

(Note) This translation is prepared and provided for readers' convenience only. In the event of any discrepancy between this translated document and the original Japanese document, the original document shall prevail.

July 31, 2023

## **CMIC HOLDINGS Co., Ltd. Consolidated Financial Results**

### **For the 3rd Quarter Ended June 30, 2023**

(The Fiscal Year Ending September 30, 2023, Japan Accounting Standards)

#### **Highlights:**

- ◆ **Net sales grew 9.5% year on year to ¥85,816 million on a consolidated basis**
- ◆ **Operating income increased 8.8% to ¥10,095 million**
- ◆ **Earnings per share: ¥442.19**
- ◆ **Significantly changed assets, liabilities, and net assets due to the transition of CMIC CMO Group from consolidated subsidiaries to equity method affiliates**

Tokyo, July 31, 2023 – CMIC HOLDINGS Co., Ltd. (TSE Prime Code: 2309) today reported financial results for the 3rd quarter ended June 30, 2023.

CMIC Group aims at transitioning to PHVC (Personal Health Value Creator) business model that “maximizes the individual health value”, while using our unique PVC (Pharmaceutical Value Creator) model that fully supports the value chain of pharmaceutical companies as the foundation for sustainable growth.

The Group will strengthen its response to drug development and digitalization using new basic technologies for drug discovery. At the same time, we will 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 such efforts, we intend to strengthen the Group's business foundation and make great strides toward sustainable growth.

In our mid-term plan (FY2022-2025) formulated in November 2021, we have identified (1) evolution of healthcare business, (2) comprehensive support for disease prevention, treatment R&D, and marketing, and (3) contributing to sustainable society through services with high social benefits as the key pillars. In the fiscal year ending September 30, 2023, the second year of the mid-term plan, we will steadily implement measures to address each of these pillars.

[Consolidated operating results for the third quarter]

In the current third quarter consolidated cumulative period, the Company focused on promoting business solutions for local governments that support local communities from the perspectives of both digital and human resources, as well as acquiring new projects and securing human resources from pharmaceutical companies and bio ventures, as part of its efforts to address the key issues in its mid-term plan.

In April 2023, the Company decided to dissolve our capital and business alliance with Development Bank of Japan Inc. in the CDMO (drug formulation development and manufacturing support) business, to form a strategic business alliance with Dai Nippon Printing Co., Ltd., (DNP) and to transition CMIC CMO Group. CMIC CMO Co., Ltd., CMIC CMO Korea Co., Ltd. and CMIC CMO USA Corporation

were transferred from consolidated subsidiaries to affiliates accounted for by the equity method during the third quarter of the current fiscal year. With this, along with the expansion and growth of the CDMO business, the CMIC Group will maintain its strategic policy of developing PVC models, while effectively utilizing its management resources to create healthcare businesses and achieve sustainable growth.

The prolonged situation in Ukraine continues to cause concern about the impact on our business. Although no major direct impact on our group has occurred during the period under review, we continue to closely monitor price trends and supply issues to minimize the impact on our business, given the rising prices of energy, raw materials, and other items, as well as labor costs.

The results for the period under review exceeded those of the same period of the previous year mainly due to the continuation of municipal support services for new coronavirus infections in the Healthcare Solutions segment and growth in each of the businesses in the Pharmaceutical Solutions segment: net sales were ¥85,816 million (up 9.5% year on year), operating profit was ¥10,095 million (up 8.8% year on year), ordinary profit was ¥9,996 million (down 4.3% year on year), and profit attributable to owners of parent was ¥7,636 million (up 28.7% year on year).

(Millions of yen)

	Q3 FY2022	Q3 FY2023	YoY Change Amount	YoY Change (%)
Net sales	78,367	85,816	+7,448	+9.5
Pharmaceutical solutions	56,977	62,840	+5,862	+10.3
Healthcare solutions	21,862	24,102	+2,239	+10.2
Adjustments	(472)	(1,125)	(653)	—
Operating profit	9,280	10,095	+815	+8.8
Pharmaceutical solutions	4,139	4,402	+263	+6.4
Healthcare solutions	6,210	7,007	+797	+12.8
Adjustments	(1,069)	(1,314)	(245)	—
Ordinary profit	10,440	9,996	(444)	(4.3)
Profit attributable to owners of parent	5,932	7,636	+1,704	+28.7

The business results by segment are listed as below:

#### <Pharmaceutical Solutions>

We are developing a PVC (Pharmaceutical Value Creator) business model that provides solutions to the value chain of pharmaceutical companies through our CRO (drug development support), CDMO (drug formulation development and manufacturing support) and Market Solutions (pharmaceutical sales support, development, manufacturing, sales and distribution of orphan drugs, etc.) businesses.

