possible.

Acceleration of the PVC model

◉ 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

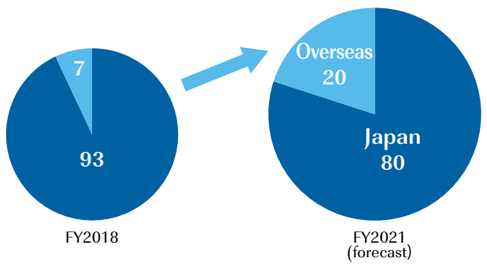


Aim to extend the PVC project ratio to 20% of total sales

Expansion of globalization

◉ 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 ratio of 20% of total sales

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.

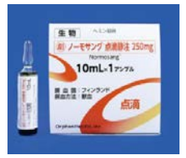
Creation of a healthcare business

◉ 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


Buphenyl®


Normosang®

CMIC's Earnings Structure, Finance and Capital Strategy

(CFO Interview)

Impact of COVID-19

In the fiscal year ended September 30, 2020, the spread of COVID-19 had an extensive impact on economic and corporate activities, forcing the CMIC Group to curtail business activities This resulted in lower profits due to reduced sales and operation rates mainly affecting our core CRO business. Given these conditions, the Company will maintain its planned capital investments and up-front investments for future growth. At the same time, anticipating the impact of COVID-19, we increased borrowings from financial institutions to secure capital, increasing total liabilities by JPY 8.3 billion year on year to JPY 55.5 billion. At present, the Company's cash flow and finances are stable. Going forward, we will continue to pay close attention to COVID-19 and business activities, as well as the financial market environment.

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. The new injection drug manufacturing building at the Ashikaga Plant, which manufactures injections such as antibody drugs and anti-cancer drugs, has won an order for a large-scale project that will commence operations in the fiscal year ending September 2022 for which preparations for full-scale operations are underway. The US plant decided to relocate from its current facility, discontinue production and is focusing efforts on the launch a new manufacturing facility. Although the new injection drug manufacturing building at the Ashikaga plant had not been in full-scale operations and depreciation and other expenses have been borne up to now, we are 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.

¥ million

	2010/9	2011/9	2012/9	2013/9	2014/9	2015/9	2016/9	2017/9	2018/9	2019/9	2020/9
Profit/Loss (Fiscal year)											
Net sales	35,861	43,555	50,303	50,934	52,836	55,904	62,039	65,282	69,869	74,373	**76,098**
Operating income	3,311	3,849	3,918	4,156	2,766	1,411	3,363	3,897	4,321	4,405	**2,605**
Financial Condition (Fiscal year-end)											
Total assets	33,266	39,381	42,265	42,855	49,237	55,861	59,104	65,605	78,034	80,179	**89,517**
Cash and cash equivalents	5,482	8,027	8,144	6,810	5,751	5,638	4,946	4,928	13,976	12,144	**12,688**
Interest-bearing debt	8,240	10,483	10,956	9,424	13,409	18,069	16,085	18,898	19,276	19,196	**22,584**
Net assets	15,639	16,908	18,703	19,601	20,309	20,667	21,397	23,608	33,536	32,994	**34,011**
Key Indices											
Operating margin (%)	9.2	8.8	7.8	8.2	5.2	2.5	5.4	6.0	6.2	5.9	**3.4**
Return on equity (ROE) (%)	12.6	11.4	12.6	9.2	5.9	-	4.3	7.1	6.5	8.1	**6.6**
Return on assets (ROA) (%)	6.3	5.0	5.5	4.1	2.5	-	1.5	2.5	2.1	2.3	**1.8**
Equity ratio (%)	44.9	42.8	44.0	45.6	41.1	36.4	35.5	34.9	28.9	27.8	**26.4**
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	**0.41**

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 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, CMIC launched Project Phoenix 3.0 to promote global responses under a new management system led by the CEO, who is responsible for Group management strategy, and the COO, who is responsible for Group business execution. In response to the substantial impact of COVID-19 on the business environment, we launched Healthcare Revolution 2.0 in July 2020 and are promoting the use of digital technologies in the healthcare field among other new initiatives.

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.

Strengths
- 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.

Strengths
- 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.

Strengths
- 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. In addition to clinical trials and drug development support for administrative tasks conducted by medical institutions, CMIC provides healthcare support to patients and consumers for health, pre-symptoms, prevention or prognosis through self-screening services contributing to the early detection and prevention of serious diseases and the "harmo®" electronic prescription record service.

Strengths
- 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.

Strengths
- 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 30, 2020

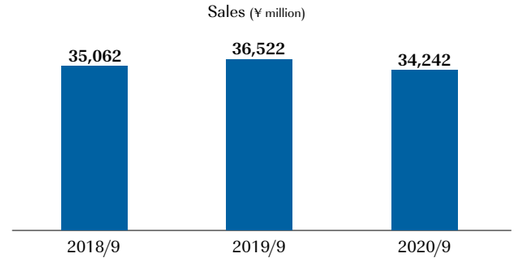
In the fiscal year under review, CMIC facilitated support for foreign companies entering the Japanese market as well as companies in different industries entering the healthcare market, responded to increasingly sophisticated development needs for biologics, regenerative medicine and other therapeutic areas, and worked to expand our presence in Asia.

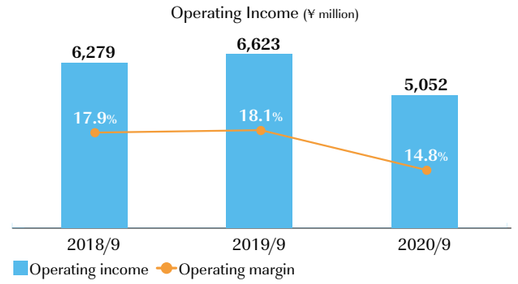
In clinical services, we are promoting PVC projects involving multiple Group businesses in the same project and proposals for digital clinical trials such as virtual clinical trials utilizing online medical examinations as well as streamlining clinical trial processes using an electronic prescription record service among other efforts to enhance the expertise and technological capabilities of our human resources.

In non-clinical services, we are strengthening cooperation among laboratories in Japan and the US and proactively engaged in drug discovery support in cutting-edge domains, including nucleic acid drugs and regenerative medicine.

