

Business Activities Report 2022



Contents

Value Creation Story of CMIC

- 1 Mission, Vision, Values
CMIC'S CREED
- 2 Taking on Challenges Since Our Foundation
30 Years Ago - Contributing to Solving
Social Issues
- 4 Business Model and Value Creation Process
- 6 Message from the CEO
- 11 Message from the COO
- 12 CMIC's Earnings Structure, Finance and
Capital Strategy (CFO Interview)

Business Activities

- 14 Consolidated Results for the Fiscal Year
Ended September 30, 2022
- 15 Pharmaceutical Solutions
- 17 Healthcare Solutions

Framework for Supporting
Sustainable Growth

- 18 Sustainability
- 18 Basic Policy and Promotion Framework
- 19 Development of and Active Participation
by Human Resources
- 21 Approaches to Diversity
- 21 Human rights/Labor practices/Health
and Safety
- 23 Health Management Initiatives
- 24 Efforts to Address Environmental Issues
- 25 Efforts to Address Climate Change
- 26 Social Contribution Activities
- 28 Quality Management
- 29 Supply Chain Management
- 30 Risk Management Framework/
Compliance Framework
- 31 Corporate Governance
- 34 Management Team

Data Section

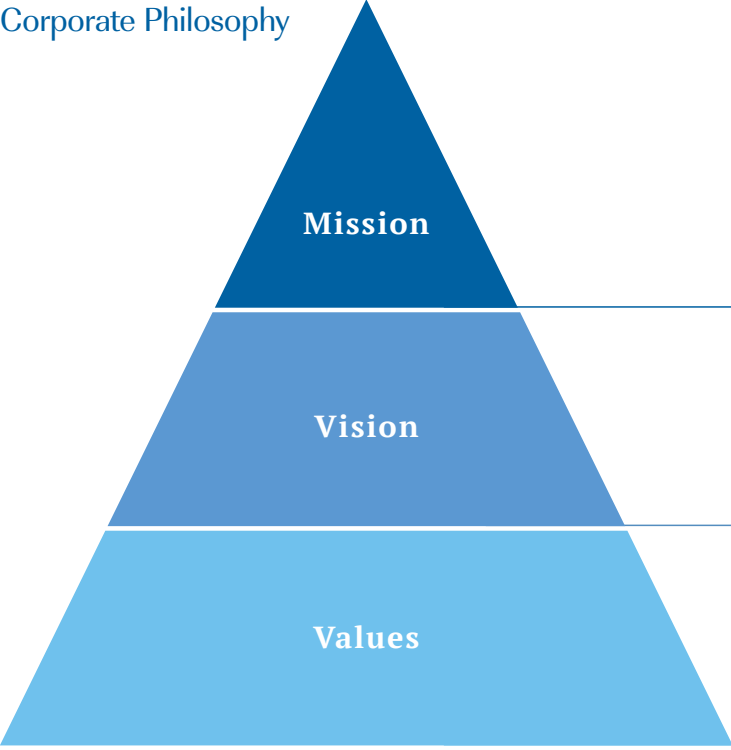
- 36 10-Year Financial and Non-Financial
Highlights
- 38 Non-Financial Highlights
- 39 Sustainability Focus
- 40 Consolidated Balance Sheets
- 42 Consolidated Statements of Income/
Consolidated Statements of
Comprehensive Income
- 43 Consolidated Statements of Changes in Equity
- 44 Consolidated Statements of Cash Flows
- 45 Group Network
- 46 Corporate Data/Investor Information

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

Taking on Challenges Since Our Foundation 30 Years Ago – Contributing to Solving Social Issues

Since its foundation as Japan's first contract research organization (CRO), CMIC has expanded its businesses by anticipating changing needs in different eras to offer a variety of services. Today CMIC contributes to approximately 80% of Japan's new drug development. Going forward, we will contribute to the treatment of illnesses through cutting-edge science and pursue IKIGAI (purpose of life) with a broad view of the concept of health.

External Environment
1980s: CROs developed in the US with the rise of bio-venture firms

1992 Founded as Japan's first CRO

CMIC was founded as a CRO that contracts for clinical trials for pharmaceutical development. In the US during the 1980s, demand for CROs increased with the wave of bio-venture firms due to the outsourcing of clinical trials, a particularly time-consuming and labor-intensive aspect of drug development. Seeing how these dynamic actions profoundly changed the very idea of the pharmaceutical industry and convinced that CROs would become indispensable in Japan, we established CMIC as the first CRO in Japan.

1996 Launch of Japan's First CRC Business

We launched Japan's first Clinical Research Coordinator (CRC) services and expanded our support not only to pharmaceutical companies but also to medical institutions conducting clinical trials. In 2000, we established Japan's first Patient Recruit Center, a call center, and launched a model to refer patients to appropriate medical institutions. The model in which the call center refers patients directly is quite revolutionary, enabling patients themselves to actively seek out and participate in new drug clinical trials.

External Environment
The enactment of new Good Clinical Practice (GCP) guidelines led to rising CRO needs and propelled surging growth

1997

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 (GCP) for Drugs in Japan, bringing stringent standards in line with those in Europe and the US. This provided the first legal standing for CROs in Japan. The enforcement of the new GCP guidelines increased the workload of pharmaceutical companies and medical institutions, increasing the need for CROs and, in turn, fueling CMIC's dramatic growth. In 2000, we launched our CSO business and began providing sales and marketing support for pharmaceutical products.

- ▶ Contributing to increased clinical trial quality and shorter clinical trial duration
- ▶ Contributing to the leveling out and optimization of resources for pharmaceutical companies and medical institutions conducting clinical trials

External Environment
Implementation of Revised Pharmaceutical Affairs Act enabled complete outsourcing of pharmaceutical manufacturing

2005 Launch of CDMO Business

The implementation of the Revised Pharmaceutical Affairs Act permitted the complete outsourcing of pharmaceutical manufacturing. This prompted CMIC to launch the equipment-intensive CDMO Contract Development and Manufacturing Organization (CDMO) business as a company that has engaged in personnel-oriented operations without facilities mainly in the CRO and SMO businesses since its foundation. Consequently, CMIC has completed its unique Pharmaceutical Value Creator (PVC) model, which helps maximize the value of pharmaceutical companies by connecting them to an integrated value chain, extending from development to manufacturing and sales. The global trend at the time was for CROs to specialize in CROs and CDMOs to specialize in CDMOs. While the PVC model was considered a unique initiative owing to the specialized nature of each of these companies, we felt that the model was a necessary addition given the growing interest of bio-ventures and active entry into the pharmaceutical business from other industries.

CMIC contributes to approximately 80% of Japan's new drug development

2015 Launched Project Phoenix

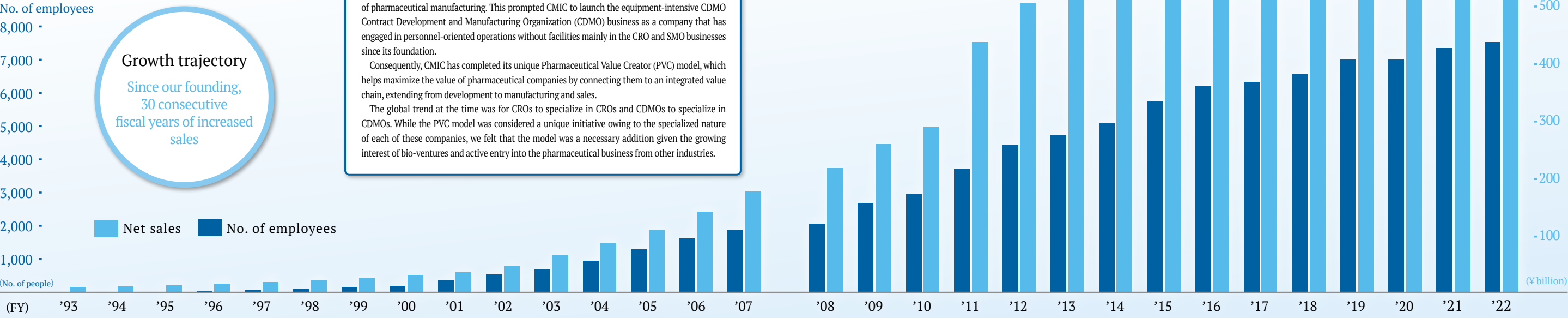
We embarked upon our "Project Phoenix" initiative to realize sustainable growth in a period of transition in the healthcare and pharmaceutical industry. This paved the way to eliminate unprofitable businesses and initiate cost-structure reform, and this was when we formulated "CMIC'S CREED," our corporate philosophy that expresses the founding spirit of the Group's origins. 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. CMIC, which broadly supports the value chains of pharmaceutical companies, has become an indispensable player in the development of drugs and today contributes to approximately 80% of new drugs in Japan.

External Environment
Spread of COVID-19 infections

2022 Toward the Third Founding

The spread of COVID-19 overloaded the medical system, and CMIC was affected by the decision to refrain from visiting medical institutions and delays in development projects. However, we promoted the utilization of CMIC Group human resources in the healthcare field and focused on providing infectious disease control support services, including support for COVID-19 vaccinations and PCR testing to local governments, infected person follow-ups, and the provision of antigen/antibody test kits. We positioned the fiscal year ended September 30, 2022, which marked the 30th Anniversary of the Company's establishment, as the start of the Third Founding. In addition to strengthening drug development using new drug discovery platform technologies and digitalization, we are promoting support for initiatives geared toward the total care of disease, ranging from prevention to diagnosis, treatment, and prognosis. Based on this, we will 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.



1992	1996	1998	2000	2002	2005	2012	2015	2019-2021	2022-2025
Founding Start of CRO Business	Launch of CRC Business	Established Asian subsidiary	Started CSO Business	Listed on JASDAQ	Started CDMO Business Listed on First Section of Tokyo Stock Exchange	Transitioned to a holdings company structure	Launched Project Phoenix initiative to realize sustainable growth	Mid-term Management Plan (2019-2021) Healthcare Revolution 2.0	New Mid-term Management Plan (2022-2025) Third Founding

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.”

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

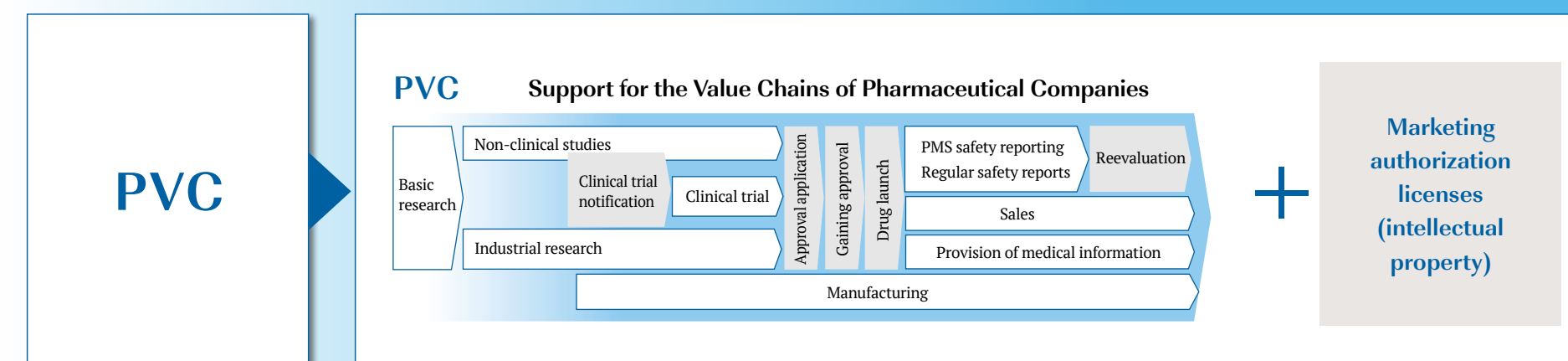
The CMIC Group is a pioneer in the CRO field with a proprietary business model as a Pharmaceutical Value Creator (PVC).

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.

External Environment	<ul style="list-style-type: none"> ▶ Increase in medical expenditures ▶ Declining population and aging society ▶ Total care for diseases 	<ul style="list-style-type: none"> ▶ Shift to personalized medicine ▶ Expansion of digitization ▶ Spread of COVID-19 infections 	<ul style="list-style-type: none"> ▶ NHI price reform ▶ Implementation of Society 5.0
----------------------	---	--	---

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



Source of Value Creation

Human capital Human talent with the knowledge and experience that underpins business	Intellectual capital Intellectual property that supports the business model	Manufacturing capital Manufacturing technology, capital investment
--	---	--

Creating value as a pharmaceutical company, for pharmaceutical companies

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 support for the launch of pharmaceuticals not yet marketed in Japan, CMIC offers new solutions to pharmaceutical companies, bio ventures and other stakeholders. This 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.

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

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.



Message from the CEO

Spearheading the Healthcare Revolution from an "IKIGAI" Perspective

Kazuo Nakamura
Representative Director,
Chairman and CEO

Guided by CMIC’S CREED, which encapsulates thoughts on to what extent each and every person can live a happy life, we are seeking to seize new business opportunities in healthcare. This perspective can be expressed by one word: IKIGAI (purpose of life).



Japan has the highest average life expectancy and healthy life expectancy in the world. Although the country is facing a variety of issues as a super-aging society, it is wonderful that the average life expectancy and healthy life expectancy are increasing. Is it not everyone’s wish that healthy life expectancy be extended?

The concept behind CMIC’S CREED, the CMIC Group’s origins, is for each and every person to live their lives to the fullest. Beyond the treatment of illnesses, what is needed for everyone to spend their lives happily, from birth to death? For example, interaction with society, things they like or are good at, and what kind of incentives they can derive from them. We are trying to create businesses that can contribute to the health of individuals from the perspective of IKIGAI.

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 **CRO¹⁾**. 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

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.

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.

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

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.

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. 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.

