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February 1, 2018

CMIC HOLDINGS Co., Ltd. Consolidated Financial Results

For the 1st Quarter Ended December 31, 2017

(The Fiscal Year Ending September 30, 2018, Japan Accounting Standards)

CMIC HOLDINGS Co., Ltd. reported a further strengthening of existing operations and has implemented new measures in each of its segments on a consolidated basis in fiscal year 2018.

Highlights:

- **Sales grew 8.1% year on year to ¥16.637 billion on a consolidated basis**
- **Operating income increased 102.0% to ¥1.013 billion**
- **Earnings per share ¥29.09**

Tokyo, February 1, 2018 – CMIC HOLDINGS Co., Ltd. （TSE Code: 2309） today reported financial results for the 1st quarter ended December 31, 2017

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

In the pharmaceutical industry, toward provision of "precision medicine", technological innovation and creation of innovative drugs through close industry-government-university collaboration is anticipated. On the other hand, 2018 National Health Insurance (NHI) drug price revision included the key points such as drastic review of premium for new drug development, price revision of long-listed products, and introduction of cost-effectiveness evaluations on a trial basis. MHLW revised the "Comprehensive Strategy to Strengthen the Pharmaceutical Industry" in December 2017, and the following seven focus items were set out promoting the pharmaceutical industry to transition from the model that depends on the long-term listed drugs to the industrial structure with strong drug discovery capabilities: 1) Improvement of R&D environment to develop discovery seeds originating in Japan, 2) Cost reduction and efficiency improvement through regulatory reform, 3) Improvement of productivity and manufacturing infrastructure building for medicinal products,4) Environment and infrastructure improvement for appropriate evaluation, 5) International expansion of Japan-origin pharmaceuticals, 6) Creation of global venture companies to promote renewal of the drug discovery industry, and 7) Improvement of prescription drug distribution. Pharmaceutical companies will likely accelerate efforts to bolster new drug development capacity towards promotion of innovation and discovery of innovative drugs that can contribute to improve the quality of medical care while considering possible business model changes. This will lead to continued increases in outsourcing with the aim of further improving productivity and efficiency.

To achieve sustainable growth in the healthcare and pharmaceutical industry at this time of change, CMIC Group is pushing forward "Project Phoenix". Project Phoenix 1.0 started in the fiscal year started in September 2015, paved the way for positive turnaround of unprofitable businesses and cost structure reform, and established "CMIC'S CREED" —our corporate philosophy that expresses the founding spirit and the starting point of CMIC Group. Project Phoenix 2.0 started in the 2nd half of 2017 to address changes in the pharmaceutical and healthcare industry in a timely manner. While establishing the agile management style, we are promoting the provision of new business solution that combines the system to support all value chains and manufacturing authorization and other licenses (intellectual properties) held by CMIC Group.

Sales and Operating Income

CMIC HOLDINGS Co., Ltd. concluded the first quarter of fiscal year 2018 with the following results:
During the first quarter of the current fiscal year, due to the growth of CRO businesses with strong order intake, sales during this consolidated cumulative period were ¥16.637 billion (up 8.1% YoY) and operating income was ¥1.013 billion (up 102.0% YoY).

Segment Information

The business results by segment are listed as below:

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

（Millions of yen）

	Q1 FY2018	Q1 FY2017	YoY Change Amount	YoY Change %
Sales	**9,012**	7,677	＋1,334	＋17.4
Operating income	**1,812**	1,157	＋655	＋56.7

In this business, we provide services primarily to pharmaceutical companies to support drug development.
In the first quarter of the current fiscal year, we bolstered human resource development with the aim of further improving our expertise and quality in order to meet diverse client needs such as anti-cancer drugs and regenerative medicine. While we strove to secure human resources to meet robust demand in clinical services, we are studying the feasibility of post-marketing support business utilizing clinical research and database.
For non-clinical services, CMIC Pharma Science Co., Ltd. and CMIC, INC. in the United States have enhanced their collaboration to provide drug discovery support for next-generation drugs including nucleic acid drugs and regenerative medicine.
Sales and operating income exceeded those from the same period of the previous year thanks to robust growth in new and existing contracts.

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

（Millions of yen）

	Q1 FY2018	Q1 FY2017	YoY Change Amount	YoY Change %
Sales	**3,586**	3,233	＋353	＋10.9
Operating income	**(184)**	(192)	＋7	-

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

In the first quarter of the current fiscal year, we are moving forward with establishing a low-cost production structure in the pursuit of productivity and efficiency through total service provision for drug manufacturing that includes formulation design, investigational new drug manufacturing, and commercial production. In addition, the Ashikaga Plant is making progress in constructing a new injection building, which is scheduled to start operating in October 2018.

