



# Overview of Financial Results for the 2<sup>nd</sup> Quarter FY2018

CMIC HOLDINGS Co., Ltd.

April 27, 2018

# Business segments and group companies

Blue indicates overseas.  
\*indicates affiliated company

Segment	Products and services	CMIC Group companies (as of end of Mar. 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. MDS-CMG, 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
- Started provision of IPM solution
- Organizational and functional changes for top management in the group (two-top execution by CEO-COO)

### Start of Project Phoenix 3.0

- CMIC’s take on healthcare Revolution

## CRO Business

- ✓ Enhancement of Post-marketing surveillance (PMS) and Clinical research support business using medical database
- ✓ Promoted readiness for the evolving field (Enhanced analytical services for Nucleic acid drugs and participated in the Technology Consortium aiming at the clinical application of platelet preparations derived from human iPS cells)

## CDMO Business

- ✓ Capital and business tie-up agreement with DBJ
- ✓ Directed toward full-scale launch of a new injection building in October with capability to manufacture high potency drugs

## CSO Business

- ✓ Acquired new large-scale projects using PVC model
- ✓ Provision of comprehensive commercial solution that combines various services

## Healthcare Business

- ✓ Jointly developed a clinical trial support solution with NEC Corporation using AI voice recognition technology to promote efficiency of SMO operations
- ✓ Expanded new service models such as Medical Concierge Services

## IPM Business

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

# Consolidated income statement (overview)

	2017/H1		2018/H1		YoY change (¥ millions)	Percent change (%)
	Amount (¥ millions)	Composition ratio (%)	Amount (¥ millions)	Composition ratio (%)		
Sales	31,743	100.0	33,640	100.0	1,897	6.0
Operating income	1,902	6.0	2,471	7.3	569	29.9
Ordinary income	1,888	6.0	2,225	6.6	337	17.9
Profit attributable to owners of parent	533	1.7	489	1.5	(44)	(8.4)
Earnings per share	¥28.54		¥26.14			

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

(¥ millions)

	2017/H1	2018/H1		2017/H1	2018/H1
Non-operating income	158	39	Extraordinary losses	366	287
Interest income	21	3	Loss on sales of non-current assets	21	0
Foreign exchange gains	104	-	Loss on retirement of non-current assets	23	28
Rent income	8	8	Provision of allowance for doubtful accounts	321	-
Refunded consumption taxes	9	8	Loss on valuation of investment securities	-	4
Other	14	19	Loss on revision of pay regulations	-	252
Non-operating expenses	171	285	Income taxes	900	1,450
Interest expenses	70	57	Current	925	1,038
Share of loss of entities accounted for using equity method	66	59	Deferred	(24)	412
Foreign exchange losses	-	131			
Other	34	36			

# Sales & Operating income by segment

		2017/H1 Amount (¥ millions)	2018/H1 Amount (¥ millions)	Change (¥ millions)	Percent change (%)
CRO Business	Sales	16,508	18,553	2,045	12.4
	Operating income	2,913	3,929	1,015	34.9
CDMO Business	Sales	6,643	6,786	143	2.2
	Operating income	(169)	(525)	(355)	-
CSO Business	Sales	3,452	3,486	34	1.0
	Operating income	247	153	(93)	(37.7)
Healthcare Business	Sales	4,023	3,607	(415)	(10.3)
	Operating income	616	465	(150)	(24.5)
IPM Business	Sales	1,240	1,420	180	14.5
	Operating income	(145)	(111)	34	-
Adjustments	Sales	(125)	(215)	(90)	-
	Operating income	(1,560)	(1,440)	119	-
Consolidated	Sales	31,743	33,640	1,897	6.0
	Operating income	1,902	2,471	569	29.9

