

A mosaic map of China, composed of numerous small, irregular pieces of colorful glass and stone in various colors including red, blue, green, yellow, and grey, set against a light beige background.

# Overview of Financial Results for FY2018

CMIC HOLDINGS Co., Ltd.  
November 7, 2018

# Business segments and group companies

Blue indicates overseas.  
\*indicates affiliated company

Segment	Products and services	CMIC Group companies (as of end of Sep. 2018)
<b>CRO Business</b>	Services related to pharmaceutical development support, analytical chemistry services, and healthcare for pharmaceutical companies, and BPO and personnel services for the pharmaceutical industry	CMIC HOLDINGS Co., Ltd. CMIC Co., Ltd. CMIC-PMS Co., Ltd. CMIC ShiftZero K.K. CMIC Korea Co., Ltd. CMIC ASIA-PACIFIC, PTE. LTD. CMIC ASIA PACIFIC (MALAYSIA) SDN. BHD. CMIC Asia-Pacific (Hong Kong) Limited CMIC ASIA-PACIFIC (PHILIPPINES), INC. CMIC (Beijing) Pharmaceutical Services Co., Ltd. CMIC (Beijing) Co., Ltd. CMIC DATA SCIENCE VIETNAM COMPANY LIMITED CMIC Pharma Science Co., Ltd. CMIC, INC. CMIC (Suzhou) Pharmaceutical Technology Co., Ltd. CMIC Career Co., Ltd.
<b>CDMO Business</b>	Services related to drug formulation development and manufacturing support, from formulation design to investigational new drug manufacturing to commercial production of ethical drugs and nonprescription drugs for pharmaceutical companies	CMIC CMO Co., Ltd. CMIC CMO Korea Co., Ltd. CMIC CMO USA Corporation CMIC JSR Biologics Co., Ltd.*
<b>CSO Business</b>	Services provided to pharma companies related to sales & marketing support	CMIC Ashfield Co., Ltd. McCann MDS Inc.*
<b>Healthcare Business</b>	Support services primarily for medical institutions and treating, maintaining, and promoting the health of patients and general consumers, such as SMO services and healthcare information services	Site Support Institute Co., Ltd. CMIC Healthcare Co., Ltd. CMIC VIETNAM COMPANY LIMITED
<b>IPM Business</b>	Provision of new business solution to pharmaceutical companies that combines the system to support all value chains and manufacturing authorization and other licenses (intellectual properties) held by CMIC Group	CMIC HOLDINGS Co., Ltd. CMIC CMO Co., Ltd. OrphanPacific, Inc.

# Main initiatives of the current term

## Promotion of “Project Phoenix -Initiatives to achieve sustainable growth”

### Project Phoenix 2.0 achievements

- Establishment of the agile management system and started providing IPM solution
- Organizational and functional changes for top management in the group (two-top execution by CEO-COO)

### Start of Project Phoenix 3.0

- Expansion of healthcare business through industry-government-academia-citizen collaboration
- Enhancement and promotion of global business deployment

## CRO Business

- ✓ Enhancement of Post-marketing surveillance (PMS) and Clinical research support business using medical database
- ✓ Promoted readiness for evolving fields including biologics and regenerative medicine (Enhanced analytical services for Nucleic acid drugs and development support for regenerative medicine products in Kobe Medical Industrial City, participated in the Technology Consortium aiming at the clinical application of platelet preparations derived from human iPS cells)

## CDMO Business

- ✓ Enhanced competitiveness via capital and business tie-up with DBJ
- ✓ Opened a new parenteral facility and focused on preparation for commercial production

## CSO Business

- ✓ Acquired new large-scale projects using PVC model
- ✓ Service expansion in the area of Medical Affairs

## Healthcare Business

- ✓ Launched the 24/7 primary response call center to promote efficiency and quality of SMO operations
- ✓ Established the portal site "HelC+" to provide information of the hospitals specialized in oncology and clinical trials

## IPM Business

- ✓ Launched hypertension drug “Rasilez Tablets® (Aliskiren Fumarate) 150mg” transferred from Novartis Pharma

# Consolidated income statement (overview)

	2017/9		2018/9		YoY change (¥ millions)	Percent change (%)
	Amount (¥ millions)	Composition ratio (%)	Amount (¥ millions)	Composition ratio (%)		
Sales	65,282	100.0	69,869	100.0	4,586	7.0
Operating income	3,897	6.0	4,321	6.2	424	10.9
Ordinary income	3,732	5.7	4,061	5.8	329	8.8
Profit attributable to owners of parent	1,550	2.4	1,487	2.1	(63)	(4.1)
Earnings per share	¥82.90		¥79.71			

# Breakdown of Non-operating income and expenses /Extraordinary income and losses/Income taxes

(¥ millions)

	2017/9	2018/9		2017/9	2018/9
Non-operating income	168	98	Extraordinary income	-	233
Interest income	16	6	Gain on abolishment of retirement benefit plan	-	233
Foreign exchange gains	96	17	Extraordinary losses	463	346
Rent income	8	20	Loss on sales of non-current assets	27	0
Subsidy income	1	14	Loss on retirement of non-current assets	125	59
Refunded consumption taxes	15	14	Provision of allowance for doubtful accounts	310	-
Other	29	26	Loss on revision of pay Regulations	-	280
Non-operating expenses	332	357	Loss on valuation of investment securities	-	4
Interest expenses	121	116	Income taxes	1,596	2,187
Share of loss of entities accounted for using equity method	147	182	Current	2,111	2,260
Other	63	58	Deferred	(515)	(72)

# Sales & Operating income by segment

		2017/9	2018/9	Change	Percent
		Amount (¥ millions)	Amount (¥ millions)	(¥ millions)	change (%)
CRO Business	Sales	34,176	37,296	3,119	9.1
	Operating income	5,844	6,650	805	13.8
CDMO Business	Sales	14,459	15,386	927	6.4
	Operating income	462	4	(457)	(99.1)
CSO Business	Sales	6,885	7,318	432	6.3
	Operating income	415	335	(79)	(19.1)
Healthcare Business	Sales	7,706	7,212	(494)	(6.4)
	Operating income	988	822	(166)	(16.9)
IPM Business	Sales	2,380	3,149	768	32.3
	Operating income	(627)	(360)	267	-
Adjustments	Sales	(326)	(492)	(166)	-
	Operating income	(3,186)	(3,130)	55	-
Consolidated	Sales	65,282	69,869	4,586	7.0
	Operating income	3,897	4,321	424	10.9