Regarding sales, in clinical services, performance declined compared to the previous consolidated fiscal year due to winning fewer orders because of the impact of development project downsizing and the rising complexity of development, as well as the postponement or stoppage of project launches due to the spread of COVID-19. As a result, operating income was also below the same period last year due to reduced operation rates.

Bioresearch Center (Yamanashi Prefecture)





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

Key Mid-Term Issues and Sustainable Growth Initiatives

Business environment	Focus activities
■ Increasing number of global clinical trials and decreasing number of Japanese subjects	■ Enhanced support for advanced therapies including biologics and regenerative medicine (full support for filing by academia and BV)
■ Utilization of Real World Data (RWD)	■ Proactive take on nucleic acid medicine projects through collaboration of laboratories in Japan and the United States
■ Productivity improvement using RPA and AI for routine/non-routine operations	■ Proactive take on global clinical studies (clinical trials in Asia, Japan-US bioanalysis business)
■ Alliance for global development	■ Business expansion to US and Asia
	■ Aim for Number 1 share in Japan

We are pursuing initiatives in fields where clinical trials are expected to become more efficient, such as virtual clinical trials and the utilization of the Healthcare Communication Channel "harmo®" and real-world data. We are also enhancing post-marketing clinical studies and surveillance.

In terms of collaborations with other companies, we are engaged in the joint development of a virtual clinical trial system with MICIN INC., a provider of online medical services to medical institutions, we support the development of digital therapeutics with SUSMED Inc., a promoter of digital healthcare including the development of insomnia treatment apps, and we have launched the provision of a simplified big data analysis solution that uses AI.

CDMO Business

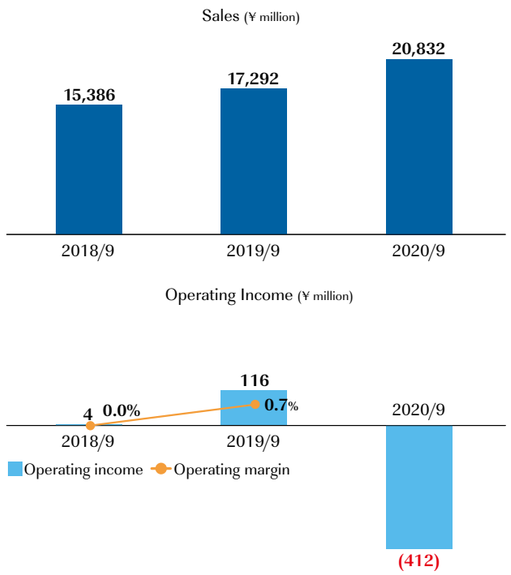
Results for the Year Ended September 30, 2020

In the fiscal year under review, we made efforts to further improve our technological capabilities and quality, 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.

Sales and operating income exceeded the same period last year due to increased contract volume in Japan and the sales contribution by CMIC CMO NISHINE Co., Ltd., despite the reduction of contract volume following the inventory adjustment by CCU customers in the United States. Operating income was below last year's level due to the significant impact of reduced sales in the United States.

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	Focus activities
■ Changes in contract manufacturing products: Reduced production volume following the NHI price reduction/ capabilities to manufacture biologics and other drugs	■ Readiness for biopharmaceutical production (preparation for the launch of parental drug manufacturing building in Ashikaga)
■ Low cost operations: Change in production system, high-mix low-volume production	■ Enhance formulation technologies (including the use of 3D printers)
■ Global alliance	■ Expansion of production lines in the US
	■ Network expansion inside and outside Japan through collaboration with DBJ

We have strengthened our sales activities focusing on the new injection drug manufacturing building at the Ashikaga Plant and won large-scale projects. In the United States, we acquired a new manufacturing plant to scale up our manufacturing capabilities.

In addition, we established CMIC BIO Co., Ltd., a fully-owned subsidiary engaged in the contract development and manufacturing of biopharmaceutical drug substances, which commenced operations in July 2020. CMIC Bio has a single-use facility at the Shizuoka Plant (Shimada, Shizuoka Prefecture) for process development and GMP manufacturing of antibody drug using mammalian cell line that commenced full-scale operation in October 2020.

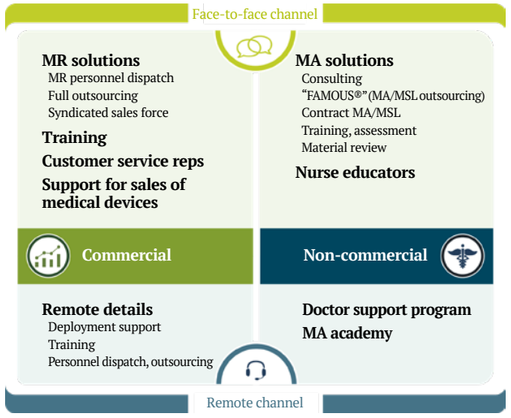
In September 2020, the decision was made to introduce equipment for the continuous production of pharmaceutical products able to support the direct compression and wet granulation methods. This equipment will be installed at the Shizuoka Plant, with full-scale operation and contracting scheduled to commence in May 2021.

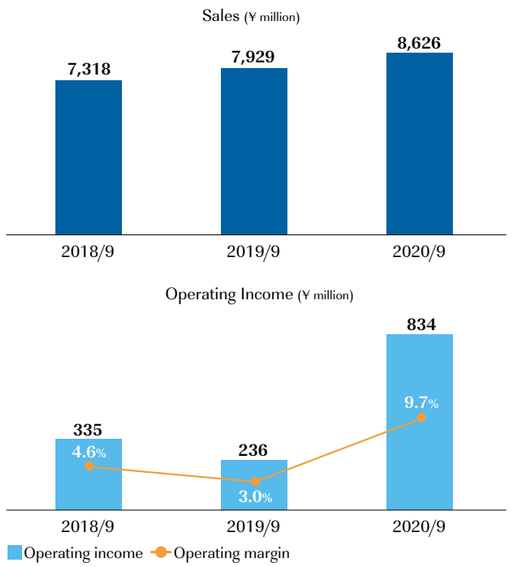
CSO Business

Results for the Year Ended September 30, 2020

In the fiscal year under review, in addition to medical representative (MR) dispatch operations and related new services, we strengthened sales activities related to medical affairs and promoted the provision of comprehensive solutions combining multiple communications channels with a diverse range of services.

Sales and operating income exceeded the same period in the previous consolidated fiscal year due to solid progress in MR dispatch projects acquired in the previous fiscal year and continued high operation rates.