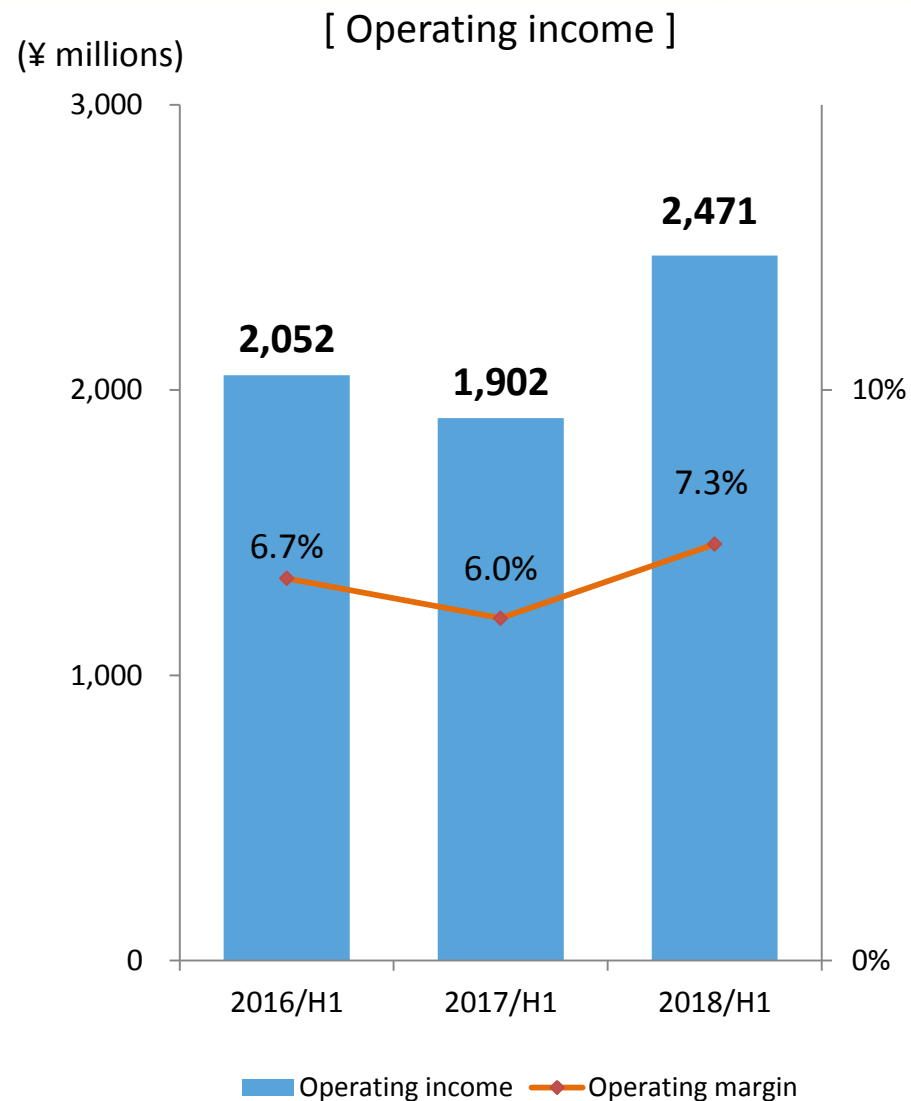
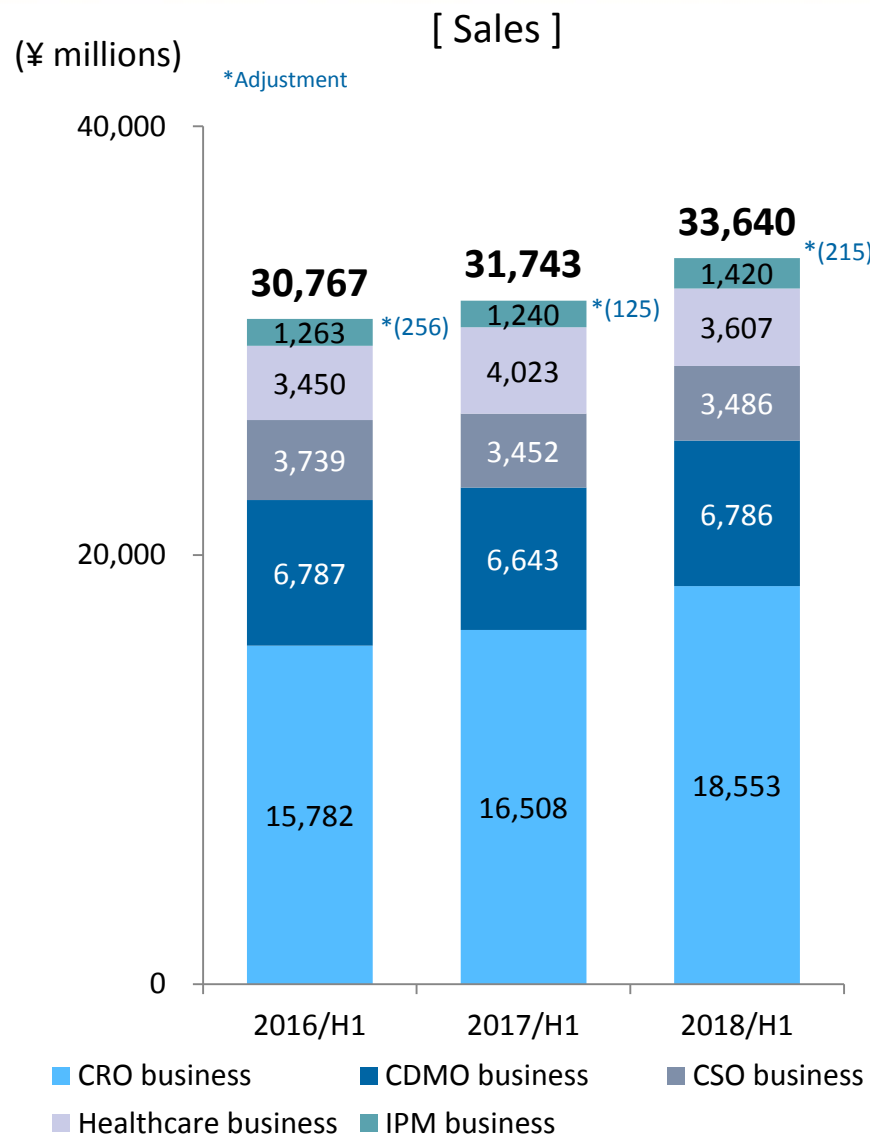


# Orders received / Backlog

	2017/H1		2018/H1			
	Orders received (¥ millions)	Backlog (¥ millions)	Orders received (¥ millions)	Percent change (%)	Backlog (¥ millions)	Percent change (%)
CRO Business	24,938	54,067	25,564	2.5	62,065	14.8
CDMO Business	7,300	3,995	7,290	(0.1)	4,186	4.8
CSO Business	2,097	4,239	5,234	149.6	4,843	14.2
Healthcare Business	3,107	8,596	3,027	(2.6)	8,582	(0.2)
Total	37,443	70,899	41,117	9.8	79,677	12.4

