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November 7, 2023

CMIC HOLDINGS Co., Ltd. Consolidated Financial Results For the Year Ended September 30, 2023

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

Highlights:

◆**CRO and Market Solutions business grew substantially**

◆**Change of CMIC CMO Group to equity-method affiliates**

◆**Operating profit decreased 13.3% to ¥10,267 million mainly due to decline of temporary demand for large-scale vaccination projects for local governments**

◆**Earnings per share: ¥416.25**

Tokyo, November 7, 2023 – CMIC HOLDINGS Co., Ltd. (TSE Prime Code: 2309) today reported financial results for the year ended September 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 them,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 have steadily implemented measures to address each of these pillars.

[Consolidated operating results]

In the current consolidated fiscal year, as part of our efforts to address the key issues of our mid-term plan, we focused on promoting DX Solutions in the medical and healthcare fields, providing business solutions for local governments that support local communities from both digital and human resource perspectives, and acquiring new projects from pharmaceutical companies and biotech ventures. In addition, we worked on human resource policies linked to management strategies, aiming to improve the value of each employee: PBV (Personal Business Value), which leads to the realization of CMIC'S CREED, the Group's corporate philosophy.

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 . 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.

Geopolitical risks have increased due to the prolonged situation in Ukraine and other factors, and there are continuing concerns 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.

CMIC Group is promoting “Pharmaceutical solutions” based on our PVC model and “Healthcare solutions” that contribute to the individual’s health through medical institutions and municipal governments, in alignment with the focus activities in the mid-term plan (FY2022-2025) 1) Evolution of healthcare business, 2) Comprehensive support for disease prevention, treatment R&D, and marketing, and 3) Contribution to sustainable society through services with high social benefits.

In the current consolidated fiscal year, the CRO business and the Market Solutions business in the Pharmaceutical Solutions segment grew substantially. On the other hand, temporary demand for large-scale vaccination projects for local governments, which had continued since the previous fiscal year, declined due to the shift of the novel coronavirus infection to "Class 5" infectious disease, and the effect of the deconsolidation of CMIC CMO Group with a deemed transfer date of June 30, 2023. Net sales were ¥104,701 million (down 3.5% from the previous consolidated fiscal year), operating profit was ¥10,267 million (down 13.3% from the previous consolidated fiscal year), ordinary profit was ¥10,022 million (down 25.5% from the previous consolidated fiscal year), and profit attributable to owners of parent was ¥7,152 million (down 14.7% from the previous consolidated fiscal year).

(Millions of yen)

		FY2022	FY2023	YoY Change Amount	YoY Change (%)
Net sales		108,461	104,701	(3,759)	(3.5)
	Pharmaceutical solutions	78,188	78,060	(128)	(0.2)
	Healthcare solutions	31,007	27,922	(3,085)	(10.0)
	Adjustments	(735)	(1,281)	(546)	―
Operating profit		11,845	10,267	(1,578)	(13.3)
	Pharmaceutical solutions	4,752	5,184	+432	+9.1
	Healthcare solutions	8,660	7,029	(1,630)	(18.8)
	Adjustments	(1,566)	(1,946)	(379)	―
Ordinary profit		13,450	10,022	(3,427)	(25.5)
Profit attributable to owners of parent		8,387	7,152	(1,234)	(14.7)

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 decreased to ¥78,060 million (down 0.2% from the previous fiscal year) due to the exclusion of CMIC CMO Group from consolidation with a deemed transfer date of June 30, 2023, but operating profit increased to ¥5,184 million (up 9.1%from the previous fiscal year) mainly due to growth in the CRO business.

