Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

May 8, 2023

Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (Under Japanese GAAP)

Company name: Shin Nippon Biomedical Laboratories, Ltd.
Listing: Prime Market, Tokyo Stock Exchange
Securities code: 2395
URL: https://www.snbl.co.jp/
Representative: Ryoichi Nagata, Representative Chairman, President & CEO
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Scheduled date of annual general meeting of shareholders: June 27, 2023
Scheduled date to commence dividend payments: June 28, 2023
Scheduled date to file annual securities report: June 28, 2023
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes (for analysts and investors)

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

1. Consolidated financial results for the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2023	25,090	41.4	5,245	25.0	9,194	29.9	6,060	(15.0)
March 31, 2022	17,748	17.5	4,195	65.9	7,078	94.2	7,127	94.6

Note: Comprehensive income For the fiscal year ended March 31, 2023: ¥9,129 million [96.3%]
For the fiscal year ended March 31, 2022: ¥4,650 million [–%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of Ordinary profit to total assets	Ratio of Operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2023	145.56	–	26.5	19.0	20.9
March 31, 2022	171.20	–	40.4	18.6	23.6

Reference: Share of profit (loss) of entities accounted for using equity method
For the fiscal year ended March 31, 2023: ¥2,489 million
For the fiscal year ended March 31, 2022: ¥1,439 million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2023	57,242	26,359	45.8	629.60
March 31, 2022	39,312	19,723	49.8	469.85

Reference: Equity
As of March 31, 2023: ¥26,211 million
As of March 31, 2022: ¥19,561 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2023	4,004	(5,930)	6,266	9,197
March 31, 2022	5,952	(4,268)	(4,911)	4,548

2. Cash dividends

	Annual dividends					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2022	–	0.00	–	40.00	40.00	1,665	23.4	9.4
Fiscal year ended March 31, 2023	–	20.00	–	30.00	50.00	2,081	34.3	9.1
Fiscal year ending March 31, 2024 (Forecast)	–	20.00	–	30.00	50.00		46.2	

3. Consolidated earnings forecasts for the year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2023	11,898	15.0	1,832	(20.8)	2,902	(51.1)	1,990	(55.0)	47.80
Fiscal year ending March 31, 2024	30,100	20.0	4,850	(7.5)	6,940	(24.5)	4,510	(25.6)	108.33

* **Notes**

(1) Changes in 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 “(5) Notes to consolidated financial statements (Changes in the scope of consolidation)” of “3. Consolidated Financial Statements and Significant Notes thereto” in the attachment.

accounting period)” in the attachment, “(4) Notes to quarterly consolidated financial statements”.

(2) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

Note: For details, please refer to “(5) Notes to consolidated financial statements (Changes in accounting policies)” of “3. Consolidated Financial Statements and Significant Notes thereto” in the attachment.

(3) Number of issued shares (common shares)

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

As of March 31, 2023	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 March 31, 2023	469 shares
As of March 31, 2022	390 shares

(iii) Average number of shares outstanding during the period

Fiscal year ended March 31, 2023	41,631,968 shares
Fiscal year ended March 31, 2022	41,632,038 shares

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

(The forecast of financial results and forward-looking statement)

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 6 of the attachment, “(4) Future outlook” of “1. Overview of Operating Results and Others.”

(Method of Obtaining Financial Results Supplementary Materials and Details of Financial Results Briefing)

Financial results supplementary materials are posted via TDnet on the date of disclosure. The Company plans to hold a financial results briefing call for analysts and institutional investors on Tuesday, May 10, 2023, of which explanatory details (audio recording and transcript) will be posted together with financial results explanatory materials distributed on May 10, 2023 on the Company's website in a timely manner after the results briefing.

Attached Material

Index

1. Overview of Operating Results and Others

(1) Overview of operating results for the fiscal year ended March 31, 2023

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.

Under such circumstances, revenue for the fiscal year ended March 31, 2023 increased by ¥7,342 million (up 41.4%) year on year to ¥25,090 million, renewing a record high, driven by mainstay CRO business. Operating profit increased by ¥1,049 million to ¥5,245 million (up 25.0%) year on year, and ordinary profit increased by ¥2,115 million to ¥9,194 million (up 29.9%) year on year, with operating profit renewing a record high for the fourth consecutive year, and ordinary profit renewing a record high for the fifth consecutive year. Ordinary profit included foreign exchange gains of ¥1,511 million (foreign exchange gains of ¥1,370 million in the fiscal year ended March 31, 2022). Profit attributable to owners of parent decreased by ¥1,067 million (down 15.0%) year on year to ¥6,060 million due mainly to the recording of a loss on valuation of investment securities of ¥1,361 million as an extraordinary loss. Extraordinary income of ¥1,419 million was recorded in the fiscal year ended March 31, 2022 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 March 31, 2023, the SNBL Group had 1,208 employees on a consolidated basis excluding part-time and hourly employees (an increase of 214 employees from the end of March 2022), and the ratio of female employees was 53.5% (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 continuous favorable results for the fiscal year ended March 31, 2023. 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 especially from overseas due to a global depletion of laboratory NHPs.
- 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.
- The Company focuses on intellectual improvement at the science level, particularly for younger employees, and encourages them as a company to obtain industry-related certifications and academic degrees, and to present at conferences and publish papers, aiming to become a proposal-oriented CRO for clients.