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	Focus activities
■ Reduced demand for CMR	■ Expand MA Business (training)
■ Heightening needs for specialty (MSL)	■ Expand positioning in MR dispatch business
■ Change in promotion following the growth of comprehensive regional care	■ Promotion of multi-channel

The CSO Business has the second-largest share of the contract MR market in the industry (CMIC estimate). In addition to training general MRs who can utilize their strengths in an area, we are focusing efforts on training MRs with advanced specialized knowledge and strong detailing skills, for which we established an in-house certification system.

Under the in-house certification system for specialized MRs in the oncology field, we have conducted e-learning and group training since 2018, with various training units and exams conducted for approximately one year in order to be certified "solid cancer" gold. After passing primary exams equivalent to those taken by cancer treatment-certified doctors and cancer drug therapy specialists and participating in group training that includes conferences and role-playing, a second, pass/fail oral exam is conducted by a cancer treatment specialist, making this an extremely challenging system.

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 requiring a high degree of specialization and academic knowledge pertaining to disease, and in addition to consulting and temporary staffing services, CMIC conducts the MA Academy Medical Affairs human resources training program.

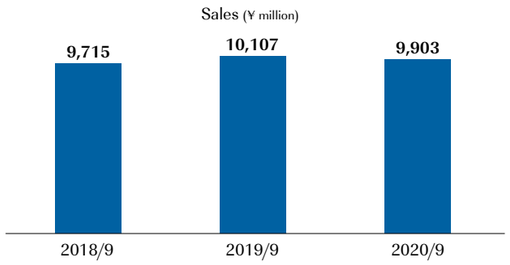
Healthcare Business

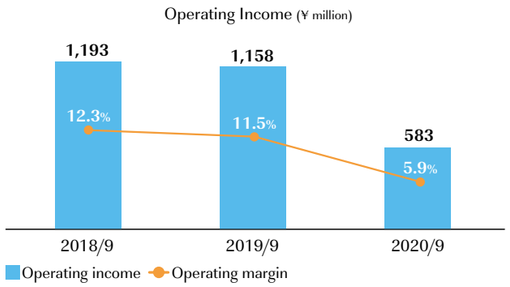
Results for the Year Ended September 30, 2020

In the fiscal year under review, our SMO operations enhanced support in the area of oncology and promoted the expansion of new services. In addition, we are working to create a business that contributes to the early detection of disease and prevents aggravation, including the deployment of the “harmo®” electronic prescription record service and “SelCheck®” self-screening services. We will continue to secure new orders for SMO operations and aim for early monetization of the new healthcare business.

Sales fell below that of the previous consolidated fiscal year due to a decrease in the BPO business and human resources services despite growth in healthcare services. Operating income fell below that of the previous consolidated fiscal year due to a decrease in BPO business and human resources service sales as well as upfront investment for the creation of a new healthcare business.

人と人をつなぐ
電子お薬手帳サービス
harmo（ハルモ）
The “harmo” electronic prescription record service connects people





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

Key Mid-Term Issues and Sustainable Growth Initiatives

Business environment	Focus activities
■ 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	■ 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

Clinical trial needs are becoming more sophisticated and complex due to an increase in vaccines and anti-cancer drugs, the consolidation of medical institutions conducting clinical trials and a clinical trial network comprising multiple institutions. Leveraging the abundant knowledge and expertise cultivated as an SMO pioneer, CMIC provides full support, from the establishment of clinical trial implementation systems to monitoring and auditing support, while also providing support for high-quality clinical research.

Furthermore, we are focusing efforts on the launch of a new healthcare business centered on “harmo®.”

Based on the electronic prescription record, “harmo®” has functions enabling it to distribute information to one million electronic prescription record users in conjunction with other companies. Utilizing the functions of the “harmo®” electronic prescription record, we provide services to improve medication adherence and provide medical and health-related information. In addition, we are utilizing the Personal Health Record (PHR) medical information linkage system to centrally manage information related to personal health.

IPM Business

Results for the Year Ended September 30, 2020

In addition to selling orphan drugs, including products developed in-house, CMIC is strengthening its business foundation through the provision of IPM platforms to support foreign companies entering the Japanese market with a variety of strategic options. Especially recently, overseas pharmaceutical company needs for utilizing the IPM platform from are increasing, and multiple projects are in progress. We will continue working to expand the scale of our business and secure profits by providing new business solutions.

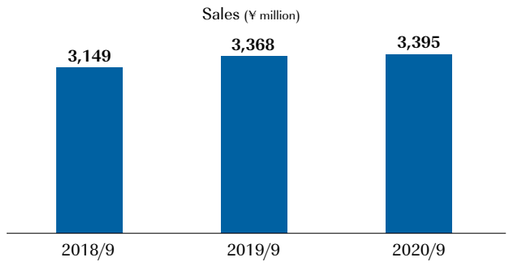
Sales remained at the same level as in the previous fiscal year, while operating income was buoyed by the effect of cost reductions.

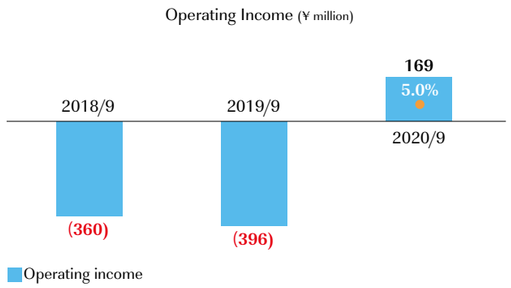
Rasilez®

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	Focus activities
■ 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.	■ 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, lifting earnings into the black.

Going forward, CMIC aims to contribute to the medical field through the development, manufacture and sales of pharmaceuticals in response to the needs of patients with rare diseases and medical personnel.

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.

