August 4, 2021

Consolidated Financial Results for the Three Months of the Fiscal Year Ending March 31, 2022 (Under Japanese GAAP)

Company name:	Shin Nippon Biomedical Laboratories, Ltd.
Listing:	Tokyo Stock Exchange
Securities code:	2395
URL:	https://www.snbl.co.jp/
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Scheduled date to file quarterly securities report:	August 4, 2021
Scheduled date to commence dividend payments:	–
Preparation of supplementary material on quarterly financial results:	Yes
Holding of quarterly financial results briefing:	None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2021	3,041	(4.2)	491	9.9	672	(8.1)	1,826	183.9
June 30, 2020	3,173	16.2	447	63.7	732	–	643	–

Note: Comprehensive income For the three months ended June 30, 2021: ¥2,773 million [35.2%]
For the three months ended June 30, 2020: ¥2,051 million [–%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2021	43.87	–
June 30, 2020	15.45	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
June 30, 2021	37,329	17,826	47.5	425.66
March 31, 2021	36,972	15,838	42.6	377.94

Reference: Equity
As of June 30, 2021: ¥17,721 million
As of March 31, 2021: ¥15,734 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2021	–	0.00	–	20.00	20.00
Fiscal year ending March 31, 2022	–				
Fiscal year ending March 31, 2022 (Forecast)		0.00	–	20.00	20.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated earnings forecasts for the year ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2021	7,455	6.4	1,220	5.0	1,550	18.8	2,540	122.9	61.01
Fiscal year ending March 31, 2022	15,982	5.8	2,550	0.8	3,200	(12.2)	3,900	6.5	93.67

Note: Revisions to the forecast of consolidated financial results most recently announced: Yes
Regarding the revision of the consolidated earnings forecasts above, please refer to "Notice regarding extraordinary income and upward revision of the earnings forecasts for the six months of the fiscal year ending March 31, 2022" announced today.

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

Note: For details, please see page 9 of the attachment, "(3) Notes to quarterly consolidated financial statements (Changes in accounting policies)" of "2. Quarterly consolidated financial statements and significant notes thereto."

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2021	41,632,400 shares
As of March 31, 2021	41,632,400 shares

(ii) Number of treasury shares at the end of the period

As of June 30, 2021	358 shares
As of March 31, 2021	358 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2021	41,632,042 shares
Three months ended June 30, 2020	41,632,042 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, any statements herein do not constitute assurances regarding actual results by the Company. Actual financial results may differ significantly from the forecasts for various reasons. For more information regarding our suppositions that form the assumptions for the earnings forecasts, please see page 4 of the attachment, "(3) Explanation of initiatives to address the novel coronavirus disease (COVID-19) and consolidated earnings forecasts and other forward-looking statements."

Attached Material

Index

1. Qualitative Information on Quarterly Consolidated Financial Results for the Three Months Ended June 30, 2021

(1) Explanation of operating results

In the pharmaceutical industry, companies have been increasingly resorting to contract research organizations (CROs) that specialize in outsourcing with the aim of accelerating and streamlining research and development in Japan and abroad. Moreover, research and development involving new modalities in drug discovery is in full swing, particularly with respect to therapeutic antibodies, nucleic acid medicine, peptide drugs, gene therapy, and regenerative medicine, in addition to research and development of novel coronavirus disease (COVID-19) vaccines and therapeutic agents. With the CRO business at the core of its operations, the Company has been addressing such trends by accordingly placing its focus on meeting customer needs which involves taking swift action, improving services, and persistently enhancing quality with the aim of serving as a partner that is continually preferred by its clients.

Under such circumstances, net sales for the three months ended June 30, 2021 decreased by ¥132 million (down 4.2%) year on year to ¥3,041 million.

Operating profit increased by ¥44 million (up 9.9%) year on year to ¥491 million, while ordinary profit decreased by ¥59 million (down 8.1%) year on year to ¥672 million. Profit attributable to owners of parent increased by ¥1,183 million (up 183.9%) year on year to ¥1,826 million due mainly to the recording of extraordinary income of ¥1,360 million. The extraordinary income resulted from share transfer and third-party allocation of new shares in May 2021 to Pharmaron Beijing Co., Ltd. (“Pharmaron Group”) in relation to Biomedical Research (GZ) Ltd. (“SNBL CHINA”). SNBL CHINA engages in the business of laboratory animal breeding, raising, and quarantine, and the Pharmaron Group is a listed company in China that engages in the business of pharmaceutical R&D services worldwide. As a result, Pharmaron Group now holds 50.01% of the equity in SNBL CHINA.