The following are the three main topics of nonclinical business in the fiscal year ended March 31, 2023.

First, the Company conducted a tender offer (TOB) for Ina Research Inc. ("Ina Research"), whose core business is nonclinical business, and consolidated Ina Research on July 20, 2022. Ina Research is a long-established CRO in Japan, which has maintained a menu of studies that is rare even globally such as drug dependence studies, etc. Ina Research provides services mainly to academia and venture companies in Japan, and in overseas, it has strength in the East Asian market, especially in the Korean market. In addition to major Japanese pharmaceutical companies, the Company expects to diversify its customer base with companies mainly in Europe and the US, and it expects to achieve synergy effects early by managing business as a single entity. As Ina Research became a consolidated subsidiary of the Company in the second quarter of the fiscal year ended March 31, 2023, its results from July 2022 onward, with total revenue of ¥3,611 million and operating profit of ¥410 million, are included in the SNBL Group's results.

Next, we also began constructing a new office building and research facility within the Kagoshima Main Branch site (Kagoshima Head Office from April 1, 2023) in December 2022, with the primary objective of building a system that can deal with large orders in the nonclinical business. The new structure will be of reinforced concrete construction with eight floors above ground, two buildings, and a total floor area of 13,022m². 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.

Third, since September 2022 we have been moving forward with the development of a site of approximately 198,000m² 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 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.

As a result of the aforementioned initiatives, orders received in the nonclinical business for the fiscal year ended March 31, 2023 increased by ¥2,081 million (up 9.1%) year on year to ¥24,920 million, compared to the fiscal year ended March 31, 2022. In fiscal year ended March 31, 2022, 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 the drug development for COVID-19. However, during this fiscal year, study contracts arising from such factors have been decreasing, and if these special factors are excluded, orders grew strongly. The order backlog as of March 31, 2023 was ¥29,248 million, which was also a record high. In addition, orders received from overseas increased substantially by ¥2,060 million (up 31.5%) year on year, to ¥8,581 million. The ratio of overseas orders received out of total orders received was 34.4% (28.6% for the fiscal year ended March 31, 2022). Ina Research's CRO business (nonclinical business) reported revenue of ¥3,516 million, operating profit of ¥414 million, and orders received of ¥2,811 million for the nine months from July 2022, when it became a consolidated subsidiary of SNBL, to March 2023.

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 increased significantly to ¥1,967 million (¥1,258 million in the previous fiscal year). In December 2021, PPD's shares were acquired by Thermo Fisher Scientific Inc. ("TF"), a major global player in medical devices. Synergy effects from the Group's expansion in size have led to a stronger order-taking structure.

The CRO business posted revenue of ¥24,000 million for the fiscal year ended March 31, 2023, which was an increase of ¥6,952 million (up 40.8%) relative to the previous fiscal year. Operating profit of the CRO business increased by ¥1,300 million (up 25.8%) year on year to ¥6,336 million, and ratio of operating profit to revenue was 26.4%.

(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.

The basic technology of the intranasal delivery system, which has been a focus of inquiry as the core of 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.

Regarding the commercialization of intranasal formulations, we have been focusing on a few projects. 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). The trial evaluated the safety, tolerability and pharmacokinetics of TR-012001 using a total of 21 healthy individuals and ended in January 2023. We are currently strengthening our clinical development system and preparing for clinical trials to accurately determine the efficacy of the drug in the next phase.

As another intranasal focus project, we have begun research on a vaccine that is expected to act as an intranasal mucosal immunizing agent. In January 2023, the Company entered into a joint research agreement with the Faculty of Biology-Oriented Science and Technology, Kindai University, for the purpose of developing a novel intranasal vaccine that could control the spread of respiratory tract infections, leading the world.

In addition, Satsuma Pharmaceuticals, Inc. ("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 study showed that the drug was well tolerated and safe, and the SUMMIT study showed that although the drug did not meet its primary endpoint (significant elimination of pain at 2 hours post-administration), clinically, the results showed statistically significant efficacy versus placebo was obtained in freedom from pain and most bothersome symptom (MBS Free) from 3 hours to 48 hours post-administration, and a new drug application (NDA) was submitted to the FDA in March 2023.

While conducting drug discovery research based on the nasal drug administration platform technology described above, we also conduct researches on our proprietary delivery technology (Nose-to-Brain technology) that enhances drug delivery to the brain through intranasal administration, and submitted its preclinical research progress with molecular imaging evaluations to a scientific journal.