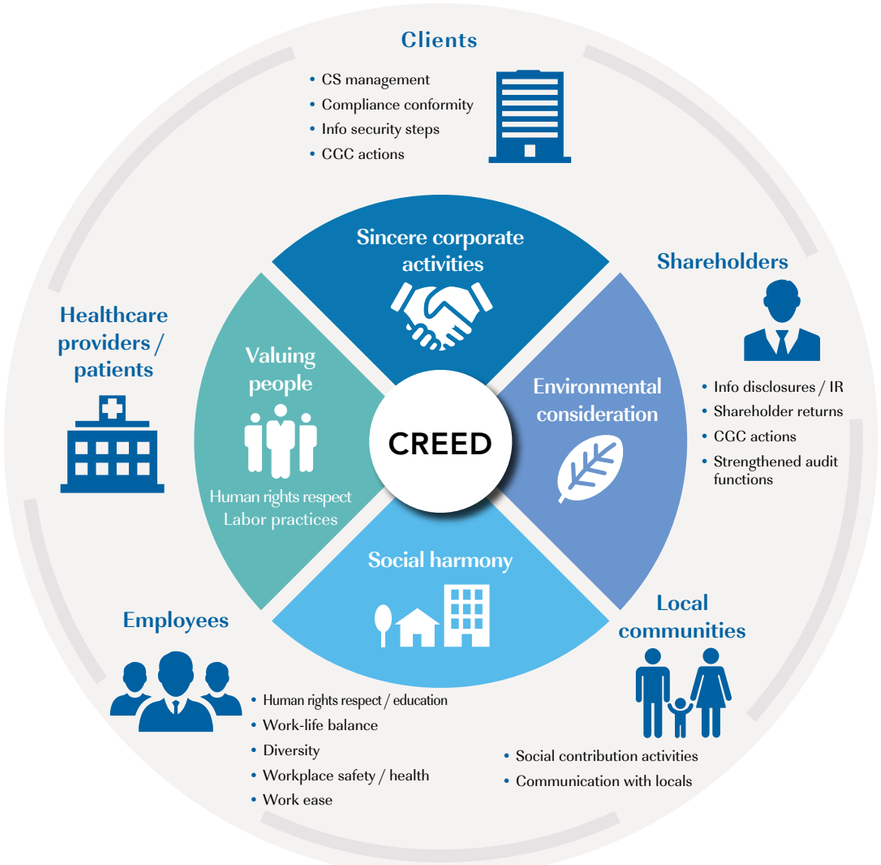
Additionally, we engage in activities for our various stakeholders, as we are aware that any activity based on the CMIC Group's Basic CSR Policies increases our sustainability all the more.

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

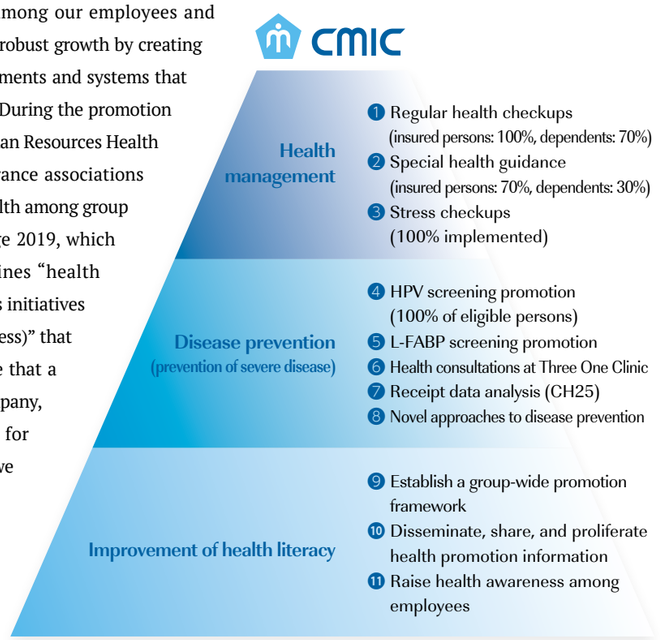
The CMIC Group contributes to maximizing the value of pharmaceutical companies through the education of executives and employees, as well as through our unique business model. At the same time, the CMIC Group contributes to and is increasing its presence among society by expanding its business into the 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 48 locations in Japan (four plants, six pharmaceutical development centers) and 15 locations globally (two plants, one pharmaceutical development center). With regard to Contract Development and Manufacturing Organization (CDMO) services, which are relatively important from the viewpoint of environmental burdens, our four plants in Japan have acquired ISO 14001 certification, with each plant working to reduce environmental burdens according to the location and characteristics of the products manufactured.

In November 2020, CMIC established the Environment, Health and Safety (EHS) Promotion Committee to continuously review, educate and improve management systems at our four plants in Japan for the purposes of environmental conservation and employee health and safety promotion. We have been making efforts to convert heavy oil to LNG (natural gas) and maintain green spaces on plant premises to reduce CO_2 emissions, and we will realize further reductions in environmental burdens by sharing knowledge among these four plants. Additionally, since the fiscal year ended September 30, 2020, we have calculated CO_2 emissions at all plants bases in Japan. Going forward, we will use this as a baseline for efforts to reduce emissions intensity.

As drug manufacturing sites, these plants also submit legally required data to the relevant authorities. Pharmaceutical development centers that conduct our CRO services' non-clinical business also consider the environment by measuring toxic substances and waste.

Since the fiscal year ended September 2020, we began calculating the total amount of industrial waste emissions from all bases in Japan, which will be included in the data sheet along with CO_2 emissions. With regard to environment-related plant and research institute management indicators, we will disclose more data per site on an ongoing basis to confirm and improve the results of Group environmental management over time.

LNG satellite facility and small boiler facility


Carp swimming in the final wastewater pond

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.

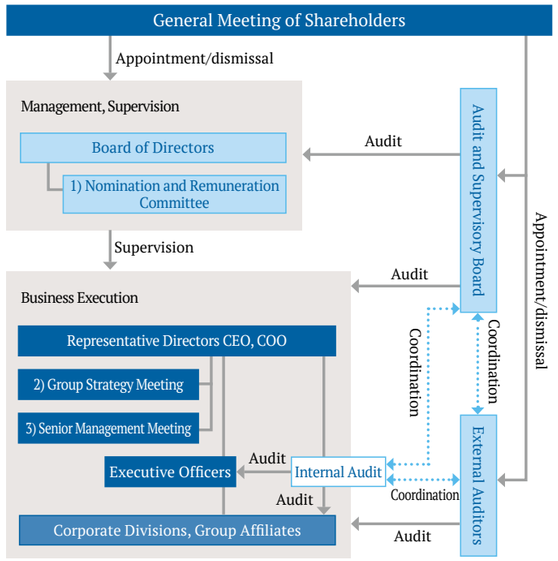
Organizational Structure and Framework

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 CEO
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) Group 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/cg20201218.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 women.

