

The Fiscal Year Ending March 31, 2023 Q3 Financial Results Presentation

January 31, 2023



SHIN NIPPON BIOMEDICAL LABORATORIES, LTD.

(TSE PRIME: 2395)

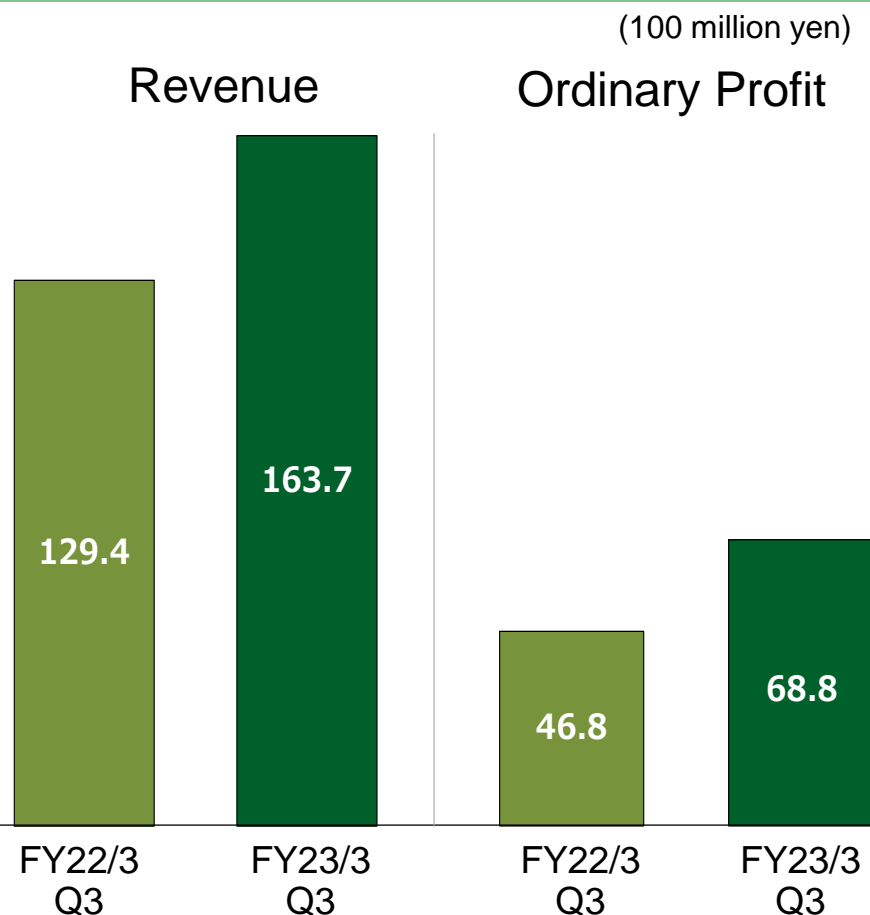


2. Outline of Q3 Consolidated Financial Results

FY2023/3 Q3 Consolidated Financial Results Highlights

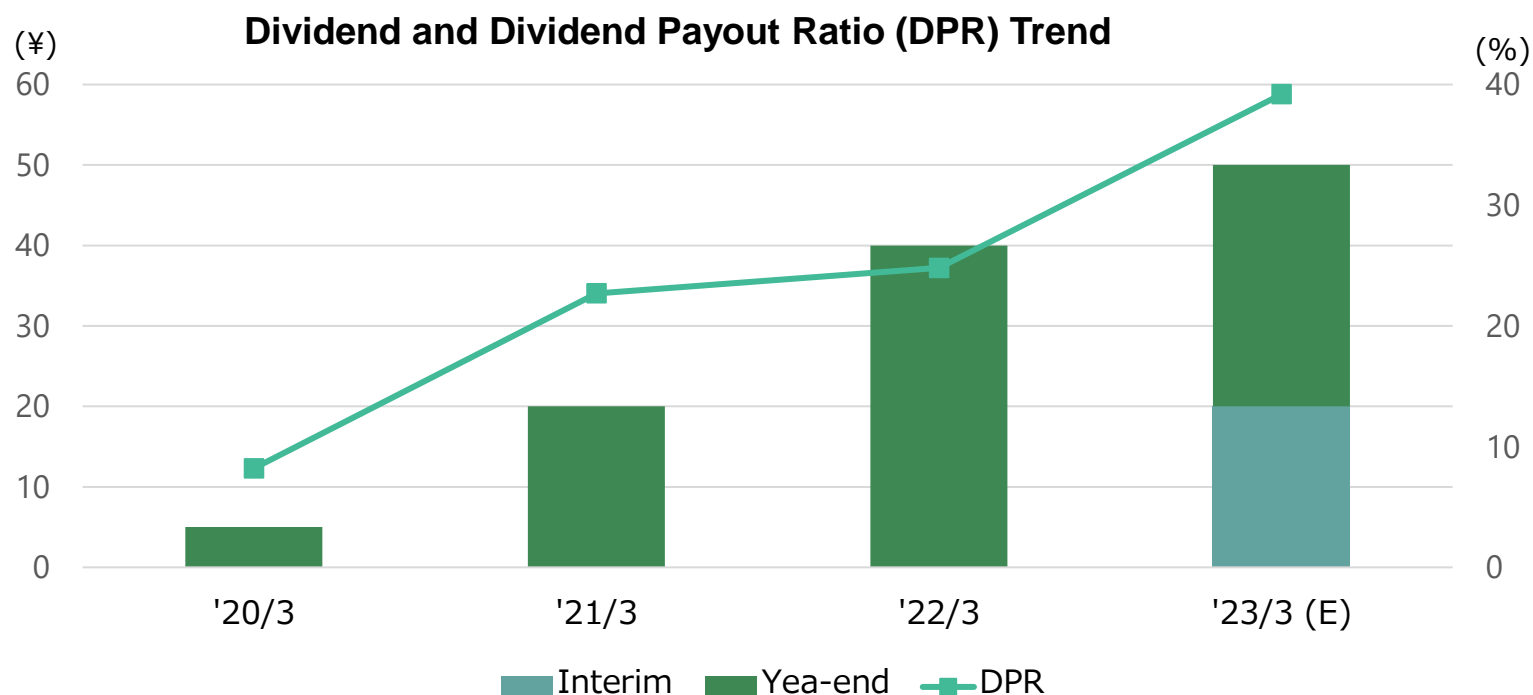
New record-high revenue was posted for the third quarter of the FY2023/3 thanks to a contribution of 6 months (July to December) revenue from Ina Research Inc., and both **operating profit and ordinary profit also broke the previous records again** as they did in the same period last year. Profit attributable to owners of parent decreased by ¥890 mil year on year as there was no upward impact of the extraordinary income of ¥1,360 mil recorded in the same period last year, from share transfer and third-party allocation of new shares of its