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MEMBERSHIP

January 31, 2023

## Consolidated Financial Results for the Nine 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  
 URL: <https://www.snbl.co.jp/>  
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 Scheduled date to file quarterly securities report: January 31, 2023  
 Scheduled date to commence dividend payments: –  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results briefing: None

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

### 1. Consolidated financial results for the nine months ended December 31, 2022 (from April 1, 2022 to December 31, 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	%
Nine months ended								
December 31, 2022	16,371	26.5	3,783	14.6	6,880	46.9	4,351	(17.1)
December 31, 2021	12,946	24.2	3,300	103.0	4,684	184.5	5,247	255.4

Note: Comprehensive income For the nine months ended December 31, 2022: ¥11,174 million [207.5%]  
 For the nine months ended December 31, 2021: ¥3,633 million [–%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2022	104.52	–
December 31, 2021	126.05	–

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
December 31, 2022	58,685	28,340	48.0	676.87
March 31, 2022	39,312	19,723	49.8	469.85

Reference: Equity

As of December 31, 2022: ¥28,179 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)				30.00	50.00

Note: Revisions to the forecast of cash dividends most recently announced: Yes  
For details, please see “Notice Regarding Revisions of Consolidated Earnings and Dividend Forecasts for the Full-Year of the Fiscal Year Ending March 31, 2023 and Extraordinary Losses” announced today.  
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	25,000	40.9	5,460	30.1	8,430	19.1	5,310	(25.5)	127.54

Note: Revisions to the forecast of consolidated financial results most recently announced: Yes  
For details, please see “Notice Regarding Revisions of Consolidated Earnings and Dividend Forecasts for the Full-Year of the Fiscal Year Ending March 31, 2023 and Extraordinary Losses” announced today.

**\* Notes**

- (1) Changes to 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 December 31, 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 December 31, 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)

Nine months ended December 31, 2022	41,631,976 shares
Nine months ended December 31, 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.”

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## 1. Qualitative information on quarterly consolidated financial results for the nine months ended December 31, 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. In addition, research and development involving new modalities in drug discovery (therapeutic approaches) 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, 2022, 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 ¥2,121 million and operating profit of ¥279 million, are included in the SNBL Group’s results.

We also began constructing a new office building and research facility within the Kagoshima Main Branch site in December 2022, with the primary objective of building a system that can deal with large orders in the CRO business (nonclinical business). The new structure will be of reinforced concrete construction with eight floors above ground, two buildings, and a total floor area of 13,022m<sup>2</sup>. It will house the Bioanalysis Research Division, the Analysis and Research Division, the IT Division, the research staff area, meeting rooms, rooms for directors, and other facilities. Total costs are expected to be approximately ¥5.4 billion, including attached facilities, and we are aiming for completion by June 2024.

In addition, since last year we have been moving forward with the development of a site of approximately 198,000m<sup>2</sup> owned by SNBL USA (Everett, Washington), with the objective of strengthening our overseas business in the United States. As part of this development, we established a new Global Services and Communications Division in January 2023. The Global Services and Communications Division will operate from business premises opened in two locations, Kagoshima and the United States. In response to the increase in orders from global clients in Europe and the United States, we have appointed highly experienced full-time local staff of Study Director level to enable the provision of meticulous, prompt, and reliable customer service, and thus strengthen our service for overseas customers.

Under such circumstances, revenue for the nine months ended December 31, 2022 increased by ¥3,425 million (up 26.5%) year on year to ¥16,371 million. Operating profit increased by ¥483 million (up 14.6%) year on year to ¥3,783 million, and ordinary profit increased by ¥2,196 million (up 46.9%) year on year to ¥6,880 million. Ordinary profit included foreign exchange gains of ¥1,185 million (foreign exchange gains of ¥490 million in the nine months ended December 31, 2021). Profit attributable to owners of parent decreased by ¥896 million (down 17.1%) year on year to ¥4,351 million, mainly due to extraordinary losses recorded in relation to losses on valuation of investment securities of Satsuma Pharmaceuticals, Inc. (“Satsuma”), one of SNBL’s key investee companies in the US. Extraordinary income of ¥1,419 million was recorded in the nine months ended December 31, 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 in China, to Pharmaron Beijing Co., Ltd. (Pharmaron Group).

