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MEMBERSHIP
May 6, 2022

Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (Under Japanese GAAP)

Company name: Shin Nippon Biomedical Laboratories, Ltd.
 Listing: Prime Market, Tokyo Stock Exchange
 Securities code: 2395
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 Scheduled date of annual general meeting of shareholders: June 28, 2022
 Scheduled date to commence dividend payments: June 29, 2022
 Scheduled date to file annual securities report: June 29, 2022
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes

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

1. Consolidated financial results for the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2022	17,748	17.5	4,195	65.9	7,078	94.2	7,127	94.6
March 31, 2021	15,110	3.8	2,529	13.5	3,645	16.8	3,661	43.6

Note: Comprehensive income For the fiscal year ended March 31, 2022: ¥4,650 million [-%]
 For the fiscal year ended March 31, 2021: ¥(328) million [-%]

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of Ordinary profit to total assets	Ratio of Operating profit to net sales
	Yen	Yen	%	%	%
March 31, 2022	171.20	—	40.4	18.6	23.6
March 31, 2021	87.95	—	22.9	9.6	16.7

Reference: Share of profit (loss) of entities accounted for using equity method
 For the fiscal year ended March 31, 2022: ¥1,439 million
 For the fiscal year ended March 31, 2021: ¥846 million

(2) Consolidated financial position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2022	39,312	19,723	49.8	469.85
March 31, 2021	36,972	15,838	42.6	377.94

Reference: Equity

As of March 31, 2022: ¥19,561 million

As of March 31, 2021: ¥15,734 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2022	5,952	(4,268)	(4,911)	4,548
March 31, 2021	4,746	(268)	(2,471)	7,279

2. Cash dividends

	Annual dividends					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2021	–	0.00	–	20.00	20.00	832	22.7	5.2
Fiscal year ended March 31, 2022	–	0.00	–	40.00	40.00	1,665	23.4	9.4
Fiscal year ending March 31, 2023 (Forecast)	–	20.00	–	20.00	40.00		38.7	

Note: Breakdown of year-end dividend for the fiscal year ended March 31, 2021:

Ordinary dividend ¥10.00, special dividend ¥10.00

Breakdown of year-end dividend for the fiscal year ended March 31, 2022:

Ordinary dividend ¥30.00, special dividend ¥10.00

3. Consolidated earnings forecasts for the year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(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
Six months ending September 30, 2022	9,500	19.3	2,450	24.4	2,950	16.6	2,050	(41.5)	49.24
Fiscal year ending March 31, 2023	19,600	10.4	5,000	19.2	6,000	(15.2)	4,300	(39.7)	103.28

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) 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 16 of the attachment, “(5) Notes to consolidated financial statements (Changes in accounting policies)” of “3. Consolidated Financial Statements and Significant Notes thereto.”

- (3) Number of issued shares (common shares)

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

As of March 31, 2022	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 March 31, 2022	390 shares
As of March 31, 2021	358 shares

- (iii) Average number of shares outstanding during the period

Fiscal year ended March 31, 2022	41,632,038 shares
Fiscal year ended March 31, 2021	41,632,042 shares

* Financial results reports are exempt from audit 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, “(4) Future outlook” of “1. Overview of Operating Results and Others.”

Attached Material

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1. Overview of Operating Results and Others

(1) Overview of operating results for the fiscal year ended March 31, 2022

In the pharmaceutical industry, companies have been increasingly turning to contract research organizations (CROs) that specialize in outsourcing, with the aim of accelerating research and development in Japan and abroad while improving cost efficiency and simplifying their correspondence with regulatory authorities, 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, aiming to become far and away the first name that comes to mind for clients when they consider CRO.

Under such circumstances, revenue for the fiscal year ended March 31, 2022 increased by ¥2,637 million (up 17.5%) year on year to ¥17,748 million. Operating profit increased by ¥1,666 million to ¥4,195 million (up 65.9%) year on year, and ordinary profit increased by ¥3,432 million to ¥7,078 million (up 94.2%) year on year, in part due to recording foreign exchange gains of ¥1,370 million (foreign exchange gains of ¥239 million in the previous fiscal year). Profit attributable to owners of parent increased by ¥3,465 million (up 94.6%) year on year to ¥7,127 million due mainly to the recording of extraordinary income of ¥1,360 million in the first quarter. As the result, profits at each level have renewed record highs.

As of March 31, 2022, the Company had 994 employees (an increase of 8 employees from the end of March 2021), and the ratio of female employees was 51.2%.

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 fiscal year ended March 31, 2022. 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 by a CRO in the world, has increased due to research and development involving new modalities in drug discovery coming into full swing. This has led to an increase in orders received from overseas.
- The Company has introduced the cutting-edge devices required to evaluate the efficacy and safety of new modalities in drug discovery, and built an evaluation system from an earlier stage. 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 in drug discovery.
- The Company has achieved steady progress in concluding contracts to undertake comprehensive research at the drug discovery stage with major pharmaceutical companies, and has already received orders from multiple companies for such studies.

