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February 2, 2017

CMIC HOLDINGS Co., Ltd. Consolidated Financial Results For the 1st Quarter Ended December 31, 2016

(The Fiscal Year Ending September 30, 2017, 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 2017.

Highlights:

- **Sales grew 5.2% year on year to ¥15,389 million on a consolidated basis**
- **Operating income decreased 2.7% to ¥501 million resulting in an operating margin of 3.3%**
- **Net income per share ¥10.74**
- **Order backlog grew 12.1% to ¥69,811 million**

Tokyo, February 2, 2017 – CMIC HOLDINGS Co., Ltd. (TSE Code: 2309 today reported financial results for the 1st quarter ended December 31, 2016)

The business climate of the pharmaceutical is harsh now due to policies intended to restrain the cost of social security by accelerating the use of generic drugs and discounting long-term listed drugs. Even the government's comprehensive strategy calls for new drug development-type pharmaceutical companies to create innovative drugs and for generic drug companies to provide a stable supply of inexpensive high-quality drugs, which is hastening the conversion to an internationally competitive industrial structure in anticipation of the future. Moreover, the trend toward personalized medicine (treatment for individual patients) continues to grow, due to the identification of disease mechanisms at the molecular level and the advancement of diagnosis technology. The fields of cancer, incurable diseases, and rare diseases are expected to grow as personalized medicine progresses. Meanwhile, in debates around the appropriate use of high-cost drugs, pharmaceutical companies are being called on to further cut drug development costs. Companies will likely accelerate efforts to bolster new drug development capacity, and more foreign companies will enter the Japanese market through industry–government–academia collaboration and cooperation designed to create scientific technological innovation. This will lead to continued increases in outsourcing with the aim of speeding up and streamlining development, manufacturing, and sales.

While industry reorganization proceeds on the basis of (1) a rise in these kinds of outsourcing needs, (2) corporate consolidation, and (3) new market entrants from different types of businesses, the market in the industry to which the CMIC Group belongs is expanding over the medium term. Furthermore, the customer segment is expected to grow from its current level because of policies that promote rapid new drug creation through industry–government–academia collaboration.

The CMIC Group has been engaged in “Project Phoenix” (a project that aims to achieve a V-shaped recovery in

results and sustained growth by eliminating unprofitable businesses and promoting cost structure reform) since the fiscal year that ended September 2015. As we approach the 25th anniversary of our founding in this consolidated fiscal year, we are working to further enhance the foundations and individual services of each of the group's businesses, pursue synergies between the businesses, and strengthen collaboration with clients, while promoting new efforts with the aim of realizing a solutions business that uses the features of PVC.

Sales and Operating Income

CMIC HOLDINGS Co., Ltd. concluded the first quarter of fiscal year 2017 with the following results:

During this Q1 consolidated period, we have promoted solutions business capable of responding quickly to reforms in the medical and pharmaceutical industries and worked to implement organizational restructuring to streamline management and bolster human resources development. Sales during this Q1 consolidated period were ¥15.389 billion (up 5.2% YoY) and operating income was ¥501 million (down 2.7% YoY).

Segment Information

The business results by segment are listed as below:

Please note that in October 2016 CMIC Career Co., Ltd., changed its reported segment from CSO business to CRO business, and changed a portion of the IPM services provided by CMIC Holdings Co., Ltd., to CRO business, in line with changes to its organizational system. We compare the percentage change in sales by segment versus the same period during the previous year, using the segments after the changes as the basis.

Furthermore, effective this Q1 consolidated period, we have changed the previous segment name from CMO business to CDMO business, and the segment name IPD business to IPM business. This was done on October 1, 2016, in line with business conditions. These changes are changes in nomenclature only, and have no impact on segment information.

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

	(Millions of yen)		
	1 st Quarter FY2017	1 st Quarter FY2016	YoY Change Amount (%)
Sales	7,677	7,486	+191 (+2.6%)
Operating income	1,157	954	+202 (+21.3%)

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

In this Q1 consolidated period, we strove to secure human resources to meet robust demand in clinical services, and further bolstered human resource development with the aim of improving our expertise and quality in order to meet diverse client needs. In October 2016, CMIC Co., Ltd., established the Regenerative Medicine of Clinical Research Department, which specializes in clinical testing and clinical research in the field of regenerative medicine, working to strengthen its support system for expanding quick and safe regenerative medicine.