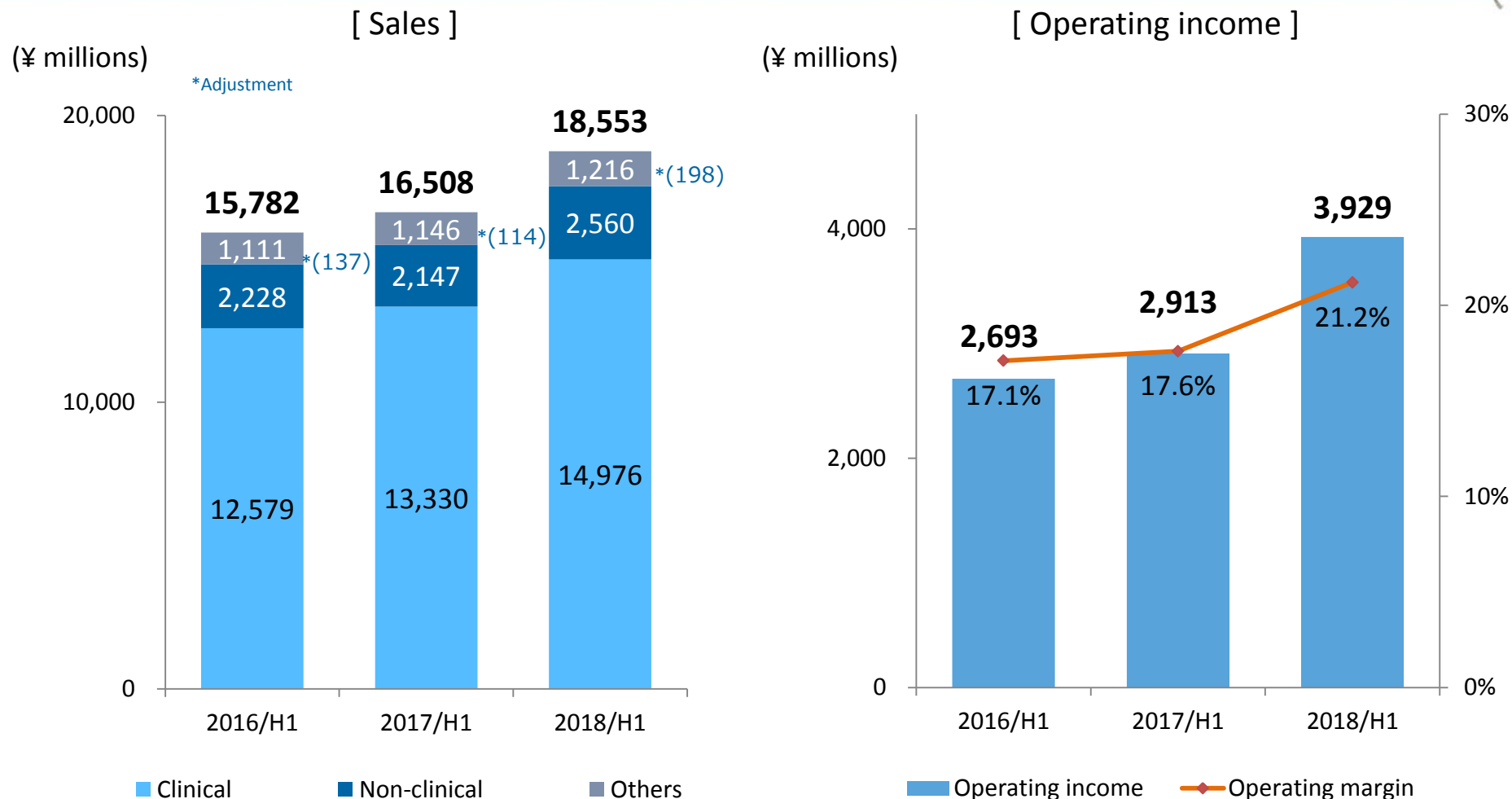
- Accounts for only the backlog of firm CDMO business orders. There is customer demand for scheduled orders but these are different from firm orders so we have not included these in the backlog.
- Order status is not included for IPM Business because its business conditions are different from those of contract business.