For pharmaceutical companies, the development of new drugs is a long process that requires a substantial level of R&D spending, from basic research all the way through post-marketing surveillance. Moreover, there is not always a constant supply of development candidates in clinical development, which significantly slows down the development work process during periods when new drug seeds are not developed in the Company’s own development centers. Thus, careful outsourcing to CROs can not only act as a safety valve, but also optimize management resources, including by allowing the shifting of human resources to operations that are producing higher added value. The CSO business is somewhat similar. When a new drug is released, the number of MRs can be increased markedly to raise awareness, though the level of expertise in areas such as diseases can vary according

to the MR, leading to situations where the in-house workforce may be lacking. On the other hand, once sales pass a certain level, there will likely be a surplus in human resources, which shows the importance of the CSO as a “safety valve” that can be utilized according to need. That being said, it is important to remember that production sites must also be able to reduce costs as drug prices fall, and also face the risk of technological innovations making both equipment and accumulated know-how obsolescent.

By taking charge of projects based on the development standards and procedures of the major pharmaceutical companies, which can often differ substantially from one company to another, CMIC is learning rational procedures from the CRO side. We are also building up our technological base and accumulating know-how by our ability to respond to each and every need from the customer side in terms of quality, speed, and pricing. Leveraging and reflecting this technological expertise and accumulated know-how in 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 (sales and proposal capabilities), operational excellence (business execution skills), and excellence in terms of management skills. 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. Put simply, as an idea that healthcare is moving toward tailor-made medical treatment, we will support its evolution. 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 to survive beyond 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. In contrast, using the spread of the COVID-19 infection as an opportunity, the importance of drug development that is directly linked to the life support of patients has once again been recognized. There is a need to secure a stable supply system for pharmaceuticals, such as promoting the domestic production of highly overseas-dependent pharmaceutical ingredients. We see this as an opportunity to expand our business. The utilization of human resources represents both a risk and an opportunity for the Company. We recognize that securing personnel, including opportunity losses stemming from a lack of personnel, generational gaps, and even successor training, is a major issue for the foreseeable future. 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 Focus Activities of the Mid-term Management Plan to Aiming for Sustainable Growth

Keiko Oishi
Representative Director,
President and COO

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.

Looking back on the fiscal year ended September 30, 2022, the first year of the Mid-term Management Plan, the environment in which the Group operates underwent two major changes. One, is the prolonged nature of the COVID-19 pandemic, and the pressing issue of vaccinations conducted by local governments. Despite the PCR testing and vaccination support provided since the fiscal year ended September 30, 2021, we remain cognizant of the critical need to establish a more extensive support system as soon as possible. Against this backdrop, CMIC’s support has expanded from vaccination assistance to encompass comprehensive support including the follow-up of infected patients, call center operations, referrals to doctors and nurses, and the provision of antigen/antibody test kits. Leveraging its collective strengths, the Group’s

concerted efforts to harness its healthcare and pharmaceutical expertise, network, and human resources were a major step toward the future development of its business in concert with local governments.

The second major change is the social instability caused by the Russian invasion of Ukraine in February 2022. While there was no significant direct impact on the Group in the fiscal year ended September 30, 2022, CMIC will continue to closely monitor the situation and take all preparatory steps to minimize the impact on its business.

The fiscal year ended September 30, 2022 marked the 30th anniversary of CMIC’s founding. Positioning this fiscal year as the first of our Third Founding we will promote drug development and digitization with new drug discovery basic technology, expand our business domain into the healthcare field, and provide support for initiatives that deliver the total care of disease, ranging from prevention to diagnosis, treatment, and prognosis throughout the period of our Mid-term Management Plan.

As we work to secure and train human resources, bring about further diversity and inclusion, lift the collective strengths of the Group through mutual communication, and promote the focus activities of the Mid-term Management Plan, I sincerely ask for the continued support and understanding of all stakeholders.

Financial Targets

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



Pharma Intelligence Awards Japan 2022 award ceremony
Received an award for the Best Contract Research Organization

CMIC’s Earnings Structure, Finance and Capital Strategy

(CFO Interview)

The Impact of COVID-19 and Conflict between Russia and Ukraine

Despite the prolonged impact of COVID-19, the environment for drug development moved toward an improvement as vaccination efforts by local governments and workplaces progressed, and measures to alleviate pressure on the medical system exhibited signs of partial success in the fiscal year ended September 30, 2022. Driven by the development of vaccines and significant growth in vaccination support services to help counter the pandemic, the CMIC Group achieved record high earnings. In addition, the Group is yet to incur any significant direct impact despite the social instability and ongoing concern surrounding business activities attributable to the actions taken by Russia in Ukraine in February 2022. With the aforementioned in mind, the Company’s cash flow and finances are stable at this time.

Earnings Structure by Segment

In the fiscal year under review, the Pharmaceutical Solutions and Healthcare Solutions Segments generated 72% and 28%, respectively, of the CMIC Group’s consolidated net sales. These businesses utilize their respective human resources, equipment, and intellectual property. However, as personnel services represent the Group’s mainstay business, labor costs take up 60% of total costs (cost of sales + SG&A).

Looking at a breakdown of sales in the Pharmaceutical Solutions Segment, 50% comes from the CRO Business, 30% from the CDMO Business, and 20% from the Market Solutions Business. The CRO Business is highly profitable and maintains an operating margin at around 15 to 20%. As 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 therefore every effort is made to ensure appropriate resource management. Although new drug development temporarily stalled owing to the spread of COVID-19, project inquiries are increasing as the development environment improves.

Meanwhile, the CDMO Business requires capital investment with operating income impacted by plant equipment operation rates. Engaged primarily in the contract-based production of long-listed drugs, CMIC has continued to feel the impact of the government’s policy to promote generic drugs. Despite the aforementioned, we are currently working to increase operation rates by expanding contract-based production including new drugs and expect profitability to improve in the medium term. The new injection drug manufacturing building at the Company’s Ashikaga Plant, which manufactures antibody, anti-cancer, and other injectable drugs, became fully operational from the fiscal year ended September 30, 2022.

Preparations are underway for the manufacture of large-scale product items to commence from 2023. With all principal equipment now in place, capital investments are projected to decline having peaked in the fiscal year ended September 30, 2022.

In the Market Solutions Business, CMIC engages in personnel activities that focus on the dispatch of medical representatives (MRs) and intellectual property operations that involve the development and sale of orphan drugs for rare diseases. In the CMIC Group, which centers on the contract business, Orphan Pacific, Inc., a subsidiary that functions as a pharmaceutical company, contributes to the expansion of business opportunities for the entire Group by developing a solutions business that utilizes each business function of the CMIC Group, which other pharmaceutical companies do not provide. For example, this business can meet the needs of overseas-based pharmaceutical companies with no presence in Japan that seek to sell just a single drug product.

In the fiscal year ended September 30, 2022, 40% of sales in the Healthcare Solutions Segment came from the Site Support Solutions Business and 60% from the Healthcare Revolution Business. While generally around 10%, our operating margin in the Site Support Solutions Business, which focuses on personnel activities, surged to 21% in the fiscal year under review. This was due to the upswing in support for medical institutions and other needs, including support for the development of vaccines and therapeutic drugs for new coronavirus infections, call center projects, and clinical trials (research). The primary focus of this business is on our operations to support clinical trials for medical institutions, which is driven by the Site Management Organization (SMO). Here, we are working to improve business efficiency and bolstering collaboration with leading medical institutions.

In providing solutions that employ a new ecosystem of health care to individuals and such entities as local governments, the Healthcare Revolution Business has experienced significant growth in its vaccination support services that help counter the pandemic, utilizing the Group’s professionals certified by CMIC’s unique in-house training & certification system. CMIC is undertaking upfront investments aimed at creating healthcare businesses that utilize digital technologies including harmo®* in a bid to contribute to the early detection of disease and prevention of further aggravation.

*harmo®: Healthcare Communication Channel based on an electronic pharmacy handbook

Looking Back at Financial Results

In line with its sustainable business growth and expansion, the CMIC Group’s total assets have increased by 2.5 times over the past 10 years. At

	2013/9	2014/9	2015/9	2016/9	2017/9	2018/9	2019/9	2020/9	2021/9	2022/9
¥ million										
Profit/Loss (Fiscal year)										
Net sales	50,934	52,836	55,904	62,039	65,282	69,869	74,373	76,098	85,788	108,461
Operating income	4,156	2,766	1,411	3,363	3,897	4,321	4,405	2,605	4,920	11,845
Financial Condition (Fiscal year-end)										
Total assets	42,855	49,237	55,861	59,104	65,605	78,034	80,179	89,517	91,192	107,590
Cash and cash equivalents	6,810	5,751	5,638	4,946	4,928	13,976	12,144	12,688	9,379	11,703
Interest-bearing debt	9,424	13,409	18,069	16,085	18,898	19,276	19,196	22,584	17,039	17,136
Net assets	19,601	20,309	20,667	21,397	23,608	33,536	32,994	34,011	34,485	41,269
Key Indices										
Operating margin (%)	8.2	5.2	2.5	5.4	6.0	6.2	5.9	3.4	5.7	10.9
Return on equity (ROE) (%)	9.2	5.9	-	4.3	7.1	6.5	8.1	6.6	8.3	29.6
Return on assets (ROA) (%)	4.1	2.5	-	1.5	2.5	2.1	2.3	1.8	2.2	8.4
Equity ratio (%)	45.6	41.1	36.4	35.5	34.9	28.9	27.8	26.4	27.5	29.4
Net D/E ratio (times)	0.13	0.37	0.60	0.52	0.61	0.23	0.32	0.41	0.30	0.17

the same time, net sales have climbed 2.2 times with the Group reporting sales growth for 30 consecutive years. Throughout the first half of the 30 years since our establishment, we worked 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. In 2015, the CMIC Group promoted Project Phoenix, an initiative to realize sustainable growth amid calls for change in the pharmaceutical industry, including the shift from a model dependent on longlisted products to one 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 contract 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. CMIC positioned the fiscal year ended September 30, 2022, which marked the 30th anniversary of the Company’s founding, as the first year of its third founding. In addition to promoting drug development and digitalization using new basic technologies for drug discovery, we are working to expand our business domain into the healthcare field and promote support for efforts to provide total care for diseases from prevention to diagnosis, treatment and prognosis. Through these means, we are strengthening our business foundation with the aim of securing sustainable growth.

Financial Strategy Going Forward

CMIC is promoting a strategy for growth conscious of the need for 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. While maintaining the CRO Business as the foundation of our business portfolio, we are transitioning to a structure that allows each business to grow while improving profitability. As we look ahead to the domestic CRO market’s maturation, we are accelerating our efforts to develop globally, and 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, the healthcare business, 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 promote employee growth by hiring human talent of a higher caliber and conducting ongoing education and training to secure human resources that can act on a global stage and lift the level of our technological capabilities.

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 Business 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

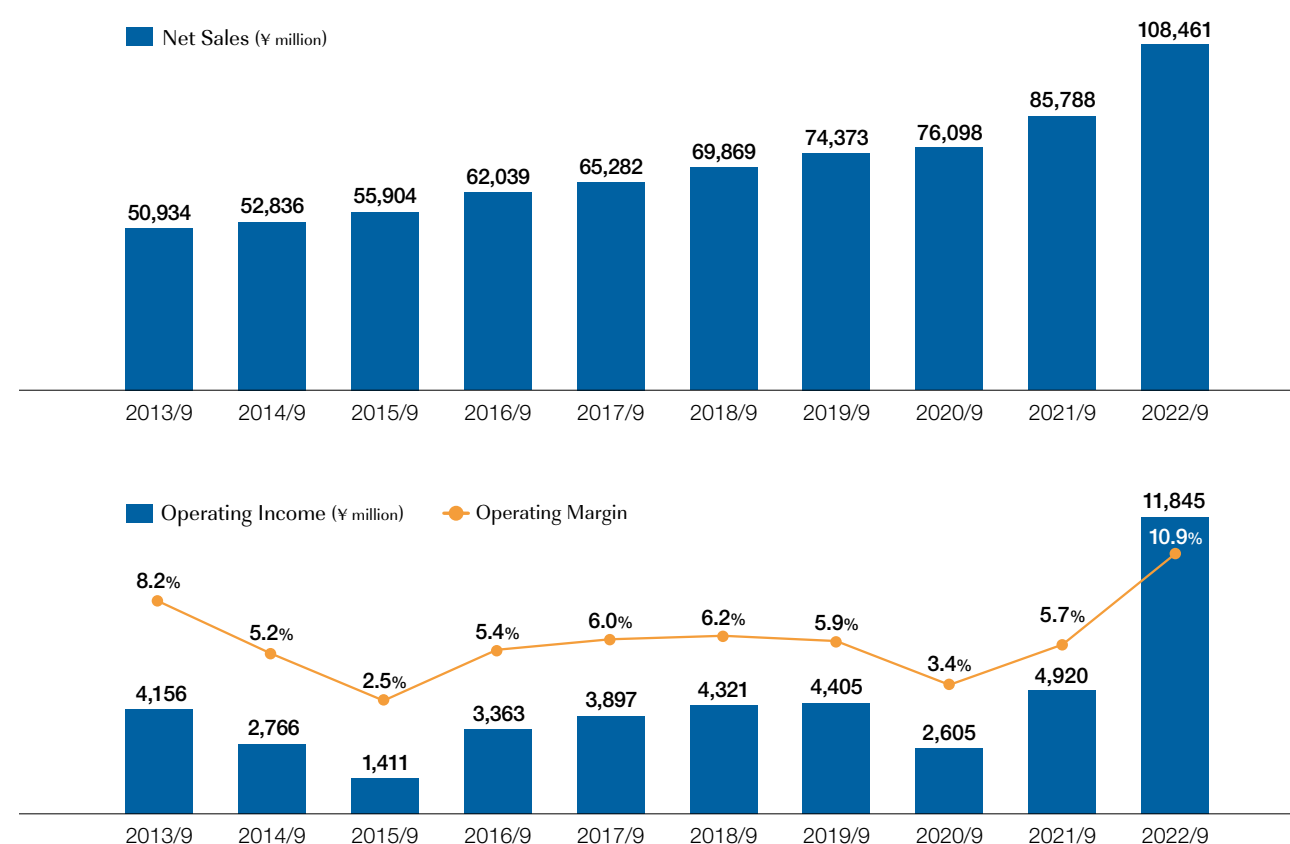
Our basic policy is to prioritize the distribution of profits to shareholders as one of our key managerial policies and to distribute performance-based dividends while securing retained earnings to improve earnings and strengthen our corporate base. We make steady and stable distributions with a target 30% consolidated payout ratio. At the same time, the Company will purchase treasury stock flexibly, taking into consideration stock market trends, capital efficiency, and other factors.

