

CMIC HOLDINGS Co., Ltd. Consolidated Financial Results For the Second Quarter Ended March 31, 2013

(The Fiscal Year Ending September 30, 2013, Japan Accounting Standards)

CMIC Holdings Co., Ltd. reported steady growth on a cumulative consolidated basis in the second quarter of fiscal year 2013 as it strengthened existing operations and implemented new measures in each of its segments in line with the medium-term plan announced on November 13, 2012.

Highlights:

- Sales grew 3% year on year to ¥25,209 million on a consolidated basis
- Operating income up 27.8% to ¥2,606 million, taking the operating margin to 10.3%
- Order backlog grew 6.2% to ¥51,461 million
- Action underway under medium-term plan to strengthen existing operations and implement new measures

Tokyo, May 1, 2013 – CMIC HOLDINGS Co., Ltd. (TSE Code: 2309) today reported financial results for the second quarter ended March 31, 2013.

CMIC HOLDINGS Co., Ltd. concluded the second quarter of fiscal year 2013 with the following results. On a cumulative consolidated basis, sales rose 2.9% to ¥25,209 million, operating income increased by 27.8% to ¥2,606 million, and ordinary income increased by 27.2% to ¥2,562 million compared to the same period a year earlier thanks to solid growth led by the CRO business. Quarterly net income declined 17.1% to ¥1,333 million due mainly to one-off tax reduction for the merger of two wholly owned subsidiaries in March 2012.

Segment Information

The business results by segment are given below.

- CRO (Contract Research Organization) Business

Sales	¥10,098 million (¥1,094 million or 12.2% increase)
Operating income	¥2,225 million (¥335 million or 17.8% increase)

The CRO business comprises of services provided to pharmaceutical companies related to support in drug development.

- Sales were up year on year due mainly to growth in new orders and steady progress on existing projects in monitoring services.
- Operating income was also up year on year due mainly to steady progress across the board (especially in monitoring services) and improved profitability resulting from the progress ahead of schedule of non-clinical service projects.

- CMO (Contract Manufacturing Organization) Business

Sales	¥8,094 million (¥398 million or 4.7% decrease)
Operating income	¥893million (¥116 million or 15.0% increase)

The CMO business comprises of services provided to pharmaceutical companies related to support in manufacturing ethical and over-the-counter (OTC) drugs, as well as analytical chemistry.

- Sales declined year on year due mainly to the rescheduling of shipments of some products made by CMIC CMO Co., Ltd. to the second half of the year.
- Operating income rose year on year due mainly to reductions in production costs.

- CSO (Contract Sales Organization) Business

Sales	¥1,963 million (¥670 million or 25.5% decrease)
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Operating income ¥77 million (operating loss of ¥11 million in the prior fiscal year)

The CSO business comprises of services provided to pharmaceutical companies related to support in sales and marketing.

- While the conversion of MDS Co., Ltd. (now MDS-CMG Inc.) into an equity-method affiliate in July 2012 caused sales to underperform year on year, medical representative (MR) dispatch services did register growth.
- Operating income was positive thanks largely to the improved profitability of MR dispatch services.
- Delivery of a new service model in Japan was launched in partnership with Ashfield K.K., Japanese arm of the Ashfield Group, one of Europe's largest CSOs.
- Following the early termination of a major order received the previous year due to a change in client policy, action continues to be taken to strengthen sales activities. For example, winning new large-scale projects.

- **Healthcare Business**

Sales ¥ 5,296 million (¥701 million or 15.3% increase)
Operating income ¥ 680million (¥304 million or 80.8% increase)

The Healthcare business comprises mainly of such services as SMO and healthcare information services related to support in maintaining/promoting health and providing/receiving healthcare, targeted at medical institutions, patients, and consumers.