As of December 31, 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 53.1% (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 nine months ended December 31, 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 primates (NHPs) 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 NHPs 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 in the nonclinical business for the nine months ended December 31, 2022 increased by ¥1,418 million (up 7.9%) year on year to ¥19,278 million, compared to the nine months ended December 31, 2021. In the nine months ended December 31, 2021, we had advance orders from major overseas clients aimed at securing laboratory NHPs arising from a global depletion of relevant supply, and some trials related to COVID-19. However, during this period, study contracts arising from such factors have been decreasing, and if these special factors are excluded, orders grew strongly. The order backlog as of December 31, 2022, was ¥32,585 million, which is also a record high. In addition, orders received from overseas increased substantially by ¥2,730 million (up 52.7%) year on year, to ¥7,910 million. The ratio of overseas orders received out of total orders received was 41.0% (29.0% for the nine months ended December 31, 2021). Ina Research's CRO business (nonclinical business) reported revenue of ¥2,059 million, operating profit of ¥283 million, and orders received of ¥2,354 million for the six months from July, when it became a consolidated subsidiary of SNBL, to December 2022.

Thus, our perception is that in the Company's mainstay nonclinical business, the overseas market will be the driver of growth in orders, and we continue to expect this favorable environment to be maintained.

Meanwhile, the clinical business has been engaged mainly in contract operations of global studies (studies conducted simultaneously in multiple countries and regions) 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. The mainstay business of PPD-SNBL is implementing the Japanese portion of global studies undertaken by PPD. Despite being a foreign-capital global company, PPD-SNBL has incorporated a Japanese management principle of emphasizing harmony, which has been cultivated by the Company over the years, into the working environment, thus achieving high employee retention rates and a solid progress in business. 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 nine months ended December 31, 2022 significantly increased to ¥1,611 million (¥864 million in the nine months ended December 31, 2021). In December 2021, PPD became a wholly owned subsidiary of Thermo Fisher Scientific Inc. ("TF"), a major global player in medical devices, through a share acquisition by TF.

The CRO business posted revenue for the nine months ended December 31, 2022 of ¥15,515 million, which was an increase of ¥3,109 million (up 25.1%) relative to the nine months ended December 31, 2021. Operating profit of the CRO business increased by ¥599 million (up 15.5%) year on year to ¥4,453 million, and ratio of operating profit to revenue was 28.7%.

(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 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). Satsuma announced the results of the long-term safety study (study name:

ASCEND) and efficacy study (study name: SUMMIT) in Phase III clinical trials in the United States in September and November 2022 respectively. The ASCEND confirmed safety and tolerability, and while the results of the SUMMIT did not achieve objectives for the co-primary endpoints, it did show statistically significant results versus placebo on freedom from pain and most bothersome symptom (MBS-free) for 3 to 48 hours after administration. Satsuma is currently preparing the application for FDA approval.

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 a final evaluation report on the safety, tolerability and pharmacokinetics of TR-012001 using a total of 21 healthy individuals. We are currently in the process of strengthening our clinical development system in preparation for taking the next step. For another separate project of the TR business, we are aiming to create a multilayered new portfolio by building a research system for 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, and we are receiving an increasing number of inquiries regarding the application of 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 ¥12 million for the nine months ended December 31, 2022, relative to revenue of ¥12 million for the nine months ended December 31, 2021, and posted operating loss of ¥518 million, relative to operating loss of ¥496 million for the nine months ended December 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 (10,750,000 kWh). During the nine months ended December 31, 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 ¥492 million for the nine months ended December 31, 2022, which was an increase of ¥78 million (up 18.8%) relative to the nine months ended December 31, 2021, due mainly to the trend of recovery in occupancy rates of its hotel accommodation facilities. Operating loss amounted to ¥167 million (operating profit of ¥11 million for the nine months ended December 31, 2021), due mainly to expenses of approximately ¥100 million for the ninth-year periodic inspection in the power generation business conducted in August 2022, 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. In the report, we provided our 2028 Vision "promoting people's happiness in close involvement with stakeholders" as the future we aim to create. The management strategy specifies FY2028 financial targets of ¥50 billion in revenue, ¥20 billion in ordinary profit, and ordinary profit margin of 40%.

