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MEMBERSHIP

November 2, 2021

Consolidated Financial Results for the Six 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
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 Scheduled date to file quarterly securities report: November 2, 2021
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes

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

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

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
September 30, 2021	7,961	13.7	1,969	69.6	2,529	93.8	3,503	207.5
September 30, 2020	7,003	9.6	1,161	7.7	1,305	3.7	1,139	29.9

Note: Comprehensive income For the six months ended September 30, 2021: ¥2,992 million [-%]
 For the six months ended September 30, 2020: ¥(1,507) million [-%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2021	84.15	–
September 30, 2020	27.36	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
September 30, 2021	36,785	18,059	48.8	430.97
March 31, 2021	36,972	15,838	42.6	377.94

Reference: Equity

As of September 30, 2021: ¥ 17,942 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	–	0.00			
Fiscal year ending March 31, 2022 (Forecast)			–	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.)

	Revenue		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
Fiscal year ending March 31, 2022	17,400	15.2	3,800	50.2	4,600	26.2	4,900	33.8	117.69

Note: Revisions to the forecast of consolidated financial results most recently announced: None

*** 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 13 of the attachment, “(4). 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 September 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 September 30, 2021	361 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)

Six months ended September 30, 2021	41,632,041 shares
Six months ended September 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 5 of the attachment, “(3) Explanation of consolidated earnings forecasts and other forward-looking statements.”

Attached Material

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1. Qualitative information on quarterly consolidated financial results for the six months ended September 30, 2021

(1) Explanation of operating results

In the pharmaceutical industry, companies have been increasingly turning to contract research organizations (CROs) that specialize in outsourcing with the aim of accelerating and streamlining research and development in Japan and abroad, and this trend has only further accelerated during the novel coronavirus disease (COVID-19) pandemic. 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 COVID-19 vaccines and therapeutic agents. With the CRO business at the core of its operations, the Company has been addressing such trends by placing its focus on meeting customer needs which involves taking swift action, improving services, and persistently enhancing quality with the aim of the Company being far and away the first name that comes to mind for clients when they consider CRO.

Under such circumstances, revenue for the six months ended September 30, 2021 increased by ¥957 million (up 13.7%) year on year to ¥7,961 million.

Operating profit increased by ¥807 million (up 69.6%) year on year to ¥1,969 million, while ordinary profit increased by ¥1,224 million (up 93.8%) year on year to ¥2,529 million. Profit attributable to owners of parent increased by ¥2,364 million (up 207.5%) year on year to ¥3,503 million due mainly to the recording of extraordinary income of ¥1,360 million in the first quarter.

As of September 30, 2021, the Company had 1,005 employees (an increase of 19 employees from the end of March 2021), and the ratio of female employees was 50.5%.

Operating results by segment of the SNBL Group and initiatives for SDGs/ESG/ are as follows.

(i) CRO business

The CRO business comprises the preclinical CRO business, which undertakes preclinical studies mainly using cells and laboratory animals, and the clinical business, which undertakes clinical studies.

The preclinical CRO business achieved continuous favorable results for the six months ended September 30, 2021. Orders received increased substantially by ¥3,529 million (up 46.8%) year on year to ¥11,074 million, which is a record high for orders received for a first-six-month period. Firstly, 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. Secondly, the increase is 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 large laboratory animals within the SNBL Group. Lastly, 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 from overseas during the six months ended September 30, 2021 was ¥2,555 million, which was also a significant increase of 104.4% thanks to strong orders from Europe and North America, and the ratio of overseas orders received was 23.5% (up from 16.6% in the same period of the previous fiscal year).

The clinical business 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. PPD-SNBL also made solid progress in orders received mostly pertaining to their mainstay business of implementing global studies (studies conducted simultaneously in multiple countries and regions) in Japan that PPD International Holdings, LLC had acquired. As PPD-SNBL is an equity method affiliate of the Company (present equity stake is 40%), its contribution is a non-operating income item and it is recorded as “share of profit of entities accounted for using equity method.” The share of profit of entities accounted for using equity method from PPD-SNBL’s contribution for the first half of the fiscal year 2021 amounted to ¥404 million (¥411 million in the same period of the previous fiscal year).

