



Overview of Financial Results for the 2nd Quarter FY2018

CMIC HOLDINGS Co., Ltd.

May 9, 2018



FY18 2Q Financial highlights

(October 1, 2017-March 31, 2018)

CMIC HOLDINGS Co., Ltd.

Wataru Mochizuki, CFO



Business segments and group companies

Blue indicates overseas.
*indicates affiliated company

Segment	Products and services	CMIC Group companies (as of end of Mar. 2018)
CRO Business	Services related to pharmaceutical development support, analytical chemistry services, and healthcare for pharmaceutical companies, and BPO and personnel services for the pharmaceutical industry	CMIC HOLDINGS Co., Ltd. CMIC Co., Ltd. CMIC-PMS Co., Ltd. CMIC ShiftZero K.K. CMIC Korea Co., Ltd. CMIC ASIA-PACIFIC, PTE. LTD. CMIC ASIA PACIFIC (MALAYSIA) SDN. BHD. CMIC Asia-Pacific (Hong Kong) Limited CMIC ASIA-PACIFIC (PHILIPPINES), INC. CMIC (Beijing) Pharmaceutical Services Co., Ltd. CMIC (Beijing) Co., Ltd. CMIC DATA SCIENCE VIETNAM COMPANY LIMITED CMIC Pharma Science Co., Ltd. CMIC, INC. CMIC (Suzhou) Pharmaceutical Technology Co., Ltd. CMIC Career Co., Ltd.
CDMO Business	Services related to drug formulation development and manufacturing support, from formulation design to investigational new drug manufacturing to commercial production of ethical drugs and nonprescription drugs for pharmaceutical companies	CMIC CMO Co., Ltd. CMIC CMO Korea Co., Ltd. CMIC CMO USA Corporation CMIC JSR Biologics Co., Ltd.*
CSO Business	Services provided to pharma companies related to sales & marketing support	CMIC Ashfield Co., Ltd. MDS-CMG, Inc.*
Healthcare Business	Support services primarily for medical institutions and treating, maintaining, and promoting the health of patients and general consumers, such as SMO services and healthcare information services	Site Support Institute Co., Ltd. CMIC Healthcare Co., Ltd. CMIC VIETNAM COMPANY LIMITED
IPM Business	Provision of new business solution to pharmaceutical companies that combines the system to support all value chains and manufacturing authorization and other licenses (intellectual properties) held by CMIC Group	CMIC HOLDINGS Co., Ltd. CMIC CMO Co., Ltd. OrphanPacific, Inc.

Main initiatives of the current term

Promotion of “Project Phoenix -Initiatives to achieve sustainable growth”

Project Phoenix 2.0 achievements

- Establishment of the agile management system
- Promoted the business solutions using PVC functions and started providing the IPM platform
- Organizational and functional changes for top management in the group (two-top execution by CEO-COO)

Start of Project Phoenix 3.0

- CMIC’s take on healthcare Revolution

CRO Business

- ✓ Enhancement of Post-marketing surveillance (PMS) and Clinical research support business using medical database
- ✓ Promoted readiness for the evolving field (Enhanced analytical services for Nucleic acid drugs and participated in the Technology Consortium aiming at the clinical application of platelet preparations derived from human iPS cells)

CDMO Business

- ✓ Capital and business tie-up agreement with DBJ
- ✓ Directed toward full-scale launch of a new injection building in October with capability to manufacture high potency drugs

CSO Business

- ✓ Acquired new large-scale projects using PVC model
- ✓ Provision of comprehensive commercial solutions that combine MSL and remote channels in addition to MR dispatching

Healthcare Business

- ✓ Jointly developed a clinical trial support solution with NEC Corporation using AI voice recognition technology to promote efficiency of SMO operations
- ✓ Expanded new service models such as Medical Concierge Services

IPM Business

- ✓ Launched hypertension drug “Rasilez Tablets® (Aliskiren Fumarate) 150mg” transferred from Novartis Pharma

Promoted readiness for the evolving field (Biologics and Regenerative Medicine)

▶ Development consultation

▶ Participating in Megakaryon consortium

Established the edge as a pioneer in non-clinical analysis of iPS cell-derived products

▶ Analytical services for Nucleic acid drugs

Enhanced analytical support at CMIC, Inc. (our laboratory in the United States)

Top class contracting record for nucleic acid drugs among analytical laboratories in the U.S.

▶ New injection building in Ashikaga

Ready to manufacture high potency drugs
(and more anti-cancer drugs)



Bioresearch Center (Yamanashi)



New injection building (Ashikaga)



CMIC, INC. US Lab

Consolidated income statement (overview)

	2017/H1		2018/H1		YoY change (¥ millions)	Percent change (%)
	Amount	Composition ratio	Amount	Composition ratio		
	(¥ millions)	(%)	(¥ millions)	(%)		
Sales	31,743	100.0	33,640	100.0	1,897	6.0
Operating income	1,902	6.0	2,471	7.3	569	29.9
Ordinary income	1,888	6.0	2,225	6.6	337	17.9
Profit attributable to owners of parent	533	1.7	489	1.5	(44)	(8.4)
Earnings per share	¥28.54		¥26.14			

Breakdown of Non-operating income and expenses /Extraordinary losses/Income taxes

(¥ millions)

	2017/H1	2018/H1		2017/H1	2018/H1
Non-operating income	158	39	Extraordinary losses	366	287
Interest income	21	3	Loss on sales of non-current assets	21	0
Foreign exchange gains	104	-	Loss on retirement of non-current assets	23	28
Rent income	8	8	Provision of allowance for doubtful accounts	321	-
Refunded consumption taxes	9	8	Loss on valuation of investment securities	-	4
Other	14	19	Loss on revision of pay regulations	-	252
Non-operating expenses	171	285	Income taxes	900	1,450
Interest expenses	70	57	Current	925	1,038
Share of loss of entities accounted for using equity method	66	59	Deferred	(24)	412
Foreign exchange losses	-	131			
Other	34	36			

Sales & Operating income by segment

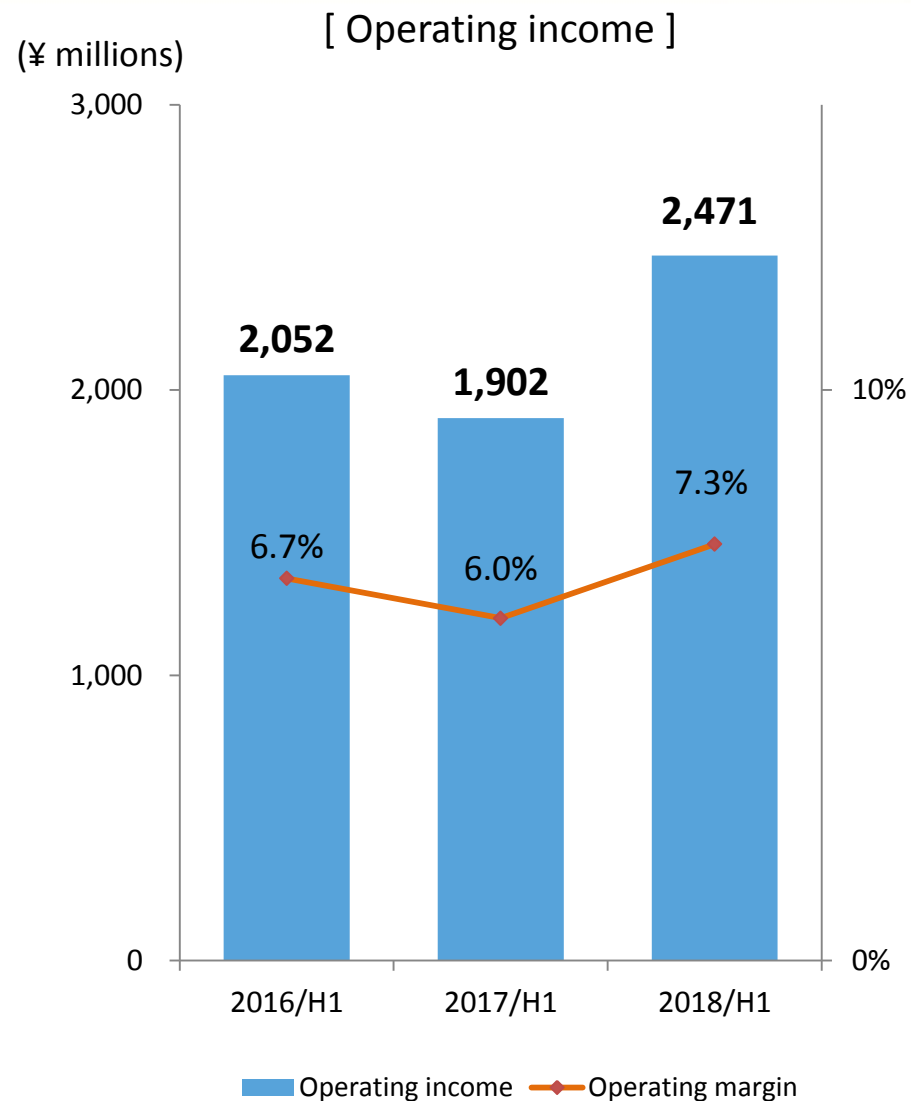
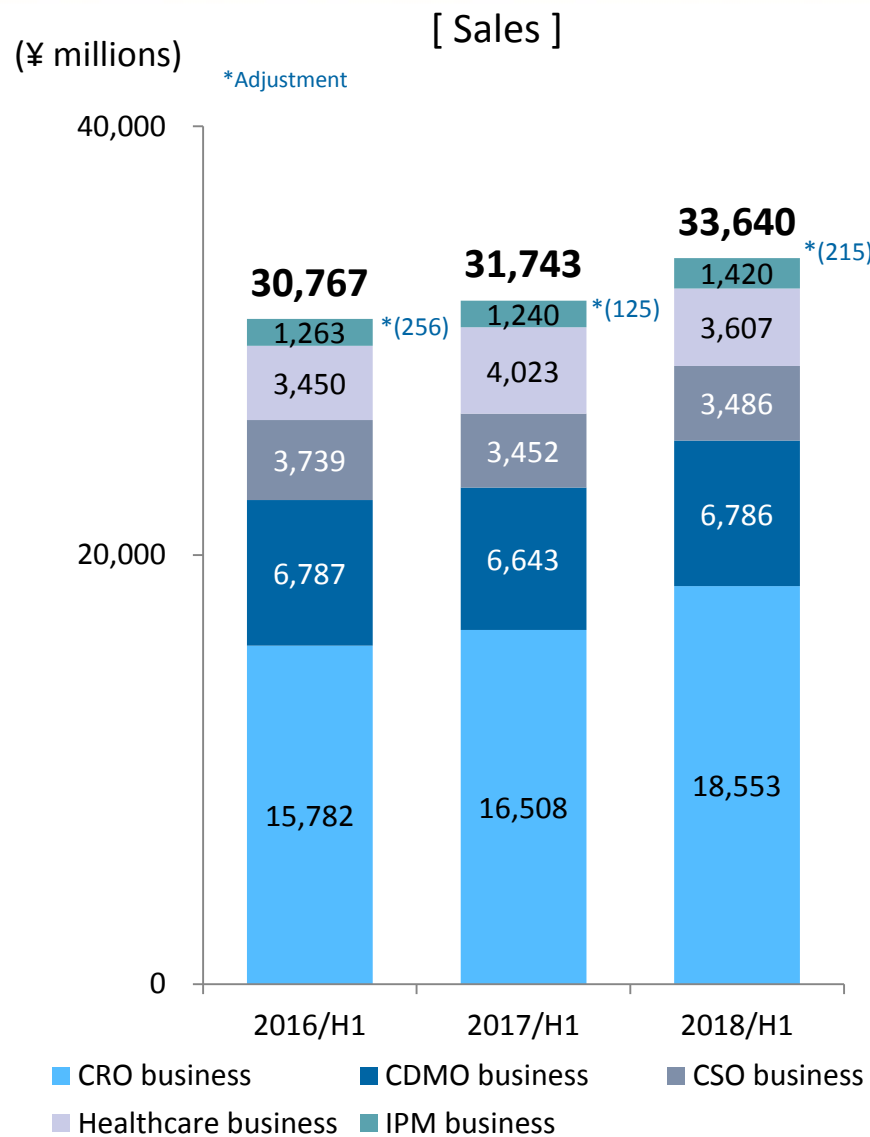
		2017/H1 Amount (¥ millions)	2018/H1 Amount (¥ millions)	Change (¥ millions)	Percent change (%)
CRO Business	Sales	16,508	18,553	2,045	12.4
	Operating income	2,913	3,929	1,015	34.9
CDMO Business	Sales	6,643	6,786	143	2.2
	Operating income	(169)	(525)	(355)	-
CSO Business	Sales	3,452	3,486	34	1.0
	Operating income	247	153	(93)	(37.7)
Healthcare Business	Sales	4,023	3,607	(415)	(10.3)
	Operating income	616	465	(150)	(24.5)
IPM Business	Sales	1,240	1,420	180	14.5
	Operating income	(145)	(111)	34	-
Adjustments	Sales	(125)	(215)	(90)	-
	Operating income	(1,560)	(1,440)	119	-
Consolidated	Sales	31,743	33,640	1,897	6.0
	Operating income	1,902	2,471	569	29.9