As a result of the above efforts, orders received increased substantially by ¥7,118 million (up 46.6%) year on year to ¥22,389 million, which is a record high for orders received. The order backlog as of March 31, 2022, was ¥19,494 million, which is also a record high. In addition, orders received from overseas also increased substantially by ¥3,008 million (up roughly two-fold) year on year to ¥6,138 million. The main driver was an increase in orders from Europe and North American customers, and the ratio of overseas orders received out of total orders received was 27.4% (20.5% in the previous fiscal year).

Meanwhile, the clinical business has been engaging in operations at PPD-SNBL K.K. (“PPD-SNBL”), a joint venture with PPD International Holdings, LLC (“PPD”), an international clinical CRO based in the United States. PPD-SNBL also made solid progress in business operations mostly pertaining to their mainstay business of implementing global studies (studies conducted simultaneously in multiple countries and regions) in Japan for orders received by PPD. Furthermore, as PPD-SNBL is an equity method affiliate of the Company (present equity stake is 40%), its contribution to the consolidated statement of income is recorded as “share of profit of entities accounted for using equity method” under non-operating income. The share of profit of entities accounted for using equity method from PPD-SNBL’s contribution amounted to ¥1,258 million (¥846 million in the previous fiscal

year; up 48.7%). PPD, through a share acquisition by Thermo Fisher Scientific Inc. (“TF”) in December 2021, became a wholly owned subsidiary of TF.

The CRO business posted revenue of ¥17,047 million, which was an increase of ¥2,539 million (up 17.5%) relative to the fiscal year ended March 31, 2021. Operating profit of the CRO business significantly increased by ¥1,642 million (up 48.4%) year on year to ¥5,035 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 the “Zero Mission” in-house activities aiming to eliminate the use of paper), the operating profit margin of the CRO business was 29.5%, 6.2% higher than the previous fiscal year.

(ii) Translational Research business (TR business)

Translational Research business (“TR business”) is a research and development business that discovers promising seeds and new technologies generated through in-house research and development as well as fundamental research performed at Japanese and overseas universities, bio-ventures, and research institutes, and develops them for commercialization, stock listing, or M&A, by increasing their added value. Since 1997, the TR business as in-house research and development has been conducting in-house drug discovery through application of developing intranasal drug delivery technologies and a drug delivery device (medical device), while developing a proprietary delivery technology (Nose to Brain) to enhance drug delivery to the brain through the nose. The basic technology of this intranasal drug delivery system is a platform technology that combines a powdered formulation technology using a proprietary carrier and a delivery device, and characterized by rapid onset of action based on absorbability through the nasal mucosa. It has the advantage of being easier to administer than injection and allowing the formulation to be stored at room temperature.

SNLD, Ltd. (“SNLD”), a subsidiary established for the clinical development of nasal delivery of neurodegenerative disease rescue medication, has initiated a domestic Phase I clinical trial of a nasal neurodegenerative disease rescue medication (development code: TR-012001). It is also pursuing to create new intranasal portfolios, including nasal vaccines.

Subsidiary Gemseki Inc. operates a licensing brokerage business for drug discovery seeds and technologies on a global basis, and has formed a fund with Gemseki as an unlimited liability partner to conduct investment business.

Amid these circumstances, for the fiscal year ended March 31, 2022, the TR business posted a revenue of ¥12 million, mostly level with the fiscal year ended March 31, 2021, while it posted operating loss of ¥746 million, relative to operating loss of ¥708 million for the fiscal year ended March 31, 2021.

(iii) Medipolis Business (Social Benefits Generation 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 environmentally-friendly social benefit generation businesses. In particular, the Company engages in a power generation business using renewable energy sources and a hospitality business, operating hotel accommodation facilities underpinned by the concept of well-being.

In power generation business, geothermal power generation has continued to generate power steadily since its startup in February 2015 and the amount of power produced during the fiscal year ended March 31, 2022, marked a record high. In addition, as a new power generation project, 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 and floor heating has been completed, and preparations are underway to start operation during the fiscal year ending March 31, 2023.

In hospitality business, accommodation facilities (total number of rooms: 74) are divided into three hotels by accommodation building and by function to meet the needs of guests, and they are operated as the Amafuru Oka as a healing resort hotel, the Ibusuki Bay Hills Hotel & Spa as a facility for general lodging and medium- to long-term stays, and the HOTEL Freesia as an accommodation facility for patients of the Medipolis Proton Therapy and Treatment Center, respectively. Although the Amafuru Oka has been affected by the sharp decline in the number of tourists who prefer luxury resorts due to COVID-19, the impact on business management is minimal because the number of rooms is small (15) and efficiency is being improved by transferring staff to other departments. Ibusuki Bay Hills Hotel & Spa has 33 rooms and is popular among mid- to long-term guests who wish to avoid COVID-19, and the number of repeat guests is steadily increasing. HOTEL Freesia, a patient-dedicated accommodation facility, has 26 rooms with a high occupancy rate of over 75%.