As of June 30, 2021, the Company had 1,035 employees (an increase of 49 employees from the end of March 2021), and the ratio of female employees was 50.4%.

Operating results by segment of the SNBL Group are as follows.

(i) CRO business

The preclinical CRO business, which undertakes preclinical studies mainly using cells and laboratory animals, achieved favorable results again for the three months ended June 30, 2021. Orders received increased substantially by ¥2,304 million (up 60.2%) year on year to ¥6,133 million. The increase is partially attributable to the Company having achieved positive outcomes from its proprietary “time-value creation” efforts that help maximize benefits in pharmaceutical companies by enabling shorter lead times in preclinical studies and providing premium quality Final Reports. The increase is also attributable to the escalating importance of research and development involving new modalities in drug discovery, which are in full swing, particularly the Company-established framework for breeding and supplying laboratory animals (primates) within the SNBL Group. The increase is also attributable to the Company having achieved steady progress with respect to a contract for undertaking comprehensive research at the drug discovery stage with a major pharmaceutical company beginning in April 2019. Orders received both from Japan and overseas posted a record high, having exceeded those of the same period of the previous fiscal year. The CRO business has been maintaining high profit margins in conjunction with high occupancy of the laboratory facilities due to strong orders and a substantial order backlog, and cost saving initiatives of innovation in internal operation processes.

The CRO business posted net sales of ¥2,876 million for the three months ended June 30, 2021, which was a decrease of ¥140 million (down 4.7%) relative to the three months ended June 30, 2020, and posted operating profit of ¥638 million, an increase of ¥43 million (up 7.2%) relative to the three months ended June 30, 2020.

The clinical business, which undertakes clinical studies, has been engaging in operations upon having established PPD-SNBL K.K. (“PPD-SNBL”) as a joint venture with PPD International Holdings, LLC, an international CRO based in the United States. As an equity method affiliate of the Company, PPD-SNBL contributes to the Company’s earnings results under “share of profit of entities accounted for using equity method,” a non-operating income item. PPD-SNBL fared well in the first quarter against a backdrop of consistently secured orders for global clinical trials. Share of profit of entities accounted for using equity method accordingly amounted to ¥192 million for the three months ended June 30, 2021, thereby helping to drive earnings.

(ii) Translational Research business (TR business)

Translational research (TR) refers to research and development that results in greater added-value and leads to commercialization. To such ends, it involves conducting preclinical and clinical trials after discovering promising seeds and new technologies resulting from fundamental research performed at Japanese and overseas universities, bio-ventures, and research institutes. The Company's Translational Research (TR) business engages in research and development with respect to its proprietary intranasal drug delivery technologies and devices that heighten nasal mucoadhesive drug delivery, and also with respect to the Company's proprietary delivery technologies that enhance drug transfer to the brain.

During the three months ended June 30, 2021, the TR business provided development support both to Satsuma Pharmaceuticals, Inc. (California; "Satsuma"), which in the United States develops the intranasal migraine therapeutic agent applying the Company's intranasal drug delivery platform technologies, and to SNLD, Ltd. ("SNLD"), which was established in October 2020 for the purpose of engaging in clinical development of the nasal neurodegenerative disease rescue medication. Listed on the US Nasdaq market, Satsuma has embarked on new Phase III clinical trials enlisting an improved intranasal device. In addition, SNLD plans to start Phase I clinical trials in the fiscal year 2021. It has also concurrently embarked on creation of a new intranasal portfolio.

Amid these circumstances, the TR business posted no net sales for the three months ended June 30, 2021, relative to net sales of zero for the three months ended June 30, 2020, and posted operating loss of ¥144 million, relative to operating loss of ¥154 million for the three months ended June 30, 2020.

(iii) Medipolis business

The Company engages in the geothermal power generation business, which serves as an environmentally friendly social enterprise, and also engages in the hospitality business where it operates hotel accommodation facilities underpinned by the concept to wellbeing, making use of its immense Medipolis Ibusuki site situated in Ibusuki City, Kagoshima Prefecture with environment, social, governance (ESG) considerations in mind. The geothermal power generation business contributes to profitability through sales of all electricity generated from its operation of a 1,500 kW binary geothermal power plant. During the three months ended June 30, 2021, the Company embarked on development of a hot spring power generation plant that utilizes residual steam from hot spring sources that serves hotel's bathing facilities. The power generation plant is to go into operation during the fiscal year ending March 31, 2023. In the hospitality business, the Company embarked on operations of its Amafuru Oka healing resort hotel in December 2020, upon having renovated and expanded portions of the hotel. In conjunction with that, the Company also started operating the former Ibusuki Bay Hills Hotel & Spa as a facility specializing in medium- to long-term stays.