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	● 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 number of agenda issues and scope of issues for each question were maintained at the previous year's level, while evaluations improved significantly due to sufficient opportunities to voice opinions. Given the above, the Group feels its Board of Directors functions effectively.
Improvement Points	● It was indicated that the strategy of each business segment should be discussed more deeply in relation to major directions at the business strategy level. Regarding CSR, issues were shared, including that there should be more opportunities for discussion related to the conceptual provisions of ESG, the SDGs and CMIC business strategy. ● With regard to "Sharing Information with the Board of Directors," the provision of materials at an earlier stage and explanations before meetings 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

	Total remuneration (millions of yen)	Total remuneration by type (millions of yen)		Number of eligible officers
		Fixed remuneration	Performance-based remuneration	
Directors (excluding outside directors)	276	267	9	10
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	11	11	-	2
Outside directors	39	39	-	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,
Division Director of Clinical CRO Business

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, Division Director of CDMO Business

Yoichi Kuwajima

Corporate Director, Vice Chairman, Supervisory Manager of Strategy Management

Takeshi Hamaura, Ph.D.

Corporate Director, Executive Vice President and CTO, Deputy Division Director of CDMO Business

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.
Trustee, Iwai Medical Foundation

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.
Member, Hokkaido University Administrative Council

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	Business Development & 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 Division Director of CDMO Business
Toru Fujieda Executive Vice President	Operations Unit Division Director of Clinical CRO Business
Philippe-Henri Auvaro Executive Vice President	Operations Unit Division Director of IPM Business
Akihisa Mitake Executive Vice President	Operations Unit Division Director of Healthcare Business
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
Teruo Saito Executive Vice President CLCO	Administration and Support Unit Head of Legal Compliance Division Chief Privacy Officer
Takeshi Hamaura Executive Vice President CTO	Operations Unit Deputy Division Director of CDMO Business
Hisao Matsubara Senior Vice President	Operations Unit Division Director of CSO Business Administration and Support Unit, Risk and Crisis Management Officer, Head of Corporate Planning Department
Hiroshi Kosaku Senior Vice President	Operations Unit Division Director of Non Clinical CRO Business

11-Year Financial and Non-Financial Highlights

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

¥ million

	2010/9	2011/9	2012/9	2013/9	2014/9	2015/9	2016/9	2017/9	2018/9	2019/9	2020/9
Profit and Loss (For the Year)											
Net sales	35,861	43,555	50,303	50,934	52,836	55,904	62,039	65,282	69,869	74,373	**76,098**
Gross profit	9,583	10,593	11,574	12,142	10,887	11,087	13,097	14,237	14,892	16,112	**14,646**
Selling, general and administrative expenses	6,272	6,744	7,655	7,985	8,120	9,676	9,733	10,340	10,570	11,706	**12,041**
Operating income	3,311	3,849	3,918	4,156	2,766	1,411	3,363	3,897	4,321	4,405	**2,605**
Ordinary income	3,214	3,712	3,835	3,941	2,645	970	2,989	3,732	4,061	3,841	**2,867**
Profit attributable to owners of parent	1,786	1,811	2,241	1,753	1,174	(542)	878	1,550	1,487	1,822	**1,505**
Capital expenditures	1,555	2,151	2,985	4,117	3,253	4,418	5,611	6,372	4,933	5,990	**9,063**
Depreciation and amortization	1,428	1,998	1,814	1,833	1,579	2,314	2,566	2,822	3,127	3,620	**4,529**
Cash Flows (For the Year)											
Cash flows from operating activities	1,607	4,666	2,817	5,201	2,677	889	6,493	4,937	7,488	4,922	**6,703**
Cash flows from investing activities	(7,308)	(2,845)	(2,474)	(4,059)	(6,910)	(3,461)	(4,639)	(7,541)	(6,203)	(4,889)	**(8,542)**
Free cash flows	(5,701)	1,821	343	1,142	(4,233)	(2,572)	1,854	(2,604)	1,285	33	**(1,839)**
Cash flows from financing activities	5,690	765	(239)	(2,587)	3,111	1,904	(2,391)	2,458	7,770	(1,764)	**2,354**
Financial Condition (Year-end)											
Total assets	33,266	39,381	42,265	42,855	49,237	55,861	59,104	65,605	78,034	80,179	**89,517**
Cash and cash equivalents	5,482	8,027	8,144	6,810	5,751	5,638	4,946	4,928	13,976	12,144	**12,688**
Interest-bearing debt	8,240	10,483	10,956	9,424	13,409	18,069	16,085	18,898	19,276	19,196	**22,584**
Net assets	15,639	16,908	18,703	19,601	20,309	20,667	21,397	23,608	33,536	32.994	**34,011**
Per Share Data (Yen)											
Earnings per share*1	101.62	100.73	123.25	97.36	65.26	(29.57)	47.00	82.90	79.71	98.93	**83.27**
Book value per share*1	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	**1,306.08**
Dividend per share*1	26.50	30.25	35.00	35.00	35.00	22.50	16.00	27.50	27.50	32.00	**25.00**
Key Indices											
Overseas sales ratio (%)	4.4	3.8	3.0	3.0	4.9	5.7	5.9	7.3	6.8	7.6	**5.7**
Operating margin (%)	9.2	8.8	7.8	8.2	5.2	2.5	5.4	6.0	6.2	5.9	**3.4**
ROE (%)	12.6	11.4	12.6	9.2	5.9	-	4.3	7.1	6.5	8.1	**6.6**
ROA (%)	6.3	5.0	5.5	4.1	2.5	-	1.5	2.5	2.1	2.3	**1.8**
Equity ratio (%)	44.9	42.8	44.0	45.6	41.1	36.4	35.5	34.9	28.9	27.8	**26.4**
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	**0.41**
Stock price at year-end (yen)*1	1,316	1,388	1,289	1,342	1,971	1,700	1,532	1,573	2,291	1,716	**1,350**
Price earning ratio (times)	12.9	13.8	10.5	13.8	30.2	-	32.6	19	28.7	17.3	**16.2**
Price book value ratio (times)	0.1	1.5	1.3	1.2	1.8	1.6	1.4	1.3	1.9	1.4	**1.0**
Dividend yield (%)	2.0	2.2	2.7	2.6	1.8	1.3	1.0	1.7	1.2	1.9	**1.2**
Non-Financial Data											
Number of employees (consolidated)	2,776	3,315	3,509	3,687	4,192	4,473	4,539	4,704	4,962	5,344	**5,464**
(of which average number of temporary employees)	(700)	(820)	(906)	(1,068)	(1,170)	(1,327)	(1,368)	(1,409)	(1,499)	(1,567)	**(1,581)**
Ratio of female employees (%)	64	62	60	61	57	55	55	56	56	55	**55**
Female manager ratio (%)	27	25	25	24	24	26	26	26	27	27	**28**
CO_2 emissions (thousand tons CO_2)*2	-	-	-	-	-	-	-	-	26	28	**47**
Industrial waste emissions*3											
Ascertained weight (tons)											**876**
Ascertained volume (kL)											**152**

