

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.



MEMBERSHIP

February 2, 2022

## Consolidated Financial Results for the Nine 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/>  
 Representative: Ryoichi Nagata, Representative Chairman, President & CEO  
 Inquiries: Toshiyuki Iwata, Senior Officer, Senior Director of Corporate Communications  
 Department  
 Telephone: +81-3-5565-6216  
 Scheduled date to file quarterly securities report: February 2, 2022  
 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 nine months ended December 31, 2021 (from April 1, 2021 to December 31, 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	%
Nine months ended								
December 31, 2021	12,946	24.2	3,300	103.0	4,684	184.5	5,247	255.4
December 31, 2020	10,420	3.5	1,626	3.1	1,646	(23.1)	1,476	(8.0)

Note: Comprehensive income For the nine months ended December 31, 2021: ¥3,633 million [–%]  
 For the nine months ended December 31, 2020: ¥(1,369) million [–%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2021	126.05	–
December 31, 2020	35.47	–

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
December 31, 2021	37,366	18,707	49.7	446.19
March 31, 2021	36,972	15,838	42.6	377.94

Reference: Equity

As of December 31, 2021: ¥18,576 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)				40.00	40.00

Note: Revisions to the forecast of cash dividends most recently announced: Yes  
For details, please see “Notice Regarding Revisions of Consolidated Earnings and Dividend Forecasts for the Full-Year of the Fiscal Year Ending March 31, 2022” announced today.

## 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	17,900	18.5	4,100	62.1	5,630	54.4	5,800	58.4	139.31

Note: Revisions to the forecast of consolidated financial results most recently announced: Yes  
For details, please see “Notice Regarding Revisions of Consolidated Earnings and Dividend Forecasts for the Full-Year 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 11 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 December 31, 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 December 31, 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)

Nine months ended December 31, 2021	41,632,041 shares
Nine months ended December 31, 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

### Index

1. Qualitative information on quarterly consolidated financial results for the nine months ended December 31, 2021 .....	2
(1) Explanation of operating results .....	2
(2) Explanation of financial position.....	4
(3) Explanation of consolidated earnings forecasts and other forward-looking statements.....	5
2. Quarterly consolidated financial statements and significant notes thereto.....	7
(1) Quarterly consolidated balance sheet .....	7
(2) Quarterly consolidated statement of income and consolidated statement of comprehensive income .....	9
Quarterly consolidated statement of income (cumulative).....	9
Quarterly consolidated statement of comprehensive income (cumulative).....	10
(3) Notes to quarterly consolidated financial statements .....	11
(Notes on going concern assumption) .....	11
(Notes when there are significant changes in amounts of equity) .....	11
(Changes in accounting policies) .....	11
(Segment information) .....	12

## 1. Qualitative information on quarterly consolidated financial results for the nine months ended December 31, 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 nine months ended December 31, 2021 increased by ¥2,525 million (up 24.2%) year on year to ¥12,946 million. Operating profit increased by ¥1,674 million (up 103.0%) year on year to ¥3,300 million, and ordinary profit increased by ¥3,037 million (up 184.5%) year on year to ¥4,684 million. Profit attributable to owners of parent increased by ¥3,771 million (up 255.4%) year on year to ¥5,247 million due mainly to the recording of extraordinary income of ¥1,360 million in the first quarter.

As of December 31, 2021, the Company had 1,002 employees (an increase of 16 employees from the end of March 2021), and the ratio of female employees was 51.0%.

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 nine months ended December 31, 2021. The following initiatives implemented by the Company have shown positive results.

- The importance of the Company-established framework for breeding and supplying large laboratory animals within the SNBL Group, the only such framework being built in Japan, has increased due to research and development involving new modalities in drug discovery coming into full swing. This has led to orders received from both Japan and overseas.
- The Company promptly introduced the cutting-edge devices required to evaluate the efficacy and safety of new modalities of drug discovery and built an evaluation system. Synergies were demonstrated between this system and the above Company-established framework for breeding and supplying large laboratory animals within the SNBL Group. This led to orders received related to new modalities of drug discovery.
- The Company has achieved steady progress in concluding contracts to undertake comprehensive research at the drug discovery stage with a major pharmaceutical company, an initiative that began in April 2019, leading to orders received from several companies at the drug discovery stage.