Chinese subsidiary which engages in laboratory animal breeding and raising business in China, while losses on valuation of investment securities of ¥1.19 bn were recorded for shares of Satsuma Pharmaceuticals in the US.

	FY2023/3		
	Q3 Results	YoY	
Revenue	163.7	+34.2	26.5%
Operating Profit	37.8	+4.8	14.6%
Ordinary Profit	68.8	+21.9	46.9%
Ordinary Profit (excl. FX impact)	56.9	+15.0	35.8%
Profit Attributable to Owners of Parent	43.5	-8.9	-17.1%



Shareholder Return

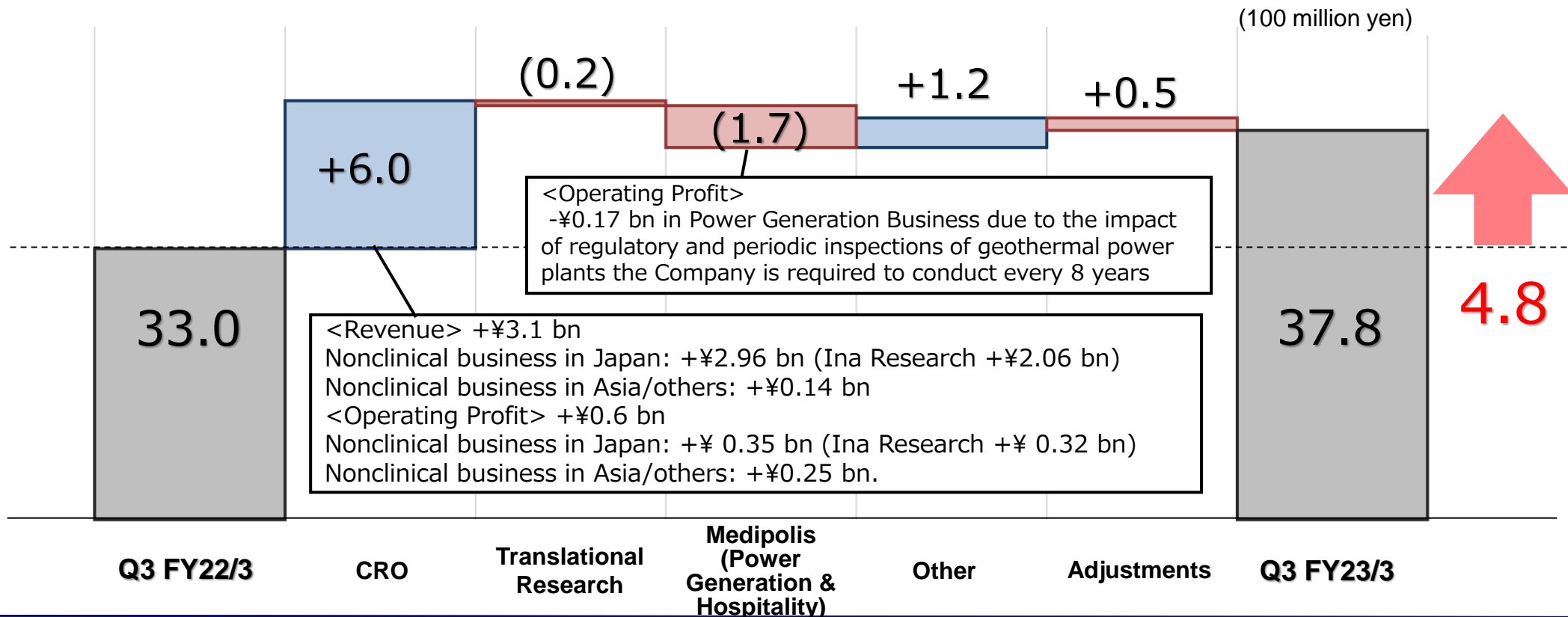
SNBL paid interim dividends for H1 FY2023/3 for the first time since its listing and **revised upwards the year-end dividend forecast from ¥20/share to ¥30/share**. SNBL's new dividend policy introduced in May 2022 is "to achieve the target of 30 to 40% in payout ratio on a consolidated basis, comprehensively considering the Company's earning capacity and cash flow position".