Orders received / Backlog

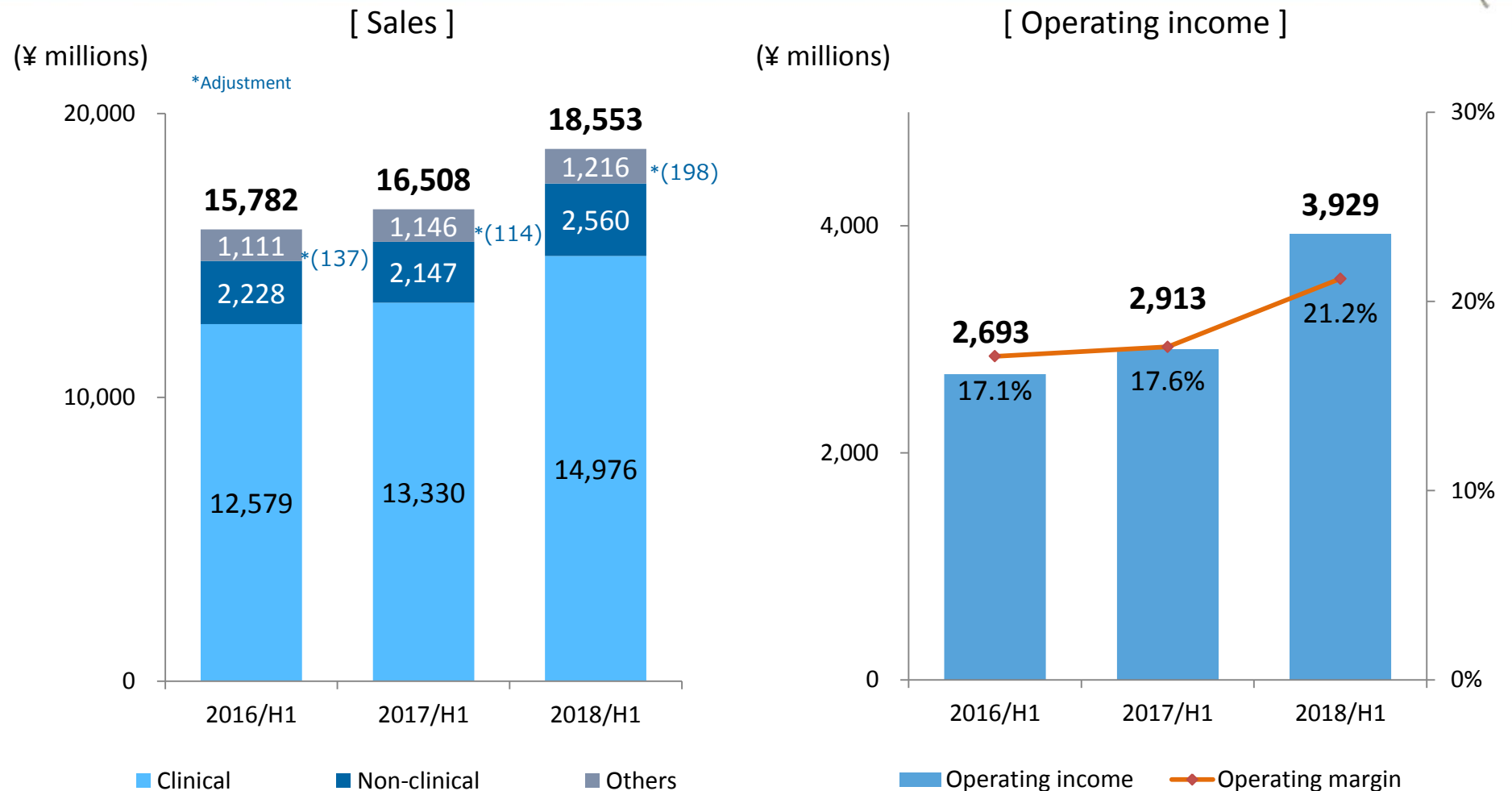
	2017/H1		2018/H1			
	Orders received (¥ millions)	Backlog (¥ millions)	Orders received (¥ millions)	Percent change (%)	Backlog (¥ millions)	Percent change (%)
CRO Business	24,938	54,067	25,564	2.5	62,065	14.8
CDMO Business	7,300	3,995	7,290	(0.1)	4,186	4.8
CSO Business	2,097	4,239	5,234	149.6	4,843	14.2
Healthcare Business	3,107	8,596	3,027	(2.6)	8,582	(0.2)
Total	37,443	70,899	41,117	9.8	79,677	12.4

- Accounts for only the backlog of firm CDMO business orders. There is customer demand for scheduled orders but these are different from firm orders so we have not included these in the backlog.
- Order status is not included for IPM Business because its business conditions are different from those of contract business.

Trend in consolidated Sales & Operating income

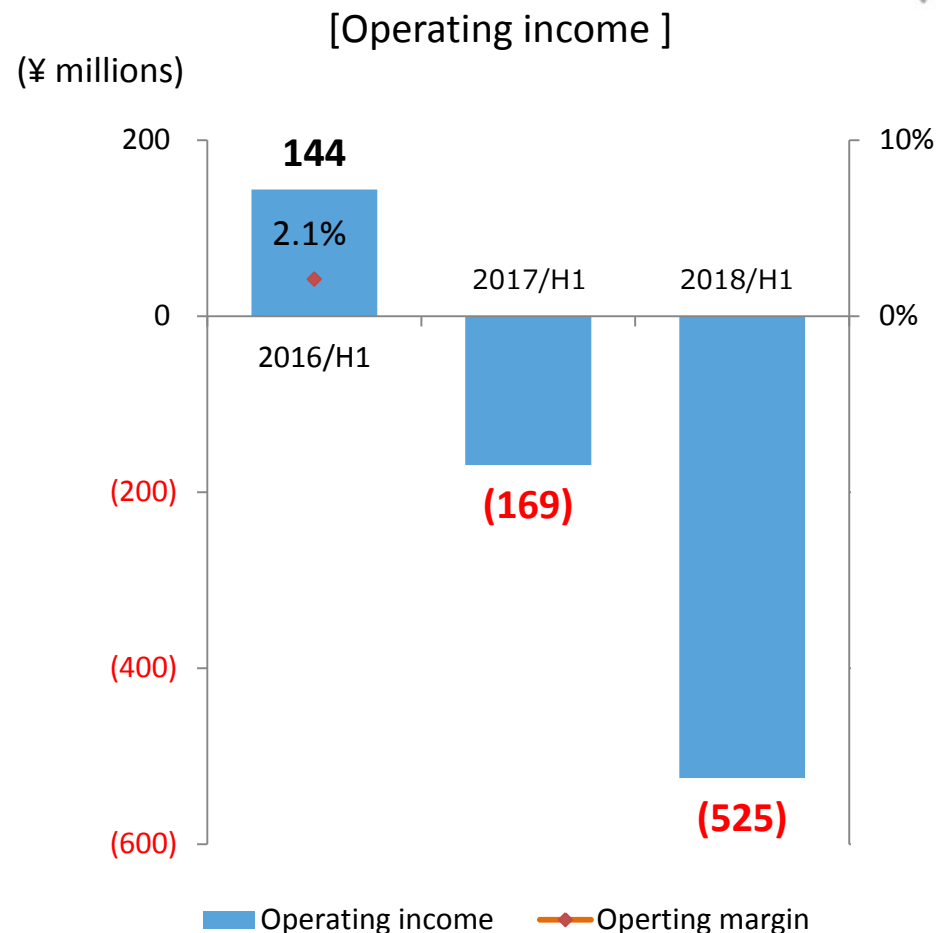
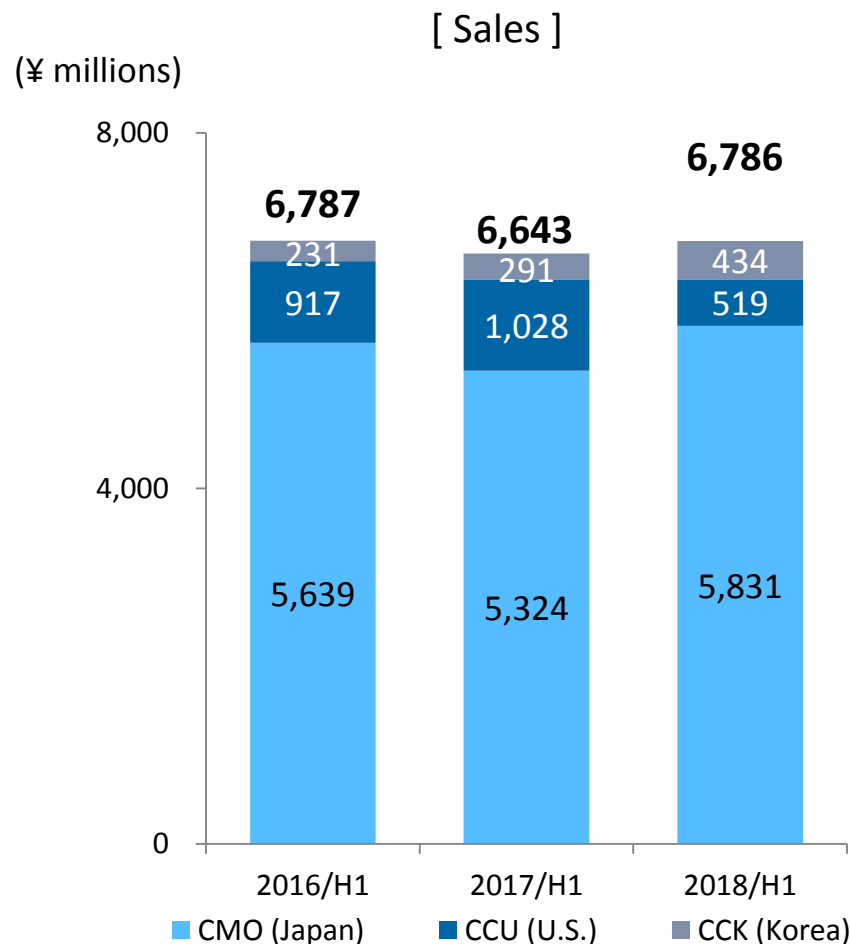


