

The Fiscal Year Ended March 31, 2023 Consolidated Financial Results

Supplementary Material

May 8, 2023



SHIN NIPPON BIOMEDICAL LABORATORIES, LTD.

Outline of Full-Year Consolidated Financial Results

FY2023/3 Consolidated Financial Results Highlights



Record-high revenue posted thanks partly to Ina Research's 9 months revenue (July to March) of ¥3.62B contribution. **Record-high operating profit and ordinary profit** also posted, marking double-digit growth. Operating profit undershot a previous forecast by ¥210M on anticipated clinical development conducted by Company's consolidated subsidiary SNLD and on reinforced investment in human capital, etc. Profit attributable to owners of parent is expected to decrease by ¥1.06B YoY due mainly to a loss of ¥1.27B on valuation of investment securities related to Satsuma Pharmaceuticals in the US. Additionally, there was an upward impact of extraordinary income of ¥1.36B recorded in the previous fiscal year, from share transfer and third-party allocation of new shares of its subsidiary which engages in laboratory animal breeding and raising business in China.

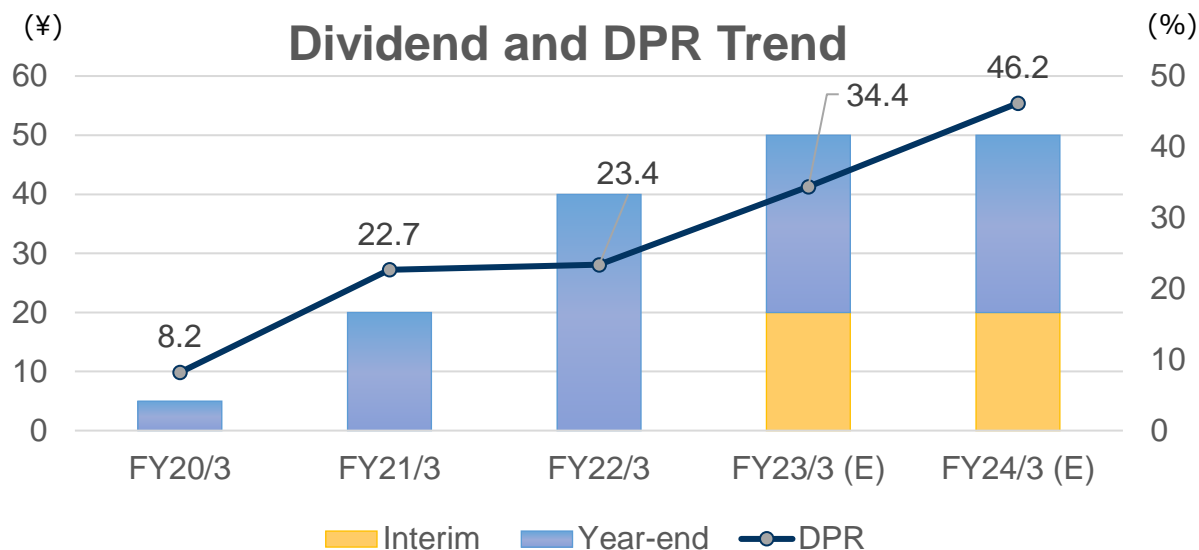
(¥100M)

	FY2022/3	FY2023/3					
		Forecast (Jan 31, 2023)	Results	Changes against forecast		YoY changes	
Revenue	177.4	250.0	250.9	+0.9	0.4%	+73.4	41.4%
Operating Profit	41.9	54.6	52.4	-2.1	-3.9%	+10.4	25.0%
Ordinary Profit	70.7	84.3	91.9	+7.6	9.1%	+21.1	29.9%
Ordinary Profit (excl. FX impact)	57.0	78.2	76.8	-1.3	-1.8%	+19.7	34.6%
Profit Attributable to Owners of Parent	71.2	53.1	60.6	+7.5	14.1%	-10.6	-15.0%

Shareholders Return



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”. For H1 FY2023/3, SNBL paid interim dividends for the first time since its listing, while its projection of year-end dividend per share of ¥30 is maintained, totaling a record-high dividend of ¥50 per share for full year.