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 ¥16 million for the fiscal year ended March 31, 2023, relative to revenue of ¥12 million for the fiscal year ended March 31, 2022, and posted operating loss of ¥879 million, relative to operating loss of ¥746 million for the fiscal year ended March 31, 2022.

(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. Specifically, the Company is engaged in power generation business using renewable energy sources and a hospitality business, operating hotel accommodation facilities underpinned by the concept of well-being, operational support for the Medipolis Proton Therapy and Research Center, as well as conducting research on artificial seedlings of glass eel on Okinoerabu Island.

In power generation business, the geothermal power plant has been generating power steadily since it started operation in February 2015. In the fiscal year ended March 31, 2023, 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 was completed in June 2022. The grid connection was completed in October 2022, and the power generation facilities are currently in the adjustment phase. Upon completion, the Company will begin selling electricity under the feed-in tariff (FIT) system.

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 ¥683 million for the fiscal year ended March 31, 2023, which was an increase of ¥120 million (up 21.3%) relative to the fiscal year ended March 31, 2022, due mainly to the trend of recovery in occupancy rates of its hotel accommodation facilities. Operating loss amounted to ¥203 million (operating loss of ¥17 million for the fiscal year ended March 31, 2022), 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. Conducting a periodic shut-down inspection after eight years is a legal requirement, and it is an extremely extensive inspection that includes an open inspection of the generator and turbine.

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. The current eel farming industry is 100% dependent on natural glass eel for its seedlings, resulting in the problem of soaring prices for glass eels in years when catches are poor. There are also concerns, arising from sharp 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.

(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/) (in Japanese). 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%.

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. In March 2023, the Company was recognized by the Ministry of Economy, Trade and Industry as one of the "White 500" Certified Health & Productivity Management Outstanding Organizations for the seventh consecutive year.

(2) Overview of financial position for the fiscal year ended March 31, 2023

Changes in financial position for the fiscal year ended March 31, 2023 from the end of the previous fiscal year were as follows:

Total assets as of March 31, 2023 increased by ¥17,929 million compared to the balance as of the end of the previous fiscal year, to ¥57,242 million (up 45.6%). Current assets increased by ¥7,765 million compared to the balance as of the end of the previous fiscal year, to ¥23,899 million (up 48.1%) due mainly to an increase in cash and deposits and an increase in inventories. Non-current assets increased by ¥10,164 million compared to the balance as of the end of the previous fiscal year, to ¥33,342 million (up 43.9%) due mainly to an increase of ¥ 5,723 million in property, plant, and equipment and an increase of ¥4,900 million in investment securities.

Liabilities increased by ¥11,293 million compared to the balance as of the end of the previous fiscal year, to ¥30,883 million (57.7%), which was due mainly to an increase in advances received and an increase in both short-term and long-term borrowings.

Net assets increased by ¥6,635 million compared to the balance as of the end of the previous fiscal year, to ¥26,359 million (up 33.6%), which was due mainly in an increase in retained earnings and an increase in valuation difference on available-for-sale securities.

(3) Overview of cash flows for the fiscal year ended March 31, 2023

The outstanding balance of cash and cash equivalents ("cash") as of March 31, 2023 was ¥9,197 million, up ¥4,648 million (102.2%) compared to the balance as of the end of the previous fiscal year.

Status of each cash flow during the fiscal year ended March 31, 2023 and main contributing factors thereof are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥4,004 million, down ¥1,948 million (32.7%) relative to the fiscal year ended March 31, 2022.

The main contributing factors included profit before income taxes of ¥7,759 million, depreciation of ¥1,544 million, foreign exchange gains of ¥1,605 million, loss on valuation of investment securities of ¥1,361 million, share of profit of entities accounted for using equity method of ¥2,489 million, interest income and dividend income received of ¥1,744 million and income taxes paid of ¥1,437 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥5,930 million, up ¥1,662 million (38.9%) relative to the fiscal year ended March 31, 2022.

The main contributing factors included purchase of property, plant and equipment of ¥4,839 million and proceeds from withdrawal of time deposits of ¥2,448 million,

(Cash flows from financing activities)

Net cash provided by financing activities was ¥6,266 million, while net cash used in the fiscal year ended March 31, 2022 was ¥4,911 million.

The main contributing factors included net increase in short-term borrowings of ¥4,083 million, proceeds from long-term borrowings of ¥10,300 million, repayments of long-term borrowings of ¥5,468 million and dividends paid of ¥2,484 million.

(4) Future outlook

In our mainstay CRO business, we are working to build a system that can reliably respond to the demands of our customers in Japan and overseas from a medium- to long-term perspective. Currently, we are actively promoting the following investments and R&D in research support for new drug discovery modalities, including nucleic acid drugs, next-generation antibodies, peptide drugs, gene therapy, and regenerative medicine, etc., to differentiate ourselves from competing facilities and have been able to receive orders for new drug discovery modalities.