	'20/3	'21/3	'22/3	'23/3 (E)
Dividend per share	¥5/share	¥20/share	¥40/share	¥50/share
Total amount of dividends paid (in millions of yen)	208	832	1,665	2,081
Dividend payout ratio	8.2%	22.7%	23.4%	39.2%

YoY Comparison of Q3 Consolidated Operating P/L

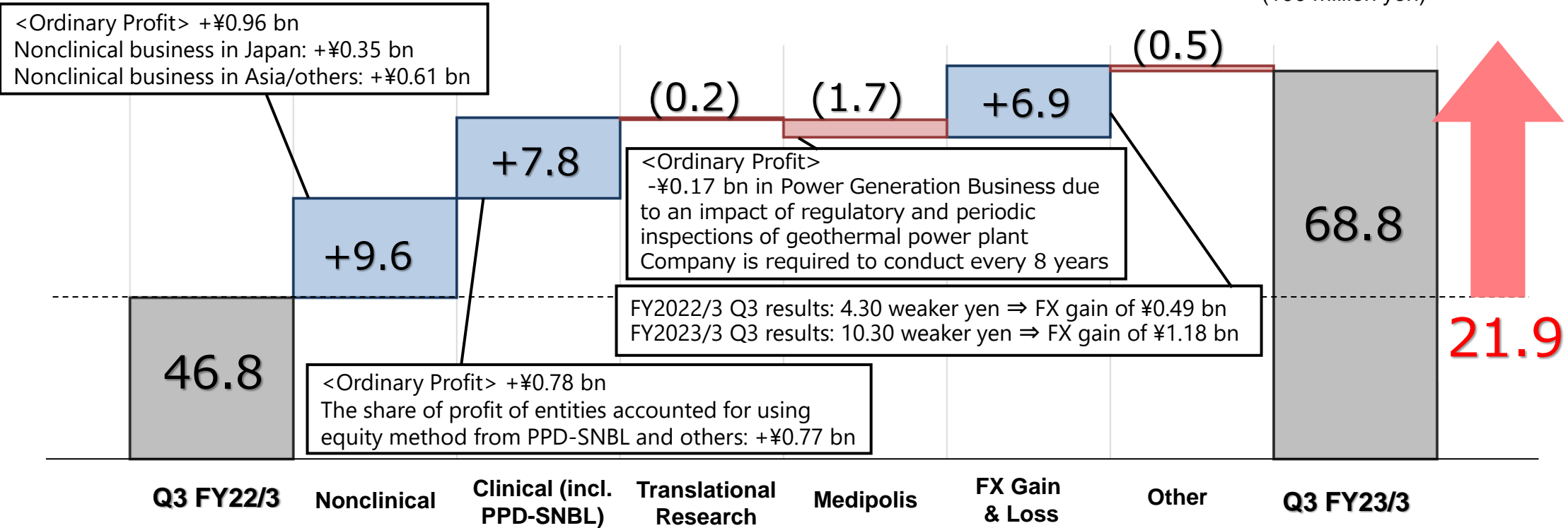
	CRO Business	Translational Research Business	Medipolis Business (Power Generation & Hospitality)	Other	Adjustments	Operating Profit Total
Q3 FY2023/3	44.5	-5.1	-1.6	1.1	-1.1	37.8
Q3 FY2022/3	38.5	-4.9	0.1	-0.1	-0.6	33.0
YoY changes	+6.0	-0.2	-1.7	+1.2	-0.5	+4.8