CRO Business
- Sales increased from 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
  - Supported the National Cancer Center Hospital's first online rare cancer study (full remote Decentralized Clinical Trials)
- 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 decreased from the previous year due to the effect of the deconsolidation of CMIC CMO Group
- 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
- Launch of a packaging line in the U.S. and focus on the acquisition of new projects

Market Solutions Business
- Sales increased from the previous year
- Outsourcing by pharmaceutical companies is accelerating due to personnel adjustments and other factors, and the MR dispatch market is expanding
- Inquiries about MR dispatch services were favorable, and recruitment was strengthened
- 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 amounted to ¥27,922 million (down 10.0% from the previous fiscal year) due to a decrease in support services for local governments,such as follow-up services for positive cases and sales of antigen test kits, in addition to vaccine development and vaccination support services fir the nivel coronavirus infection,which had continued from the previous fiscal year,following the shift to “Class 5” infectiious disease.Operating profit also decreased to ¥7,029 million (down 18.8% from the previous fiscal year)

Site Support Solutions Business
- Sales decreased from 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 decreased from the previous year due to a decline in demand for large-scale vaccination projects for municipalities
- Continuation of projects related to new coronavirus infection and expansion of human resource support services for local governments
- 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
  - Opened a pharmacy to support epilepsy patients
  - 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 for the current fiscal year was ¥10,022 million (down 25.5% from the previous consolidated fiscal year).
Non-operating income included foreign exchange gains,etc. of ¥253 million, and non-operating expenses included share of loss of entities accounted for using equity method,etc. of ¥497 million.

Profit attributable to owners of parent

Profit attributable to owners of parent for the current fiscal year was ¥7,152 million (down 14.7% from the previous fiscal year).
CMIC recorded ¥3,388 million as extraordinary income including gain on sales of investment securities,¥1,535 million as extraordinary losses including impairment losses and loss on retirement of non-current assets, ¥4,163 million as income taxes, inhabitant tax and enterprise tax, and ¥137

million as profit attributable to non-controlling interests.

Overview of the financial condition and Cash Flow

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 current fiscal year decreased by ¥37,374 million compared with the end of the previous consolidated fiscal year to ¥70,215 million.
This was mainly due to decreases in property,plant and equipment,accounts receivable-trade and contract assets, and inventories,and increases in cash and deposits and investment securities, etc.

Total liabilities at the end of th current fiscal year decreased by ¥33,938 million compared with the end of the previous consolidated fiscal year to ¥32,382 million.
This was mainly due to decreases in borrowings,lease liabilities, and income taxes payable, etc.

Total net assets decreased by ¥3,436 million compared with the end of the previous consolidated fiscal year to ¥37,833 million.
This was mainly due to decrease in non-controlling interests,and increases in retained earnings and treasury stock, etc.

Cash Flows
Cash and cash equivalents at the end of year increased ¥7,328 million from the end of the previous fiscal year to ¥19,032 million.

Status of each cash flow and key factors are as follows:

(Cash flow from operating activities)
Cash flow from operating activities was ¥10,449 million in revenue (¥11,213 million in revenue in the previous fiscal year). This was mainly due to an increase in profit before income taxes, depreciation and collection of trade receivables,and payments for income taxes, etc.

(Cash flow from investing activities)
Cash flow from investing activities was ¥2,136 million in revenue (¥8,045 million in expenditure in the previous fiscal year). This was mainly due to an increase in funds from proceeds from sales of investment securities and collection of long-term loans receivable, and payments for purchase of property, plant and equipment and intangible assets, etc.

(Cash flow from financing activities)
Cash flow from financing activities was ¥1,606 million in expenditure (¥1,230 million in expenditure in the previous fiscal year). This was mainly due to purchase of treasury shares and dividends paid, etc.

Future Outlook

As announced in the November 7, 2023, press release entitled "Notice Concerning Implementation of MBO and Recommendation to Tender" the Company's shares are expected to be delisted by the Tender Offeror's execution of the Tender Offer and subsequent procedures. Therefore, the Company does not present any forecasts for the fiscal year ending September 2024.

Basic Policy Concerning Distribution of Profits and Dividends for the Current and Next Fiscal Years

Dividends will be paid twice a year for the current fiscal year and the interim dividend was 5 yen per share. The year-end dividend is 45 yen per share, and the annual dividend is 50 yen per share (consolidated dividend payout ratio: 12.0%).
In addition, the total number of shares of treasury stock (on a contract basis)was 694 hundred shares, and the total acquisition cost was 1,269 million yen.
The total return ratio for the fiscal year under review will be 29.7% due to an annual dividend of ¥50.00 per share and share buybacks.
As announced in the November 7, 2023, press release entitled "Notice Concerning Implementation of MBO and Recommendation to Tendes", the Company's shares are expected to be delisted by the Tender Offeror's execution of the Tender Offer and subsequent procedures. Therefore, the Company does not present dividend forecasts 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 Ended September 30, 2023 (October 1, 2022 through September 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)