Sales increased to ¥62,840 million (up 10.3% year on year) due to growth in all businesses, and operating profit increased to ¥4,402 million (up 6.4% year on year).

#### CRO Business

- Sales increased from the same period of the previous year
- Strengthen comprehensive consulting services for overseas bio ventures entering the Japanese market and other industries entering the healthcare field
- Increase in support for DX (Digital Transformation) promotion and DTx (Digital Therapeutics) entry
- Increase in projects for efficacy and safety evaluation and analysis in cutting-edge areas where modalities are diversifying, such as next-generation antibody drugs, nucleic acid drugs, gene therapeutics, and biomarkers

#### CDMO Business

- Sales increased from the same period of the previous year
- Business Collaboration with DNP Group
  - Development of value-added pharmaceuticals by combining DNP's packaging technology with CMIC's formulation development technology
  - Establishment of an integrated system from DNP's process development and manufacturing of APIs to CMIC's formulation development and manufacturing
- Growing need to ensure stable supply in response to the spread of COVID-19 and generic quality issues
- Increase in manufacturing costs due to higher prices for energy, raw materials, packaging materials, etc.
- Ashikaga Injectable Drug Facility smoothly started production and sales of large projects
- Delayed recovery in US performance, focus on acquiring new projects

#### Market Solutions Business

- Sales increased from the same period of the previous year
- Outsourcing by pharmaceutical companies is accelerating due to personnel adjustments and other factors, and the MR dispatch market is expanding
- Received many customer inquiries for MR dispatch services
- Commencement of Phase III clinical trials in Japan for glycerol phenylbutyrate (overseas trade name: Ravicti®), a treatment for urea cycle disorders, and associated increase in R&D expenses

#### <Healthcare Solutions>

The Site Support Solutions business provides comprehensive support for healthcare-related facilities and healthcare professionals, and the Healthcare Revolution business provides solutions using a new ecosystem for healthcare to individuals and local governments.

Sales increased to ¥24,102 million (up 10.2% year on year) and operating profit increased to ¥7,007 million (up 12.8% year on year) due to growth in support for vaccination against new coronavirus infection, follow-up for positive cases, and sales of antigen test kits.

#### Site Support Solutions Business

- Sales decreased from the same period of the previous fiscal year due to a decline in large new coronavirus vaccine development projects
- Solid orders received
- Expansion of Clinical Trial Office Support for Medical Institutions
- Expand collaboration with academia

## Healthcare Revolution Business

- Sales increased from the same period of the previous year
- Continued support services related to COVID-19
- Expansion of businesses that integrate disease prevention, health information, and IT technologies
  - Increase in the number of medical institutions introducing "nanacara", a support platform for epilepsy patients and their families, and expansion of target diseases for nanacara-based services
  - Started supporting local government projects in line with the "Digital Garden Cities and Green Transformation" Initiative
- "harmo Vaccine Care" is now linked to Mynaportal

## Ordinary Profit

Ordinary profit in the consolidated cumulative third quarter was ¥ 9,996million (down 4.3% year on year).

Non-operating income, such as subsidy income, totaled ¥110 million, and non-operating expenses, such as interest expenses, totaled ¥209 million.

## Profit attributable to owners of parent

Profit attributable to owners of parent in the consolidated cumulative third quarter was ¥7,636 million (up 28.7% year on year).

CMIC recorded ¥3,388 million as extraordinary income, including gain on sale of investment securities, ¥283 million as extraordinary losses, including loss on retirement of non-current assets, ¥5,350 million as income taxes, and ¥113 million as profit attributable to non-controlling interests.

## Overview of the financial condition

### Assets, liabilities, and net assets

Due to the transition of CMIC CMO Co., Ltd., CMIC CMO Korea Co., Ltd., and CMIC CMO USA Corporation from consolidated subsidiaries to equity method affiliates, assets, liabilities, and net assets in the third quarter of the fiscal year have significantly changed compared to the end of the previous fiscal year.

Total assets at the end of the consolidated cumulative third quarter decreased by ¥37,517 million compared with the end of the previous consolidated fiscal year to ¥70,072 million. This was due to decreases in property, plant and equipment, notes and accounts receivable-trade, and contract assets, raw materials and supplies, etc., and increases in investment securities and "other" in current assets (mainly short-term loans receivable from subsidiaries and associates),etc.