YoY Comparison of Q3 Consolidated Ordinary P/L

	CRO Business		Translational Research Business	Medipolis Business (Power Generation & Hospitality)	Foreign Exchange Gain & Loss	Other	Ordinary Profit Total
	Nonclinical	Clinical (incl. PPD-SNBL)					
Q3 FY2023/3	48.8	17.1	-5.1	-1.6	11.8	-2.2	68.8
Q3 FY2022/3	39.2	9.3	-4.9	0.1	4.9	-1.8	46.8
YoY Changes	+9.6	+7.8	-0.2	-1.7	+6.9	-0.5	+21.9

(100 million yen)



2. Revision of Financial Forecast for FY2023/3

FY2023/3 Full-year Forecasts Revisions

FX assumption has changed to **JPY/USD128.00**. Revenue has been revised upwards mainly due to a newly-introduced service which offers clients an option to procure laboratory non-human primates (NHPs) at market price prior to the start of relevant studies, has been performing better than expected, resulting in an addition of about ¥500 mil to the previous projection. Operating profit will also exceed the previous plan as a part of R&D expenses related to SNLD, Ltd. initially planned in this fiscal year, which will be allocated in the next fiscal year. Forecasts for both ordinary profit and profit attributable to owners of parent have been revised downwards, in view of recent foreign exchange and currency trends and losses of ¥1.19 bn on valuation of Satsuma Pharmaceuticals shares, respectively.

(100 million yen)

	FY2023/3				
	Revised Forecasts	Changes against original forecasts		YoY Changes	
Revenue	250.0	+10.0	4.2%	+72.5	40.9%
Operating Profit	54.6	+2.0	3.8%	+12.6	30.1%
Ordinary Profit	84.3	-13.7	-14.0%	+13.5	19.1%
Ordinary Profit (excl. FX impact)	78.2	+6.0	8.4%	+21.1	37.0%
Profit Attributable to Owners of Parent	53.1	-16.9	-24.1%	-18.1	-25.5%

<FY2023/3 forecast keypoints>

1. Revenue

Revenue expected to increase by ¥1.0 bn compared to the previous forecasts:
 +¥0.61 bn for contracted studies brought forward to this fiscal year in Nonclinical Business in Japan and +¥0.39 bn from revenue increase in other consolidated subsidiaries.

2. Operating Profit

OP expected to increase by ¥0.2 bn: +¥0.14 bn in R&D expenses for SNLD reallocated to the next fiscal year and +¥0.06 bn from profit increase in other consolidated subsidiaries.

3. FX gains and losses (non-operating profit/loss)

Concerning loans to subsidiaries, FX valuation decrease of ¥1.97 bn compared to the previous forecasts was posted due to JPY/USD fluctuation (¥16.81 stronger yen):
 - Previous FX assumption: JPY/USD144.81
 - FX assumption for revised forecasts: JPY/USD128.00

4. Extraordinary losses (losses on valuation of investment securities)

- Satsuma Pharmaceuticals ¥1.19 bn*
 * Losses may be reversed if the share price as of March 31, 2023, exceeds \$2.40/share.
 - Healios ¥73 mil