The CRO business posted revenue of ¥7,638 million, which was an increase of ¥921 million (up 13.7%) relative to the six months ended September 30, 2020. Operating profit of the CRO business significantly increased by ¥836 million (up 54.3%) year on year to ¥2,377 million. The CRO business has improved its gross profit margin as a result of high occupancy of the laboratory facilities due to strong orders and a substantial order backlog. At the same time, cost saving initiatives involving innovation in internal operation processes have kept selling, general and administrative costs mostly steady, resulting in an

operating profit margin of 31.1%, which is 8.2 percentage points higher than the same period of the previous fiscal year.

Revenue and operating profit of the CRO business excludes the amount provided by PPD-SNBL. For reference purposes, adding the share of profit of entities accounted for using equity method from PPD-SNBL's contribution for the six months ended September 30, 2021 of ¥404 million to the CRO business's operating profit of ¥2,377 million makes a total operating profit of ¥2,781 million with a 36.4% profit margin.

(ii) Translational Research business (TR business)

Translational research (TR) means to encourage discovered promising seeds and new technologies which are generated through fundamental research performed at Japanese and overseas universities, bio-ventures, and research institutes, to make available in clinical practice by creating additional value to them through implementations of their preclinical and clinical trials. The Company's TR business has engaged in drug discovery based on proprietary intranasal drug delivery technologies and intranasal devices to increase nasal drug absorption since 1998, and further engages in research and development for the proprietary nose-to-brain delivery technologies to control drug delivery to the brain.

During the six months ended September 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 is conducting new Phase III clinical trials enlisting an improved intranasal device, and its administration to patients began in July 2021. In addition, the Company's wholly owned subsidiary SNLD is planning and preparing for the forthcoming start of Phase I clinical trials in the fiscal year 2021. It has also concurrently materialized a creation of a new intranasal portfolio, including nasal vaccines.

Amid these circumstances, the TR business posted no Revenue for the six months ended September 30, 2021, relative to revenue of ¥4 million for the six months ended September 30, 2020, and posted operating loss of ¥334 million, relative to operating loss of ¥311 million for the six months ended September 30, 2020.

(iii) Medipolis business

The Company owns a large tract of land of 340 hectares (840 acres) in the highlands of Ibusuki City, Kagoshima Prefecture called Medipolis Ibusuki. Making use of this natural asset (approximately 90% forest), the Company engages in a geothermal power generation business, which serves as an environmentally friendly social enterprise; a hospitality business, operating hotel accommodation facilities underpinned by the concept to wellbeing; and an aquaculture business, conducting research into the breeding of Japanese eels in their juvenile stage (glass eels), which are listed as endangered, in artificial habitats.

In the geothermal power generation business, 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 addition, in September 2021 we began joint research with Kyushu University on CCS (carbon dioxide capture and storage) inside the site of Medipolis Ibusuki, which involved capturing carbon dioxide from the atmosphere and storing it deep underground. 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.

In the Medipolis business, the geothermal power generation business contributed to profitability through sales of all electricity generated from its operation of a 1,500 kW binary geothermal power plant. The hotel accommodation facilities, however, had persistently low hotel accommodation occupancy rate due to the spread of COVID-19, and research and development was ongoing in the aquaculture business. As a result, the Medipolis business posted revenue of ¥260 million for the six months ended September 30, 2021, which was a decrease of ¥8 million (3.0%) relative to the six months ended September 30, 2020, and posted operating loss of ¥11 million, relative to operating loss of ¥15 million for the six months ended September 30, 2020.

Initiatives for SDGs/ESG

In September 2015, the UN General Assembly adopted the "Sustainable Development Goals (SDGs)" as globally shared targets to be met by 2030 that were established so that the people of the world can live in

happiness. The SDGs are actually the same as the Company's all-time corporate philosophy of "We are a company that values the environment, life, and people" and the Company's slogan "I'm happy, you are happy, and everyone is happy," and the Company accordingly has an awareness of being an industry leader in initiatives for SDGs/ESG/.

