

Financial Results for the Second Quarter of the Fiscal Year Ending September 30, 2022 WEB Conference Q&A (May 11, 2022)

CMIC HOLDINGS Co., Ltd.

Q. Is the upward revision of the full-year forecast mainly due to an upward swing in the first half?

⇒ The main reason for the upward revision is the increase in 1H results. The impact of vaccination support in the Healthcare Solutions business is significant.

Q. Orders for pharmaceutical solutions are increasing, but what is the breakdown for each business?

⇒ Orders are increasing almost evenly with steady growth in each business. Orders for CDMO, in particular, are for long-term contracts to be booked continuously over a short period of time, and orders in Japan are brisk.

Q. Are CDMO orders mainly for brand-name and injectable drugs? What is the status of orders for generic drugs?

⇒ A. Yes, we have received orders for brand-name drugs, injectable drugs, and long-listed drugs. Although we have not yet received orders, we have received many inquiries for generics from the viewpoint of stable supply.

Q. What is the capacity situation at the Ashikaga parenteral drug manufacturing building and when will full-scale commercial production begin?

⇒ Both lines at the Ashikaga parenteral drug manufacturing building are almost at full capacity and will start contributing to earnings in the second half of FY22.

Q. In relation to the partnership with Science37®, what is the status of the DCT initiative?

⇒ The implementation of DCT requires various components such as online medical consulting, home nursing, satellite site coordination, and electronic consent acquisition, each of which has its own external vendor. Therefore, we are working to expand order opportunities through a partnership with Science37®, which has a strong presence in global clinical trials and possesses all components. In Japan, clinical trials are conducted at multiple sites due to the country's excellent access to medical care. Through DCT, the company is working to secure the number of patients at fewer facilities so that clinical trials can be conducted efficiently and quickly.

Q. I think orders for the Market Solutions business are growing. Pharmaceutical companies are reducing the number of MRs, but are you seeing an increase in remote contract MRs?

⇒A. Yes, orders for projects related to the COVID vaccine contributed to orders received this fiscal year, but we continue to receive inquiries in other areas as well. We are responding remotely, mainly with physical MRs.

Q. Out of the backlog of orders received by CROs for pharmaceutical solutions, what about non-COVID growth?

⇒As for orders received in 2Q, projects for therapeutic drugs and vaccines related to COVID accounted for a large proportion.

Q. EPS Group restructured its CRO business in February. Has the competitive environment in the market changed?

⇒Rather than EPS Group, competition with global CROs that have bases in Japan is intensifying due to the globalization of clinical trials. In response, we are working to win global clinical trials by promoting collaboration with global CROs and other companies that do not have bases in Japan.

In addition, the number of post-marketing projects is increasing, and the company is competing with domestic CROs in this area, but inquiries are increasing for difficult trials, which is one of the strengths of CMIC.

Q. Do you see any impact on the competitive situation with EPS Group in terms of approval application work and negotiations with authorities, which are the strengths of domestic CROs over global CROs?

⇒No change. Consulting services are a major strength of our company, and we continue to receive strong inquiries.

Q. What do you think of the impact on CROs in the mid- to long-term if clinical trials become increasingly digitalized?

⇒We believe there is room for growth in the current Japanese clinical trial environment. On the other hand, there is a possibility that COVID will lead to a change in awareness on the part of medical institutions and the streamlining of clinical trials in Japan, which has been an issue for some time.