As a result of the above efforts, orders received increased substantially by ¥5,895 million (up 50.5%) year on year to ¥17,569 million, which is a record high for orders received for a first-nine-month period. The order backlog has also posted a record high. Orders received from overseas during the nine months ended December 31, 2021 was ¥4,958 million, which was also a significant 2.2-fold increase year on year thanks to strong orders from Europe and North America, and the ratio of overseas orders received was 28.2% (up from 19.0% 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. Furthermore, as PPD-SNBL is an equity method affiliate of the Company (present equity stake is 40%), earnings from PPD-SNBL are not reflected in the revenue or operating profit of the Company’s CRO business. PPD-SNBL’s 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 amounted to ¥864 million (¥538 million in the same period of the previous fiscal year). PPD, which owns 60% of PPD-SNBL's shares, became a wholly owned subsidiary of Thermo Fisher Scientific Inc. through a share acquisition in December 2021.

The CRO business posted revenue of ¥12,406 million, which was an increase of ¥2,461 million (up 24.7%) relative to the nine months ended December 31, 2020. Operating profit of the CRO business significantly increased by ¥1,644 million (up 74.4%) year on year to ¥3,854 million. Given the successful results achieved by high occupancy of the laboratory facilities due to strong orders and a substantial order backlog in the preclinical CRO business, as well as cost-saving initiatives involving innovation in internal operating processes (the promotion of robotization and automation in work processes and so-called "Zero Mission" activities that aim to eliminate the use of paper), the operating profit margin of the CRO business was 31.1%, 8.9 percentage points higher than the same period of the previous fiscal year.

(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. Drugs delivered intranasally represent a platform technology combining the Company's powdered formulation technology and delivery devices. These drugs are characterized by their rapid onset of action based on absorbability through the nasal mucosa, and the ability to store the drugs at room temperature is another strength.

During the nine months ended December 31, 2021, the TR business mainly worked on development support 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. 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 pursued to create new intranasal portfolios, including nasal vaccines.

Amid these circumstances, the TR business posted revenue for the nine months ended December 31, 2021 increased by ¥11 million year on year to ¥12 million, while it posted operating loss of ¥496 million, relative to operating loss of ¥456 million for the nine months ended December 31, 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, serving as an environmentally friendly social enterprise and attracting a high level of attention as a renewable energy source; a hospitality business, operating hotel accommodation facilities underpinned by the concept of 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.

The geothermal power generation business has run smoothly since it began operations in February 2015, and in the nine months ended December 31, 2021, the Company focused on new power generation projects. The construction of a hot spring power generation plant that will utilize residual steam from the hot spring sources supplied to the hotel's bathing facilities has been making steady progress and is expected 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 involves capturing carbon dioxide from the atmosphere and storing it deep underground. In 2020, we have sectionalized our accommodation facilities into three by function in line with our customers' needs. We operate the Amafuru Oka as a healing resort hotel, Ibusuki Bay Hills Hotel & Spa as a facility for general lodging and medium- to long-term stays, and HOTEL Freesia as an accommodation facility for patients of the Medipolis Proton Therapy and Treatment Center.

In the Medipolis business, low hotel occupancy rates persisted due to the spread of COVID-19. As a result, Medipolis business posted revenue of ¥414 million for the nine months ended December 31, 2021, which was a decrease of ¥8 million (2.1%) relative to the nine months ended December 31, 2020, but posted operating profit of ¥11 million, relative to operating loss of ¥42 million for the nine months ended December 31, 2020 due to the high operation of the 1,500kW binary geothermal power plant.