Contract Research Organization (CRO) Business



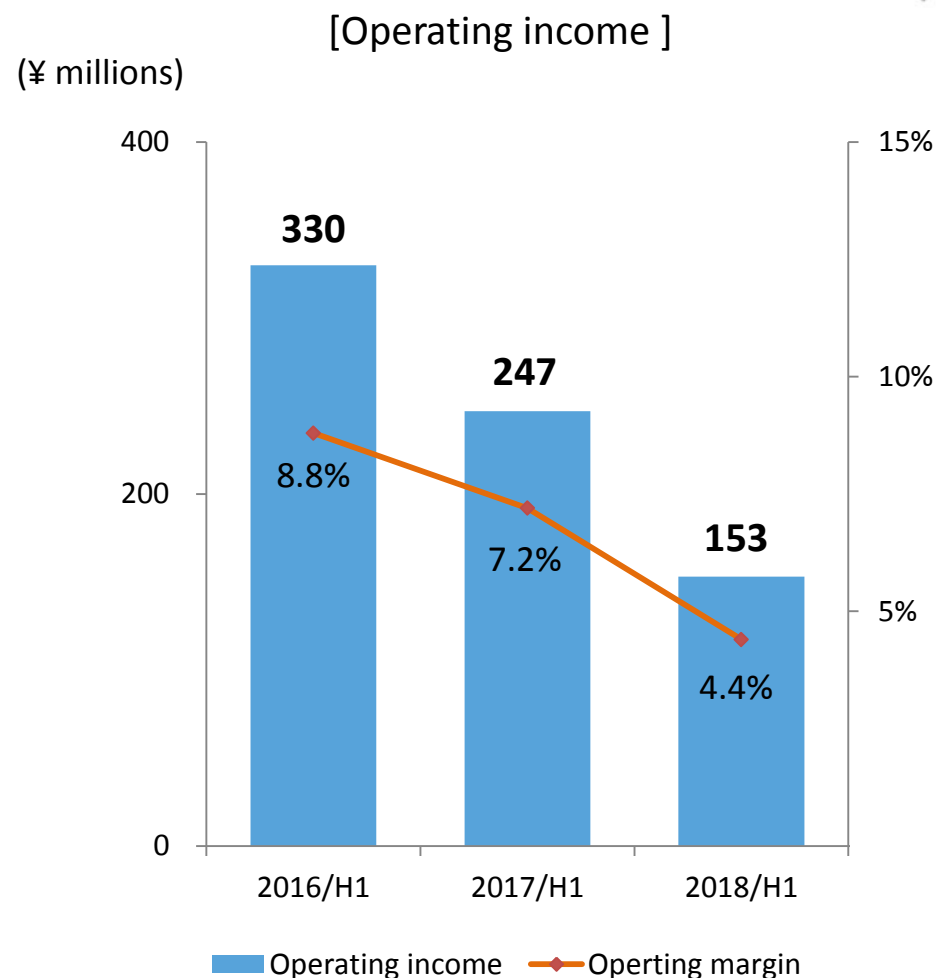
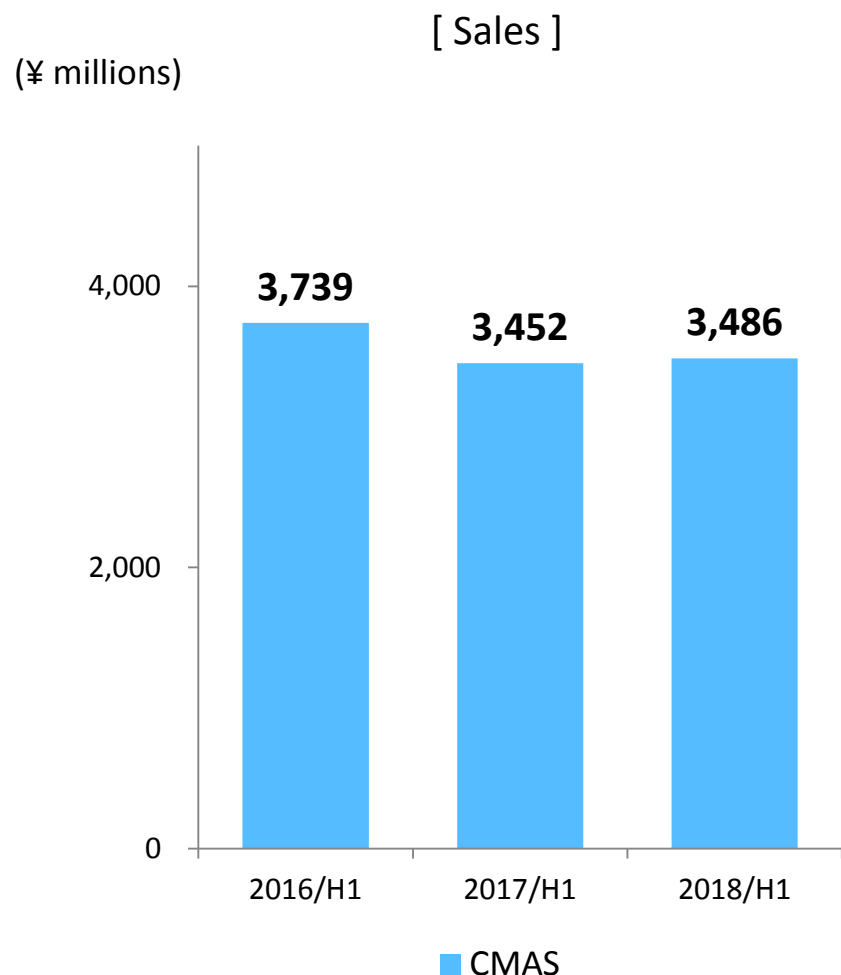
Secured human resources to meet robust demand in clinical services. Preparation is underway to establish an organization to provide end-to-end support that covers from clinical trial to PMS. For non-clinical services, Japan-US collaboration was enhanced to support Japanese companies entering the US market. Provided 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.

Contract Development Manufacturing Organization (CDMO) Business



Continued an effort to establish a low-cost production structure in the pursuit of productivity and efficiency through total service provision for drug manufacturing. Focused on the preparation towards the full-scale operation of the new injection building. Announced a capital and business tie-up agreement with Development Bank of Japan Inc. (hereafter “DBJ”) to promote broader strategies and expand our business through utilization of DBJ funding, personnel, and network in Japan and overseas, in addition to our growth based on existing business. Sales exceeded that of the same period last year thanks to robust progress of new contract manufacturing projects. Operating loss was recorded due to production volume decrease of existing orders at CMIC CMO USA Corporation and the commercial production start-up expenses for the new injection building in Ashikaga.

Contract Sales Organization (CSO) Business

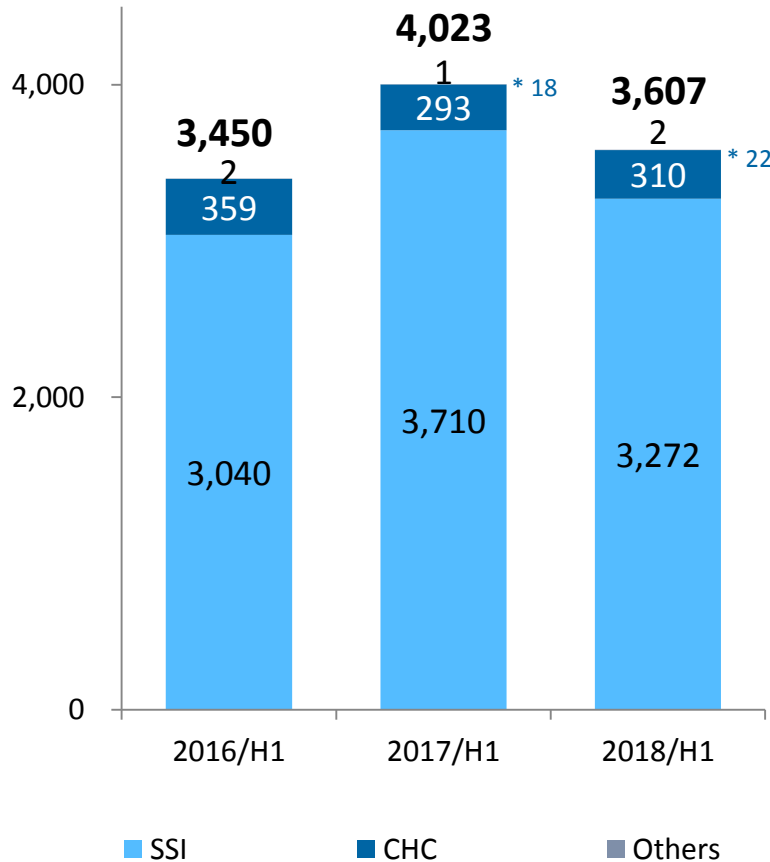


CMIC Ashfield Co., Ltd. has worked steadily to strengthen its capacity to take new orders and move through existing projects, they are also providing comprehensive commercial solution that combines various services to meet customer demands. Sales exceeded that of the same period last year thanks to robust progress of new contract projects, but operating income was less than that of the same period last year due to the hiring costs generated to take on large-scale projects.