Amid these developments, Medipolis business posted net sales of ¥136 million for the three months ended June 30, 2021, which was a decrease of ¥22 million (14.3%) relative to the three months ended June 30, 2020, amid a persistently low hotel accommodations occupancy rate due to COVID-19, and posted operating profit of ¥18 million, an increase of ¥12 million (229.7%) relative to the three months ended June 30, 2020.

(2) Explanation of financial position

Changes in financial position for the three months ended June 30, 2021 from the end of the previous fiscal year were as follows:

Total assets as of June 30, 2021 increased by ¥356 million compared to the balance as of the end of the previous fiscal year, to ¥37,329 million (up 1.0%). Current assets decreased by ¥1,380 million compared to the balance as of the end of the previous fiscal year, to ¥13,399 million (down 9.3%) due mainly to decrease in cash and deposits. Non-current assets increased by ¥1,737 million compared to the balance as of the end of the previous fiscal year, to ¥23,929 million (up 7.8%) due mainly to an increase in recoverable value in investment securities.

Liabilities decreased by ¥1,631 million compared to the balance as of the end of the previous fiscal year, to ¥19,502 million (down 7.7%). Current liabilities decreased by ¥1,101 million compared to the balance as of the end of the previous fiscal year, to ¥10,814 million (down 9.2%) due mainly to the decrease in short-term borrowings. Non-current liabilities decreased by ¥529 million compared to the balance as of the end of the previous fiscal year, to ¥8,688 million (down 5.7%) due mainly to a decrease in long-term borrowings.

Net assets increased by ¥1,988 million compared to the balance as of the end of the previous fiscal year, to ¥17,826 million (up 12.6%) due mainly to the Company having posted ¥1,826 million in profit attributable to owners of parent and an ¥816 million increase in valuation difference on available-for-sale securities due to the increase in recoverable value in investment securities mentioned previously.

(3) Explanation of initiatives to address the novel coronavirus disease (COVID-19) and consolidated earnings forecasts and other forward-looking statements

The Company has been addressing COVID-19 by implementing measures such as the following: 1) When an employee or a family member or other individual residing with the employee has a temperature of 37.0 degrees or higher, or when the employee or other individual has a sore throat, headache, cough or other such suspected symptoms, the employee is to wait at home without going to work. He or she is to accordingly seek further instructions upon having reported by telephone directly to his or her boss and a physician in the Company's health administration section. 2) All employees are to wear protective face masks at all times during work and when going out. They are to furthermore wash their hands frequently, disinfect their hands, and gargle upon having returned home from work. 3) High-performance air purifiers (hypochlorite solution space sterilization deodorizers and ozone generators) have been installed in the in-house work areas and laboratory entryways. Meanwhile, work areas have been divided into small sections using vinyl curtains, and have been equipped with hand sanitizer. In addition, employees seeking to travel to another prefecture must obtain permission to do so from the Company upon having filed an application to that effect.

The mainstay preclinical CRO business has not incurred any negative effects with respect to COVID-19. On the contrary, it has encountered an increase in the number of inquiries from new customers, including those overseas, amid its steady performance achieved because: 1) the primary laboratory facility is located in Kagoshima, which is an area with relatively few cases of COVID-19; and 2) the Company is well regarded for enabling prompt study starts mainly due to consistent supply of primates, which we have established as SNBL Group.

We have been engaging in new operations involving COVID-19, and have accordingly embarked on undertaking PCR testing beginning in April 2020, after newly registering as a clinical laboratory. The reasons for this are twofold: 1) multiple medical institutions had strongly urged us to carry out PCR testing for COVID-19 because we are a CRO with more than 15 years of experience handling PCR testing; and, 2) the government announced that it intended to increase the number of tests.

The Company has revised its consolidated earnings forecasts for the half year for the fiscal year ending March 31, 2022, due to posting of the extraordinary profit announced on May 10, 2021, however, it has not changed its full year earnings forecasts for the same fiscal year, given that earnings results for the three months ended June 30, 2021, indicated progress largely in line with expectations relative to full-year targets. For further details, please refer to "Notice regarding extraordinary income and upward revision of the earnings forecasts for the six months of the fiscal year ending March 31, 2022" announced today.

