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January 31, 2024

CMIC HOLDINGS Co., Ltd. Consolidated Financial Results For the 1st Quarter Ended December 31, 2023

(The Fiscal Year Ending September 30, 2024, Japan Accounting Standards)

Highlights:

- ◆ **Demand for large-scale vaccination projects for local governments decline**
- ◆ **Effect of the deconsolidation of CMIC CMO Group with a deemed transfer date of June 30, 2023.**
- ◆ **Net sales decreased 39.1% year on year to ¥18,087 million on a consolidated basis**
- ◆ **Operating profit decreased 77.9% year on year to ¥944 million**
- ◆ **Increase in sales and operating profit of existing businesses excluding vaccination projects**

Tokyo, January 31, 2024 - CMIC HOLDINGS Co., Ltd. (TSE Prime Code: 2309) today reported financial results for the 1st quarter ended December 31, 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 service with high social benefits as the key pillars.

As measures to address each of these issues, from the fiscal year ending September 2024, we have started initiatives for the following: (i) collaboration with business partners to accelerate the global expansion of our CRO business, (ii) strengthening of the drug discovery platform that contributes to the creation of innovative drugs, (iii) accumulation of PHR (Personal Health Records) and construction of disease platforms, and (iv) early development and acquisition of diverse human resources to build a management foundation.

[Consolidated operating results for the first quarter]

During the first quarter consolidated cumulative period under review, net sales amounted to ¥18,087 million (down 39.1% year-on-year), operating profit to ¥944 million (down 77.9% year-on-year), ordinary profit to 505 million yen (down 85.1% year-on-year), and profit attributable to owners of parent

was ¥125 million (down 93.6% year-on-year) due to the temporary decrease in demand for large-scale vaccination projects for local governments following the downgrading of novel coronavirus infection to Category V infectious diseases, and the effect of the deconsolidation of CMIC CMO Group with a deemed transfer date of June 30, 2023.

(Millions of yen)

	Q1 FY2023	Q1 FY2024	YoY Change Amount	YoY Change (%)
Net sales	29,677	18,087	(11,590)	(39.1)
Pharmaceutical solutions	20,494	14,220	(6,274)	(30.6)
Healthcare solutions	9,646	4,017	(5,629)	(58.4)
Adjustments	(463)	(150)	+313	—
Operating profit	4,270	944	(3,325)	(77.9)
Pharmaceutical solutions	1,722	1,191	(530)	(30.8)
Healthcare solutions	2,945	228	(2,716)	(92.2)
Adjustments	(398)	(476)	(77)	—
Ordinary profit	3,401	505	(2,896)	(85.1)
Profit attributable to owners of parent	1,950	125	(1,824)	(93.6)

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.

During the first quarter consolidated cumulative period under review, we are supporting the entry of overseas bio ventures into the Japanese market, expanding services in the early stages of drug discovery in advanced fields, and promoting the Digital Transformation (DX) of clinical trials to strengthen the Group's drug discovery platform. In October 2023, we made Hamamatsu Pharma Research, Inc. a subsidiary, which evaluates the efficacy of drug candidate substances using an original pathological model of monkeys. In the post-marketing period, the Company is also strengthening its sales and marketing support, including growth in MR dispatch services against a backdrop of growing outsourcing needs.

Sales decreased to ¥14,220 million (down 30.6% year-on-year) due to the exclusion of CMIC CMO Group from consolidation. Operating profit also declined, falling 30.8% year on year to ¥1,191 million, due to the impact of deconsolidation and higher labor costs associated with higher compensation levels.

<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.

During the first quarter consolidated cumulative period under review, the Group expanded its support for clinical trials at universities and flagship hospitals, which serve as the axis of regional healthcare, strengthened partnerships with hospitals specializing in disease areas and academia, and expanded BPO and human resource services in the healthcare field. In addition, as a solution provider utilizing health tech, KNOCK ON THE DOOR Inc., which operates the “nanacara” support platform for epilepsy patients, their families, and physicians, is strengthening its services for patients and their families by opening the new “nanacara Pharmacy”. In the area of Personal Health Records (PHR), the Company is also promoting business development using a platform for health and disease data that utilizes fundamental technologies such as harmo[®] and blockchain technology.

Sales decreased 58.4% year on year to ¥4,017 million due to a decline in large-scale vaccination support services for local governments following the downgrading of novel coronavirus infection to Category V infectious diseases, and operating profit decreased 92.2% year on year to ¥228 million.

Ordinary Profit

Ordinary profit in the consolidated first quarter was ¥505 million (down 85.1% year-on-year).

Non-operating income, such as subsidy income, totaled ¥13 million, and non-operating expenses, such as share of loss of entities accounted for using equity method, tender offer related expenses, totaled ¥452 million.

Profit attributable to owners of parent

Profit attributable to owners of parent in the consolidated first quarter was ¥125 million (down 93.6% year-on-year).

CMIC recorded an extraordinary losses of ¥4 million for the loss on sale of investment securities, income taxes of ¥331 million, and profit attributable to non-controlling interests of ¥43 million.

Overview of the financial condition

Assets, liabilities, and net assets

Total assets decreased ¥2,340 million from the end of the previous consolidated fiscal year to ¥67,874 million at the end of the first quarter of the current consolidated fiscal year. This was mainly due to a decrease in cash and deposits, etc., and increases in intangible assets, etc.

Total liabilities amounted to ¥31,052 million, down ¥1,329 million from the end of the previous consolidated fiscal year. This was mainly due to a decrease in provision for bonuses ,etc.

Total net assets decreased ¥1,011 million from the end of the previous consolidated fiscal year to ¥36,822 million. This was mainly due to decreases in retained earnings, non-controlling interests, etc.