# Orders received / Backlog

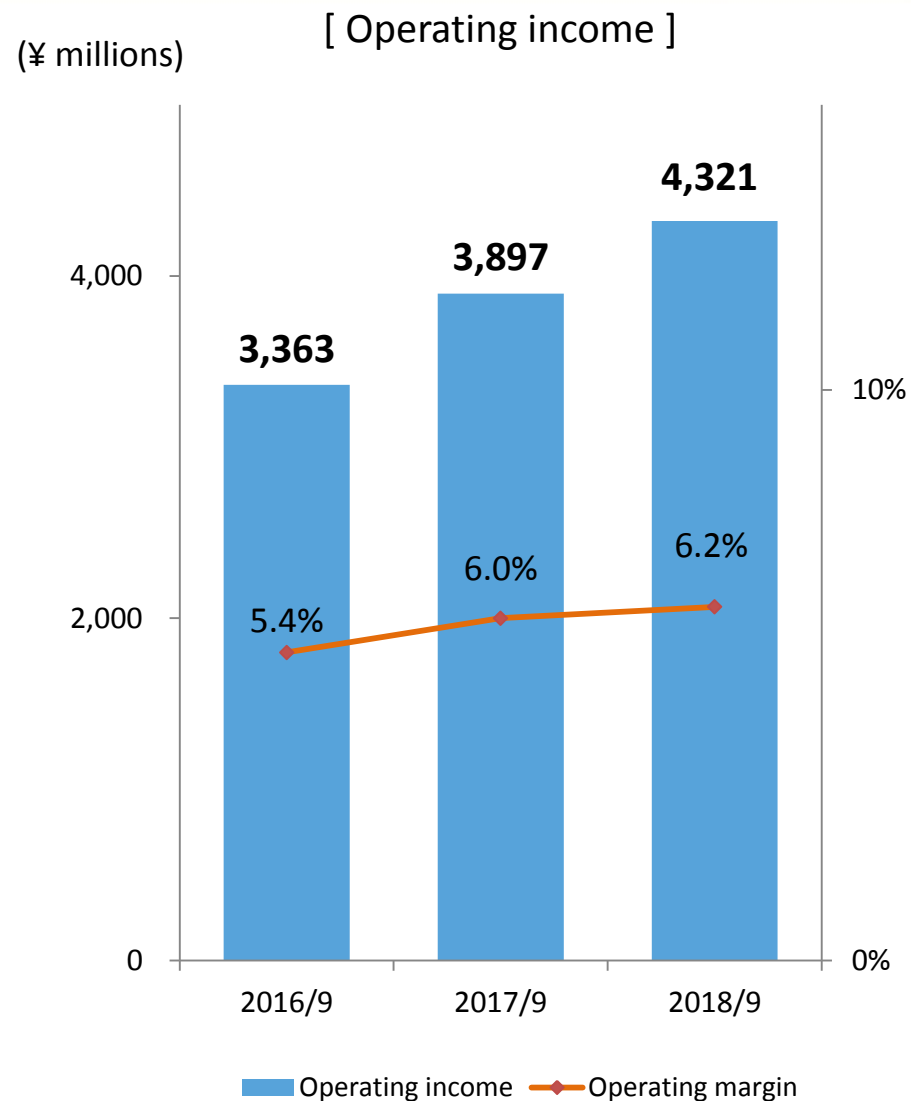
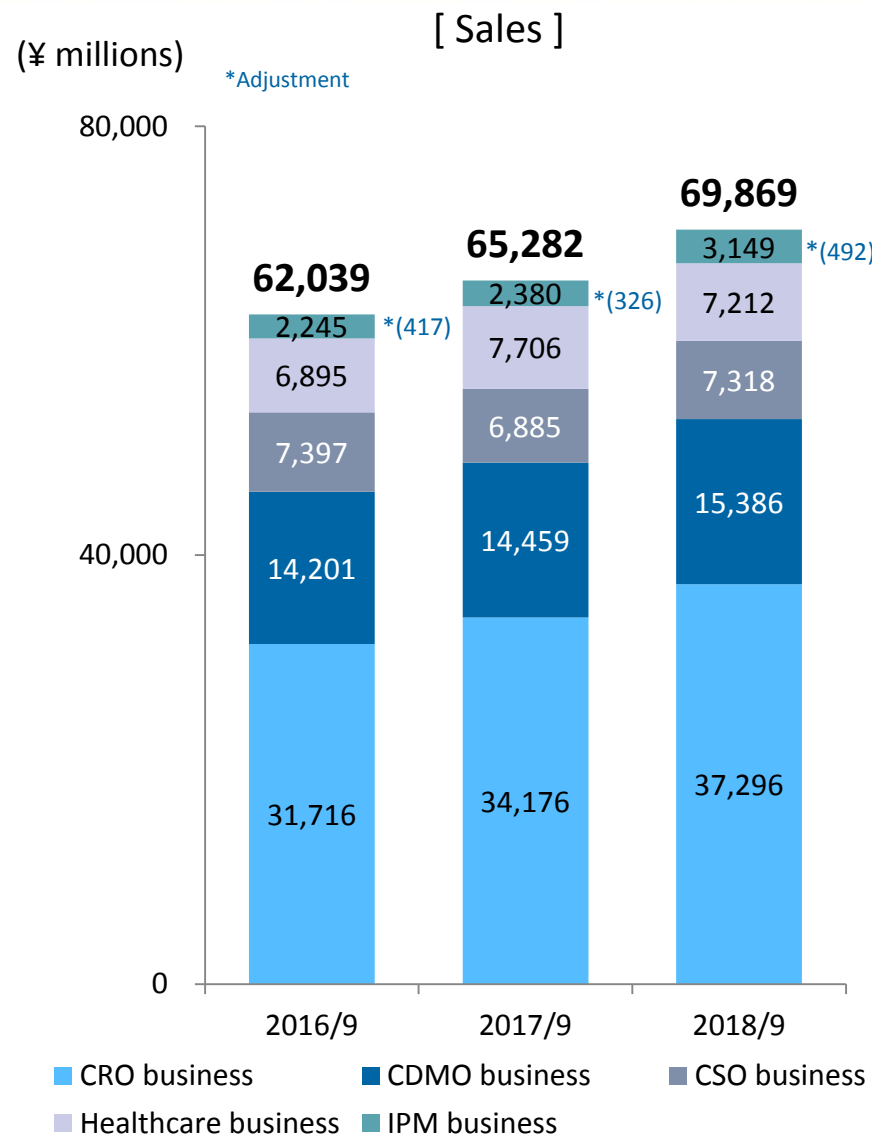
	2017/9		2018/9			
	Orders received (¥ millions)	Backlog (¥ millions)	Orders received (¥ millions)	Percent change (%)	Backlog (¥ millions)	Percent change (%)
CRO Business	43,372	54,935	37,873	(12.7)	55,805	1.6
CDMO Business	14,695	3,619	15,463	5.2	3,827	5.8
CSO Business	4,386	3,095	7,482	70.6	3,261	5.4
Healthcare Business	7,267	9,129	7,654	5.3	9,639	5.6
Total	69,722	70,779	68,474	(1.8)	72,534	2.5

• Although orders received for CRO business decreased compared with the previous year due to the reaction to the acquisition of large projects in the previous year, the backlog increased due to robust demand.

• Accounts for only the backlog of firm CDMO business orders. There is customer demand for scheduled orders but these are different from firm orders so we have not included these in the backlog.