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. Eel farming currently depends entirely on wild glass eels, resulting in the problem of soaring prices for glass eels in years when catches are poor. There are also concerns, arising from declines in catches of glass eels in recent years, about depletion of resources. On the other hand, if large-scale production of glass eels in artificial habitats were to become possible, it would enable commercialization through the complete cultivation of Japanese eels, stabilize the market, and prevent overfishing, which would in turn contribute to the preservation of marine resources and Japan's food culture. Additionally, we believe that this would also contribute to the region by providing a new local industry in Kagoshima Prefecture, home to the Company.

## **(2) Explanation of financial position**

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

Total assets as of December 31, 2022 increased by ¥19,372 million compared to the balance as of the end of the previous fiscal year, to ¥58,685 million (up 49.3%). Current assets increased by ¥6,807 million compared to the balance as of the end of the previous fiscal year, to ¥22,941 million (up 42.2%) due mainly to an increase in cash and deposits and an increase in inventories. Non-current assets increased by ¥12,565 million compared to the balance as of the end of the previous fiscal year, to ¥35,743 million (up 54.2%) due mainly to an increase in capital expenditures and an increase in investment securities.

Liabilities increased by ¥10,754 million compared to the balance as of the end of the previous fiscal year, to ¥30,344 million (up 54.9%). Current liabilities increased by ¥4,679 million compared to the balance as of the end of the previous fiscal year, to ¥18,053 million (up 35.0%) 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 ¥6,075 million compared to the balance as of the end of the previous fiscal year, to ¥12,291 million (up 97.7%) due mainly to an increase in long-term borrowings.

Net assets increased by ¥8,617 million compared to the balance as of the end of the previous fiscal year, to ¥28,340 million (up 43.7%) due mainly to the posting of ¥4,351 million in profit attributable to owners of parent and a shrinkage in the negative balance of foreign currency translation adjustment due to a depreciation of the yen.

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

### **(i) Consolidated earnings forecasts**

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 October 31, 2022. For details, please refer to "Notice Regarding Revisions of Consolidated Earnings and Dividend Forecasts for the



Full-Year of the Fiscal Year Ending March 31, 2023 and Extraordinary Losses.” The newly revised forecasts are based on the assumed exchange rate of 128.00 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.

[Revision of the earnings forecasts]

(Millions of yen, unless otherwise noted)

	Revenue	Operating profit	Ordinary profit	Profit attributable to owners of parent	Profit per share (Yen)
Previous forecast (A)	24,000	5,260	9,800	7,000	168.13
Revised forecast (B)	25,000	5,460	8,430	5,310	127.54
Change (B-A)	+1,000	+200	(1,370)	(1,690)	
Change (%)	+4.2	+3.8	(14.0)	(24.1)	
(Reference) Results for the fiscal year ended March 31, 2022	17,748	4,195	7,078	7,127	171.20

(ii) Dividend forecasts

With one of the management priorities set on steadily distributing profits to shareholders, the Company has a policy of deciding dividends after taking into account such factors as basic earnings power and cash flow, while aiming for a consolidated dividend payout ratio of 30 to 40%. Based on the full year consolidated earnings forecasts for the fiscal year ending March 31, 2023 announced today, the year-end dividend forecast has been revised upwardly to 30 yen per share (20 yen per share in the previous forecast).

