

Business Activities Report 2021



CMIC Group Business Activities Report

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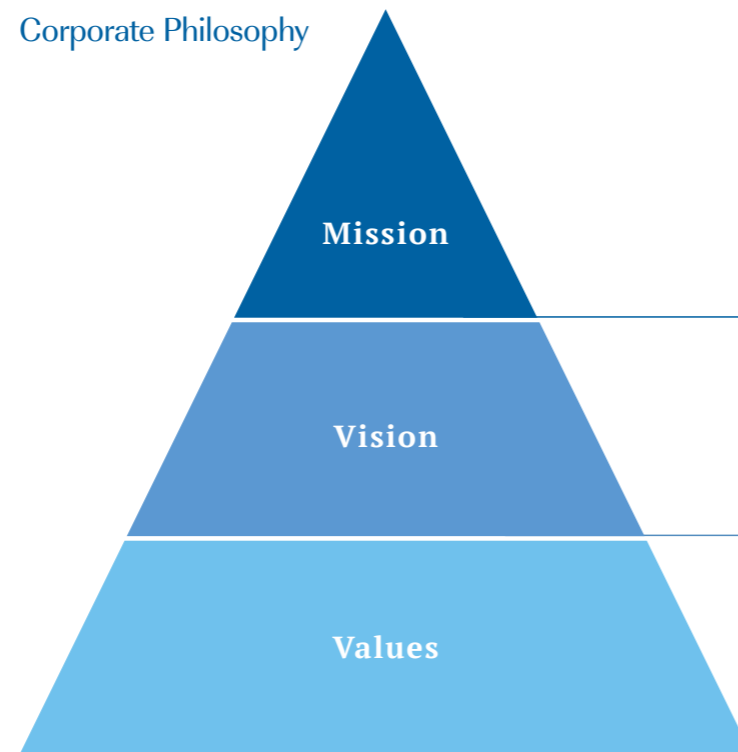
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Editorial Policy

To help various stakeholders understand its business models, strategies, and management foundation initiatives for creating medium- to long-term corporate value, the CMIC Group publishes a Business Activity Report (Integrated Report) that comprehensively summarizes its business activities from each of the financial as well as social, environmental, and other non-financial perspectives. During the editing process, we referred to the international framework put forward by the Value Reporting Foundation (VRF) and the value co-creation guidelines formulated by Japan's Ministry of Economy, Trade and Industry.



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
Liberate opportunity by changing our vantage point

Change
Transform without seeking refuge in conventional wisdom

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.



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.

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.

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.

What
CMIC's corporate calling & raison d'être

Why
States our corporate mission

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.

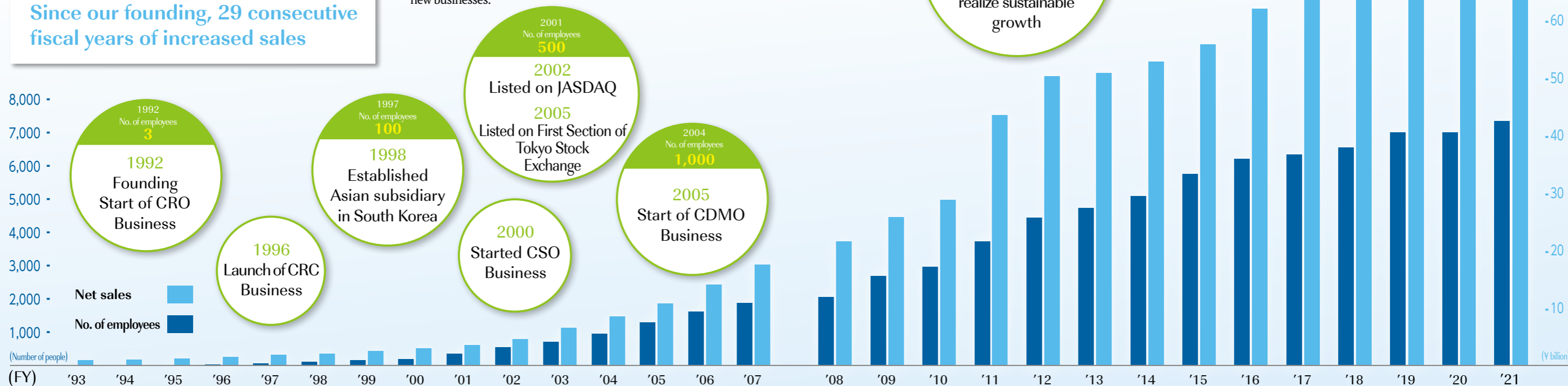
1992 Established as a CRO industry pioneer

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. 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.

Growth trajectory
Since our founding, 29 consecutive fiscal years of increased sales



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 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.

2022 Toward the Third Founding

Having positioned the fiscal year ending September 30, 2022, which marks the 30th Anniversary of the Company's establishment, as the start of the Third Founding, we are promoting support for initiatives geared toward the total care of disease, ranging from prevention to diagnosis, treatment, and prognosis. Based on the new business environment in which we live with COVID-19, we will at the same time work to strengthen the Group's management foundation and make progress toward sustainable growth. We will contribute to the treatment of illnesses through cutting-edge science centered on CROs, and pursue IKIGAI (purpose of life) with a broad view of the concept of health.

2022-2025
New Mid-term Management Plan (2022-2025)
Third Founding

2012 Transitioned to a holdings company structure

2018 No. of employees 6,500

2015 Launched Project Phoenix initiative to realize sustainable growth

2019-2021 Mid-term Management Plan (2019-2021) Healthcare Revolution 2.0

2021 No. of employees 7,500

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 and a business model that maximizes the “Personal Health Values.”

Comprehensively supporting the value chains of pharmaceutical companies
The Pharmaceutical Value Creator (PVC) model

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. By providing all-encompassing support, from upstream to downstream, throughout a pharmaceutical company’s value chain, the CMIC Group offers solutions that are tailor-made to individual needs, and that elicit the maximum value of stakeholders. Making use of its wide-ranging experience, CMIC’s strength is its diverse customer base, which not only includes pharmaceutical companies based both in and outside of Japan, but also bio ventures, and companies that are new entrants in the pharmaceutical industry.

The Innovative Pharma Model (IPM), creating value as a pharmaceutical company, for pharmaceutical companies
The Innovative Pharma Model (IPM)

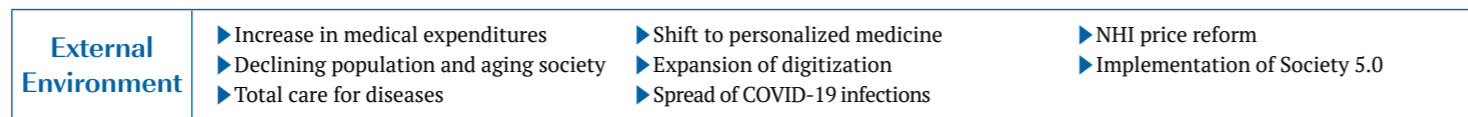
Utilizing its many years of experience providing support, the CMIC Group conducts in-house development of orphan drugs, that on account of a low number of patients do not attract the attention of pharmaceutical companies. It also acquires marketing authorization licenses (intellectual property) as a 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. This IPM is an evolution in the development of the PVC model. The CMIC Group offers management strategy options to stakeholders by combining the marketing authorization licenses (intellectual property) that it holds, together with drug development, manufacturing, sales, and marketing value chains.

Maximizing the “Personal Health Values”
The Personal Health Value Creator Model (PHVC)

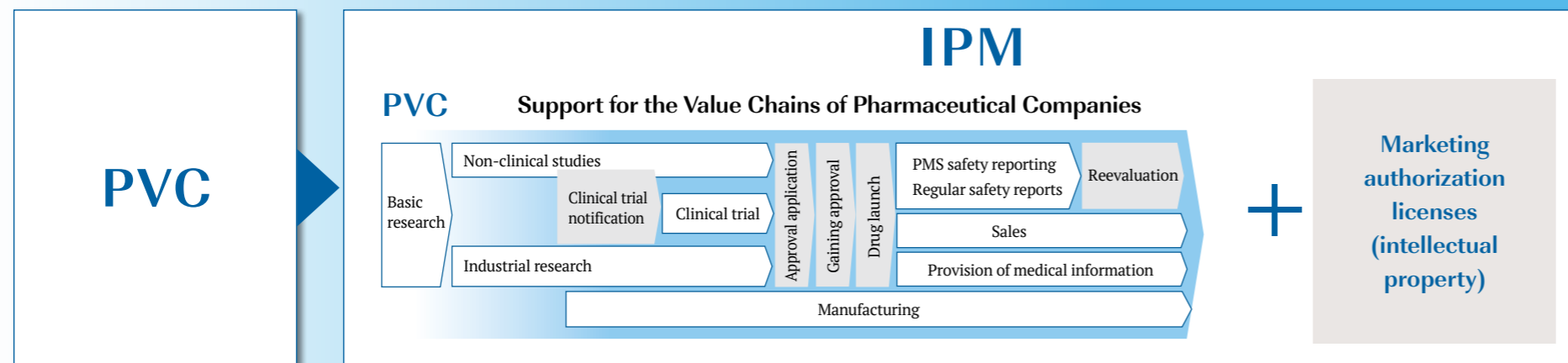
With the PVC model serving as the foundation for sustainable growth, the Personal Health Value Creator (PHVC) model is a business model that maximizes the “Personal Health Values.”

Positioning the fiscal year ending September 30, 2022, which marks the 30th Anniversary, as the first year of the Third Founding, we will broaden the concept of health and work to maximize the health value of each and every individual. At the same time promoting drug development and digitization with new drug discovery basic technology, we will expand our business domain into the healthcare field and contribute to the treatment of cutting-edge diseases centered on CROs.

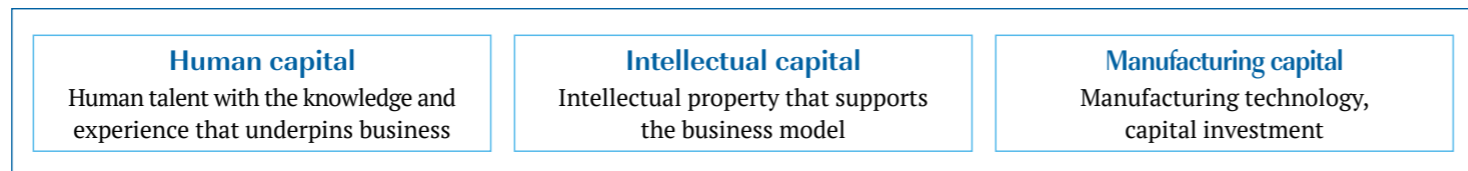
The CMIC Group positions this business model as the foundation of the Group’s sustainable growth. By creating a healthcare business that broadly contributes to maintaining and promoting the health of all people, we are aiming to be a company that grows hand in hand with society.



Evolution of Business Model in Line with Changes in the External Environment



Source of Value Creation



Beyond Coronavirus, Toward Our Third Foundation Centered on Healthcare Revolution

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 each and every person live a happy life? Guided by **CMIC'S CREED**, which encapsulates such thoughts, we will transform ourselves and seize new business opportunities in healthcare.

Toward Our Third Foundation Period

1) CRO:
Contract 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.