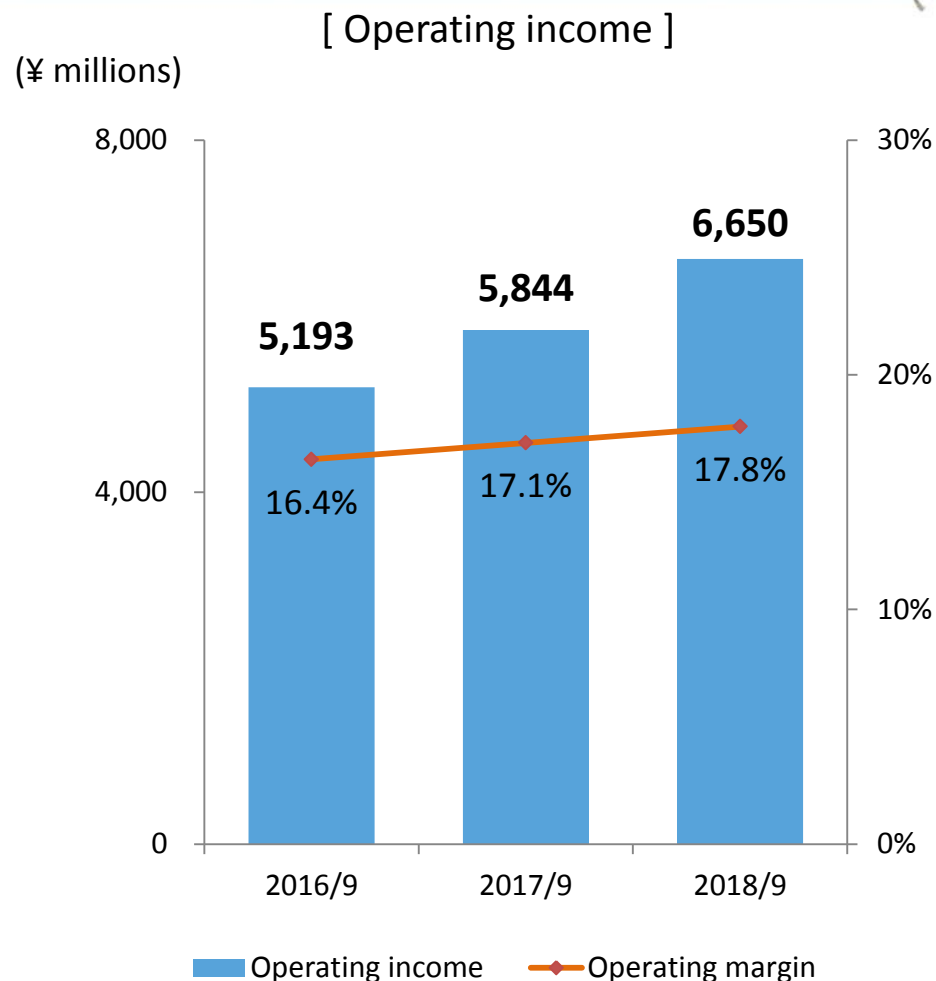
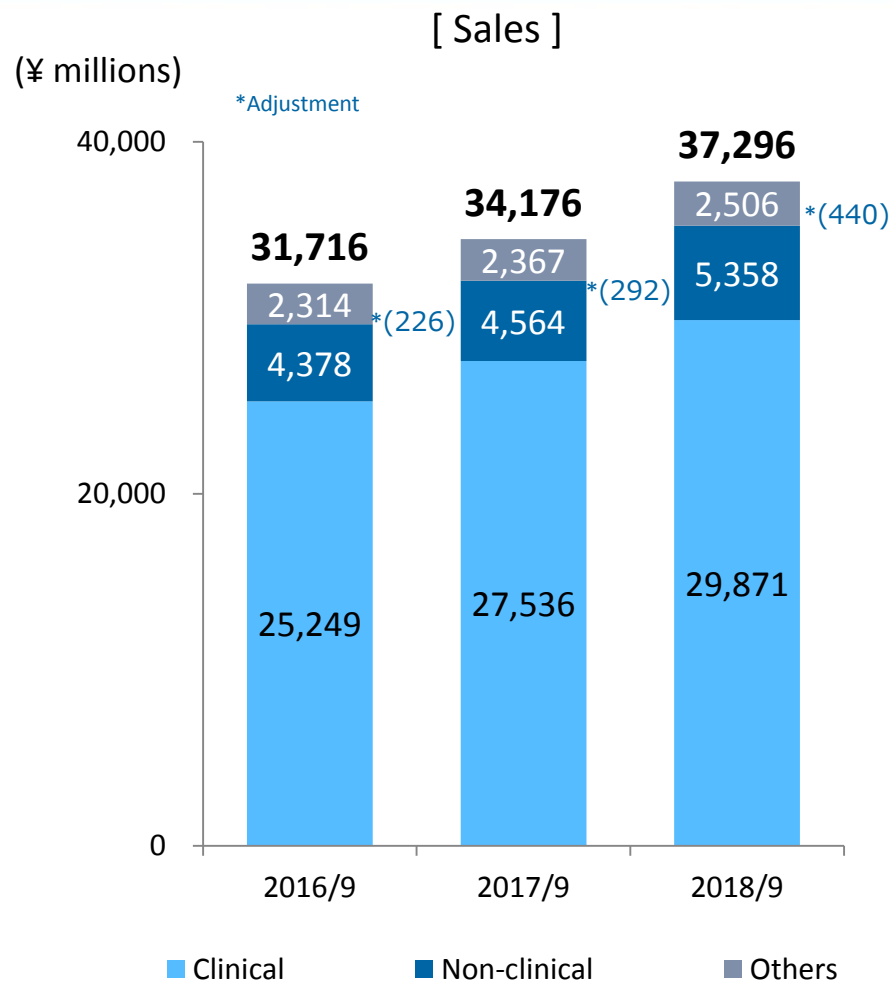
• Order status is not included for IPM Business because its business conditions are different from those of contract business.