[Orders received in the nonclinical business]

(Millions of yen)

	Results for the nine months ended December 31, 2019	Full-year results for the fiscal year ended March 31, 2020	Results for the nine months ended December 31, 2020	Full-year results for the fiscal year ended March 31, 2021	Results for the nine months ended December 31, 2021	Full-year results for the fiscal year ended March 31, 2022	Results for the nine months ended December 31, 2022
Orders received [of which, overseas orders received]	9,538 (1,398)	13,182 (1,694)	11,742 (2,278)	15,368 (3,160)	17,860 (5,180)	22,839 (6,521)	19,278 (7,910)
Order backlog	11,874	11,466	13,801	13,661	19,960	20,966	32,585

(Notes) 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 nine months ended December 31, 2019	Full-year results for the fiscal year ended March 31, 2020	Results for the nine months ended December 31, 2020	Full-year results for the fiscal year ended March 31, 2021	Results for the nine months ended December 31, 2021	Full-year results for the fiscal year ended March 31, 2022	Results for the nine months ended December 31, 2022	Full-year forecasts for the fiscal year ending March 31, 2023
	From April 2019 to December 2019	From April 2019 to March 2020	From April 2020 to December 2020	From April 2020 to March 2021	From April 2021 to December 2021	From April 2021 to March 2022	From April 2022 to December 2022	From April 2022 to March 2023
Capital expenditures		1,514		1,025		1,703	3,320	5,061
Depreciation	849	1,229	867	1,187	853	1,177	1,107	1,496
R&D expenses	269	400	285	392	286	425	378	547
Number of employees at period-end (people)	960	985	1,029	986	1,002	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 December 31, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	6,628,901	9,038,724
Notes and accounts receivable - trade, and contract assets	3,501,562	4,015,411
Securities	368,090	–
Inventories	4,359,421	8,099,659
Other	1,278,736	1,789,969
Allowance for doubtful accounts	(2,225)	(2,276)
Total current assets	16,134,487	22,941,487
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,358,265	9,434,732
Land	2,944,966	3,508,752
Other, net	2,852,585	4,122,886
Total property, plant and equipment	13,155,817	17,066,371
Intangible assets		
Goodwill	–	1,457,454
Other	212,337	277,798
Total intangible assets	212,337	1,735,252
Investments and other assets		
Investment securities	7,080,067	15,016,710
Other	2,729,945	1,925,361
Total investments and other assets	9,810,013	16,942,072
Total non-current assets	23,178,168	35,743,696
<b>Total assets</b>	<b>39,312,655</b>	<b>58,685,184</b>

(Thousands of yen)

	As of March 31, 2022	As of December 31, 2022
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	64,574	521,215
Short-term borrowings	2,942,742	4,991,542
Income taxes payable	743,103	21,989
Advances received	6,938,417	9,984,099
Other	2,685,133	2,534,693
Total current liabilities	13,373,972	18,053,540
Non-current liabilities		
Long-term borrowings	5,809,744	11,476,213
Lease liabilities	385,822	393,385
Other	20,011	421,404
Total non-current liabilities	6,215,578	12,291,003
Total liabilities	19,589,550	30,344,544
<b>Net assets</b>		
Shareholders' equity		
Share capital	9,679,070	9,679,070
Capital surplus	2,306,771	2,306,771
Retained earnings	10,196,329	11,991,163
Treasury shares	(247)	(531)
Total shareholders' equity	22,181,923	23,976,473
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	170,768	5,766,997
Foreign currency translation adjustment	(2,791,597)	(1,563,646)
Total accumulated other comprehensive income	(2,620,829)	4,203,351
Non-controlling interests	162,011	160,815
Total net assets	19,723,105	28,340,639
Total liabilities and net assets	39,312,655	58,685,184

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

Quarterly consolidated statement of income (cumulative)