Medipolis business posted revenue of ¥563 million for the fiscal year ended March 31, 2022, which was an increase of ¥11 million (up 2.0%) relative to the fiscal year ended March 31, 2021, and posted operating loss of ¥17 million, relative to operating loss of ¥54 million for the fiscal year ended March 31, 2021 despite the high operation of the 1,500kW binary geothermal power plant.

(iv) 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.

The SDGs Committee, which the Company established as an advisory body to the Board of Directors in August 2021, conducts 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/>). We are working diligently to prepare an Integrated Report to further enhance our disclosure by reporting financial and non-financial information to our stakeholders in an integrated manner.

In March 2022, the Company was selected as a “Nadeshiko Brand 2022” jointly sponsored by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange as a company that excels in promoting the advancement of women. In addition, the Company was selected as a Health & Productivity Management Outstanding Organization (large enterprise category (White 500)) jointly certified by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi for the sixth consecutive year.

As a part of efforts to conserve biodiversity, the Company has been conducting research into the breeding of Japanese eels in their juvenile stage (glass eels), which are listed as endangered in IUCN Red List, in artificial habitats. We have been gradually moving our research base to Okinoerabu since 2019, where superior quality seawater is available, and plan to completely relocate our research base to the Okinoerabu island during the fiscal year ending March 31, 2023. The number of leptocephalus (larvae) which can be obtained from artificially fertilized eel eggs per fertilization at our laboratory ranges from approximately 50,000 to 100,000. In the fiscal year under review, we collected eggs from a total of 10 parent eels and were able to obtain more than 500,000 larvae. After the larvae hatch, we selected several thousand larvae that can be housed in our laboratory for cultivation, and the average survival rate is over 20% in the first month of life, and the survival rate has remained at around 8-10% for the following three months. It takes six to eight months for the larvae to grow into glass eels, and since improving the survival rate is the key to success, we are currently conducting research on improving the cultivation environment.

(2) Overview of financial position for the fiscal year ended March 31, 2022

Changes in financial position for the fiscal year ended March 31, 2022 from the end of the previous fiscal year were as follows:

Total assets as of March 31, 2022 increased by ¥2,340 million compared to the balance as of the end of the previous fiscal year, to ¥39,312 million (up 6.3%). Current assets increased by ¥1,354 million compared to the balance as of the end of the previous fiscal year, to ¥16,134 million (up 9.2%) due mainly to increase in notes and accounts receivable - trade, and contract assets. Non-current assets increased by ¥985 million compared to the balance as of the end of the previous fiscal year, to ¥23,178 million (up 4.4%) due mainly to an increase in other investments and other assets.

Liabilities decreased by ¥1,544 million compared to the balance as of the end of the previous fiscal year, to ¥19,589 million (down 7.3%). Current liabilities increased by ¥1,458 million compared to the balance as of the end of the previous fiscal year, to ¥13,373 million (up 12.2%) due mainly to an increase in advances received. Non-current liabilities decreased by ¥3,002 million compared to the balance as of the end of the previous fiscal year, to ¥6,215 million (down 32.6%) due mainly to a decrease in long-term borrowings.

Net assets increased by ¥3,884 million compared to the balance as of the end of the previous fiscal year, to ¥19,723 million (up 24.5%), after the posting of ¥7,127 million in profit attributable to owners of parent and a decrease in market value in investment securities and others.

(3) Overview of cash flows for the fiscal year ended March 31, 2022

The outstanding balance of cash and cash equivalents (“cash”) as of March 31, 2022 was ¥4,548 million, down ¥2,731 million (37.5%) compared to the balance as of the end of the previous fiscal year.

Status of each cash flow during the fiscal year ended March 31, 2022 and main contributing factors thereof are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥5,952 million, up ¥1,206 million (25.4%) relative to the fiscal year ended March 31, 2021.

The main contributing factors included net profit before income taxes of ¥8,183 million, depreciation of ¥1,177 million, foreign exchange gains of ¥1,348 million, gain on sale of shares of subsidiaries and associates of ¥1,096 million, share of profit of entities accounted for using equity method of ¥1,439 million, an increase in advances received of ¥1,611 million and income taxes paid of ¥1,014 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥4,268 million, up ¥3,999 million (1488.8%) relative to the fiscal year ended March 31, 2021.

The main contributing factors included payments into time deposits of ¥3,672 million, purchase of property, plant and equipment of ¥1,543 million, proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation of ¥1,084 million and purchase of investment securities of ¥521 million.

(Cash flows from financing activities)

Net cash used in financing activities was ¥4,911 million, up ¥2,440 million (98.8%) relative to the fiscal year ended March 31, 2021.

