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MEMBERSHIP

October 31, 2022

Consolidated Financial Results for the Six 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: October 31, 2022
 Scheduled date to commence dividend payments: November 30, 2022
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes

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

1. Consolidated financial results for the six months ended September 30, 2022 (from April 1, 2022 to September 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	%
Six months ended								
September 30, 2022	10,348	30.0	2,313	17.5	5,928	134.4	4,419	26.1
September 30, 2021	7,961	13.7	1,969	69.6	2,529	93.8	3,503	207.5

Note: Comprehensive income For the six months ended September 30, 2022: ¥7,027 million [134.9%]
 For the six months ended September 30, 2021: ¥2,992 million [-%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2022	106.16	–
September 30, 2021	84.15	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
September 30, 2022	56,896	25,026	43.7	597.85
March 31, 2022	39,312	19,723	49.8	469.85

Reference: Equity

As of September 30, 2022: ¥24,889 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	–	20.00			
Fiscal year ending March 31, 2023 (Forecast)			–	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
Fiscal year ending March 31, 2023	24,000	35.2	5,260	25.4	9,800	38.5	7,000	(1.8)	168.13

Note: Revisions to the forecast of consolidated financial results most recently announced: Yes
For details, please refer to the “Notice Regarding Differences between Consolidated Financial Forecasts and Actual Results for the Six Months Ended September 30, 2022, and Revisions of Full-year Consolidated Financial Forecasts” announced today.

*** Notes**

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

Note: For details of changes in consolidated subsidiaries which do not fall into the case of specified subsidiaries, please refer to “(Changes in consolidated subsidiaries during the current quarterly accounting period)” in the attachment, “(4) Notes to quarterly consolidated financial statements”.

- (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 September 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 September 30, 2022	444 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)

Six months ended September 30, 2022	41,631,986 shares
Six months ended September 30, 2021	41,632,041 shares

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

* Proper use of earnings forecasts, and other special matters

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, any statements herein do not constitute assurances regarding actual results by the Company. Actual financial results may differ significantly from the forecasts for various reasons. For more information regarding our suppositions that form the assumptions for the earnings forecasts, please see page 5 of the attachment, “(3) Explanation of consolidated earnings forecasts and other forward-looking statements.”

Attached Material

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1. Qualitative information on quarterly consolidated financial results for the six months ended September 30, 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. Moreover, in recent years, research and development involving new modalities in drug discovery has been in full swing, particularly with respect to nucleic acid medicine, next-generation therapeutic antibodies, peptide drugs, gene therapy, cell therapy, and regenerative medicine. 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.

On July 20, the Company conducted a tender offer (TOB) for Ina Research Inc. (“Ina Research”), whose core business is nonclinical CRO business. Ina Research became a consolidated subsidiary of the Company in the second quarter of the fiscal year ending March 31, 2023, and its results from July 2022 onward, with total revenue of ¥984 million and operating profit of ¥114 million, are included in the SNBL Group’s results.

Under such circumstances, revenue for the six months ended September 30, 2022 increased by ¥2,387 million (up 30.0%) year on year to ¥10,348 million. Operating profit increased by ¥344 million (up 17.5%) year on year to ¥2,313 million, and ordinary profit increased by ¥3,399 million (up 134.4%) year on year to ¥5,928 million. Ordinary profit included foreign exchange gains of ¥2,586 million (foreign exchange gains of ¥152 million in the six months ended September 30, 2021). Profit attributable to owners of parent increased by ¥916 million (up 26.1%) year on year to ¥4,419 million. Extraordinary income of ¥1,418 million was recorded in the six months ended September 30, 2021 due mainly to share transfer and third-party allocation of new shares of Biomedical Research (GZ) Ltd., which engages in the business of laboratory animal breeding, raising, and quarantine in China, to Pharmaron Beijing Co., Ltd. (Pharmaron Group).

As of September 30, 2022, the SNBL Group had 1,219 employees on a consolidated basis excluding part-time and hourly employees (an increase of 225 employees from the end of March 2022), and the ratio of female employees was 52.9% (51.2% at the end of March 2022).

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

(i) CRO business

The CRO business comprises the nonclinical business, which undertakes nonclinical (or preclinical) studies mainly using cells and laboratory animals, and the clinical business, which undertakes clinical studies. The nonclinical business achieved steady results for the six months ended September 30, 2022. The following initiatives implemented by the Company have shown positive results.