# Trend in consolidated Sales & Operating income



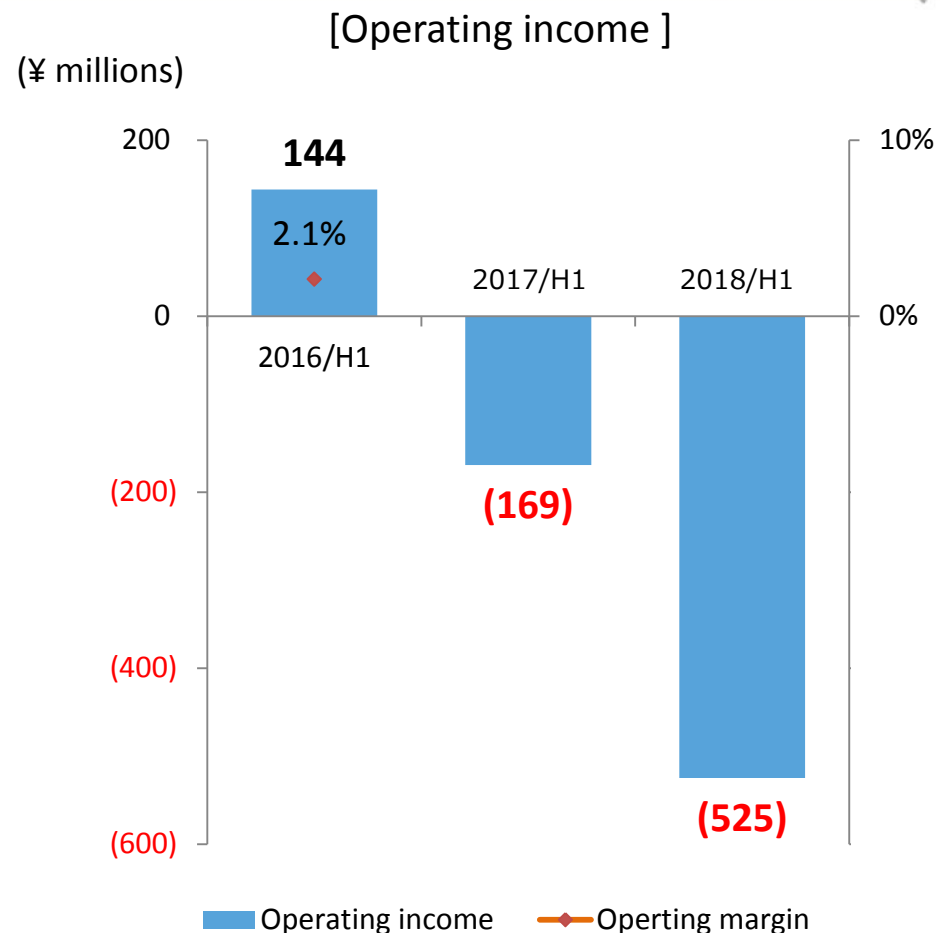
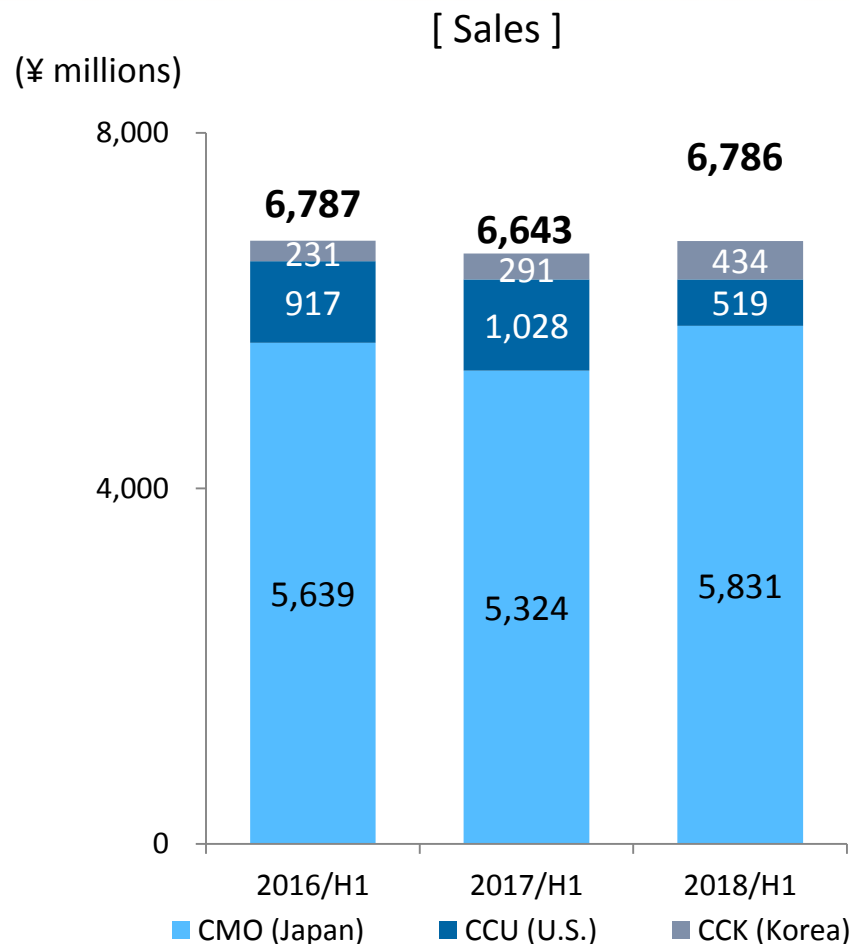