<FX Sensitivity>

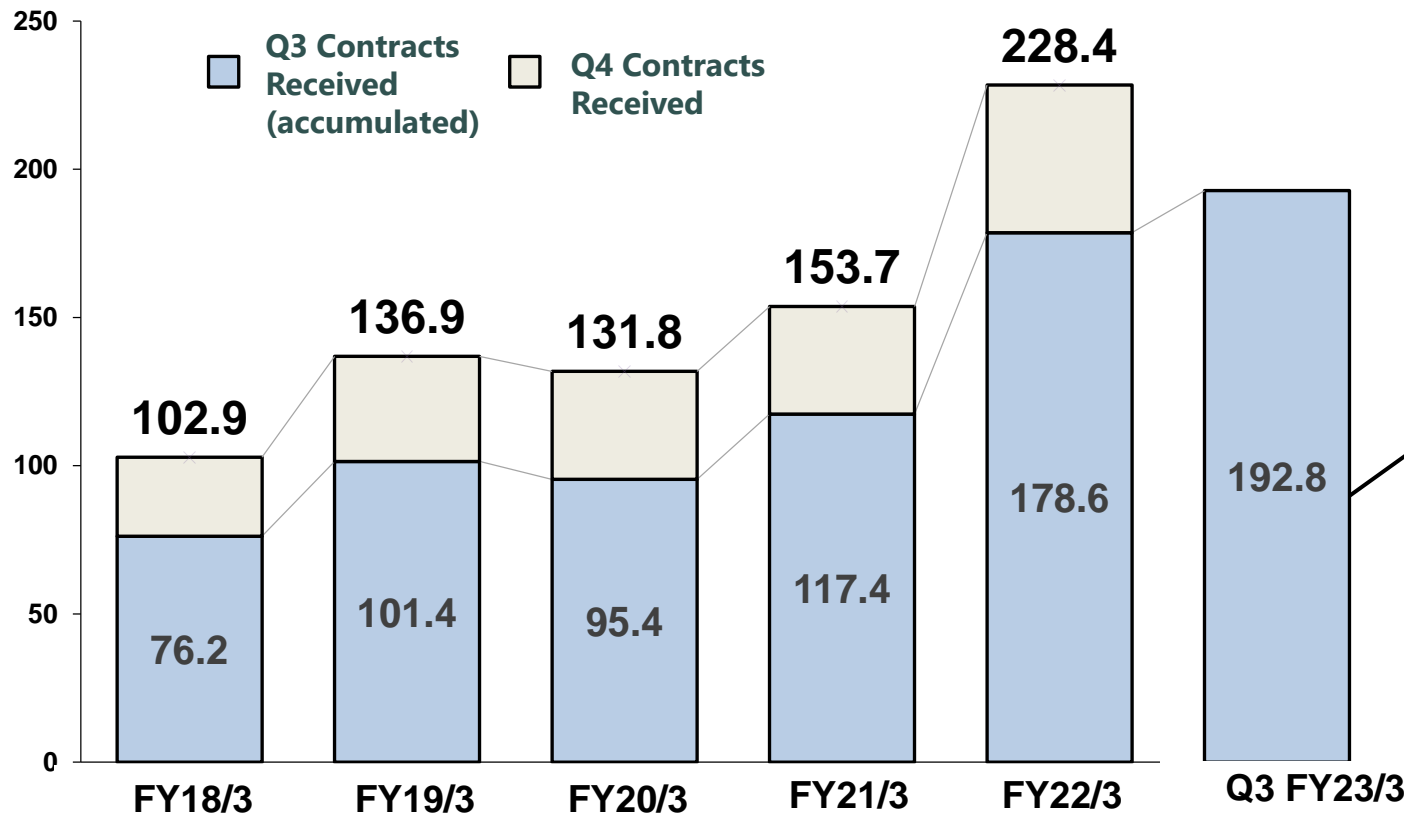
Estimated impacts of 1 weaker yen against USD in Q4 FY2023/3 are as below:
 - Revenue: +¥9 mil
 - OP: +¥5 mil
 - Non Operating P/L: +¥0.12 bn

3. References

CRO Business: Contracts Received in Nonclinical Business in Q3 FY2023/3

Extraordinary factors which boosted the contracts received in FY2022/3, such as COVID-19 related orders (causing approx. ¥1.4 bn downward pressure this fiscal year) and a trend that clients tended to book nonclinical studies well in advance, typically more than 12 months ahead of initiation of studies, are levelling off. Excluding such factors, we see orders received have been growing steadily.

(100 million yen)



+¥1.42 bn compared to Q3 FY2022/3
 SNBL/- ¥0.93 bn
 Japan/-¥2.53 bn
 Overseas/+¥1.6 bn

INA/+2.35 bn
 Japan/+1.23 bn
 Overseas/+1.12 bn

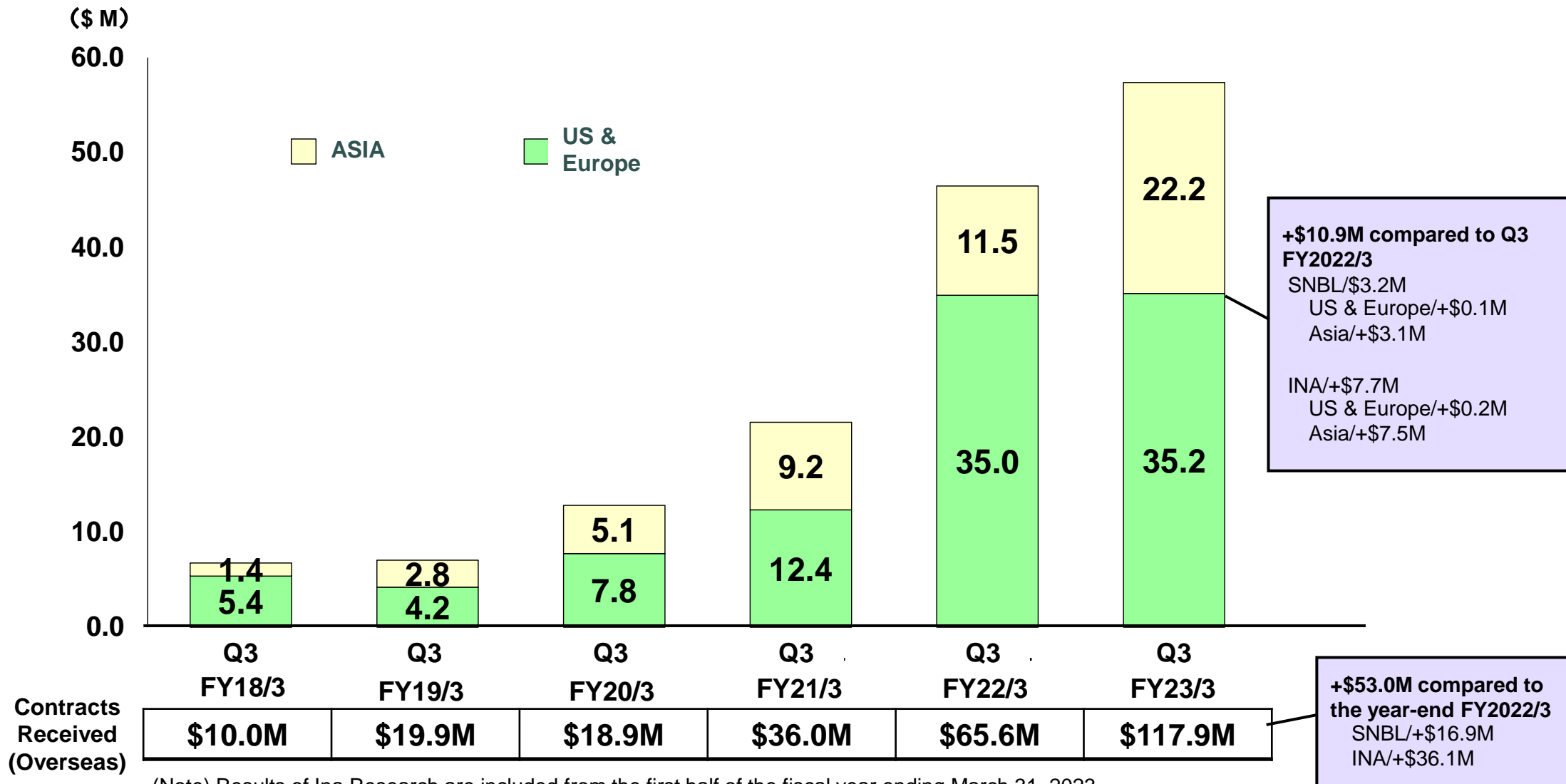
USD/JPY exchange rate for Q3 FY2023/3 (quarterly average): ¥136.85/USD