- The importance of the Company-established framework for breeding and supplying laboratory non-human primate (NHP) 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 laboratory NHP 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 six months ended September 30, 2022 increased by ¥2,165 million (up 19.3%) year on year to ¥13,373 million, compared to the six months ended September 30, 2021. The order backlog as of September 30, 2022, was ¥ 33,672 million, which is also a record high. In addition, orders received from overseas increased substantially by ¥2,971 million (up 107.6%) year on year, to ¥5,731 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 42.9% (24.6% for the six months ended September 30, 2021). For the three months from July to September 2022, Ina Research’s CRO business reported revenue of ¥963 million, operating profit of ¥118 million, and orders

received of ¥1,383 million. With its increased capacity as a result of making Ina Research its subsidiary, the Company will provide swift responses to meet customer needs, thus creating time-value.

Meanwhile, the clinical business has been engaging in contract operations of clinical studies 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 six months ended September 30, 2022 significantly increased to ¥986 million (¥404 million in the six months ended September 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 six months ended September 30, 2022 of ¥9,785 million, which was an increase of ¥2,147 million (up 28.1%) relative to the six months ended September 30, 2021. Operating profit of the CRO business increased by ¥425 million (up 17.9%) year on year to ¥2,802 million, and ratio of operating profit to revenue was 28.6%.

(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.

As for commercialization, Satsuma Pharmaceuticals, Inc. in the United States has obtained a license from the Company for intranasal drug delivery technologies and is developing an intranasal therapeutic agent for migraine (development code: STS101). In September 2022, it was announced that the safety and efficacy of the long-term administration was being proven with more than 10,000 doses administered in Phase III clinical trials in the United States.

In addition, SNLD, Ltd., a consolidated subsidiary of the Company, conducted a Phase I clinical trial of a nasal rescue medication for the treatment of off symptoms of a neurodegenerative disease (development code: TR-012001). We are currently compiling an evaluation report on the safety, tolerability and pharmacokinetics of TR-012001 using a total of 21 healthy individuals. Going forward, we will prepare for the next clinical trial after stepping up the system for it. For another separate project of the TR business, we are aiming for the creation of a new portfolio by preparing a system to develop nasal vaccines, which show promise of mucosal immunological effect.

The TR business has been conducting the above-mentioned in-house drug discovery through the application of intranasal drug delivery base technologies, while undertaking applied research on 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 in venture companies.

Amid these circumstances, the TR business posted revenue of ¥11 million for the six months ended September 30, 2022, (no revenue was recorded for the six months ended September 30, 2021), and posted operating loss of ¥328 million, relative to operating loss of ¥334 million for the six months ended September 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 six months ended September 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. The power generation plant was connected to the power grid in October 2022. We are currently in the adjustment stage of the power generation facilities and will begin selling electricity under the FIT (Feed-in Tariff) system as soon as the adjustment is completed.

In the hospitality business, hotel facilities (total number of rooms: 74) are divided into three by accommodation building and function to meet the needs of guests, and they each are operated as the Amafuru Oka as a healing resort hotel, the Ibusuki Bay Hills Hotel & Spa as a facility for stays for training, and the HOTEL Freesia as an accommodation facility for patients of the Medipolis Proton Therapy and Treatment Center.

The Medipolis business posted revenue of ¥303 million for the six months ended September 30, 2022, which was an increase of ¥42 million (up 16.3%) relative to the six months ended September 30, 2021, due mainly to the trend of recovery in occupancy rates of its hotel accommodation facilities. Operating loss amounted to ¥147 million (operating loss of ¥11 million for the six months ended September 30, 2021), due mainly to expenses of approximately ¥100 million for the ninth-year periodic inspection in the power generation business conducted in August, suspending its operations for approximately one month. The ninth-year periodic inspection is defined by law and must be carried out eight years after the start of power generation.

(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, information based on TCFD Recommendations, and such on a dedicated page of the Company's website (<https://www.snbl.co.jp/esg/>).

The Company has been highly evaluated by various rating agencies for its continuous efforts for SDGs/ESG. In June 2022, the Company was selected as a component of the FTSE Blossom Japan Sector Relative Index, constructed by global index provider FTSE Russell. In August 2022, the Company was selected as a component of the JPX-Nikkei Mid and Small Cap Index, jointly calculated by JPX Market Innovation & Research, Inc. and Nikkei Inc. The Company published “Integrated Report 2022” on October 6, 2022.