What we are aiming for is to contribute to the treatment of illnesses through cutting-edge science centered on **CRO¹⁾** and, as a business that contributes to personal health value (PHVC: Personal Health Value Creator), to boldly take on the challenges of creating a new healthcare business that is needed by society. In an environment in which COVID-19 infections are widespread, the CMIC Group provides comprehensive support for infection control by local governments and government agencies, including vaccinations, in addition to supporting the development, manufacture, and sales of therapeutic drugs and vaccines. Taking the broader view of the concept of health, we are giving consideration to pursuing IKIGAI (purpose of life) through the creation of new businesses related to local municipalities and residents, the creation of new healthcare businesses comprising treatment as well as prevention and the promotion of health maintenance. The fiscal year ending September 30, 2022 will mark the 30th Anniversary of our founding. Positioning this opportunity as the Third Founding, we will work to strengthen the Group's management base and make progress toward sustainable growth.

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.

From CRO to PVC, PHVC

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. 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. This kind of thinking eventually turned into a sense of the mission I myself had to follow. After taking over a dormant pharmaceutical data analysis contractor, we re-launched it in 1992 as Japan's first CRO.

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 non-Japanese 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, the government established in 1997 the Ministerial Ordinance on Good Clinical Practice (**GCP²⁾**) for Drugs in Japan, bringing stringent 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.

Since that point, we have 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.

Development of CSO³⁾ 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.

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

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

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.

Entering the CDMO⁴⁾ 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, and we are also 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.

Launching the IPM Business (Intellectual Property Business)

Having 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, the CMIC Group has been creating 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, 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 started the development of mainly orphan drugs, established a sales company, and in 2013, started selling products developed in-house.

By creating a value chain, the CMIC Group established 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.

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.

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.”

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. We are shifting from a business model centered on pharmaceuticals to one that creates a new healthcare business, creating businesses that contribute to maintaining and improving the health of individuals, and promoting the deployment of Group human resources in the healthcare field.

The CMIC Group’s goal is to achieve a “Healthcare Revolution” by supporting the development of innovative treatments, and by developing and introducing its 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 “campus” style of management 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 real world data (RWD), which we think have the potential to be major game changers. As technology itself continues to evolve, we will work to incorporate that which we need now while simultaneously keeping an eye out for future opportunities centered on “harmo®,” which is being utilized as a PHR (Personal Health Record)-type medical information linkage system that centrally manages information related to personal health. 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, but we think that only then will the technologies arise that will enable us to seize substantial growth opportunities for the Company.

Message from the COO

Executing the New Mid-term Management Plan (FY2022-2025) and Aiming for Sustainable Growth

Keiko Oishi

Representative Director,
President and COO



Review of the Previous Mid-term Plan

Compared with the target of JPY 85.5 billion set under the previous mid-term plan (FY2019-FY2021), we achieved net sales of JPY 85.7 billion. At JPY 4.9 billion, however, we failed to meet our operating income target of JPY 6.8 billion. This was an achievement ratio of 72.4%. There were two reasons we fell short of our operating income target. The first was a decrease in the CRO Business due to the spread of COVID-19. The CRO Business has a high profit margin. As such, a decline impacts the Group's overall profits. The second was a delay in the start of full-scale commercial production at the new sterile injectable production facility in the CDMO Business (Ashikaga Plant). Despite our outlook for a higher plant operation rate following the start of production in the fiscal year ended September 30, 2021, schedule changes led to a delay in profit recovery.

	Fiscal year ended Sept. 30, 2018	Fiscal year ended Sept. 30, 2021		
	Actual	Actual	Mid-term Management Plan	Achievement Ratio
Net sales	¥69.8 billion	¥85.7 billion	¥85.5 billion	100.3%
Operating income	¥4.3 billion	¥4.9 billion	¥6.8 billion	72.4%
Operating margin	6.2%	5.7%	8.0%	-
ROE	6.5%	8.3%	12% and/or higher	-

The New Mid-term Management Plan (FY2022-2025)

The basic policy for the New Mid-term Management Plan is "From Pharmaceutical Value Creator to Personal Health Value Creator." Based on the Pharmaceutical Value Creator (PVC) model, which is a unique business model that fully supports the value chains of pharmaceutical companies, we aim to expand to a Personal Health Value Creator (PHVC) business model that maximizes the

"Personal Health Values."

The focus activities we raised for this purpose are (1) evolution of healthcare business, (2) comprehensive support for disease prevention, treatment R&D, and marketing, and (3) contribution to a sustainable society through services with high social benefits. In terms of the first and second activities, we will increasingly

drive forward initiatives that we began during the previous mid-term management plan. In terms of the third activity, we will expand our contribution to a sustainable society as a company involved in the business of supporting human life. We therefore intend to broaden our training of "healthcare professionals" and activity scope as one of these efforts.

Our financial targets for the fiscal year ending September 30, 2025, are net sales of JPY 100 billion, an operating income of JPY 7 billion, and an operating margin of 7%.

As the first year of the Mid-term Management Plan, the fiscal year ending September 30, 2022, marks a milestone for us as the 30th Anniversary of our inception. Which is why we have defined it as the first year of the Third Founding. Along with promoting drug development and digitization with new drug discovery basic technology, our policy is to focus on expanding our business domain into the healthcare field; providing support for initiatives that deliver the total care of diseases, ranging from prevention to diagnosis, treatment, and prognosis; and working to strengthen the Group's management foundation and making progress toward sustainable growth.

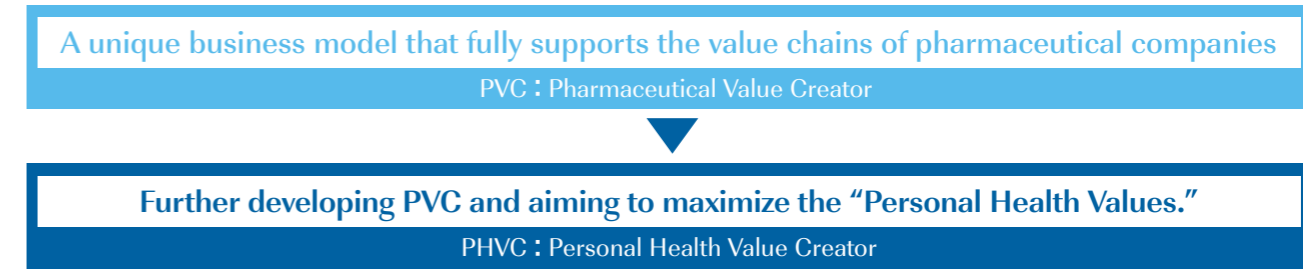
Along with contributing to the treatment of illnesses through cutting-edge science centered on CROs, we will pursue IKIGAI (purpose of life) with a broad view of the concept of health. At the same time, we will categorize the Group's businesses into two segments, namely "Pharmaceutical Solutions," which will employ the PVC model, and "Healthcare Solutions," which will contribute to the health of individuals through medical institutions and local governments. And we will chart growth in accordance with the business characteristics of each.

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.

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.

Basic Policy



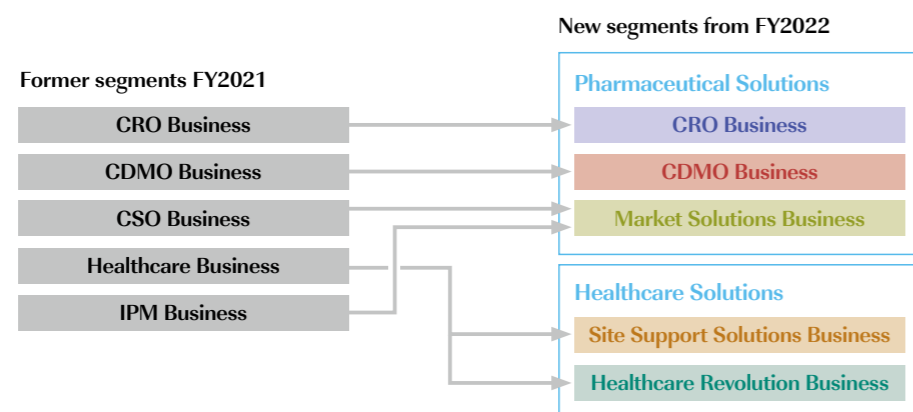
Focus Activities and Financial Targets

Evolution of healthcare business	<ul style="list-style-type: none"> Creation of new healthcare business to respond to health values of diverse individuals Disease total care initiatives that cover prevention, diagnosis, treatment, and prognosis Providing support by integrating talents and technologies such as "harmo" 	
Comprehensive support for disease prevention, treatment R&D, and marketing	<ul style="list-style-type: none"> Maximizing the speed of market access Promotion of digital transformation and drug development using the new drug discovery platform Enhancing value proposition for drug discovery ventures with no presence in Japan 	
Contribution to sustainable society through services with high social benefits	<ul style="list-style-type: none"> Training "healthcare professionals" who can contribute to maintain medical care system Corporate activities with environmental protection and occupational health and safety 	

	FY2021 Actual	FY2025 Target	Annual growth target (%)
Net sales	¥85.7 billion	¥100 billion	+3.9%
Operating margin	¥4.9 billion	¥7 billion	+9.2%
Operating income	5.7%	7%	
ROE	8.3%	10% and/or higher	

Changes to Reporting Segments

Having defined the fiscal year ending September 30, 2022, a milestone that marks the 30th Anniversary of our inception, as the first year of the Third Founding, we will promote drug development and digitization with new drug discovery basic technology. Along with this move, we will expand our business domain into the healthcare field and provide support for initiatives that deliver total care for diseases, ranging from prevention to diagnosis, treatment, and prognosis. At the same time, we will categorize our businesses into two segments, namely “Pharmaceutical Solutions,” which will employ the PVC model, and “Healthcare Solutions,” which will contribute to the health of individuals through medical institutions and local governments.



Plans of Each Business Segment

* The figures for FY2021 are based on the categories following the change in segments.

Pharmaceutical Solutions

CRO Business

CMIC's unique advantages & the previous mid-term plan results

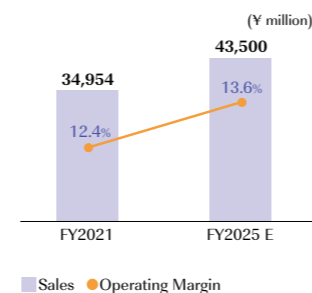
- Experience in wide range of therapeutic areas
- Japan's leading regulatory affairs consulting function
- Provide full-function services from non-clinical to post-marketing
- Diverse customer base in both Japan and overseas
- New services by therapeutic area (e.g., oncology, CNS, regenerative medicine) and via digitalization

Business environment

- Development advancing in areas of unmet needs using new modalities
- Increasing number of global clinical trials and declining number of Japanese local trials
- Downsizing of development projects, increase in post-marketing projects
- Utilization of Real World Data (RWD)
- Productivity improvement using RPA & AI for routine/non-routine operations
- Alliance for global development

Focus activities

- Enhanced development support for advanced therapies such as biologics and regenerative medicine (full support for filing by Academia and BV)
- Digital applications such as DCT and RWD
- Proactive take on nucleic acid medicine projects via collaboration of laboratories in Japan and the US
- Proactive take on global clinical studies (clinical trials in Asia, Japan-US bioanalysis business)
- Business expansion to the U.S. and Asia
- Aim for the #1 share in Japan



Pharmaceutical Solutions

CDMO Business

CMIC's unique advantages & the previous mid-term plan results

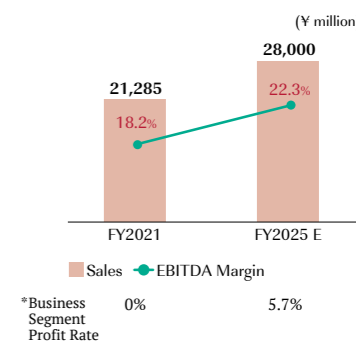
- Scale, expertise & wide range of formulation capabilities
- Improvement of formulation technologies such as continuous production and microneedles
- One-stop services from the formulation development stage
- Seamless support in the US and Japan
- Strengthening of business foundation via JV with DBJ