In non-clinical services, CMIC Pharma Science Co., Ltd., and CMIC, Inc., are promoting the improvement of sales

and marketing activities to acquire new contracts in analytical chemistry services and working to strengthen U.S.–Japan ties, acquire new contracts, and build a support system for companies in the U.S. market. We are also moving forward with enhancing regenerative medicine-related business by conducting testing related to regenerative medicine in newly established testing facilities.

Sales and operating income exceeded the sales and operation income from the same period during the previous year thanks to robust growth in new and existing contracts.

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

(Millions of yen)			
	1 st Quarter FY2017	1 st Quarter FY2016	YoY Change Amount (%)
Sales	3,274	3,159	+114 (+3.6%)
Operating income	Δ199	Δ68	Δ131 (-)

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

In this Q1 consolidated period, we are moving forward with establishing a structure for total service provision for drug manufacturing, from formulation design to investigational new drug manufacturing to commercial production. We have built a system for low-cost production, increasing new contracts for generic drugs by working to transition to a price-competitive, low-cost structure. In addition, the Ashikaga Plant is making progress in constructing a new injection building, which is planned for operation at the end of 2018.

Sales exceeded those during the same period of the previous year on an increase in contract production for new orders and existing contracts. While we have incurred an operating loss higher than that during the same period of the previous year because of a temporary fall in production resulting from clients' inventory adjustments, the forecast for the full year is unchanged since the beginning of the period.

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

(Millions of yen)			
	1 st Quarter FY2017	1 st Quarter FY2016	YoY Change Amount (%)
Sales	1,711	1,827	Δ116 (Δ9.4%)
Operating income	83	90	Δ7 (Δ7.9%)

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

In this Q1 consolidated period, 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 working to expand market share by improving support for client needs, such as by providing multichannel services.

Although sales and operating income came in lower than those during the same period of the previous year due to the impact from the temporary adjustment of outsourcing needs in the previous period, recent demand for orders is higher.

- **Healthcare Business**

	(Millions of yen)		
	1 st Quarter FY2017	1 st Quarter FY2016	YoY Change Amount (%)
Sales	2,056	1,653	+403 (+24.4%)
Operating income	194	Δ8	+203 (-)

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 this Q1 consolidated period, Site Support Institute Co., Ltd., has promoted the acquisition of new orders through efforts to further strengthen sales and marketing activities in SMO services and expand its medical institute network.

Sales significantly exceeded those during the same period of the previous year on robust growth in new orders and existing contracts in SMO services. Operating income also significantly exceeded that from the same period of the previous year due to continued managerial streamlining measures, such as thorough project management and cost-cutting measures.

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

	(Millions of yen)		
	1 st Quarter FY2017	1 st Quarter FY2016	YoY Change Amount (%)
Sales	723	657	+66 (+10.0%)
Operating income	8	88	Δ79 (Δ89.9%)

In this business, we primarily provide services to support the development and marketing of diagnostics and orphan drugs. Please note that from this Q1 consolidated period we have changed this segment name to IPM (innovative pharma model) business, with the aim of providing solutions to patients and pharmaceutical companies and contributing to medical care through innovative means.

In the diagnostics business, in October 2016, our group began selling a simple test kit (Dip-test) for the in vitro diagnostic drug “human L-type fatty acid-binding protein kit,” developed for the purpose of diagnosing renal disease, and we are working to expand the market and strengthen promotions.

In our orphan drug business, OrphanPacific, Inc., is selling 5 orphan drugs, including products developed in-house. They are working to expand sales and improve profitability with measures to improve disease recognition.

Sales exceeded those during the same period of the previous year on an increase in the sales volume of orphan drugs. Despite this, operating income came in lower versus the same period of the previous year due to an increase in depreciation costs related to product approval, but the business is broadly going according to plan. We have continued efforts to build an efficient sales structure and cut costs.