(2) Explanation of financial position

(Analysis of assets, liabilities and net assets)

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

Total assets as of September 30, 2022 increased by ¥17,584 million compared to the balance as of the end of the previous fiscal year, to ¥56,896 million (up 44.7%). Current assets increased by ¥8,035 million compared to the balance as of the end of the previous fiscal year, to ¥24,169 million (up 49.8%) due mainly to an increase in cash and deposits and an increase in inventories. Non-current assets increased by ¥9,548 million compared

to the balance as of the end of the previous fiscal year, to ¥32,726 million (up 41.2%) due mainly to an increase in capital expenditures and an increase in investment securities.

Liabilities increased by ¥12,280 million compared to the balance as of the end of the previous fiscal year, to ¥31,870 million (up 62.7%). Current liabilities increased by ¥5,108 million compared to the balance as of the end of the previous fiscal year, to ¥18,482 million (up 38.2%) due mainly to an increase in short-term borrowings and also an increase in advances received as orders received continue to grow. Non-current liabilities increased by ¥7,172 million compared to the balance as of the end of the previous fiscal year, to ¥13,388 million (up 115.4%) due mainly to an increase in long-term borrowings.

Net assets increased by ¥5,303 million compared to the balance as of the end of the previous fiscal year, to ¥25,026 million (up 26.9%) due mainly to the posting of ¥4,419 million in profit attributable to owners of parent, while the Company posted a shrinkage in the negative balance of foreign currency translation adjustment due to a depreciation of the yen.

(Analysis of cash flows)

The outstanding balance of cash and cash equivalents (“cash”) as of September 30, 2022 was ¥11,798 million, up ¥7,249 million (159.4%) compared to the balance as of the end of the previous fiscal year.

Status of each cash flow during the six months ended September 30, 2022 and main contributing factors thereof are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥2,792 million, up ¥1,218 million (77.4%) relative to the six months ended September 30, 2021.

The main contributing factors included profit before income taxes of ¥5,889 million, depreciation of ¥741 million, share of profit of entities accounted for using equity method of ¥1,113 million, decrease in accrued expenses of ¥905 million and income taxes paid of ¥725 million.

(Cash flows from investing activities)

Net cash used by investing activities was ¥2,579 million (¥380 million provided in the six months ended September 30, 2021).

The main contributing factors included proceeds from withdrawal of time deposits of ¥2,448 million, purchase of property, plant and equipment of ¥1,842 million, and purchase of shares of subsidiaries resulting in change in scope of consolidation of ¥1,937 million.

(Cash flows from financing activities)

Net cash provided in financing activities was ¥6,270 million (¥2,921 million used in the six months ended September 30, 2021).

The main contributing factors included proceeds from long-term borrowings of ¥10,150 million, repayments of long-term borrowings of ¥1,717 million and dividends paid of ¥1,655 million.

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

In consideration of the latest exchange rate trend and such, the Company upwardly revised the consolidated financial forecasts for the fiscal year ending March 31, 2023, announced on July 29, 2022. For details, please refer to the “Notice Regarding Differences between Consolidated Financial Forecasts and Actual Results for the Six Months Ended September 30, 2022, and Revisions of Full-year Consolidated Financial Forecasts” announced today. The newly revised forecasts are based on the assumed exchange rate of 144.81 Japanese yen to the US dollar.

With regard to the impact of the situation in Russia and Ukraine, there is no direct impact on the Company 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 eliminate waste in energy consumption, and we are executing 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 negligible at this time.

[Orders received in the nonclinical business]

(Millions of yen)

	Results for the six months ended September 30, 2019	Full-year results for the fiscal year ended March 31, 2020	Results for the six months ended September 30, 2020	Full-year results for the fiscal year ended March 31, 2021	Results for the six months ended September 30, 2021	Full-year results for the fiscal year ended March 31, 2022	Results for the six months ended September 30, 2022
Orders received [of which, overseas orders received]	6,000 (638)	13,182 (1,694)	7,578 (1,280)	15,368 (3,160)	11,208 (2,760)	22,839 (6,521)	13,373 (5,731)
Order backlog	11,349	11,466	12,685	13,661	17,671	20,966	33,672

- (Note) 1. Results of Ina Research are included from the six months ended September 30, 2022.
 2. For calculation of Contracts Received (Overseas), an average USD/JPY exchange rate of each fiscal year is applied.
 3. For calculation of Backlog (Overseas), a year-end exchange rate of each fiscal year is applied.