+¥11.62 bn compared to the year-end FY2022/3
 SNBL/+¥4.79 bn
 INA/+¥6.83 bn

Backlog	¥7.49 bn	¥10.82 bn	¥11.47 bn	¥13.66 bn	¥20.97 bn	¥32.59 bn
Contracts Received (Overseas) Ratio	10.5%	12.3%	12.9%	20.6%	28.6%	41.0%

(Note) Results of Ina Research are included from the first half of the fiscal year ending March 31, 2023.
 For calculation of Contracts Received (Overseas), an average USD/JPY exchange rate of each fiscal year is applied.
 For calculation of Backlog (Overseas), a year-end exchange rate of each fiscal year is applied.
 Cancellation of order is recorded negatively in Contracts Received at the time when it occurs.

CRO Business: Contracts Received (Overseas) in Nonclinical Business in Q3 FY2023/3



(Note) Results of Ina Research are included from the first half of the fiscal year ending March 31, 2023.
 Cancellation of an order is recorded negatively in Contracts Received at the time when it occurs.

CRO Business: Business Profit Performance

Business Profit (operating profit + equity method income) of CRO business increased by 36.9% compared to the same period last year to ¥6.43 bn, and its margin improved by 3.6% to 41.5%.

Business Profit and Margin of CRO Business

(100 million yen)