In the period under review, the Company established the "SDGs Committee" as an advisory body to the Board of Directors on August 27, 2021. Professor Keiko Toya, an external director of the Company is the chair of this committee, which meets to conduct lively discussion on a monthly basis. The Company discloses a sustainability report that is produced based on these achievements regarding initiatives for SDGs/ESG/, and each of the Company's policies are disclosed on a dedicated page of the Company's website (<https://www.snbl.co.jp/esg/>).

(2) Explanation of financial position

(Analysis of assets, liabilities and net assets)

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

Total assets as of September 30, 2021 decreased by ¥187 million compared to the balance as of the end of the previous fiscal year, to ¥36,785 million (down 0.5%). Current assets decreased by ¥794 million compared to the balance as of the end of the previous fiscal year, to ¥13,985 million (down 5.4%) due mainly to a decrease in cash and deposits. Non-current assets increased by ¥607 million compared to the balance as of the end of the previous fiscal year, to ¥22,799 million (up 2.7%) due mainly to an increase in share of entities accounted for using equity method in investment securities.

Liabilities decreased by ¥2,407 million compared to the balance as of the end of the previous fiscal year, to ¥18,725 million (down 11.4%). Current liabilities decreased by ¥885 million compared to the balance as of the end of the previous fiscal year, to ¥11,030 million (down 7.4%) due mainly to a decrease in short-term borrowings. Non-current liabilities decreased by ¥1,522 million compared to the balance as of the end of the previous fiscal year, to ¥7,695 million (down 16.5%) due mainly to a decrease in long-term borrowings.

Net assets increased by ¥2,220 million compared to the balance as of the end of the previous fiscal year, to ¥18,059 million (up 14.0%) due mainly to the posting of ¥3,503 million in profit attributable to owners of parent, while the Company posted a decrease of ¥715 million in valuation difference on available-for-sale securities due to a decrease in recoverable value in investment securities

(Analysis of cash flows)

The outstanding balance of cash and cash equivalents ("cash") as of September 30, 2021 was ¥6,402 million, down ¥877 million (12.0%) compared to the balance as of the end of the previous fiscal year.

Status of each cash flow during the six months ended September 30, 2021 and main contributing factors thereof are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥1,574 million, up ¥554 million (54.4%) relative to the six months ended September 30, 2020.

The main contributing factors included profit before income taxes of ¥3,905 million, depreciation of ¥560 million, share of profit of entities accounted for using equity method of ¥385 million, decrease in trade receivables of ¥518 million and income taxes paid of ¥676 million.

(Cash flows from investing activities)

Net cash provided by investing activities was ¥380 million (¥332 million used in the six months ended September 30, 2020).

The main contributing factors included proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation of ¥1,084 million, purchase of property, plant and equipment of ¥696 million and proceeds from collection of loans receivable of ¥342 million.

(Cash flows from financing activities)

Net cash used in financing activities was ¥2,921 million, up ¥2,443 million (511.5%) relative to the six months ended September 30, 2020.

The main contributing factors included repayments of long-term borrowings of ¥1,998 million and dividends paid of ¥825 million.

(3) Explanation of consolidated earnings forecasts and other forward-looking statements

As announced in the “Revisions of the Earnings Forecasts for the Six Months and Full-Year of the FY Ending March 31, 2022” on October 21, 2021, the Company made the following revisions to the consolidated earnings forecasts for the year ending March 31, 2022, which had been announced in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2021 (Under Japanese GAAP)” on May 10, 2021.

[Revision of the earnings forecasts]

(Millions of yen, unless otherwise noted)

	Revenue	Operating profit	Ordinary profit	Profit attributable to owners of parent	Profit per share (Yen)
Previous forecast (A)	15,982	2,550	3,200	3,900	93.67
Revised forecast (B)	17,400	3,800	4,600	4,900	117.69
Change (B-A)	+1,418	+1,250	+1,400	+1,000	
Change (%)	+8.9	+49.0	+43.8	+25.6	
(Reference) Results for the fiscal year ended March 31, 2021	15,110	2,529	3,645	3,661	87.95

The main reason for the upward revision is that orders received in the preclinical CRO business have increased significantly from the initial plan in the CRO business. For further details, please refer to “Notice Regarding Revisions of the Earnings Forecasts for the Six Months and Full-Year of the Fiscal Year Ending March 31, 2022” announced on October 21.