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

With completion of the tender offer (TOB) for Ina Research, the Company is now able to provide pesticide-related safety evaluations as well as contract drug dependence studies. In addition, Ina Research has strengths in domestic academia, venture companies, and the Korean market, and the Company expects that it will be able to diversify its customer base and generate early synergies by managing the business as a single entity.

Inquiries from overseas customers continue to be active, and we have succeeded in receiving ongoing orders from global pharmaceutical companies due to our competitive advantage in the following four areas.

- Know-how and trust cultivated through 20 years of nonclinical business operations in the US
- Leveraging human resources with experience working in the US
- Establishment of an evaluation system and experimental techniques for new modalities in drug discovery
- Timely studies with a stable supply framework for laboratory non-human primates (NHPs).

In particular, the Company's stable supply of laboratory animals through supply chain management and the Company-established framework for breeding and supplying laboratory non-human primates (NHPs) within the SNBL Group, the only CRO in the world to have established such a framework, has been highly evaluated by overseas customers, leading to orders for large-scale studies. In order to continue to strengthen our supply chain management, we will reinforce the breeding system at our group facilities in Southeast Asia, as well as establish a sufficient breeding system in scale in Japan.

In addition, we are expanding our facilities and increasing our research staff, as well as building a system that can fully meet customer needs, including those of major global pharmaceutical companies. Namely, the construction of a research facility at the Kagoshima head office, which is scheduled for completion in the summer of 2024, is underway, and in April 2023, the Company hired new graduate employees equivalent to more than 10% of its staff engaged in nonclinical business. In addition, reducing nonclinical studies lead time is an important factor for pharmaceutical companies in drug development because it creates time value. The Company is promoting automation, mechanization, and robotization of business processes, as well as digital transformation (DX), and it has formed an internal project to shorten lead times.

In TR business, the Company is conducting research on the application of its proprietary intranasal administration platform technology to various drugs, while also working diligently to improve the technology and research optional technologies that should be added to the basic technology. After narrowing down these development candidates and basic technologies, we will propose licensing activities and joint development with pharmaceutical companies. Following the completion of Phase III clinical trials and the submission of a New Drug Application (NDA) to the US FDA in March of this year, we have entered into an agreement with Satsuma with the approval of its Board of Directors to acquire the company, and we are proceeding with the tender offer (TOB) process. Once the procedure is completed and we officially obtain the exclusive development, manufacturing and marketing rights for STS101, Satsuma's development product, we will promptly conduct activities to launch the product in order to contribute to improving the quality of life (QOL) of patients suffering from acute migraine headaches. SNLD will proceed with the next phase of clinical development of the nasal neurodegenerative disease rescue medication and will select a portfolio to follow. Regarding research on Nose-to-Brain delivery technology, which is a new application area, we will ensure that basic data is collected so that we can advance to the clinical research stage. Furthermore, for intranasal vaccines, we will invite immunology experts to promote research on novel intranasal vaccines with blocking immunity. Based on these data, we will then seek to enter alliances with several major pharmaceutical companies with the aim of commercializing the nasal system.

For Medipolis business (Social Benefit Generation Business), in addition to the existing geothermal power generation facility, we are preparing for selling electricity at a hot spring power generation facility utilizing the existing hotel spring source. In the hospitality business, we have focused on COVID-19 measures, establishing a system for safe accommodation, opening a luxury-oriented wellness resort hotel with a limited number of rooms, supporting the operation of the Medipolis Proton Therapy and Research Center, and conducting research on artificial seedlings of glass eel on Okinoerabu Island.

Consolidated earnings forecasts

The consolidated earnings forecast for the fiscal year ending March 31, 2024 (April 1, 2023 to March 31, 2024) is revenue ¥30,100 million, operating profit ¥4,850 million, ordinary profit ¥6,940 million, and profit attributable to owners of parent ¥4,510 million.

The main reason for the decrease in operating profit is the consolidation of Satsuma, a US company listed on NASDAQ, following the signing of a definitive agreement for the Company to acquire Satsuma announced on April 17. The estimated impact of the consolidation is US$11 million (¥1,469 million) as Satsuma's results for the six-month period from July to December 2023 will be consolidated and its expense for the preparation of manufacturing facilities for STS101, a requirement for FDA approval, is projected. Operating profit excluding the impact of Satsuma is expected to be ¥6,319 million, up 20.5% from the result of the fiscal year ended March 31, 2023.

As for ordinary profit, the Company foresees it will decrease as a positive impact of foreign exchange gain of ¥1,511 million posted in the fiscal year ended March 31, 2023 is excluded in the current fiscal year, in addition to the decline in operating profit noted above. Ordinary profit excluding foreign exchange gain was ¥7,683 million in the previous fiscal year. Excluding the impact of Satsuma, the forecast for ordinary profit for the fiscal year ending March 31, 2024 is ¥8,409 million, up 9.4% from the previous fiscal year, if compared without foreign exchange impact.