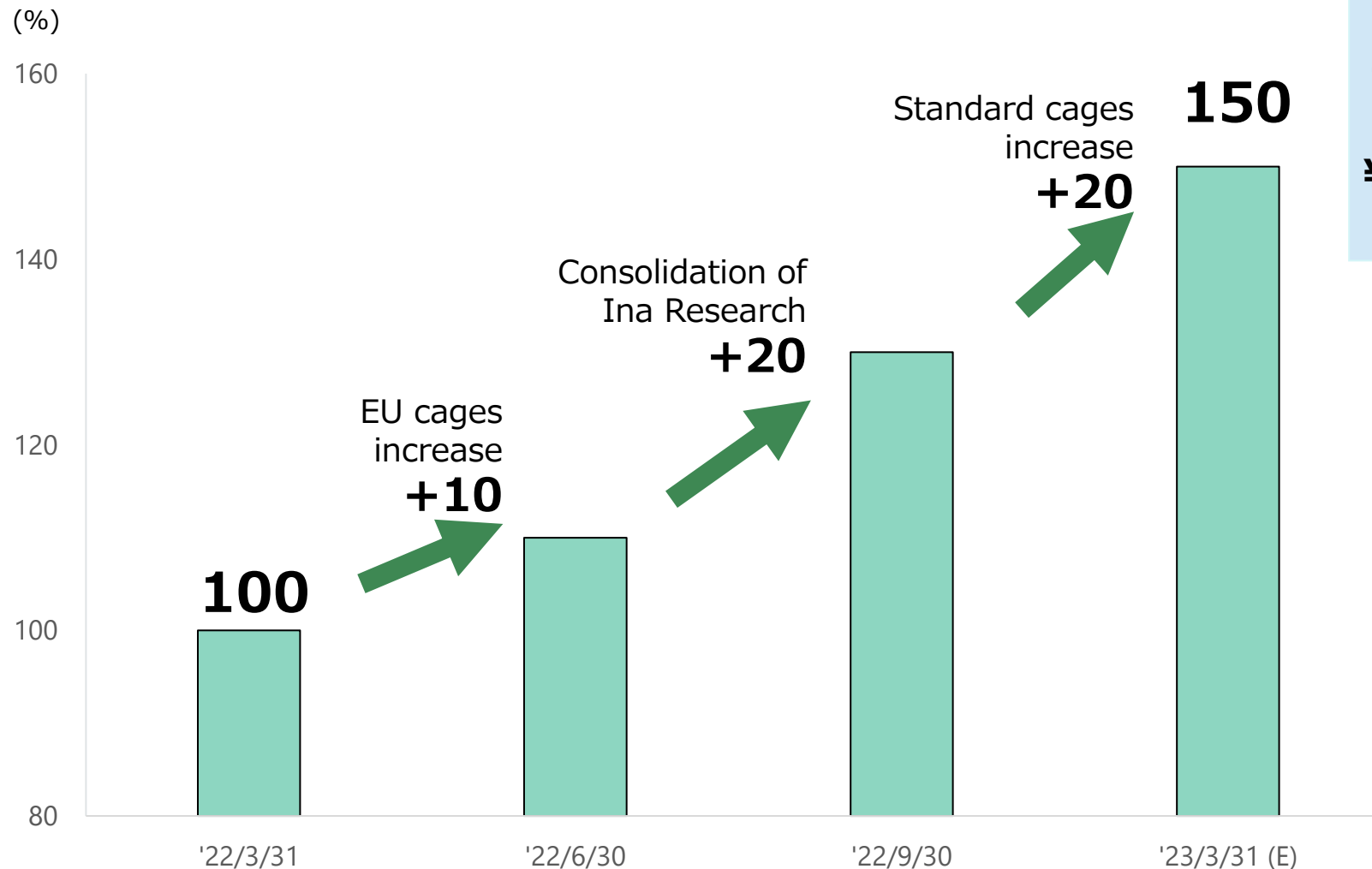
		'21/3 3Q (cumulative)	'22/3 3Q (cumulative)	Increase rate	'23/3 3Q (cumulative)	Increase rate
CRO	Revenue	9,945	12,406	24.7%	15,515	25.1%
Business	Operating Profit	2,209	3,854	74.5%	4,453	15.5%
	Operating Profit Margin	22.2%	31.1%		28.7%	
	Share of profit of entities accounted for using equity method	538	848		1,984	
	(of which, PPD-SNBL)	538	864		1,611	
	Business Profit*	2,747	4,702	71.2%	6,437	36.9%
	Business Profit Margin	27.6%	37.9%		41.5%	

* **Business profit = operating profit + equity method share of profit**

- Revenue and operating profit of a clinical CRO, PPD-SNBL, and SNBL China which conducts a breeding business in China are not recorded in P/L as they are SNBL's equity method affiliates.
- Accumulated business profit of CRO business for Q3 FY2023/3, which is the total sum of equity-method based share of profit from PPD-SNBL(¥1.61 bn for the same period) and SNBL China (¥0.37 bn for the same period), is ¥6.43 bn and relevant **business profit margin is 41.5%**.

CRO Business: Facility Expansion in Nonclinical Business

Conceptual Image of SNBL's Study Facility Capacity
 (capacity as of March 31, 2022, is set as 100)



Capacity of study facility for nonclinical business is to reach ¥30 bn level at the end of March 2023

Key Investee Companies: Satsuma and Wave

Satsuma
pharmaceuticals

Specialty Pharma
for Nasal
Migraine Drug

- Established in the U.S. in June 2016 as a licensee of SNBL proprietary nasal drug delivery technology with limited application for nasal migraine drug (DHE)
- Listed on Nasdaq in September 2019 (ticker code: STSA)
- SNBL owns 8.4% of Satsuma shares
- Pipeline: phase 3 clinical trials completed in the US
 - ✓ In September 2022, positive safety and tolerability results of the ASCEND Phase 3 long-term safety trial were announced
 - ✓ In November 2022, despite the SUMMIT Phase 3 efficacy trial not achieving statistical significance versus placebo on study co-primary endpoints at the primary timepoint of 2 hours post-treatment, Satsuma announced that further analysis of results shows statistical significance on clinically important secondary endpoints such as freedom from pain and from most-bothersome-symptom (MBS) at all post-dose timepoints after 2 hours (3 to 48 hours)
 - ✓ **Preparation for NDA submission within Q1 2023 (Jan - March) is in progress**