	FY2023		FY2022	
		Change (%)		Change (%)
Net sales	**104,701**	**(3.5)**	108,461	26.4
Operating profit	**10,267**	**(13.3)**	11,845	140.7
Ordinary profit	**10,022**	**(25.5)**	13,450	164.2
Profit attributable to owners of parent	**7,152**	**(14.7)**	8,387	314.5
Earnings per share (Yen)	**416.25**		469.44	
Diluted net income per share (Yen)	—		—	

Reference: Comprehensive income: FY2023: ¥6,760 million (down 17.0% YoY)
FY2022: ¥8,142 million (up 757.3% YoY)

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

	Year End FY2023	Year End FY2022
Total assets	**70,215**	107,590
Net assets	**37,833**	41,269
Equity ratio (%)	**51.4**	29.4
Book value per share (Yen)	**2,137.14**	1,801.31

Reference: Shareholders' equity: FY2023: ¥36,084 million
FY2022: ¥31,624 million

(3) Consolidated cash flows (Millions of yen; amounts less than one million yen are omitted)

	FY2023	FY2022
Net cash provided by (used in) operating activities	**10,449**	11,213
Net cash provided by (used in) investing activities	**2,136**	(8,045)
Net cash provided by (used in) financing activities	**(1,606)**	(1,230)
Cash and cash equivalents at end of period	**19,032**	11,703

Distribution Status

(Yen)

	FY2022	**FY2023**	FY2024 (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**	–
Total cash dividends (annual) (Million yen)	888	**853**	
Dividend payout ratio (consolidated) (%)	10.7	**12.0**	–
Dividend on equity ratio (consolidated) (%)	3.1	**2.5**	

Consolidated Financial Statements for the Fiscal Year Ended September 30, 2023

(1) Consolidated Balance Sheets

(Millions of yen)

	Year End FY2023 (September 30, 2023)	Year End FY2022 (September 30, 2022)
Assets		
Current assets		
Cash and deposits	19,034	11,806
Notes and accounts receivable-trade, and contract assets	16,992	24,632
Merchandise and finished goods	414	526
Work in process	1,927	4,384
Raw materials and supplies	1,077	3,932
Other	2,997	2,786
Allowance for doubtful accounts	(121)	(58)
Total current assets	**42,322**	**48,010**
Non-current assets		
Property, plant and equipment		
Buildings and structures	9,120	29,412
Accumulated depreciation	(4,479)	(13,200)
Buildings and structures, net	4,641	16,211
Machinery, equipment and vehicles	1,642	25,593
Accumulated depreciation	(1,226)	(16,138)
Machinery, equipment and vehicles, net	416	9,454
Tools, furniture and fixtures	4,984	8,026
Accumulated depreciation	(3,365)	(5,441)
Tools, furniture and fixtures, net	1,619	2,585
Land	1,247	6,836
Leased assets	638	5,183
Accumulated depreciation	(465)	(1,784)
Leased assets, net	173	3,398
Construction in progress	91	4,335
Total property, plant and equipment	**8,189**	**42,822**
Intangible assets		
Goodwill	337	32
Other	1,241	2,260
Total intangible assets	**1,579**	**2,292**
Investments and other assets		
Investment securities	9,369	3,039
Deferred tax assets	5,718	8,471
Leasehold and guarantee deposits	2,246	2,350
Other	789	1,321
Allowance for doubtful accounts	–	(719)
Total investments and other assets	**18,123**	**14,464**
Total non-current assets	**27,892**	**59,580**
Total assets	**70,215**	**107,590**

(Millions of yen)