# Contract Research Organization (CRO) Business



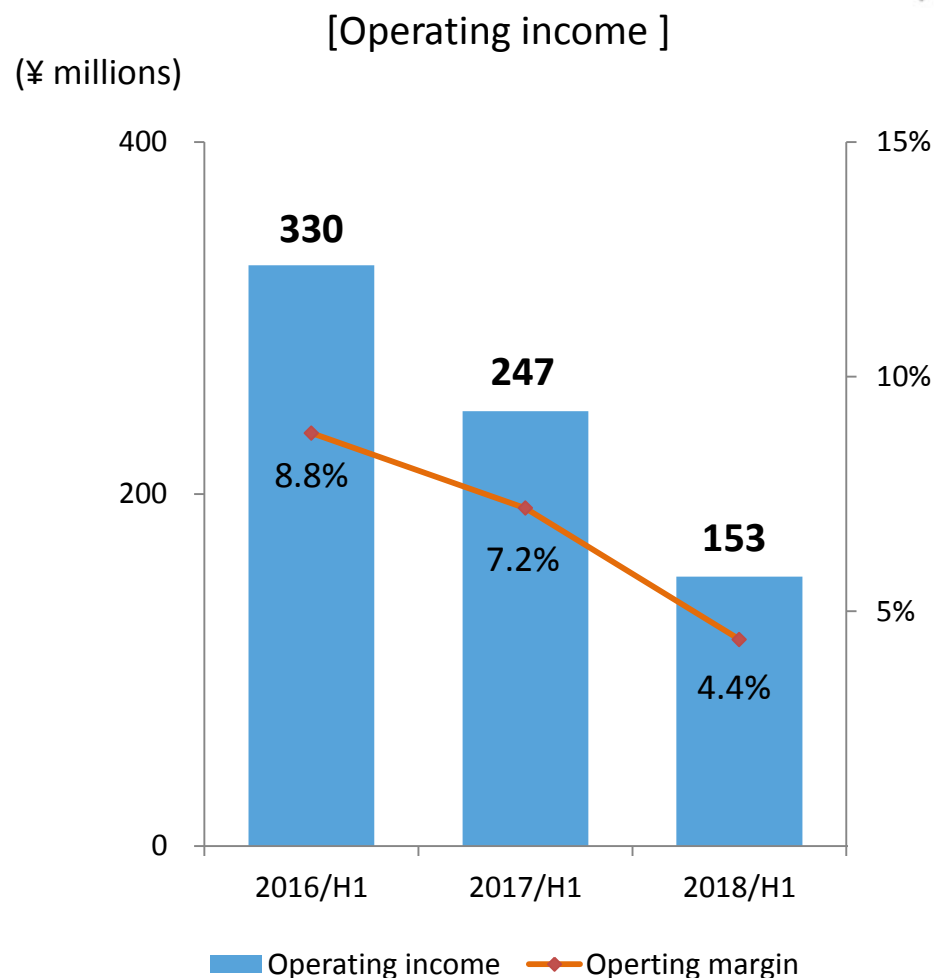
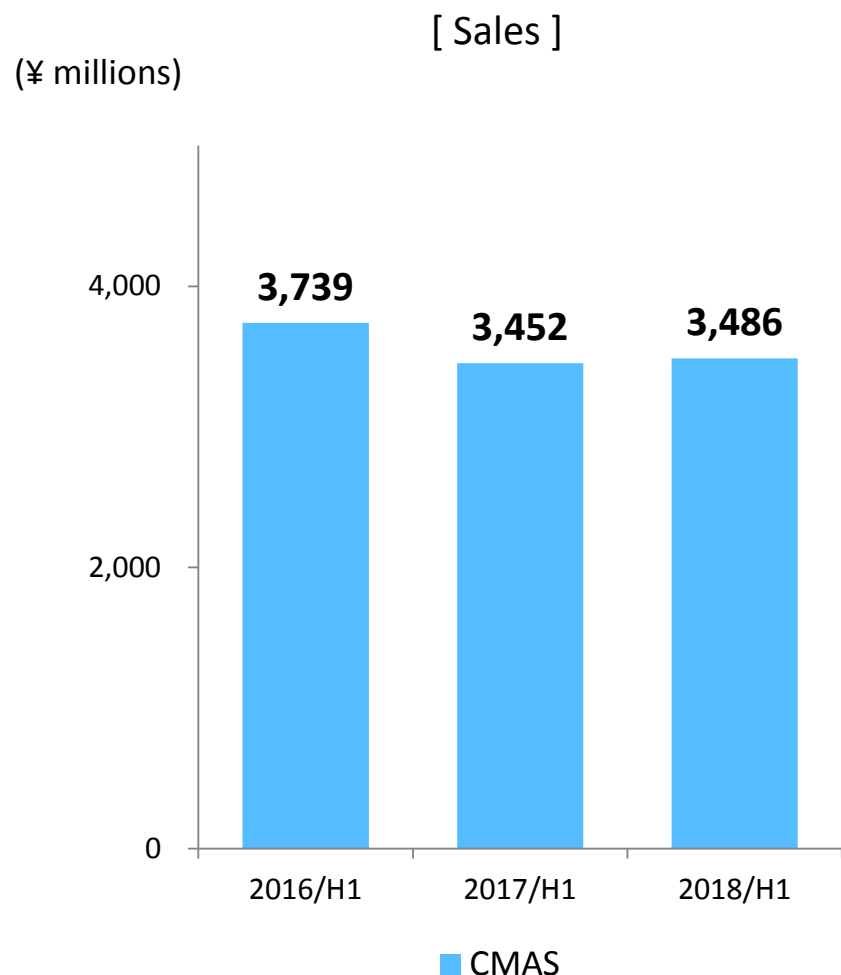
Secured human resources to meet robust demand in clinical services. Preparation is underway to establish an organization to provide end-to-end support that covers from clinical trial to PMS. For non-clinical services, Japan-US collaboration was enhanced to support Japanese companies entering the US market. Provided drug discovery support for next-generation drugs including nucleic acid drugs and regenerative medicine. Sales and operating income exceeded those from the same period of 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 preparation towards the full-scale operation of the new injection building. Announced a capital and business tie-up agreement with Development Bank of Japan Inc. (hereafter "DBJ") to promote broader strategies and expand our business through utilization of DBJ funding, personnel, and network in Japan and overseas, in addition to our growth based on existing business. Sales exceeded that of the same period last year thanks to robust progress of new contract manufacturing projects. Operating loss was recorded due to production volume decrease of existing orders at CMIC CMO USA Corporation and the commercial production start-up expenses for the new injection building in Ashikaga.

# Contract Sales Organization (CSO) Business

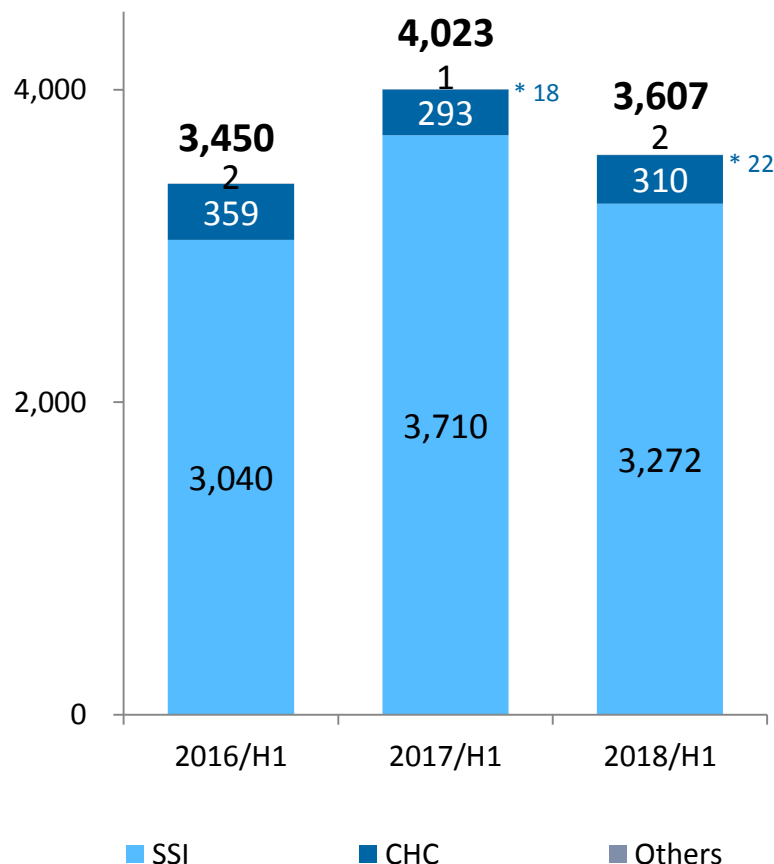


CMIC Ashfield Co., Ltd. has worked steadily to strengthen its capacity to take new orders and move through existing projects, they are also providing comprehensive commercial solution that combines various services to meet customer demands. Sales exceeded that of the same period last year thanks to robust progress of new contract projects, but operating income was less than that of the same period last year due to the hiring costs generated to take on large-scale projects.