*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. Bases in Japan. Reference: The amount of CO_2 absorbed by forests owned by the Nishine Plant was estimated at 260 tons per year in the 2014 survey, but this figure has not been added to the emissions data.
*3. Bases in Japan.

Consolidated Balance Sheets

CMIC HOLDINGS Co., Ltd., and Consolidated Subsidiaries
As of September 30, 2019 and 2020

¥ million

	2019	2020
Assets		
Current assets		
Cash and deposits	12,146	**12,690**
Notes and accounts receivable - trade	13,082	**13,211**
Merchandise and finished goods	682	**729**
Work in process	4,074	**3,985**
Raw materials and supplies	2,578	**3,196**
Other	3,009	**3,696**
Allowance for doubtful accounts	(67)	**(66)**
Total current assets	35,506	**37,443**
Non-current assets		
Property, plant and equipment		
Buildings and structures	23,213	**26,009**
Accumulated depreciation	(9,742)	**(10,787)**
Buildings and structures, net	13,471	**15,221**
Machinery, equipment and vehicles	19,604	**23,558**
Accumulated depreciation	(9,755)	**(11,550)**
Machinery, equipment and vehicles, net	9,848	**12,008**
Tools, furniture and fixtures	5,249	**6,240**
Accumulated depreciation	(3,178)	**(3,692)**
Tools, furniture and fixtures, net	2,070	**2,548**
Land	6,425	**6,425**
Leased assets	968	**3,596**
Accumulated depreciation	(695)	**(1,038)**
Leased assets, net	273	**2,558**
Construction in progress	1,661	**1,496**
Total property, plant and equipment	33,750	**40,258**
Intangible assets		
Goodwill	237	**76**
Other	1,338	**1,645**
Total intangible assets	1,575	**1,721**
Investments and other assets		
Investment securities	3,007	**3,962**
Deferred tax assets	3,927	**3,912**
Lease and guarantee deposits	1,997	**1,971**
Other	993	**814**
Allowance for doubtful accounts	(579)	**(567)**
Total investments and other assets	9,347	**10,093**
Total non-current assets	44,673	**52,074**
Total assets	80,179	**89,517**

¥ million

	2019	2020
Liabilities		
Current liabilities		
Notes and accounts payable – trade	1,082	**1,019**
Short-term borrowings	3,018	**6,004**
Current portion of long-term debt	2,822	**3,258**
Commercial papers	2,000	**3,000**
Accounts payable – other	5,135	**5,658**
Accrued expenses	1,164	**1,326**
Income taxes payable	647	**586**
Advances received	1,320	**1,723**
Provision for bonuses	2,677	**2,413**
Provision for loss on order received	561	**824**
Other	2,315	**3,376**
Total current liabilities	22,743	**29,191**
Noncurrent liabilities		
Long-term debt	11,356	**10,321**
Lease obligations	214	**2,865**
Deferred tax liabilities	302	**100**
Net defined benefit liability	8,721	**9,931**
Asset retirement obligations	495	**578**
Long-term unearned revenue	2,456	**2,259**
Other	1,109	**257**
Total non-current liabilities	24,441	**26,314**
Total liabilities	47,185	**55,506**
Net assets		
Shareholders' equity		
Capital stock	3,087	**3,087**
Capital surplus	6,102	**6,100**
Retained earnings	14,121	**15,052**
Treasury stock	(1,578)	**(1,545)**
Total shareholders' equity	21,733	**22,694**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	613	**1,336**
Foreign currency translation adjustments	(35)	**(29)**
Remeasurements of defined benefit plans	(52)	**(373)**
Total accumulated other comprehensive income	525	**933**
Non-controlling interests	10,735	**10,384**
Total net assets	32,994	**34,011**
Total liabilities and net assets	80,179	**89,517**

Consolidated Statements of Income

CMIC HOLDINGS Co., Ltd., and Consolidated Subsidiaries

¥ million

	2019	2020
Net sales	74,373	**76,098**
Cost of sales	58,261	**61,451**
Gross profit	16,112	**14,646**
Selling, general and administrative expenses	11,706	**12,041**
Operating income	4,405	**2,605**
Non-operating income		
Interest income	4	**4**
Share of profit of entities accounted for using equity method	-	**394**
Other	92	**156**
Total non-operating income	97	**555**
Non-operating expenses		
Interest expenses	114	**123**
Share of loss of entities accounted for using equity method	252	**252**
Foreign exchange losses	176	**121**
Other	117	**48**
Total non-operating expenses	661	**293**
Ordinary income	3,841	**2,867**
Extraordinary income		
Gain on sales of non-current assets	14	**7**
Gain on sales of investment securities	-	**10**
Gain on sales of shares of subsidiaries	-	**30**
Insurance claim income	-	**54**
Total extraordinary income	14	**103**
Extraordinary losses		
Impairment loss	225	**736**
Loss on retirement of non-current assets	122	**142**
Loss on valuation of investment securities	-	**26**
Loss on cancellation of system	-	**108**
System failure response cost	62	**-**
Total extraordinary losses	409	**1,013**
Profit before income taxes	3,446	**1,956**
Current	1,949	**1,118**
Deferred	(163)	**(325)**
Total income taxes	1,785	**792**
Profit	1,660	**1,164**
Profit (loss) attributable to non-controlling interests	(162)	**(341)**
Profit attributable to owners of parent	1,822	**1,505**