[Trends in principal management benchmarks]

(Millions of yen, unless otherwise noted)

	Results for the six months ended September 30, 2019	Full-year results for the fiscal year ended March 31, 2020	Results for the six months ended September 30, 2020	Full-year results for the fiscal year ended March 31, 2021	Results for the six months ended September 30, 2021	Full-year results for the fiscal year ended March 31, 2022	Results for the six months ended September 30, 2022	Full-year forecasts for the fiscal year ending March 31, 2023
	From April 2019 to September 2019	From April 2019 to March 2020	From April 2020 to September 2020	From April 2020 to March 2021	From April 2021 to September 2021	From April 2021 to March 2022	From April 2022 to September 2022	From April 2022 to March 2023
Capital expenditures	704	1,514	415	1,025	734	1,703	1,971	5,061
Depreciation	563	1,229	574	1,187	560	1,177	741	1,454
R&D expenses	174	400	167	392	180	425	265	632
Number of employees at period-end (people)	968	985	1,034	986	1,005	994	1,219	1,221

(Note) Results of Ina Research are included from the six months ended September 30, 2022.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Thousands of yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	6,628,901	11,798,102
Notes and accounts receivable – trade, and contract assets	3,501,562	3,533,157
Securities	368,090	–
Inventories	4,359,421	7,274,201
Other	1,278,736	1,566,445
Allowance for doubtful accounts	(2,225)	(2,083)
Total current assets	16,134,487	24,169,824
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,358,265	9,440,187
Land	2,944,966	3,569,613
Other, net	2,852,585	3,462,140
Total property, plant and equipment	13,155,817	16,471,942
Intangible assets		
Goodwill	–	1,476,139
Other	212,337	273,488
Total intangible assets	212,337	1,749,628
Investments and other assets		
Investment securities	7,080,067	12,410,744
Other	2,729,945	2,094,675
Total investments and other assets	9,810,013	14,505,420
Total non-current assets	23,178,168	32,726,991
Total assets	39,312,655	56,896,815

(Thousands of yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	64,574	170,735
Short-term borrowings	2,942,742	5,000,251
Income taxes payable	743,103	1,062,355
Advances received	6,938,417	9,460,197
Other	2,685,133	2,788,765
Total current liabilities	13,373,972	18,482,304
Non-current liabilities		
Long-term borrowings	5,809,744	12,920,717
Lease liabilities	385,822	433,974
Other	20,011	33,440
Total non-current liabilities	6,215,578	13,388,132
Total liabilities	19,589,550	31,870,437
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	12,891,873
Treasury shares	(247)	(531)
Total shareholders' equity	22,181,923	24,877,183
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	170,768	985,556
Foreign currency translation adjustment	(2,791,597)	(973,074)
Total accumulated other comprehensive income	(2,620,829)	12,482
Non-controlling interests	162,011	136,713
Total net assets	19,723,105	25,026,378
Total liabilities and net assets	39,312,655	56,896,815

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

Quarterly consolidated statement of income (cumulative)

(Thousands of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Revenue	7,961,465	10,348,731
Cost of revenue	3,641,032	4,943,444
Gross profit	4,320,433	5,405,287
Selling, general and administrative expenses	2,351,029	3,091,559
Operating profit	1,969,403	2,313,727
Non-operating income		
Interest income	1,976	16,504
Dividend income	–	500
Share of profit of entities accounted for using equity method	385,300	1,113,023
Foreign exchange gains	152,977	2,586,424
Gain on sale of securities	–	6,355
Other	90,258	112,390
Total non-operating income	630,512	3,835,198
Non-operating expenses		
Interest expenses	68,967	61,181
Commission expenses	–	135,534
Other	1,457	23,475
Total non-operating expenses	70,425	220,191
Ordinary profit	2,529,491	5,928,734
Extraordinary income		
Gain on sale of non-current assets	353	675
Gain on sale of shares of subsidiaries and associates	1,096,054	34,293
Gain on change in equity	322,435	–
Total extraordinary income	1,418,842	34,968
Extraordinary losses		
Loss on retirement of non-current assets	5,689	0
Impairment losses	6,090	620
Loss on valuation of investment securities	–	73,200
Loss on liquidation of business	30,641	–
Total extraordinary losses	42,421	73,820
Profit before income taxes	3,905,912	5,889,883
Income taxes - current	397,502	1,014,071
Income taxes - deferred	4,956	478,175
Total income taxes	402,459	1,492,246
Profit	3,503,453	4,397,636
Profit (loss) attributable to non-controlling interests	(272)	(22,193)
Profit attributable to owners of parent	3,503,725	4,419,829