Profit attributable to owners of parent for the fiscal year ended March 31, 2023, was ¥5,343 million excluding foreign exchange gains and extraordinary gains and losses. For the current fiscal year, the Company foresees it to be ¥5,979 million excluding impacts of Satsuma, foreign exchange gains and extraordinary gains and losses.

The Company expects to pay an annual dividend of ¥50 per share for the fiscal year ended March 31, 2023, as it successfully achieved record-high revenue, operating profit, and ordinary profit. Considering the current business environments where the Company foresees to achieve solid performance again, the Company expects to keep an annual dividend of ¥50 per share in the fiscal year ending March 31, 2024.

Please refer to the next page for principal management benchmarks (capital expenditures, depreciation, R&D expenses, and number of employees), assumptions on which the forecast is based. The assumed exchange rate is 1 US dollar = 133.54 yen.

[Orders received in the nonclinical business]

(Millions of yen)

	Full-year results for the fiscal year ended March 31, 2020	Full-year results for the fiscal year ended March 31, 2021	Full-year results for the fiscal year ended March 31, 2022	Full-year results for the fiscal year ended March 31, 2023	Full-year plan for the fiscal year ended March 31, 2024
Orders received	13,182	15,368	22,839	24,920	32,701
[of which, overseas orders received]	[1,694]	[3,160]	[6,521]	[8,581]	[13,237]
Order backlog	11,466	13,661	20,966	29,248	—

(Notes)

1. Results of Ina Research are included from July 1, 2022.
2. For calculation of Orders Received (Overseas), an average USD/JPY exchange rate of each fiscal year is applied.
3. For calculation of Order backlog (Overseas), a year-end exchange rate of each fiscal year is applied.

[Trends in principal management benchmarks]

(Millions of yen, unless otherwise noted)

	Full-year results for the fiscal year ended March 31, 2020	Full-year results for the fiscal year ended March 31, 2021	Full-year results for the fiscal year ended March 31, 2022	Full-year results for the fiscal year ended March 31, 2023	Full-year forecasts for the fiscal year ending March 31, 2024
	From April 2019 to March 2020	From April 2020 to March 2021	From April 2021 to March 2022	From April 2022 to March 2023	From April 2023 to March 2024
Capital expenditures	1,514	1,025	1,703	5,614	6,875
Depreciation	1,229	1,187	1,177	1,544	1,800
R&D expenses	400	392	425	683	928
Number of employees at period-end (people)	985	986	994	1,208	1,382

(Note) Results of Ina Research are included from July 1, 2022.

2. Basic Policy on Selection of Accounting Standards

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

3. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated balance sheet

(Thousands of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	6,628,901	10,533,094
Notes and accounts receivable – trade, and contract assets	3,501,562	4,760,363
Securities	368,090	–
Inventories	4,359,421	7,329,408
Other	1,278,736	1,342,662
Allowance for doubtful accounts	(2,225)	(65,964)
Total current assets	16,134,487	23,899,564
Non-current assets		
Property, plant and equipment		
Buildings and structures	19,229,717	24,446,367
Accumulated depreciation	(11,871,452)	(15,021,531)
Buildings and structures, net	7,358,265	9,424,835
Machinery, equipment and vehicles	1,969,013	1,953,012
Accumulated depreciation	(1,363,427)	(1,810,883)
Machinery, equipment and vehicles, net	605,586	142,129
Tools, furniture and fixtures	6,641,060	7,158,574
Accumulated depreciation	(5,593,370)	(5,719,634)
Tools, furniture and fixtures, net	1,047,689	1,438,939
Land	2,944,966	3,512,926
Leased assets	1,186,464	2,421,922
Accumulated depreciation	(750,285)	(889,293)
Leased assets, net	436,178	1,532,628
Construction in progress	763,130	2,827,829
Total property, plant and equipment	13,155,817	18,879,289
Intangible assets		
Goodwill	-	1,438,769
Other	212,337	260,660
Total intangible assets	212,337	1,699,429
Investments and other assets		
Investment securities	7,080,067	11,980,424
Long-term loans receivable	36,554	34,529
Deferred tax assets	1,129,594	325,757
Other	1,563,796	423,210
Total investments and other assets	9,810,013	12,763,921
Total non-current assets	23,178,168	33,342,640
Total assets	39,312,655	57,242,205

(Thousands of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	64,574	419,764
Short-term borrowings	2,942,742	8,923,211
Income taxes payable	743,103	603,708
Advances received	6,938,417	8,055,161
Other	2,685,133	3,009,844
Total current liabilities	13,373,972	21,011,689
Non-current liabilities		
Long-term borrowings	5,809,744	9,480,425
Lease liabilities	385,822	357,026
Other	20,011	34,043
Total non-current liabilities	6,215,578	9,871,494
Total liabilities	19,589,550	30,883,184
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	13,766,184
Treasury shares	(247)	(420)
Total shareholders’ equity	22,181,923	25,751,605
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	170,768	2,596,709
Foreign currency translation adjustment	(2,791,597)	(2,136,482)
Total accumulated other comprehensive income	(2,620,829)	460,226
Non-controlling interests	162,011	147,188
Total net assets	19,723,105	26,359,021
Total liabilities and net assets	39,312,655	57,242,205