Healthcare Business

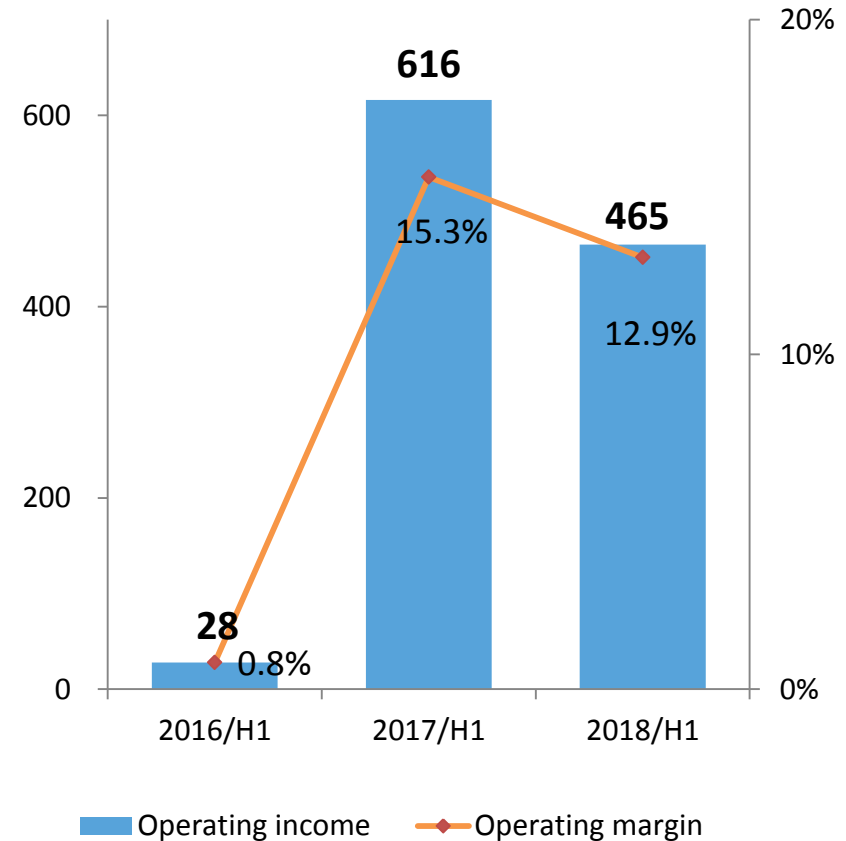
[Sales]

(¥ millions) *Adjustment



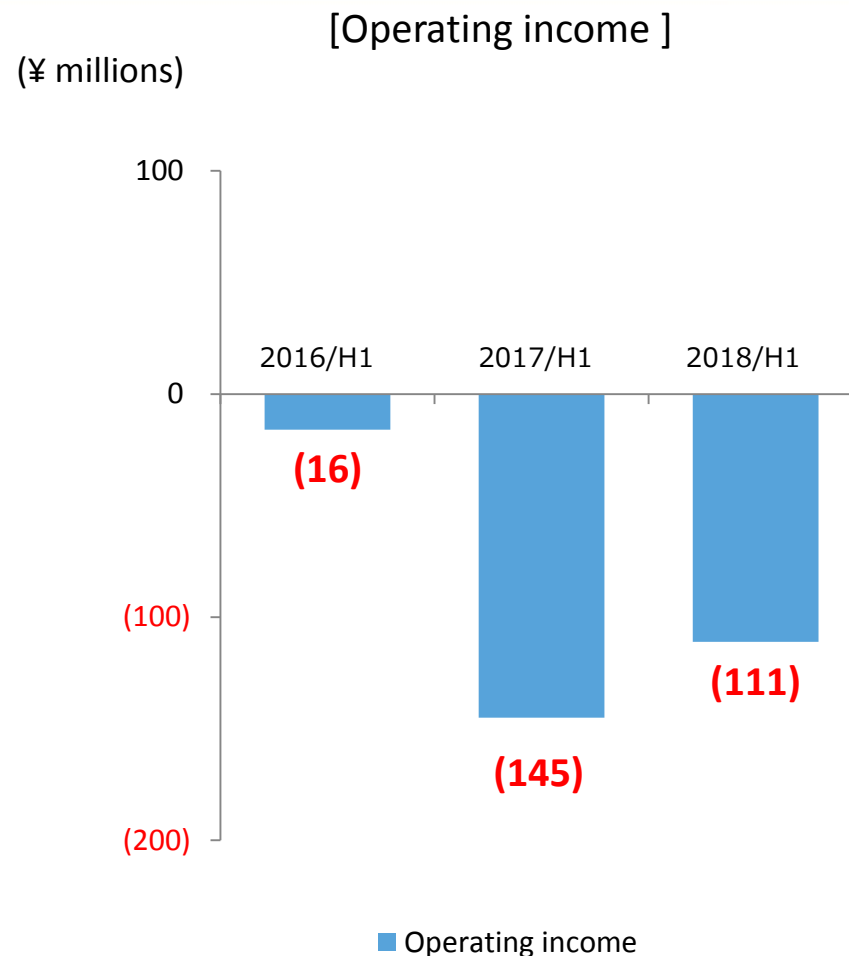
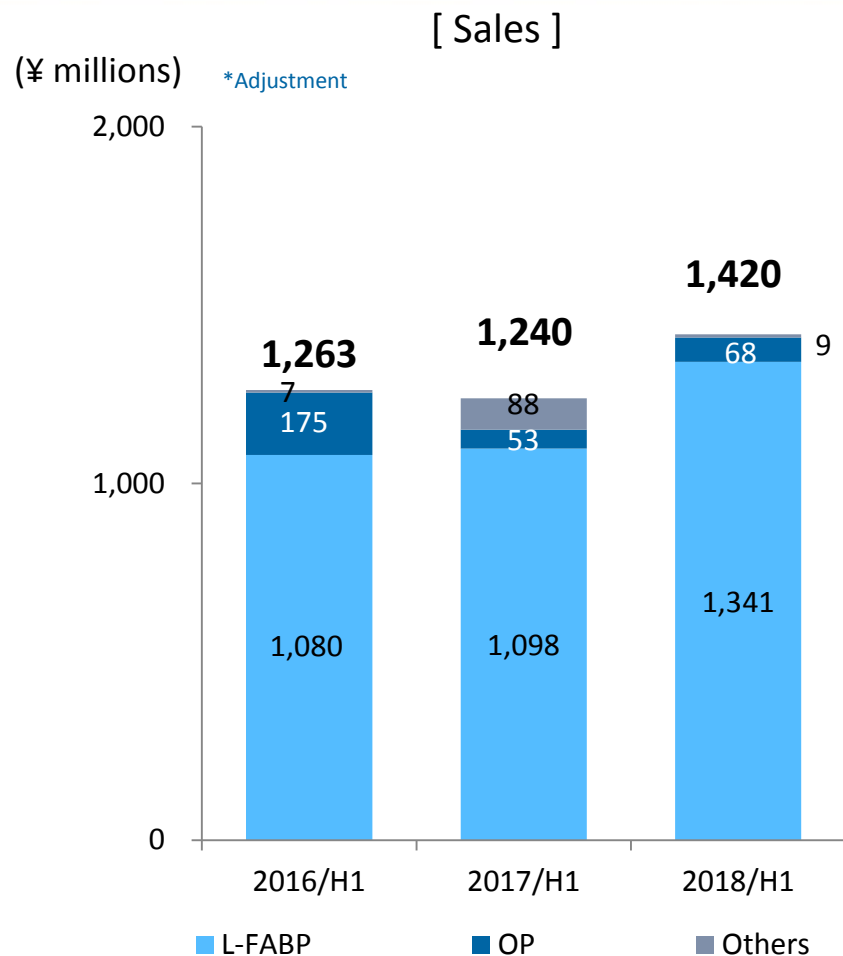
[Operating income]

(¥ millions)



Site Support Institute Co., Ltd. has acquired new orders and provided new services such as Medical Concierge Services. Jointly developed a clinical trial support solution with NEC Corporation using AI voice recognition technology to promote efficiency and quality of SMO operations. 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.