Business environment

- Increase in domestic contract manufacturing
- The domestic pharmaceutical industry reevaluating their manufacturing bases
- Reduced contract production volume due to NHI price revision
- Capabilities of manufacturing biologics, etc.
- Continued high growth in injectables
- Challenge in stable domestic supply of generic drugs

Focus activities

- Steady implementation of production at the Ashikaga injectable facility and its contribution to earnings
- Full-scale development of licensing business for formulation technologies (microneedles, etc.)
- Expand business at the new US site
- Strengthen our position as a strategic partner for domestic pharmaceutical companies



Pharmaceutical Solutions

Market Solutions Business

CMIC's unique advantages & the previous mid-term plan results

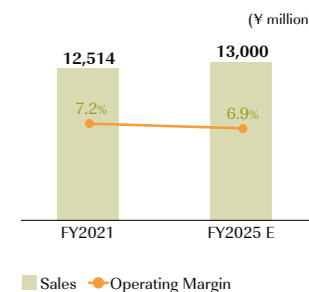
- Proposal-based CSO with multi-channel services
- The #2 player in the industry for the contract MR business
- Increase in customer recognition as a proposal-based CSO
- A track record in obtaining approvals & selling
- Support for the launch of seeds from academia and bio-venture companies
- Support for overseas companies' out-licensing to Japan

Business environment

- Growth in the orphan drug space
- Reduced demand for CMR following the divestment of long-listed products
- Heightening needs for specialty (MSL)
- Change in promotion following the growth of community-wide care

Focus activities

- Expand positioning in the MR dispatch business
- Efficient recruitment of MRs and MSLs
- Provision of hybrid services
- Promotion of multi-channel



Healthcare Solutions

Site Support Solutions Business

CMIC's unique advantages & the previous mid-term plan results

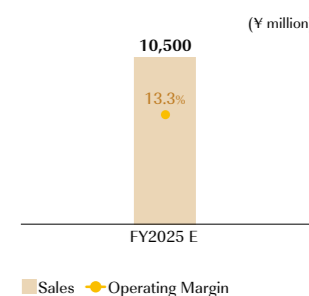
- Network with medical institutions and highly specialized talents
- Experience in a broad range of therapeutic areas from large-scale clinical trials for lifestyle-related diseases, etc. to intractable/rare diseases
- Expanding network with large-scale sites and university hospitals

Business environment

- Development projects becoming smaller and more complex
- Increasing number of new services using new technologies
- Productivity improvement using RPA & AI for routine/non-routine operations
- Increase in new healthcare service providers and alliances

Focus activities

- Shifting from treatment to prevention/prognosis market (prophylaxis treatment agents and clinical trials using apps)
- Providing support for university hospital network, etc.
- Providing services in community healthcare



Healthcare Solutions

Healthcare Revolution Business

CMIC's unique advantages & the previous mid-term plan results

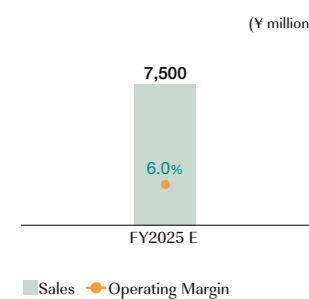
- Network with local governments and companies through the vaccination business
- Improved resource efficiency in the human resources business
- A healthcare digital platform established centering on human resources and "harmoni"

Business environment

- Expanding needs for healthcare business, especially among local governments
- Digital technology further advancing

Focus activities

- Expansion of healthcare services & utilization of data by using "harmoni"
- Expansion of healthcare services for local governments and companies
- Expansion of self-screening services (for cancers, etc.)
- Nurture and secure healthcare human resources



CMIC's Earnings Structure, Finance and Capital Strategy

(CFO Interview)

Impact of COVID-19

In the fiscal year ended September 30, 2021, the spread of COVID-19 failed to subside due to the emergence of multiple variants. Meanwhile, the environment for drug development continues to improve as vaccination efforts by local governments and workplaces progress and measures to alleviate pressure on the medical system show some sign of success. As far as the CMIC Group is concerned, our core CRO Business in particular was affected by the decision to refrain from visiting medical institutions and delays in development projects. Despite a difficult operating environment, CMIC achieved record high earnings by promoting the use of Group human resources in the healthcare field and focusing on support services for COVID-19 countermeasures targeting local governments. In addition, successful steps were taken to reduce the interest-bearing debt incurred to address concerns surrounding the impact of the pandemic. At present, the Company's cash flow and finances are stable.

Earnings Structure by Segment

The CMIC Group's consolidated sales by segment for the fiscal year ended September 30, 2021 comprised the CRO Business at 41%, followed by the CDMO Business at 24%, the CSO Business at 10%, the HC Business at 21%, 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 around 40% 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. Despite this, profit margins narrowed in the fiscal year ended September 30, 2021 due to reduced sales and the subsequent downturn in operation rates as a result of COVID-19.

Another service area, the CDMO Business, which accounts for approximately one quarter 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 are currently seeking 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 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. In addition, we began implementing measures aimed at the contract development and manufacture of biopharmaceutical drug substances from October 2020.

The Healthcare Business accounts for approximately 20% 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 "evolution 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, 2021, we worked diligently to promote healthcare that contributes to the early detection of disease and prevention of aggravation, centered on the electronic prescription record function of "harmo®." 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. By combining the PVC model with the Innovative Pharma Model (IPM), which is its extension, the potential exists for the CMIC Group to extend its operations from a flow business that ends after development to an organization that engages in long-term activities such as the CDMO Business and OrphanPacific. Although the pharmaceutical company OrphanPacific incurs a certain amount of overhead costs, including those for deploying its three-tiered manufacturing and sales structure, we secured a profit for a second consecutive period in the fiscal year ended September 30, 2021. Looking ahead, we will continue to engage in a wide range of activities including the reduction of costs and provision of support services for overseas-based pharmaceutical companies. In this manner, we will expand our business endeavors and deliver solutions that rival companies do not provide.

¥ million

	2012/9	2013/9	2014/9	2015/9	2016/9	2017/9	2018/9	2019/9	2020/9	2021/9
Profit/Loss (Fiscal year)										
Net sales	50,303	50,934	52,836	55,904	62,039	65,282	69,869	74,373	76,098	85,788
Operating income	3,918	4,156	2,766	1,411	3,363	3,897	4,321	4,405	2,605	4,920
Financial Condition (Fiscal year-end)										
Total assets	42,265	42,855	49,237	55,861	59,104	65,605	78,034	80,179	89,517	91,192
Cash and cash equivalents	8,144	6,810	5,751	5,638	4,946	4,928	13,976	12,144	12,688	9,379
Interest-bearing debt	10,956	9,424	13,409	18,069	16,085	18,898	19,276	19,196	22,584	17,039
Net assets	18,703	19,601	20,309	20,667	21,397	23,608	33,536	32,994	34,011	34,485
Key Indices										
Operating margin (%)	7.8	8.2	5.2	2.5	5.4	6.0	6.2	5.9	3.4	5.7
Return on equity (ROE) (%)	12.6	9.2	5.9	-	4.3	7.1	6.5	8.1	6.6	8.3
Return on assets (ROA) (%)	5.5	4.1	2.5	-	1.5	2.5	2.1	2.3	1.8	2.2
Equity ratio (%)	44.0	45.6	41.1	36.4	35.5	34.9	28.9	27.8	26.4	27.5
Net D/E ratio (times)	0.14	0.13	0.37	0.60	0.52	0.61	0.23	0.32	0.41	0.30

Looking Back at Financial Results

The CMIC Group has achieved sustainable business growth and expanded operations to increase total assets by 2.3 times over the past 10 years. Over the same period net sales doubled (29 consecutive years of increased sales). During the 29 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 promoted 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 longlisted drugs, to a model with exceptional drug discovery capabilities. In the fiscal year ended September 30, 2016, we set a course to eliminate loss-generating businesses and reform the 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 promoted 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 investments in growth that will function to achieve the key points of focus of its mid-term management plan, namely, "evolution of the healthcare business," "comprehensive support for disease prevention, treatment R&D, and marketing," and "contribution to a sustainable society

through services with high social benefits." 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 based on the basic policy of investing within the scope of EBITDA. To that end we will procure long-term capital with indirect funding.

While procuring funds for M&A activities with shareholders' equity and long-term loans payable, we look to maintain the debt/equity ratio at no more than 100%. 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.

FY2021 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.

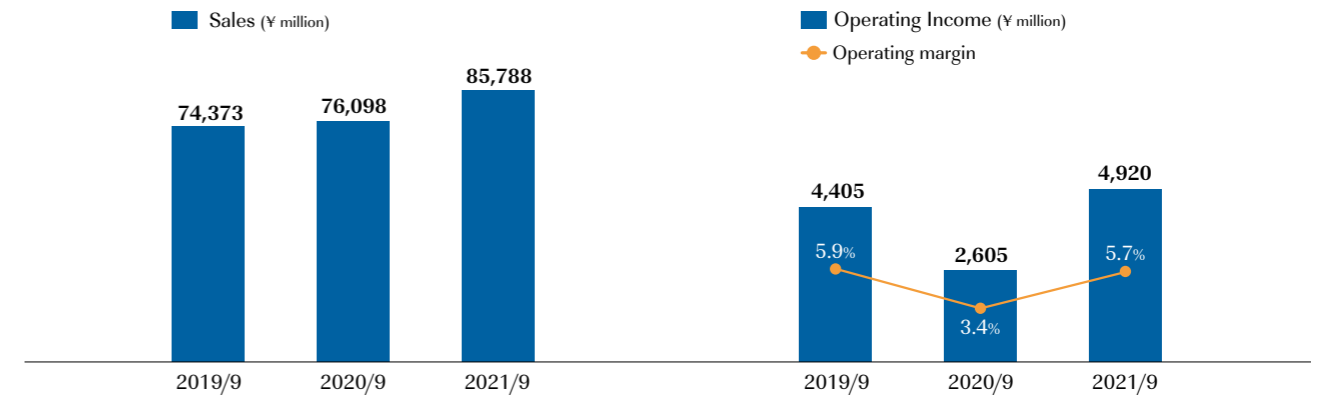
Strengths

- 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

Consolidated Results for the Fiscal Year Ended September 30, 2021

In the fiscal year under review, CMIC focused on sales activities to win new projects such as those for developmental and post-marketing support services for COVID-19 infection treatment drugs, while addressing the top-priority items identified in the mid-term plan, including utilization of CMIC Group human resources in the healthcare arena and providing support services for local governments in their fight against the pandemic. Due to the spread of COVID-19, we are still imposing restrictions on visits to medical institutions and facing delays in the progress of some developmental projects, while remote-based business activities have taken root and inquiries are increasing.

Net sales during the fiscal year under review came to JPY 85,788 million (up 12.7% year on year). Operating income was JPY 4,920 million (up 88.8% year on year). Both exceeded the previous fiscal year, mainly thanks to growth in the Healthcare Business.