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

Consolidated statement of income

(Thousands of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Revenue	17,748,482	25,090,903
Cost of revenue	8,061,183	12,044,235
Gross profit	9,687,299	13,046,668
Selling, general and administrative expenses		
Remuneration for directors (and other officers)	362,852	427,558
Salaries and allowances	1,651,822	2,009,082
Retirement benefit expenses	23,175	24,737
Welfare expenses	380,380	434,478
Insurance expenses	25,864	27,297
Supplies expenses	59,571	128,343
Rent expenses	104,482	137,151
Depreciation	158,960	224,676
Travel, transportation and vehicle expenses	80,326	167,277
Commission expenses	834,856	1,025,303
Breeding animal maintenance expenses	487,311	871,907
R&D expenses	425,075	683,065
Provision of allowance for doubtful accounts	169	64,818
Other	896,839	1,575,734
Total selling, general and administrative expenses	5,491,689	7,801,434
Operating profit	4,195,609	5,245,233
Non-operating income		
Interest income	8,313	57,401
Dividend income	500	1,000
Foreign exchange gains	1,370,005	1,511,184
Share of profit of entities accounted for using equity method	1,439,317	2,489,165
Other	193,687	183,148
Total non-operating income	3,011,824	4,241,900
Non-operating expenses		
Interest expenses	126,646	125,060
Commission expenses	1,805	139,285
Other	788	28,654
Total non-operating expenses	129,240	292,999
Ordinary profit	7,078,192	9,194,133
Extraordinary income		
Gain on sale of non-current assets	896	11,683
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	1,419,900	45,977
Extraordinary losses		
Loss on sales and retirement of non-current assets	21,748	24,224
Impairment losses	225,219	44,358
Loss on valuation of investment securities	37,243	1,361,097
Loss on liquidation of business	30,569	–
Other	–	50,818
Total extraordinary losses	314,781	1,480,499
Profit before income taxes	8,183,311	7,759,612
Income taxes - current	1,049,664	1,292,170
Income taxes - deferred	(33,458)	416,732
Total income taxes	1,016,205	1,708,903
Profit	7,167,105	6,050,708
Profit (loss) attributable to non-controlling interests	39,475	(9,348)
Profit attributable to owners of parent	7,127,629	6,060,057

Consolidated statement of comprehensive income

(Thousands of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit	7,167,105	6,050,708
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,925,545)	2,425,940
Foreign currency translation adjustment	(673,588)	625,829
Share of other comprehensive income of entities accounted for using equity method	82,360	26,761
Total other comprehensive income	(2,516,774)	3,078,531
Comprehensive income	4,650,331	9,129,240
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,612,468	9,141,113
Comprehensive income attributable to non-controlling interests	37,862	(11,872)

(3) Consolidated statement of changes in equity

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

(Thousands of yen)

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

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

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	9,679,070	2,306,771	10,196,329	(247)	22,181,923
Changes during period					
Profit attributable to owners of parent			6,060,057		6,060,057
Dividends of surplus			(2,497,919)		(2,497,919)
Purchase of treasury shares				(172)	(172)
Change in scope of consolidation			7,717		7,717
Net changes in items other than shareholders' equity					-
Total changes during period	-	-	3,569,855	(172)	3,569,682
Balance at end of period	9,679,070	2,306,771	13,766,184	(420)	25,751,605

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	170,768	(2,791,597)	(2,620,829)	162,011	19,723,105
Changes during period					
Profit attributable to owners of parent			-		6,060,057
Dividends of surplus					(2,497,919)
Purchase of treasury shares					(172)
Change in scope of consolidation					7,717
Net changes in items other than shareholders' equity	2,425,940	655,115	3,081,055	(14,822)	3,066,233
Total changes during period	2,425,940	655,115	3,081,055	(14,822)	6,635,915
Balance at end of period	2,596,709	(2,136,482)	460,226	147,188	26,359,021