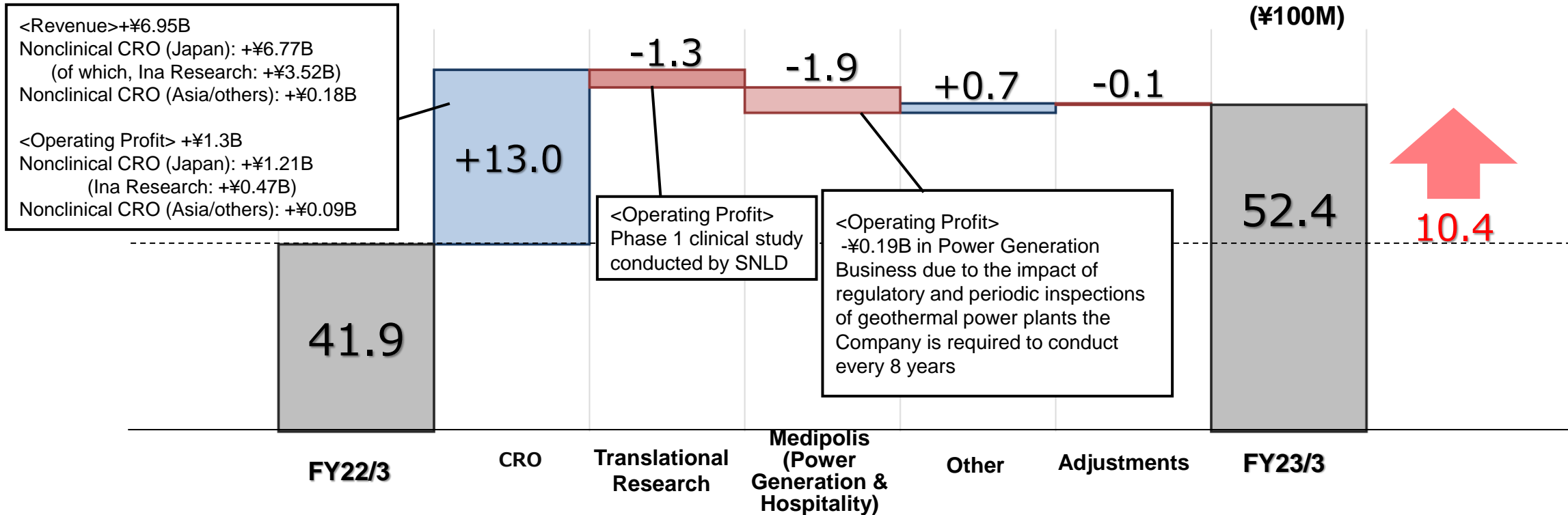
DPR excluding impacts of forex, Satsuma and extraordinary losses, calculated based on forecasted profit attributable to owners of parent of ¥5.97B for FY24/3 is 34.8%.

	FY2020/3	FY2021/3	FY2022/3	FY2023/3(E)	FY2024/3(E)
Dividend per share	¥5	¥20	¥40	¥50	¥50
Total amount of dividends paid (in ¥M)	208	832	1,665	2,081	2,081
Dividend payout ratio (DPR)	8.2%	22.7%	23.4%	34.3%	46.2%
DPR excluding impacts of Forex, Satsuma and extraordinary losses	7.3%	28.8%	34.3%	39.0%	34.8%