# Trend in consolidated Sales & Operating income



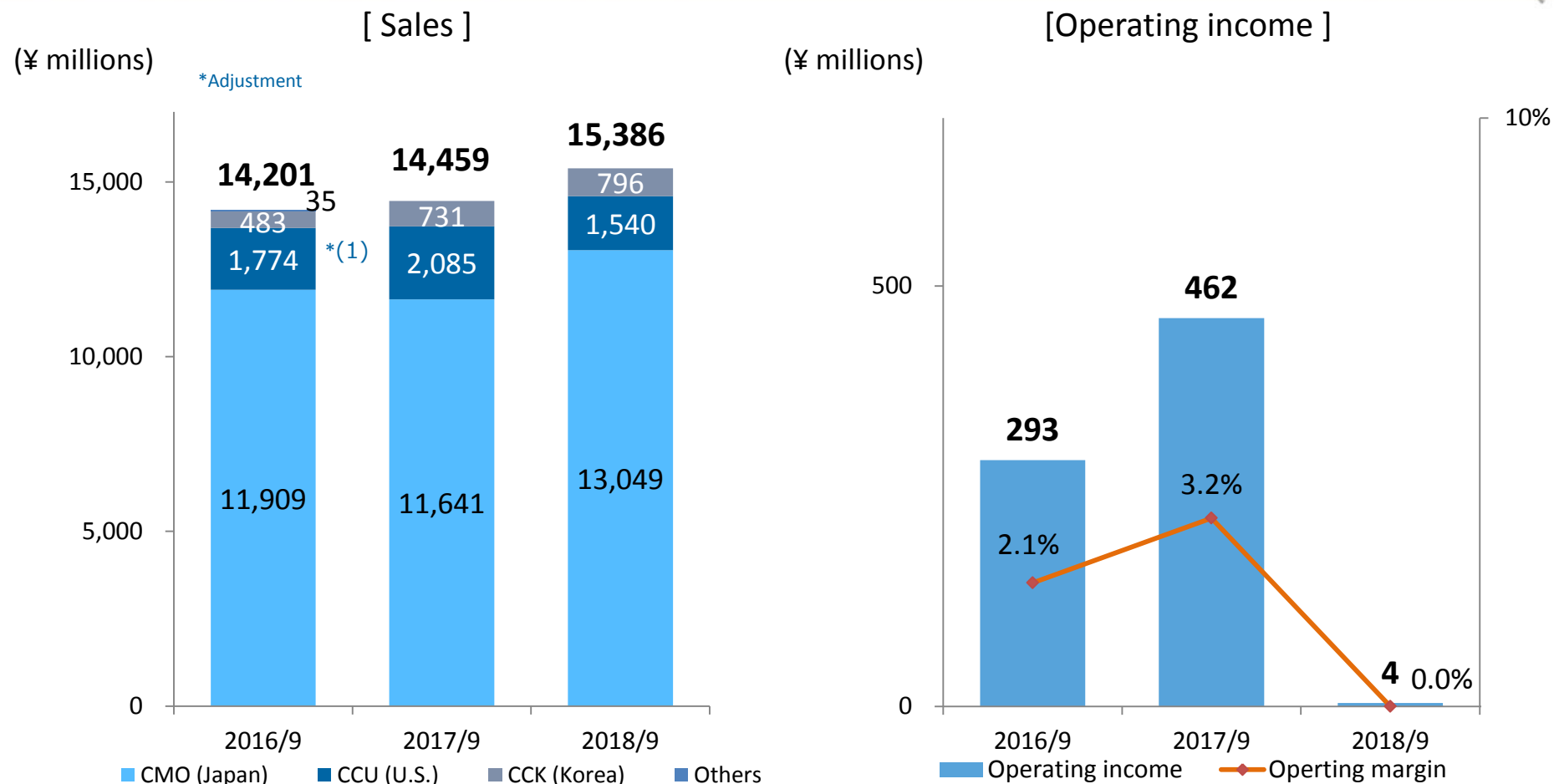


# Contract Research Organization (CRO) Business



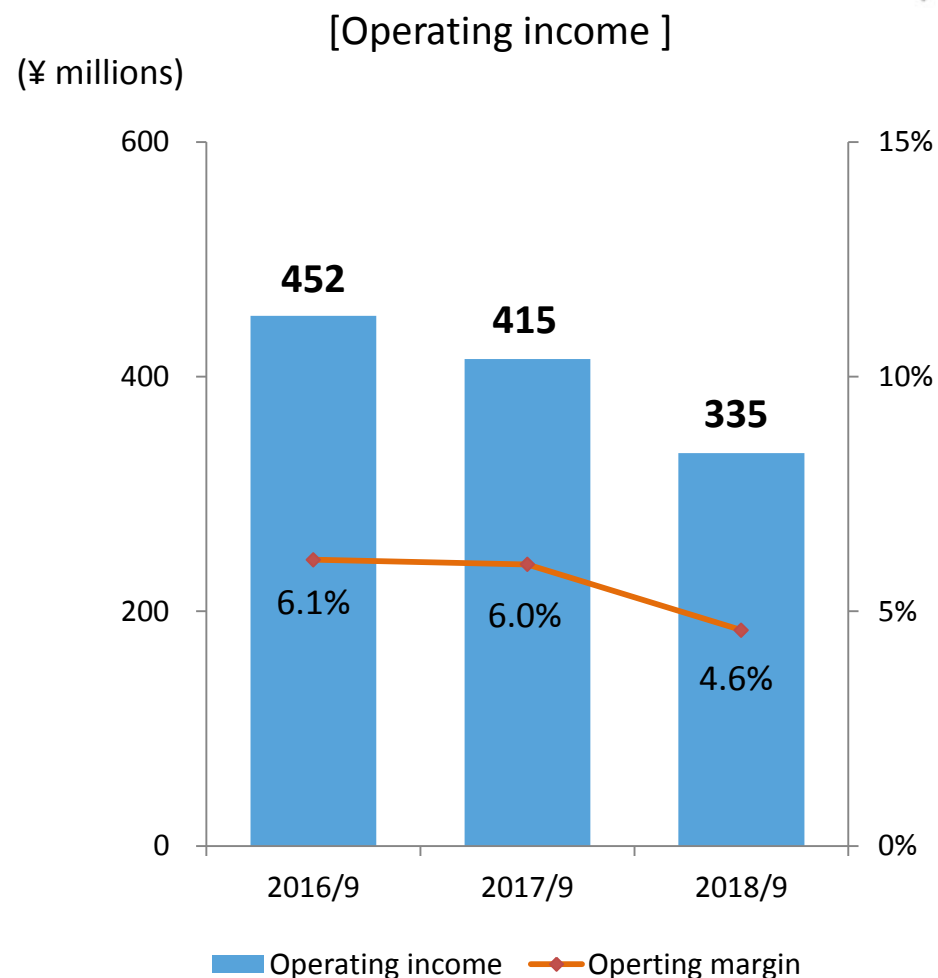
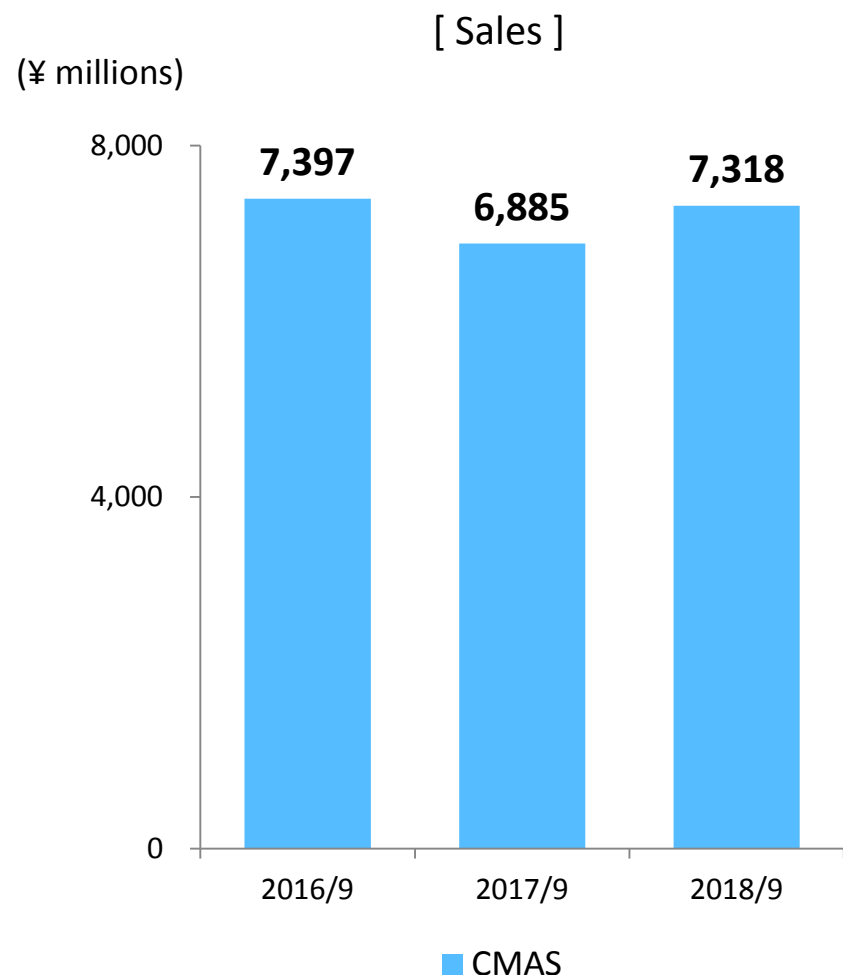
Secured human resources to meet robust demand in clinical services. CMIC Co., Ltd. and CMIC-PMS Co., Ltd. were integrated in October to enhance PMS and clinical research operations and provide end-to-end support that covers from clinical trial to PMS. For non-clinical services, our laboratories in Japan and the United States are collaborating to provide drug discovery support for next-generation drugs including nucleic acid drugs and regenerative medicine to enhance seamless services for pharmaceutical development needs in Japan and the United States. Sales and operating income exceeded those from the previous year thanks to robust growth in new and existing contracts.