Total liabilities decreased by ¥35,025 million compared with the end of the previous consolidated fiscal year to ¥31,295 million. This was due to decreases in borrowings, "other" in current liabilities (mainly accounts payable-other), "other" in non-current liabilities (mainly long-term lease liabilities), and provision for bonuses.

Total net assets decreased by ¥2,492 million compared with the end of the previous consolidated fiscal year to ¥38,776 million. This was due to a decrease in non-controlling interests, etc. and increases in retained earnings and treasury shares, etc.

**Future Outlook**

As for the full-year earnings forecast for the fiscal year ending September 30, 2023, we have not made any changes from the consolidated earnings forecast announced on April 28, 2023 in the "CMIC HOLDINGS Co., Ltd. Consolidated Financial Results For the 2nd Quarter Ended March 31, 2023" after considering the outlook for future business related to new coronavirus infection and the impact of the situation in Ukraine on our business, and other information available at the time of the announcement.

The impact of the transition of CMIC CMO Group to equity method affiliates during the third quarter of the fiscal year is reflected in the expected non-operating income and expenses in the fourth quarter of the fiscal year based on the ownership percentage.

**Cautionary statement:**

This material includes forward-looking statements based on assumptions and beliefs in light of the information currently available to management, and is subject to significant risks and uncertainties. Actual financial results may vary materially from the content of this material depending on a number of factors. While this material contains information on pharmaceuticals (including compounds under development), this information is not intended to make any representations or advertisements regarding the efficacy or effectiveness of their preparations, promote any kind of unapproved uses, nor provide medical advice of any kind.

## Summary of Results for the 3rd Quarter Ended June 30, 2023 (October 1, 2022 through June 30, 2023)

(1) Consolidated financial results (Millions of yen; amounts less than one million yen are omitted)  
(Percentage figures indicate increase/decrease compared with the corresponding period of the prior fiscal year)

	3Q FY2023		3Q FY2022	
		Change (%)		Change (%)
Net sales	85,816	9.5	78,367	32.5
Operating profit	10,095	8.8	9,280	159.9
Ordinary profit	9,996	(4.3)	10,440	179.6
Profit attributable to owners of parent	7,636	28.7	5,932	205.2
Earnings per share (Yen)	442.19		330.30	
Diluted net income per share (Yen)	—		—	

Reference: Comprehensive income: 3<sup>rd</sup> quarter FY2023: ¥7,334 million (up 31.0% YoY)  
3<sup>rd</sup> quarter FY2022: ¥5,598 million (up 108.7% YoY)

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

	End Q3 FY2023	Year End FY2022
Total assets	70,072	107,590
Net assets	38,776	41,269
Equity ratio (%)	52.8	29.4
Book value per share (Yen)	2,171.24	1,801.31

Reference: Shareholders' equity: 3<sup>rd</sup> quarter FY2023: ¥37,031 million  
Year End FY2022: ¥31,624 million

## Distribution Status

(Yen)

	FY2022	FY2023	FY2023 (Estimated)
Dividend per share (Base date)			
End of first quarter	—	—	—
End of second quarter	5.00	5.00	—
End of third quarter	—	—	—
End of FY	45.00		45.00
Total	50.00		50.00

We regard the return of profits to shareholders as one of our most important management policies. Our basic policy is to pay dividends in accordance with our business performance, while securing internal reserves to improve profitability and strengthen our business foundation. At the same time, we will maintain a consolidated dividend payout ratio of 30% and pay continuous and stable dividends. For the time being, the minimum annual dividend is set at ¥10.00 for stable dividends.

## Consolidated Financial Statements for the 3rd Quarter Ended June 30, 2023

### (1) Consolidated Balance Sheets

(Millions of yen)

	Q3 FY2023 (June 30, 2023)	Year End FY2022 (September 30, 2022)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	12,844	11,806
Notes and accounts receivable-trade, and contract assets	16,976	24,632
Merchandise and finished goods	344	526
Work in process	2,403	4,384
Raw materials and supplies	910	3,932
Other	7,264	2,786
Allowance for doubtful accounts	(98)	(58)
<b>Total current assets</b>	<b>40,644</b>	<b>48,010</b>
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings and structures, net	4,860	16,211
Machinery, equipment and vehicles, net	371	9,454
Land	1,169	6,836
Other, net	2,029	10,319
<b>Total property, plant and equipment</b>	<b>8,431</b>	<b>42,822</b>
Intangible assets		
Goodwill	363	32
Other	2,049	2,260
<b>Total intangible assets</b>	<b>2,413</b>	<b>2,292</b>
Investments and other assets		
Investment securities	9,487	3,039
Leasehold and guarantee deposits	2,250	2,350
Other	7,573	9,793
Allowance for doubtful accounts	(728)	(719)
<b>Total investments and other assets</b>	<b>18,583</b>	<b>14,464</b>
<b>Total non-current assets</b>	<b>29,428</b>	<b>59,580</b>
<b>Total assets</b>	<b>70,072</b>	<b>107,590</b>