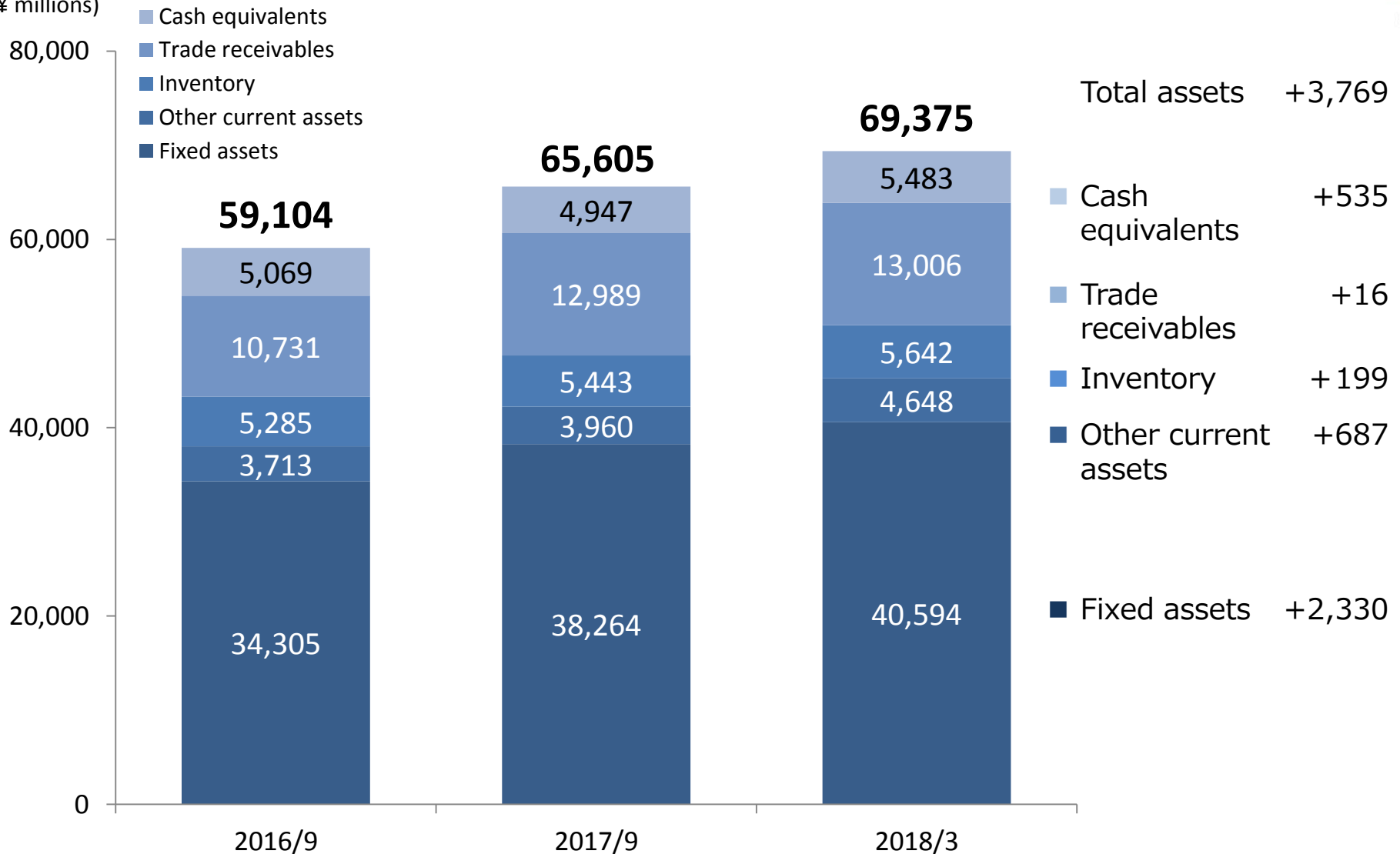
Innovative Pharma Model (IPM) Business



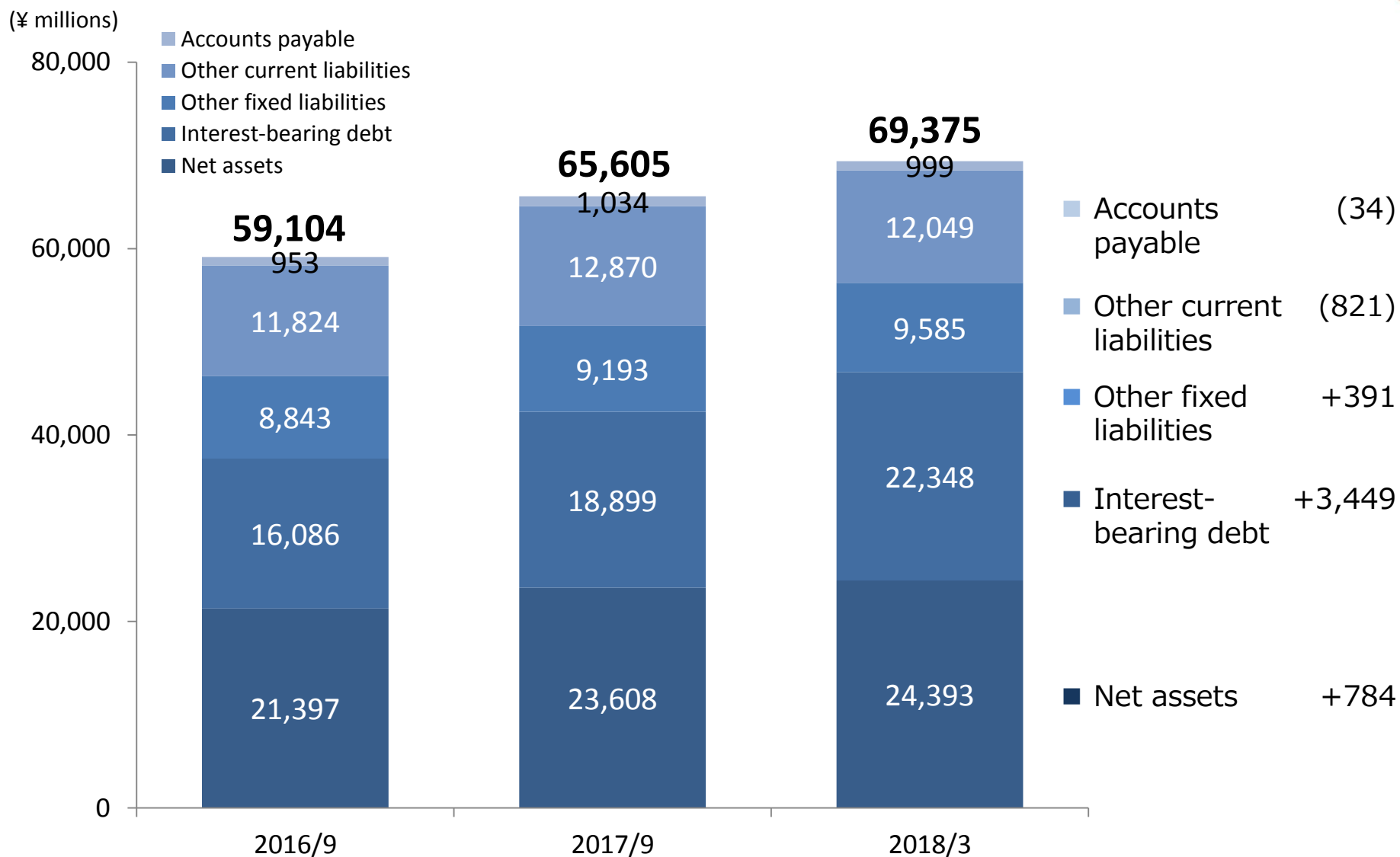
Strengthened IPM business foundation through provision of IPM platform such as selling orphan drugs including the products developed in-house and supporting foreign companies entering the Japanese market. Launched hypertension drug Rasilez[®] Tablets 150mg in March 2018. Expanded the market and strengthen promotions of the kidney disease biomarker “human L-type fatty acid-binding protein (L-FABP) kit”. Sales exceeded that of the same period last year due to sales increase of orphan drugs. Operating loss was recorded because of sales promotion expenses for “Zanmira Nail” (toe nail repair solution). Continued to expand our business scale through provision of new solutions towards positive turnaround of sales.

Balance sheet (assets)

(¥ millions)



Balance sheet (liabilities and net assets)



Cash Flows

	2017/H1	2018/H1	(¥ millions) Increase (decrease)
Cash flows from operating activities	1,257	1,986	729
Cash flows from investing activities	(3,932)	(4,266)	(334)
Cash flows from financing activities	3,352	2,853	(498)
Effect of exchange rate change on cash and cash equivalents	103	(40)	(143)
Net increase(decrease) in cash and cash equivalents	780	533	(247)
Cash and cash equivalents at beginning of period	4,946	4,928	(17)
Increase in cash and cash equivalents from newly consolidated subsidiary	1	19	17
Cash and cash equivalents at end of period	5,728	5,481	(247)

[Key factor]

(Cash flow from operating activities)

- Posting of Income before income taxes
- Proceeds from depreciation and amortization
- Payment of income tax

(Cash flow from investing activities)

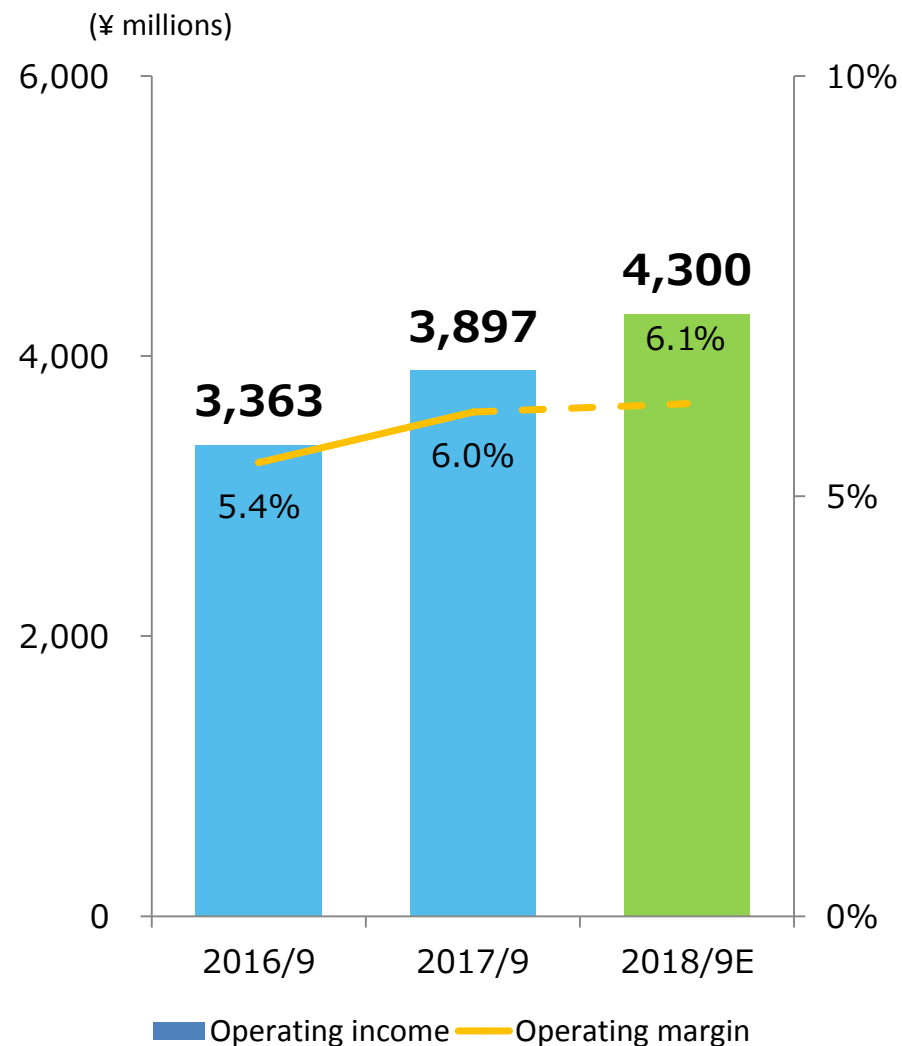
- Purchase of tangible fixed assets

(Cash flow from financing activities)

- Proceeds from short-term and long-term loans
- Repayment of long-term loans

Forecast for FY ending Sept. 2018

	2017/9 Actual	2018/9 Forecast	Change (%)
	(¥ millions)	(¥ millions)	
Sales	65,282	70,500	8.0
Operating income	3,897	4,300	10.3
Ordinary income	3,732	3,930	5.3
Profit attributable to owners of parent	1,550	1,700	9.6
Earnings per share	¥82.90	¥90.89	





FY2018 2Q Activity Highlights

CMIC Group CEO
Kazuo Nakamura

CDMO Business



CMIC CMO Co., Ltd., a fully owned subsidiary of CMIC HOLDINGS Co., Ltd., becomes a joint venture in June 2018

- To build advanced drug manufacturing platform and enhance PVC model

Purpose and expected outcome

- ▶ Securing capital investment funding
 - ⇒ Accelerating CDMO business growth, strengthening CMIC Group's management efficiency and financial base
- ▶ Utilizing DBJ personnel and corporate network in Japan and overseas
 - ⇒ Creating more opportunities for alliance and M&A