YoY Comparison of Consolidated Operating P/L



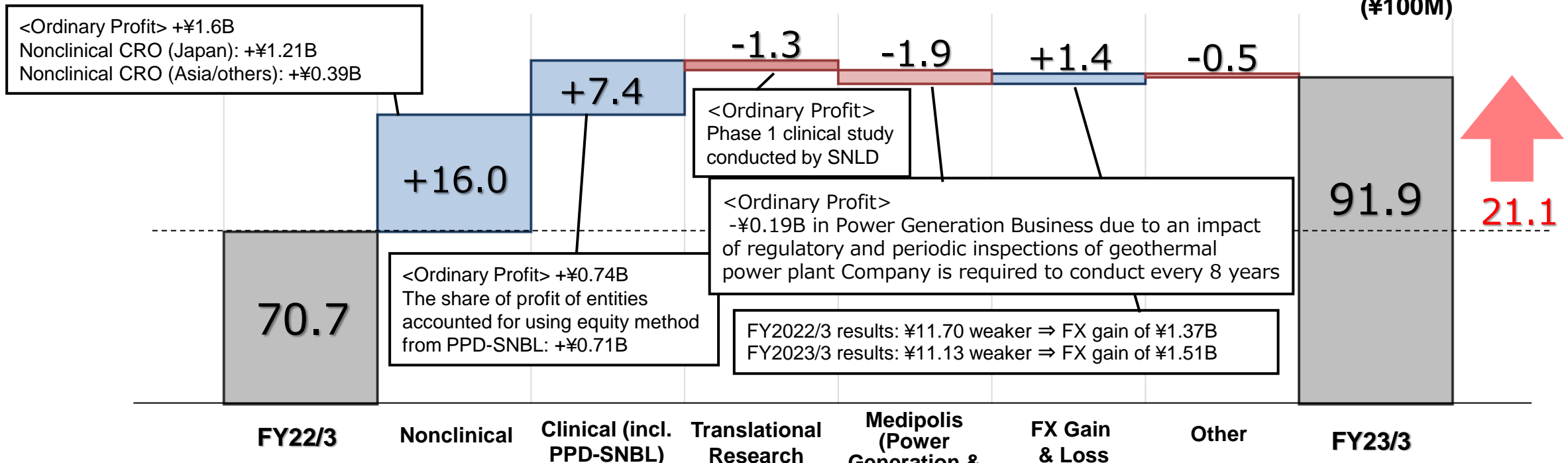
	CRO Business	Translational Research Business	Medipolis Business (Power Generation & Hospitality)	Other	Adjustments	Operating Profit Total
FY2023/3 Results	63.3	-8.7	-2.0	1.1	-1.3	52.4
FY2022/3 Results	50.3	-7.4	-0.1	0.4	-1.3	41.9
YoY changes	+13.0	-1.3	-1.9	+0.7	-0.1	+10.4



YoY Comparison of 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)					
FY2023/3 Results	68.8	21.1	-8.7	-2.0	15.1	-2.4	91.9
FY2022/3 Results	52.8	13.7	-7.4	-0.1	13.7	-2.0	70.7
YoY Changes	+16.0	+7.4	-1.3	-1.9	+1.4	-0.5	+21.1



Financial Forecast for FY2024/3

Financial Forecast for FY2024/3



A steady increase in all profit levels is expected in FY2024/3 if downward impacts of consolidation of Satsuma (-¥1.46B) and foreign exchange gains in FY2023/3 (-¥1.51B) are excluded from the assumption.

(¥100M)

	FY2023/3	FY2024/3			Excluding impacts of Satsuma, foreign exchange fluctuation and extraordinary loss(income)			
		Forecast	YoY Changes		FY2023/3(*)	Forecast	YoY Changes	
Revenue	250.9	301.0	+50.0	20.0%	250.9	301.0	+50.0	20.0%
Operating Profit	52.4	48.5	-3.9	-7.5%	52.4	63.1	+10.7	20.5%
Ordinary Profit	91.9	69.4	-22.5	-24.5%	76.8	84.0	+7.2	9.4%
Profit Attributable to Owners of Parent	60.6	45.1	-15.5	-25.6%	53.4	59.7	+6.3	11.9%

(*) Impacts of consolidation of Satsuma, foreign exchange gains(losses) on loans to subsidiaries, etc., and extraordinary loss(income) are excluded from the assumption.