	Year End FY2023 (September 30, 2023)	Year End FY2022 (September 30, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	85	1,190
Current portion of long-term borrowings	1,123	3,602
Accounts payables-other	5,929	8,400
Accrued expenses	1,586	2,024
Income taxes payable	564	3,868
Contract liabilities	2,014	4,470
Provision for bonuses	4,335	6,110
Provision for bonuses for directors	100	92
Provision for loss on orders received	1,030	1,225
Other	3,901	4,888
Total current liabilities	**20,670**	**35,872**
Non-current liabilities		
Long-term borrowings	1,677	13,534
Lease liabilities	127	3,627
Deferred tax liabilities	4	12
Retirement benefit liability	9,388	11,000
Asset retirement obligations	259	370
Long-term unearned revenue	—	1,581
Other	255	322
Total non-current liabilities	11,711	30,448
Total liabilities	**32,382**	**66,320**
Net assets		
Shareholders' equity		
Share capital	3,087	3,087
Capital surplus	6,050	6,093
Retained earnings	30,712	24,444
Treasury shares	(3,580)	(2,346)
Total shareholders' equity	**36,271**	**31,279**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	352	742
Foreign currency translation adjustment	(557)	(432)
Remeasurements of defined benefit plans	18	34
Total accumulated other comprehensive income	(186)	**344**
Non-controlling interests	**1,748**	**9,645**
Total net assets	**37,833**	**41,269**
Total liabilities and net assets	**70,215**	**107,590**

(2) Consolidated Statement of Income

(Millions of yen)

	FY2023 (October 1, 2022– September 30, 2023)	FY2022 (October 1, 2021– September 30, 2022)
Net sales	**104,701**	108,461
Cost of sales	**79,999**	82,203
Gross profit	**24,702**	26,258
Selling, general and administrative expenses	**14,434**	14,412
Operating profit	**10,267**	11,845
Non-operating income		
Interest income	22	3
Foreign exchange gains	135	1,720
Subsidy income	37	23
Other	57	83
Total non-operating income	**253**	1,830
Non-operating expenses		
Interest expenses	154	152
Share of loss of entities accounted for using equity method	295	—
Other	47	73
Total non-operating expenses	**497**	225
Ordinary profit	**10,022**	13,450
Extraordinary income		
Gain on change in equity	38	—
Gain on sale of investment securities	3,349	—
Gain on reversal of asset retirement obligations	—	139
Total extraordinary income	**3,388**	139
Extraordinary losses		
Impairment losses	1,090	1,386
Loss on retirement of non-current assets	233	155
Loss on valuation of investment securities	62	8
Loss on liquidation of subsidiaries	49	—
Compensation for loss	100	—
Total extraordinary losses	**1,535**	1,550
Profit before income taxes	**11,875**	12,039
Current	4,163	6,066
Deferred	421	(3,071)
Total income taxes	**4,585**	2,994
Profit	**7,289**	9,045
Profit attributable to non-controlling interests	**137**	657
Profit attributable to owners of parent	**7,152**	8,387

(3) Consolidated Statement of Comprehensive Income

(Millions of yen)

	FY2023 (October 1, 2022– September 30, 2023)	FY2022 (October 1, 2021– September 30, 2022)
Profit	**7,289**	**9,045**
Other comprehensive income		
Valuation difference on available-for-sale securities	(390)	99
Foreign currency translation adjustment	4	(828)
Remeasurements of defined benefit plans	(12)	(173)
Share of other comprehensive income of entities accounted for using equity method	(130)	—
Total other comprehensive income	**(529)**	**(902)**
Comprehensive income	**6,760**	**8,142**
Comprehensive income attributable to		
Owners of parent	6,622	7,909
Non-controlling interests	138	233