Consolidated Results for the Fiscal Year Ended September 30, 2022

In the current consolidated fiscal year, as part of our efforts to address the key issues in our mid-term plan, we focused on sales activities to propose business solutions for local governments that support local communities in terms of both digital and human resources, and to win new contracts for pharmaceutical development and manufacturing.

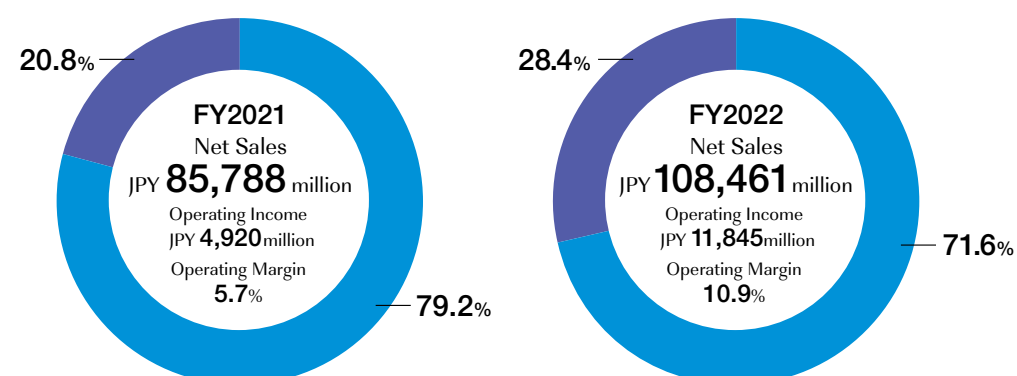
The invasion of Ukraine by Russia in February 2022 has caused social instability and there continues to be concern about the impact on our business, but there has been no significant direct impact on our Group in the current fiscal year.

In the current consolidated fiscal year, net sales amounted to 108,461 million yen (up 26.4% year on year), operating income to 11,845 million yen (up 140.7% year on year), ordinary income to 13,450 million yen (up 164.2% year on year), and net income attributable to owners of the parent was 8,387 million yen (up 314.5 year on year), significantly exceeding the previous consolidated fiscal year, thanks to significant growth in vaccine development and vaccination support services for new coronavirus infection in the Healthcare Solutions Segment and solid performance in various businesses in the Pharmaceutical Solutions Segment.



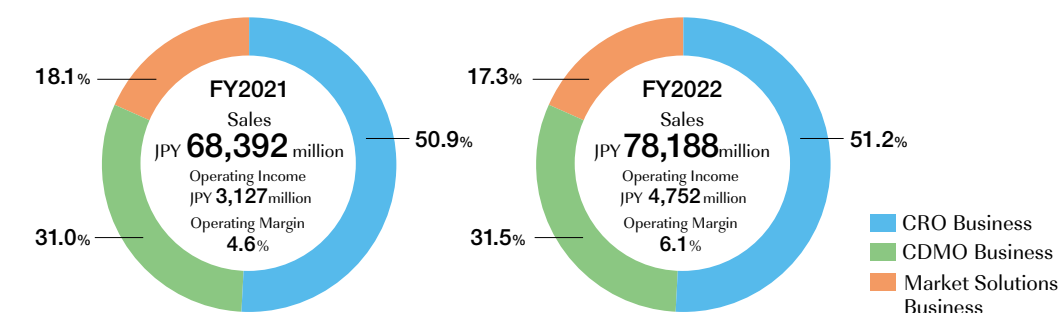
Sales Composition Ratio

■ Pharmaceutical Solutions ■ Healthcare Solutions



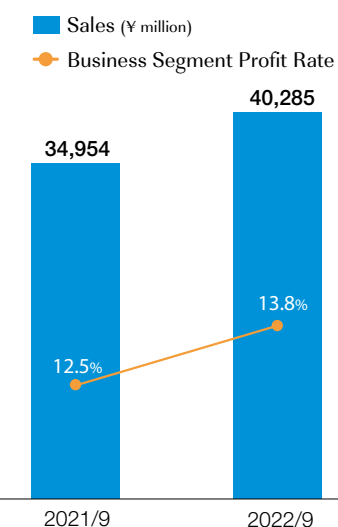
Pharmaceutical Solutions

Sales Composition Ratio



CRO Business

- Sales increased from the previous consolidated fiscal year
- Increased inquiries for development projects
- Partnership with Science 37® to promote Decentralized Clinical Trials (DCT) and speed up drug development; more trials incorporating DCT (telemedicine, home nursing, ePRO, etc.)
- In the bioanalysis business, CMIC supports drug discovery in cutting-edge areas where modalities are diversifying, such as next-generation biopharmaceuticals and gene therapy drugs



CDMO Business

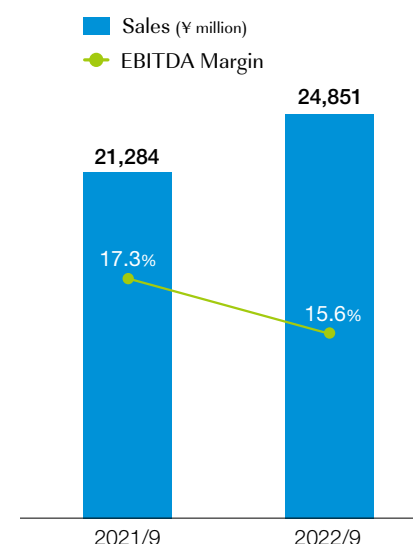
- Sales increased from the previous consolidated fiscal year
- Growing need to ensure stable supply in response to the spread of new coronavirus infections and generic quality issues
- Rising prices for energy, raw materials, and packaging materials in manufacturing
- Respond to supply shortage risks, such as prolonged delivery times, in cooperation with customers and suppliers
- Delayed recovery in US performance, focus on acquiring new projects



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



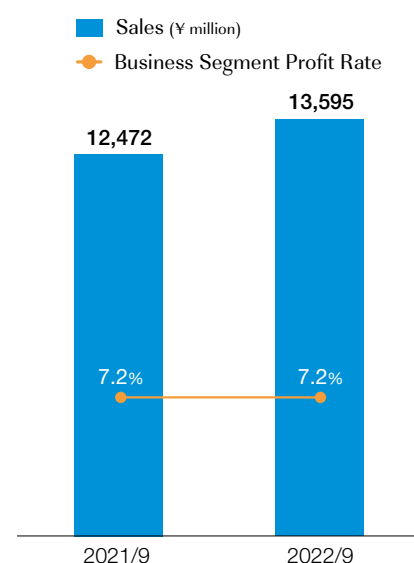
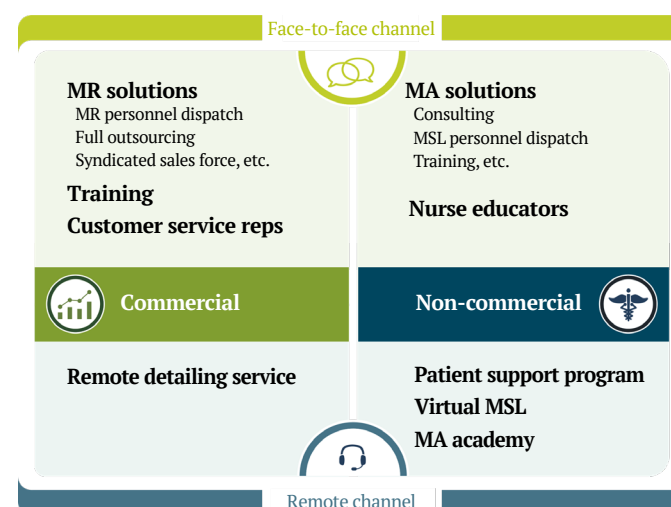
Filling and freeze-drying process at the newly constructed Ashikaga Injection drug manufacturing building



Market Solutions Business

- Sales increased from the previous consolidated fiscal year
- Acquired new projects and made steady progress in existing projects in MR dispatch services
- Launched the development of glycerol phenylbutyrate (overseas trade name Ravicti®) for the treatment of urea cycle disorders in Japan

Human resources business centered on the dispatch of MRs



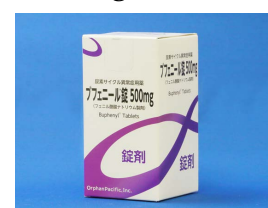
Development and sale of orphan drugs



Dantrium®



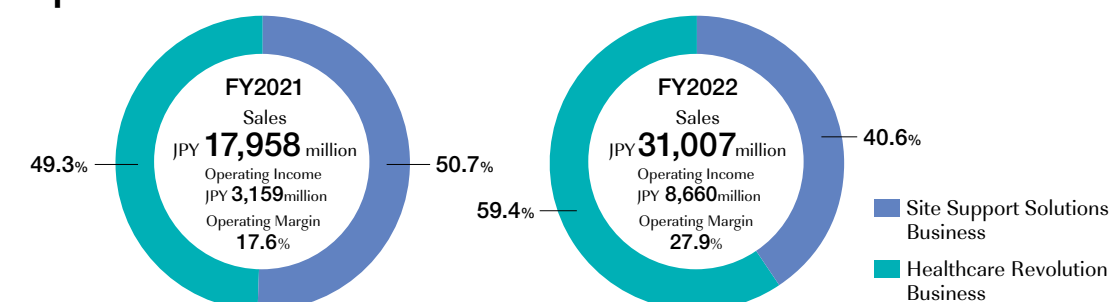
Rasilez®



Buphenyl®

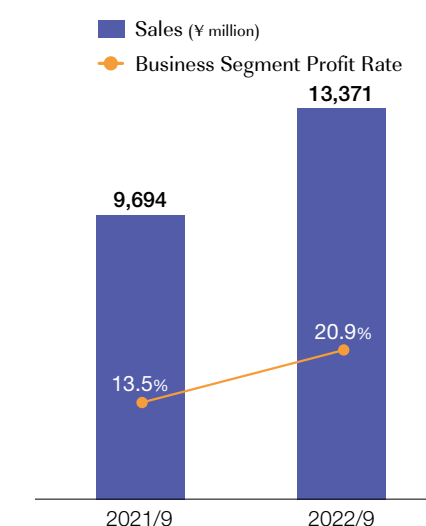
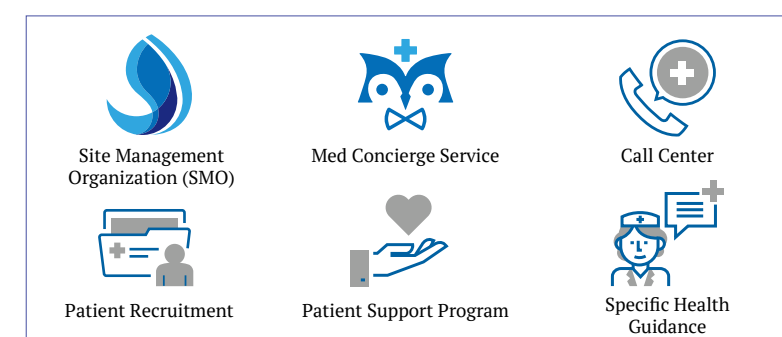
Healthcare Solutions

Sales Composition Ratio



Site Support Solutions Business

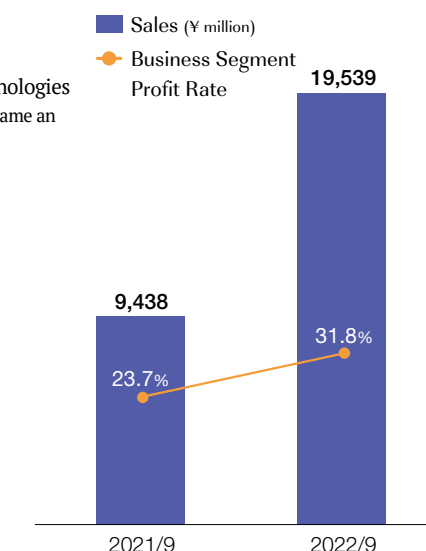
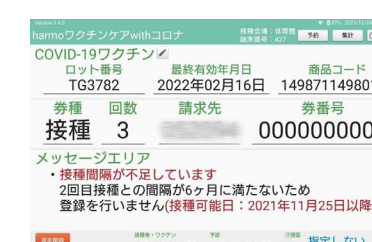
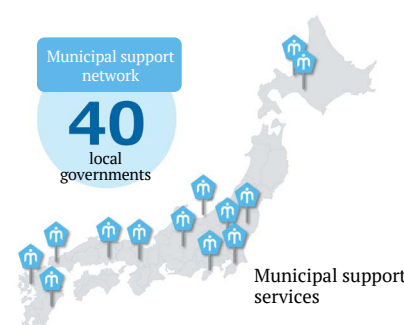
- Sales significantly exceeded the previous consolidated fiscal year
- Increase in development projects for vaccines and therapeutic drugs for new coronavirus infections and needs for call center projects
- Needs for clinical trials (research) and other support for medical institutions are expanding
- Promote collaboration with academia



Healthcare Revolution Business

- Sales significantly exceeded the previous consolidated fiscal year
- Municipal support services greatly expanded from vaccination support services for new coronavirus infections
- Expansion of businesses that integrate disease prevention, health information, and IT technologies
 - OKEIOS Inc., a developer of data management platforms for healthcare information coordination, became an equity-method affiliate
 - Developing self-testing services such as the launch of the Frailty® testing kit "FrailSign" and Proof of Concept (POC) for stress checks
- Promote the use of harmo® as a Healthcare Communication Channel in PHRs, etc.