Consolidated Statements of Comprehensive Income

CMIC HOLDINGS Co., Ltd., and Consolidated Subsidiaries

For the fiscal years ended September 30, 2019 and 2020

¥ million

	2019	2020
Profit	1,660	**1,164**
Other comprehensive income		
Valuation difference on available-for-sale securities	(604)	**723**
Foreign currency translation adjustments	(119)	**12**
Remeasurements of defined benefit plans	43	**(288)**
Share of other comprehensive income of entities		
Accounted for using equity method	-	**1**
Total other comprehensive income	(681)	**448**
Comprehensive income	978	**1,613**
Comprehensive income attributable to		
Owners of parent	1,190	**1,913**
Non-controlling interests	(211)	**(300)**

Consolidated Statements of Changes in Equity

CMIC HOLDINGS Co., Ltd., and Consolidated Subsidiaries

¥ million

For the fiscal year ended September 30, 2019	Shareholders' equity					Accumulated other comprehensive income				Non-controlling interests	Total net assets
	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

¥ million

For the fiscal year ended September 30, 2020	Shareholders' equity					Accumulated other comprehensive income				Non-controlling interests	Total net assets
	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	14,121	(1,578)	21,733	613	(35)	(52)	525	10,735	32,994
Changes in items during period											
Dividends of surplus			(492)		(492)						(492)
Dividends of surplus (Interim dividends)			(91)		(91)						(91)
Profit (loss) attributable to owners of parent			1,505		1,505						1,505
Purchase of treasury shares				(0)	(0)						(0)
Disposal of treasury shares		(2)		33	30						30
Change in scope of consolidation			8		8						8
Net changes in items other than shareholders' equity						722	5	(320)	407	(351)	55
Total changes in items during period	-	(2)	930	32	961	722	5	(320)	407	(351)	1,017
Balance at end of period	3,087	6,100	15,052	(1,545)	22,694	1,336	(29)	(373)	933	10,384	34,011

Consolidated Statements of Cash Flows

CMIC HOLDINGS Co., Ltd., and Consolidated Subsidiaries
For the fiscal years ended September 30, 2019 and 2020

¥ million

	2019	2020
Cash flows from operating activities:		
Profit before income taxes	3,446	**1,956**
Depreciation	3,620	**4,529**
Impairment loss	225	**736**
Amortization of goodwill	308	**159**
Increase (decrease) in allowance for doubtful accounts	49	**(13)**
Interest and dividend income	(4)	**(4)**
Interest expenses	114	**123**
Foreign exchange losses (gains)	147	**10**
Share of (loss) profit of entities accounted for using equity method	252	**(394)**
Decrease (increase) in notes and accounts receivable - trade	864	**(132)**
Decrease (increase) in inventories	(532)	**(610)**
Increase (decrease) in notes and accounts payable - trade	297	**(64)**
Increase (decrease) in provision for bonuses	(179)	**(261)**
Increase (decrease) in provision for directors' bonuses	(63)	**-**
Increase (decrease) in retirement benefit liability	1,127	**740**
Increase (decrease) in provision for loss on order received	(119)	**211**
Loss (gain) on sales of investment securities	-	**(10)**
Loss (gain) on valuation of investment securities	-	**26**
Loss (gain) on sales of shares of subsidiaries	-	**(30)**
Loss (gain) on sales of non-current assets	(11)	**(7)**
Loss on retirement of non-current assets	122	**142**
Insurance claim income	-	**(54)**
Loss on cancellation of system	-	**108**
Increase (decrease) in advances received	(296)	**477**
Increase (decrease) in accrued expenses	2	**160**
Increase (decrease) in deposits received	(1,162)	**155**
Other, net	(734)	**558**
Subtotal	7,474	**8,511**
Interest and dividend income received	17	**21**
Interest expenses paid	(125)	**(112)**
Income taxes paid	(2,443)	**(1,716)**
Net cash provided by (used in) operating activities	4,922	**6,703**
Cash flows from investing activities:		
Purchase of property, plant and equipment	(3,935)	**(7,915)**
Proceeds from sales of property, plant and equipment	29	**23**
Purchase of investment securities	(80)	**(3)**
Proceeds from sales of investment securities	-	**110**
Purchase of intangible assets	(845)	**(513)**
Payments into time deposits	(15)	**-**
Proceeds from withdrawal of time deposits	28	**-**
Net decrease (increase) in short-term loans receivable	-	**(331)**
Payments for lease and guarantee deposits	(347)	**(31)**
Proceeds from collection of lease and guarantee deposits	49	**57**
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	225	**-**
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	**67**
Other, net	2	**(5)**
Net cash provided by (used in) investing activities	(4,889)	**(8,542)**
Cash flows from financing activities:		
Net increase (decrease) in short-term loans payable	1,568	**2,988**
Proceeds from long-term loans payable	2,000	**2,250**
Repayments of long-term loans payable	(3,648)	**(2,849)**
Purchase of treasury stock	(1,000)	**(0)**
Cash dividends paid	(514)	**(581)**
Dividends paid to non-controlling interests	(6)	**-**
Repayments of lease obligations	(162)	**(454)**
Net increase (decrease) in commercial papers	-	**1,000**
Other, net	-	**1**
Net cash provided by (used in) financing activities	(1,764)	**2,354**
Effect of exchange rate change on cash and cash equivalents	(101)	**42**
Net increase (decrease) in cash and cash equivalents	(1,832)	**557**
Cash and cash equivalents at beginning of period	13,976	**12,144**
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-	**(14)**
Cash and cash equivalents at end of period	12,144	**12,688**

Group Network

Major Consolidated Subsidiaries
As of September, 2020

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 dollars	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 dollars	100.00%	Clinical services in Australia
	CMIC ASIA-PACIFIC (THAILAND) LIMITED	1 million Thai baht	49.0%	Clinical services in Thailand
	CMIC (Beijing) Co., Ltd.	408 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 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)
CDMO Business	CMIC CMO Co., Ltd.	100 million yen	50.41%	Pharmaceutical development and contracted drug manufacturing
	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
	CMIC Bio Co., Ltd.	100 million yen	100.00%	Development of manufacturing technologies for biopharmaceutical drug substances and contract manufacturing
CSO Business	CMIC Ashfield Co., Ltd.	55 million yen	50.01%	MR dispatch, pharmaceutical sales and marketing support
Healthcare Business	CMIC HealthCare Institute Co., Ltd.	99 million yen	100.00%	Site Management Organization (SMO) services, healthcare services
	CMIC Solutions Co., Ltd.	25 million yen	100.00%	BPO and human resource services for the medical and pharmaceutical industries
	CMIC Well Co., Ltd.	5 million yen	99.00%	Business support operations
IPM Business	OrphanPacific, Inc.	100 million yen	66.00%	Development and sales of orphan drugs, etc.

