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July 28, 2017

CMIC HOLDINGS Co., Ltd. Consolidated Financial Results For the 3rd Quarter Ended June 30, 2017

(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 3.8% year on year to ¥47.978 billion on a consolidated basis**
- **Operating income increased 6.4% to ¥2.922 billion**
- **Earnings per share ¥54.82**
- **CRO Business won new orders for large-scale clinical trial projects, order backlog of contract services grew 14.3% year on year to ¥70.92 billion**
- **SMO Business of Healthcare segment achieved significant performance recovery**

Tokyo, July 28, 2017 – CMIC HOLDINGS Co., Ltd. (TSE Code: 2309) today reported financial results for the 3rd quarter ended June 30, 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 and value chains.

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 this consolidated fiscal year marks the 25th anniversary of our founding, 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 third quarter of fiscal year 2017 with the following results:

During this Q3 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 Q3 consolidated cumulative period were ¥47.978 billion (up 3.8% YoY) and operating income was ¥2.922 billion (up 6.4% 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)			
	Q3 FY2017	Q3 FY2016	YoY Change Amount	YoY Change %
Sales	24,838	23,284	+1,553	+6.7
Operating income	4,280	3,816	+464	+12.2

In this business, we provide services primarily to pharmaceutical companies to support drug development. In this Q3 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. In addition, we are expanding the business of regenerative medicine such as conducting safety tests including tumorigenicity testing at the newly established laboratory. In April 2017, we concluded an agreement with Fosun Pharma group to establish a joint venture in Suzhou, China that provides support for generic drug application. Preparations are underway to start analytical laboratory and bioequivalence testing operations. 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)			
	Q3 FY2017	Q3 FY2016	YoY Change Amount	YoY Change %
Sales	10,226	10,663	(436)	(4.1)
Operating income	(25)	334	(359)	-

In this business, we provide services primarily to pharmaceutical companies to support drug formula development and manufacturing. In this Q3 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 October 2018. As for sales and operating income, while we have recorded a decrease in sales compared to the same period in the previous year and incurred an operating loss 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 due to recovery

of new orders and contract manufacturing of existing projects.

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

	(Millions of yen)			
	Q3 FY2017	Q3 FY2016	YoY Change Amount	YoY Change %
Sales	5,230	5,581	(350)	(6.3)
Operating income	396	443	(47)	(10.7)

In this business, we provide sales- and marketing-support services, primarily to pharmaceutical companies. In this Q3 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.

Sales and operating profit are below the prior year level due to outsourcing needs of MR dispatch business facing the adjustment stage.

- **Healthcare Business**

	(Millions of yen)			
	Q3 FY2017	Q3 FY2016	YoY Change Amount	YoY Change %
Sales	5,915	5,153	+762	+14.8
Operating income	944	107	+837	+782.8

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 Q3 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)			
	Q3 FY2017	Q3 FY2016	YoY Change Amount	YoY Change %
Sales	1,972	1,881	+91	+4.9
Operating income	(343)	(109)	(234)	-

IPM business provides new business solutions to pharmaceutical companies that combine marketing authorization licenses possessed by our group and value chains. At the present stage, we are 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. They are working to strengthen IPM business foundations with activities including the conclusion of sales transfer agreement with MSD K.K. in April 2017 for the drug that has been approved for the indication of "hyperinsulinemic hypoglycemia". In the diagnostics business, in October 2016, our group began selling simple test kits (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 addition, nation-wide sales of "Zanmira Nail" (toe nail repair solution) started as a new solution model that provides marketing authorizations held by CMIC group and value chains.

Though sales exceeds that of the same period last year following the sales increase of orphan drugs and others, operating profit is lower than that of the same period last year due to increase of advertising expenses. We are enhancing business development activities toward business scale expansion through provision of new solutions.

Ordinary Income

Ordinary income for this Q3 consolidated period was ¥2,855 million (up 17.0% YoY).

In addition, for non-operating income, we recorded ¥160 million in foreign exchange gain and interest income, and for non-operating expenses we recorded ¥227 million of interest expense and share of loss of entities accounted for using equity method.

Net Income for the Quarter

Current profit attributable to owners of parent for this Q3 consolidated period was ¥1,025 million (up 18.4% YoY).

As for extraordinary loss, we recorded ¥448 million as a provision of allowance for doubtful accounts, ¥1,249 million in total income taxes, and ¥132 million in profit attributable to non-controlling interests.

Consolidated Financial Position

Assets, liabilities, and net assets

Total assets at the end of this Q3 consolidated financial period increased by ¥5.909 billion YoY to ¥65.014 billion.

This is mainly due to an increase in notes and accounts receivable-trade, property, plant and equipment and investment securities.

Total liabilities increased by ¥4.188 billion YoY to ¥41.895 billion. This is mainly due to an increase in long-term debts.

Total net assets increased by ¥1.721 billion YoY to ¥23.119 billion. This is mainly due to an increase in retained earnings.