Quarterly consolidated statement of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit	3,503,453	4,397,636
Other comprehensive income		
Valuation difference on available-for-sale securities	(715,577)	814,788
Foreign currency translation adjustment	161,953	1,711,707
Share of other comprehensive income of entities accounted for using equity method	42,486	103,710
Total other comprehensive income	(511,137)	2,630,206
Comprehensive income	2,992,315	7,027,843
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,993,577	7,053,141
Comprehensive income attributable to non- controlling interests	(1,261)	(25,298)

(3) Quarterly consolidated statement of cash flows

(Thousands of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from operating activities		
Profit before income taxes	3,905,912	5,889,883
Depreciation	560,946	741,012
Impairment losses	6,090	620
Amortization of goodwill	—	18,685
Increase (decrease) in allowance for doubtful accounts	(180)	(142)
Interest and dividend income	(1,976)	(17,004)
Interest expenses	68,967	61,181
Foreign exchange losses (gains)	(145,198)	(2,562,262)
Share of loss (profit) of entities accounted for using equity method	(385,300)	(1,113,023)
Loss (gain) on change in equity	(322,435)	—
Loss (gain) on sale of non-current assets	(353)	(675)
Loss on retirement of non-current assets	5,689	0
Loss (gain) on valuation of investment securities	—	73,200
Loss (gain) on sale of shares of subsidiaries and associates	(1,096,054)	(34,293)
Decrease (increase) in trade receivables	518,169	329,251
Decrease (increase) in inventories	(373,732)	(890,227)
Increase (decrease) in advances received	199,732	690,833
Increase (decrease) in trade payables	(57,613)	(518,160)
Increase (decrease) in accounts payable - other	267,202	210,513
Increase (decrease) in accrued expenses	(300,781)	(905,149)
Other	(536,181)	996,391
Subtotal	2,312,902	2,970,633
Interest and dividends received	1,973	610,291
Interest paid	(64,197)	(63,614)
Income taxes paid	(676,662)	(725,203)
Net cash provided by (used in) operating activities	1,574,015	2,792,106
Cash flows from investing activities		
Purchase of property, plant and equipment	(696,295)	(1,842,168)
Purchase of intangible assets	(45,233)	(74,577)
Proceeds from sale of property, plant and equipment	353	675
Purchase of investment securities	(390,935)	(1,157,494)
Proceeds from sale of shares of subsidiaries and associates	57,874	34,293
Proceeds from withdrawal of time deposits	—	2,448,200
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(1,937,239)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	31,487	—
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	1,084,650	—
Proceeds from collection of loans receivable	342,505	(10)
Other	(3,753)	(51,328)
Net cash provided by (used in) investing activities	380,652	(2,579,651)

(Thousands of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from financing activities		
Proceeds from long-term borrowings	–	10,150,000
Repayments of long-term borrowings	(1,998,805)	(1,717,844)
Dividends paid	(825,608)	(1,655,637)
Repayments of finance lease liabilities	(93,948)	(506,198)
Purchase of treasury shares	(2)	(284)
Other	(2,950)	–
Net cash provided by (used in) financing activities	(2,921,313)	6,270,035
Effect of exchange rate change on cash and cash equivalents	89,619	769,055
Net increase (decrease) in cash and cash equivalents	(877,026)	7,251,545
Cash and cash equivalents at beginning of period	7,279,835	4,548,792
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	–	(2,236)
Cash and cash equivalents at end of period	6,402,809	11,798,102

(4) Notes to quarterly consolidated financial statements

(Notes on going concern assumption)

Not applicable.

(Changes in consolidated subsidiaries during the current quarterly accounting period)

From the second quarter, Ina Research Inc. became a new consolidated subsidiary.