Sales and operating income exceeded those from the previous consolidated fiscal year thanks to robust growth in new and existing contract manufacturing projects, but operating loss was unchanged from the previous corresponding period due to start-up expenses for the new injection building in Ashikaga, which incurred before the business is running.

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

（Millions of yen）

	Q1 FY2018	Q1 FY2017	YoY Change Amount	YoY Change %
Sales	**1,675**	1,711	(35)	(2.1)
Operating income	**56**	83	(27)	(32.6)

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

In the first quarter of the current fiscal year, while CMIC Ashfield Co., Ltd. has worked steadily to strengthen its capacity to meet demand for medical representative (MR) dispatch services and move through existing projects, they are also providing comprehensive commercial solution that combines various services to meet customer demands.

Sales and operating income are below that of the same period last year due to outsourcing needs of MR dispatch business facing the adjustment phase, but order intake is on the track to recovery.

- **Healthcare Business**

(Millions of yen)

	Q1 FY2018	Q1 FY2017	YoY Change Amount	YoY Change %
Sales	**1,739**	2,056	(317)	(15.4)
Operating income	**149**	194	(45)	(23.4)

In this business, we provide site management organization (SMO) and healthcare information services, primarily to medical institutions, patients, and general consumers, to support maintaining and promoting health and healthcare.

In the first quarter of the current fiscal year, Site Support Institute Co., Ltd. has acquired new orders and provided new services such as Medical Concierge Services.

Sales and operating income are below that of the same period last year due to losing some large-scale projects we had in the same period last year.

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

(Millions of yen)

	Q1 FY2018	Q1 FY2017	YoY Change Amount	YoY Change %
Sales	**746**	764	(18)	(2.4)
Operating income	**(65)**	1	(66)	-

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

In our orphan drug business, OrphanPacific, Inc., is selling orphan drugs, including products developed in-house. Further, we are strengthening business foundation through provision of IPM platform such as supporting foreign companies entering the Japanese market.

In the diagnostics business, we are working to expand the market and strengthen promotions of the kidney disease biomarker "human L-type fatty acid-binding protein (L-FABP) kit", developed for the purpose of diagnosing renal disease.

Sales and operating income were lower than that of the same period last year due to sales promotion expenses for "Zanmira Nail" (toe nail repair solution). We are continuing to expand our business scale through provision of new solutions.

Ordinary Income

Ordinary income for the first quarter of the current fiscal year was ¥1,035 million (up 67.1% YoY).

In addition, for non-operating income, we recorded ¥59 million in foreign exchange gain, share of loss of entities accounted for using equity method and others. For non-operating expenses we recorded ¥37 million of interest expense and others.

Profit attributable to owners of parent

Current profit attributable to owners of parent for the first quarter of the current fiscal year was ¥544 million (up 170.9% YoY).

As for extraordinary loss, we recorded ¥18 million as loss on retirement of fixed assets, ¥475 million in total income taxes, and ¥3 million in the current quarter net loss attributable to non-controlling interests.

Overview of the financial condition

Assets, liabilities, and net assets

Total assets at the end of the first quarter of the current fiscal year increased by ¥2.927 billion YoY to ¥68.533 billion. This is mainly due to an increase in cash and deposits, and property, plant and equipment.

Total liabilities increased by ¥2.697 billion YoY to ¥44.694 billion. This is mainly due to an increase in short-term debt and commercial papers, and decrease in long-term debts.

Total net assets increased by ¥230 million YoY to ¥23.838 billion. This is mainly due to an increase in retained earnings and valuation difference on available-for-sale securities.

Future Outlook

There are no changes from the consolidated performance forecast (CMIC HOLDINGS Co., Ltd. Consolidated Financial Results for the year ended September 30, 2017) announced on November 7, 2017.

Cautionary statement:

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

Summary of Results for the 1st Quarter Ended December 31, 2017 (October 1, 2017 through December 31, 2017)

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

	Q1 FY2018		Q1 FY2017	
		Change (%)		Change (%)
Net sales	**16,637**	**8.1**	15,389	5.2
Operating income	**1,013**	**102.0**	501	(2.7)
Ordinary income	**1,035**	**67.1**	619	18.3
Profit attributable to owners of parent	**544**	**170.9**	200	(1.5)
Earnings per share (Yen)	**29.09**		10.74	
Diluted net income per share (Yen)	—		—	

Reference: Comprehensive income: 1st quarter FY2018: ¥660 million (up 29.9% YoY)
1st quarter FY2017: ¥508 million (up 56.1% YoY)

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

	Q1 FY2018	Year End FY2017
Total assets	**68,533**	65,605
Net assets	**23,838**	23,608
Equity ratio (%)	**33.7**	34.9
Book value per share (Yen)	**1,235.09**	1,222.37

Reference: Shareholders' equity: 1st quarter FY2018: ¥23,111 million, year-end FY2017: ¥ 22,867million.

