

Q. What is the reason for the year-on-year decline in quarterly operating profit? I think the decrease in operating profit in the Healthcare Solutions segment is due to COVID, but what is the reason for the Pharmaceutical Solutions segment?

⇒ Our CRO business was affected by a decrease in vaccine-related work for the new coronavirus and the impact of the introduction of a flexible personnel system, including the securing of personnel, and the revision of compensation in FY23 Q3. The CDMO business did not change significantly, but the recovery of performance in the U.S. was delayed. While contract MR demand remained strong for the Market Solutions business, R&D expenses related to newly-introduced orphan drugs were recorded, and combined factors in each of these business segments led to a YoY decline in operating profit for the quarter. Although there were a few cancellations of orders received, the company expects a steady recovery in the next fiscal year and beyond, as new inquiries are coming in.

Q. What is the biggest impact of the decrease in profit in the Pharmaceutical Solutions segment? Is there any impact from the increase in contract MR headcount?

⇒ Each business is affected to the same extent, but the impact of the compensation revision is slightly larger. Profitability of contract MRs is not under pressure because sales will also increase due to an increase in headcount.

Q. Why is quarterly operating profit down 1 billion yen from the previous quarter in the Healthcare Solutions segment? Which is the decrease, vaccination support or antigen testing?

⇒ Both are declining, but the impact on profits is largely due to vaccination support services.

Q. What is the order environment and client trends in the CRO business?

⇒ Orders in FY23 Q3 were significantly affected by the discontinuation or cancellation of projects ordered by major Japanese pharmaceutical companies. On the other hand, inquiries from bio-ventures and other overseas ICCC projects are continuing, and there is strong demand for in-licensing from overseas. Since the pipeline is on the increase, we expect orders to return in the next fiscal year and beyond.

Q. Is there any change in the competitive environment for biotech ventures? Does CMIC continue to maintain a strong position?

⇒ Biotech venture business continues to be strong. We have also participated in various conferences and received many inquiries. The Consulting and Navigation Unit has been established to strengthen consulting services, and we believe that the function of receiving a wide range of inquiries from companies entering the Japanese market and from other industries is proving effective.

Q. What are the risk factors for the contract MR business? Before COVID, there was a drop in the need for contract MRs, but now that pharmaceutical companies are undergoing large-scale restructuring, is it correct to view the strong orders as sustainable rather than short-term?

⇒ There have been some major cancellations in the past, but there has been no such movement since before COVID, and we recognize that the use of contract MRs has taken root in response to restructuring by pharmaceutical companies. Although the overall size of MRs will continue to decrease, the ratio of contract MRs is expected to rise, and is currently rising as well.

Q. I believe you have established relationships with local governments through vaccination support. What is the outlook for business for local governments, including vaccination support, in the next fiscal year and beyond? When do you think it will bottom out?

⇒ While the number of vaccination support projects decreased considerably in the second half of FY23, projects arise in response to the COVID infection situation, and there are many inquiries from local governments with whom we have established relationships. We believe that projects such as digitalization support for local governments in line with the Vision for “Digital Garden Cities and Green Transformation” are one of the new initiatives in which our capability was recognized through vaccination support. Although it is difficult to achieve a quick recovery due to the scale of the vaccination support, we are aiming to provide services that meet the needs of each municipality and establish the support business, and we believe we are beginning to see a trend in this area. Business for local governments is near the bottom in FY23Q4.