The healthcare business saw large gains in both sales and operating income year on year. This was attributable mainly to steady progress on projects at Site Support Institute Co., Ltd. (a provider of core SMO services) and growth in sales registered by CMIC-BS Co., Ltd. (a provider of general dispatch services specializing in pharmaceuticals and healthcare).

- **IPD (Intellectual Property Development) Business**

Sales ¥ 121 million (¥88 million or 265.4% increase)
Operating loss ¥ 580 million (operating loss of ¥261 million in the prior fiscal year)

The IPD business comprises of operations related to the development and marketing of such products as diagnostic drugs and orphan drugs (drugs for treating rare diseases).

The CE mark (an indicator that a product conforms to European Union safety standards) was obtained in October 2012 for the in vitro diagnostic liver-type fatty acid-binding protein kit (sold under the name RENAPRO® L-FABP Test) developed by the Company for the purpose of diagnosing renal disease, and in December it went on sale in Denmark under the European brand name RENISCHEM®.

Regarding orphan drugs, marketing approval was obtained for sodium phenylbutyrate (marketed under the brand name Buphenyl®), a therapeutic agent for urea cycle disorders, in September 2012, and for human hemin, a therapeutic agent for acute porphyria, in March 2013. Ecallantide, a therapeutic agent for hereditary angioedema, is still under development . Marketing rights for Buphenyl® was transferred to consolidated subsidiary OrphanPacific, Inc., which manufactures and markets orphan drugs and other pharmaceuticals, and sale of the drug was started in January 2013.

This segment experienced an operating loss due mainly to charges for R&D on orphan and diagnostic drugs, and sales preparations at OrphanPacific, Inc.

Consolidated Financial Position

Consolidated financial position at the end of the Second quarter ended March 31, 2012, compared to the end of the prior fiscal year, was as follows:

- Assets, liabilities, and net assets

Total assets at the end of the quarter rose ¥2,767 million from the end of the previous consolidated fiscal year to ¥45,032 million.

This was due mainly to growth in cash and deposits, tangible fixed assets, and work-in-process inventory.

Total liabilities grew ¥1,746 million from the end of the previous fiscal year to ¥25,308 million. This was due mainly to growth in long-term borrowing and provision for retirement benefits.

- Total net assets increased ¥1,020 million from the end of the prior fiscal year to ¥19,724 million. This was due mainly to an increase in retained earnings.

Summary of Results for the Second Quarter Ended March 31, 2013 (October 1, 2012 through March 31, 2013)

(1) Consolidated financial results

(Millions of yen; amounts less than one million yen are omitted)
(Percentage figures indicate increase compared with the corresponding period of the prior fiscal year)

	Second Quarter FY2013		Second Quarter FY2012	
		Change (%)		Change (%)
Net sales	25,209	2.9	24,500	14.8
Operating income	2,606	27.8	2,039	(7.9)
Ordinary income	2,562	27.2	2,014	(9.9)
Net income	1,333	(17.1)	1,608	54.9
Earnings per share (Yen)	73.98		88.45	
Diluted earnings per share (Yen)	—		—	

Reference: Comprehensive income: second quarter FY2013: ¥1,596million (6.9 % decrease),
second quarter FY2012: ¥1,714million (61.4 % Increase)).

(2) Consolidated financial position

(Millions of yen; amounts less than one million yen are omitted)

	Second Quarter FY2013	Year-End FY2012
Total assets	45,032	42,265
Net assets	19,724	18,703
Equity ratio (%)	43.7	44.0

Reference: Shareholders' equity: second quarter FY2013: ¥ 19,664 million, year-end FY2012: ¥ 18,588million.