The main contributing factors included repayments of long-term borrowings of ¥3,492 million and dividends paid of ¥826 million.

(4) Future outlook

In our mainstay CRO business, we are working to build a system that can reliably respond to the demands of our customers in Japan and overseas from a medium- to long-term perspective. Currently, we are actively promoting the following investments and research and development in research support for new modalities in drug discovery, including therapeutic antibodies, nucleic acid medicine, peptide drugs, gene therapy, and regenerative medicine, and have been able to receive orders for new modalities in drug discovery based on our techniques and an evaluation system that are difficult for competing laboratory facilities to achieve.

- Establishment of techniques for delivering drugs into special regions such as eyes or brain
- Introduction of state-of-the-art equipment useful for evaluation of new modalities in drug discovery
- Building new evaluation systems useful for assessing the efficacy and safety of each modality in drug discovery

Our research and development support for vaccines and therapeutic agents against COVID-19 has been highly evaluated by our customers due to reduced lead times and others, which other companies cannot emulate, through our internal business process innovation, and we have been consigned to conduct a large number of research projects. In addition, inquiries from overseas customers continue to be active, and we have succeeded in receiving ongoing orders from global pharmaceutical companies due to our competitive advantage in the following three areas.

- Know-how and trust cultivated through 20 years of preclinical CRO business operations in the US
- Leveraging human resources with experience working in the US
- Establishment of an evaluation system for new modalities in drug discovery

In particular, we have achieved a stable supply of laboratory animals through supply chain management and the Company-established framework for breeding and supplying large laboratory animals within the SNBL Group, which is the only system of its kind in the world, and this has been highly evaluated by our customers, which has led to orders for large-scale studies. We will continue to strengthen our supply chain management and reinforce the breeding system at our Group facilities in Southeast Asia, as well as establish a sufficient breeding system in Japan. In addition, we are expanding our facilities and increasing our research staff in order to build a system that can fully meet customer needs.

For TR business, we are developing drugs based on application of our proprietary intranasal drug delivery technology, and we are engaged in licensing activities and joint development proposals to pharmaceutical companies in Japan and overseas. We will continue to provide technical support to Satsuma Pharmaceuticals, Inc., which is conducting a Phase III clinical trial for an intranasal migraine therapeutic agent, as licensor of the intellectual property. SNLD has been

conducting a Phase I clinical trial of a nasal neurodegenerative disease rescue medication and will select a portfolio to follow. Meanwhile, SNLD is accelerating research and development of nose-to-brain delivery technology as a new application area. Unmet medical needs in central nervous system diseases are very high, and the development of therapeutic agents for these diseases has become a priority focus area for pharmaceutical companies. Nose-to-Brain delivery technology is expected to be applied to drugs that cannot be delivered into the brain even by intravenous injection due to the presence of the Blood Brain Barrier. The goal going forward is to promote collaborative research with academia, and based on these data, to enter into joint research and feasibility study agreements with several major pharmaceutical companies. Gemseki Inc. will actively develop its licensing brokerage business for drug discovery seeds and technologies on a global basis and promote its investment business.

For Medipolis business (Social Benefit Generation Business), in addition to the existing geothermal power generation facility, we are constructing a hot spring power generation facility utilizing the existing hotel spring source. Hospitality business is operating under a new style, such as focusing on COVID-19 measures, establishing a system to allow overnight stay with peace of mind, and opening a luxury-oriented wellness resort hotel with a limited number of rooms.

Consolidated earnings forecasts

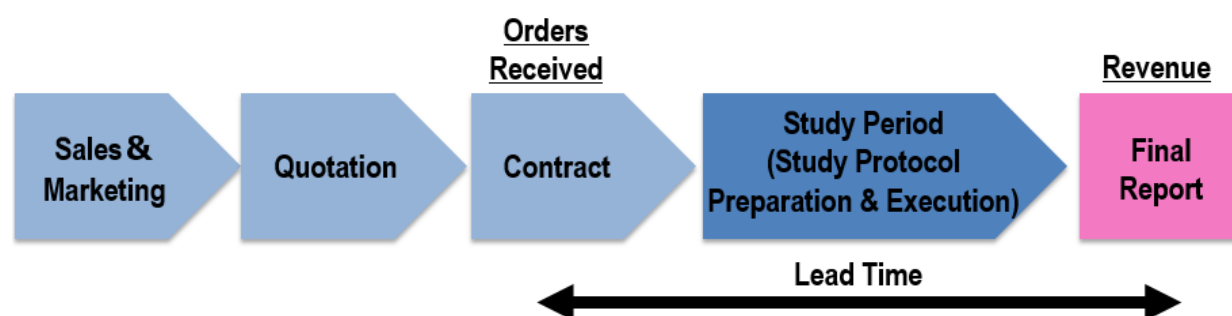
The consolidated earnings forecast for the fiscal year ending March 31, 2023 (April 1, 2022 to March 31, 2023) is revenue ¥19,600 million, operating profit ¥5,000 million, ordinary profit ¥6,000 million, and profit attributable to owners parent ¥4,300 million. Please refer to the next page for principal management benchmarks (capital expenditures, depreciation, R&D expenses, and number of employees), assumptions on which the forecast is based. The assumed exchange rate is 1 US dollar = 122.41 yen.

