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MEMBERSHIP
July 29, 2022

Consolidated Financial Results for the Three Months of the Fiscal Year Ending March 31, 2023 (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: July 29, 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 three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

(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	%
Three months ended								
June 30, 2022	4,046	33.1	714	45.2	2,772	312.1	1,944	6.5
June 30, 2021	3,041	(4.2)	491	9.9	672	(8.1)	1,826	183.9

Note: Comprehensive income For the three months ended June 30, 2022: ¥3,167 million [14.2%]
 For the three months ended June 30, 2021: ¥2,773 million [35.2%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2022	46.70	–
June 30, 2021	43.87	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
June 30, 2022	45,280	21,225	46.5	506.15
March 31, 2022	39,312	19,723	49.8	469.85

Reference: Equity
 As of June 30, 2022: ¥21,072 million
 As of March 31, 2022: ¥19,561 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, 2022	–	0.00	–	40.00	40.00
Fiscal year ending March 31, 2023	–				
Fiscal year ending March 31, 2023 (Forecast)		20.00	–	20.00	40.00

Note: Revisions to the forecast of cash dividends most recently announced: None
Year-end dividend for the fiscal year ended March 31, 2022 includes a special dividend of ¥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	10,570	32.8	2,510	27.4	4,700	85.8	3,310	(5.5)	79.50
Fiscal year ending March 31, 2022	22,830	28.6	5,210	24.2	7,890	11.5	5,590	(21.5)	134.27

Note: Revisions to the forecast of consolidated financial results most recently announced: Yes

For details, please refer to the “Revisions of the Earnings Forecasts for the Six Months and Full-Year of the FY Ending March 31, 2023” 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: None
- (ii) Changes in accounting policies due to other reasons: None
- (iii) Changes in accounting estimates: None
- (iv) Restatement: None
- (4) Number of issued shares (common shares)

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

As of June 30, 2022	41,632,400 shares
As of March 31, 2022	41,632,400 shares

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

As of June 30, 2022	420 shares
As of March 31, 2022	390 shares

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

Three months ended June 30, 2022	41,632,009 shares
Three months ended June 30, 2021	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 three months ended June 30, 2022

(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 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, cell 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 three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022) increased by ¥1,005 million (up 33.1%) year on year to ¥4,046 million. Operating profit increased by ¥222 million (up 45.2%) year on year to ¥714 million, and ordinary profit increased by ¥2,099 million (up 312.1%) year on year to ¥2,772 million, in part due to recording foreign exchange gains of ¥1,686 million (foreign exchange losses of ¥7 million in the three months ended June 30, 2021). Profit attributable to owners of parent increased by ¥117 million (up 6.5%) year on year to ¥1,944 million, despite the increase of income taxes and the absence of extraordinary income of ¥1,360 million recorded in the three months ended June 30, 2021 due to share transfer and third-party allocation of new shares to Pharmaron Beijing Co., Ltd. (Pharmaron Group) in relation to Biomedical Research (GZ) Ltd., which engages in the business of laboratory animal breeding, raising, and quarantine.

As of June 30, 2022, the SNBL Group had 1,050 employees on a consolidated basis excluding part-time and hourly employees (an increase of 56 employees from the end of March 2022), and the ratio of female employees was 51.8% (51.2% at the end of March 2021).

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 steady results for the three months ended June 30, 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 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 aforementioned initiatives, orders received for the three months ended June 30, 2022 increased by ¥433 million (up 7.1%) year on year to ¥6,566 million despite the high level of three months ended June 30, 2021. The order backlog as of June 30, 2022, was ¥22,589 million, which is also a record high. In addition, orders received from overseas increased substantially by ¥1,074 million (up 66.6%) year on year, to ¥2,686 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 40.9% (26.3% for the three months ended June 30, 2021). Moreover, in the three months ended June 30, 2022, expansion of the animal facility for primates was completed, and its total capacity has been increased by approximately 10%.

Meanwhile, the clinical business has been engaging in contract 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 for the three months ended June 30, 2022 significantly increased to ¥348 million (¥192 million in the three months ended June 30, 2021). 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 for the three months ended June 30, 2022 of ¥3,679 million, which was an increase of ¥803 million (up 27.9%) relative to the three months ended June 30, 2021. Operating profit of the CRO business increased by ¥226 million (up 35.5%) year on year to ¥864 million, and ratio of operating profit to revenue was 23.5%.

(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, and it is pursuing drug discovery.