Future Outlook

As announced in the November 7, 2023 in the press release entitled “Notice Regarding Implementation of Management Buyout and Recommendation to Tender Shares”, the Company's shares are scheduled to be delisted because of the Tender Offer by the Offeror and a series of subsequent procedures. Thus, the Company has not announced its earnings forecast for the fiscal year ending September 2024.

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 1st Quarter Ended December 31, 2023 (October 1, 2023 through December 31, 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)

	Q1 FY2024		Q1 FY2023	
		Change (%)		Change (%)
Net sales	18,087	(39.1)	29,677	20.5
Operating profit	944	(77.9)	4,270	26.5
Ordinary profit	505	(85.1)	3,401	(1.7)
Profit attributable to owners of parent	125	(93.6)	1,950	(7.4)
Earnings per share (Yen)	7.42		111.73	
Diluted net income per share (Yen)	-		-	

Reference: Comprehensive income: 1st quarter FY2024: ¥181 million (down 91.6% YoY)
1st quarter FY2023: ¥2,154 million (up 13.5 % YoY)

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

	Q1 FY2024	Year End FY2023
Total assets	67,874	70,215
Net assets	36,822	37,833
Equity ratio (%)	52.3	51.4
Book value per share (Yen)	2,098.78	2,137.14

Reference: Shareholders' equity: 1st quarter FY2024: ¥35,471 million
Year End FY2023: ¥36,084 million

Distribution Status

	(Yen)	
	FY2023	FY2024
Dividend per share (Base date)		
End of first quarter	-	-
End of second quarter	5.00	
End of third quarter	-	
End of FY	45.00	
Total	50.00	

Consolidated Financial Statements for the 1st Quarter Ended December 31, 2023

(1) Consolidated Balance Sheets

(Millions of yen)

	Q1 FY2024 (December 31, 2023)	Year End FY2023 (September 30, 2023)
Assets		
Current assets		
Cash and deposits	11,870	19,034
Notes and accounts receivable-trade, and contract assets	17,055	16,992
Merchandise and finished goods	354	414
Work in process	2,301	1,927
Raw materials and supplies	2,421	1,077
Other	4,743	2,997
Allowance for doubtful accounts	(120)	(121)
Total current assets	38,626	42,322
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,736	4,641
Machinery, equipment and vehicles, net	389	416
Land	1,298	1,247
Other, net	2,041	1,884
Total property, plant and equipment	8,465	8,189
Intangible assets		
Goodwill	1,449	337
Other	1,304	1,241
Total intangible assets	2,753	1,579
Investments and other assets		
Investment securities	9,140	9,369
Leasehold and guarantee deposits	2,300	2,246
Other	6,587	6,507
Total investments and other assets	18,029	18,123
Total non-current assets	29,248	27,892
Total assets	67,874	70,215

(Millions of yen)

	Q1 FY2024 (December 31, 2023)	Year End FY2023 (September 30, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	249	85
Current portion of long-term borrowings	1,044	1,123
Income taxes payable	466	564
Provision for bonuses	1,668	4,335
Provision for bonuses for directors	—	100
Provision for loss on orders received	1,002	1,030
Other	14,816	13,431
Total current liabilities	19,248	20,670
Non-current liabilities		
Long-term borrowings	1,570	1,677
Retirement benefit liability	9,536	9,388
Other	697	646
Total non-current liabilities	11,804	11,711
Total liabilities	31,052	32,382
Net assets		
Shareholders' equity		
Share capital	3,087	3,087
Capital surplus	6,050	6,050
Retained earnings	30,071	30,712
Treasury shares	(3,561)	(3,580)
Total shareholders' equity	35,647	36,271
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	294	352
Foreign currency translation adjustment	(466)	(557)
Remeasurements of defined benefit plans	(4)	18
Total accumulated other comprehensive income	(176)	(186)
Non-controlling interests	1,350	1,748
Total net assets	36,822	37,833
Total liabilities and net assets	67,874	70,215

(2) Consolidated Statement of Income

(Millions of yen)

	Q1 FY2024 (October 1, 2023 - December 31, 2023)	Q1 FY2023 (October 1, 2022 - December 31, 2022)
Net sales	18,087	29,677
Cost of sales	13,980	21,678
Gross profit	4,106	7,999
Selling, general and administrative expenses	3,161	3,728
Operating profit	944	4,270
Non-operating income		
Interest income	0	1
Subsidy income	3	11
Other	9	19
Total non-operating income	13	32
Non-operating expenses		
Interest expenses	8	42
Foreign exchange losses	93	816
Share of loss of entities accounted for using equity method	198	15
Tender offer related expenses	148	—
Other	2	27
Total non-operating expenses	452	901
Ordinary profit	505	3,401
Extraordinary losses		
Loss on retirement of non-current assets	—	13
Loss on sale of investment securities	4	—
Loss on valuation of investment securities	—	11
Total extraordinary losses	4	25
Profit before income taxes	500	3,375
Total income taxes	331	1,516
Profit	169	1,859
Profit (Loss) attributable to non-controlling interests	43	(91)
Profit attributable to owners of parent	125	1,950

(3) Consolidated Statement of Comprehensive Income

(Millions of yen)

	Q1 FY2024 (October 1, 2023 - December 31, 2023)	Q1 FY2023 (October 1, 2022 - December 31, 2022)
Profit	169	1,859
Other comprehensive income		
Valuation difference on available-for-sale securities	(57)	(188)
Foreign currency translation adjustment	(126)	479
Remeasurements of defined benefit plans	(24)	4
Share of other comprehensive income of entities accounted for using equity method	220	—
Total other comprehensive income	12	295
Comprehensive income	181	2,154
Comprehensive income attributable to		
Owners of parent	135	2,001
Non-controlling interests	46	153