# Contract Development Manufacturing Organization (CDMO) Business



Continued an effort to establish a low-cost production structure in the pursuit of productivity and efficiency through total service provision for drug manufacturing. Focused on the start-up and preparation for commercial production of the new injection building. Announced a capital and business tie-up agreement with Development Bank of Japan Inc. (DBJ) to promote broader strategies and expand our business through as a global manufacturing platform utilization of DBJ funding, personnel, and network in Japan and overseas, in addition to our growth based on existing business. Sales exceeded previous year's results thanks to the progress of new contract manufacturing projects, however, operating profit was less than previous year due to temporary production volume decrease of existing orders in the United States and the commercial production start-up expenses for the new injection building in Ashikaga.

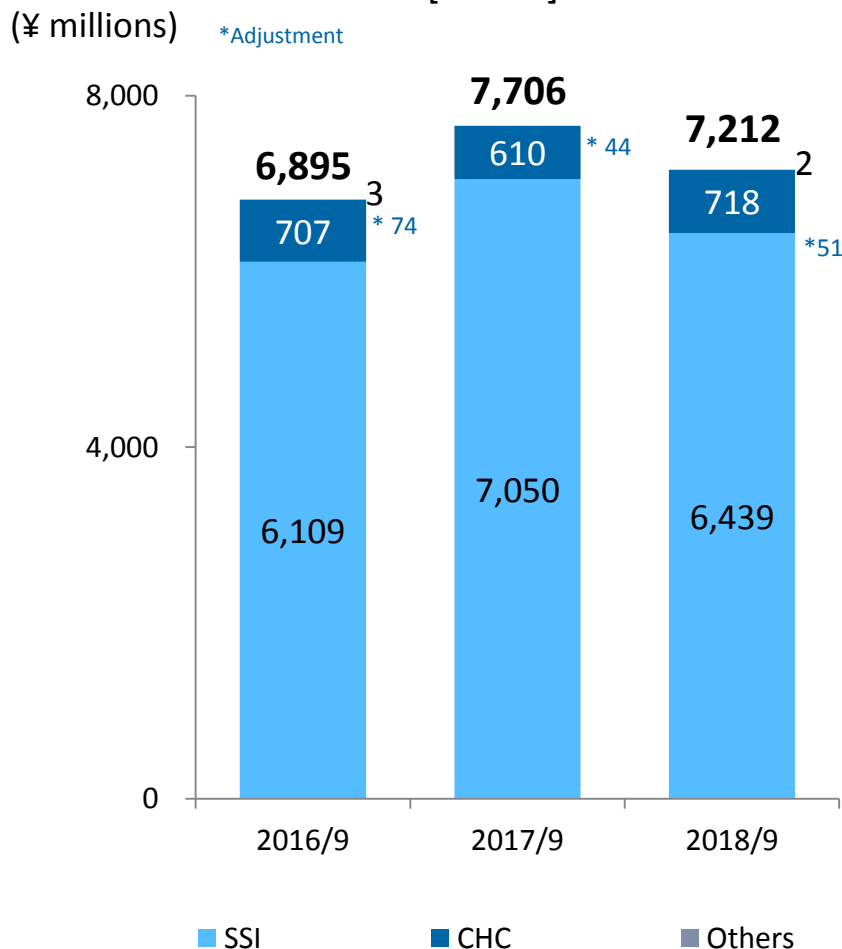
# Contract Sales Organization (CSO) Business



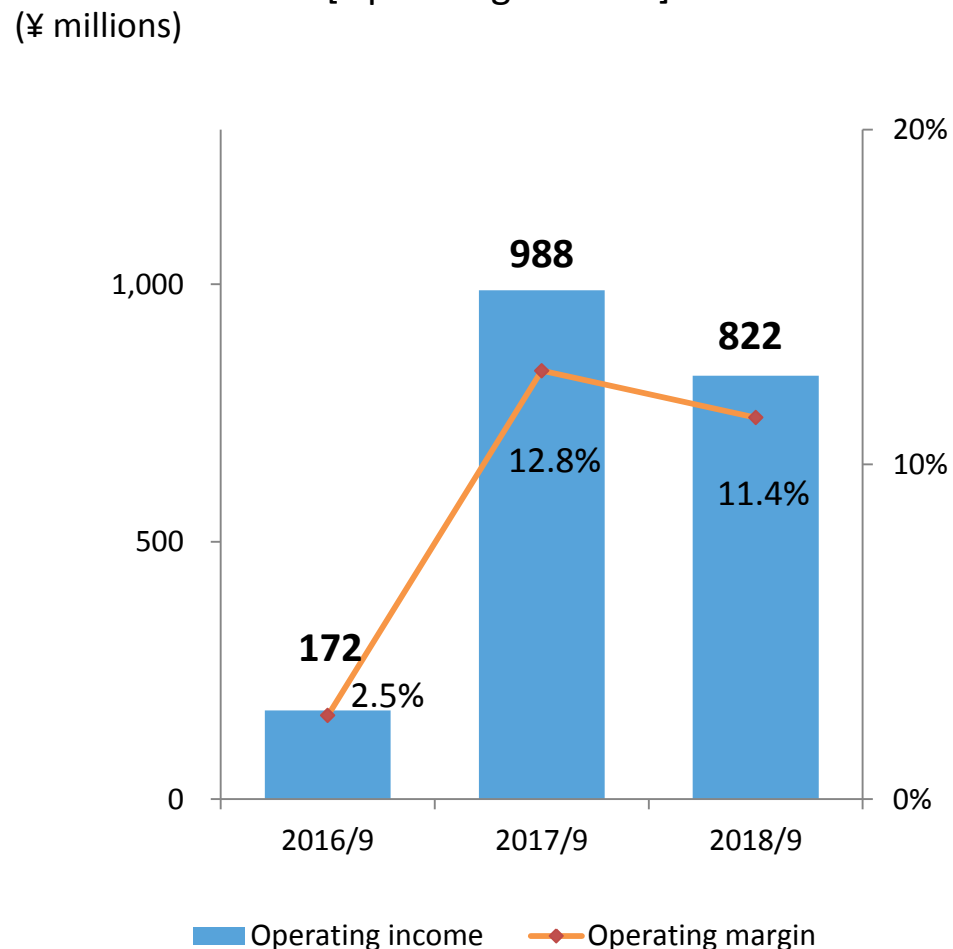
CMIC Ashfield Co., Ltd. has worked steadily to strengthen its capacity to take new orders and move through existing projects, they are also providing comprehensive solution that combines various services to meet customer demands including the service expansion in the Medical Affairs arena. Sales exceeded that of the previous year thanks to robust progress of new contract projects including large projects utilizing our PVC model, but operating income was less than that of previous year due to the costs generated to take on large-scale projects.