Distribution of Profits and Dividends

In the fiscal year ending September 30, 2018, the Company plans to make two payments of dividends – an interim payment at ¥5.00 and a year-end payment at ¥22.50 –, totaling to an annual payment of ¥27.50.

Consolidated Financial Statements for the 1st Quarter Ended September 30, 2018

(1) Consolidated Balance Sheets

(Millions of yen)

	Q1 FY 2018 (December 31, 2017)	Year End FY 2017 (September 30, 2017)
Assets		
Current assets		
Cash and deposits	6,209	4,947
Notes and accounts receivable - trade	12,812	12,989
Merchandise and finished goods	489	479
Work in process	3,385	3,360
Raw materials and supplies	1,636	1,603
Other	3,939	3,972
Allowance for doubtful accounts	(12)	(12)
Total current assets	**28,460**	**27,341**
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	11,106	10,850
Land	6,175	6,160
Other, net	13,212	11,578
Total property, plant and equipment	**30,494**	**28,589**
Intangible assets		
Goodwill	649	737
Other	1,025	1,092
Total intangible assets	**1,674**	**1,830**
Investments and other assets		
Investment securities	3,099	2,878
Lease and guarantee deposits	1,635	1,638
Other	3,769	3,930
Allowance for doubtful accounts	(601)	(603)
Total investments and other assets	**7,904**	**7,844**
Total non-current assets	**40,072**	**38,264**
Total assets	**68,533**	**65,605**

(Millions of yen)

	Q1 FY 2018 (December 31, 2017)	Year End FY 2017 (September 30, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	865	1,034
Short-term borrowings	2,850	1,050
Current portion of long-term debt	4,295	2,918
Commercial papers	5,000	3,000
Income taxes payable	76	1,027
Provision for bonuses	527	2,317
Provision for director’s bonuses	-	53
Provision for loss on orders received	541	568
Other	11,536	8,903
Total current liabilities	**25,692**	**20,873**
Noncurrent liabilities		
Long-term debt	9,831	11,930
Net defined benefit liability	7,243	7,068
Other	1,927	2,125
Total non-current liabilities	**19,002**	**21,124**
Total liabilities	**44,694**	**41,997**
Net assets		
Shareholders' equity		
Capital stock	3,087	3,087
Capital surplus	7,715	7,715
Retained earnings	11,965	11,847
Treasury stock	(256)	(261)
Total shareholders' equity	**22,512**	**22,389**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	734	663
Foreign currency translation adjustments	34	15
Remeasurements of defined benefit plans	(168)	(200)
Total accumulated other comprehensive income	**599**	**478**
Non-controlling interests	**726**	**740**
Total net assets	**23,838**	**23,608**
Total liabilities and net assets	**68,533**	**65,605**

(2) **Consolidated Statement of Income**

(Millions of yen)

	Q1 FY 2018 (October 1, 2017– December 31, 2017)	Q1 FY 2017 (October 1, 2016– December 31, 2016)
Net sales	**16,637**	**15,389**
Cost of sales	**13,065**	**12,419**
Gross profit	**3,572**	**2,969**
Selling, general and administrative expenses	**2,558**	**2,467**
Operating income	**1,013**	**501**
Non-operating income		
Interest income	1	8
Share of profit of entities accounted for using equity method	16	-
Foreign exchange gains	26	153
Other	14	18
Total non-operating income	**59**	**180**
Non-operating expenses		
Interest expenses	28	30
Share of loss of entities accounted for using equity method	-	6
Other	9	24
Total non-operating expenses	**37**	**62**
Ordinary income	**1,035**	**619**
Extraordinary losses		
Loss on sales of non-current assets	-	21
Provision of allowance for doubtful accounts	-	70
Loss on retirement of non-current assets	13	9
Loss on valuation of investment securities	4	-
Total extraordinary losses	**18**	**102**
Profit before income taxes	**1,016**	**517**
Current	77	76
Deferred	398	210
Total income taxes	**475**	**287**
Profit	**540**	**230**
Profit (loss) attributable to non-controlling interests	**(3)**	**29**
Profit attributable to owners of parent	**544**	**200**

(3) Consolidated Statement of Comprehensive Income

(Millions of yen)

	Q1 FY 2018 (October 1, 2017– December 31, 2017)	Q1 FY 2017 (October 1, 2016– December 31, 2016)
Profit	**540**	**230**
Other comprehensive income		
Valuation difference on available-for-sale securities	70	(9)
Foreign currency translation adjustments	22	207
Remeasurements of defined benefit plans, net of tax	26	79
Total other comprehensive income	119	278
Comprehensive income	**660**	**508**
Comprehensive income attributable to		
Owners of parent	665	454
Non-controlling interests	(5)	53