CRO Business

Results for the Fiscal Year Ended September 30, 2021

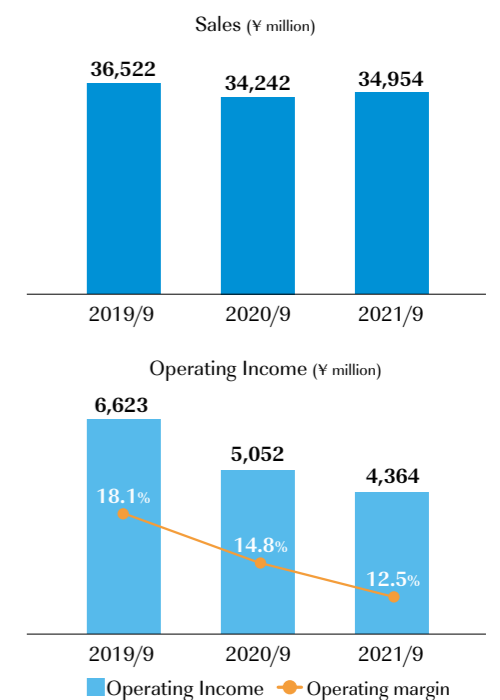
In the fiscal year under review, CMIC supported overseas companies entering the Japanese market and non-healthcare companies entering the healthcare sphere, and promoted measures to address increasingly sophisticated development needs (biopharmaceuticals, etc.), while helping to maximize the speed of drug development by offering comprehensive one-stop services from non-clinical to post-marketing.

We put forward proposals to improve efficiency of the clinical trial process by using "harmo®," as well as a new clinical trial model.

Sales exceeded the previous fiscal year thanks to non-clinical business growth and acquisition of new post-marketing and clinical operations projects related to COVID-19. Operating income fell below the previous fiscal year due to such factors as the incidence of retirement benefit expenses.



Bioresearch Center (Yamanashi Prefecture)





CDMO Business

Results for the Fiscal Year Ended September 30, 2021

In the fiscal year under review, CMIC made efforts to further improve its technological capabilities and quality, develop low-cost production systems and strengthen competitiveness through strategic capital investment as a platform for global drug manufacturing, from formulation studies and clinical trial drug production to commercial production.

We focused on a large-scale commercial production project that is scheduled to start production in the fiscal year ending September 30, 2022, the launch of a new facility and production line in the United States, and the acquisition of new projects.

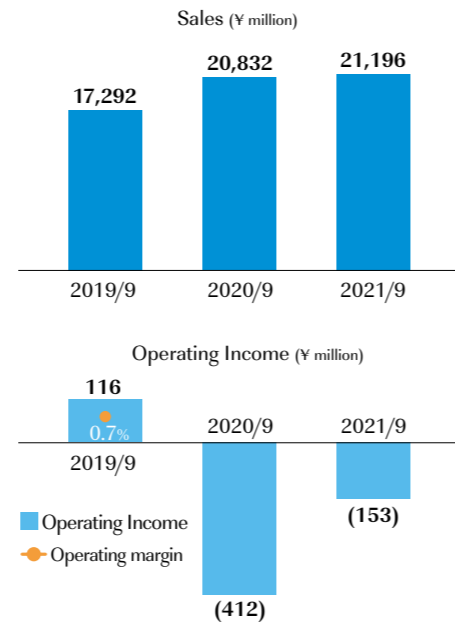
Sales were above the previous fiscal year due to such factors as the increase in contracted production volume. From an operating income perspective, despite incurring an operating loss due to prior investment costs for the contract manufacturing business of biopharmaceutical APIs, in connection with the increase in sales, the deficit narrowed compared with the previous fiscal year.



Nishine Plant exterior



Newly constructed Ashikaga injection drug manufacturing building for high-potency drugs (anticancer drugs, etc.)

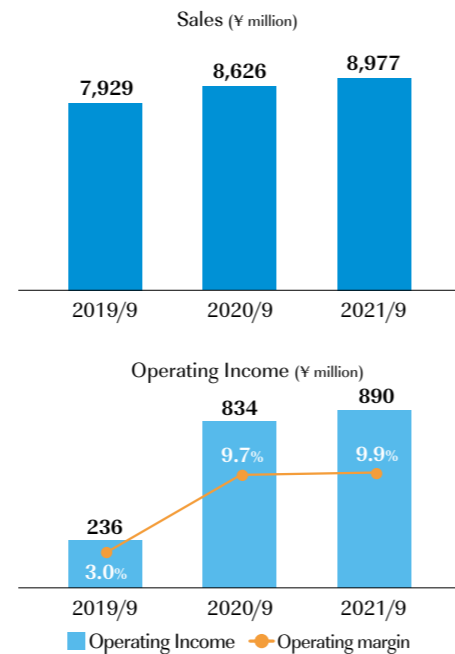
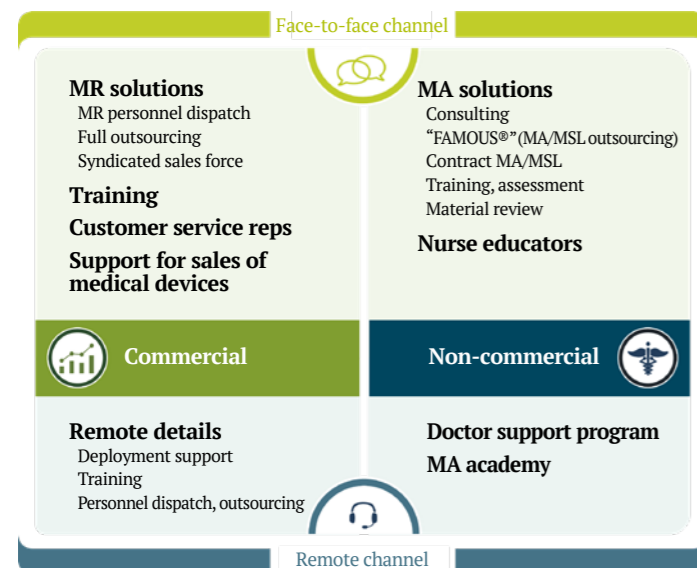


CSO Business

Results for the Fiscal Year Ended September 30, 2021

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

Sales and operating income exceeded the previous fiscal year, thanks to the acquisition of new MR dispatch service projects.



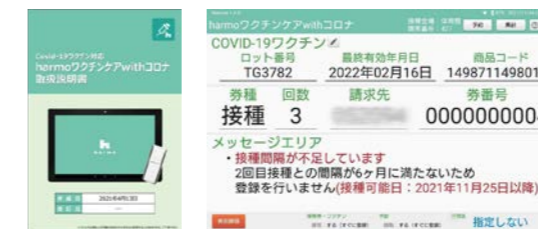
Healthcare Business

Results for the Fiscal Year Ended September 30, 2021

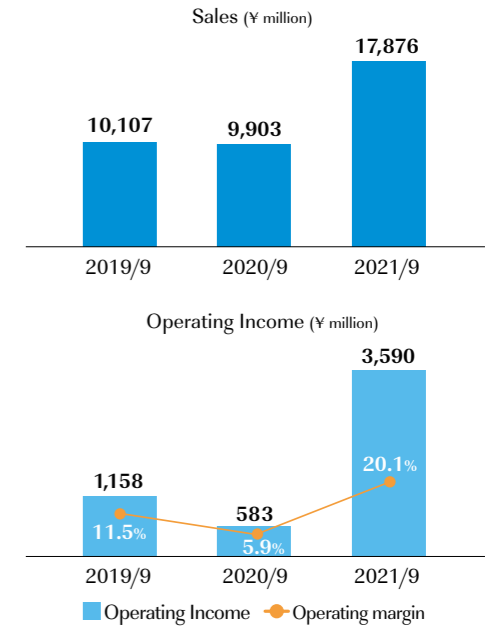
CMIC focused on supporting the development of effective treatment and preventive measures against COVID-19, while supporting the PCR testing and vaccinations conducted by local governments.

We worked on the healthcare communication channel "harmoni" business and created businesses that contribute to early detection and the prevention of disease aggravation.

Sales were significantly higher than the previous fiscal year due to growth in BPO and personnel services for vaccination support and SMO operations. Despite prior investments for the creation of new healthcare businesses, operating income was also significantly above the previous fiscal year due to an increase in sales.



"harmoni" vaccine care



IPM Business

Results for the Fiscal Year Ended September 30, 2021

In addition to selling orphan drugs, including products developed in-house such as Buphenyl®, CMIC provided the IPM platform that includes supporting foreign pharmaceutical companies entering the Japanese market as well as strategic options to pharmaceutical companies following changes in their business models in the fiscal year under review. Multiple projects are progressing with increased demand from foreign pharmaceutical companies to use our IPM platform.

In January 2021, we received a manufacturing and marketing approval in Japan for ORLADEYO Capsules. In July 2021, sales in Japan commenced for Lynspad™, for which we provided support toward approval as an appointed marketing authorization holder.

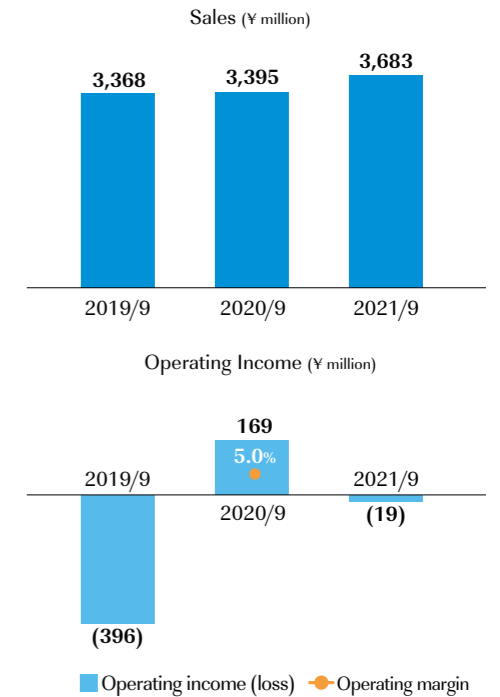
Sales exceeded the previous fiscal year thanks to the launch of new products. Operating income fell below the previous fiscal year due to an increase in orphan drug R&D expenditure and the incidence of an inventory valuation loss.



Lynspad™



Buphenyl®



Sustainability

Essential Concepts

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.