# Healthcare Business

[ Sales ]

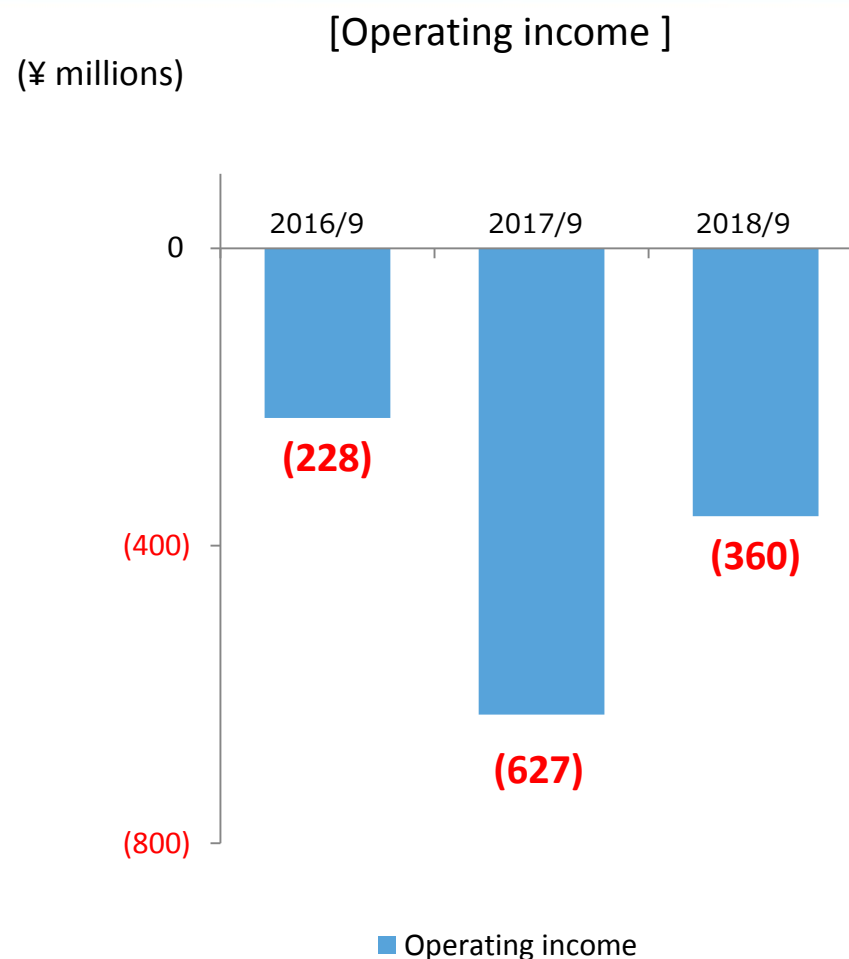
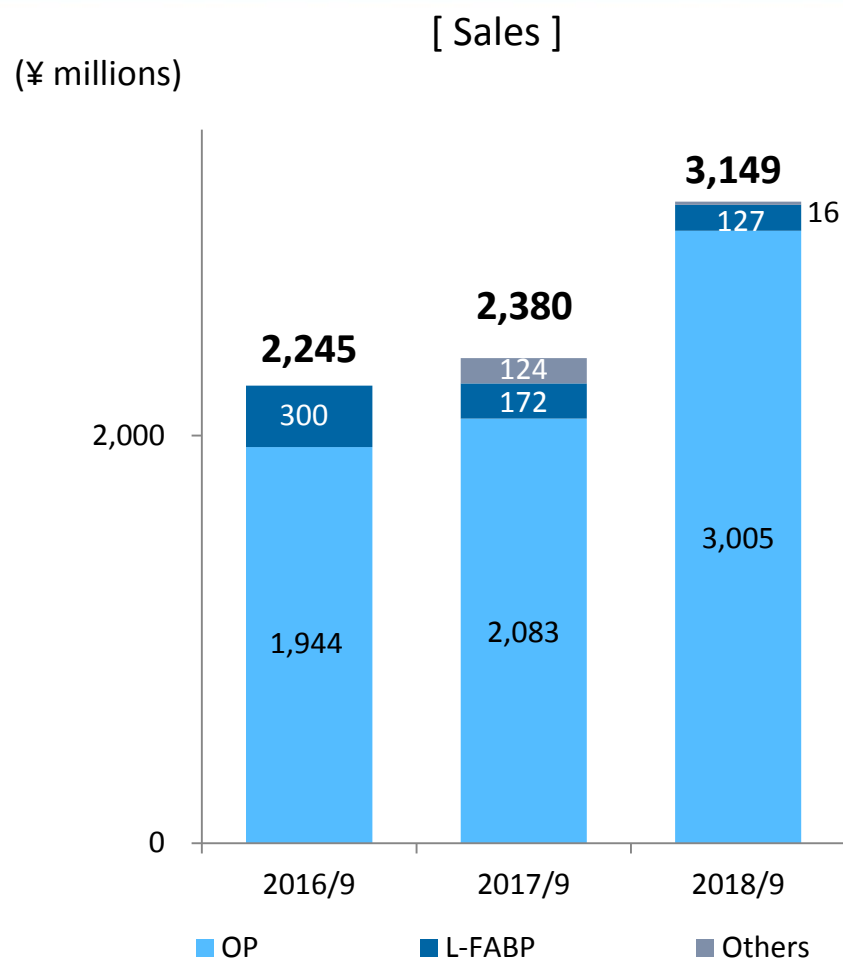


[ Operating income ]



Site Support Institute Co., Ltd. has acquired new orders and provided new services such as Medical Concierge Services. Launched the 24/7 primary response call center to promote efficiency and quality of SMO operations. Established the portal site "HelC+" to provide information of the hospitals specialized in oncology and clinical trials. Sales and operating income are below that of the previous year due to losing some large-scale SMO projects we had in the previous year and discontinuation of contract studies.