With regard to the impact of the situation in Russia and Ukraine, the Company does not expect any direct impact since we do not have any business locations in Russia or Ukraine, however, due to concerns about rising energy and other costs, on April 12, 2022, the Company established a committee to promote energy consumption savings, and we are studying fundamental measures and strengthening resource-conserving activities that we have been implementing in the past.

The impact of COVID-19 on the Company's financial results is believed to be negligible at this time.

(Reference)

[Conceptual diagram of the preclinical CRO business]



[Orders received in the preclinical CRO business]

(Millions of yen)

	Full-year results for the fiscal year ended March 31, 2020	Full-year results for the fiscal year ended March 31, 2021	Full-year results for the fiscal year ended March 31, 2022
Orders received	13,194	15,271	22,389
[of which, overseas orders received]	[1,780]	[3,130]	[6,138]
Order backlog	11,299	13,275	19,494

[Trends in Principal Management Benchmarks]

(Millions of yen, unless otherwise noted)

	Full-year results for the fiscal year ended March 31, 2020	Full-year results for the fiscal year ended March 31, 2021	Full-year results for the fiscal year ended March 31, 2022	Fiscal year ending March 31, 2023 (Forecast)
	From April 2019 to March 2020	From April 2020 to March 2021	From April 2021 to March 2022	From April 2022 to March 2023
Capital expenditures	1,514	1,025	1,703	5,700
Depreciation	1,229	1,187	1,177	1,410
R&D expenses	400	392	425	815
Number of employees at period-end (people)	985	986	994	1,066

2. Basic Policy on Selection of Accounting Standards

For the time being, the Group has decided to adopt Japanese GAAP in consideration of periodic comparability of consolidated financial statements. We intend to address adopting IFRS (International Financial Reporting Standards) as appropriate, taking into consideration various circumstances in Japan and overseas.

3. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated balance sheet

(Thousands of yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	7,230,744	6,628,901
Notes and accounts receivable – trade, and contract assets	2,954,087	3,501,562
Securities	55,765	368,090
Inventories	4,071,369	4,359,421
Other	470,119	1,278,736
Allowance for doubtful accounts	(2,056)	(2,225)
Total current assets	14,780,029	16,134,487
Non-current assets		
Property, plant and equipment		
Buildings and structures	19,112,933	19,229,717
Accumulated depreciation	(11,546,772)	(11,871,452)
Buildings and structures, net	7,566,161	7,358,265
Machinery, equipment and vehicles	1,993,760	1,969,013
Accumulated depreciation	(1,281,015)	(1,363,427)
Machinery, equipment and vehicles, net	712,744	605,586
Tools, furniture and fixtures	6,443,694	6,641,060
Accumulated depreciation	(5,678,950)	(5,593,370)
Tools, furniture and fixtures, net	764,744	1,047,689
Land	2,803,260	2,944,966
Leased assets	1,205,578	1,186,464
Accumulated depreciation	(611,165)	(750,285)
Leased assets, net	594,412	436,178
Construction in progress	456,647	763,130
Total property, plant and equipment	12,897,971	13,155,817
Intangible assets	213,762	212,337
Investments and other assets		
Investment securities	8,286,937	7,080,067
Long-term loans receivable	37,523	36,554
Deferred tax assets	521,612	1,129,594
Other	234,567	1,563,796
Total investments and other assets	9,080,641	9,810,013
Total non-current assets	22,192,374	23,178,168
Total assets	36,972,404	39,312,655

(Thousands of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	95,012	64,574
Short-term borrowings	3,486,826	2,942,742
Income taxes payable	683,229	743,103
Advances received	5,317,925	6,938,417
Provision for loss on business liquidation	15,419	—
Other	2,317,390	2,685,133
Total current liabilities	11,915,803	13,373,972
Non-current liabilities		
Long-term borrowings	8,669,916	5,809,744
Lease liabilities	529,324	385,822
Other	18,573	20,011
Total non-current liabilities	9,217,814	6,215,578
Total liabilities	21,133,617	19,589,550
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	10,196,329
Treasury shares	(197)	(247)
Total shareholders' equity	15,840,118	22,181,923
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,096,313	170,768
Foreign currency translation adjustment	(2,201,981)	(2,791,597)
Total accumulated other comprehensive income	(105,667)	(2,620,829)
Non-controlling interests	104,335	162,011
Total net assets	15,838,786	19,723,105
Total liabilities and net assets	36,972,404	39,312,655