(Millions of yen)

	<b>Q3 FY2023 (June 30, 2023)</b>	Year End FY2022 (September 30, 2022)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	203	1,190
Current portion of long-term borrowings	1,123	3,602
Income taxes payable	1,665	3,868
Provision for bonuses	1,939	6,110
Provision for bonuses for directors	—	92
Provision for loss on orders received	1,202	1,225
Other	13,310	19,783
<b>Total current liabilities</b>	<b>19,444</b>	<b>35,872</b>
<b>Non-current liabilities</b>		
Long-term borrowings	1,949	13,534
Retirement benefit liability	9,237	11,000
Other	664	5,914
<b>Total non-current liabilities</b>	<b>11,851</b>	<b>30,448</b>
<b>Total liabilities</b>	<b>31,295</b>	<b>66,320</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	3,087	3,087
Capital surplus	6,093	6,093
Retained earnings	31,196	24,444
Treasury shares	(3,271)	(2,346)
<b>Total shareholders' equity</b>	<b>37,106</b>	<b>31,279</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	310	742
Foreign currency translation adjustment	(421)	(432)
Remeasurements of defined benefit plans	36	34
<b>Total accumulated other comprehensive income</b>	<b>(74)</b>	<b>344</b>
<b>Non-controlling interests</b>	<b>1,744</b>	<b>9,645</b>
<b>Total net assets</b>	<b>38,776</b>	<b>41,269</b>
<b>Total liabilities and net assets</b>	<b>70,072</b>	<b>107,590</b>



**(2) Consolidated Statement of Income**

(Millions of yen)

	<b>Q3 FY2023</b> <b>(October 1, 2022—</b> <b>June 30, 2023)</b>	<b>Q3 FY2022</b> <b>(October 1, 2021—</b> <b>June 30, 2022)</b>
<b>Net sales</b>	<b>85,816</b>	<b>78,367</b>
<b>Cost of sales</b>	<b>64,874</b>	<b>58,806</b>
<b>Gross profit</b>	<b>20,942</b>	<b>19,561</b>
<b>Selling, general and administrative expenses</b>	<b>10,846</b>	<b>10,281</b>
<b>Operating profit</b>	<b>10,095</b>	<b>9,280</b>
<b>Non-operating income</b>		
Interest income	7	2
Foreign exchange gains	28	1,222
Subsidy income	33	20
Other	40	69
<b>Total non-operating income</b>	<b>110</b>	<b>1,314</b>
<b>Non-operating expenses</b>		
Interest expenses	145	112
Share of loss of entities accounted for using equity method	19	—
Other	43	40
<b>Total non-operating expenses</b>	<b>209</b>	<b>153</b>
<b>Ordinary profit</b>	<b>9,996</b>	<b>10,440</b>
<b>Extraordinary income</b>		
Gain on change in equity	38	—
Gain on sale of investment securities	3,349	—
<b>Total extraordinary income</b>	<b>3,388</b>	<b>—</b>
<b>Extraordinary losses</b>		
Loss on retirement of non-current assets	172	71
Loss on valuation of investment securities	61	8
Loss on liquidation of subsidiaries	49	—
<b>Total extraordinary losses</b>	<b>283</b>	<b>79</b>
<b>Profit before income taxes</b>	<b>13,101</b>	<b>10,361</b>
<b>Total income taxes</b>	<b>5,350</b>	<b>4,258</b>
<b>Profit</b>	<b>7,750</b>	<b>6,103</b>
<b>Profit attributable to non-controlling interests</b>	<b>113</b>	<b>170</b>
<b>Profit attributable to owners of parent</b>	<b>7,636</b>	<b>5,932</b>

### (3) Consolidated Statement of Comprehensive Income

(Millions of yen)

	<b>Q3 FY2023</b> <b>(October 1, 2022—</b> <b>June 30, 2023)</b>	<b>Q3 FY2022</b> <b>(October 1, 2021—</b> <b>June 30, 2022)</b>
<b>Profit</b>	<b>7,750</b>	<b>6,103</b>
Other comprehensive income		
Valuation difference on available-for-sale securities	(432)	1
Foreign currency translation adjustment	13	(359)
Remeasurements of defined benefit plans	2	(146)
<b>Total other comprehensive income</b>	<b>(416)</b>	<b>(504)</b>
<b>Comprehensive income</b>	<b>7,334</b>	<b>5,598</b>
<b>Comprehensive income attributable to</b>		
Owners of parent	7,217	5,638
Non-controlling interests	116	(39)