The basic technology of the intranasal delivery system, which has been a focus of inquiry in the TR business since 1997, is a platform technology that combines a powdered formulation technology using a proprietary carrier as the base with a proprietary designed delivery device (medical device), and characterized by rapid onset of action based on drug 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., 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 rescue medication for a neurodegenerative disease (development code: TR-012001) and completed the registrations of subjects. For this clinical trial, we plan to conduct evaluations on the safety, tolerability and pharmacokinetics of TR-012001 using a total of 21 healthy individuals. For this trial together with separate projects of the TR business, we are aiming for the creation of a new portfolio, including the development of nasal vaccines, which show promise of mucosal immunological effect.

In the above way, the TR business has been conducting in-house drug discovery through the application of intranasal drug delivery base technologies, while pursuing R&D to develop a proprietary delivery technology (Nose to Brain) to enhance drug delivery to the brain through nasal administration.

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, the TR business posted revenue of ¥11 million for the three months ended June 30, 2022, (no revenue was recorded for the three months ended June 30, 2021), and posted operating loss of ¥123 million, relative to operating loss of ¥144 million for the three months ended June 30, 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 (10,750,000 kWh). During the three months ended June 30, 2022, as a new power generation project, the construction of a hot spring power generation plant (annual amount of power produced of 4,000,000 kWh) that utilizes residual steam from the hot spring sources supplied to the hotel’s bathing facilities and floor heating completed in June 2022. Due to delays in the manufacturing of certain equipment caused by recent semiconductor shortages, this power generation plant is expected to be connected to the power grid to sell power in October 2022. However, we are actively operating this power

generation plant and providing power to the hotel facilities run by the Company on the plant site during period until it is connected to the power grid, working to reduce our greenhouse gas emissions.

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.

The Medipolis business posted revenue of ¥175 million for the three months ended June 30, 2022, an increase of 38 million (up 27.9%) relative to the three months ended June 30, 2021, and posted operating profit of ¥19 million, an increase of ¥1 million relative to the three months ended June 30, 2021, due to stable, high-performance operations of the 1,500 kW binary-type geothermal power generation plant and the trend of recovery in occupancy rates of its hotel accommodation facilities.

(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 (chaired by independent External Director, Dr. Keiko Toya), 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/>). As for the three months ended June 30, 2022, we updated our Corporate Governance Report in June 2022. The Company has implemented all the principles of the Corporate Governance Code following the revisions in June 2021, including those for the TSE Prime Market. 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.

(2) Explanation of financial position

Changes in financial position for the three months ended June 30, 2022 from the end of the previous fiscal year were as follows:

Total assets as of June 30, 2022 increased by ¥5,968 million compared to the balance as of the end of the previous fiscal year, to ¥45,280 million (up 15.2%). Current assets increased by ¥2,453 million compared to the balance as of the end of the previous fiscal year, to ¥18,588 million (up 15.2%) due mainly to an increase of ¥2,457 million in cash and deposits. Non-current assets increased by ¥3,514 million compared to the balance as of the end of the previous fiscal year, to ¥26,692 million (up 15.2%) due mainly to an increase in market value in investment securities.

Liabilities increased by ¥4,465 million compared to the balance as of the end of the previous fiscal year, to ¥24,055 million (up 22.8%). Current liabilities increased by ¥1,490 million compared to the balance as of the end of the previous fiscal year, to ¥14,864 million (up 11.1%) due mainly to increases in short-term borrowings and in advances received, and a decrease in income taxes payable. Non-current liabilities increased by ¥2,974 million compared to the balance as of the end of the previous fiscal year, to ¥9,190 million (up 47.8%) due mainly to an increase in long-term borrowings.

Net assets increased by ¥1,502 million compared to the balance as of the end of the previous fiscal year, to ¥21,225 million (up 7.6%), after the posting of ¥1,944 million in profit attributable to owners of parent and a reduction in loss on foreign currency translation adjustment.

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

As announced in the “Notice of Result of Tender Offer for Shares of Common Stock of Ina Research Inc. and Change in Subsidiaries” on July 14, 2022, Ina Research Inc. became Company’s consolidated subsidiary on July 20, 2022. Reflecting this event and in consideration of effects of the goodwill amortization related to Ina Research Inc. acquisition and recent foreign exchange and currency trends, the Company revised the consolidated financial forecasts for the fiscal year ending March 31, 2023 announced on May 6, 2022. For details, please refer to the “Revisions of the Earnings Forecasts for the Six Months and Full-Year of the FY Ending March 31, 2023” announced today.

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.