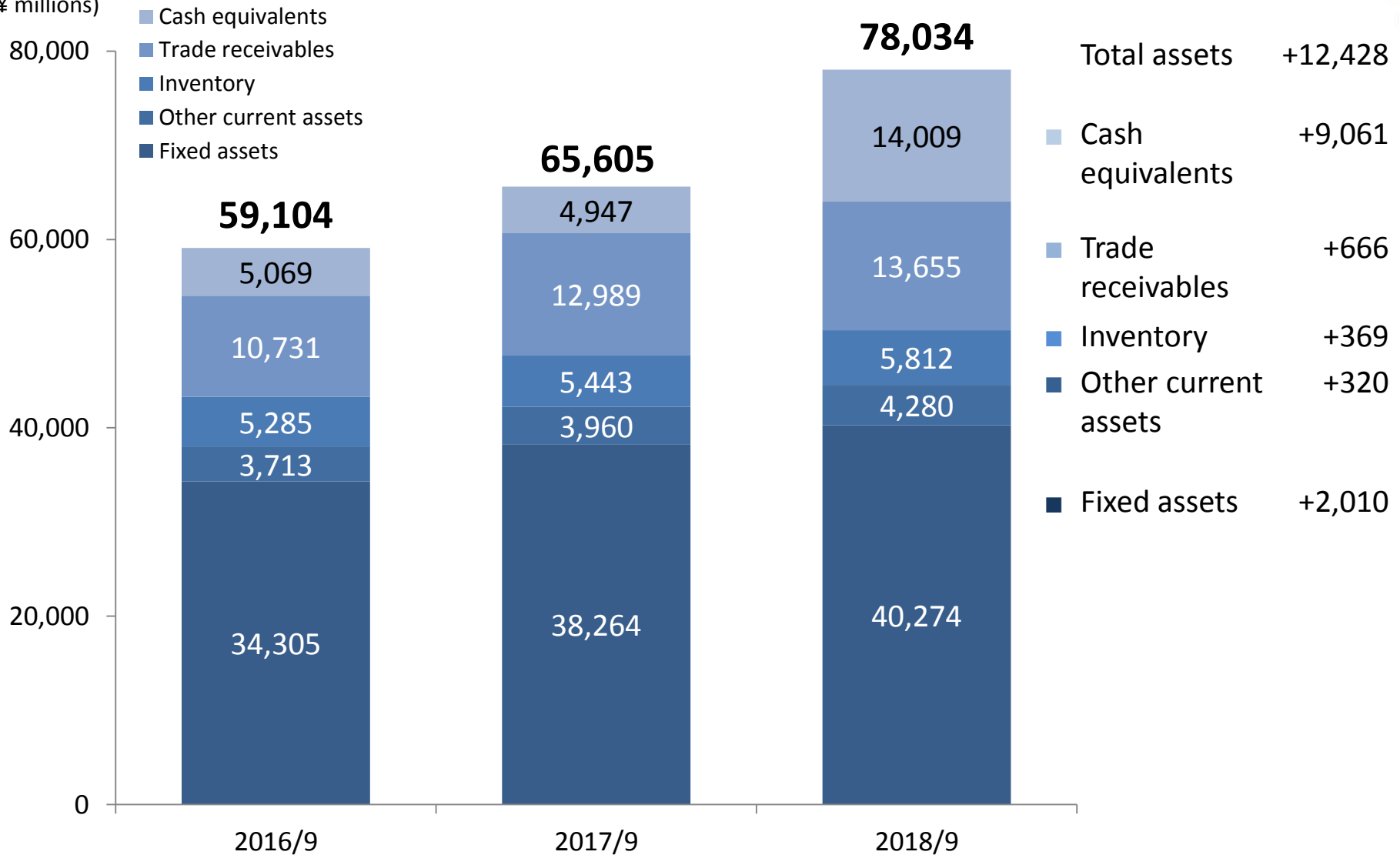
# Innovative Pharma Model ( IPM ) Business



Strengthened IPM business foundation through provision of IPM platform such as selling orphan drugs including the products developed in-house and supporting foreign companies entering the Japanese market. Launched hypertension drug Rasilez<sup>®</sup> Tablets 150mg in March 2018. Expanded the market and strengthen promotions of the kidney disease biomarker “human L-type fatty acid-binding protein (L-FABP) kit”. Sales exceeded that of the previous year due to sales increase of orphan drugs. Operating loss was recorded because of sales promotion expenses for “Zanmira Nail” (toe nail repair solution). Continued to expand our business scale through provision of new solutions towards positive turnaround of sales.

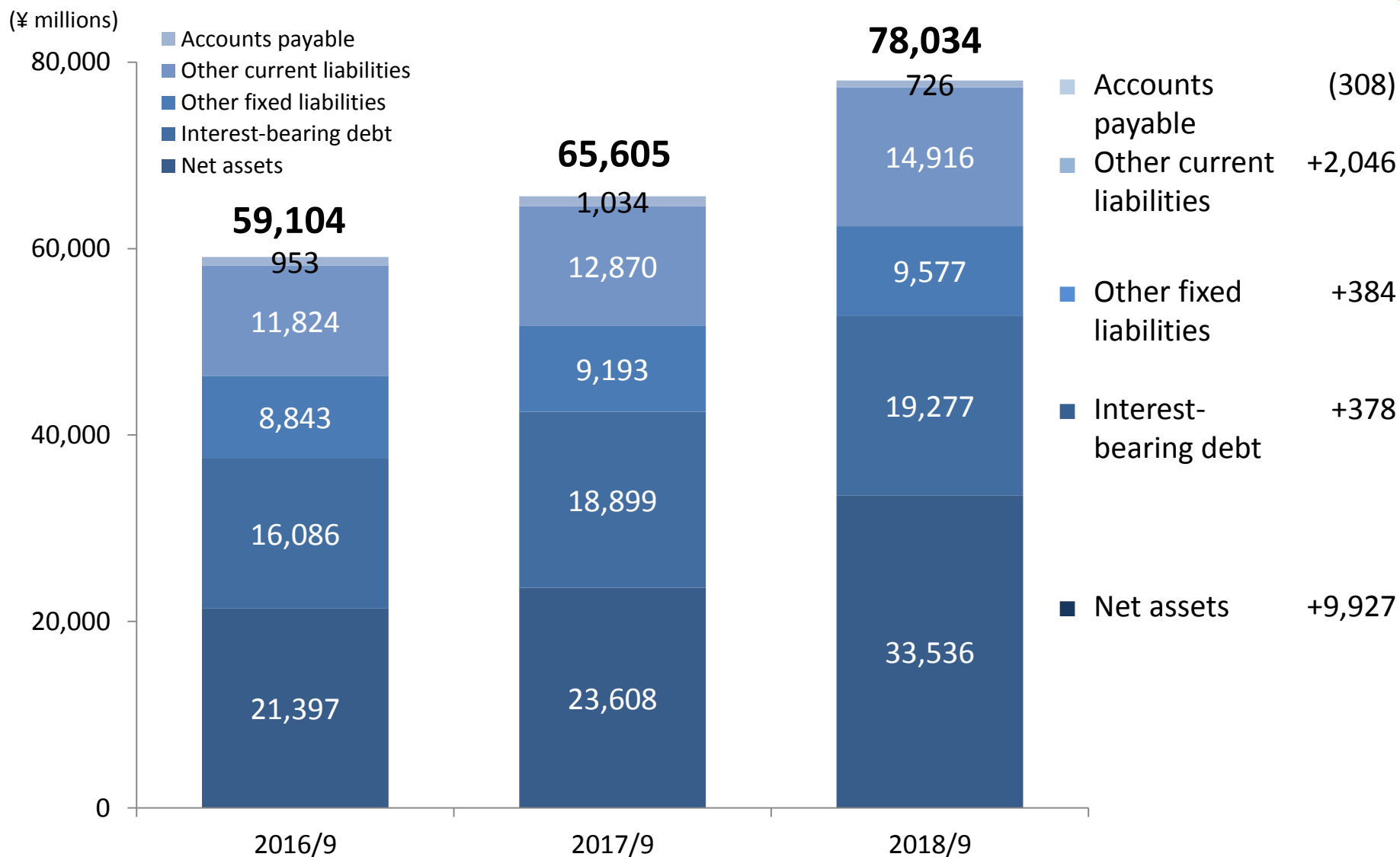
# Balance sheet (assets)