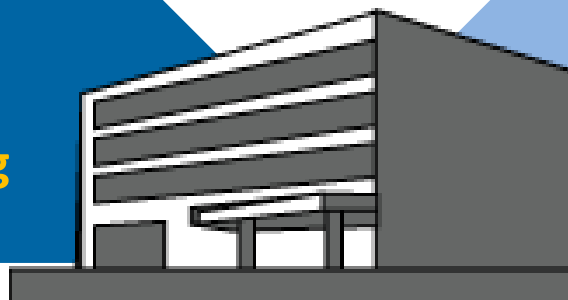
CMIC's PVC Model

Development

Formulation

Design/Manufacturing
Sales

JV



DBJ's

Funding, personnel,
and corporate network

CDMO Business Growth Stage

Long-term “disruptive” growth with M&A and large capital investment

Mid-term Organic Growth

CDMO with global presence

- Value-added drug products
- Becoming a Bio-CDMO

Leading CDMO company in Japan

- Differentiation by formulation design technology and high potency drug manufacturing

Current

One of the major CMO in Japan

- Focusing on long listed products
- Pursuit of productivity and efficiency



Project Phoenix2.0

(April 2016—March 2018)

Project Phoenix 2.0 (April 2016—March 2018)

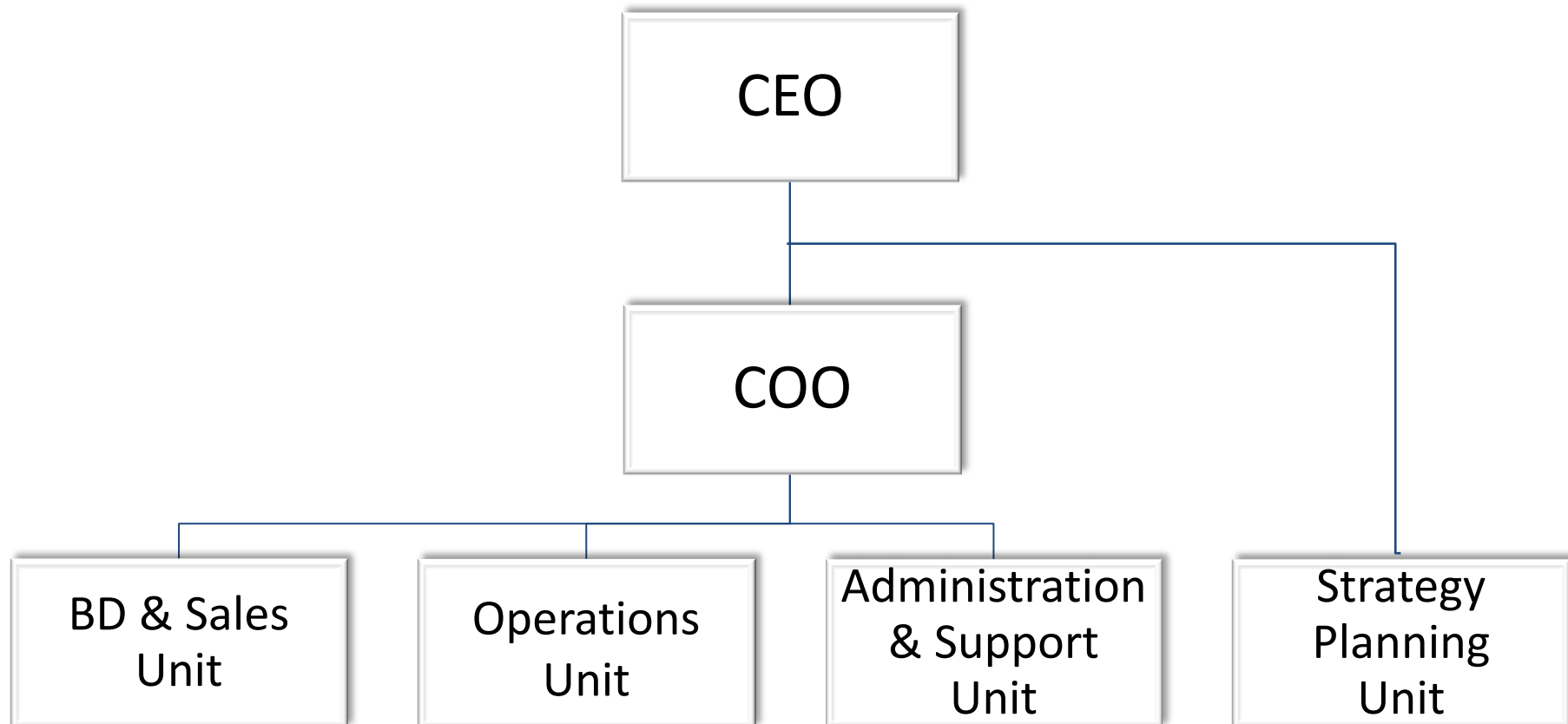
- ▶ Reorganization and personnel training for agile management (Management style transformation)
- ▶ Providing solutions using PVC functions
- ▶ Provision of Innovative Pharma Model platform



Reorganization toward agile management

Establishment of the two-top execution by CEO-COO

CEO is responsible for business strategies while COO is responsible for group-wide operations to accelerate growth strategies



Business Solutions using PVC

Japan Business Solution

←High level of customer interest

- ◆ Support pharmaceutical and venture companies with no foothold in Japan to enter the Japanese market

New Entrants Business Solution

←High level of customer interest

- ◆ Support new entrants from different sectors entering the pharmaceutical industry

Academia Business Solution

- ◆ Support for development of innovative academic seeds

Business model conversion solution

- ◆ Support for strategy shifts by pharmaceutical companies

One-stop solution

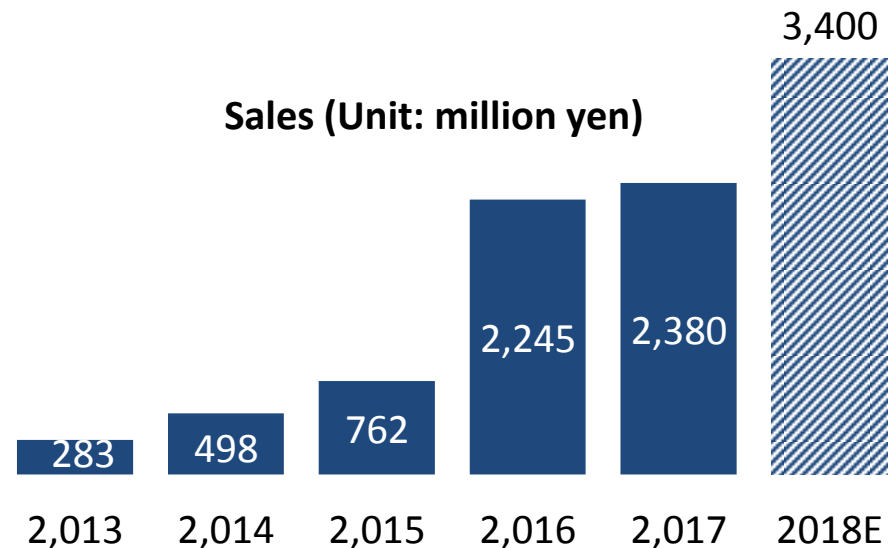
- ◆ Support for process efficiency improvements by pharmaceutical companies

Business expansion of IPM platform



- ▶ March 2018
Launched the direct renin inhibitor
“Rasilez 150 mg”

- ▶ Expanded the sales channel and enhanced the promotion of the renal disease marker “L-FABP”
- ▶ Increased sales of orphan drugs





Project Phoenix 3.0

Toward “Healthcare Revolution”

Finally started in
April 2018

CMIC's ideal state (excerpt from 2005 material)

CMIC has promoted the concept of “Healthcare Value Creator” since 2005



Corporate values = Sound profits

1st stage: Pioneer of Clinical Research Organization (CRO) in Japan

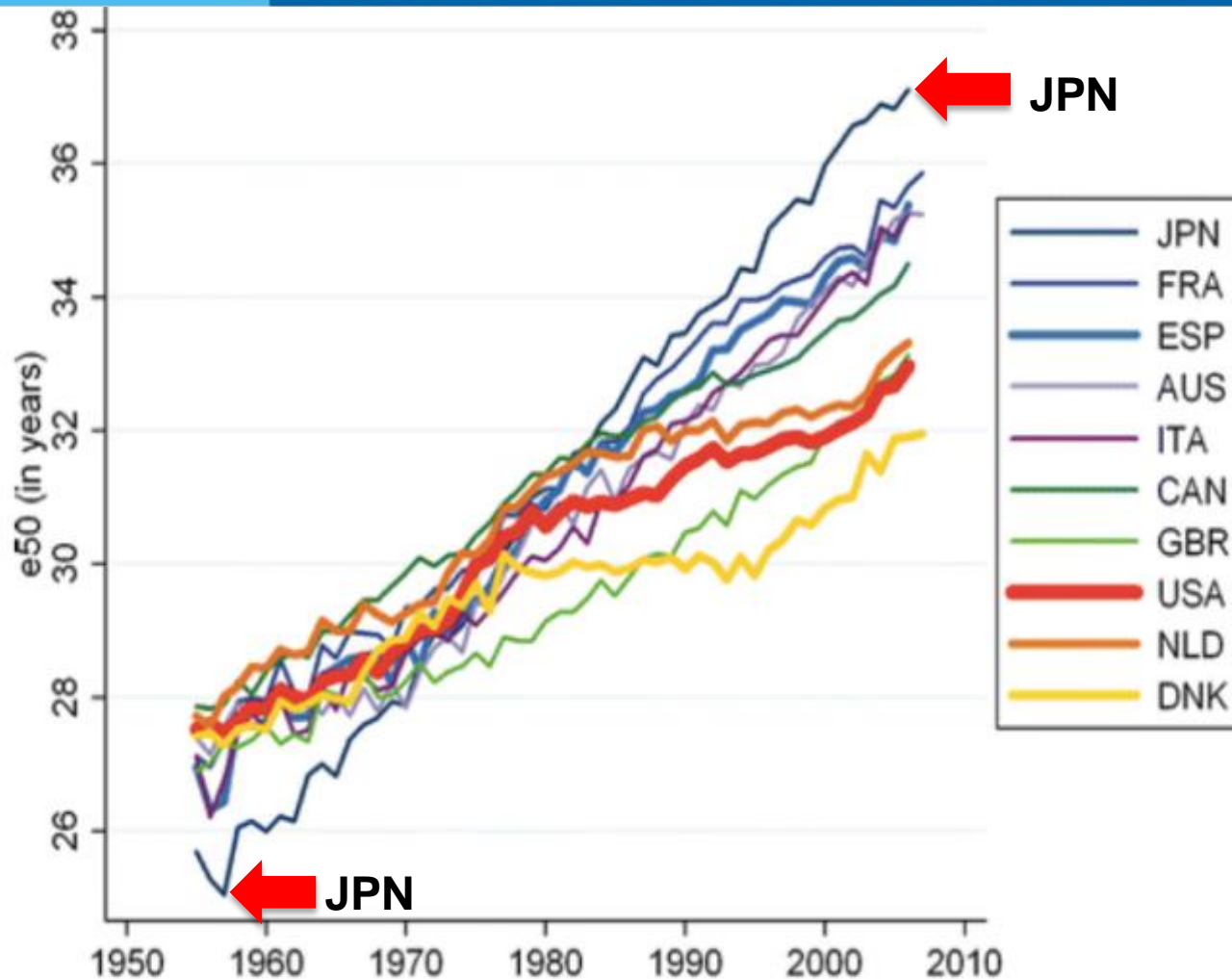
2nd stage: Business centering on supporting the value chain of pharmaceutical companies by utilizing the extensive experience and know-how accumulated as a Clinical Research Organization (CRO)