Ordinary Income

Ordinary income for this Q1 consolidated period was ¥619 million (up 18.3% YoY).

The main reason for this increase was that a ¥153 million foreign-exchange gain was recorded. In addition, for non-operating income, we recorded ¥180 million in foreign exchange gain, and for non-operating expenses we recorded ¥62 million of interest paid.

Net Income for the Quarter

Current net income attributable to parent company shareholders for this Q1 consolidated period was ¥200 million (down 1.5% YoY).

As for extraordinary income, we recorded ¥102 million as a provision for doubtful accounts and compensation payments, ¥287 million in corporate taxes, and ¥29 million in current net income attributable to non-controlling-interest shareholders.

Consolidated Financial Position

Assets, liabilities, and net assets

Total assets at the end of this Q1 consolidated financial period increased by ¥2.128 billion YoY to ¥61.233 billion. This is mainly due to an increase in cash and deposits, notes receivable, accounts receivable, and investment securities.

Total liabilities increased by ¥1.826 billion YoY to ¥39.533 billion. This is mainly due to an increase in long-term debts and a decrease in provision for bonuses and accrued corporate taxes.

Total net assets increased by ¥302 million YoY to ¥21.7 billion. This is mainly due to an increase in foreign currency translation adjustment and cumulative adjustments pertaining to retirement benefits.

Summary of Results for the 1st Quarter Ended December 31, 2016 (October 1, 2016 through December 31, 2016)

(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)

	1 st Quarter FY2017		1 st Quarter FY2016	
		Change (%)		Change (%)
Net sales	15,389	5.2	14,633	12.0
Operating income	501	(2.7)	515	—
Ordinary income	619	18.3	523	—
Net income	200	(1.5)	204	(11.8)
Net income per share (Yen)	10.74		10.91	
Diluted net income per share (Yen)	—		—	

Reference: Comprehensive income: first quarter FY2016: ¥508 million (56.1%increase)
first quarter FY2015: ¥325 million (51.4%decrease)

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

	1 st Quarter FY2017	Year End FY2016
Total assets	61,233	59,104
Net assets	21,700	21,397
Equity ratio (%)	34.7	35.5
Equity per share (Yen)	1,135.86	1,122.55

Reference: Shareholders' equity: first quarter FY2017: ¥21,244 million, year-end FY2016: ¥ 20,995million.

Distribution of Profits and Dividends

In the fiscal year ending September 30 2017, the Company plans to make two payments of dividends – an interim payment at ¥5.0 and a year-end payment at ¥14.0 —, totaling to an annual payment of ¥19.0.

Future Outlook

No changes to the earnings estimates announced during 2016 fourth quarter earnings briefing, which was held on November 11 2016.

Corporate Information

The CMIC Group was the first CRO (Contract Research Organization) in Japan and provides services that contribute to increasing efficiency and quality of clinical research. Currently, based on PVC (Pharmaceutical Value Creator) business model, the Group provides services in the following business areas: CRO (Contract Research Organization) business, CDMO (Contract Development Manufacturing Organization) business, CSO (Contract Sales Organization) business, Healthcare business, IPM (Innovative Pharma Model) business. For more information about the CMIC Group, please visit <http://www.cmic-holdings.co.jp/e/>.

Note on the appropriate use of business forecasts contained in this report

Earnings forecasts and other forward-looking statements contained in this report are based on information currently available to the Company and certain assumptions that the Company has judged to be reasonable.

Actual results may vary significantly from forecasts due to a variety of factors. Important factors that might cause such a difference include, but are not limited to, risks associated with: (i) business trends among customers, (ii) laws and regulations and government policies, (iii) competitors, (iv) compliance, (v) information management, (vi) securing human resources, (vii) conducting clinical trials under contract, (viii) product liability, (ix) research and development, (x) international business, (xi) financial market conditions, (xii) natural disasters, and (xiii) environmental regulations. The Company undertakes no obligation to update these forward-looking statements in the future.