### 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 SDGs Committee, which the Company established as an advisory body to the Board of Directors on August 27, 2021, conducted lively discussion on a monthly basis. The Company discloses a sustainability report that is produced based on these achievements regarding initiatives for SDGs/ESG, each of the Company’s policies, and information based on TCFD Recommendations on a dedicated page of the Company’s website (<https://www.snbl.co.jp/esg/>).

## (2) Explanation of financial position

Changes in financial position for the nine months ended December 31, 2021 from the end of the previous fiscal year were as follows:

Total assets as of December 31, 2021 increased by ¥394 million compared to the balance as of the end of the previous fiscal year, to ¥37,366 million (up 1.1%). Current assets increased by ¥614 million compared to the balance as of the end of the previous fiscal year, to ¥15,394 million (up 4.2%) due mainly to an increase in securities. Non-current assets decreased by ¥220 million compared to the balance as of the end of the previous fiscal year, to ¥21,972 million (down 1.0%) due mainly to a decrease in market value in investment securities.

Liabilities decreased by ¥2,474 million compared to the balance as of the end of the previous fiscal year, to ¥18,659 million (down 11.7%). Current liabilities decreased by ¥486 million compared to the balance as of the end of the previous fiscal year, to ¥11,429 million (down 4.1%) due mainly to a decrease in short-term borrowings. Non-current liabilities decreased by ¥1,988 million compared to the balance as of the end of the previous fiscal year, to ¥7,229 million (down 21.6%) due mainly to a decrease in long-term borrowings.

Net assets increased by ¥2,868 million compared to the balance as of the end of the previous fiscal year, to ¥18,707 million (up 18.1%) due mainly to the posting of ¥5,247 million in profit attributable to owners of parent, while the Company posted a decrease of ¥1,998 million in valuation difference on available-for-sale securities due to a decrease in market value in investment securities as stated above.

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

#### (i) Consolidated earnings forecasts

As announced in the “Notice Regarding Revisions of Consolidated Earnings and Dividends Forecasts for the Full-Year of the Fiscal Year Ending March 31, 2022” on February 2, 2022, the Company made the following revisions to its cash dividend and consolidated earnings forecasts for the year ending March 31, 2022, which were announced on May 10 and October 21, 2021, respectively.

[Revision of the earnings forecasts]

(Millions of yen, unless otherwise noted)

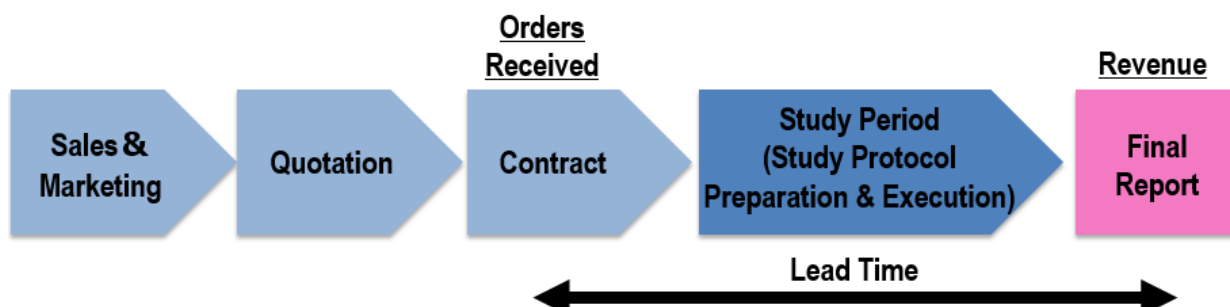
	Revenue	Operating profit	Ordinary profit	Profit attributable to owners of parent	Profit per share (Yen)
Previous forecast (A)	17,400	3,800	4,600	4,900	117.69
Revised forecast (B)	17,900	4,100	5,630	5,800	139.31
Change (B-A)	+500	+300	+1,030	+900	
Change (%)	+2.9	+7.9	+22.4	+18.4	
(Reference) Results 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 the consolidated financial results for the nine months ended December 31, 2021 exceeded the Company’s projections and orders received in the preclinical CRO business which is a core earnings driver of the Company have continued to be solid. For further details, please refer to “Notice Regarding Revisions of Consolidated Earnings and Dividends Forecasts for the Full-Year of the Fiscal Year Ending March 31, 2022”.