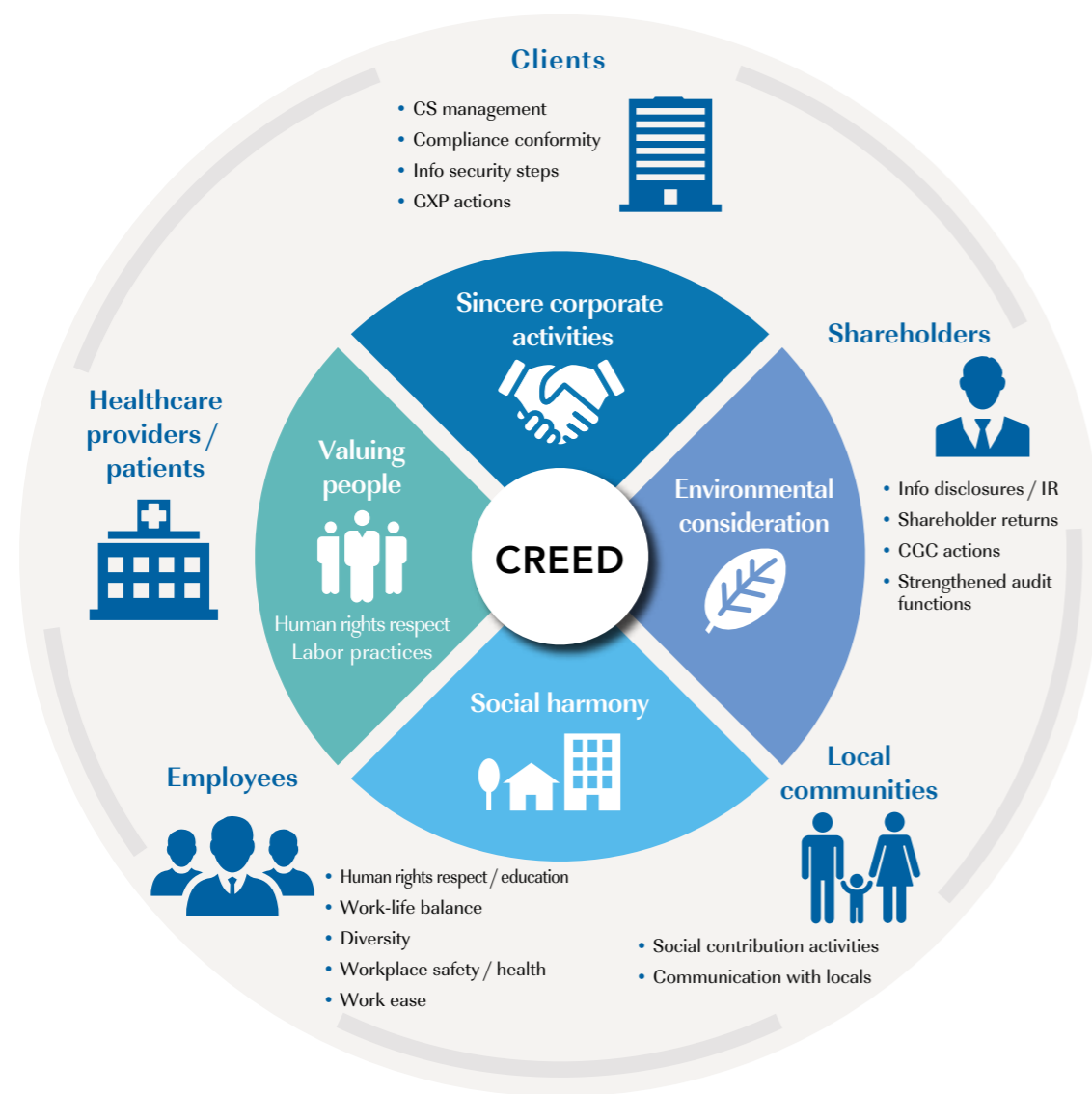
Additionally, we engage in activities for our various stakeholders, as we are aware that any activity based on the CMIC Group's Basic CSR Policies increases our sustainability all the more.

The CMIC Group formulated CMIC Group Code of Conduct. Their intent is to be shared/implemented by all employees, so that we may be a respected member of society, and a trusted enterprise.

Contribution to the Society

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 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

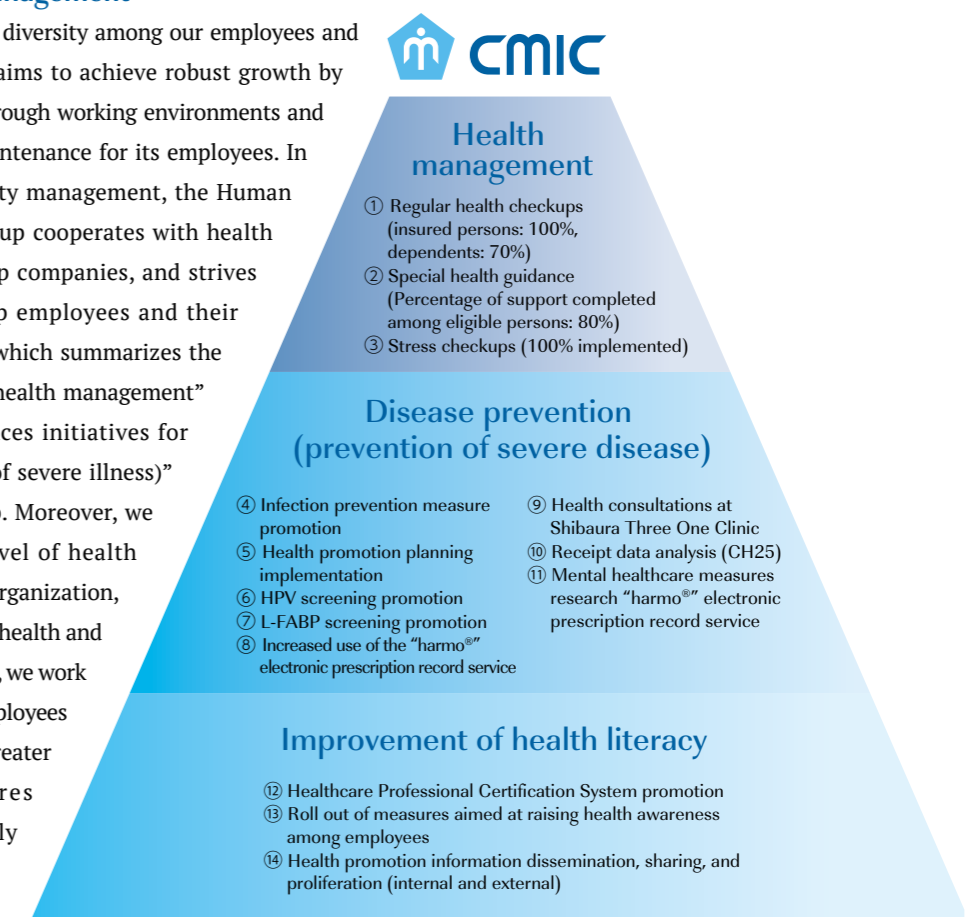
The CMIC Group contributes to maximizing the value of pharmaceutical companies through the education of executives and employees, as well as through our unique business model. At the same time, the CMIC Group contributes to and is increasing its presence among society by expanding its business into the 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. In promoting 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 2022, 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. Moreover, 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, properly understand, and apply health and medical information.



Healthcare Professional System

While working to create workplace environments that enable its human resources to improve their skills and realize their full potential, the CMIC Group established the Healthcare Professional Certification System to contribute as a healthcare-related company with human resources who can respond flexibly and promptly even in an environment where COVID infections are widespread or in the event of an earthquake or disaster. This system certifies employees who have acquired knowledge about healthcare through training and workshops and who possess practical experience. At the same time, we are also expanding opportunities for people to demonstrate their abilities in the healthcare field.

Utilizing the skills and experience that individual employees have accumulated in the medical/healthcare field, this certification system serves as a means by which to develop human resources who can flexibly respond to the new roles required in the healthcare field, which is continuing to undergo dramatic change. This certification system applies not only to professional and qualified employees, but also to all employees working for the CMIC Group in Japan.

- (1) Basic training: Lectures on knowledge, technology, manners, ethics, etc. are taken via online training sessions and workshop participation
- (2) Accreditation system: After having attended basic training, participants are certified after having taken the following specialized training sessions for certification and after practical work/practical training, etc.

Name of Certification	Aims	Main roles after certification	Numbers of certified persons (as of February 2022)
Healthcare Partner	Ascertaining current situation/discovering problem areas	Points of contact for community-based disease prevention seminars, doctor's office work, etc.	1,156
Healthcare Advisor	Problem solving	Holding of lectures and seminars at nursing homes, local governments, offices/companies, company in-house healthcare consultation desks, etc.	545
Healthcare Producer	New business creation	Supporting expansion of other companies' healthcare products and services, presenting solutions that meet the needs of local governments, etc.	29

We asked health care partners who had supported local government PCR testing and vaccine inoculations about the work in which they were involved and about the healthcare professional system.

Q In what kind of work were you involved?

A I was involved in social inspections for Tokyo's Setagaya Ward, which attracted attention as Japan's first trial in the COVID-19 pandemic. While touring nursing care facilities and facilities for people with disabilities in the ward we conducted PCR tests. This is a model that CMIC had created from scratch. For elderly people and people with disabilities, for whom it would be difficult to undergo PCR testing, we were able to visit facilities and homes to carry out the tests, find people who tested positive at an early stage, and proceed with the responses that followed. Based on our Setagaya Ward achievements, we received requests from local governments in Tokyo and started providing vaccine inoculation support in April 2021.



Q What were your feelings on the COVID-19 frontline?

A Even though I was just doing my job, I was surprised at how grateful people were. People who were worried that they might have been infected with COVID-19 often bowed deeply and said, "Thank you for coming to the inspection during these difficult times."

Q What did you feel when you took on the challenges of the healthcare professional system?

A I had been involved in human resources work for many years, but when I thought that we are now living in an age when people are living to be 100 years old, I thought it would not be too late to try a new line of work, so I took on the challenge of the completely different frontlines of healthcare. I was worried about if I would be all right even if I had no prior medical knowledge, but I was thrilled to be able to work with doctors and nurses in what was for me an unprecedented environment. It is very exciting to find out new things on a daily basis.



Scene from a workplace vaccine inoculation program

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 (Excerpts)

- 1 Provide products and services that are useful to society through innovation in order to contribute to innovation in the healthcare field to the fullest extent possible, thereby earning the satisfaction and trust of our customers and society.
- 2 Contribute to the advancement of life sciences by constantly striving to improve specialized knowledge and technology in the fields of medicine, pharmaceuticals, and healthcare as healthcare professionals.
- 3 Ensure the quality and safety of products and services.
- 4 Listen sincerely to inquiries, opinions and complaints, respond sincerely, and constantly strive to improve the quality of our products and services.
- 5 Comply with all applicable laws and regulations of each country, this Code of Conduct, and the policies and regulations of the CMIC Group, as well as the spirit thereof. At the same time, fulfill our social responsibilities with consistently high ethical standards both inside and outside the company

● 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 the initiatives in implementing measures aimed at building a low-carbon, recycling-oriented society, addressing environmental risks, and conserving biodiversity.

The CMIC Group conducts business at 47 locations in Japan (including four plants, six pharmaceutical development centers) and 14 locations globally (including 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 CO₂ 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 CO₂ 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 CO₂ 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 Audit & Supervisory Board
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)	11 (4)
No. of Independent Directors Appointed Among the Outside Directors	3
Number of Audit & Supervisory Board Members (No. of Outside Audit & Supervisory Board Members)	4 (3)
No. of Independent Audit & Supervisory Board Members Appointed Among the Outside Audit & Supervisory Board Members	3

1) Nomination and Remuneration Committee

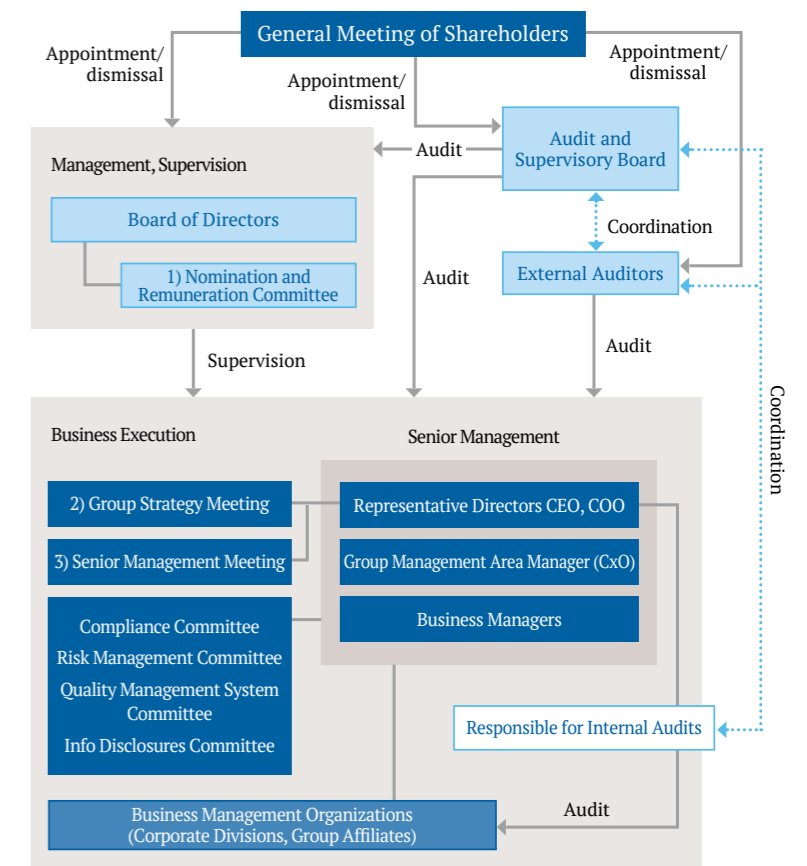
This discretionary committee was established to nominate directors, appoint and dismiss representative directors, and evaluate the performance of and calculate remuneration for directors and senior management. The committee comprises a majority of outside directors and is chaired by an outside director.