[Orders received in the preclinical CRO business]

(Millions of yen)

	Results for the three months ended June 30, 2019	Full-year results for the fiscal year ended March 31, 2020	Results for the three months ended June 30, 2020	Full-year results for the fiscal year ended March 31, 2021	Results for the three months ended June 30, 2021	Full-year results for the fiscal year ended March 31, 2022	Results for the three months ended June 30, 2022
Orders received [of which, overseas orders received]	3,542 [602]	13,194 [1,780]	3,828 [658]	15,271 [3,130]	6,133 [1,612]	22,389 [6,138]	6,566 [2,686]
Order backlog	11,982	11,299	12,364	13,275	16,716	19,494	22,589

[Trends in principal management benchmarks]

(Millions of yen, unless otherwise noted)

	Results for the three months ended June 30, 2019	Full-year results for the fiscal year ended March 31, 2020 (from Apr. 2019 to Mar. 2020)	Results for the three months ended June 30, 2020	Full-year results for the fiscal year ended March 31, 2021 (from Apr. 2020 to Mar. 2021)	Results for the three months ended June 30, 2021	Full-year results for the fiscal year ended March 31, 2022 (from Apr. 2021 to Mar. 2022)	Results for the three months ended June 30, 2022	Full-year forecasts for the fiscal year ending March 31, 2023 (from Apr. 2022 to Mar. 2023)
Capital expenditures		1,514		1,025		1,703		5,700
Depreciation	279	1,229	282	1,187	279	1,177	308	1,410
R&D expenses	81	400	83	392	76	425	116	815
Number of employees at period-end (people)	971	985	1,041	986	1,035	994	1,050	1,066

(Note) Above figures do not include the impact of Ina Research Inc. acquisition.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Thousands of yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	6,628,901	9,086,473
Notes and accounts receivable – trade, and contract assets	3,501,562	3,158,561
Securities	368,090	411,316
Inventories	4,359,421	4,924,193
Other	1,278,736	1,009,659
Allowance for doubtful accounts	(2,225)	(2,107)
Total current assets	16,134,487	18,588,097
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,358,265	7,967,809
Land	2,944,966	3,016,542
Other, net	2,852,583	3,443,001
Total property, plant and equipment	13,155,817	14,422,353
Intangible assets	212,337	235,271
Investments and other assets		
Investment securities	7,080,067	9,960,596
Other	2,729,944	2,074,498
Total investments and other assets	9,810,013	12,035,094
Total non-current assets	23,178,168	26,692,719
Total assets	39,312,655	45,280,816

(Thousands of yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	64,574	58,366
Short-term borrowings	2,942,742	3,821,336
Income taxes payable	743,103	266,323
Advances received	6,938,417	8,283,542
Other	2,685,133	2,435,343
Total current liabilities	13,373,972	14,864,791
Non-current liabilities		
Long-term borrowings	5,809,744	8,813,298
Lease liabilities	385,822	356,427
Other	20,011	20,784
Total non-current liabilities	6,215,578	9,190,510
Total liabilities	19,589,550	24,055,422
Net assets		
Shareholders' equity		
Share capital	9,679,070	9,679,070
Capital surplus	2,306,771	2,306,771
Retained earnings	10,196,329	10,475,430
Treasury shares	(247)	(306)
Total shareholders' equity	22,181,923	22,460,966
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	170,768	482,228
Foreign currency translation adjustment	(2,791,597)	(1,871,070)
Total accumulated other comprehensive income	(2,620,829)	(1,388,841)
Non-controlling interests	162,011	153,270
Total net assets	19,723,105	21,225,394
Total liabilities and net assets	39,312,655	45,280,816

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

Quarterly consolidated statement of income (cumulative)

(Thousands of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Revenue	3,041,254	4,046,531
Cost of revenue	1,478,463	1,991,604
Gross profit	1,562,790	2,054,927
Selling, general and administrative expenses	1,070,965	1,340,912
Operating profit	491,825	714,014
Non-operating income		
Interest income	683	724
Foreign exchange gains	–	1,686,819
Share of profit of entities accounted for using equity method	192,411	366,986
Other	31,940	35,629
Total non-operating income	225,036	2,090,659
Non-operating expenses		
Interest expenses	35,419	28,573
Foreign exchange losses	7,192	–
Other	1,439	3,660
Total non-operating expenses	44,051	32,233
Ordinary profit	672,810	2,772,439
Extraordinary income		
Gain on sale of non-current assets	271	176
Gain on sale of shares of subsidiaries and associates	1,038,179	–
Gain on change in equity	322,435	–
Total extraordinary income	1,360,886	176
Extraordinary losses		
Loss on retirement of non-current assets	317	0
Impairment losses	6,090	620
Total extraordinary losses	6,407	620
Profit before income taxes	2,027,289	2,771,995
Income taxes - current	102,223	272,620
Income taxes - deferred	96,351	562,675
Total income taxes	198,575	835,296
Profit	1,828,713	1,936,699
Profit attributable to non-controlling interests	2,172	(7,682)
Profit attributable to owners of parent	1,826,541	1,944,382