#### (ii) Dividend forecasts

With one of the management priorities set on returning profits with shareholders, the Company has a policy of steadily distributing profits, taking into account the internal reserve required for the enhancement of its business structure as well as for the investment for future business growth. Based on the full year consolidated earnings forecasts for the fiscal year ending March 2022 announced today and after comprehensively considering our financial condition and the return of profits to shareholders, the year-end dividend forecast has been revised upwardly to 40 yen per share (20 yen per share in the previous forecast), of which 10 yen is a special dividend.

[Conceptual diagram of the preclinical CRO business]





[Orders received in the preclinical CRO business]

(Millions of yen)

	Results for the nine months ended December 31, 2019	Full-year results for the fiscal year ended March 31, 2020	Results for the nine months ended December 31, 2020	Full-year results for the fiscal year ended March 31, 2021	Results for the nine months ended December 31, 2021
Orders received	9,516	13,194	11,673	15,271	17,569
Order backlog	11,656	11,299	13,686	13,275	19,070

[Other key indicators]

(Millions of yen, unless otherwise noted)

	Results for the nine months ended December 31, 2019	Full-year results for the fiscal year ended March 31, 2020	Results for the nine months ended December 31, 2020	Full-year results for the fiscal year ended March 31, 2021	Results for the nine months ended December 31, 2021	Fiscal year ending March 31, 2022 (Forecast)
	From April 2019 to December 2019	From April 2019 to March 2020	From April 2020 to December 2020	From April 2020 to March 2021	From April 2021 to December 2021	From April 2021 to March 2022
Depreciation	849	1,229	867	1,187	853	1,180
R&D expenses	269	400	285	392	319	541
Number of employees at period-end (people)	960	985	1,029	986	1,002	1,025

## 2. Quarterly consolidated financial statements and significant notes thereto

### (1) Quarterly consolidated balance sheet

(Thousands of yen)

	As of March 31, 2021	As of December 31, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	7,230,744	5,590,840
Notes and accounts receivable – trade, and contract assets	2,954,087	3,074,499
Securities	55,765	1,150,523
Inventories	4,071,369	4,248,471
Other	470,119	1,332,425
Allowance for doubtful accounts	(2,056)	(2,100)
Total current assets	14,780,029	15,394,660
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,566,161	7,207,549
Land	2,803,260	2,907,745
Other, net	2,528,549	2,873,983
Total property, plant and equipment	12,897,971	12,989,278
Intangible assets	213,762	210,528
Investments and other assets		
Investment securities	8,286,937	7,555,061
Other	793,704	1,217,276
Total investments and other assets	9,080,641	8,772,338
Total non-current assets	22,192,374	21,972,146
Total assets	36,972,404	37,366,806

(Thousands of yen)

	As of March 31, 2021	As of December 31, 2021
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	95,012	77,996
Short-term borrowings	3,486,826	2,968,219
Income taxes payable	683,229	350,875
Advances received	5,317,925	5,719,412
Provision for loss on business liquidation	15,419	–
Other	2,317,390	2,313,112
Total current liabilities	11,915,803	11,429,617
Non-current liabilities		
Long-term borrowings	8,669,916	6,790,431
Lease obligations	529,324	419,483
Other	18,573	19,608
Total non-current liabilities	9,217,814	7,229,523
<b>Total liabilities</b>	<b>21,133,617</b>	<b>18,659,141</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	9,679,070	9,679,070
Capital surplus	2,306,771	2,306,771
Retained earnings	3,854,474	8,316,667
Treasury shares	(197)	(200)
Total shareholders' equity	15,840,118	20,302,308
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,096,313	97,485
Foreign currency translation adjustment	(2,201,981)	(1,823,617)
Total accumulated other comprehensive income	(105,667)	(1,726,132)
Non-controlling interests	104,335	131,488
Total net assets	15,838,786	18,707,665
<b>Total liabilities and net assets</b>	<b>36,972,404</b>	<b>37,366,806</b>