Orders Received and Backlog

(Amounts in millions of yen)

Segment	Second Quarter Fiscal Year 2012 (October 1, 2011 – March 31, 2012)		Second Quarter Fiscal Year 2012 (October 1, 2012 – March 31, 2013)		Fiscal Year 2012 (October 1, 2011 – September 30, 2012)	
	Orders Received	Backlog	Orders Received	Backlog	Orders Received	Backlog
CRO Business	15,036	28,861	12,948	31,897	24,994	28,954
CMO Business	9,206	3,658	8,377	3,475	17,427	3,179
CSO Business	2,543	3,183	1,438	3,450	5,573	3,805
Healthcare Business	5,719	12,735	4,614	12,637	11,010	13,230
IPD Business	33	-	121	-	71	-
Total	32,540	48,438	27,499	51,461	59,077	49,121

(Notes)

- Above amounts do not include consumption taxes.
- Above amounts are shown in selling prices, less inter-segment sales.
- Backlog amounts for CMO Business show only confirmed orders. Annual order plans are received from clients, however, they differ from confirmed orders and are therefore excluded from backlog amounts.

Distribution of Profits and Dividends

In the fiscal year ending September 30, 2012, the Company plans to make two payments of dividends – an interim payment and a year-end payment – each planned at ¥15.5 per share of common stock, totaling to an annual payment of ¥31.0. Consequently, the dividend payout ratio is planned to be 29.7%, as set out at the beginning of the fiscal year under review.

Future Outlook

Business conditions in the pharmaceutical industry remain difficult due to the effects of action to curb medical expenditures (by, for example revising NHI drug prices and promoting wider adoption of generic drugs), the expiration of patents on flagship products, and the tightening of new drug approval procedures worldwide.

At the same time, the drug development, manufacture, and marketing support industry to which the CMIC Group belongs is gradually growing, propelled by increasing outsourcing to make operations faster and more efficient, and realignment is progressing as firms merge and new entrants appear from other industries.

In this environment, the CMIC Group aims to achieve further growth by implementing its unique “Pharmaceutical Value Creator” (PVC) model to contribute to the increased value-added of pharmaceutical companies, and by pursuing threefold innovation in technologies, processes, and business.

The latest future outlook was announced on November 7, 2012 as follows,

(Millions of yen; amounts less than one million yen are omitted)
(Percentage figures indicate increase compared with the corresponding period of the prior fiscal year)

	Year End FY2013	
		Change %
Net sales	53,200	5.8
Operating income	4,300	9.7
Ordinary income	4,200	9.5
Net income	2,300	2.6

Corporate Information

The CMIC Group, being the first CRO (Contract Research Organization) in Japan, provides services that contribute to increasing efficiency and speed of clinical research. Currently, based on the PVC (Pharmaceutical Value Creator) business model in contributing to increasing the value-added of pharmaceutical companies, the Group provides services in the following business areas: CRO (Contract Research Organization) business, CMO (Contract Manufacturing Organization) business, CSO (Contract Sales Organization) business, Healthcare business, IPD (Intellectual Property Development) business. For more information about the CMIC Group, please visit <http://www.cmic-holdings.co.jp/e/>.

Note on the appropriate use of business forecasts contained in this report

Earnings forecasts and other forward-looking statements contained in this report are based on information currently available to the Company and certain assumptions that the Company has judged to be reasonable. Actual results may vary significantly from forecasts due to a variety of factors. Important factors that might cause such a difference include, but are not limited to, risks associated with: (i) business trends among customers, (ii) laws and regulations and government policies, (iii) competitors, (iv) compliance, (v) information management, (vi) securing human resources, (vii) conducting clinical trials under contract, (viii) product liability, (ix) research and development, (x) international business, (xi) financial market condition, (xii) natural disasters, and (xiii) environmental regulations. The Company undertakes no obligation to update these forward-looking statements in the future.