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

Consolidated statement of income

(Thousands of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Revenue	15,110,548	17,748,482
Cost of revenue	7,556,144	8,061,183
Gross profit	7,554,403	9,687,299
Selling, general and administrative expenses		
Remuneration for directors (and other officers)	324,238	362,852
Salaries and allowances	1,535,857	1,651,822
Retirement benefit expenses	22,388	23,175
Welfare expenses	301,842	380,380
Insurance expenses	22,955	25,864
Supplies expenses	71,268	59,571
Rent expenses	110,322	104,482
Depreciation	150,268	158,960
Travel, transportation and vehicle expenses	64,673	80,326
Commission expenses	676,183	834,856
Breeding animal maintenance expenses	552,706	487,311
R&D expenses	392,238	425,075
Provision of allowance for doubtful accounts	–	169
Other	799,924	896,839
Total selling, general and administrative expenses	5,024,869	5,491,689
Operating profit	2,529,534	4,195,609
Non-operating income		
Interest income	2,972	8,313
Dividend income	–	500
Foreign exchange gains	239,999	1,370,005
Share of profit of entities accounted for using equity method	846,283	1,439,317
Other	214,683	193,687
Total non-operating income	1,303,939	3,011,824
Non-operating expenses		
Interest expenses	184,860	126,646
Other	3,273	2,594
Total non-operating expenses	188,133	129,240
Ordinary profit	3,645,340	7,078,192
Extraordinary income		
Gain on sale of non-current assets	1,929	896
Gain on sale of investment securities	48,234	–
Gain on sale of shares of subsidiaries and associates	1,242,339	1,096,054
Gain on change in equity	–	322,435
Other	–	514
Total extraordinary income	1,292,502	1,419,900
Extraordinary losses		
Loss on retirement of non-current assets	5,645	21,748
Impairment losses	639,168	225,219
Loss on valuation of investment securities	117,464	37,243
Loss on liquidation of business	–	30,569
Total extraordinary losses	762,279	314,781
Profit before income taxes	4,175,563	8,183,311
Income taxes - current	660,054	1,049,664
Income taxes - deferred	(162,262)	(33,458)
Total income taxes	497,792	1,016,205
Profit	3,677,771	7,167,105
Profit attributable to non-controlling interests	15,916	39,475
Profit attributable to owners of parent	3,661,855	7,127,629

Consolidated statement of comprehensive income

(Thousands of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Profit	3,677,771	7,167,105
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,998,437)	(1,925,545)
Foreign currency translation adjustment	(7,637)	(673,588)
Share of other comprehensive income of entities accounted for using equity method	–	82,360
Total other comprehensive income	(4,006,074)	(2,516,774)
Comprehensive income	(328,303)	4,650,331
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(345,211)	4,612,468
Comprehensive income attributable to non- controlling interests	16,907	37,862

(3) Consolidated statement of changes in equity

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	9,679,070	5,196,804	(2,489,003)	(197)	12,386,673
Changes during period					
Profit attributable to owners of parent			3,661,855		3,661,855
Deficit disposition		(2,681,623)	2,681,623		–
Dividends of surplus - other capital surplus		(208,160)			(208,160)
Change in ownership interest of parent due to transactions with non-controlling interests		(250)			(250)
Net changes in items other than shareholders' equity					–
Total changes during period	–	(2,890,033)	6,343,478	–	3,453,445
Balance at end of period	9,679,070	2,306,771	3,854,474	(197)	15,840,118

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	6,094,751	(2,193,352)	3,901,398	93,775	16,381,848
Changes during period					
Profit attributable to owners of parent			–		3,661,855
Deficit disposition			–		–
Dividends of surplus - other capital surplus			–		(208,160)
Change in ownership interest of parent due to transactions with non-controlling interests			–		(250)
Net changes in items other than shareholders' equity	(3,998,437)	(8,629)	(4,007,066)	10,559	(3,996,506)
Total changes during period	(3,998,437)	(8,629)	(4,007,066)	10,559	(543,061)
Balance at end of period	2,096,313	(2,201,981)	(105,667)	104,335	15,838,786

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	9,679,070	2,306,771	3,854,474	(197)	15,840,118
Cumulative effects of changes in accounting policies			46,865		46,865
Restated balance	9,679,070	2,306,771	3,901,340	(197)	15,886,984
Changes during period					
Profit attributable to owners of parent			7,127,629		7,127,629
Dividends of surplus			(832,640)		(832,640)
Purchase of treasury shares				(49)	(49)
Net changes in items other than shareholders' equity					–
Total changes during period	–	–	6,294,989	(49)	6,294,939
Balance at end of period	9,679,070	2,306,771	10,196,329	(247)	22,181,923