*Decline in physical and cognitive functions



Sustainability

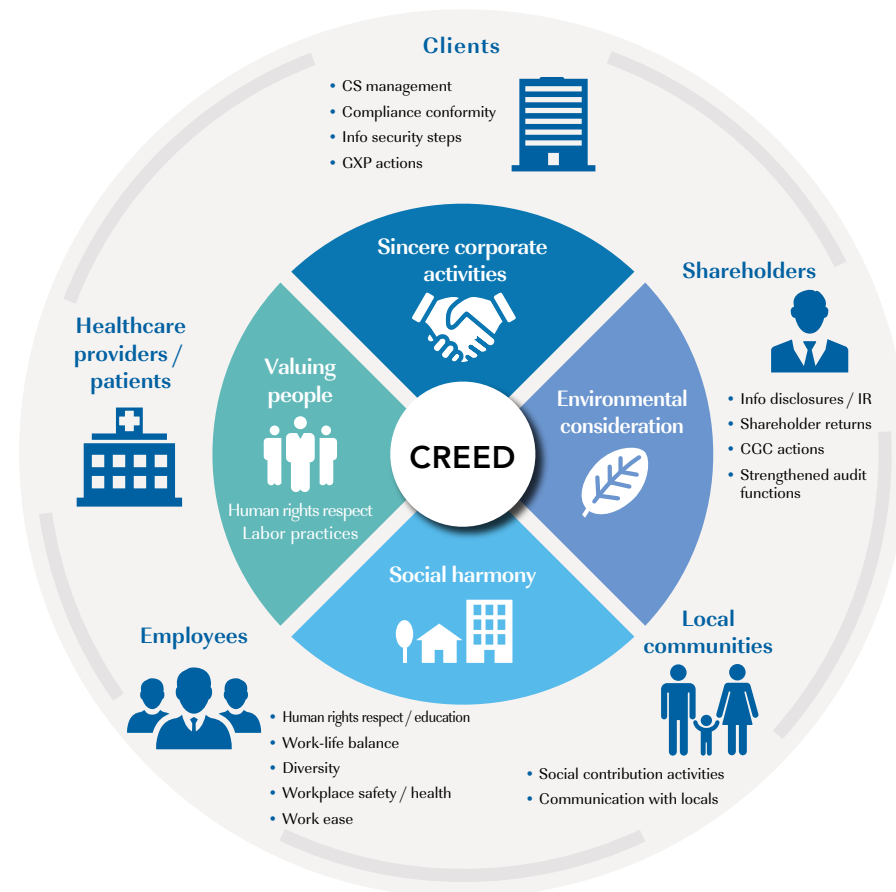
Basic Policy and Promotion Framework

Essential Conceptst

The essential sustainability concepts held by the CMIC Group are laid out in its CMIC'S CREED corporate philosophy.

The CMIC Group Code of Conduct requires all executives and employees of the CMIC Group to engage in corporate activities based on this CMIC'S CREED and related Mission, Vision, and Values, and to act proactively to achieve sustainable growth, enhance corporate value over the medium to long term, and resolve social issues while complying with laws and regulations.

In identifying and incorporating key sustainability issues into its medium- to long-term strategies, the CMIC Group formulates and implements various measures through its business activities in a bid to realize sustainable management. In this manner, every effort is made to secure the sustainable development of society and sustainable growth of the Group.



Sustainability Promotion Framework

1. Establishment of the Sustainability Committee

The CMIC Group works diligently to resolve social issues while enhancing its corporate value over the medium to long term through business activities based on CMIC'S CREED. With this in mind, the Group established the Sustainability Committee to promote more effective sustainability initiatives.

2. Role of the Committee

The Committee is responsible for developing an overall plan for the Group's sustainability activities, monitoring progress, and evaluating the status of results. In addition, the Committee reports and makes recommendations to the Board of Directors on a regular basis.

3. Composition of Committee Members

The Committee is chaired by a representative director. Members include Group directors, senior management, and other executive personnel. Subcommittees on such issues as the environment, human resources, and social contribution activities will be established within the Committee to promote sustainability-related initiatives.

Development of and Active Participation by Human Resources

We at the CMIC Group will continue to change and take on new challenges. Not resting on our laurels, we will innovate and open up possibilities from new perspectives. With each and every employee taking on the challenge of creating new value, we are providing opportunities to excel while fostering human resources so that they are able to fully live every moment.

HR Vision CMIC Group Basic Human Resources Policy

To realize CMIC'S CREED, Vision, and Mission, the CMIC Group has formulated a basic human resources policy, based on which we implement human resources strategies and various human resources measures.

1. Creating People who aspire to self-evolve and take on challenges on their own

We support all employees who are motivated to change themselves so that they can provide new value to people and society quickly. We will provide opportunities for employees who are willing to take on challenges and to learn to transform themselves to grow.

2. Respect differences and provide an environment in which people can openly face others in earnest

We will create a trusting workplace where everyone respects each other, and where everyone can face each other with sincerity. A diverse range of personnel are active in the CIMIC Group. Employees with various ideas, regardless of nationality, age, gender, etc., will go beyond organizational boundaries and positions to work together to achieve their goals.

3. Realization of fair evaluation and treatment

We will fairly evaluate the new values we have created and reflect it in our compensation(remuneration, promotion, demotion, assignment, etc.). We conduct fair and convincing personnel evaluations based on daily communication and feedback that align with targets. In addition, by rewarding employees adequately with appropriate treatment, each employee can feel a sense of satisfaction in their work.

HR Strategy_IKIGAI 1.0

Personal Business Value

Leading to the realization of CMIC'S CREED, Personal Business Value expresses the value that employees autonomously demonstrate through their roles and missions. Each employee chooses a role and work style that suits his or her lifestyle and, by demonstrating sustainable Personal Business Value, aims to proactively engage with society and work with the CMIC Group for a long time while pursuing IKIGAI.

New Work Style & Space

Fulfilling multiple roles beyond their organizations and positions, employees work agilely on a project basis without being bound by time and place. The Company aims to provide environments in which all employees can be themselves and work with "IKIGAI" anytime, anywhere, together with the opportunities, tools, and resources that support co-creation as well as new work styles that transcend organizations and positions.

Respect Each Other (Diversity & Inclusion)

By respecting each other's individuality and lifestyle differences and maintaining psychological safety, we aim to continue evolving through frank discussions and agile trials and learning in our organizations and projects.

Employee Experience

The CMIC Group aims to provide an Employee Experience that maximizes IKIGAI so that employees can work for the Company for a long time while realizing their own IKIGAI.

Ratio of Mid-career Hires

We are actively recruiting both new graduates and mid-career hires.

	2019	2020	2021
Ratio of Mid-career Hires	75.3%	63.6%	70.4%

*Scope: CMIC HOLDINGS Co., Ltd., and domestic consolidated subsidiaries

*Period covered: Total for April to following March of each fiscal year

Healthcare Professional* Human Resources

The environment surrounding the medical and healthcare fields continues to undergo major changes, including the evolution of technology and expansion of community healthcare. As a result, individual employees are being required to face the challenges of new roles. We have introduced an in-house certification system, the Healthcare Professional Certification System, as a measure to develop human resources who can flexibly respond in the medical and healthcare fields by making use of the skills and experience they have cultivated.

*Healthcare Professional: CMIC's unique in-house certification system to cultivating professionals

Healthcare Partner	1,811
Healthcare Advisor	853
Healthcare Producer	54

*As of September 30, 2022
Healthcare Partner (Human resources who have completed basic training in health knowledge and can identify issues)
Healthcare Advisor (Human resources who have completed development training in health knowledge and can solve problems)
Healthcare Producer (Human resources who can plan and co-create for the future based on their advanced health knowledge)



Diversity & Inclusion

Irrespective of gender, age or disability, we contribute to resolving social issues by conducting business that utilizes the strengths of diverse human resources on the basis of having the right people in the right place.

Business Environments in Which Women Can Easily Excel

	2020	2021	2022
Ratio of females	55.4%	55.3%	56.0%
Ratio of males	44.6%	44.7%	44.4%
Female manager ratio	27.9%	24.5%	24.6%
Female director ratio	10.2%	10.3%	14.1%

*Scope: CMIC HOLDINGS Co., Ltd. and domestic consolidated subsidiaries

Gender Pay Gaps

	2022
All workers	71.5%
Regular workers	76.5%
Non-regular workers	53.8%

*Ratio of women's wages to men's wages
*Scope: CMIC HOLDINGS Co., Ltd., CMIC Co., Ltd., CMIC Pharma Science Co., Ltd., CMIC CMO Co., Ltd., CMIC Ashfield Co., Ltd., CMIC HealthCare Institute Co., Ltd., CMIC Solutions Co., Ltd.

Employee Ratio by Age Group

We believe that highly experienced senior human resources are highly valuable because they possess a wide variety of pharmaceuticals-related experience. The Company is making the most of that experience by, for example, being accepting of senior human resources from outside the Company who have retired or who are approaching retirement age.

(Age)	2020	2021	2022
0-14	-	-	-
15-19	1.1%	1.0%	0.9%
20-29	20.8%	20.4%	19.6%
30-39	30.9%	28.7%	28.0%
40-49	28.4%	28.3%	28.1%
50-59	14.1%	16.2%	18.1%
60-65	3.8%	4.2%	4.2%
66-	1.0%	1.1%	1.0%

*Scope: CMIC HOLDINGS Co., Ltd. and domestic consolidated subsidiaries

Employment of People with Disabilities

	2020	2021	2022
Number of employees with disabilities	88	88	94
As a percentage of all employees	1.45%	1.41%	1.46%

*Scope: CMIC HOLDINGS Co., Ltd. and domestic consolidated subsidiaries

Approaches to Diversity

The CMIC Group has embodied its ideals of “bringing about innovation in healthcare fields, so that all may stride forth true to themselves in this one and only life, regardless of age, gender or race” and “whether when the radiant flower of youthful vitality blooms, or as life matures in later age, every desire to live fully in the moment is equally precious” within CMIC’s CREED.

It is upon the basis of these ideals that we hold up diversity as a management theme of great importance, and lend ourselves to concepts and thinking that enrich by venerating all forms of variety. Diversity in the CMIC Group is not limited to personnel policies focused on women alone, and by venerating the ways in which our work and thoughts mutually differ, to arrive at yet higher caliber discussion and outcomes, whilst celebrating our variety, it is held up as something that makes us a company able to deliver high performance. We believe that the employment of diverse personnel, irrespective of race/gender/disability, the veneration the contrasts between people to find value, and fair treatment regardless of dissimilarity are indispensable for business growth, and incorporate these beliefs into our advancement of diversity.

Human rights/Labor practices/Health and Safety

The CMIC Group’s management philosophy, CMIC’S CREED, is to 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. Based on this philosophy, we respect the human rights of all stakeholders involved in our business, including patients, medical professionals, employees, and contract workers. For this reason, CMIC Group employees are working to acquire and establish the ethics and compliance knowledge required of healthcare professionals through regular education and training. We will create work environments that show our consideration for health and safety as well as conduct health promotions so that employees can demonstrate their abilities to the fullest and work with a sense of reward and fulfillment.

Human rights

The scope of the CMIC Group’s business activities encompass and impact a wide range of stakeholders, including suppliers, customers, and business partners and are also deeply connected to stakeholders’ human rights. The CMIC Group Human Rights Policy clarifies our commitment to respect human rights as a company and represents our promise to reflect this in our business activities.

1. Basic Approach to Human Rights

We understand that our business activities may affect human rights and promise to respect them.

2. Comply with national laws and regulations

We will comply with the human rights laws of each country and regions in which we operate.

3. Human rights in the workplace

We will respect diversity, prohibit all forms of discrimination and harassment, and comply with laws and labor practices domestically and internationally.

4. Training on human rights

Regular educational sessions are provided to all directors and employees. Separate training sessions for management are also provided.

5. Human rights remedies

In the event of a human rights breach in connection with our business activities, we will take remedial measures by grasping the situation and taking appropriate measures.

Labor practices

Under the CMIC Group Human Rights Policy, we promise to support and respect the following international norms.

- International Bill of Human Rights, which stipulates the fundamental human rights of all people (Universal Declaration of Human Rights, International Covenant on Civil and Political Rights, International Covenant on Economic, Social and Cultural Rights)
- ILO Declaration on Fundamental Principles and Rights at Work (including the core labor standards of prohibition of child labor, prohibition of forced and compulsory labor, elimination of discrimination and recognition of the right to freedom of association and collective bargaining) of the International Labor Organization (ILO), which provides for fundamental rights at work
- Convention on the Rights of Workers, including Wages and Working Hours
- United Nations Declaration on the Rights of Indigenous Peoples
- United Nations Global Compact Ten Principles
- “Ethical Principles of Medical Research for Human Subjects (Declaration of Helsinki)”

Compliance Training

Through regular education and training, CMIC Group employees are striving to acquire and instill the ethics and compliance knowledge required as professionals engaged in healthcare.

Participation Rate for Each Item

	2020	2021	2022
Compliance	99.4%	96.0%	97.7%
Privacy protection	99.4%	96.1%	97.5%
Quality management	99.4%	96.3%	97.3%
Management of Conflict of Interest/ Anti-Bribery and Corruption	99.4%	96.5%	96.9%
Information security	99.4%	98.6%	96.6%
Harassment prevention	99.4%	98.5%	95.9%

Establishment of Whistleblower Hotline

Having set up a whistleblower hotline as a point of contact for consultations relating to internal legal violations, misconduct, labor-related issues, etc., we have established a system for promptly responding to incident reports and risks.