Note: In January 2020, the trade name of CMIC Career CO. Ltd., was changed to CMIC Solutions Co., Ltd.

Corporate Data/Investor Information

Corporate Overview

Company name	CMIC HOLDINGS Co., Ltd.
Headquarters	1-1-1 Shibaura, Minato-ku, Tokyo, Japan 105-0023
Founded	1992 (Established on March 14, 1985)
Paid-in capital	¥3,087.75 million (As of March 30, 2020)
Number of employees (consolidated)	7,007 (As of October, 2020)
Stock exchange listing	First Section of Tokyo Stock Exchange
Number of authorized shares	46,000,000

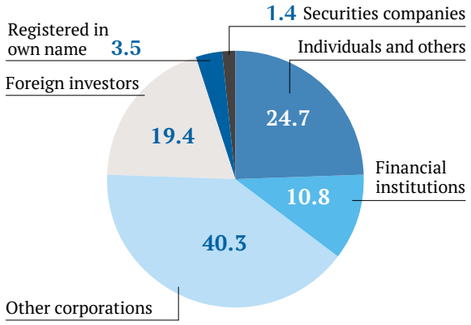
Number of shares issued	18,923,569 shares (As of September 30, 2020)
Trading unit	100 shares
Number of shareholders	9,277 (As of September 30, 2020)
Transfer agent	Mizuho Trust & Banking Co., Ltd.
Fiscal year-end	September 30
Ordinary general meeting of shareholders	December
Record date	September 30

Major Shareholders (As of September 30, 2020)

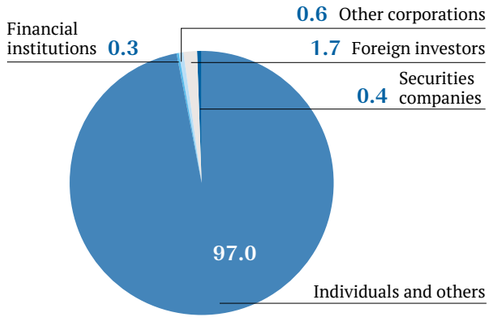
Shareholders	Number of shares held	Ratio of shares held *(%)
Artemis Inc.	4,022,200	22.03
Keith Japan	3,552,240	19.46
Employees' Stockholding	734,501	4.02
THE BANK OF NEW YORK-JASDECTREATY ACCOUNT	640,000	3.51
The Master Trust Bank of Japan, Ltd.	573,900	3.14
Kazuo Nakamura	564,220	3.09
Custody Bank of Japan, Ltd.	315,200	1.73
STATE STREET BANK AND TRUST COMPANY 505103	255,064	1.40
DZ PRIVATBANK S.A.RE INVESTMENTFONDS	240,000	1.31
Custody Bank of Japan, Ltd.	220,100	1.21
Total	**11,117,425**	**60.89**

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

Breakdown by Number of Shares Held



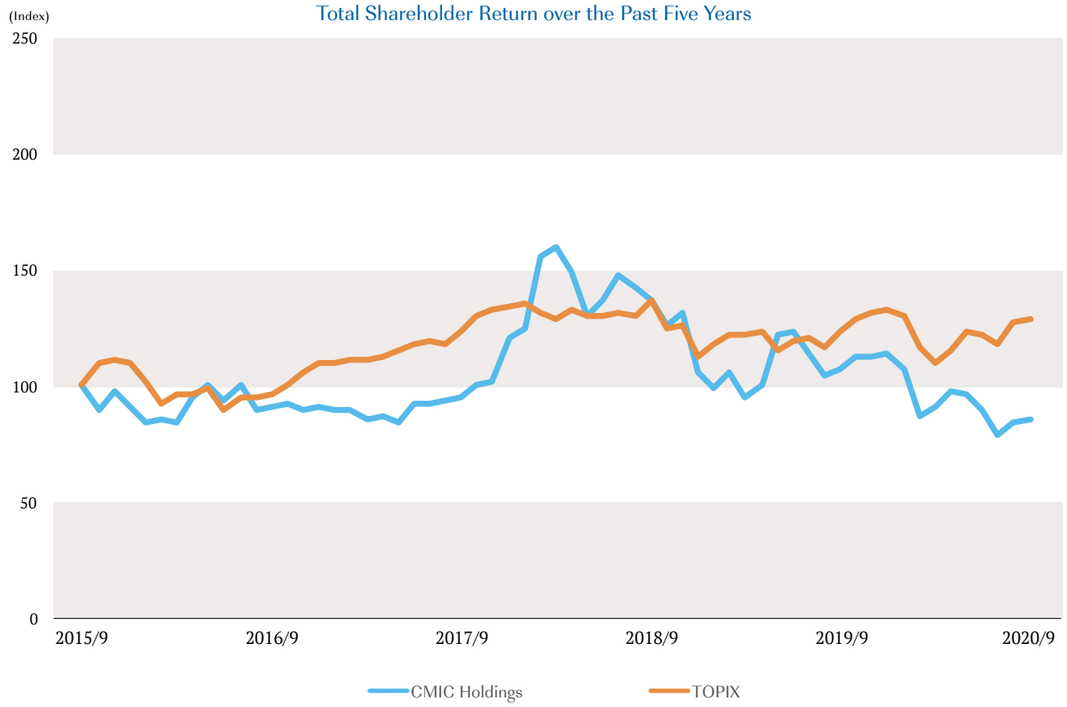
Breakdown by Number of Shareholders



Shareholder Distribution by Number of Shares Held

Less than 1 share unit	**12.63**	100 or more but fewer than 500 share units	**0.71**
1 or more but fewer than 5 share units	**69.91**	500 or more but fewer than 1,000 share units	**0.17**
5 or more but fewer than 10 share units	**7.91**	1,000 or more but fewer than 5,000 share units	**0.18**
10 or more but fewer than 50 share units	**7.59**	5,000 or more share units	**0.06**
50 or more but fewer than 100 share units	**0.81**	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, 2020, and the stock price when an investment was conducted on September 30, 2015. Investment performance including dividends has been added to the CMIC Holdings stock price and indexed at 100 as of September 30, 2015. 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/

Inquiries

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