Consolidated Financial Statements for the Second Quarter Ended March 31, 2013

(1) Consolidated Balance Sheets

(Amounts in millions of yen)

	Second Quarter FY 2013 (March 31, 2013)	Year End FY 2012 (September 30, 2012)
Assets		
Current assets		
Cash and deposits	10,512	8,400
Notes and accounts receivable-trade	7,746	8,028
Merchandise and finished goods	65	112
Work in process	3,910	3,577
Raw materials and supplies	1,530	1,578
Other	2,662	2,799
Allowance for doubtful accounts	(10)	(10)
Total current assets	26,417	24,486
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	4,462	4,574
Land	4,662	4,622
Other, net	3,796	3,057
Total property, plant and equipment	12,921	12,254
Intangible assets		
Goodwill	1,142	1,341
Other	881	825
Total intangible assets	2,024	2,166
Investments and other assets		
Investment securities	852	663
Lease and guarantee deposits	1,226	1,206
Other	1,616	1,507
Allowance for doubtful accounts	(25)	(20)
Total investments and other assets	3,669	3,357
Total noncurrent assets	18,615	17,779
Total assets	45,032	42,265

(Amounts in millions of yen)

	Second Quarter FY 2013 (March 31, 2013)	Year End FY 2012 (September 30, 2012)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,502	1,536
Short-term loans payable	5,315	5,496
Income taxes payable	1,157	924
Provision for bonuses	1,694	1,764
Provision for directors' bonuses	-	29
Provision for loss on order received	242	244
Other	4,784	4,585
Total current liabilities	14,696	14,581
Noncurrent liabilities		
Long-term loans payable	6,792	5,460
Provision for retirement benefits	3,051	2,806
Other	768	714
Total noncurrent liabilities	10,612	8,980
Total liabilities	25,308	23,561
Net assets		
Shareholders' equity		
Capital stock	3,087	3,087
Capital surplus	6,292	6,292
Retained earnings	10,458	9,479
Treasury stock	(256)	(44)
Total shareholders' equity	19,581	18,814
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	192	93
Foreign currency translation adjustment	(109)	(319)
Total accumulated other comprehensive income	82	(226)
Minority interests	59	114
Total net assets	19,724	18,703
Total liabilities and net assets	45,032	42,265

(2) Consolidated Statements of Income

(Amounts in millions of yen)

	Second Quarter FY 2013 (October 1, 2012 – March 31, 2013)	Second Quarter FY 2012 (October 1, 2011 – March 31, 2012)
Net sales	25,209	24,500
Cost of sales	18,783	18,786
Gross profit	6,426	5,714
Selling, general and administrative expenses	3,819	3,675
Operating income	2,606	2,039
Non-operating income		
Interest income	6	6
Rent income	7	10
Foreign exchange gains	85	42
Equity in earnings of affiliates	39	-
Receipt management fee	-	25
Other	42	21
Total non-operating income	180	106
Non-operating expenses		
Interest expenses	72	77
Investment amount of equity losses incurred	-	37
Equity in losses of affiliates	-	4
Settlement of contract	116	-
Other	36	11
Total non-operating expenses	225	130
Ordinary income	2,562	2,014
Extraordinary income		
Gain on sales of noncurrent assets	0	3
Total extraordinary income	0	3
Extraordinary loss		
Loss on retirement of noncurrent assets	9	7
Other	-	3
Total extraordinary losses	9	10
Income before income taxes and minority interests	2,553	2,007
Income taxes-current	1,199	554
Income taxes-deferred	77	(150)
Total income taxes	1,277	403
Income before minority interests	1,275	1,604
Minority interests in income	(58)	(4)
Net income	1,333	1,608

(3) Consolidated Statements of Comprehensive Income

(Amounts in millions of yen)

	Second Quarter FY 2013 (October 1, 2012 – March 31, 2013)	Second Quarter FY 2012 (October 1, 2011 – March 31, 2012)
Income before minority interests	1,275	1,604
Other comprehensive income		
Valuation difference on available-for-sale securities	98	8
Foreign currency translation adjustment	210	96
Share of other comprehensive income of associates accounted for using equity method	10	4
Total other comprehensive income	320	110
Comprehensive income	1,596	1,714
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,642	1,715
Comprehensive income attributable to minority interests	(46)	(0)