Number and Types of Incidents Unit: Number of incidents

	2020	2021	2022
Overall work environment	3	4	3
Harassment related	6	29	34
Other	14	23	20
Total	23	56	57

Health and Safety

Included in the CMIC Group are companies that possess production facilities and conduct business operations with particular attention to occupational health and safety in their production-related operations.

Number of Fatalities due to Occupational Accidents

	2020	2021	2022
Number of fatalities	0	0	0

*Number of cases reported by CMIC HOLDINGS Co., Ltd. and domestic consolidated subsidiaries based on Japan’s Industrial Safety and Health Act

Types and Numbers of Disciplinary Actions Unit: Number of actions

	2020	2021	2022
Dismissal	0	0	1
Other than dismissal	10	6	8

Number of Occupational Accidents Unit: Number of accidents

	2020	2021	2022
Number of work-related accidents	27	14	27

*Number of cases reported by CMIC HOLDINGS Co., Ltd. and domestic consolidated subsidiaries based on Industrial Safety and Health Act

Health Management Initiatives

The CMIC Group has declared that it will work to create a system that prioritizes health maintenance.

CMIC Group Health Declaration

What the CMIC Group is aiming for is the health of its employees and a sound organization.

The CMIC Group declares that it will work on creating a system that prioritizes health maintenance while, in accordance with the spirit of CMIC’S CREED, actively supporting its employees and their families in leading fulfilling lives and creating workplaces where all employees can find their work rewarding.

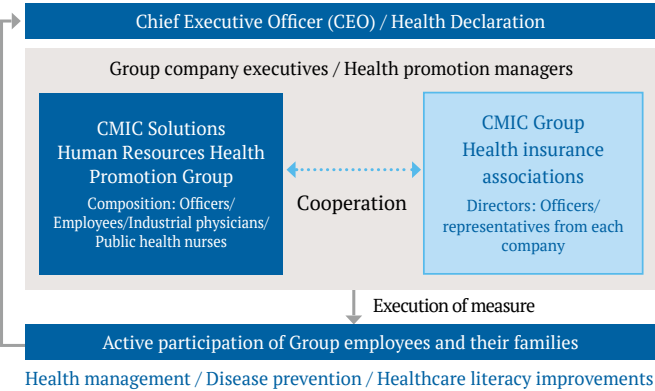
CMIC Group Health Policy

- ① Utilizing the various expertise of the CMIC Group, we actively support independent health management for each employee and each and every employees’ family member.
- ② In conjunction with efforts to reform work styles and promote diversity, we will promote the creation of workplaces where diverse employees can play active roles, such as maintaining and promoting the health of employees and their families, achieving work-life balance, and improving productivity.

Health Management Promotion System

Playing a central role in health management are all CMIC Group employees and their families.

The Human Resources Health Promotion Group will strongly encourage the planning of specific measures in cooperation with the health insurance associations and Group companies. Employees and the revitalization of organizations will bring about the sustainable growth of the CMIC Group.

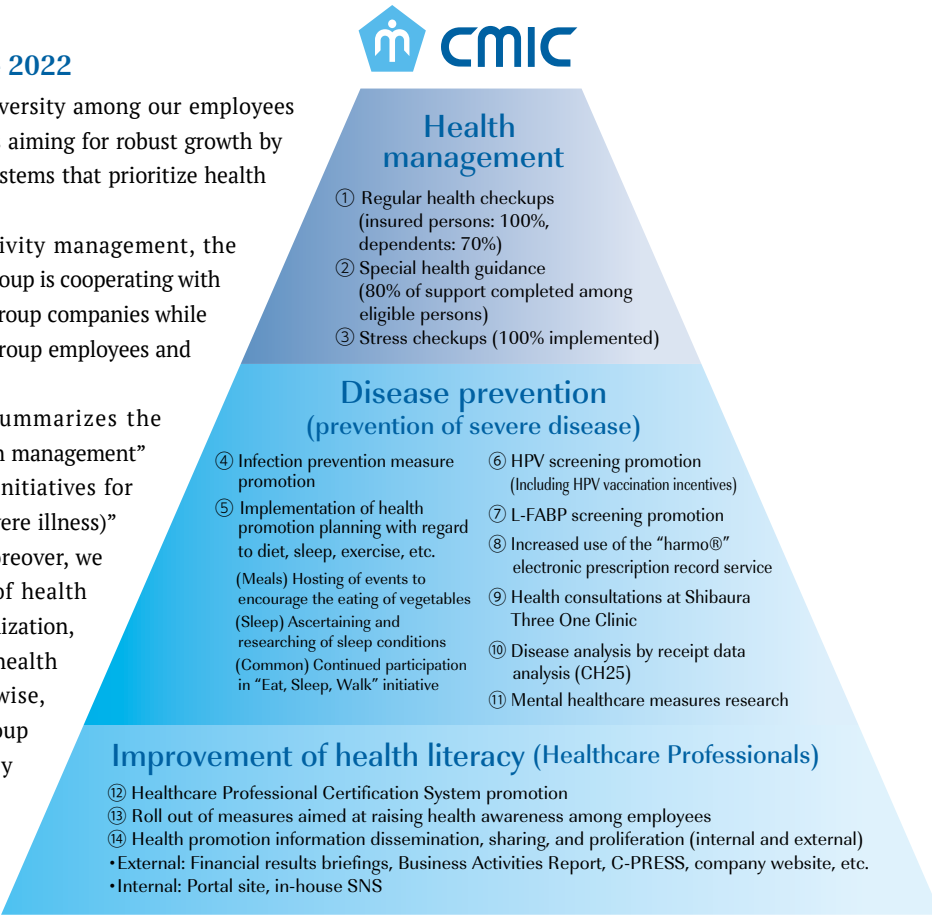


CMIC Group Health Challenge 2022

Along with placing importance on diversity among our employees and working styles, the CMIC Group is aiming for robust growth by creating working environments and systems that prioritize health maintenance for its employees.

In promoting health and productivity management, the Human Resources Health Promotion Group is cooperating with health insurance associations and all Group companies while striving for health promotion 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.



Efforts to Address Environmental Issues

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.

As of September 2022, 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 (the international certification standard for environmental management systems), with each plant working to reduce environmental burdens according to the location and characteristics of the products manufactured.

CMIC also established an 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. To reduce the CO₂ emissions from our plants, we have been making efforts to convert from heavy oil to LNG (natural gas), to switch to electricity derived from renewable energy sources, and to maintain green spaces on plant premises. We will realize further reductions in environmental burdens by sharing knowledge among these four plants.

Since the fiscal year ended September 30, 2020, we have been calculating the CO₂ emissions not only at our plants but at all our bases in Japan. Going forward, we will use this as a baseline for efforts to reduce emissions intensity. We also began calculating the total amount of industrial waste generated from all our bases in Japan. 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. Furthermore, all of our pharmaceutical development centers that conduct non-clinical business are also giving consideration to the environment by taking measures to deal with toxic substances and waste.



LNG satellite facility and small boiler facility



Carp swimming in the final wastewater pond

Environmental Data	2020	2021	2022
Scope 1 (thousand tons CO ₂)* ¹	12	13	14
Scope 2 (thousand tons CO ₂)* ¹	30	29	29
Total Scope 1, Scope 2 (thousand tons CO ₂)* ¹	43	42	44
Industrial waste emissions* ²			
Ascertained weight (tons)	876	1,073	947
Ascertained volume (kL)	152	163	153

*¹ Bases in Japan
Scope 1: Direct emissions of greenhouse gases by business operators themselves
Scope 2: Indirect emissions associated with the use of electricity, heat, and steam supplied by other companies
*² Bases in Japan

ISO 140001-certified Business Sites

Company name	Business Site	Certifying Body	Certification Number
CMIC CMO Co., Ltd.	Shizuoka Plant	KHK-ISO Center	01ER•157
	Toyama Plant	JSA-SOL	JSAE056
	Ashikaga Plant	KHK-ISO Center	01ER•140
	Nishine Plant	KHK-ISO Center	20ER•1103

Efforts to Address Climate Change

With regard to our efforts to address climate change, we are aiming for the sustainable development of society and sustainable corporate growth. Based on the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD)—Governance, Strategy, Risk Management, and Metrics and Targets —we are working to respond to climate change and to devise ways to improve both the quality and quantity of our information disclosure.

Governance

With regard to governance, we have established a Sustainability Committee, chaired by the Group’s representative director, which formulates overall plans for sustainability promotion activities, monitors progress, and evaluates achievements. These results are regularly reported to the Board of Directors, which manages and supervises the sustainability promotion activities carried out by the committee.

Strategies

In addition to evaluating financial impact under different scenarios (1.5°C, 4°C), to better assess the impact of climate-related risks and opportunities on our business, we have begun scenario analyses, the details of which are shown in the table below. When conducting the scenario analyses, we referred to information from the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA) as the impacts on our company in 2030 and 2050.

	Broad Category	Sub-category	Content
Risk	Transition risk	Policy and regulation	Increased costs associated with introduction of a carbon tax
			Increased costs associated with more stringent environmental regulations
		Technology	Increase in costs associated with investment in energy conversion, such as introduction of renewable energy facilities
		Market	Increase in costs due to rising energy prices, etc.
	Physical risk	Reputation	Declining corporate value due to delays in measures designed to combat climate change
		Acute	Increased costs of relocating offices and distribution centers in preparation for natural disasters
Opportunity	Products and services	Chronic	Increased energy costs associated with increased air conditioning load due to rising temperatures
		Resource efficiency	Reductions in costs and CO ₂ emissions by recycling raw materials
			Increased opportunities to receive orders due to increased risk of infectious diseases and illnesses caused by climate change

	Broad Category	Sub-category	Our Policies in Response
Risk	Transition risk	Policy and regulation	Promoting use of decarbonized and low-carbon energy
			Responding appropriately to trends in environmental regulations
		Technology	Considering all options relevant to moving away from fossil fuels
		Market	Responding appropriately to trends in external environment
	Physical risk	Reputation	Setting CO ₂ reduction targets and addressing them as business strategy
		Acute	Strengthening of business continuity plans
			On an ongoing basis, considering promoting use of decarbonized and low-carbon energy

Risk Management

The CMIC Group conducts scenario analyses and identifies climate change risks and opportunities to ascertain and assess the impact of climate change on its business. The identified risks and opportunities are examined, and the Sustainability Committee and Risk Management Committee work together to report them to the Board of Directors.

Metrics and Targets

Our CO₂ emissions are shown on page 28. While ascertaining the situation over time and identifying those areas in need of improvement, we will give consideration to our CO₂ reduction targets, advance the formulation of measures to achieve our goals, and proceed to determine their effects.

Social Contribution Activities

We engage in a variety of activities based on the CMIC Group Code of Conduct, ranging from Group-wide efforts to activities that contribute to local communities at each plant, pharmaceutical development centers, branch office, and sales office.

Support for travel clinic service (medical examination and treatment) in Brazil

CMIC supports annual travel clinic service for Japanese immigrants in Brazil, which has been provided for over three generations by Dr. Emilio Hideyuki Moriguchi (CMIC’s consultant in Brazil).

Why travel clinic service?

Japanese immigrants arrived in the south of Brazil immediately after the end of the war cannot speak Portuguese and therefore are not able to visit local hospitals for examination or consultation. Dr. Emilio Hideyuki Moriguchi, Japanese Brazilian doctor, has provided travel clinic service for such Japanese immigrants living in the south of Brazil for over three generations. There are many Japanese immigrants who look forward to the annual travel clinic. Dr. Emilio Moriguchi travels in a mobile medical van for over 3,000 km every year to reach out to them and provide medical care in Japanese.

CMIC Group’s Involvement

Following the economic growth in Brazil, the amount of public subsidy for the travel clinic service went down and Dr. Moriguchi’s out-of-pocket expenses have increased as a result. Under such circumstances, CMIC Group has started employee donations in 2014 in addition to corporate donations. CMIC Group will continue supporting Dr. Moriguchi in his wish to “continue travel clinic service for Japanese immigrants in the south of Brazil.”



Dr. Emilio Hideyuki Moriguchi received the 50th Anniversary Commendation from the Foundation for Social Contribution on July 2021



CMIC Award for AIDS Researcher

On November 19, 2022, at the 36th Academic General Meeting of the Japanese Society for AIDS Research held at Act City Hamamatsu, the CMIC Award was presented to Dr. Shuzo Matsushita of Kumamoto University’s Clinical Retrovirology, Joint research Center for his achievements in HIV-related research.

CMIC Award is presented each year by The Japanese Society for AIDS Research (membership: approximately 2,000 persons) to one person whose innovative and superior achievements have contributed to the development of the Society, through activities in relation to the spread of HIV disease. He is the 19th person to receive this award.

About the Awardee

19th CMIC Award, The Japanese Society for AIDS Research Academic Award
Head of the Kumamoto University Joint Research Center for Human Retrovirus Infection (specially appointed professor)
Dr. Shuzo Matsushita
Title of achievement: Research on human monoclonal antibody for HIV



Taking Part in Rare Disease Day (RDD)



The aim of Rare Disease Day (RDD) is to improve quality of life (QOL) for patients with rare/intractable diseases through better diagnoses and treatments, with February 28th (February 29th in leap years) being so named, and RDD has now been held in 100 countries around the world, since its inception in 2008 in Sweden.

Although rare diseases can affect over 7,000 people, diagnoses can often take time because of poor awareness, and it has been reported that there is an average 5 year wait before a diagnosis is reached, with patients changing hospital 7 times or more during that time. We take part in RDD events in Japan so that more people, through RDD activities, will have a deeper understanding of rare/intractable diseases, and to make possible a society where patients suffering from refractory conditions and those who care for them may live life more at ease.

The CMIC group is involved in clinical trials for numerous orphan drugs (for rare diseases). We wore badges and promoted consciousness-raising activities for a 1-month period in February 2017, to increase community awareness of these patients on the part of healthcare practitioners and others, and, to help serve as a bridge between patients and their communities. The CMIC group will also be lending its support to further RDD activities in future.

Co-hosting of the International Children’s Drawing Contest

CMIC Group and Nakamura Keith Haring Collection co-host the International Children’s Drawing Contest.