# Healthcare Business

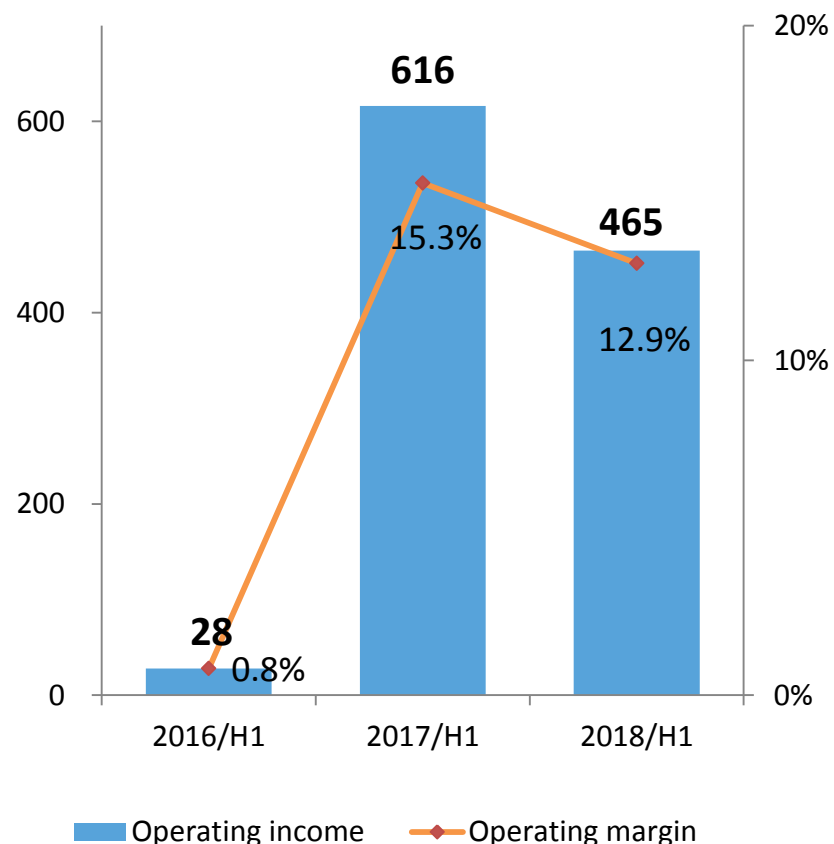
[ Sales ]

(¥ millions) \*Adjustment



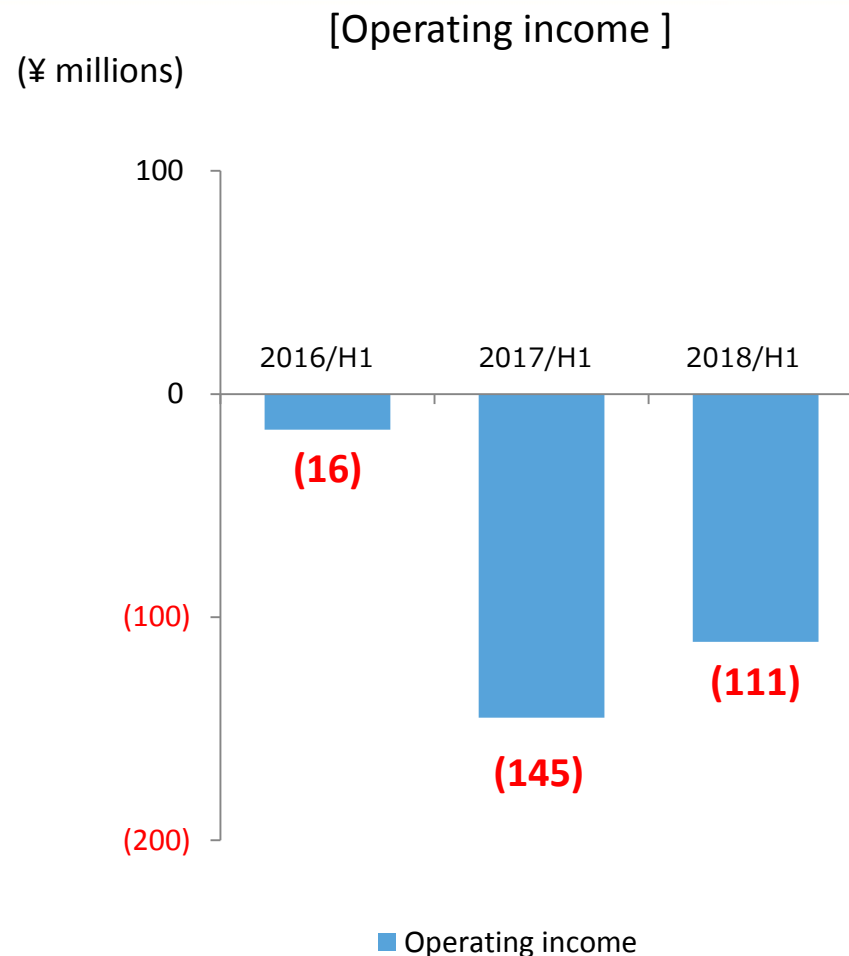
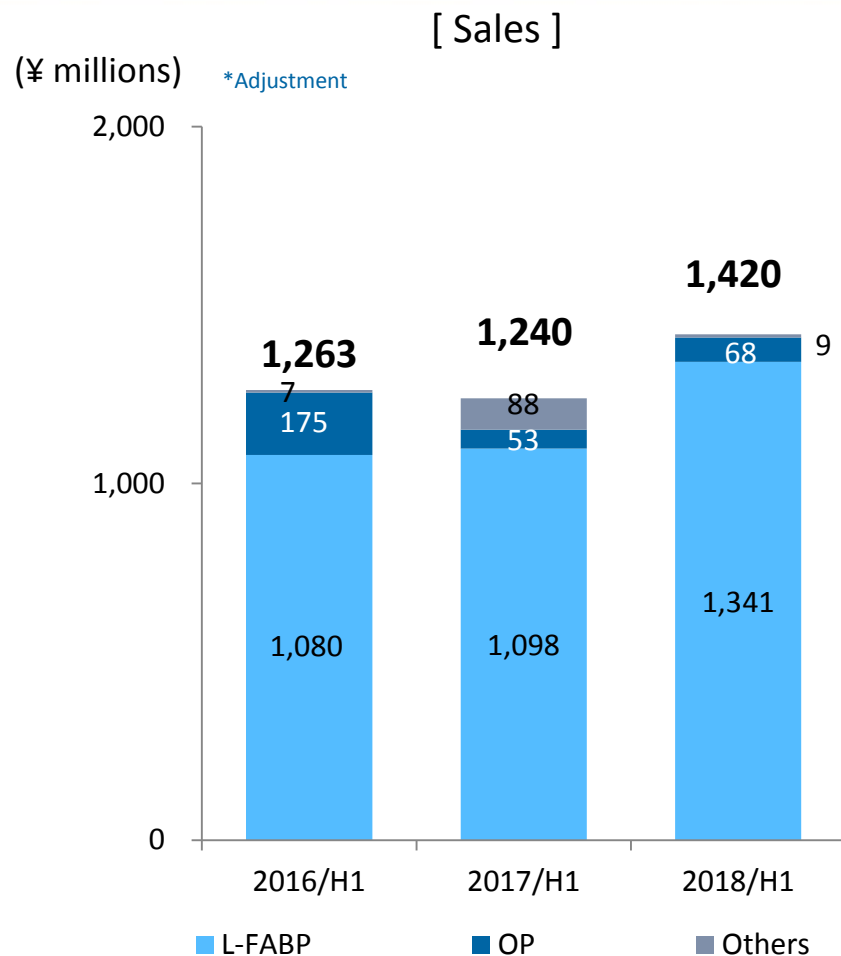
[ Operating income ]