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, 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.



For details on the compliance status with the Corporate Governance Code, see the Corporate Governance Report <https://www.cmicgroup.com/files/user/ir/pdf/cg20211228.pdf> (Japanese only)

Corporate Governance Code Compliance Status

CMIC implements all principles established in the Tokyo Stock Exchange Corporate Governance Code except the following.

■ **Supplementary Principle 3.1.3: Disclosure of Sustainability Initiatives, etc.**

CMIC discloses details of its sustainability initiatives on its website and in the CMIC Group Business Activities Report.

In addition to fostering human resources while actively providing opportunities to excel, the Company's investment in human capital includes putting in place various human resource systems, engaging in talent management, developing human resources, and pursuing health management. Collectively, these investments form the foundation for its human resource endeavors. Moreover, CMIC promotes diversity and inclusion so that its various human resources can play an active role and create value.

As far as its investment in intellectual property is concerned, the Company discloses the total amount of its R&D expense as well as details of R&D activities in each business segment. CMIC also provides information relating to its joint research and development with the corporate sector and medical institutions.

CMIC is in a position to play a leading role in the supply chains of its corporate customers. Accordingly, the Company will consider putting in place a disclosure framework that includes the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and announced details as appropriate after confirming the policies of its major customers in connection with the risks imposed and opportunities provided by climate change on the Company's business activities and earnings.

■ **Principle 4.8: Effective Use of Independent Directors**

Taking into consideration professional attributes from a business strategy perspective, CMIC will appoint two or more independent outside directors to ensure the Company's sustainable growth and enhance corporate value over the medium to long term. While CMIC has appointed three independent outside directors, independent outside directors make up less than one third of the current Board of Directors. Looking ahead, the Company will continue to consider ways in which it can further strengthen corporate governance.

■ **Supplementary Principle 4.8.1: Meetings Consisting Solely of Independent Outside Directors**

The Company does not take any special measures such as regularly holding meetings consisting solely of independent outside directors.

Each of the Company's outside directors form their own opinions from their individual standpoints and actively participate in discussions at the Board of Directors, Audit & Supervisory Board, and other meetings. In addition, the outside directors meet individually with the management as a means of sharing information and cooperation.

As for the future, CMIC continues to believe that respecting the thoughts and independence of the outside directors will enable active discussion. Moreover, the Company 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 Directors**

CMIC has thus far held individual meetings between the independent outside directors and management as a means of information sharing and cooperation. However, the Company has not established a framework wherein a lead independent outside director is selected to contact and coordinate with the management or cooperate with the audit & supervisory board members.

As for the future, CMIC feels that individual discussions held between the independent outside directors and management based on the views of each independent outside director and their cooperation with the audit & supervisory board members will contribute to the sustainable growth of the Company and to greater medium- and long-term corporate value.

■ **Supplementary Principle 4.10.1: Establishment of an Independent Nomination Committee and Remuneration Advisory Committee**

CMIC is a company with audit & supervisory board. While independent outside directors do not constitute a majority of the Board of Director, the Company has put in place the Nomination and Remuneration Committee, which is centered largely around outside directors as an optional organization and advisory body to the Board of Directors.

The Nomination and Remuneration Committee consists of two outside directors, one inside director, and one member from senior management. Accordingly, outside directors account for half of the Committee. To secure the Committee's independence, an outside director serves as chairperson.

In conjunction with efforts to comply with Principle 4.8 with respect to the composition of the Nomination and Remuneration Committee, CMIC will consider increasing the number of independent outside directors to a majority in the future.

From each of the diversity and skills perspectives, the Company has sought the advice of the Nomination and Remuneration Committee regarding the skills matrix attached to the Reference Documents for the 2021 General Meeting of Shareholders.

While information regarding important matter including the composition, authority, and role of the Nomination and Remuneration Committee are disclosed in the Company's Securities Report, CMIC will work to upgrade and expand the information disclosed on each of the aforementioned as well as its approach toward the independence of committees.

Board of Directors Diversity

CMIC'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. As far as gender and other diversity as well as skills are concerned, the Company has sought the advice of the Nomination and Remuneration Committee regarding the skills matrix attached to the Reference Documents for the 2021 General Meeting of Shareholders.

Board of Directors Effectiveness Assessment

Execution Process	Evaluations were collected from the directors and audit & supervisory board members appointed for the period ended September 2021 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	(1) 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. (2) Board of Directors management: The frequency of meetings and time allotted for discussion are both appropriate. (3) Information sharing with the Board of Director: Evaluation regarding such issues as the timing of materials provision has improved. (4) 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 regarding sufficient opportunities to voice opinions declined, the level remained the same as the average for the most recent three years. Given the above, the Company feels its Board of Directors functions effectively.
Improvement Points	While the need to further upgrade and expand deliberations was identified as an issue in the previous fiscal year, evaluations regarding major directions at the business strategy level and CSR improved. CMIC will continue to promote improvement measures in order to increase the efficacy of the Board of Directors going forward.

Officer Appointments and Dismissals

■ **Officer Appointments**

During the nomination process for director and audit & supervisory board member candidates, and during the appointment process for senior management that serve as top management, in addition to selecting individuals with a rich law-abiding spirit, excellent character, and superior insight, CMIC maintains a basic policy of selecting individuals based on the following comprehensive assessments. Further, senior management must also conform to the provisions of the Company's Senior Management Rules.

Independent officers must conform with our "Independence Standards for Outside Officers."

- Inside director candidates and senior management: 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.
- Audit & supervisory board member 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 & 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 senior management are clearly stipulated in the Senior Management Rules. The Board of Directors maintains the power to dismiss senior management in the event of fraud or improper conduct, or in the event senior management 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. Audit & supervisory board members 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	Transfer-restricted stock-based compensation	
Directors (excluding outside directors)	314	222	89	1	8
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	10	10	-	-	1
Outside directors	36	36	-	-	8

Notes: The above includes two directors including one outside director who retired from office as of the conclusion of the 34th Ordinary General Meeting of Shareholders on December 14, 2020.

Strategic shareholdings

The CMIC Group maintains a strategic shareholdings policy when there is an important objective, such as the outlook of an operational alliance or business synergy, in order to sustainably enhance corporate value. With a view to determining the propriety of such strategic shareholdings, each year the Board of Directors evaluates the holding objective, trading conditions over the past year, and medium- to long-term prospects. In August 2021, the Board of Directors undertook a review and disposed of a portion of its strategic shareholdings portfolio.

The Group held 13 stocks amounting to a total of JPY 2,699 million on its balance sheet during the fiscal year under review.

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 audit & supervisory board members 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
Representative Director, Chairman and CEO, Division Director of Healthcare Revolution Business



Keiko Oishi
Representative Director, President and COO, Division Director of CRO Business



Makoto Matsukawa
Corporate Director and CVO, Division Director of CDMO Business



Wataru Mochizuki
Corporate Director and CFO, responsible for Group Information Disclosure/Internal Control



Toru Fujieda
Corporate Director, Deputy Division Director of CRO Business (Clinical CRO Business)



Takeshi Hamaura
Corporate Director, Deputy Division Director of CDMO Business



Yoshiyuki Inamoto
Corporate Director, Vice President



Masaru Iwasaki
External Corporate Director
Significant concurrent positions outside the Company:
Vice President, University of Yamanashi
Program Director, Japan Agency for Medical Research and Development
Visiting Professor, Juntendo University School of Medicine



Takeshi Karasawa
External Corporate Director
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
Significant concurrent positions outside the Company:
Specially Appointed Professor, Social Innovation Center, Graduate School of Advanced Integrated Studies in Human Survivability, Kyoto University
Outside Director, Daiwa Securities Group Inc.
Outside Director, Mitsui Fudosan Co., Ltd.
Outside Audit & Supervisory Board Member, Yamaha Motor Co., Ltd.



Gregg Lindstrom Mayer
External Corporate Director
Significant concurrent positions outside the Company:
Director, DISEASE MANAGEMENT ASSOCIATION OF JAPAN
Co-Chair, Population Health Research Committee ASIA PACIFIC SOCIETY FOR HEALTH SUPPORT SCIENCES

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.

Director and Audit & Supervisory Board Member Skill Matrix

	Name	Corporate Management	Finance and Accounting	Legal Affairs and Risk Management	Business Knowledge	Global Business
Corporate Directors	Kazuo Nakamura	●		●	●	
	Keiko Oishi	●			●	●
	Makoto Matsukawa	●			●	●
	Wataru Mochizuki	●	●	●		
	Toru Fujieda	●			●	●
	Takeshi Hamaura	●			●	●
	Yoshiyuki Inamoto	●	●			●
	Masaru Iwasaki			●	●	●
	Takeshi Karasawa	●		●	●	
	Eriko Kawai	●		●		●
Audit and Supervisory Board Members	Gregg Lindstrom Mayer	●			●	●
	Yasuo Yoshimune			●	●	
	Kei Hata			●		
	Hidetoshi Watanabe		●	●		
	Masaru Ota		●	●		

The above list indicates up to three items that are particularly expected of each candidate, and does not exhaustively describe all the knowledge and experience possessed by each candidate.

Senior Management

Senior Management	Roles and Functions
Kazuo Nakamura	Chairman and CEO, Division Director of Healthcare Revolution Business
Keiko Oishi	President and COO, Division Director of CRO Business
Yoshiyuki Inamoto	Vice President
Makoto Matsukawa	CVO, Division Director of CDMO Business
Wataru Mochizuki	CFO
Toru Fujieda	Deputy Division Director of CRO Business (Clinical CRO Business)
Takeshi Hamaura	Deputy Division Director of CDMO Business
Hidetoshi Takeda	Senior Advisor
Teruo Saito	CLCO
Hisao Matsubara	CHO and Corporate Hub PMO

Senior Management	Roles and Functions
Daisuke Nakata	CIO
Takashi Sano	Academy Head
Akihisa Mitake	Division Director of Site Support Solutions Business
Yoshiyuki Hano	Deputy Division Director of Healthcare Revolution Business
Seiichiro Mochizuki	Deputy Division Director of CRO Business (Non Clinical CRO Business)
Yoshimasa Shimoto	Division Director of Market Solutions Business
Shinji Yasuno	Deputy Division Director of Site Support Solutions Business
Kei Kasai	Executive Vice President, CMIC Solutions Co., Ltd.
Megumi Hara	President, Orphan Pacific, Inc.