This annual contest started in 2009 as the only drawing competition officially recognized by the Keith Haring Foundation. Every year, we invite special guest judges from art and fashion fields. Award winning entries will be exhibited for a week after the award ceremony at the Keith Haring Collection Nakamura Keith Haring Collection International Children’s Drawing Contest co-organized by CMIC HOLDINGS Co., Ltd. as part of its social contribution activities, has been designated for “This is MECENAT 2022” by Kigyo Mécénat Kyogikai.



Aims and objectives of co-sponsorship by CMIC Group

Keith Haring is one of the most recognizable and representative of the American art scene in the 1980’s. He was involved in social activities throughout his life such as child welfare education, workshops for children all over the world, and HIV/AIDS prevention awareness activities. Keith Haring also created murals and wall paintings with children in Tama-city, Tokyo in 1987. CMIC Group has inherited the will of Keith Haring who had always wished for children’s future filled with hope, love, and peace. We have supported the Annual Nakamura Keith Haring Collection International Children’s Drawing Contest since 2009. Our objective is to understand different races, religions, cultures, and environments through supporting the contest, provide opportunities for children to freely spread their wings around the global society, and make contributions to the society.

In October 2022, the award ceremony for the 14th Nakamura Keith Haring Collection’s International Children’s Drawing Contest was held at the Nakamura Keith Haring Collection in Kobuchizawa, Hokuto City, Yamanashi Prefecture. As a result of rigorous judging, 30 of 1,617 entries from around the world received awards, with three of them being awarded the CMIC Award.

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 improvement.

CMIC Group Quality Policy

CMIC Group Top Management has defined the following Quality Policy, to demonstrate commitment to establish and implement an integrated Quality Management System. CMIC Group aims to provide continually high quality services and products to our customers in order to meet their expectations.

- Ensure our customers’ needs and expectations are continually monitored
- Set our Quality Objectives
- Establish effective and efficient operating processes
- Ensure continual improvement in our processes and procedures
- Enhance competence of all employees

This quality policy is conveyed to all CMIC Group employees.

Quality Management Promotion

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.

Supply Chain Management

The CMIC Group has established the CMIC Group Basic Procurement Policy aimed at the sustainable development of society and sustained corporate growth.

CMIC Group Basic Procurement Policy

We, the CMIC Group, have established the following basic policy on procurement activities, and will conduct fair, impartial and transparent procurement activities to realize the development of a sustainable society.

1. Compliance and Corporate Ethics

We will comply with the laws and social norms of each country in which we operate and act on the basis of high ethical standards.
We will strictly maintain the confidentiality of information regarding our business partners which we obtain in the course of business.
2. Relationship with Business Partners

We will respect our business partners as important partners, and strive to deal with them equally and in good faith, and to build and maintain mutually cooperative and trusting relationships.
We will select business partners fairly and impartially from the perspective of economic rationality, quality, delivery time, stable supplies, environment, health, safety (EHS), etc., and make the relationships with them transparent.
In addition, we will not require business partners of unreasonable profits, discounts or services for the selection of business partners and pricing decisions.
3. Human Rights

We will respect the human rights of all stakeholders involved in the business activities of the CMIC Group, and conduct procurement with consideration for the work environment, safety and health.
4. Environment

We will conduct procurement activities with consideration for the global environment.
5. Sustainable Procurement

From the standpoint of sustainability, we aim for procurement that realizes the development of a sustainable society in cooperation with our business partners.

We will also seek the understanding of our business partners involved in the businesses of the CMIC Group in our approach to procurement activities.

Supply Chain Initiatives

In order for a company to fulfill its social responsibility, it is important to build a relationship of trust and work together not only internally but also with its suppliers, which are important partners. The CMIC Group works with suppliers to strengthen supply chain management based on the CMIC Group Basic Procurement Policy—which is a fundamental concept for conducting procurement activities based on fairness, impartiality, and transparency—and is taking steps to achieve a sustainable society.

For problems and risks related to procurement activities, CMIC maintains systems that enable prompt responses by establishing a whistleblower hotline and implementing incident reporting.

Endorsement of the PSCI Principles

The CMIC Group practices responsible corporate behavior as a pharmaceutical company supplier, recognizes the importance of properly supporting society and business, and endorses the PSCI (Pharmaceutical Supply Chain Initiative) principles.

*PSCI Principles: Pharmaceutical industry principles for responsible supply chain management.

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. Based on these rules, the risk management officer appointed by the Board of Directors 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.

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 appointed by the Board of Directors are responsible for promoting such behavior. As a part of the Group’s initiative designed to strengthen compliance awareness, the Group produced CMIC WAY Compliance Handbook and distribute it via the intranet to all CMIC Group executives and employees, as well as regularly conduct compliance training for executive and employees.

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” internally and externally to receive reports from and provide consultations to CMIC Group executives and employees regarding compliance-related concerns and workplace issues. 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.

The Internal Audit Department monitors the enforcement status of compliance among the Group and Group companies.

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

(As of December 15, 2022)

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)	10 (4)
No. of Independent Directors Appointed Among the Outside Directors	4
No. 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

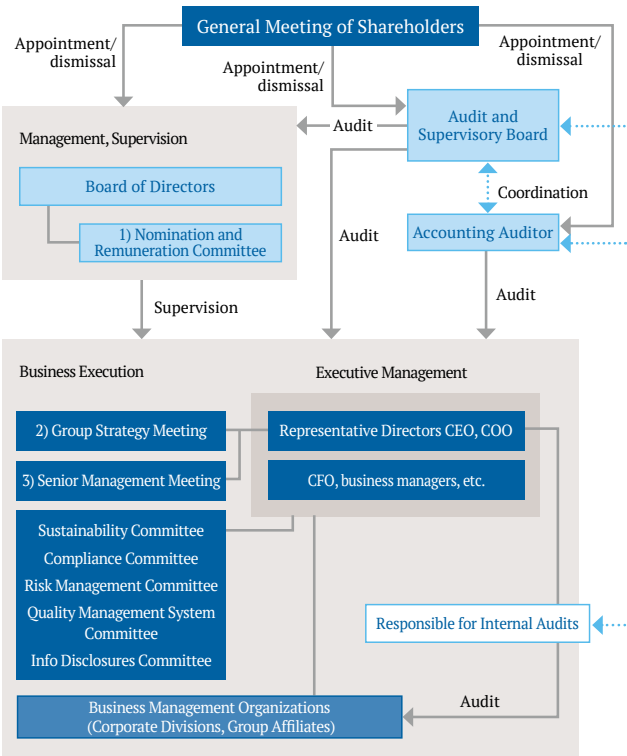
This discretionary committee was established to enhance corporate governance by strengthening the fairness and transparency of procedures related to the nomination of directors and Audit & Supervisory Board member candidates, appointment and dismissal of representative directors and executive management, and the compensation of directors, Audit & Supervisory Board members, and executive 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 who are committee members (including executive 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 members who are involved in executive management and business execution, 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/cg20221227.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 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 independent executives as an optional organization and advisory body to the Board of Directors.

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

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 2022 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 one woman.

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 2022 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: 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 has improved over successive years. (4) Discussion and decision-making processes: The number of agenda issues, scope of issues for each question, and sufficient opportunities to voice opinions were maintained at the previous year's level or increased slightly, while evaluations remain at high levels. Given the above, the Company feels its Board of Directors functions effectively
Improvement Points	CMIC recognized that there are issues related to sustainability initiatives, particularly in terms of external communication, and CMIC will therefore focus on deepening future discussions and overseeing the progress of these initiatives. CMIC will continue to promote improvement measures.

Officer Appointments and Dismissals

■ Officer Appointments

During the nomination process for director and Audit & Supervisory Board member candidates, and during the appointment process for executive 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, executive management must also conform to the provisions of the Company's Executive Management Rules.

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

- ◎Inside director candidates and executive 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.

■ Executive Management Dismissals

The conditions regarding dismissal of executive management are clearly stipulated in the Executive Management Rules. The Board of Directors maintains the power to dismiss executive management in the event of fraud or improper conduct, or in the event executive 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.

Total Remuneration by Officer Classification of the Submitting Company, Total Remuneration by Type of Remuneration, and Number of Eligible Officers

Officer Classification	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)	340	248	92	-	8
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	10	10	-	-	1
Outside directors	39	39	-	-	8

Notes: The above includes two directors including one outside director who retired from office as of the conclusion of the 37th Ordinary General Meeting of Shareholders on December 15, 2021.

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 2022, the Board of Directors undertook a review and made decisions.

The Group held 13 stocks amounting to a total of JPY 2,864 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 to each Group company as a means of improving the governance of the entire CMIC Group.

Management Team | Board of Directors As of December 15, 2022



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, Vice President,
Division Director of CDMO Business



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



Takeshi Hamaura
Corporate Director,
Division Director of CDMO Business



Akihisa Mitake
Corporate Director,
Division Director of CRO Business
(Division Director of Clinical CRO)



Masaru Iwasaki
Independent 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
Independent External Corporate
Director
Significant concurrent positions outside
the Company:
Outside Director, Value HR Co., Ltd.
Director, Social Welfare Corporation
Sun Vision



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



Masaru Ota
Independent External Corporate
Director
Significant concurrent positions outside
the Company:
Representative Director, Ascent
Partners
Outside Corporate Auditor, MORITA
HOLDINGS CORPORATION
Outside Audit & Supervisory Board
Member, Wealth Management, Inc.

Management Team | Audit and Supervisory Board Members



Takanori Tobe
Audit and Supervisory Board Member



Kei Hata
Independent External Audit and
Supervisory Board Member
Significant concurrent positions outside
the Company:
Representative, Hata & Co. Law Offices
Lecturer, Graduate School, Rikkyo
University



Hidetoshi Watanabe
Independent External Audit and
Supervisory Board
Member
Significant concurrent positions outside
the Company:
Outside Director, Audit and Supervisory
Committee Member, Business Brain
Showa-Ota Inc.
Outside Audit & Supervisory Board
Member, SAN-AI OBBLI Co., Ltd.



Eiko Hakoda
Independent External Audit and
Supervisory Board
Member
Significant concurrent positions outside
the Company:
Partner, Mori Hamada & Matsumoto
Outside Corporate Auditor, KITO
CORPORATION
Outside Director, Audit and Supervisory
Committee Member, SPARX Group Co.,
Ltd.

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	●	●	●		
	Takeshi Hamaura	●			●	●
	Akihisa Mitake	●			●	●
	Masaru Iwasaki			●	●	●
	Takeshi Karasawa	●		●	●	
	Gregg Lindstrom Mayer	●			●	●
Audit and Supervisory Board Members	Masaru Ota	●	●	●		
	Takanori Tobe			●	●	
	Kei Hata			●		
	Hidetoshi Watanabe		●	●		
	Eiko Hakoda		●	●		●

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.

10-Year Financial and Non-Financial Highlights

CMIC HOLDINGS Co., Ltd. and Consolidated Subsidiaries

Fiscal years ended September 30

¥ million

	2013/9	2014/9	2015/9	2016/9	2017/9	2018/9	2019/9	2020/9	2021/9	2022/9
Profit and Loss (For the Year)										
Net sales	50,934	52,836	55,904	62,039	65,282	69,869	74,373	76,098	85,788	108,461
Gross profit	12,142	10,887	11,087	13,097	14,237	14,892	16,112	14,646	17,727	26,258
Selling, general and administrative expenses	7,985	8,120	9,676	9,733	10,340	10,570	11,706	12,041	12,806	14,412
Operating income	4,156	2,766	1,411	3,363	3,897	4,321	4,405	2,605	4,920	11,845
Ordinary income	3,941	2,645	970	2,989	3,732	4,061	3,841	2,867	5,091	13,450
Profit attributable to owners of parent	1,753	1,174	(542)	878	1,550	1,487	1,822	1,505	2,023	8,387
Capital expenditures	4,117	3,253	4,418	5,611	6,372	4,933	5,990	9,063	6,969	8,846
Depreciation and amortization	1,833	1,579	2,314	2,566	2,822	3,127	3,620	4,529	5,161	5,227
Cash Flows (For the Year)										
Cash flows from operating activities	5,201	2,677	889	6,493	4,937	7,488	4,922	6,703	9,804	11,213
Cash flows from investing activities	(4,059)	(6,910)	(3,461)	(4,639)	(7,541)	(6,203)	(4,889)	(8,542)	(6,685)	(8,045)
Free cash flows	1,142	(4,233)	(2,572)	1,854	(2,604)	1,285	33	(1,839)	3,119	3,168
Cash flows from financing activities	(2,587)	3,111	1,904	(2,391)	2,458	7,770	(1,764)	2,354	(6,348)	1,230
Financial Condition (Year-end)										
Total assets	42,855	49,237	55,861	59,104	65,605	78,034	80,179	89,517	91,192	107,590
Cash and cash equivalents	6,810	5,751	5,638	4,946	4,928	13,976	12,144	12,688	9,379	11,703
Interest-bearing debt	9,424	13,409	18,069	16,085	18,898	19,276	19,196	22,584	17,039	17,136
Net assets	19,601	20,309	20,667	21,397	23,608	33,536	32,994	34,011	34,485	41,269
Per Share Data (Yen)										
Earnings per share	97.36	65.26	(29.57)	47.00	82.90	79.71	98.93	83.27	111.85	469.44
Book value per share	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	1,801.31
Dividend per share	35.00	35.00	22.50	16.00	27.50	27.50	32.00	25.00	33.50	50.00
Key Indices										
Overseas subsidiary sales ratio (%)	3.0	4.9	5.7	5.9	7.3	6.8	7.6	5.7	4.8	5.1
Operating margin (%)	8.2	5.2	2.5	5.4	6.0	6.2	5.9	3.4	5.7	10.9
ROE (%)	9.2	5.9	-	4.3	7.1	6.5	8.1	6.6	8.3	29.6
ROA (%)	4.1	2.5	-	1.5	2.5	2.1	2.3	1.8	2.2	8.4
Equity ratio (%)	45.6	41.1	36.4	35.5	34.9	28.9	27.8	26.4	27.5	29.4
Net D/E ratio (times)	0.13	0.37	0.60	0.52	0.61	0.23	0.32	0.41	0.30	0.17
Stock price at year-end (yen)*1	1,342	1,971	1,700	1,532	1,573	2,291	1,716	1,350	1,500	1,528
Price earning ratio (times)	13.8	30.2	-	32.6	19.0	28.7	17.3	16.2	13.4	3.3
Price book value ratio (times)	1.2	1.8	1.6	1.4	1.3	1.9	1.4	1.0	1.1	0.8
Dividend yield (%)	2.6	1.8	1.3	1.0	1.7	1.2	1.9	1.9	2.2	3.3
Non-Financial										
Employees (consolidated)	3,687	4,192	4,473	4,539	4,704	4,962	5,344	5,464	5,569	5,651
(of which average number of temporary employees)	1,068	1,170	1,327	1,368	1,409	1,499	1,567	1,581	1,772	1,995