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	FY2023 (October 1, 2022– September 30, 2023)	FY2022 (October 1, 2021– September 30, 2022)
Cash flows from operating activities:		
Profit before income taxes	11,875	12,039
Depreciation	4,660	5,227
Impairment losses	1,090	1,386
Amortization of goodwill	103	21
Increase (decrease) in allowance for doubtful accounts	(619)	105
Interest and dividend income	(22)	(3)
Interest expenses	154	152
Foreign exchange losses (gains)	(444)	(1,646)
Share of loss (profit) of entities accounted for using equity method	295	—
Decrease (increase) in trade receivables	4,678	(6,064)
Decrease (increase) in inventories	(32)	(1,398)
Increase (decrease) in trade payables	(23)	124
Increase (decrease) in provision for bonuses	(1,559)	2,962
Increase (decrease) in provision for bonuses for directors	8	2
Increase (decrease) in retirement benefit liability	616	471
Increase (decrease) in provision for loss on orderes received	(198)	(81)
Loss (gain) on sale of investment securities	(3,349)	—
Loss (gain) on valuation of investment securities	62	8
Loss on retirement of non-current assets	233	155
Loss (gain) on change in equity	(38)	—
Gain on reversal of asset retirement obligations	—	(139)
Loss on liquidation of subsidiaries	49	—
Compensation for loss	100	—
Subsidy income	(37)	(23)
Increase (decrease) in contract liabilities	71	2,111
Increase (decrease) in accrued expenses	(91)	488
Increase (decrease) in deposits received	126	557
Other, net	296	173
Subtotal	18,004	16,631
Interest and dividends received	23	2
Interest paid	(156)	(154)
Subsidies received	37	23
Income taxes paid	(7,458)	(5,289)
Net cash provided by (used in) operating activities	**10,449**	**11,213**

(Millions of yen)

	FY2023 (October 1, 2022– September 30, 2023)	FY2022 (October 1, 2021– September 30, 2022)
Cash flows from investing activities		
Payments into time deposits	(41)	(99)
Purchase of property, plant and equipment	(5,417)	(6,508)
Proceeds from sale of property, plant and equipment	6	12
Purchase of investment securities	(486)	(80)
Proceeds from sale of investment securities	5,039	30
Purchase of intangible assets	(826)	(885)
Proceeds from sale of intangible assets	1	—
Purchase of shares of subsidiaries	—	(136)
Payments of leasehold and guarantee deposits	(74)	(466)
Proceeds from refund of leasehold and guarantee deposits	187	98
Proceeds from collection of long-term loans receivable	3,907	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(160)	—
Other, net	(0)	(8)
Net cash provided by (used in) investing activities	**2,136**	**(8,045)**
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(25)	(918)
Proceeds from long-term borrowings	3,500	4,700
Repayments of long-term borrowings	(2,770)	(3,684)
Purchase of treasury shares	(1,260)	(800)
Dividends paid	(883)	(610)
Dividends paid to non-controlling interests	(5)	(8)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(210)	—
Proceeds from share issuance to non-controlling shareholders	250	—
Repayments of lease liabilities	(451)	(552)
Proceeds from sale and leaseback transactions	—	643
Purchase of treasury shares of subsidiaries	(12,000)	—
Proceeds from disposal of treasury shares of subsidiaries	12,249	—
Net cash provided by (used in) financing activities	**(1,606)**	**(1,230)**
Effect of exchange rate change on cash and cash equivalents	**109**	**325**
Net increase (decrease) in cash and cash equivalents	**11,088**	**2,263**
Cash and cash equivalents at beginning of period	**11,703**	**9,379**
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	**—**	**60**

	FY2023 (October 1, 2022–September 30, 2023)	FY2022 (October 1, 2021–September 30, 2022)
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	**(3,760)**	**—**
Cash and cash equivalents at end of period	**19,032**	**11,703**

Notes on changes in scope of consolidation or application of the equity method

During the consolidated fiscal year under review, the Company acquired shares through the subscription of preferred shares with voting rights by way of a third-party allotment conducted by Knock on the Door, Inc. and the transfer of outstanding preferred shares with voting rights, and included Knock on the Door, Inc. in the scope of consolidation.

The Company has dissolved its capital and business alliance with Development Bank of Japan Inc. in the CDMO (drug development and manufacturing support) business, and CMIC CMO Co., Ltd. conducted a disposal of treasury stock and a third-party allocation of new shares to Dai Nippon Printing Co., Ltd. As a result, CMIC's equity ratio in CMIC CMO Corporation, CMIC CMO Korea Co., Ltd. and CMIC CMO USA Corporation decreased. CMIC CMO Co., Ltd. and its subsidiaries 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. 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 at the end of the current fiscal year.

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"). The respective agreements were executed on the same date and the transaction was executed on May 31, 2023.

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 thied-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	50,377
Current liabilities	9,802
Non-current liabilities	23,410
Total liabilities	33,213

(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 consolidated fisical year.

(Millions of yen)

Net sales	19,784
Operating profit	707