3rd stage: Launch a new business (HVC: Healthcare Value Creator) toward contribution to disease prevention, treatment, and maintenance of healthy lives



"Japanese paradox" and their longevity

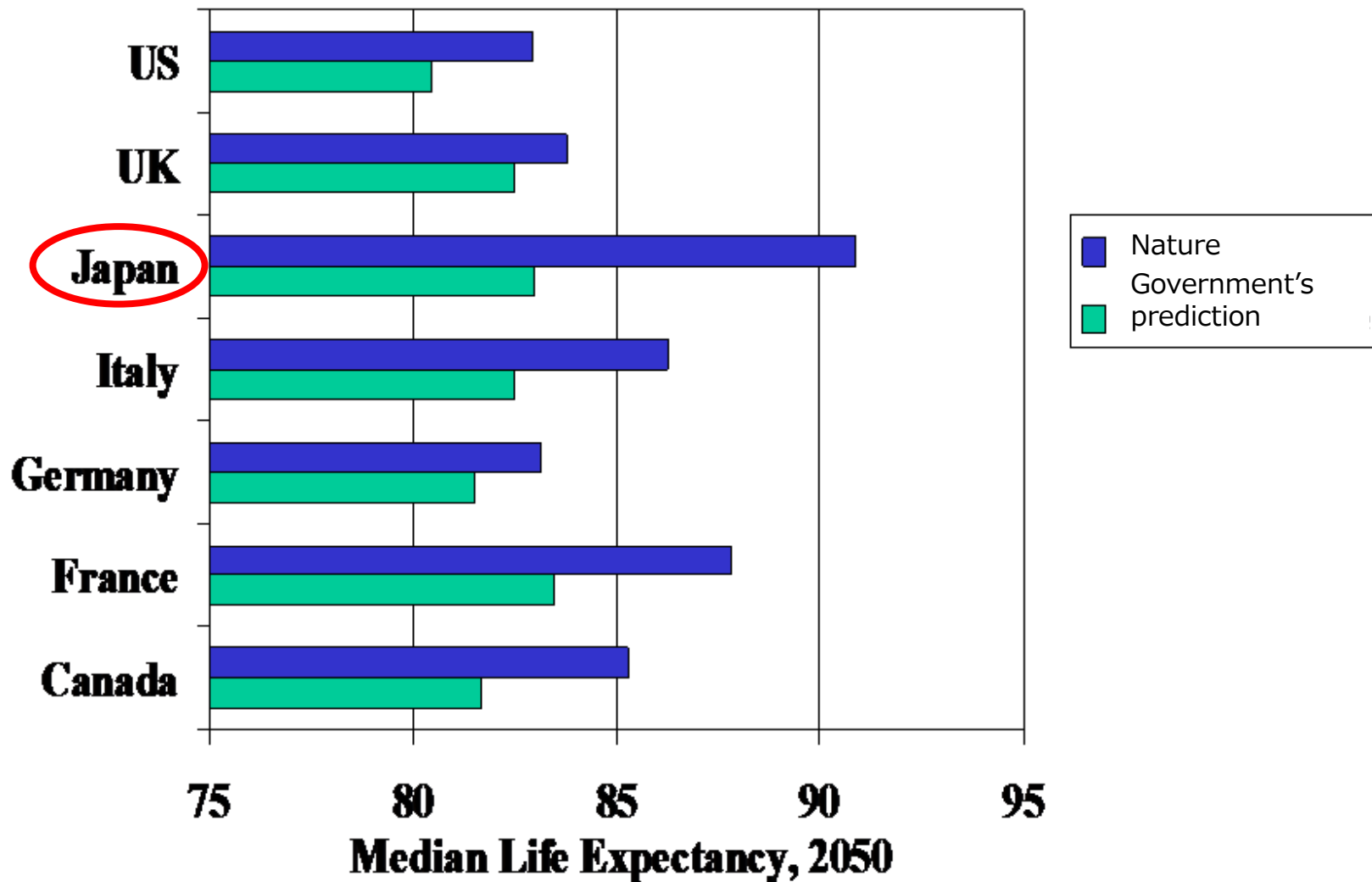
Average life expectancy in Japan : From the bottom to the top



Bezruchka S. 2012.

Annu. Rev. Public Health. 33:157-73

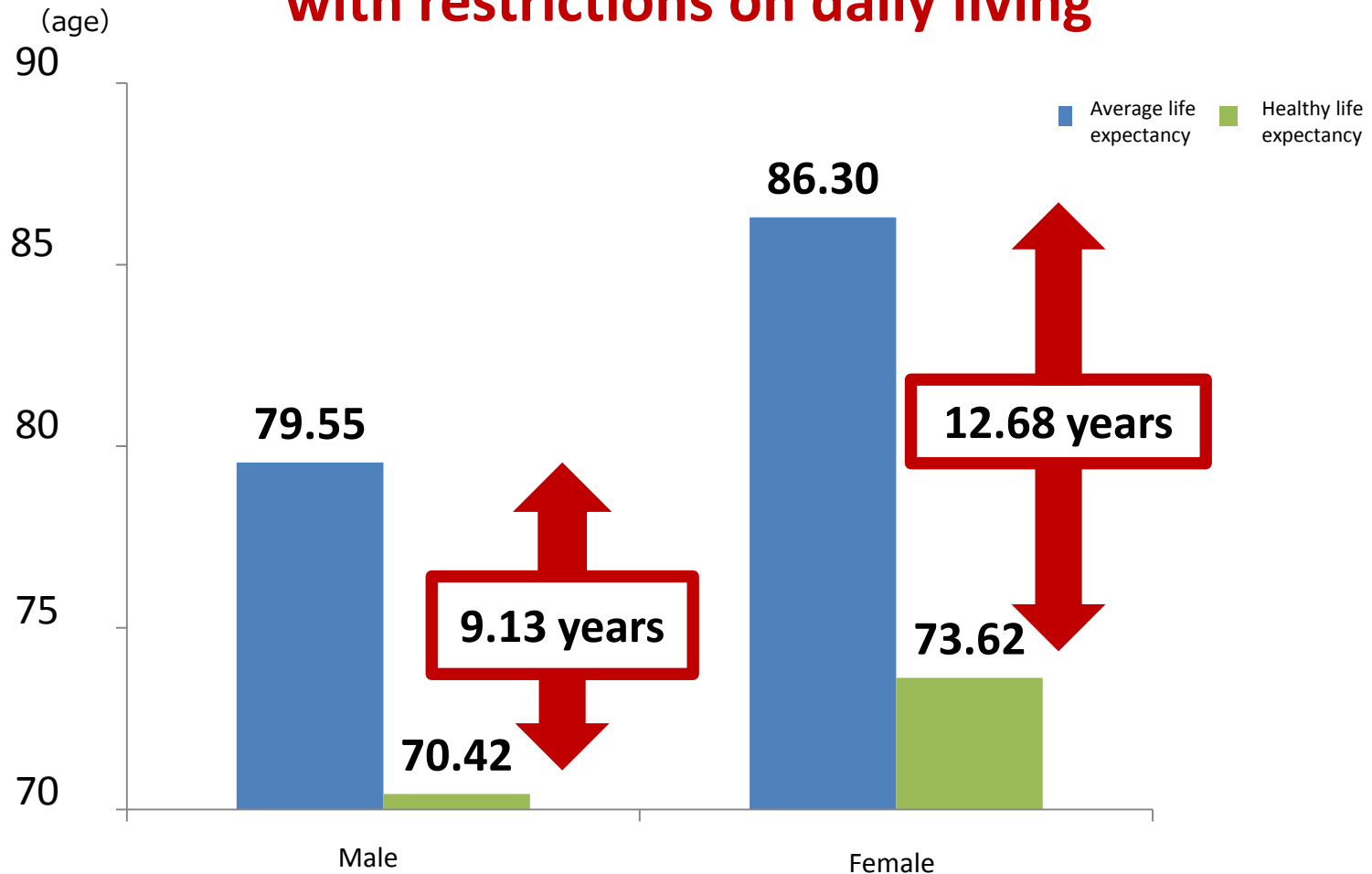
2050 average life expectancy forecast for G7 countries as of 2000



"A universal pattern of mortality decline in the G7 countries." Tuljapurkar S1, Li N, Boe C.: **Nature**. 2000 Jun 15;405(6788):789-92.