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

Quarterly consolidated statement of income (cumulative)

(Thousands of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Revenue	10,420,521	12,946,186
Cost of revenue	5,394,774	5,924,777
Gross profit	5,025,746	7,021,408
Selling, general and administrative expenses	3,399,697	3,720,904
Operating profit	1,626,049	3,300,504
Non-operating income		
Interest income	1,813	5,217
Dividend income	–	500
Share of profit of entities accounted for using equity method	538,347	848,144
Foreign exchange gains	–	490,576
Other	129,784	139,025
Total non-operating income	669,945	1,483,464
Non-operating expenses		
Interest expenses	144,265	98,411
Foreign exchange losses	503,053	–
Other	2,119	1,457
Total non-operating expenses	649,439	99,868
Ordinary profit	1,646,555	4,684,099
Extraordinary income		
Gain on sale of non-current assets	1,776	796
Gain on sale of investment securities	48,234	–
Gain on sale of shares of subsidiaries and associates	–	1,096,054
Gain on change in equity	–	322,435
Other	–	514
Total extraordinary income	50,011	1,419,800
Extraordinary losses		
Loss on retirement of non-current assets	4,607	19,436
Impairment losses	5,863	8,981
Loss on liquidation of business	–	30,641
Total extraordinary losses	10,470	59,059
Profit before income taxes	1,686,096	6,044,840
Income taxes - current	157,507	703,623
Income taxes - deferred	41,985	85,824
Total income taxes	199,493	789,448
Profit	1,486,602	5,255,391
Profit attributable to non-controlling interests	9,876	7,423
Profit attributable to owners of parent	1,476,725	5,247,968

Quarterly consolidated statement of comprehensive income (cumulative)

(Thousands of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Profit	1,486,602	5,255,391
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,613,716)	(1,998,828)
Foreign currency translation adjustment	(242,499)	329,082
Share of other comprehensive income of entities accounted for using equity method	–	48,102
Total other comprehensive income	(2,856,216)	(1,621,643)
Comprehensive income	(1,369,613)	3,633,748
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,380,169)	3,627,503
Comprehensive income attributable to non- controlling interests	10,555	6,244

### **(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 nine months ended December 31, 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 nine 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. Nine months ended December 31, 2020 (from April 1, 2020 to December 31, 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	9,932,187	980	386,343	10,319,510	101,010	10,420,521	–	10,420,521
Transactions with other segments	12,988	–	36,707	49,696	264,514	314,210	(314,210)	–
Total	9,945,176	980	423,050	10,369,206	365,525	10,734,732	(314,210)	10,420,521
Segment profit (loss)	2,209,547	(456,443)	(42,880)	1,710,223	(36,971)	1,673,251	(47,201)	1,626,049

(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 ¥47,201 thousand consist of ¥44,517 thousand in elimination of intersegment transactions and negative ¥91,719 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. Nine months ended December 31, 2021 (from April 1, 2021 to December 31, 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	12,363,758	11,895	385,152	12,760,807	185,379	12,946,186	–	12,946,186
Transactions with other segments	42,675	800	28,946	72,421	384,349	456,771	(456,771)	–
Total	12,406,433	12,695	414,099	12,833,228	569,728	13,402,957	(456,771)	12,946,186
Segment profit (loss)	3,854,351	(496,500)	11,068	3,368,919	(17,688)	3,351,231	(50,726)	3,300,504

(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 ¥50,726 thousand consist of ¥36,077 thousand in elimination of intersegment transactions and negative ¥86,804 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.