In addition, the following were excluded from the scope of consolidation: Iko Health Technologies Inc., because of diminishing control over the company, and TIAN HU (CAMBODIA) ANIMAL BREEDING RESEARCH CENTER LTD. because it was absorbed by the SNBL Group company SHIN NIPPON BIOMEDICAL LABORATORIES (CAMBODIA) LIMITED.

Bhutan Fortune Co., Ltd. changed its trade name to Medipolis NHP Inc.

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

Not applicable.

(Changes in accounting policies)

Not applicable.

(Segment information)

I. Six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)

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

(Thousands of yen)

	Reportable segments				Other (Note 1)	Total	Adjustments (Note 2)	Amount recorded on the quarterly consolidated statement of income (Note 3)
	CRO business	Translational Research business	Medipolis business	Subtotal				
Revenue								
Revenues from external customers	7,607,574	–	241,659	7,849,233	112,231	7,961,465	–	7,961,465
Transactions with other segments	30,473	–	19,233	49,706	213,108	262,815	(262,815)	–
Total	7,638,047	–	260,892	7,898,940	325,340	8,224,281	(262,815)	7,961,465
Segment profit (loss)	2,377,565	(334,722)	(11,915)	2,030,927	(29,212)	2,001,715	(32,311)	1,969,403

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

2 Segment profit (loss) adjustments amounting to negative ¥32,311 thousand consist of ¥29,396 thousand in elimination of intersegment transactions and negative ¥61,707 thousand in corporate expenses not allocated to a reportable segment. Corporate expenses are mainly general and administrative expenses, which are not attributable to the reportable segments.

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

II. Six months ended September 30, 2022 (from April 1, 2022 to September 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	9,763,533	11,250	259,878	10,034,661	314,069	10,348,731	–	10,348,731
Transactions with other segments	22,363	–	43,484	65,848	492,270	558,118	(558,118)	–
Total	9,785,897	11,250	303,362	10,100,509	806,340	10,906,850	(558,118)	10,348,731
Segment profit (loss)	2,802,946	(328,611)	(147,881)	2,326,453	52,447	2,378,900	(65,172)	2,313,727

(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 ¥65,172 thousand consist of negative ¥13,117 thousand in elimination of intersegment transactions and negative ¥52,055 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.

2. Information about impairment loss of non-current assets or goodwill, etc. by reportable segment
(Significant changes in amount of goodwill)

The Company acquired the shares of Ina Research Inc. on July 20, 2022, making the company its consolidated subsidiary. The increase in goodwill during the second quarter ended September 30, 2022 due to this event is as follows.

(Thousands of yen)

	Occurred	Amortization during the period	Unamortized balance	Business segment
Goodwill	1,494,825	18,685	1,476,139	CRO business

(Business combinations)

Business combination through acquisition

1. Overview of business combination

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

Name of the acquired company:	Ina Research Inc.
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.

(2) Primary reasons for the business combination

The research and development activities of our client pharmaceutical companies are expanding in scale, and becoming more global. In line with such trends, the Company made Ina Research 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 Ina Research 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

Ratio of voting rights acquired by tender offer	92.35%
Ratio of voting rights additionally acquired on the date by requesting sale of shares	7.65%
<hr/> Ratio of voting rights after additional acquisition	<hr/> 100.00%

(7) Main grounds for determining the acquiring company

The Company acquired the shares for cash as consideration.

2. Period of financial results of the acquired company included in the quarterly consolidated statement of income for the six month ended September 30, 2022

From July 1, 2022 to September 30, 2022

3. Acquisition cost of the acquired company and breakdown of consideration by type

Cash and deposits ¥2,698,744 thousand

4. Content and amount of major acquisition-related costs

Advisory fees ¥70,000 thousand

5. Amount of goodwill, reason for recognition, amortization method and amortization period

(1) Amount of goodwill incurred ¥1,494,825 thousand

(2) Reasons for the goodwill incurred

Goodwill was incurred from expected excess earnings power in the future arising from further business development.

(3) Amortization method and period

Goodwill will be amortized on a straight-line basis over 20 years.

6. Amounts of assets acquired and liabilities assumed and the major components thereof

Current assets	¥3,320,424 thousand
Non-current assets	¥1,579,374 thousand
<hr/> Total assets	<hr/> ¥4,899,798 thousand
Current liabilities	¥2,925,263 thousand
Non-current liabilities	¥770,615 thousand
<hr/> Total liabilities	<hr/> ¥3,695,878 thousand