[Orders received in the preclinical CRO business]

(Millions of yen)

	Results for the six months ended September 30, 2019	Full-year results for the fiscal year ended March 31, 2020	Results for the six months ended September 30, 2020	Full-year results for the fiscal year ended March 31, 2021	Results for the six months ended September 30, 2021
Orders received	6,013	13,194	7,544	15,271	11,074
Order backlog	11,198	11,299	12,542	13,275	17,086

[Reference]

(Millions of yen, unless otherwise noted)

	Results for the six months ended September 30, 2019	Full-year results for the fiscal year ended March 31, 2020	Results for the six months ended September 30, 2020	Full-year results for the fiscal year ended March 31, 2021	Results for the six months ended September 30, 2021	Fiscal year ending March 31, 2022 (Forecast)
	From April 2019 to September 2019	From April 2019 to March 2020	From April 2020 to September 2020	From April 2020 to March 2021	From April 2021 to September 2021	From April 2021 to March 2022
Capital expenditures	704	1,514	415	1,025	734	2,035
Depreciation	563	1,229	574	1,187	560	1,202
Research and development expenses	174	400	167	392	180	492
Number of employees at period-end (people)	968	985	1,034	986	1,005	1025

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Thousands of yen)

	As of March 31, 2021	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	7,230,744	5,283,182
Notes and accounts receivable – trade, and contract assets	2,954,087	2,451,611
Securities	55,765	1,119,627
Inventories	4,071,369	4,308,325
Other	470,119	824,206
Allowance for doubtful accounts	(2,056)	(1,875)
Total current assets	14,780,029	13,985,078
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,566,161	7,134,523
Land	2,803,260	2,809,497
Other, net	2,528,549	2,726,745
Total property, plant and equipment	12,897,971	12,670,767
Intangible assets	213,762	215,247
Investments and other assets		
Investment securities	8,286,937	8,874,338
Other	793,704	1,039,590
Total investments and other assets	9,080,641	9,913,928
Total non-current assets	22,192,374	22,799,943
Total assets	36,972,404	36,785,021

(Thousands of yen)

	As of March 31, 2021	As of September 30, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	95,012	45,578
Short-term borrowings	3,486,826	2,953,954
Income taxes payable	683,229	397,368
Advances received	5,317,925	5,517,656
Provision for loss on business liquidation	15,419	–
Other	2,317,390	2,115,754
Total current liabilities	11,915,803	11,030,312
Non-current liabilities		
Long-term borrowings	8,669,916	7,224,366
Lease obligations	529,324	451,665
Other	18,573	19,439
Total non-current liabilities	9,217,814	7,695,472
Total liabilities	21,133,617	18,725,785
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	6,572,424
Treasury shares	(197)	(200)
Total shareholders' equity	15,840,118	18,558,066
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,096,313	1,380,735
Foreign currency translation adjustment	(2,201,981)	(1,996,551)
Total accumulated other comprehensive income	(105,667)	(715,784)
Non-controlling interests	104,335	116,986
Total net assets	15,838,786	18,059,236
Total liabilities and net assets	36,972,404	36,785,021