Summary of Results for the 3rd Quarter Ended June 30, 2017 (October 1, 2016 through June 30, 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)

	Q3 FY2017		Q3 FY2016	
		Change (%)		Change (%)
Net sales	47,978	3.8	46,236	13.3
Operating income	2,922	6.4	2,745	459.8
Ordinary income	2,855	17.0	2,440	—
Profit attributable to owners of parent	1,025	18.4	866	—
Earnings per share (Yen)	54.82		46.33	
Diluted net income per share (Yen)	—		—	

Reference: Comprehensive income: 3rd quarter FY2017: ¥2,022 million (97.3%increase)
3rd quarter FY2016: ¥1,025 million (—)

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

	Q3 FY2017	Year End FY2016
Total assets	65,014	59,104
Net assets	23,119	21,397
Equity ratio (%)	34.7	35.5
Book value per share (Yen)	1,205.95	1,122.55

Reference: Shareholders' equity: 3rd quarter FY2017: ¥22,557 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. In addition, our IPM (Innovative Pharma Model) business is providing new business solutions to pharmaceutical companies that combine marketing authorization licensing and value chains. 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 3rd Quarter Ended September 30, 2017

(1) Consolidated Balance Sheets

	(Millions of yen)	
	Q3 FY 2017 (June 30, 2017)	Year End FY 2016 (September 30, 2016)
Assets		
Current assets		
Cash and deposits	5,892	5,069
Notes and accounts receivable - trade	11,887	10,731
Merchandise and finished goods	764	486
Work in process	3,413	3,368
Raw materials and supplies	1,546	1,430
Other	3,788	3,723
Allowance for doubtful accounts	(11)	(10)
Total current assets	27,281	24,799
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	10,450	9,911
Land	6,158	6,298
Other, net	10,962	8,845
Total property, plant and equipment	27,571	25,055
Intangible assets		
Goodwill	826	1,093
Other	1,126	1,274
Total intangible assets	1,952	2,367
Investments and other assets		
Investment securities	3,218	1,376
Lease and guarantee deposits	1,622	1,630
Other	3,960	4,145
Allowance for doubtful accounts	(592)	(268)
Total investments and other assets	8,209	6,883
Total noncurrent assets	37,733	34,305
Total assets	65,014	59,104

(Millions of yen)

	Q3 FY 2017 (June 30, 2017)	Year End FY 2016 (September 30, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,238	953
Current portion of bonds	-	50
Short-term loans borrowings	1,260	2,250
Current portion of long-term debt	2,212	2,783
Commercial papers	5,000	2,000
Income taxes payable	178	1,007
Provision for bonuses	603	2,054
Provision for directors' bonuses	-	49
Provision for loss on order received	447	402
Other	8,853	8,310
Total current liabilities	19,792	19,861
Noncurrent liabilities		
Long-term debt	13,017	9,002
Net defined benefit liability	6,794	6,325
Other	2,290	2,517
Total noncurrent liabilities	22,102	17,846
Total liabilities	41,895	37,707
Net assets		
Shareholders' equity		
Capital stock	3,087	3,087
Capital surplus	7,715	7,715
Retained earnings	11,322	10,596
Treasury shares	(265)	(265)
Total shareholders' equity	21,859	21,134
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	878	414
Foreign currency translation adjustments	3	(143)
Remeasurements of defined benefit plans	(183)	(409)
Total accumulated other comprehensive income	698	(138)
Non-controlling interests	561	401
Total net assets	23,119	21,397
Total liabilities and net assets	65,014	59,104

(2) Consolidated Statement of Income

(Millions of yen)

	Q3 FY 2017 (October 1, 2016– June 30, 2017)	Q3 FY 2016 (October 1, 2015– June 30, 2016)
Net sales	47,978	46,236
Cost of sales	37,420	36,202
Gross profit	10,558	10,033
Selling, general and administrative expenses	7,636	7,287
Operating income	2,922	2,745
Non-operating income		
Interest income	14	25
Foreign exchange gains	95	-
Compensation income	-	21
Other	51	64
Total non-operating income	160	111
Non-operating expenses		
Interest expenses	92	112
Foreign exchange losses	-	196
Share of loss of entities accounted for using equity method	81	54
Other	53	54
Total non-operating expenses	227	417
Ordinary income	2,855	2,440
Extraordinary losses		
Loss on sales of non-current assets	27	1
Loss on retirement of non-current assets	99	37
Impairment loss	-	11
Compensation expenses	-	103
Provision of allowance for doubtful accounts	321	-
Total extraordinary losses	448	153
Profit before income taxes	2,407	2,287
Income taxes - current	897	844
Income taxes - deferred	351	422
Total income taxes	1,249	1,267
Profit	1,158	1,019
Profit attributable to non-controlling interests	132	153
Profit attributable to owners of parent	1,025	866

(3) Consolidated Statement of Comprehensive Income

(Millions of yen)

	Q3 FY 2017 (October 1, 2016– June 30, 2017)	Q3 FY 2016 (October 1, 2015– June 30, 2016)
Profit	1,158	1,019
Other comprehensive income		
Valuation difference on available-for-sale securities	463	148
Foreign currency translation adjustments, net of tax	161	(234)
Remeasurements of defined benefit plans, net of tax	239	91
Total other comprehensive income	864	5
Comprehensive income	2,022	1,025
Comprehensive income attributable to		
Owners of parent	1,862	893
Non-controlling interests	159	131