(¥ millions)



Site Support Institute Co., Ltd. has acquired new orders and provided new services such as Medical Concierge Services. Jointly developed a clinical trial support solution with NEC Corporation using AI voice recognition technology to promote efficiency and quality of SMO operations. Sales and operating income are below that of the same period last year due to losing some large-scale projects we had in the same period last year.

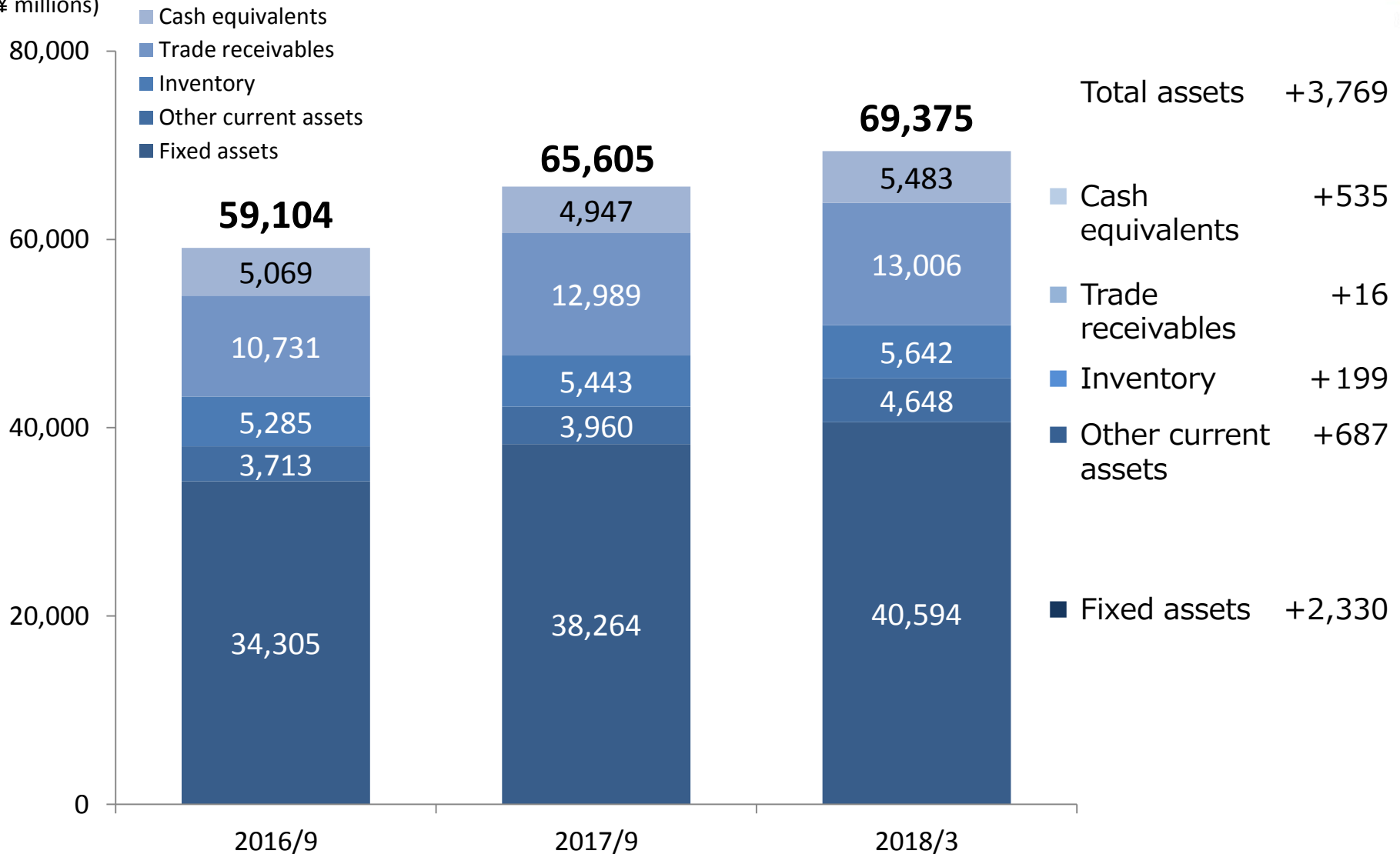
# Innovative Pharma Model ( IPM ) Business