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

(Thousands of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Revenue	7,003,509	7,961,465
Cost of revenue	3,575,072	3,641,032
Gross profit	3,428,436	4,320,433
Selling, general and administrative expenses	2,267,005	2,351,029
Operating profit	1,161,431	1,969,403
Non-operating income		
Interest income	1,479	1,976
Share of profit of entities accounted for using equity method	410,997	385,300
Foreign exchange gains	–	152,977
Other	101,818	90,258
Total non-operating income	514,294	630,512
Non-operating expenses		
Interest expenses	101,130	68,967
Foreign exchange losses	268,241	–
Other	1,106	1,457
Total non-operating expenses	370,477	70,425
Ordinary profit	1,305,248	2,529,491
Extraordinary income		
Gain on sale of non-current assets	1,225	353
Gain on sale of shares of subsidiaries and associates	–	1,096,054
Gain on change in equity	–	322,435
Total extraordinary income	1,225	1,418,842
Extraordinary losses		
Loss on retirement of non-current assets	4,016	5,689
Impairment losses	2,079	6,090
Loss on liquidation of business	–	30,641
Total extraordinary losses	6,095	42,421
Profit before income taxes	1,300,377	3,905,912
Income taxes - current	128,066	397,502
Income taxes - deferred	29,095	4,956
Total income taxes	157,162	402,459
Profit	1,143,215	3,503,453
Profit (loss) attributable to non-controlling interests	(3,921)	(272)
Profit attributable to owners of parent	1,139,293	3,503,725

Quarterly consolidated statement of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Profit	1,143,215	3,503,453
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,512,367)	(715,577)
Foreign currency translation adjustment	(138,789)	161,953
Share of other comprehensive income of entities accounted for using equity method	–	42,486
Total other comprehensive income	(2,651,156)	(511,137)
Comprehensive income	(1,507,941)	2,992,315
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,512,281)	2,993,577
Comprehensive income attributable to non- controlling interests	4,339	(1,261)

(3) Quarterly consolidated statement of cash flows

(Thousands of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Cash flows from operating activities		
Profit before income taxes	1,300,377	3,905,912
Depreciation	574,793	560,946
Impairment losses	2,079	6,090
Increase (decrease) in allowance for doubtful accounts	(67,640)	(180)
Interest and dividend income	(1,479)	(1,976)
Interest expenses	101,130	68,967
Foreign exchange losses (gains)	258,248	(145,198)
Share of loss (profit) of entities accounted for using equity method	(410,997)	(385,300)
Loss (gain) on change in equity	—	(322,435)
Loss (gain) on sale of non-current assets	(1,225)	(353)
Loss on retirement of non-current assets	4,016	5,689
Loss (gain) on sales of shares of subsidiaries and associates	—	(1,096,054)
Decrease (increase) in trade receivables	147,662	518,169
Decrease (increase) in inventories	(37,169)	(373,732)
Increase (decrease) in advances received	(28,686)	199,732
Increase (decrease) in trade payables	(25,899)	(57,613)
Increase (decrease) in accounts payable - other	(191,612)	267,202
Increase (decrease) in accrued expenses	(226,743)	(300,781)
Other	132,543	(536,181)
Subtotal	1,529,397	2,312,902
Interest and dividends received	2,728	1,973
Interest paid	(95,963)	(64,197)
Income taxes paid	(416,879)	(676,662)
Net cash provided by (used in) operating activities	1,019,283	1,574,015
Cash flows from investing activities		
Purchase of property, plant and equipment	(617,034)	(696,295)
Purchase of intangible assets	(16,051)	(45,233)
Proceeds from sale of property, plant and equipment	1,225	353
Purchase of investment securities	(146,709)	(390,935)
Proceeds from sale of investment securities	30,949	—
Proceeds from collection of loans receivable	420,095	57,874
Proceeds from sales of shares of subsidiaries and associates	—	31,487
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	1,084,650
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	342,505
Other	(5,232)	(3,753)
Net cash provided by (used in) investing activities	(332,757)	380,652
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(2,000,000)	—
Proceeds from long-term borrowings	4,240,000	—
Repayments of long-term borrowings	(2,401,363)	(1,998,805)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(3,398)	—
Dividends paid	(205,777)	(825,608)
Repayments of finance lease obligations	(104,246)	(93,948)
Purchase of treasury shares	—	(2)

Other	(2,950)	(2,950)
Net cash provided by (used in) financing activities	(477,735)	(2,921,313)
Effect of exchange rate change on cash and cash equivalents	24,176	89,619
Net increase (decrease) in cash and cash equivalents	232,966	(877,026)
Cash and cash equivalents at beginning of period	5,243,258	7,279,835
Cash and cash equivalents at end of period	5,476,225	6,402,809

(4) 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.