<p>1. Revenue YoY: +¥5.0B ⇒ Nonclinical CRO (Japan): +¥5.1B Other: -¥0.1B</p> <p>2. Operating Profit YoY: -¥0.39B ⇒CRO business: +¥1.27B ⇒Consolidation of Satsuma: -¥1.46B ⇒Translational Research business: -¥0.54B ⇒Medipolis business: +¥0.12B ⇒Other: +¥0.21B</p>	<p>3. Foreign exchange gains or losses (non-operating income and expenses) Foreign exchange gains on loans to subsidiaries, etc. YoY: -¥1.51B FY2023/3 results: forex gain of +¥1.51B (¥11.13 weaker agst US\$) FY2024/3 forecast: no forex gain/loss (FX assumption ¥133.54/US \$)</p>	<p>4. FX sensitivity Estimated impacts of ¥1 weaker against US\$ for FY2024/3 are as below: Revenue: ¥80 mil Operating profit: ¥37 mil Non-operating profit: ¥42 mil</p>
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YoY Comparison of Consolidated Operating P/L



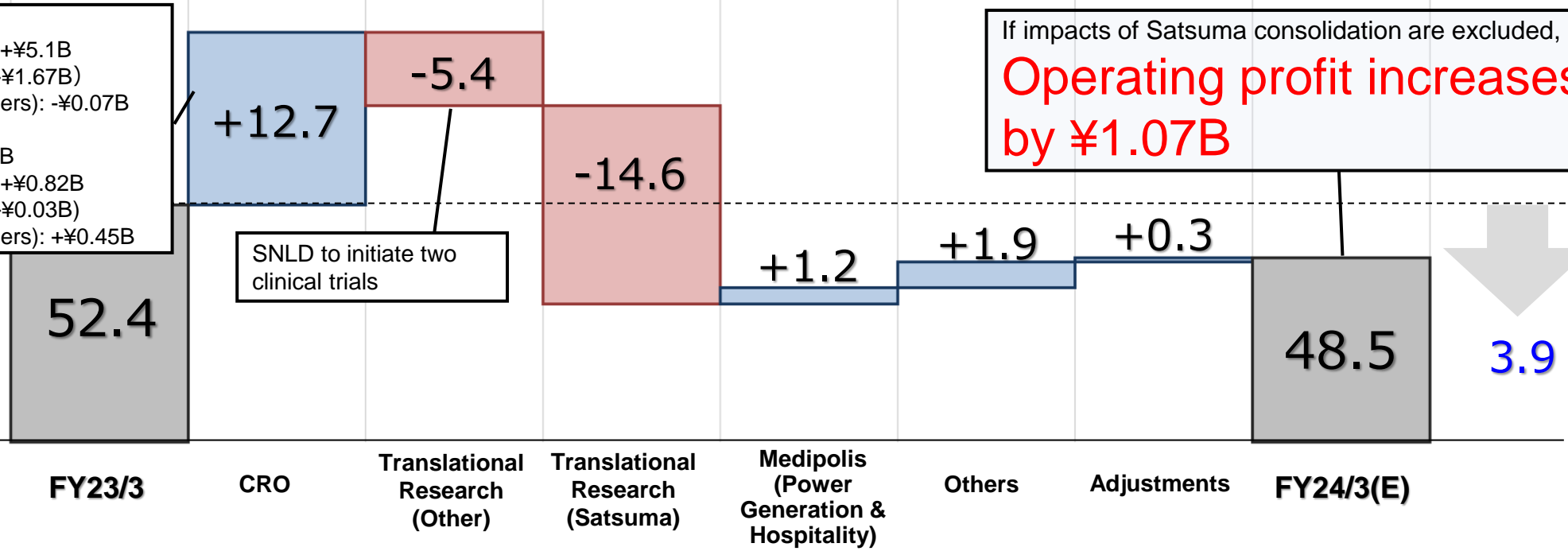
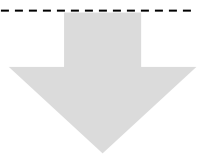
	CRO Business	Translational Research Business		Medipolis Business (Power Generation & Hospitality)	Other	Adjustments	Operating Profit Total
		Other	Satsuma				
FY2024/3 Forecast	76.0	-14.1	-14.6	-0.8	3.0	-1.0	48.5
FY2023/3 Results	63.3	-8.7	0.0	-2.0	1.1	-1.3	52.4
YoY Changes	+12.7	-5.4	-14.6	+1.2	+1.9	+0.3	-3.9 (¥100M)