(¥ millions)





# Balance sheet (liabilities and net assets)



# Cash Flows

	2017/9	2018/9	(¥ millions) Increase (decrease)	
Cash flows from operating activities	4,937	7,488	2,550	[Key factor] (Cash flow from operating activities)
Cash flows from investing activities	(7,541)	(6,203)	1,338	<ul style="list-style-type: none"> <li>• Net income before taxes, depreciation expenses, and capital increase due to an increase in deposits</li> <li>• Income taxes paid</li> </ul>
Cash flows from financing activities	2,458	7,770	5,311	(Cash flow from investing activities)
Effect of exchange rate change on cash and cash equivalents	126	(26)	(153)	<ul style="list-style-type: none"> <li>• Outflow from purchase of property, plant and equipment</li> </ul>
Net increase(decrease) in cash and cash equivalents	(19)	9,028	9,047	(Cash flow from financing activities)
Cash and cash equivalents at beginning of period	4,946	4,928	(17)	<ul style="list-style-type: none"> <li>• Proceeds from share issuance to non-controlling shareholders following the CMIC CMO third party allotment, proceeds from long-term loans payable</li> <li>• Expenditure due to the decrease of the net change of the commercial paper and repayment of long-term loans</li> </ul>
Increase in cash and cash equivalents from newly consolidated subsidiary	1	19	17	
Cash and cash equivalents at end of period	4,928	13,976	9,048	

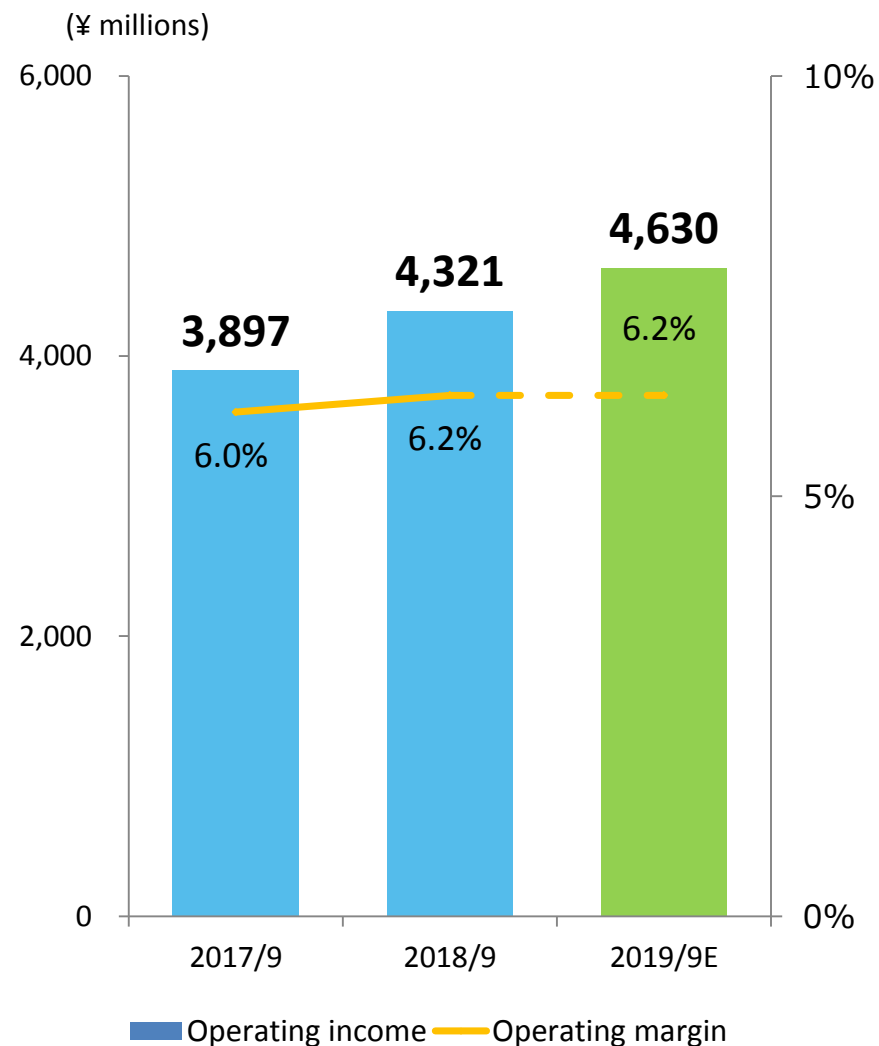


# Forecast for FY ending Sep. 2019



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	2018/9 Actual	2019/9 Forecast	Change (%)
	(¥ millions)	(¥ millions)	
Sales	69,869	74,400	6.5
Operating income	4,321	4,630	7.1
Ordinary income	4,061	4,170	2.7
Profit attributable to owners of parent	1,487	2,000	34.4
Earnings per share	¥79.71	¥107.69	



# Forecast for FY ending Sep. 2019 (by segment)

		2018/9 results (¥ millions)	2019/9 forecast (¥ millions)	Change (¥ millions)	Change (%)
CRO Business	Sales	37,296	39,500	2,203	5.9
	Operating income	6,650	7,250	599	9.0
CDMO Business	Sales	15,386	16,500	1,113	7.2
	Operating income	4	(55)	(59)	-
CSO Business	Sales	7,318	7,320	1	0.0
	Operating income	335	350	14	4.3
Healthcare Business	Sales	7,212	8,200	987	13.7
	Operating income	822	950	127	15.6
IPM Business	Sales	3,149	3,400	250	8.0
	Operating income	(360)	(350)	10	-
Adjustments	Sales	(492)	(520)	(27)	-
	Operating income	(3,130)	(3,515)	(384)	-
Consolidated	Sales	69,869	74,400	4,530	6.5
	Operating income	4,321	4,630	308	7.1





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.