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	2,096,313	(2,201,981)	(105,667)	104,335	15,838,786
Cumulative effects of changes in accounting policies					46,865
Restated balance	2,096,313	(2,201,981)	(105,667)	104,335	15,885,651
Changes during period					
Profit attributable to owners of parent			–		7,127,629
Dividends of surplus			–		(832,640)
Purchase of treasury shares			–		(49)
Net changes in items other than shareholders' equity	(1,925,545)	(589,616)	(2,515,161)	57,675	(2,457,485)
Total changes during period	(1,925,545)	(589,616)	(2,515,161)	57,675	3,837,453
Total balance during period	170,768	(2,791,597)	(2,620,829)	162,011	19,723,105

(4) Consolidated statement of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	4,175,563	8,183,311
Depreciation	1,187,684	1,177,432
Impairment losses	639,168	225,219
Increase (decrease) in allowance for doubtful accounts	(68,350)	169
Interest and dividend income	(2,972)	(8,813)
Interest expenses	184,860	126,646
Foreign exchange losses (gains)	(249,218)	(1,348,182)
Loss (gain) on sale of non-current assets	(1,924)	(896)
Loss on retirement of non-current assets	5,641	21,748
Loss (gain) on valuation of investment securities	117,464	37,243
Loss (gain) on sale of investment securities	(48,234)	—
Loss (gain) on sale of shares of subsidiaries and associates	(1,242,339)	(1,096,054)
Share of loss (profit) of entities accounted for using equity method	(846,283)	(1,439,317)
Loss (gain) on change in equity	—	(322,435)
Decrease (increase) in trade receivables	(343,473)	(480,925)
Decrease (increase) in inventories	(71,685)	(371,070)
Increase (decrease) in advances received	1,039,665	1,611,879
Increase (decrease) in trade payables	(24,188)	(36,713)
Other	543,476	(121,676)
Subtotal	4,994,853	6,157,566
Interest and dividends received	404,049	928,190
Interest paid	(172,416)	(118,155)
Income taxes paid	(479,798)	(1,014,823)
Net cash provided by (used in) operating activities	4,746,687	5,952,778
Cash flows from investing activities		
Payments into time deposits	—	(3,672,300)
Purchase of property, plant and equipment	(1,067,166)	(1,543,090)
Proceeds from sale of property, plant and equipment	1,985	904
Purchase of intangible assets	(50,855)	(71,180)
Purchase of investment securities	(894,973)	(521,827)
Proceeds from sale of investment securities	91,426	—
Purchase of shares of subsidiaries and associates	—	(225)
Proceeds from sale of shares of subsidiaries and associates	1,242,339	57,874
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	58,522
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	1,084,650
Loan advances	(8,800)	(6,000)
Proceeds from collection of loans receivable	420,440	343,024
Other	(3,052)	1,101
Net cash provided by (used in) investing activities	(268,657)	(4,268,545)

(Thousands of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(2,000,000)	(6,150)
Proceeds from long-term borrowings	4,540,000	—
Repayments of long-term borrowings	(4,598,224)	(3,492,304)
Decrease (increase) in treasury shares	—	(49)
Repayments of finance lease liabilities	(200,005)	(583,999)
Dividends paid	(206,246)	(826,530)
Dividends paid to non-controlling interests	(2,950)	(2,950)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(3,648)	—
Net cash provided by (used in) financing activities	(2,471,074)	(4,911,983)
Effect of exchange rate change on cash and cash equivalents	29,621	496,708
Net increase (decrease) in cash and cash equivalents	2,036,577	(2,731,043)
Cash and cash equivalents at beginning of period	5,243,258	7,279,835
Cash and cash equivalents at end of period	7,279,835	4,548,792

(5) Notes to consolidated financial statements

(Notes on going concern assumption)

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 fiscal year ended March 31, 2022 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 fiscal year ended March 31, 2022 has been added to or deducted from the opening balance of retained earnings of the fiscal year ended March 31, 2022, 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 fiscal year ended March 31, 2022, 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 fiscal year ended March 31, 2022.

(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 fiscal year ended March 31, 2022, 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 consolidated financial statements.

(Segment information)

1. Overview of reportable segments

The reportable segments of the Company are components of the Company for which discrete financial information is available and regularly reviewed by the CEO to make decisions about allocation of managerial resources and to assess their performance.

We organize our business units based on the drug development process and have three reportable segments: CRO business, Translational Research business, and Medipolis business (Social Benefits Generation Business).

In CRO business, we use laboratory animals, cells and bacteria to confirm the efficacy and safety of study substances created mainly by pharmaceutical companies and other consignors. Translational Research business is a business to increase added value and to commercialize by development of nasal delivery formulations and discovery of promising seed technologies and new substances derived from basic research of universities, bio-ventures and research institutes, etc., through demonstrating the basic theory in a clinical setting while conducting preclinical and clinical studies necessary for evaluation and approval of drugs, etc. Medipolis business consists of the operation of accommodation facilities and geothermal power generation business.

2. Method of calculating revenue, profit or loss, assets, liabilities, and other items by reportable segment

The accounting method for reported business segments is generally the same as that described in basis of presenting consolidated financial statements.