WAVE
LIFE SCIENCES

Developing nucleic acid
medicines for genetic
diseases by
a platform technology of
a stereocontrolled synthesis

- Established in the U.S. by SNBL, based on Harvard University professor's unique technologies and those of University of Tokyo, etc.
- Listed on Nasdaq in November 2015 (ticker code: WVE)
- SNBL owns 9.5% of Wave shares
- Wave's proprietary discovery and drug development platform PRISM enables the precise design, optimization, and production of stereopure oligonucleotides. The company also has its own genome editing technology based on adenosine deaminases acting on RNA (ADAR)
- Pipeline:
 - ✓ In December 2022, Wave announced a strategic collaboration with GSK plc to advance oligonucleotide therapeutics including WVE-006, Wave's preclinical RNA editing program targeting alpha-1 antitrypsin deficiency (AATD), a disease that impacts the lungs and liver. Wave receives upfront payment of \$170 mil from GSK while the latter will advance up to eight preclinical programs and also receive exclusive global license to WVE-006.



Financial Data

(In millions of yen)	2018/3	2019/3	2020/3	2021/3	2022/3	2023/3 Forecasts
Revenue	16,600	15,658	14,561	15,110	17,748	25,000
YoY(%)	-3.7%	-5.7%	-7.0%	3.8%	17.5%	40.9%
Gross profit	5,204	6,177	7,615	7,554	9,687	13,090
Ratio of gross profit to revenue (%)	31.3%	39.5%	52.3%	50.0%	54.6%	52.4%
Operating profit	-697	829	2,228	2,529	4,195	5,460
YoY(%)	-	-	168.5%	13.5%	65.9%	30.1%
Share of profit of entities accounted for using equity method	637	361	888	846	1,439	
Ordinary profit	-813	1,613	3,121	3,645	7,078	8,430
Profit before income taxes	-1,507	1,650	3,062	4,175	8,183	
Income taxes	2,013	-308	414	497	1,016	
Profit attributable to owners of parent	-3,555	1,950	2,550	3,661	7,127	5,310
Profit per share (yen)	-85.41	46.84	61.25	87.95	171.20	127.54
Overseas sales	4,868	4,015	2,317	2,100	3,091	
Overseas sales ratio	29.3%	25.6%	15.9%	13.9%	17.4%	
Revenue from international sponsors	7,982	9,958	12,386	15,840	22,181	
Net assets	26,215	28,477	16,381	15,838	19,723	
Total assets	57,493	54,329	39,002	36,972	39,312	
Interest-bearing debt	19,139	16,158	15,123	12,864	9,281	
Equity ratio (%)	45.5%	52.3%	41.8%	42.6%	49.8%	
Capital expenditures	1,274	1,612	1,514	1,025	1,703	5,061
Depreciation	1,472	1,361	1,229	1,187	1,177	1,496
R&D expenses	518	339	400	392	425	547
Ratio of R&D expenses to revenue (%)	3.12%	2.17%	2.75%	2.59%	2.39%	2.19%
Number of employees at the end of the fiscal year	1,385	935	985	986	994	1,221
ROE (%)	-14.6%	7.1%	11.4%	22.9%	40.4%	
ROA (%)	-1.4%	2.9%	6.7%	9.6%	18.6%	
ROIC (%)	—	—	11.7%	12.3%	18.4%	
Ratio of operating profit to revenue (%)	-4.2%	5.3%	15.3%	16.7%	23.6%	21.8%
Ratio of ordinary profit to revenue (%)	-4.9%	10.3%	21.4%	24.1%	39.9%	33.7%
Cash dividends per share (yen)	-	3.0	5.0	20.0	40.0	50.0
Dividend payout ratio (%)	-	6.4%	8.2%	22.7%	23.4%	39.2%

Cautionary Notes

1. Projected results are based on information available to the Company at the time of writing, as well as certain assumptions judged by the Company to be reasonable. Various risks and uncertain factors could cause actual results to differ materially from these projections. This material does not constitute a solicitation of application to acquire or an offer to sell any security in Japan or elsewhere. This material is presented to inform stakeholders of the views of SNBL's management but should not be relied on solely in making investment and other decisions. You should rely on your own independent examination of us before investing in any securities issued by our company. SNBL shall accept no responsibility or liability for damage or loss caused by any error, inaccuracy, misunderstanding or changes of target figures or any other use of this material.
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3. The presentation slides are based on "Summary of Consolidated Financial Results for the Nine Months of the Fiscal Year Ending March 31, 2023 (Japanese GAAP)." Figures rounded to the nearest 100 million JPY and percentage to one decimal place.
4. This English presentation was translated from the original Japanese version. In the event of any inconsistency between the statements in the two versions, the statements in the Japanese version shall prevail.

<IR Inquiries>



Shin Nippon Biomedical Laboratories, Ltd.
IR & Corporate Communications

Phone : +81 03-5565-6216
E-mail : ir@snbl.com
Website : <https://www.snbl.co.jp>