[Orders received in the preclinical CRO business]

(Millions of yen)

	Results for the three months ended June 30, 2019	Full-year results for the fiscal year ended March 31, 2020	Results for the three months ended June 30, 2020	Full-year results for the fiscal year ended March 31, 2021	Results for the three months ended June 30, 2021
Orders received	3,542	13,194	3,828	15,271	6,133
Order backlog	11,982	11,299	12,364	13,275	16,716

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Thousands of yen)

	As of March 31, 2021	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	7,230,744	5,377,510
Notes and accounts receivable - trade, and contract assets	2,954,087	2,051,295
Securities	55,765	0
Inventories	4,071,369	4,303,798
Other	470,119	1,668,656
Allowance for doubtful accounts	(2,056)	(1,699)
Total current assets	14,780,029	13,399,560
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,566,161	7,113,056
Land	2,803,260	2,802,757
Other, net	2,528,549	2,495,272
Total property, plant and equipment	12,897,971	12,411,086
Intangible assets	213,762	214,868
Investments and other assets		
Investment securities	8,286,937	10,392,068
Other	793,704	911,549
Total investments and other assets	9,080,641	11,303,617
Total non-current assets	22,192,374	23,929,572
Total assets	36,972,404	37,329,133

(Thousands of yen)

	As of March 31, 2021	As of June 30, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	95,012	64,157
Short-term borrowings	3,486,826	3,218,186
Income taxes payable	683,229	54,803
Advances received	5,317,925	5,889,152
Provision for loss on business liquidation	15,419	–
Other	2,317,390	1,587,895
Total current liabilities	11,915,803	10,814,194
Non-current liabilities		
Long-term borrowings	8,669,916	8,179,886
Lease obligations	529,324	489,657
Other	18,573	18,571
Total non-current liabilities	9,217,814	8,688,114
Total liabilities	21,133,617	19,502,308
Net assets		
Shareholders' equity		
Share capital	9,679,070	9,679,070
Capital surplus	2,306,771	2,306,771
Retained earnings	3,854,474	4,895,240
Treasury shares	(197)	(197)
Total shareholders' equity	15,840,118	16,880,884
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,096,313	2,913,199
Foreign currency translation adjustment	(2,201,981)	(2,072,765)
Total accumulated other comprehensive income	(105,667)	840,434
Non-controlling interests	104,335	105,505
Total net assets	15,838,786	17,826,825
Total liabilities and net assets	36,972,404	37,329,133

(2) Quarterly consolidated statement of income and consolidated statement of comprehensive income

Quarterly consolidated statement of income (cumulative)

(Thousands of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Net sales	3,173,472	3,041,254
Cost of sales	1,589,886	1,478,463
Gross profit	1,583,585	1,562,790
Selling, general and administrative expenses	1,135,876	1,070,965
Operating profit	447,708	491,825
Non-operating income		
Interest income	1,115	683
Share of profit of entities accounted for using equity method	362,270	192,411
Other	50,924	31,940
Total non-operating income	414,309	225,036
Non-operating expenses		
Interest expenses	51,726	35,419
Foreign exchange losses	76,714	7,192
Other	1,116	1,439
Total non-operating expenses	129,556	44,051
Ordinary profit	732,461	672,810
Extraordinary income		
Gain on sale of non-current assets	1,078	271
Gain on sale of shares of subsidiaries and associates	–	1,038,179
Gain on change in equity	–	322,435
Total extraordinary income	1,078	1,360,886
Extraordinary losses		
Loss on retirement of non-current assets	1,667	317
Impairment losses	510	6,090
Total extraordinary losses	2,177	6,407
Profit before income taxes	731,362	2,027,289
Income taxes - current	33,623	102,223
Income taxes - deferred	52,858	96,351
Total income taxes	86,481	198,575
Profit	644,881	1,828,713
Profit attributable to non-controlling interests	1,520	2,172
Profit attributable to owners of parent	643,360	1,826,541

Quarterly consolidated statement of comprehensive income (cumulative)

(Thousands of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Profit	644,881	1,828,713
Other comprehensive income		
Valuation difference on available-for-sale securities	1,484,430	816,886
Foreign currency translation adjustment	(78,261)	128,213
Total other comprehensive income	1,406,168	945,100
Comprehensive income	2,051,050	2,773,813
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,049,431	2,772,644
Comprehensive income attributable to non-controlling interests	1,619	1,169

(3) Notes to quarterly consolidated financial statements

(Notes on going concern assumption)

Not applicable.