Profits of reportable segments are based on operating profit.

Transactions with other segments are based on prevailing market prices.

3. Information on the amounts of revenue, profit or loss, assets, liabilities, and other items by reportable segment Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

	Reportable segments				Other (Note 1)	Total	Adjustments (Note 2)	Amount recorded on the consolidated statement of income (Note 3)
	CRO business	Translational Research business	Medipolis business	Subtotal				
Revenue								
Revenues from external customers	14,435,282	12,242	512,939	14,960,464	150,083	15,110,548	–	15,110,548
Transactions with other segments	73,567	–	39,239	112,807	353,787	466,595	(466,595)	–
Total	14,508,850	12,242	552,179	15,073,272	503,870	15,577,143	(466,595)	15,110,548
Segment profit (loss)	3,393,225	(708,029)	(54,903)	2,630,291	(35,471)	2,594,819	(65,285)	2,529,534
Segment assets	16,574,063	96,852	1,274,716	17,945,632	2,649,697	20,595,329	16,377,074	36,972,404
Other items								
Depreciation	930,313	472	91,251	1,022,036	165,647	1,187,684	–	1,187,684
Share of profit (loss) of entities accounted for using equity method	846,498	–	–	846,498	(215)	846,283	–	846,283
Increase in property, plant and equipment and intangible assets	504,794	28,786	330,925	864,505	167,466	1,031,971	(6,741)	1,025,230

(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 ¥65,285 thousand consist of ¥62,011 thousand in elimination of intersegment transactions and negative ¥127,297 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. The adjustment amount of ¥16,377,074 thousand for segment assets is corporate assets that are not allocated to each reportable segment. Corporate assets consist mainly of surplus operating funds (cash and deposits, etc.) and long-term investment funds (investment securities, etc.).
- 3 Segment profit (loss) has been calculated upon adjusting operating profit in the consolidated statement of income.

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Thousands of yen)

	Reportable segments				Other (Note 1)	Total	Adjustments (Note 2)	Amount recorded on the consolidated statement of income (Note 3)
	CRO business	Translational Research business	Medipolis business	Subtotal				
Revenue								
Revenues from external customers	16,943,913	12,062	528,035	17,484,011	264,470	17,748,482	-	17,748,482
Transactions with other segments	103,938	800	35,462	140,201	704,498	844,700	(844,700)	-
Total	17,047,852	12,862	563,497	17,624,213	968,969	18,593,182	(844,700)	17,748,482
Segment profit (loss)	5,035,685	(746,987)	(17,798)	4,270,899	41,581	4,312,481	(116,871)	4,195,609
Segment assets	17,811,008	90,036	1,848,945	19,749,990	2,786,760	22,536,750	16,775,904	39,312,655
Other items								
Depreciation	916,203	3,421	94,963	1,014,589	162,843	1,177,432	-	1,177,432
Share of profit (loss) of entities accounted for using equity method	1,439,573	-	-	1,439,573	△255	1,439,317	-	1,439,317
Increase in property, plant and equipment and intangible assets	1,070,200	18,503	186,208	1,274,913	464,648	1,739,562	△35,772	1,703,789

(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 ¥116,871 thousand consist of ¥10,297 thousand in elimination of intersegment transactions and negative ¥127,169 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. The adjustment amount of ¥16,775,904 thousand for segment assets is corporate assets that are not allocated to each reportable segment. Corporate assets consist mainly of surplus operating funds (cash and deposits, etc.) and long-term investment funds (investment securities, etc.).
- 3 Segment profit (loss) has been calculated upon adjusting operating profit in the consolidated statement of income.

(Per share information)

(Yen)

	Fiscal year ended March 31,2021 (from April 1, 2020 to March 31, 2021)	Fiscal year ended March 31,2022 (from April 1, 2021 to March 31, 2022)
Net assets per share	377.94	469.85
Profit per share	87.95	171.20

(Notes) 1. Diluted earnings per share for the previous fiscal year and the fiscal year under review are not shown in the above table, as there are no dilutive shares.

2. The basis for calculation of net assets per share is as follows.

	As of March 31, 2021	As of March 31, 2022
Total net assets (thousand yen)	15,838,786	19,723,105
Net assets related to common stock at the end of the period (thousand yen)	15,734,450	19,561,094
Breakdown of the difference (thousand yen)		
Non-controlling interests	104,335	162,011
Number of shares of common stock used for calculation of net assets per share at the end of the period (thousand shares)	41,632	41,632

3 The basis for calculation of earnings per share is as follows.

	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)
Profit attributable to owners of parent (thousand yen)	3,661,855	7,127,629
Amount not attributable to common shareholders (thousand yen)	–	–
Profit attributable to owners of parent pertaining to common shares (thousand yen)	3,661,855	7,127,629
Average number of shares of common stock during the period (thousand shares)	41,632	41,632

(Subsequent Events)

Not applicable.