(Thousands of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Revenue	12,946,186	16,371,630
Cost of revenue	5,924,777	7,724,851
Gross profit	7,021,408	8,646,779
Selling, general and administrative expenses	3,720,904	4,862,913
Operating profit	3,300,504	3,783,866
Non-operating income		
Interest income	5,217	16,698
Dividend income	500	1,000
Share of profit of entities accounted for using equity method	848,144	1,984,272
Foreign exchange gains	490,576	1,185,580
Other	139,025	168,073
Total non-operating income	1,483,464	3,355,625
Non-operating expenses		
Interest expenses	98,411	90,500
Commission expenses	1,457	139,285
Other	0	29,524
Total non-operating expenses	99,868	259,309
Ordinary profit	4,684,099	6,880,181
Extraordinary income		
Gain on sale of non-current assets	796	11,438
Gain on sale of shares of subsidiaries and associates	1,096,054	34,293
Gain on change in equity	322,435	–
Other	514	–
Total extraordinary income	1,419,800	45,731
Extraordinary losses		
Loss on retirement of non-current assets	19,436	22,111
Impairment losses	8,981	620
Loss on liquidation of business	30,641	–
Loss on sale of investment securities	–	400
Loss on valuation of investment securities	–	1,272,075
Total extraordinary losses	59,059	1,295,207
Profit before income taxes	6,044,840	5,630,706
Income taxes - current	703,623	700,305
Income taxes - deferred	85,824	575,547
Total income taxes	789,448	1,275,853
Profit	5,255,391	4,354,853
Profit attributable to non-controlling interests	7,423	3,093
Profit attributable to owners of parent	5,247,968	4,351,759

Quarterly consolidated statement of comprehensive income (cumulative)

(Thousands of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Profit	5,255,391	4,354,853
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,998,828)	5,596,229
Foreign currency translation adjustment	329,082	1,111,262
Share of other comprehensive income of entities accounted for using equity method	48,102	112,398
Total other comprehensive income	(1,621,643)	6,819,890
Comprehensive income	3,633,748	11,174,743
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,627,503	11,175,939
Comprehensive income attributable to non- controlling interests	6,244	(1,196)

**(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. Nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)

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

(Thousands of yen)

	Reportable segments				Other (Note 1)	Total	Adjustments (Note 2)	Amount recorded on the quarterly consolidated statement of income (Note 3)
	CRO business	Translational Research business	Medipolis business	Subtotal				
Revenue								
Revenues from external customers	12,363,758	11,895	385,152	12,760,807	185,379	12,946,186	–	12,946,186
Transactions with other segments	42,675	800	28,946	72,421	384,349	456,771	(456,771)	–
Total	12,406,433	12,695	414,099	12,833,228	569,728	13,402,957	(456,771)	12,946,186
Segment profit (loss)	3,854,351	(496,500)	11,068	3,368,919	(17,688)	3,351,231	(50,726)	3,300,504

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

2. Segment profit (loss) adjustments amounting to negative ¥50,726 thousand consist of ¥36,077 thousand in elimination of intersegment transactions and negative ¥86,804 thousand in corporate expenses not allocated to a reportable segment. Corporate expenses are mainly general and administrative expenses, which are not attributable to the reportable segments.

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

## II. Nine months ended December 31, 2022 (from April 1, 2022 to December 31, 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	15,483,539	12,180	431,451	15,927,170	444,460	16,371,630	–	16,371,630
Transactions with other segments	32,269	–	60,680	92,949	721,100	814,049	(814,049)	–
Total	15,515,808	12,180	492,131	16,020,119	1,165,560	17,185,680	(814,049)	16,371,630
Segment profit (loss)	4,453,495	(518,377)	(167,040)	3,768,077	115,507	3,883,585	(99,719)	3,783,866

(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 ¥99,719 thousand consist of negative ¥14,787 thousand in elimination of intersegment transactions and negative ¥84,931 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 off non-current asset 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 third quarter ended December 31, 2022 due to this event is as follows.

(Thousands of yen)

	Occurred	Amortization during the period	Unamortized balance	Business segment
Goodwill	1,494,825	37,370	1,457,454	CRO business