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 same period last 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.

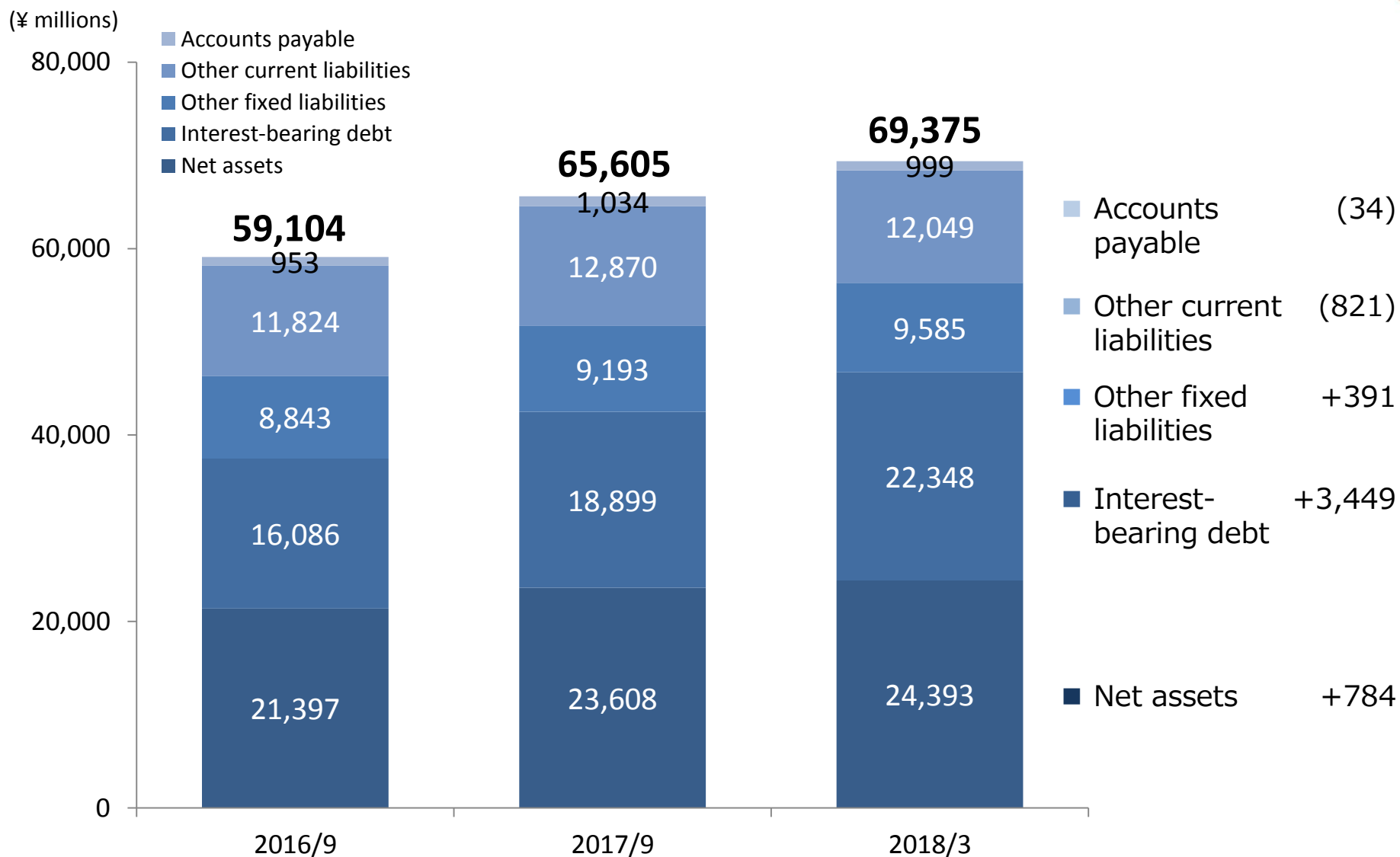
# Balance sheet (assets)

(¥ millions)





# Balance sheet (liabilities and net assets)



# Cash Flows

	2017/H1	2018/H1	(¥ millions) Increase (decrease)
Cash flows from operating activities	1,257	1,986	729
Cash flows from investing activities	(3,932)	(4,266)	(334)
Cash flows from financing activities	3,352	2,853	(498)
Effect of exchange rate change on cash and cash equivalents	103	(40)	(143)
Net increase(decrease) in cash and cash equivalents	780	533	(247)
Cash and cash equivalents at beginning of period	4,946	4,928	(17)
Increase in cash and cash equivalents from newly consolidated subsidiary	1	19	17
Cash and cash equivalents at end of period	5,728	5,481	(247)

[Key factor]

(Cash flow from operating activities)


- Posting of Income before income taxes
- Proceeds from depreciation and amortization
- Payment of income tax

(Cash flow from investing activities)

- Purchase of tangible fixed assets

(Cash flow from financing activities)

- Proceeds from short-term and long-term loans
- Repayment of long-term loans



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.