### **Changes in significant subsidiaries during the current consolidated cumulative period**

In the third quarter of the current consolidated fiscal year, due to the dissolution of the capital and business alliance between the Company and Development Bank of Japan Inc. in the CDMO (drug development and manufacturing support) business and the disposal of treasury shares and allocation of new shares to a third party by CMIC CMO Co., Ltd., CMIC CMO Co., Ltd., CMIC CMO Korea Co., Ltd., and CMIC CMO USA Corporation were excluded from the scope of consolidation and included in the scope of equity-method affiliates due to the decrease in the Company's ownership interest in these companies. As a result of this change in the scope of consolidation and application of the equity method, total assets and total liabilities on the consolidated balance sheet decreased as of the end of the third quarter accounting period.

### **Business Combinations Consolidated Financial Statements**

(Change in consolidated subsidiaries)

At a meeting of the Board of Directors held on April 17, 2023, the Company resolved to dissolve the capital and business alliance in the CDMO (drug development and manufacturing support) business between the Company and Development Bank of Japan, Inc. In addition, the Company made decisions on the conclusion of contract regarding a disposal of treasury shares and a third-party allotment of new shares to Dai Nippon Printing Co., Ltd. (hereinafter referred to as "DNP") by its consolidated subsidiary CMIC CMO Co., Ltd., and the conclusion of a basic agreement regarding a strategic business alliance in the medical and healthcare field between the Company and DNP (hereinafter referred to as "the Alliance").

As a result of this transaction, CMIC CMO Co., Ltd., and its affiliates CMIC CMO Korea Co., Ltd. and CMIC CMO USA Corporation were transferred from our consolidated subsidiaries to affiliates accounted for by the equity method.

#### (1) Outline of Business Divestiture

1. The name of the successor company  
Dai Nippon Printing Co., Ltd.

2. Name and business of the relevant consolidated subsidiary  
CMIC CMO Co., Ltd. (Manufacture, import, export and sales of pharmaceuticals)  
CMIC CMO Korea Co., Ltd. (Manufacture, import, export and sales of pharmaceuticals)  
CMIC CMO USA Corporation (Manufacture of investigational drugs and pharmaceuticals)

3. Main reason for business divestiture

Our Group and DNP are collaborating on COVID-19 vaccination support services for local governments, jointly developing injectable drugs by combining technologies for developing formulations and packaging materials, and studying the expansion of bulk drug production. DNP's capital participation in CMIC CMO Co., Ltd. as a long-term management partner through the Alliance and the disposal of treasury shares and a third-party allotment, will contribute to the expansion and growth of CMIC CMO Co., Ltd. This will help the CMIC Group to maintain its strategic policy of developing its unique business model PVC (Pharmaceutical Value Creator), while effectively utilizing its management resources to create healthcare business and achieve sustainable growth.

Furthermore, synergistic effects are expected to be created by the addition of DNP's strong management base and advanced technologies to the Group's broad knowledge in the medical and healthcare field.

4. Date of separation  
May 31, 2023 (Deemed transfer date June 30, 2023)

5. Outline of other transactions including legal form

CMIC CMO Co., Ltd. will dispose of 2,445 shares of treasury shares (49.6% shareholding ratio) to DNP and issue 50 shares to DNP through a third-party allotment, resulting in DNP holding 2,495 shares of the company. CMIC CMO Co., Ltd. will be a joint venture of 49.9% owned by the Company and 50.1% owned by DNP.

(2) Summary of Accounting Procedures Performed

1. Amount of gain (loss) on transfer

CMIC CMO Co., Ltd., CMIC CMO Korea Co., Ltd. and CMIC CMO USA Corporation have changed from consolidated subsidiaries to affiliates accounted for by the equity method, resulting in a gain on change in equity of 38 million yen (extraordinary income).

2. Appropriate book value of assets and liabilities related to the business to be separated and their high-level breakdown

	(Millions of yen)
Current assets	12,952
Non-current assets	37,425
Total assets	<u>50,377</u>
Current liabilities	9,802
Non-current liabilities	23,410
Total liabilities	<u>33,213</u>

(3) Reportable segment that includes the business to be separated  
Pharmaceutical Solutions

(4) Amount of gain (loss) related to the business to be divested recognized in the quarterly consolidated statements for the current third quarter consolidated cumulative period

	(Millions of yen)
Net sales	19,784
Operating profit	707