In accordance with the transitional treatment stipulated in paragraph 28-15 of “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12, March 31, 2020), a breakdown of revenue in relation to contracts with clients concluded during the first six month of the previous fiscal year have not been restated in this document.

(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)

I. Six months ended September 30, 2020 (from April 1, 2020 to September 30, 2020)

1. Disclosure of revenue 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				
Revenue								
Revenues from external customers	6,703,692	980	238,169	6,942,841	60,667	7,003,509	-	7,003,509
Transactions with other segments	12,796	3,556	30,900	47,252	175,240	222,493	(222,493)	-
Total	6,716,488	4,536	269,070	6,990,094	235,908	7,226,003	(222,493)	7,003,509
Segment profit (loss)	1,540,668	(311,539)	(15,942)	1,213,185	(22,291)	1,190,894	(29,463)	1,161,431

(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 ¥29,463 thousand consist of ¥26,699 thousand in elimination of intersegment transactions and negative ¥56,162 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. Six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)

1. Disclosure of revenue 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				
Revenue								
Revenues from external customers	7,607,574	-	241,659	7,849,233	112,231	7,961,465	-	7,961,465
Transactions with other segments	30,473	-	19,233	49,706	213,108	262,815	(262,815)	-
Total	7,638,047	-	260,892	7,898,940	325,340	8,224,281	(262,815)	7,961,465
Segment profit (loss)	2,377,565	(334,722)	(11,915)	2,030,927	(29,212)	2,001,715	(32,311)	1,969,403

(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 ¥32,331 thousand consist of ¥29,396 thousand in elimination of intersegment transactions and negative ¥61,707 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.



(Reference)

Financial Data

(In millions of yen)	2017/3	2018/3	2019/3	2020/3	2021/3	2022/3 Forecasts
Revenue	17,244	16,600	15,658	14,561	15,110	17,400
y/y change	16.9%	-3.7%	-5.7%	-7.0%	3.8%	15.2%
Gross profit	4,360	5,204	6,177	7,615	7,554	9,332
Gross profit ratio	25.3%	31.3%	39.5%	52.3%	50.0%	53.6%
Operating profit	-1,792	-697	829	2,228	2,529	3,800
y/y change	—	—	—	168.5%	13.5%	50.2%
Equity method investment gains (losses)	12	637	361	888	846	
Ordinary profit	-2,105	-813	1,613	3,121	3,645	4,600
Profit before income taxes	-764	-1,507	1,650	3,062	4,175	
Income taxes	127	2,013	-308	414	497	
Net Income attributable to owners of parent	-915	-3,555	1,950	2,550	3,661	4,900
EPS (yen)	-22.18	-85.41	46.84	61.25	87.95	117.69
Overseas sales	6,412	4,868	4,015	2,317	2,100	
Overseas sales ratio	37.2%	29.3%	25.6%	15.9%	13.9%	
Shareholders' equity	11,780	7,982	9,958	12,386	15,840	
Net assets	22,473	26,215	28,477	16,381	15,838	
Total assets	56,253	57,493	54,329	39,002	36,972	
Equity ratio	39.9%	45.5%	52.3%	41.8%	42.6%	
Capex	925	1,274	1,612	1,514	1,025	2,035
Depreciation & amortization	1,545	1,472	1,361	1,229	1,187	1,202
R&D expenses	600	518	339	400	392	492
R&D expenses to sales ratio	3.48%	3.12%	2.17%	2.75%	2.59%	2.83%
Year-end number of employees	1,506	1,385	935	985	986	1,025
ROE	-4.7%	-14.6%	7.1%	11.4%	22.9%	
ROA	-4.0%	-1.4%	2.9%	6.7%	9.6%	
Operating income to sales ratio	-10.4%	-4.2%	5.3%	15.3%	16.7%	21.8%
Dividend per share (yen)	—	—	3.0	5.0	20.0	20.0
DPR	—	—	6.4%	8.2%	22.7%	17.0%