10-Year Financial and Non-Financial Highlights

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

	2012/9	2013/9	2014/9	2015/9	2016/9	2017/9	2018/9	2019/9	2020/9	2021/9
¥ million										
Profit and Loss (For the Year)										
Net sales	50,303	50,934	52,836	55,904	62,039	65,282	69,869	74,373	76,098	85,788
Gross profit	11,574	12,142	10,887	11,087	13,097	14,237	14,892	16,112	14,646	17,727
Selling, general and administrative expenses	7,655	7,985	8,120	9,676	9,733	10,340	10,570	11,706	12,041	12,806
Operating income	3,918	4,156	2,766	1,411	3,363	3,897	4,321	4,405	2,605	4,920
Ordinary income	3,835	3,941	2,645	970	2,989	3,732	4,061	3,841	2,867	5,091
Profit attributable to owners of parent	2,241	1,753	1,174	(542)	878	1,550	1,487	1,822	1,505	2,023
Capital expenditures	2,985	4,117	3,253	4,418	5,611	6,372	4,933	5,990	9,063	6,969
Depreciation and amortization	1,814	1,833	1,579	2,314	2,566	2,822	3,127	3,620	4,529	5,161
Cash Flows (For the Year)										
Cash flows from operating activities	2,817	5,201	2,677	889	6,493	4,937	7,488	4,922	6,703	9,804
Cash flows from investing activities	(2,474)	(4,059)	(6,910)	(3,461)	(4,639)	(7,541)	(6,203)	(4,889)	(8,542)	(6,685)
Free cash flows	343	1,142	(4,233)	(2,572)	1,854	(2,604)	1,285	33	(1,839)	3,119
Cash flows from financing activities	(239)	(2,587)	3,111	1,904	(2,391)	2,458	7,770	(1,764)	2,354	(6,348)
Financial Condition (Year-end)										
Total assets	42,265	42,855	49,237	55,861	59,104	65,605	78,034	80,179	89,517	91,192
Cash and cash equivalents	8,144	6,810	5,751	5,638	4,946	4,928	13,976	12,144	12,688	9,379
Interest-bearing debt	10,956	9,424	13,409	18,069	16,085	18,898	19,276	19,196	22,584	17,039
Net assets	18,703	19,601	20,309	20,667	21,397	23,608	33,536	32,994	34,011	34,485
Per Share Data (Yen)										
Earnings per share ^{*1}	123.25	97.36	65.26	(29.57)	47.00	82.90	79.71	98.93	83.27	111.85
Book value per share ^{*1}	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	1,385.55
Dividend per share ^{*1}	35.00	35.00	35.00	22.50	16.00	27.50	27.50	32.00	25.00	33.50
Key Indices										
Overseas sales ratio (%)	3.0	3.0	4.9	5.7	5.9	7.3	6.8	7.6	5.7	4.8
Operating margin (%)	7.8	8.2	5.2	2.5	5.4	6.0	6.2	5.9	3.4	5.7
ROE (%)	12.6	9.2	5.9	-	4.3	7.1	6.5	8.1	6.6	8.3
ROA (%)	5.5	4.1	2.5	-	1.5	2.5	2.1	2.3	1.8	2.2
Equity ratio (%)	44.0	45.6	41.1	36.4	35.5	34.9	28.9	27.8	26.4	27.5
Net D/E ratio (times)	0.14	0.13	0.37	0.60	0.52	0.61	0.23	0.32	0.41	0.30
Stock price at year-end (yen) ^{*1}	1,289	1,342	1,971	1,700	1,532	1,573	2,291	1,716	1,350	1,500
Price earning ratio (times)	10.5	13.8	30.2	-	32.6	19	28.7	17.3	16.2	13.4
Price book value ratio (times)	1.3	1.2	1.8	1.6	1.4	1.3	1.9	1.4	1.0	1.1
Dividend yield (%)	2.7	2.6	1.8	1.3	1.0	1.7	1.2	1.9	1.2	2.2
Non-Financial Data										
Number of employees (consolidated)	3,509	3,687	4,192	4,473	4,539	4,704	4,962	5,344	5,464	5,569
(of which average number of temporary employees)	(906)	(1,068)	(1,170)	(1,327)	(1,368)	(1,409)	(1,499)	(1,567)	(1,581)	(1,772)
Ratio of female employees (%)	60	61	57	55	55	56	56	55	55	55
Female manager ratio (%)	25	24	24	26	26	26	27	27	28	24
CO ₂ emissions (thousand tons CO ₂) ^{*2}	-	-	-	-	-	-	26	28	47	40
Industrial waste emissions^{*3}										
Ascertained weight (tons)									876	1,073
Ascertained volume (kL)									152	163

*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 CO₂ 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 Financial Statements

Consolidated Balance Sheets

CMIC HOLDINGS Co., Ltd., and Consolidated Subsidiaries
As of September 30, 2020 and 2021

	¥ million	
	2020	2021
Assets		
Current assets		
Cash and deposits	12,690	9,381
Notes and accounts receivable - trade	13,211	18,065
Merchandise and finished goods	729	560
Work in process	3,985	4,715
Raw materials and supplies	3,196	2,503
Other	3,696	3,409
Allowance for doubtful accounts	(66)	(59)
Total current assets	37,443	38,577
Non-current assets		
Property, plant and equipment		
Buildings and structures	26,009	26,886
Accumulated depreciation	(10,787)	(11,972)
Buildings and structures, net	15,221	14,914
Machinery, equipment and vehicles	23,558	24,059
Accumulated depreciation	(11,550)	(13,939)
Machinery, equipment and vehicles, net	12,008	10,120
Tools, furniture and fixtures	6,240	7,118
Accumulated depreciation	(3,692)	(4,488)
Tools, furniture and fixtures, net	2,548	2,630
Land	6,425	6,570
Leased assets	3,596	3,792
Accumulated depreciation	(1,038)	(1,352)
Leased assets, net	2,558	2,439
Construction in progress	1,496	3,414
Total property, plant and equipment	40,258	40,089
Intangible assets		
Goodwill	76	54
Other	1,645	1,907
Total intangible assets	1,721	1,961
Investments and other assets		
Investment securities	3,962	2,813
Deferred tax assets	3,912	5,389
Lease and guarantee deposits	1,971	1,974
Other	814	998
Allowance for doubtful accounts	(567)	(611)
Total investments and other assets	10,093	10,564
Total non-current assets	52,074	52,615
Total assets	89,517	91,192

	¥ million	
	2020	2021
Liabilities		
Current liabilities		
Notes and accounts payable – trade	1,019	1,034
Short-term borrowings	6,004	918
Current portion of long-term debt	3,258	3,652
Commercial papers	3,000	-
Accounts payable – other	5,658	6,495
Accrued expenses	1,326	1,484
Income taxes payable	586	3,312
Advances received	1,723	1,944
Provision for directors bonuses		89
Provision for bonuses	2,413	3,138
Provision for loss on order received	824	1,307
Other	3,376	4,445
Total current liabilities	29,191	27,823
Noncurrent liabilities		
Long-term debt	10,321	12,469
Lease obligations	2,865	2,689
Deferred tax liabilities	100	11
Net defined benefit liability	9,931	10,258
Asset retirement obligations	578	571
Long-term unearned revenue	2,259	2,542
Other	257	340
Total non-current liabilities	26,314	28,883
Total liabilities	55,506	56,706
Net assets		
Shareholders' equity		
Capital stock	3,087	3,087
Capital surplus	6,100	6,100
Retained earnings	15,052	16,600
Treasury stock	(1,545)	(1,546)
Total shareholders' equity	22,694	24,242
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,336	642
Foreign currency translation adjustments	(29)	(1)
Remeasurements of defined benefit plans	(373)	182
Total accumulated other comprehensive income	933	822
Non-controlling interests	10,384	9,420
Total net assets	34,011	34,485
Total liabilities and net assets	89,517	91,192

Consolidated Statements of Income

CMIC HOLDINGS Co., Ltd., and Consolidated Subsidiaries
As of September 30, 2020 and 2021

	¥ million	
	2020	2021
Net sales	76,098	85,788
Cost of sales	61,451	68,061
Gross profit	14,646	17,727
Selling, general and administrative expenses	12,041	12,806
Operating income	2,605	4,920
Non-operating income		
Interest income	4	2
Foreign exchange gains	-	190
Subsidy income	43	98
Share of profit of entities accounted for using equity method	394	20
Other	113	88
Total non-operating income	555	399
Non-operating expenses		
Interest expenses	123	133
Foreign exchange losses	121	-
Other	48	95
Total non-operating expenses	293	228
Ordinary income	2,867	5,091
Extraordinary income		
Gain on sales of non-current assets	7	-
Gain on sales of investment securities	10	577
Gain on sales of shares of subsidiaries	30	19
Gain on forgiveness of debts	-	117
Insurance claim income	54	-
Total extraordinary income	103	714
Extraordinary losses		
Impairment loss	736	2,102
Loss on retirement of non-current assets	142	107
Loss on valuation of investment securities	26	122
Loss on cancellation of system	108	-
Total extraordinary losses	1,013	2,331
Profit before income taxes	1,956	3,474
Current	1,118	3,947
Deferred	(325)	(1,550)
Total income taxes	792	2,397
Profit	1,164	1,077
Profit (loss) attributable to non-controlling interests	(341)	(946)
Profit attributable to owners of parent	1,505	2,023

Consolidated Statements of Comprehensive Income

CMIC HOLDINGS Co., Ltd., and Consolidated Subsidiaries
For the fiscal years ended September 30, 2020 and 2021

	¥ million	
	2020	2021
Profit	1,164	1,077
Other comprehensive income		
Valuation difference on available-for-sale securities	723	(694)
Foreign currency translation adjustments	12	7
Remeasurements of defined benefit plans	(288)	561
Accounted for using equity method	1	(1)
Total other comprehensive income	448	(127)
Comprehensive income	1,613	949
Comprehensive income attributable to		
Owners of parent	1,913	1,913
Non-controlling interests	(300)	(963)

Consolidated Statements of Changes in Equity

CMIC HOLDINGS Co., Ltd., and Consolidated Subsidiaries

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

For the fiscal year ended September 30, 2021	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	6,100	15,052	(1,545)	22,694	1,336	(29)	(373)	933	10,384	34,011
Changes in items during period											
Dividends of surplus			(365)		(365)						(365)
Dividends of surplus (Interim dividends)			(91)		(91)						(91)
Profit (loss) attributable to owners of parent			2,023		2,023						2,023
Purchase of treasury shares				(0)	(0)						(0)
Disposal of treasury shares					-						-
Change in scope of consolidation			(18)		(18)						(18)
Net changes in items other than shareholders' equity						(694)	28	555	(110)	(963)	(1,073)
Total changes in items during period	-	-	1,548	(0)	1,548	(694)	28	555	(110)	(963)	474
Balance at end of period	3,087	6,100	16,600	(1,546)	24,242	642	(1)	182	822	9,420	34,485

Consolidated Statements of Cash Flows

CMIC HOLDINGS Co., Ltd., and Consolidated Subsidiaries
For the fiscal years ended September 30, 2020 and 2021