Consolidated Financial Statements for the 1st Quarter Ended September 30, 2017

(1) Consolidated Balance Sheets

(Millions of yen)

	1 st Quarter FY 2017 (December 31, 2016)	Year End FY 2016 (September 30, 2016)
Assets		
Current assets		
Cash and deposits	5,590	5,069
Notes and accounts receivable - trade	11,097	10,731
Merchandise and finished goods	591	486
Work in process	3,139	3,368
Raw materials and supplies	1,612	1,430
Other	3,846	3,723
Allowance for doubtful accounts	(11)	(10)
Total current assets	25,866	24,799
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	9,836	9,911
Land	6,173	6,298
Other, net	9,191	8,845
Total property, plant and equipment	25,200	25,055
Intangible assets		
Goodwill	1,004	1,093
Other	1,202	1,274
Total intangible assets	2,206	2,367
Investments and other assets		
Investment securities	2,437	1,376
Deferred tax assets	1,708	1,630
Other	4,154	4,145
Allowance for doubtful accounts	(340)	(268)
Total investments and other assets	7,960	6,883
Total noncurrent assets	35,367	34,305
Total assets	61,233	59,104

(Millions of yen)

	1st Quarter FY 2017 (December 31, 2016)	Year End FY 2016 (September 30, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,107	953
Current portion of bonds	-	50
Short-term loans payable	1,650	2,250
Current portion of long-term loans payable	2,537	2,783
Commercial papers	2,000	2,000
Income taxes payable	94	1,007
Provision for bonuses	473	2,054
Provision for directors' bonuses	-	49
Provision for loss on order received	386	402
Other	8,230	8,310
Total current liabilities	16,480	19,861
Noncurrent liabilities		
Long-term loans payable	14,269	9,002
Net defined benefit liability	6,500	6,325
Other	2,282	2,517
Total non-current liabilities	23,053	17,846
Total liabilities	39,533	37,707
Net assets		
Shareholders' equity		
Capital stock	3,087	3,087
Capital surplus	7,715	7,715
Retained earnings	10,592	10,596
Treasury stock	(265)	(265)
Total shareholders' equity	21,129	21,134
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	405	414
Foreign currency translation adjustment	43	(143)
Remeasurements of defined benefit plans	(334)	(409)
Total accumulated other comprehensive income	115	(138)
Non-controlling interests	455	401
Total net assets	21,700	21,397
Total liabilities and net assets	61,233	59,104

(2) Consolidated Statements of Income

(Millions of yen)

	1st Quarter FY 2017 (October 1, 2016– December 31, 2016)	1st Quarter FY 2016 (October 1, 2015– December 31, 2015)
Net sales	15,389	14,633
Cost of sales	12,419	11,668
Gross profit	2,969	2,964
Selling, general and administrative expenses	2,467	2,449
Operating income	501	515
Non-operating income		
Interest income	8	4
Share of profit of entities accounted for using equity method	-	34
Foreign exchange gains	153	-
Other	18	17
Total non-operating income	180	57
Non-operating expenses		
Interest expenses	30	34
Share of loss of entities accounted for using equity method	6	-
Foreign exchange loss	-	1
Other	24	13
Total non-operating expenses	62	49
Ordinary income	619	523
Extraordinary loss		
Loss on sales of non-current assets	21	-
Impairment loss	-	11
Provision of allowance for doubtful accounts	70	-
Other	9	11
Total extraordinary losses	102	22
Profit before income taxes	517	500
Income taxes - current	76	59
Income taxes - deferred	210	219
Total income taxes	287	278
Profit	230	222
Profit attributable to non-controlling interests	29	18
Profit attributable to owners of parent	200	204

(3) Consolidated Statements of Comprehensive Income

(Amounts in millions of yen)

	1st Quarter FY 2017 (October 1, 2016– December 31, 2016)	1st Quarter FY 2016 (October 1, 2015– December 31, 2015)
Profit	230	222
Other comprehensive income		
Valuation difference on available-for-sale securities	(9)	65
Foreign currency translation adjustment	207	5
Remeasurements of defined benefit plans, net of tax	79	32
Total other comprehensive income	278	103
Comprehensive income	508	325
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	454	310
Comprehensive income attributable to non-controlling interests	53	14