(4) Consolidated statement of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	8,183,311	7,759,612
Depreciation	1,177,432	1,544,419
Impairment losses	225,219	44,358
Amortization of goodwill	–	56,055
Increase (decrease) in allowance for doubtful accounts	169	75,913
Interest and dividend income	(8,813)	(58,401)
Interest expenses	126,646	125,060
Foreign exchange losses (gains)	(1,348,182)	(1,605,587)
Loss (gain) on sale of non-current assets	(896)	(11,381)
Loss on retirement of non-current assets	21,748	23,922
Loss (gain) on valuation of investment securities	37,243	1,361,097
Loss (gain) on sale of investment securities	–	(5,937)
Loss (gain) on sale of shares of subsidiaries and associates	(1,096,054)	(34,293)
Share of loss (profit) of entities accounted for using equity method	(1,439,317)	(2,489,165)
Loss (gain) on change in equity	(322,435)	–
Decrease (increase) in trade receivables	(480,925)	(937,884)
Decrease (increase) in inventories	(371,070)	(968,487)
Increase (decrease) in advances received	1,611,879	(714,202)
Increase (decrease) in trade payables	(36,713)	(268,242)
Other	(121,676)	(81,391)
Subtotal	6,157,566	3,815,463
Interest and dividends received	928,190	1,744,972
Interest paid	(118,155)	(118,420)
Income taxes paid	(1,014,823)	(1,437,995)
Net cash provided by (used in) operating activities	5,952,778	4,004,019
Cash flows from investing activities		
Payments into time deposits	(3,672,300)	–
Proceeds from withdrawal of time deposits	–	2,448,200
Purchase of property, plant and equipment	(1,543,090)	(4,839,524)
Proceeds from sale of property, plant and equipment	904	11,757
Purchase of intangible assets	(71,180)	(116,191)
Purchase of investment securities	(521,827)	(1,514,290)
Proceeds from sale of investment securities	–	84,395
Purchase of shares of subsidiaries and associates	(225)	–
Proceeds from sale of shares of subsidiaries and associates	57,874	–
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	58,522	–
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	1,084,650	–
Proceeds from collection of loans receivable	343,024	911
Other	(4,899)	(68,597)
Net cash provided by (used in) investing activities	(4,268,545)	(5,930,578)

(Thousands of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(6,150)	4,083,200
Proceeds from long-term borrowings	–	10,300,000
Repayments of long-term borrowings	(3,492,304)	(5,468,121)
Decrease (increase) in treasury shares	(49)	(172)
Repayments of finance lease liabilities	(583,999)	(198,146)
Dividends paid	(826,530)	(2,484,414)
Dividends paid to non-controlling interests	(2,950)	(2,950)
Other	–	36,848
Net cash provided by (used in) financing activities	(4,911,983)	6,266,243
Effect of exchange rate change on cash and cash equivalents	496,708	311,454
Net increase (decrease) in cash and cash equivalents	(2,731,043)	4,651,138
Cash and cash equivalents at beginning of period	7,279,835	4,548,792
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	–	(2,236)
Cash and cash equivalents at end of period	4,548,792	9,197,694

(5) Notes to consolidated financial statements

(Notes on going concern assumption)

Not applicable.

(Changes in the scope of consolidation)

In the fiscal year ended March 31, 2023, 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, AXIS CORPORATION, due to liquidation, and TIAN HU (CAMBODIA) ANIMAL BREEDING RESEARCH CENTER LTD. because it was merged by the SNBL Group company SHIN NIPPON BIOMEDICAL LABORATORIES (CAMBODIA) LIMITED.

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

(Changes in accounting policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement）

The Company applied "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No.31, June 17, 2021) since the beginning of the fiscal year ended March 31, 2023. In accordance with the transitional treatment set forth in Paragraph 27-2 of Implementation Guidance on Accounting Standard for Fair Value Measurement, the Company has prospectively adopted the new accounting policy set forth in Implementation Guidance on Accounting Standard for Fair Value Measurement. As a result, investment trusts for which no trading prices exist in the market, the Company applies the treatment of reference value as fair value and reference value as regard as fair value after determining whether there are material restrictions that would require compensation for risk from market participants with respect to cancellations, etc. There are no effects on consolidated financial statements due to the application of the Implementation Guidance.

(Segment information)

(Segment information)

1. Overview of reportable segments

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

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

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

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

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

Profits of reportable segments are based on operating profit.

Transactions with other segments are based on prevailing market prices.

3. Information on the amounts of revenue, profit or loss, assets, liabilities, and other items by reportable segment

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

(Thousands of yen)

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

(Notes)

1. The "Other" classification serves as a business segment not included in the reportable segments, and accordingly includes the real estate business and other such businesses.
2. Segment profit (loss) adjustments amounting to negative ¥116,871 thousand consist of ¥10,297 thousand in elimination of intersegment transactions and negative ¥127,169 thousand in corporate expenses not allocated to a reportable segment. Corporate expenses are mainly general and administrative expenses, which are not attributable to the reportable segments. The adjustment amount of ¥16,775,904 thousand for segment assets is corporate assets that are not allocated to each reportable segment. Corporate assets consist mainly of surplus operating funds (cash and deposits, etc.) and long-term investment funds (investment securities, etc.).
3. Segment profit (loss) has been calculated upon adjusting operating profit in the consolidated statement of income.