(Notes when there are significant changes in amounts of equity)

Not applicable.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, Etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) from the beginning of the first quarter ended June 30, 2021 and has recognized revenue at the amount expected to receive in exchange for the promised goods or services when control of the goods or services is transferred to customers.

As a result of this change, for contracts that consist of multiple performance obligations, revenue was previously recognized when all the performance obligations in the contract were satisfied, but now when a contract contains multiple performance obligations, revenue is recognized at each time when a performance obligation is satisfied.

Further to the application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations, the Company has followed the transitional treatment prescribed in the proviso of paragraph 84 of the Accounting Standard for Revenue Recognition, and the cumulative effect of retroactively applying the new accounting policy prior to the beginning of the first quarter ended June 30, 2021 has been added to or deducted from the opening balance of retained earnings of the first quarter ended June 30, 2021, and the new accounting policy has been applied from such opening balance.

The effects of the application of the Accounting Standard for Revenue Recognition on profit and loss and the opening balance of retained earnings for the three months ended June 30, 2021, described above, is immaterial.

Due to the application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations, "Notes and accounts receivable - trade," which was presented in "Current assets" in the consolidated balance sheet for the previous fiscal year, is now included in "Notes and accounts receivable - trade, and contract assets" from the first quarter ended June 30, 2021.

(Application of Accounting Standards for Fair Value Measurement, Etc.)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant guidance from the beginning of the first quarter ended June 30, 2021, and has applied the new accounting policy stipulated by the Accounting Standard for Fair Value Measurement and relevant guidance prospectively in accordance with the transitional treatment stipulated in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). This change has no effects on the quarterly consolidated financial statements.

(Segment information)

[Segment information]

I. Three months ended June 30, 2020 (from April 1, 2020 to June 30, 2020)

1. Disclosure of sales and profit (loss) for each reportable segment

(Thousands of yen)

	Reportable segments				Other (Note 1)	Total	Adjustments (Note 2)	Amount recorded on the quarterly consolidated statement of income (Note 3)
	CRO business	Translational Research business	Medipolis business	Subtotal				
Net sales								
Revenues from external customers	3,013,651	–	133,892	3,147,544	25,927	3,173,472	–	3,173,472
Transactions with other segments	3,270	–	25,739	29,009	86,209	115,218	(115,218)	–
Total	3,016,921	–	159,632	3,176,554	112,137	3,288,691	(115,218)	3,173,472
Segment profit (loss)	595,023	(154,693)	5,611	445,940	16,850	462,791	(15,082)	447,708

(Notes) 1 The “Other” classification serves as a business segment not included as one of the reportable segments, and accordingly includes the real estate business and other such businesses.

2 Segment profit (loss) adjustments amounting to negative ¥15,082 thousand consist of ¥10,909 thousand in elimination of intersegment transactions and negative ¥25,991 thousand in corporate expenses not allocated to a reportable segment. Corporate expenses are mainly general and administrative expenses, which are not attributable to the reportable segments.

3 Segment profit (loss) has been calculated upon adjusting operating profit in the quarterly consolidated statement of income.

II. Three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)

1. Disclosure of sales and profit (loss) for each reportable segment

(Thousands of yen)

	Reportable segments				Other (Note 1)	Total	Adjustments (Note 2)	Amount recorded on the quarterly consolidated statement of income (Note 3)
	CRO business	Translational Research business	Medipolis business	Subtotal				
Net sales								
Revenues from external customers	2,872,645	–	124,222	2,996,868	44,386	3,041,254	–	3,041,254
Transactions with other segments	3,394	–	12,638	16,033	90,501	106,535	(106,535)	–
Total	2,876,039	–	136,861	3,012,901	134,888	3,147,789	(106,535)	3,041,254
Segment profit (loss)	638,024	(144,059)	18,498	512,462	(6,875)	505,586	(13,761)	491,825

(Notes) 1 The “Other” classification serves as a business segment not included as one of the reportable segments, and accordingly includes the real estate business and other such businesses.

2 Segment profit (loss) adjustments amounting to negative ¥13,761 thousand consist of ¥20,274 thousand in elimination of intersegment transactions and negative ¥34,035 thousand in corporate expenses not allocated to a reportable segment. Corporate expenses are mainly general and administrative expenses, which are not attributable to the reportable segments.

3. Segment profit (loss) has been calculated upon adjusting operating profit in the quarterly consolidated statement of income.