Non-Financial Highlights

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

	2020/9	2021/9	2022/9
Non-Financial			
Employees (consolidated)	5,464	5,569	5,651
(of which average number of temporary employees)	1,581	1,772	1,995
Male-female ratio			
Female (%)	55.4	55.3	56.0
Male (%)	44.6	44.7	44.0
Ratio of female officers(%)* ¹	10.2	10.3	14.1
Female manager ratio(%)* ¹	27.9	24.5	24.6
Gender pay gap(%)* ²			
All employees			71.5
Full-time permanent employees			76.5
Part-time/temporary employees			53.8
Employee ratio by age cohort (%)* ¹			
(Age) 0-14	-	-	-
15-19	1.1	1.0	0.9
20-29	20.8	20.4	19.6
30-39	30.9	28.7	28.0
40-49	28.4	28.3	28.1
50-59	14.1	16.2	18.1
60-65	3.8	4.2	4.2
66-	1.0	1.1	1.0
Mid-career employee recruitment ratio(%) (April-March)* ¹	75.3	63.6	70.4
Employment of disabled persons* ¹			
No. of persons	88	88	94
Ratio of all employees (%)	1.45	1.41	1.46
CO ₂ emissions* ³			
SCOPE1 (thousand tons CO ₂)	12	13	14
SCOPE2 (thousand tons CO ₂)	30	29	29
SCOPE1, SCOPE2 total (thousand tons CO ₂)	43	42	44
Industrial waste emissions			
Ascertained weight(kg)	876	1,073	947
Ascertained volume(L)	152	163	153
No. of whistle-blowing cases	23	56	57
Working environments	3	4	3
Harassment-related	6	29	34
Other	14	23	20
Disciplinary action			
Dismissal	0	0	1
Other than dismissal	10	6	8
Health and Safety* ⁴			
Deaths due to work-related accidents	0	0	0
Work-related accidents	27	14	27
Training attendance (%)			
Compliance	99.4	96.0	97.7
Privacy protection	99.4	96.1	97.5
Quality management	99.4	96.3	97.3
Management of Conflict of Interest/Anti-Bribery and Corruption	99.4	96.5	96.9
Information security	99.4	98.6	96.6
Harassment prevention	99.4	98.5	95.9

*1. CMIC HOLDINGS Co., Ltd., and domestic consolidated subsidiaries

*2. The percentage of wages earned by females compared with wages earned by males

Scope: CMIC HOLDINGS Co., Ltd., CMIC Co., Ltd., CMIC Pharma Science Co., Ltd., CMIC CMO Co., Ltd., CMIC Ashfield Co., Ltd., CMIC HealthCare Institute Co., Ltd., CMIC Solutions Co., Ltd.

*3. Bases in Japan

*4. Number of cases reported by CMIC HOLDINGS Co., Ltd. and domestic consolidated subsidiaries based on Japan's Industrial Safety and Health Act

Sustainability Focus

Employment Initiatives for People with Disabilities

The CMIC Group regards handicaps as a form of individuality and seeks to create workplaces where individuals can make the most of their diverse characteristics. To this end, we established a special subsidiary CMIC Well Co., Ltd. in 2019 with the aim of ensuring stable work environments for people with disabilities and creating workplaces where they can demonstrate their abilities.

We want everyone to more fully express their individuality and shine with a sense of fulfillment and purpose in life. With this in mind, we have devised work environments and styles that promote the creation of workplaces where everyone can play an active role.

CMIC Well gathers a diverse range of jobs from every Group company, enabling employees to experience a variety of tasks on a daily basis. The scope of work has expanded over the years to include growing organic JAS-certified strawberries and vegetables, packing and shipping shareholder gifts, cleaning offices, labs and lodging facilities, data registration, and filing. To enable employees to fully express their individuality, the Company assigns tasks and roles according to each employee's personality and disability characteristics after gaining experience in regular tasks, promoting the creation of a workplace where people can make the most of their strengths.



Consolidated Financial Statements

Consolidated Balance Sheets

Consolidated Balance Sheets
As of September 30, 2021 and 2022

¥ million

	2021	2022
Assets		
Current assets		
Cash and deposits	9,381	11,806
Notes and accounts receivable - trade	18,065	-
Notes and accounts receivable – trade and contract assets	-	24,632
Merchandise and finished goods	560	526
Work in process	4,715	4,384
Raw materials and supplies	2,503	3,932
Other	3,409	2,786
Allowance for doubtful accounts	(59)	(58)
Total current assets	38,577	48,010
Non-current assets		
Property, plant and equipment		
Buildings and structures	26,886	29,412
Accumulated depreciation	(11,972)	(13,200)
Buildings and structures, net	14,914	16,211
Machinery, equipment and vehicles	24,059	25,593
Accumulated depreciation	(13,939)	(16,138)
Machinery, equipment and vehicles, net	10,120	9,454
Tools, furniture and fixtures	7,118	8,026
Accumulated depreciation	(4,488)	(5,441)
Tools, furniture and fixtures, net	2,630	2,585
Land	6,570	6,836
Leased assets	3,792	5,183
Accumulated depreciation	(1,352)	(1,784)
Leased assets, net	2,439	3,398
Construction in progress	3,414	4,335
Total property, plant and equipment	40,089	42,822
Intangible assets		
Goodwill	54	32
Other	1,907	2,260
Total intangible assets	1,961	2,292
Investments and other assets		
Investment securities	2,813	3,039
Deferred tax assets	5,389	8,471
Lease and guarantee deposits	1,974	2,350
Other	998	1,321
Allowance for doubtful accounts	(611)	(719)
Total investments and other assets	10,564	14,464
Total non-current assets	52,615	59,580
Total assets	91,192	107,590

¥ million

	2021	2022
Liabilities		
Current liabilities		
Notes and accounts payable – trade	1,034	1,190
Short-term borrowings	918	-
Current portion of long-term debt	3,652	3,602
Accounts payable-other	6,495	8,400
Accrued expenses	1,484	2,024
Income taxes payable	3,312	3,868
Advances received	1,944	-
Contract liabilities	-	4,470
Provision for bonuses	3,138	6,110
Provision for directors bonuses	89	92
Provision for loss on order received	1,307	1,225
Other	4,445	4,888
Total current liabilities	27,823	35,872
Non-current liabilities		
Long-term debt	12,469	13,534
Lease obligations	2,689	3,627
Deferred tax liabilities	11	12
Net defined benefit liability	10,258	11,000
Asset retirement obligations	571	370
Long-term unearned revenue	2,542	1,581
Other	340	322
Total non-current liabilities	28,883	30,448
Total liabilities	56,706	66,320
Net assets		
Shareholders' equity		
Capital stock	3,087	3,087
Capital surplus	6,100	6,093
Retained earnings	16,600	24,444
Treasury stock	(1,546)	(2,346)
Total shareholders' equity	24,242	31,279
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	642	742
Foreign currency translation adjustments	(1)	(432)
Remeasurements of defined benefit plans	182	34
Total accumulated other comprehensive income	822	344
Non-controlling interests	9,420	9,645
Total net assets	34,485	41,269
Total liabilities and net assets	91,192	107,590

Consolidated Statements of Income

CMIC HOLDINGS Co., Ltd., and Consolidated Subsidiaries
For the fiscal years ended September 30, 2021 and 2022

	¥ million	
	2021	2022
Net sales	85,788	108,461
Cost of sales	68,061	82,203
Gross profit	17,727	26,258
Selling, general and administrative expenses	12,806	14,412
Operating income	4,920	11,845
Non-operating income		
Interest income	2	3
Foreign exchange gains	190	1,720
Share of profit of entities accounted for using equity method	20	-
Other	187	106
Total non-operating income	399	1,830
Non-operating expenses		
Interest expenses	133	152
Commission fee	19	29
Other	76	43
Total non-operating expenses	228	225
Ordinary income	5,091	13,450
Extraordinary income		
Gain on sales of investment securities	577	-
Gain on sales of shares of subsidiaries	19	-
Gain on forgiveness of debts	117	-
Gain on reversal of loss of asset retirement obligations	-	139
Total extraordinary income	714	139
Extraordinary losses		
Impairment loss	2,102	1,386
Loss on retirement of non-current assets	107	155
Loss on valuation of investment securities	122	8
Total extraordinary losses	2,331	1,550
Profit before income taxes	3,474	12,039
Current	3,947	6,066
Deferred	(1,550)	(3,071)
Total income taxes	2,397	2,994
Profit	1,077	9,045
Profit (loss) attributable to non-controlling interests	(946)	657
Profit attributable to owners of parent	2,023	8,387

Consolidated Statements of Comprehensive Income

CMIC HOLDINGS Co., Ltd., and Consolidated Subsidiaries
For the fiscal years ended September 30, 2021 and 2022

	¥ million	
	2021	2022
Profit	1,077	9,045
Other comprehensive income		
Valuation difference on available-for-sale securities	(694)	99
Foreign currency translation adjustments	7	(828)
Remeasurements of defined benefit plans	561	(173)
Accounted for using equity method	(1)	-
Total other comprehensive income	(127)	(902)
Comprehensive income	949	8,142
Comprehensive income attributable to		
Owners of parent	1,913	7,909
Non-controlling interests	(963)	233

Consolidated Statements of Changes in Equity

CMIC HOLDINGS Co., Ltd., and Consolidated Subsidiaries

	Shareholders' equity					Accumulated other comprehensive income				Non-controlling interests	Total net assets
For the fiscal year ended September 30, 2021	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)
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

	Shareholders' equity					Accumulated other comprehensive income				Non-controlling interests	Total net assets
For the fiscal year ended September 30, 2022	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	16,600	(1,546)	24,242	642	(1)	182	822	9,420	34,485
Cumulative effects of changes in accounting policies			67		67						67
Balance at the beginning of period reflecting changes in accounting policies	3,087	6,100	16,667	(1,546)	24,309	642	(1)	182	822	9,420	34,553
Changes in items during period											
Dividends of surplus			(520)		(520)						(520)
Dividends of surplus (Interim dividends)			(90)		(90)						(90)
Profit (loss) attributable to owners of parent			8,387		8,387						8,387
Purchase of treasury shares				(800)	(800)						(800)
Change in scope of consolidation			(0)		(0)						(0)
Change in ownership interest of parent due to transactions with non-controlling interests		(6)			(6)						(6)
Net changes in items other than shareholders' equity						100	(431)	(147)	(478)	224	(253)
Total changes in items during period	-	(6)	7,776	(800)	6,969	100	(431)	(147)	(478)	224	6,715
Balance at end of period	3,087	6,093	24,444	(2,346)	31,279	742	(432)	34	344	9,645	41,269

Consolidated Statements of Cash Flows

CMIC HOLDINGS Co., Ltd., and Consolidated Subsidiaries
For the fiscal years ended September 30, 2021 and 2022

	¥ million	
	2021	2022
Cash flows from operating activities:		
Profit before income taxes	3,474	12,039
Depreciation	5,161	5,227
Impairment loss	2,102	1,386
Amortization of goodwill	21	21
Increase (decrease) in allowance for doubtful accounts	34	105
Interest and dividend income	(2)	(5)
Interest expenses	133	152
Commission fee	19	29
Foreign exchange losses (gains)	(41)	(1,646)
Share of (loss) profit of entities accounted for using equity method	(20)	-
Decrease (increase) in notes and accounts receivable - trade	(4,795)	(6,064)
Decrease (increase) in inventories	147	(1,398)
Increase (decrease) in notes and accounts payable - trade	3	124
Increase (decrease) in provision for bonuses	721	2,962
Increase (decrease) in provision for directors' bonuses	89	2
Increase (decrease) in retirement benefit liability	1,163	471
Increase (decrease) in provision for loss on order received	481	(81)
Loss (gain) on sales of investment securities	(577)	-
Loss (gain) on valuation of investment securities	122	8
Loss (gain) on sales of shares of subsidiaries	(19)	-
Loss on retirement of non-current assets	107	155
Gain on forgiveness of debts	(117)	-
Gain on reversal of loss of asset retirement obligations	-	(139)
Increase (decrease) in advances received	215	-
Increase (decrease) in contract liabilities	-	2,111
Increase (decrease) in accrued expenses	155	488
Increase (decrease) in deposits received	398	557
Other, net	1,971	143
Subtotal	10,949	16,654
Interest and dividend income received	47	2
Interest expenses paid	(141)	(154)
Income taxes paid	(1,050)	(5,289)
Net cash provided by (used in) operating activities	9,804	11,213
Cash flows from investing activities:		
Payments into time deposits	-	(99)
Purchase of property, plant and equipment	(6,527)	(6,508)
Proceeds from sales of property, plant and equipment	9	12
Purchase of investment securities	(80)	(80)
Proceeds from sales of investment securities	734	30
Purchase of intangible assets	(744)	(885)
Payment for investments in subsidiaries	(60)	(136)
Net decrease (increase) in short-term loans receivable	1	-
Payments for lease and guarantee deposits	(54)	(466)
Proceeds from collection of lease and guarantee deposits	55	98
Other, net	(19)	(8)
Net cash provided by (used in) investing activities	(6,685)	(8,045)
Cash flows from financing activities:		
Net increase (decrease) in short-term loans payable	(5,000)	(918)
Proceeds from long-term loans payable	5,800	4,700
Repayments of long-term loans payable	(3,259)	(3,684)
Purchase of treasury stock	(0)	(800)
Cash dividends paid	(456)	(610)
Dividends paid to non-controlling interests	-	(8)
Repayments of lease obligations	(431)	(552)
Income from sale-and-leaseback	-	643
Net increase (decrease) in commercial papers	(3,000)	-
Net cash provided by (used in) financing activities	(6,348)	(1,230)
Effect of exchange rate change on cash and cash equivalents	(82)	325
Net increase (decrease) in cash and cash equivalents	(3,310)	2,263
Cash and cash equivalents at beginning of period	12,688	9,379
Increase in cash and cash equivalents from newly consolidated subsidiary	1	60
Cash and cash equivalents at end of period	9,379	11,703