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Thousands of yen)

	Reportable segments				Other (Note 1)	Total	Adjustments (Note 2)	Amount recorded on the consolidated statement of income (Note 3)
	CRO business	Translational Research business	Medipolis business	Subtotal				
Revenue								
Revenues from external customers	23,924,368	16,480	600,834	24,541,682	549,221	25,090,903	-	25,090,903
Transactions with other segments	76,017	-	82,826	158,843	888,131	1,046,974	(1,046,974)	-
Total	24,000,385	16,480	683,660	24,700,525	1,437,353	26,137,878	(1,046,974)	25,090,903
Segment profit (loss)	6,336,629	(879,983)	(203,978)	5,252,667	110,905	5,363,572	(118,339)	5,245,233
Segment assets	28,277,141	102,622	1,980,786	30,360,550	3,605,300	33,965,851	23,276,354	57,242,205
Other items								
Depreciation	1,196,769	7,069	158,298	1,362,137	182,282	1,544,419	-	1,544,419
Share of profit (loss) of entities accounted for using equity method	2,489,360	-	-	2,489,360	(194)	2,489,165	-	2,489,165
Increase in property, plant and equipment and intangible assets	3,806,451	34,671	679,016	4,520,139	1,130,754	5,650,893	(36,292)	5,614,601

(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 ¥118,339 thousand consist of negative ¥2,097 thousand in elimination of intersegment transactions and negative ¥116,241 thousand in corporate expenses not allocated to a reportable segment. Corporate expenses are mainly general and administrative expenses, which are not attributable to the reportable segments. The adjustment amount of ¥23,276,354 thousand for segment assets is corporate assets that are not allocated to each reportable segment. Corporate assets consist mainly of surplus operating funds (cash and deposits, etc.) and long-term investment funds (investment securities, etc.).
3. Segment profit (loss) has been calculated upon adjusting operating profit in the consolidated statement of income.

(Per share information)

(Yen)

	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)
Net assets per share	469.85	629.60
Basic earnings per share	171.20	145.56

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

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

	As of March 31, 2022	As of March 31, 2023
Total net assets (thousand yen)	19,723,105	26,359,021
Net assets related to common stock at the end of the period (thousand yen)	19,561,094	26,211,832
Breakdown of the difference (thousand yen)		
Non-controlling interests	162,011	147,188
Number of shares of common stock used for calculation of net assets per share at the end of the period (thousand shares)	41,632	41,631

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

	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)	Fiscal year ended March 31,2023 (from April 1, 2022 to March 31, 2023)
Profit attributable to owners of parent (thousand yen)	7,127,629	6,060,057
Amount not attributable to common shareholders (thousand yen)	–	–
Profit attributable to owners of parent pertaining to common shares (thousand yen)	7,127,629	6,060,057
Average number of shares of common stock during the period (thousand shares)	41,632	41,631

(Subsequent events)

(Business combination through acquisition)

On April 16, 2023, the Company's Board of Directors resolved to enter into an agreement to acquire Satsuma Pharmaceuticals, Inc. (NASDAQ: STSA, hereinafter "Satsuma"), the US biotechnology company headquartered in San Francisco, California (US) and licensee of the Company's intranasal administration technology.

1. Description of business combination
   (1) Name and description of business of the acquired company
      (i) Name of the acquired company: Satsuma Pharmaceuticals, Inc.
      (ii) Description of business: Development of nasal migraine treatments

   (2) Primary reasons for the business combination
      Satsuma is a drug discovery venture founded in the US in 2016 and listed on the US NASDAQ market in September 2019.
      Satsuma is developing STS101, a migraine drug based on application of licensing the Company's proprietary intranasal administration basic technology, and it has completed Phase III clinical trials and submitted a New Drug Application (NDA) to the US FDA in March 2023.
      With the acquisition of Satsuma, the Company acquired the exclusive worldwide development, manufacturing and marketing rights for STS101 to strengthen the basic technology in the Company's Translational Research business (TR business).

   (3) Date of business combination: June 2023 (scheduled)

   (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 to acquire: 91.6% (scheduled)
      Prior to this acquisition, the Company held 8.4% (including 0.7% indirectly) of the voting rights, and after this acquisition, the Company will hold 100.0% (including 0.7% indirectly) of the voting rights.

2. Acquisition cost of the acquired company and consideration, and content and amount of acquisition-related costs (estimates)
   (1) Acquisition cost of the acquired company and content and amount of acquisition-related costs (estimates)
      Common stock of Satsuma US$30.2 million
      Advisory fees, etc. US$1.5 million

   (2) Content of contingent consideration
      The Company shall pay additional contingent consideration in accordance with future operating performance of the acquired company.

   (3) Accounting
      Acquisition cost of the acquired company and the amount of related goodwill and goodwill amortization shall be revised upon occurrence of additional payment of the contingent consideration.

   (4) Difference between acquisition cost of the acquired company and total amount of acquisition costs as the result of a series of transactions to purchase shares of the acquired company
      Not confirmed at this stage.