Quarterly consolidated statement of comprehensive income (cumulative)

(Thousands of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Profit	1,828,713	1,936,699
Other comprehensive income		
Valuation difference on available-for-sale securities	816,886	311,460
Foreign currency translation adjustment	128,213	869,542
Share of other comprehensive income of entities accounted for using equity method	–	49,926
Total other comprehensive income	945,100	1,230,929
Comprehensive income	2,773,813	3,167,628
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,772,644	3,176,369
Comprehensive income attributable to non- controlling interests	1,169	(8,741)

(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)

Not applicable.

(Segment information)

I. Three months ended June 30, 2021 (from April 1, 2021 to June 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	2,872,645	–	124,222	2,996,868	44,386	3,041,254	–	3,041,254
Transactions with other segments	3,394	–	12,638	16,033	90,501	106,535	(106,535)	–
Total	2,876,039	–	136,861	3,012,901	134,888	3,147,789	(106,535)	3,041,254
Segment profit (loss)	638,024	(144,059)	18,498	512,462	(6,875)	505,586	(13,761)	491,825

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

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

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

II. Three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

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	3,672,742	11,250	149,131	3,833,124	213,407	4,046,531	–	4,046,531
Transactions with other segments	6,876	–	25,980	32,856	286,711	319,567	(319,567)	–
Total	3,679,618	11,250	175,112	3,865,980	500,118	4,366,099	(319,567)	4,046,531
Segment profit (loss)	864,341	(123,511)	19,731	760,562	4,867	765,429	(51,414)	714,014

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

2 Segment profit (loss) adjustments amounting to negative ¥51,414 thousand consist of negative ¥27,048 thousand in elimination of intersegment transactions and negative ¥24,366 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.

(Subsequent events)

(Business combination through acquisition)

At the Board of Directors meeting held on June 1, 2022, the Company resolved to acquire common shares of Ina Research Inc. (the “Target”) by tender offer in accordance with the Financial Instruments and Exchange Act, and on July 20, 2022, the Company acquired said shares and made the Target its subsidiary.

1. Overview of business combination

(1) Name, and description and size of business of the acquired company

- (i) Name of the acquired company: Ina Research Inc.
- (ii) Description of business: Contract services for safety studies and pharmacological studies for the development of pharmaceuticals, medical devices, agrochemicals, food, and other chemical substances. Installation and sales of air conditioning systems, scrubbers (gas removal devices), and livestock materials and testing equipment, etc.
- (iii) Size of business:

Total assets	¥4,861,348 thousand (as of March 31, 2022)
Revenue	¥3,204,538 thousand (for the fiscal year ended March 31, 2022)

(2) Primary reasons for the business combination

The research and development activities of our client pharmaceutical companies are expanding in scale, becoming more advanced and becoming more global. In line with such trends, the Company decided to make the Target a wholly owned subsidiary with the aim of becoming far and away the first name that comes to mind for clients when they consider CROs in the global market through building a value chain, in order to further pursue swift actions and improved services to meet customer needs, by combining the strengths and know-hows the Target has in the field of science and CRO industry and leveraging them to further reinforce the Company’s study line-ups and quality of service.

(3) Date of business combination July 20, 2022

(4) Legal form of the business combination Share acquisition in consideration of cash

(5) Company name after combination No change.

(6) Ratio of voting rights acquired 92.35% (as of July 29, 2022)

For the purpose of making the Target a wholly owned subsidiary, going forward, the Company will carry out procedures to request all non-controlling shareholders to sell the Company their shares with the intention of raising the ratio of voting rights acquired to 100.00%.

2. Acquisition cost of the acquired company and consideration ¥2,491,406 thousand

3. Content and amount of acquisition-related costs Not confirmed at this stage.

4. Amount of goodwill, reason for recognition, amortization method and amortization period Not confirmed at this stage.

5. Amounts of assets acquired and liabilities assumed on the date of the business combination, and the major components thereof Not confirmed at this stage.