Group Network

Major Consolidated Subsidiaries
As of September, 2022

Business segment	Company name	Paid-in capital	Share ownership (%)	Main business
CRO Business	CMIC Co., Ltd.	100 million yen	100.0%	Clinical services
	CMIC ShiftZero K.K.	10 million yen	60.0%	Clinical services/Oncology drugs
	CMIC Korea Co., Ltd.	1,300 million won	100.0%	Clinical services/South Korea
	CMIC ASIA-PACIFIC, PTE. LTD.	350 thousand US dollars	100.0%	Clinical services/Singapore and Taiwan
	CMIC ASIA PACIFIC (MALAYSIA) SDN. BHD.	30 thousand Malaysian ringgit	100.0%	Clinical services/Malaysia
	CMIC Asia-Pacific (Hong Kong) Limited	10 thousand Hong Kong dollars	100.0%	Clinical services/Hong Kong
	CMIC ASIA-PACIFIC (PHILIPPINES), INC.	10 million Philippine peso	99.9%	Clinical services/Philippines
	CMIC ASIA-PACIFIC (AUSTRALIA) PTY LTD	100 thousand Australian dollars	100.0%	Clinical services/Australia
	CMIC ASIA-PACIFIC (THAILAND) LIMITED	1 million Thai baht	49.0%	Clinical services/Thailand
	CMIC ASIA-PACIFIC (VIETNAM) COMPANY LIMITED	100 thousand US dollars	100.0%	Clinical services/Vietnam
	CMIC(Beijing)Co., Ltd.	408 million yen	100.0%	Clinical services/China
	CMIC DATA SCIENCE VIETNAM COMPANY LIMITED	88 thousand US dollars	100.0%	Data management/Vietnam
	CMIC Pharma Science Co., Ltd.	99 million yen	100.0%	Non-clinical services/Bioanalysis services and non-clinical trials
	CMIC, INC.	11 thousand US dollars	100.0%	Non-clinical services/Bioanalysis services/US
CDMO Business	CMIC CMO Co., Ltd.	100 million yen	50.4%	Pharmaceutical development and contracted drug manufacturing
	CMIC CMO Korea Co., Ltd.	3,827 million won	50.4%	Pharmaceutical development and contracted drug manufacturing/South Korea
	CMIC CMO USA Corporation	1,339 thousand US dollars	43.4%	Pharmaceutical development and contracted drug manufacturing/United States
	CMIC Bio Co., Ltd.	100 million yen	100.0%	Development of manufacturing technologies for biopharmaceutical drug substances and contract manufacturing
Market Solutions Business	CMIC Ashfield Co., Ltd.	55 million yen	50.01%	MR dispatch, pharmaceutical sales and marketing support
	OrphanPacific, Inc.	100 million yen	100.0%	Development and sales of orphan drugs, etc.
Site Support Solutions Business	CMIC HealthCare Institute Co., Ltd.	99 million yen	100.0%	Site Management Organization (SMO) services, healthcare services
Healthcare Revolution Business	CMIC Solutions Co., Ltd.	25 million yen	100.0%	BPO and human resource services for the medical and pharmaceutical industries
	CMIC Well Co., Ltd.	5 million yen	99.0%	Business support operations
	harmo Co., Ltd.	30 million yen	100.0%	Services utilizing healthcare communication channels

Notes: 1. CMIC CMO Co., Ltd. merged with CMIC CMO NISHINE Co., Ltd. on October 1, 2021.
2. CMIC CMO Korea Co., Ltd. is a fully-owned subsidiary of CMIC CMO Co, Ltd., where the share ownership of the Company is the indirect ownership ratio.
3. CMIC CMO Co., Ltd., owns an 86% share of CMIC CMO USA Corporation as a subsidiary, where the share ownership of the Company is the indirect ownership ratio.
4. OrphanPacific, Inc. became a fully-owned subsidiary of the Company following the transfer of all shares in OrphanPacific held by MEDIPAL HOLDINGS CORPORATION to the Company on October 29, 2021.

Corporate Data/Investor Information

Corporate Overview

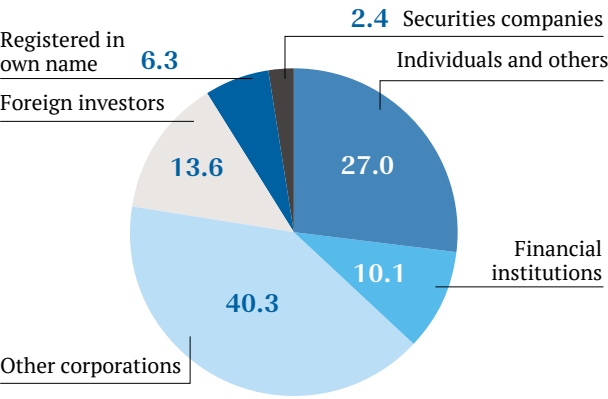
Company name	CMIC HOLDINGS Co., Ltd.	Number of shares issued	18,923,569 shares (including 1,201,340 treasury stocks) (As of September 30, 2022)
Headquarters	1-1-1 Shibaura, Minato-ku, Tokyo, Japan 105-0023	Trading unit	100 shares
Founded	1992 (Established on March 14, 1985)	Number of shareholders	13,453 (As of September 30, 2022)
Paid-in capital	¥3,087.75 million (As of March 30, 2022)	Transfer agent	Mizuho Trust & Banking Co., Ltd.
Number of employees (consolidated)	7,735 (As of October 2022)	Fiscal year-end	September 30
Stock exchange listing	Prime Market 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, 2022)

Shareholders	Number of shares held	Ratio of shares held *(%)
Artemis Inc.	4,022,200	22.70
Keith Japan	3,552,240	20.04
The Master Trust Bank of Japan, Ltd.	1,233,000	6.96
Employees' Stockholding	981,088	5.54
Kazuo Nakamura	564,220	3.18
Custody Bank of Japan, Ltd.	310,600	1.75
SMBN Nikko Securities Inc.	264,100	1.49
DZ PRIVATBANK S.A.RE INVESTMENTFONDS	240,000	1.35
SSBTC CLIENT OMNIBUS ACCOUNT	209,894	1.18
THE BANK OF NEW YORK MELLON 140040	167,477	0.95
Total	11,544,819	65.14

Notes: 1. The stockholding ratio is calculated by subtracting treasury stock (1,201,340 shares) from the total amount of common stock issued.
2. Treasury stock (1,201,340 shares) is excluded from the major shareholders.
3. Treasury stock does not include shares in the Company (166,000) held by the Board Benefit Trust (J-ESOP).

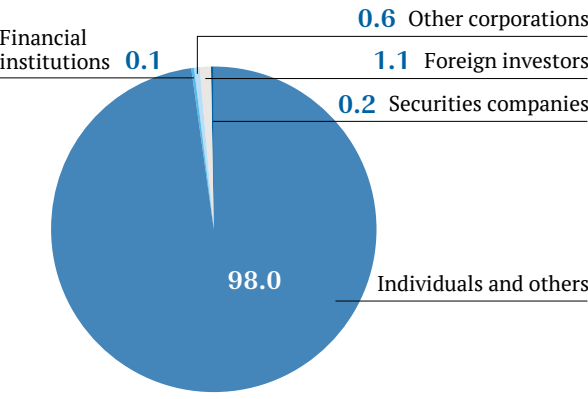
Breakdown by Number of Shares Held (%)



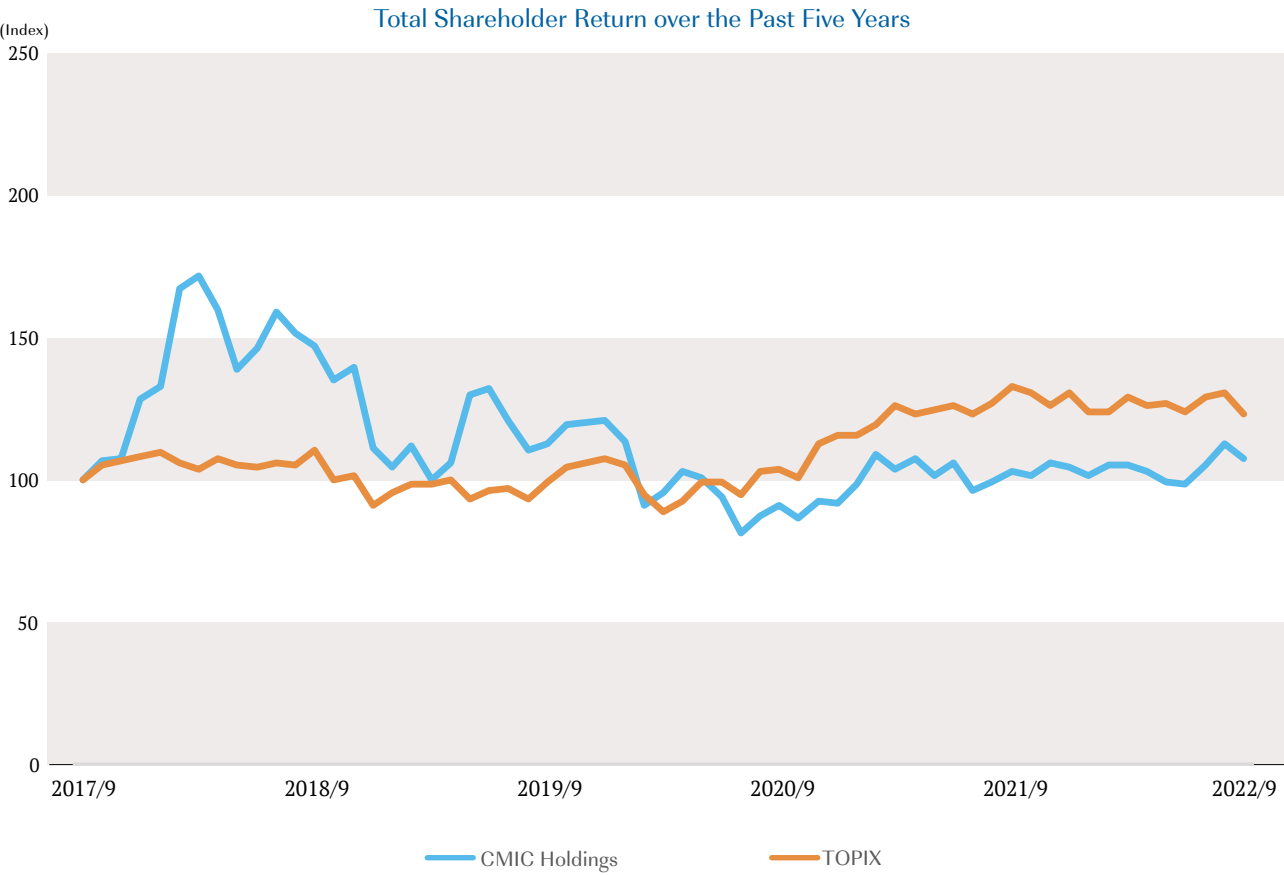
Shareholder Distribution by Number of Shares Held (%)

Less than 1 share unit	9.31	100 or more but fewer than 500 share units	0.39
1 or more but fewer than 5 share units	80.02	500 or more but fewer than 1,000 share units	0.12
5 or more but fewer than 10 share units	4.82	1,000 or more but fewer than 5,000 share units	0.10
10 or more but fewer than 50 share units	4.74	5,000 or more share units	0.04
50 or more but fewer than 100 share units	0.46	Registered in own name	0.01

Breakdown by Number of Shareholders (%)



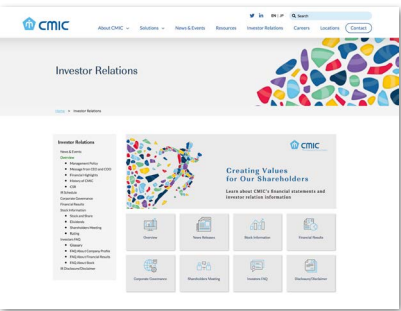
Total Shareholder Return



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.

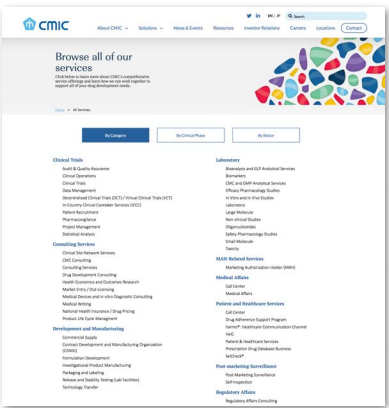
Other Information about CMIC Group

Investor Relations



<https://en.cmicgroup.com/investor-relations-overview/>

Our Services



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

Inquiries

Investor Relations
Corporate Planning Department
Hamamatsucho Bldg.,
1-1-1 Shibaura, Minato-ku,
Tokyo, Japan 105-0023

For online inquiries
<https://en.cmicgroup.com/contact/>