Gap between average life expectancy and healthy life expectancy

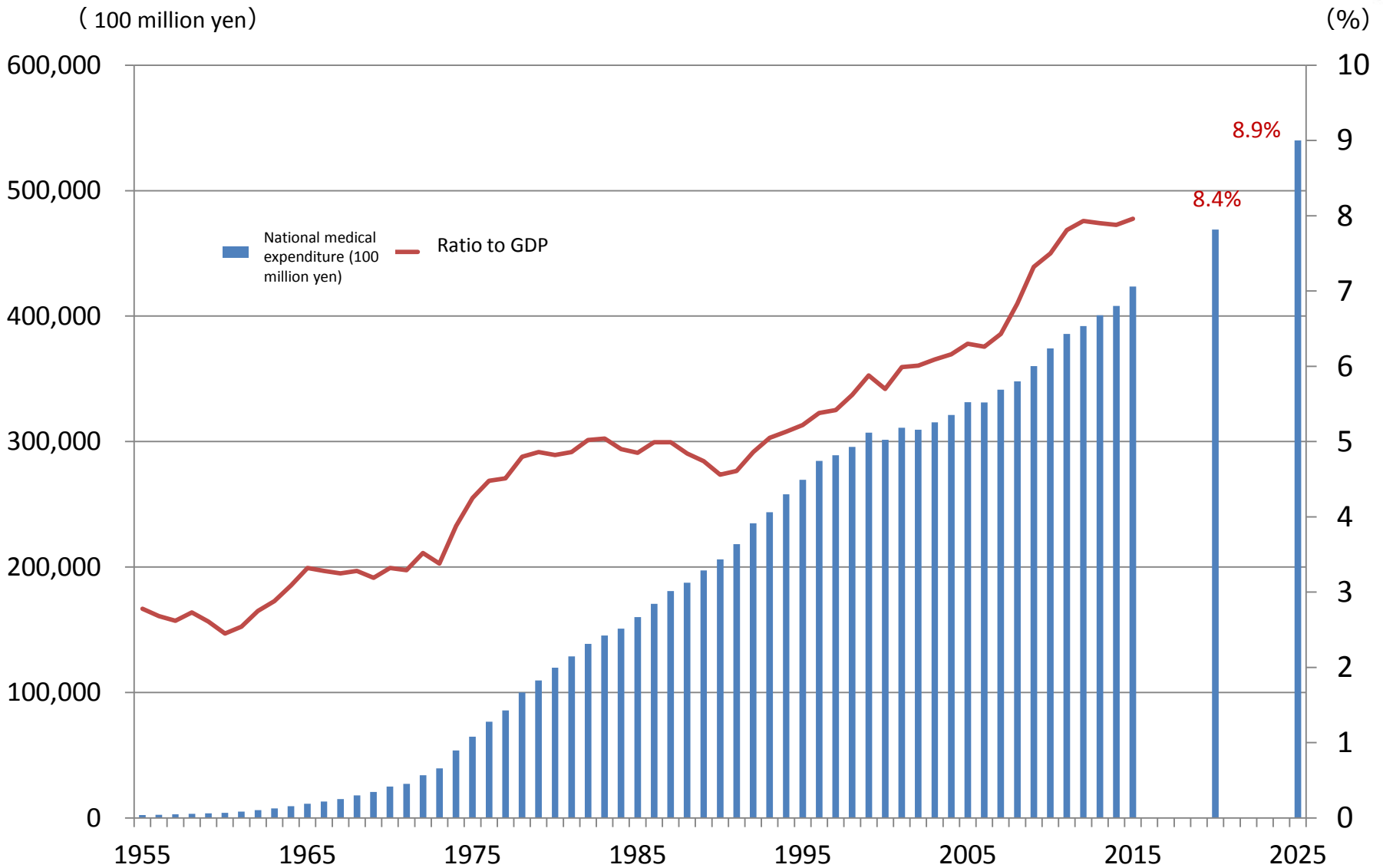
Approx. 10 years of “unhealthy period” with restrictions on daily living



*Healthy life expectancy: the number of years people can expect to live in good health without assistance

Source: 2014 Edition Annual Health, Labor and Welfare Report For the Realization of a Society of Health and Longevity

Transition of the national medical expenditure (ratio to GDP)

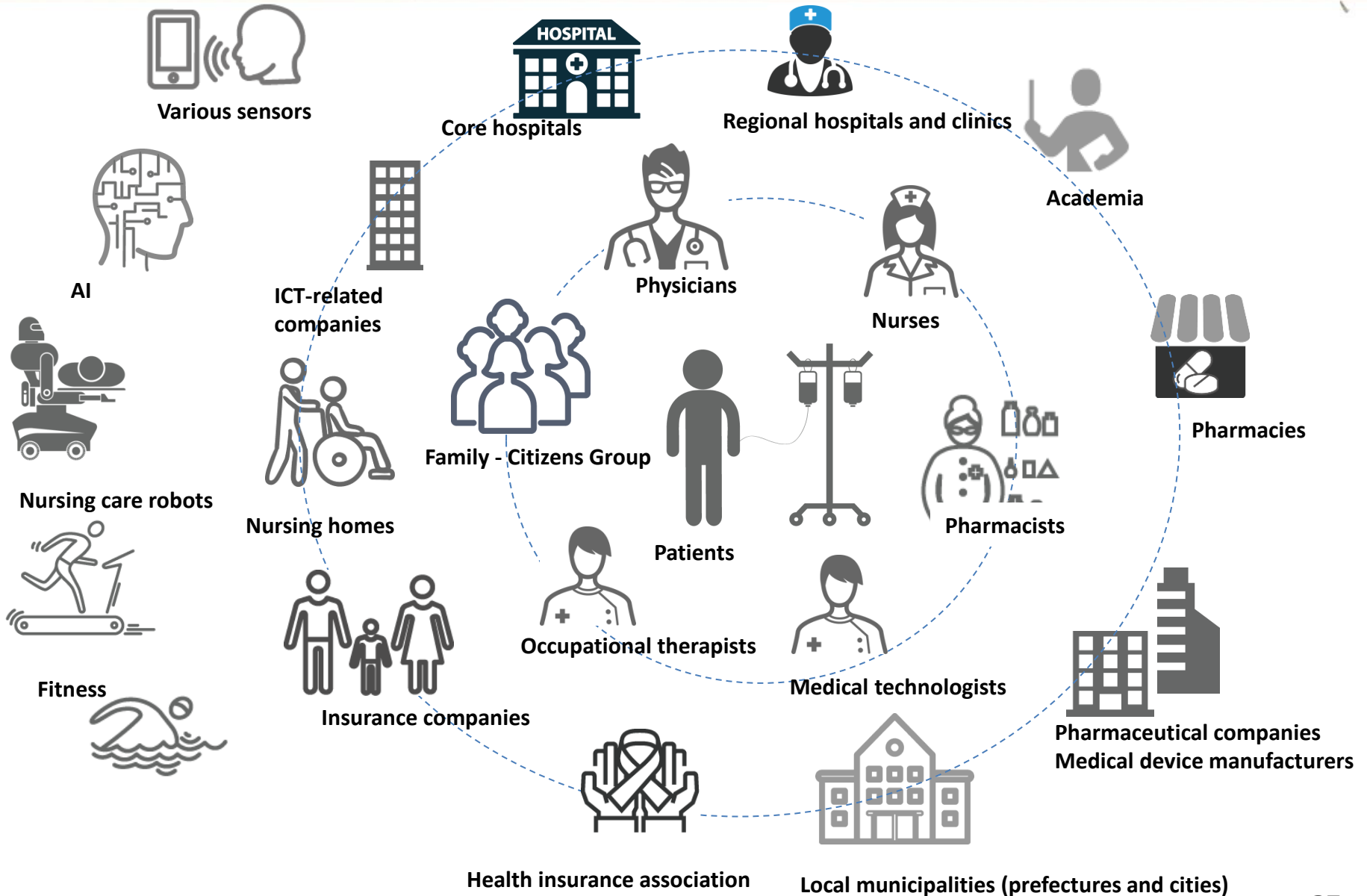


CMIC's ideal state

- ▶ Provision of services to achieve a sustainable healthcare system
- ▶ Contribution to the Personal Health Value




Diverse players in healthcare





***Establishing a
comprehensive
regional care system***

The image features a white background with decorative clusters of colorful, irregular fragments in the corners. The top-right cluster includes pieces of blue, green, orange, and grey. The bottom-left cluster is more extensive, featuring a variety of colors including red, orange, yellow, green, blue, and brown. The central text is in a bold, blue, sans-serif font.

**Started the regional
healthcare support
operations**

Started Regional Healthcare Support Operations

April 25 2018 **C3** was established

to support development and execution of the regional grand-design including the regional medicine concept and community-based integrated care systems



- ▶ Identify issues and provide consultation to municipal governments focusing on therapeutic areas such as diabetes, dementia, cancer, and osteoporosis
- ▶ Organize consortium with local municipalities, university hospitals, healthcare-related companies, healthcare professionals, and citizens' groups for problem solving and execution support
- ▶ Concurrently create the real world data to measure health economic outcomes
- ▶ Horizontal application of best practices to other regions

Mechanism of consortium



Consortium

consultation for appropriate medicine use

Medical expenditure containment



Local municipalities (prefectures and cities)

Comprehensive information about disease and treatment
Improve the quality of healthcare



University hospital/Medical institutions

Sales promotion
Promotion of appropriate use



Healthcare-related companies

Comprehensive information on disease and treatment
Improve communication with patients
Various requests



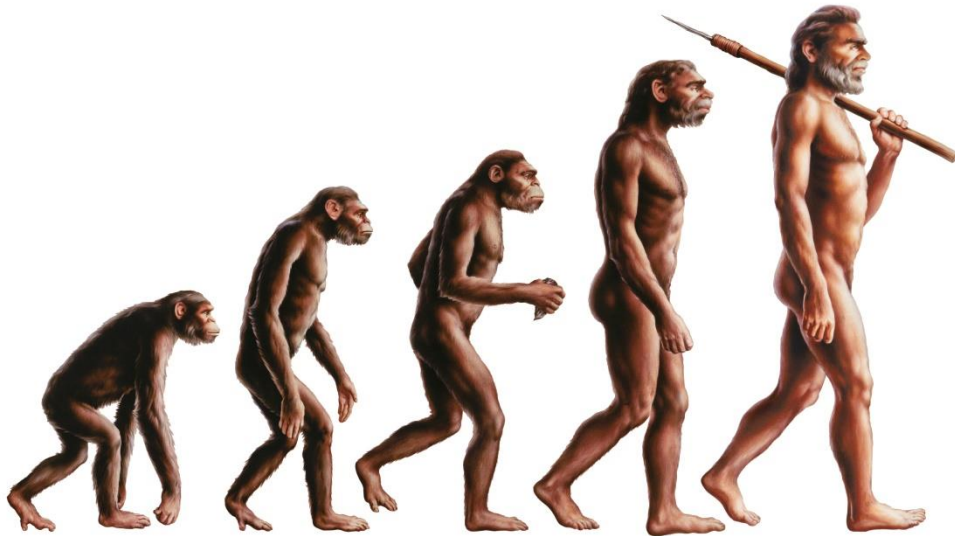
Healthcare professionals

Comprehensive information on disease and treatment
Suppression of excessive medical interventions
Containment of medical care cost



Patients' and Citizens Group

It is not the most intellectual of the species that survives; it is not the strongest that survives; but the species that survives is the one that is able to adapt to and to adjust best to the changing environment in which it finds itself.



**Charles Robert Darwin
1809-1882**

G H I K L

CMIC'S CREED



With unchanging determination at heart, we change



Because we are at the turning point, customer needs are becoming more diverse and advanced than ever.

To satisfy such needs, we must be willing to change the way we do business. But there is one thing that should not change:

That is "CMIC'S CREED".

CMIC'S CREED

Our CREED

We are determined to bring innovation to healthcare so that all people, regardless of age and gender, can live their precious lives according to their will. This is our aspiration as the CMIC Group.

Whether in childhood, when brilliance has yet to blossom, or in late adulthood, when potential has bloomed, we respect every individual's drive to live fully in the moment. We shall sincerely address each and every life. We shall overlook no one.

To achieve this, we shall continually challenge ourselves to strive for a better future. We shall transform ourselves, seek new vantage points, turn our unwavering passion into values, and continue to contribute to individuals and society.

With unchanging determination at heart, we change



CMIC's Culture "Wellbeing" and "3Cs" to support the culture



Wellbeing

Fully live every moment

Challenge

Liberate opportunity by changing our vantage point

Change


Transform without seeking refuge in conventional wisdom

Communication

Proactively reach out to people and society

With unchanging determination at heart, we change





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.