¥ million

	2020	2021
Cash flows from operating activities:		
Profit before income taxes	1,956	3,474
Depreciation	4,529	5,161
Impairment loss	736	2,102
Amortization of goodwill	159	21
Increase (decrease) in allowance for doubtful accounts	(13)	34
Interest and dividend income	(4)	(2)
Interest expenses	123	133
Foreign exchange losses (gains)	10	(41)
Share of (loss) profit of entities accounted for using equity method	(394)	(20)
Decrease (increase) in notes and accounts receivable - trade	(132)	(4,795)
Decrease (increase) in inventories	(610)	147
Increase (decrease) in notes and accounts payable - trade	(64)	3
Increase (decrease) in provision for bonuses	(261)	721
Increase (decrease) in provision for directors' bonuses	-	89
Increase (decrease) in retirement benefit liability	740	1,163
Increase (decrease) in provision for loss on order received	211	481
Loss (gain) on sales of investment securities	(10)	(577)
Loss (gain) on valuation of investment securities	26	122
Loss (gain) on sales of shares of subsidiaries	(30)	(19)
Loss (gain) on sales of non-current assets	(7)	-
Loss on retirement of non-current assets	142	107
Insurance claim income	(54)	-
Gain on forgiveness of debts	-	(117)
Subsidy income	-	(98)
Loss on cancellation of system	108	-
Increase (decrease) in advances received	477	215
Increase (decrease) in accrued expenses	160	155
Increase (decrease) in deposits received	155	398
Other, net	558	1,991
Subtotal	8,511	10,850
Interest and dividend income received	21	47
Interest expenses paid	(112)	(141)
Income taxes paid	(1,716)	(1,050)
Subsidy income	43	98
Net cash provided by (used in) operating activities	6,703	9,804
Cash flows from investing activities:		
Purchase of property, plant and equipment	(7,915)	(6,527)
Proceeds from sales of property, plant and equipment	23	9
Purchase of investment securities	(3)	(80)
Proceeds from sales of investment securities	110	734
Purchase of intangible assets	(513)	(744)
Payment for investments in subsidiaries	-	(60)
Net decrease (increase) in short-term loans receivable	(331)	1
Payments for lease and guarantee deposits	(31)	(54)
Proceeds from collection of lease and guarantee deposits	57	55
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	67	-
Other, net	(5)	(19)
Net cash provided by (used in) investing activities	(8,542)	(6,685)
Cash flows from financing activities:		
Net increase (decrease) in short-term loans payable	2,988	(5,000)
Proceeds from long-term loans payable	2,250	5,800
Repayments of long-term loans payable	(2,849)	(3,259)
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(581)	(456)
Repayments of lease obligations	(454)	(431)
Net increase (decrease) in commercial papers	1,000	(3,000)
Other, net	1	-
Net cash provided by (used in) financing activities	2,354	(6,348)
Effect of exchange rate change on cash and cash equivalents	42	(82)
Net increase (decrease) in cash and cash equivalents	557	(3,310)
Cash and cash equivalents at beginning of period	12,144	12,688
Increase in cash and cash equivalents from newly consolidated subsidiary	-	1
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(14)	-
Cash and cash equivalents at end of period	12,688	9,379

Group Network

Major Consolidated Subsidiaries
As of September, 2021

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 ASIA-PACIFIC (VIETNAM) COMPANY LIMITED	100 thousand US dollars	100.00%	Clinical services in Vietnam
	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)
CDMO Business	CMIC, INC.	11 thousand US dollars	100.00%	Non-clinical services (bioanalysis service/US)
	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
CSO Business	CMIC Bio Co., Ltd.	100 million yen	100.00%	Development of manufacturing technologies for biopharmaceutical drug substances and contract manufacturing
	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 2021, the trade name of CMIC Career CO. Ltd., was changed to CMIC Solutions Co., Ltd.



Corporate Data/Investor Information

Corporate Overview

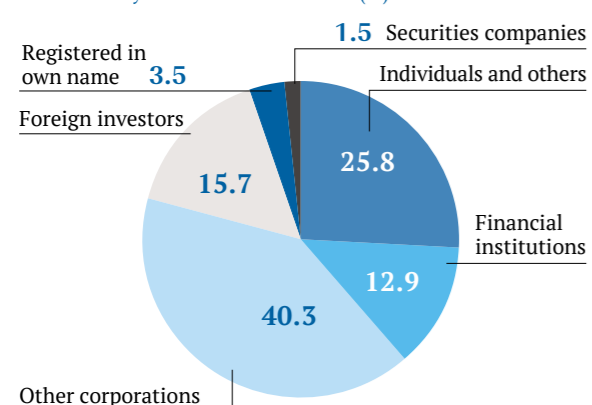
Company name	CMIC HOLDINGS Co., Ltd.	Number of shares issued	18,923,569 shares (including 667,290 treasury stocks) (As of September 30, 2021)
Headquarters	1-1-1 Shibaura, Minato-ku, Tokyo, Japan 105-0023	Trading unit	100 shares
Founded	1992 (Established on March 14, 1985)	Number of shareholders	11,523 (As of September 30, 2021)
Paid-in capital	¥3,087.75 million (As of March 30, 2021)	Transfer agent	Mizuho Trust & Banking Co., Ltd.
Number of employees (consolidated)	7,549 (As of October 2021)	Fiscal year-end	September 30
Stock exchange listing	First Section of Tokyo Stock Exchange (Code: 2309)	Ordinary general meeting of shareholders	December
Number of authorized shares	46,000,000	Record date	September 30

Major Shareholders (As of September 30, 2021)

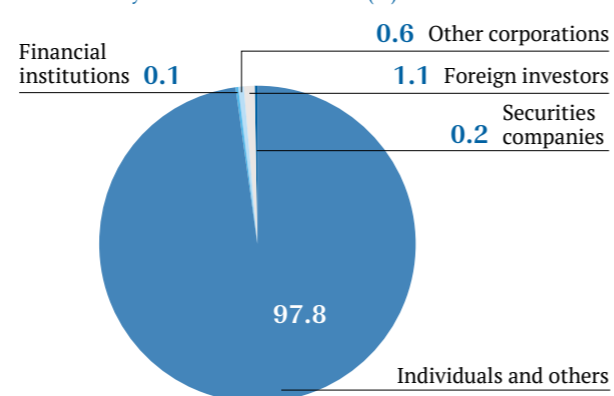
Shareholders	Number of shares held	Ratio of shares held *(%)
Artemis Inc.	4,022,200	22.03
Keith Japan	3,552,240	19.46
The Master Trust Bank of Japan, Ltd.	1,278,500	7.00
Employees' Stockholding	871,640	4.77
THE BANK OF NEW YORK-JASDECTREATY ACCOUNT	629,700	3.45
Custody Bank of Japan, Ltd.	603,600	3.31
Kazuo Nakamura	564,220	3.09
DZ PRIVATBANK S.A.RE INVESTMENTFONDS	240,000	1.31
SSBTC CLIENT OMNIBUS ACCOUNT	215,378	1.18
STATE STREET BANK AND TRUST COMPANY 505103	188,288	1.03
Total	12,165,766	66.64

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

Breakdown by Number of Shares Held (%)



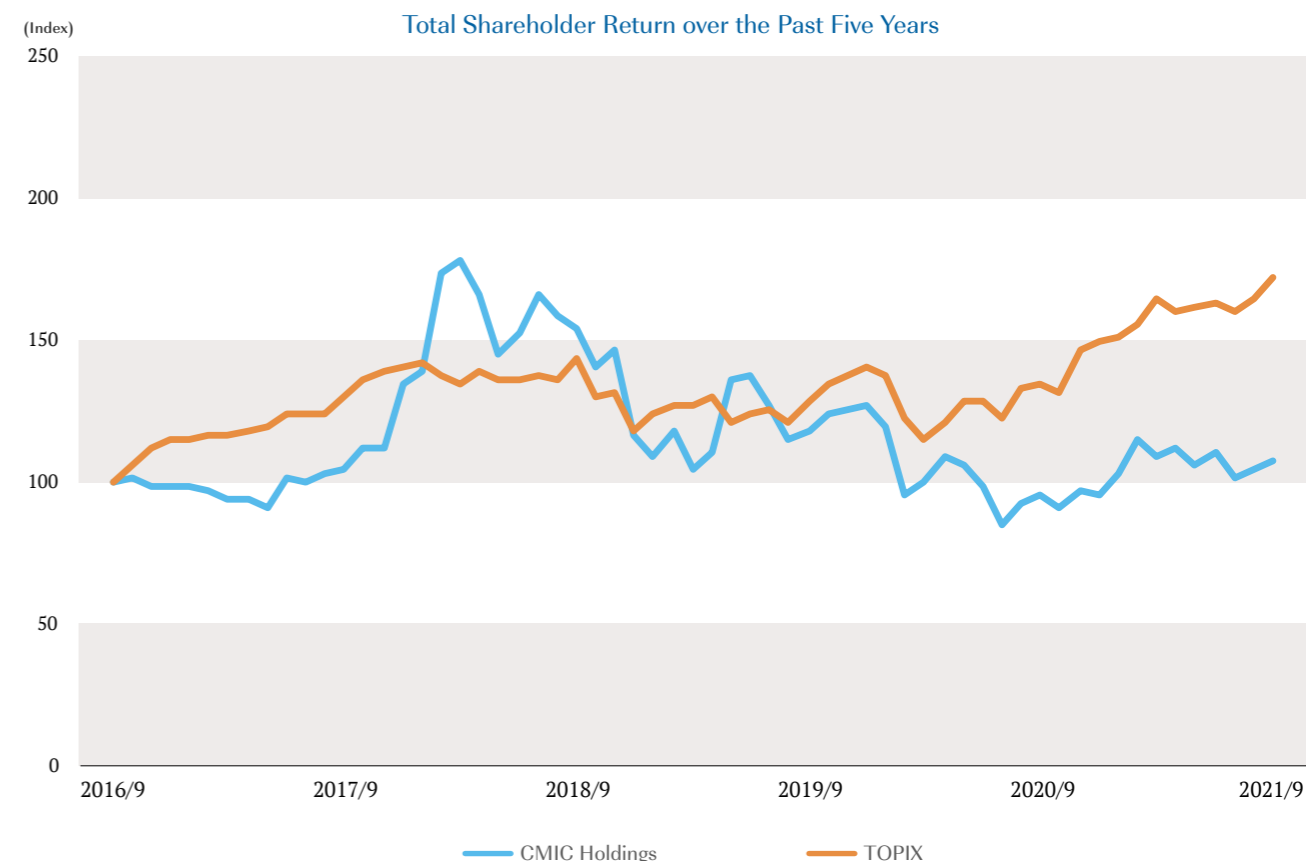
Breakdown by Number of Shareholders (%)



Shareholder Distribution by Number of Shares Held (%)

Less than 1 share unit	10.24	100 or more but fewer than 500 share units	0.49
1 or more but fewer than 5 share units	77.02	500 or more but fewer than 1,000 share units	0.09
5 or more but fewer than 10 share units	5.77	1,000 or more but fewer than 5,000 share units	0.12
10 or more but fewer than 50 share units	5.72	5,000 or more share units	0.06
50 or more but fewer than 100 share units	0.49	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, 2021, and the stock price when an investment was conducted on September 30, 2016. Investment performance including dividends has been added to the CMIC Holdings stock price and indexed at 100 as of September 30, 2016. The TSE Stock Price Index (TOPIX), which is a comparative index, also uses indexed data and is indexed in the same way.

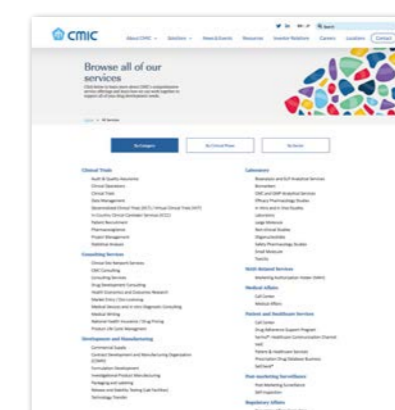
Other Information about CMIC Group

Investor Relations



<https://www.cmicgroup.com/e/ir/>

Our Services



<https://en.cmicgroup.com/all-services/>

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