<Revenue>+¥5.03B
 Nonclinical CRO (Japan): +¥5.1B
 (of which, Ina Research: +¥1.67B)
 Nonclinical CRO (Asia/others): -¥0.07B

<Operating Profit> +¥1.27B
 Nonclinical CRO (Japan): +¥0.82B
 (of which, Ina Research: +¥0.03B)
 Nonclinical CRO (Asia/others): +¥0.45B

If impacts of Satsuma consolidation are excluded,
Operating profit increases by ¥1.07B

SNLD to initiate two clinical trials

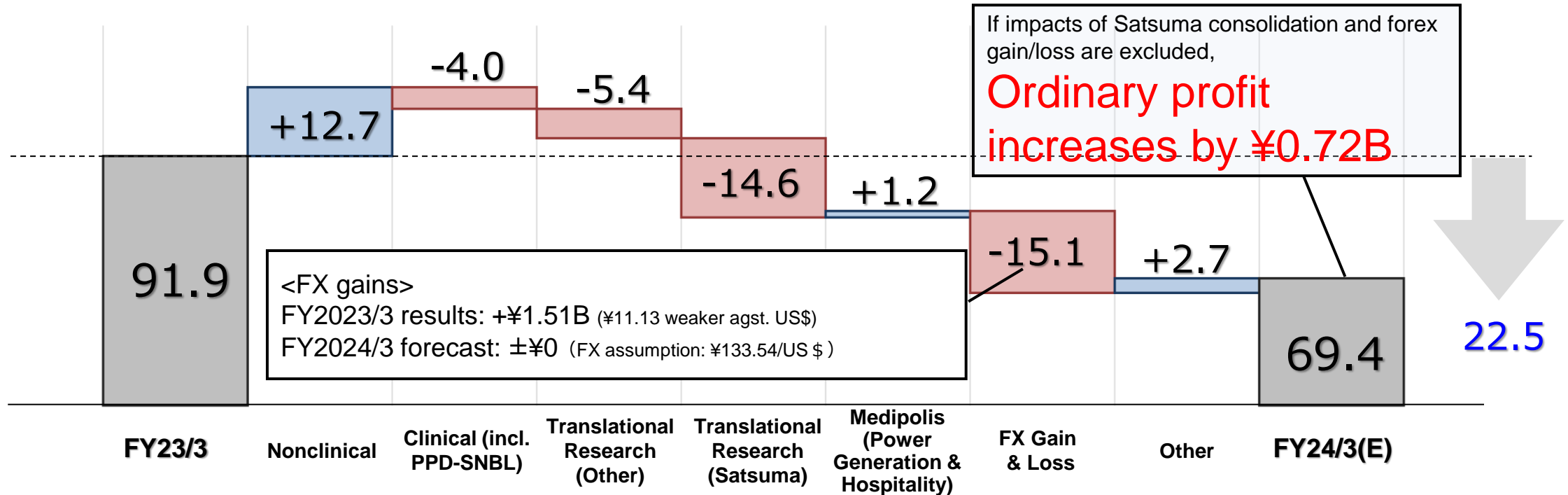


YoY Comparison of Consolidated Ordinary P/L



	CRO Business		Translational Research Business		Medipolis Business (Power Generation & Hospitality)	Foreign Exchange Gain & Loss	Other	Ordinary Profit Total
	Nonclinical	Clinical (incl. PPD-SNBL)	Other	Satsuma				
FY2024/3 Forecast	81.5	17.1	-14.1	-14.6	-0.8	0.0	0.3	69.4
FY2023/3 Results	68.8	21.1	-8.7	0.0	-2.0	15.1	-2.4	91.9
YoY Changes	+12.7	-4.0	-5.4	-14.6	+1.2	-15.1	+2.7	-22.5

(¥100M)

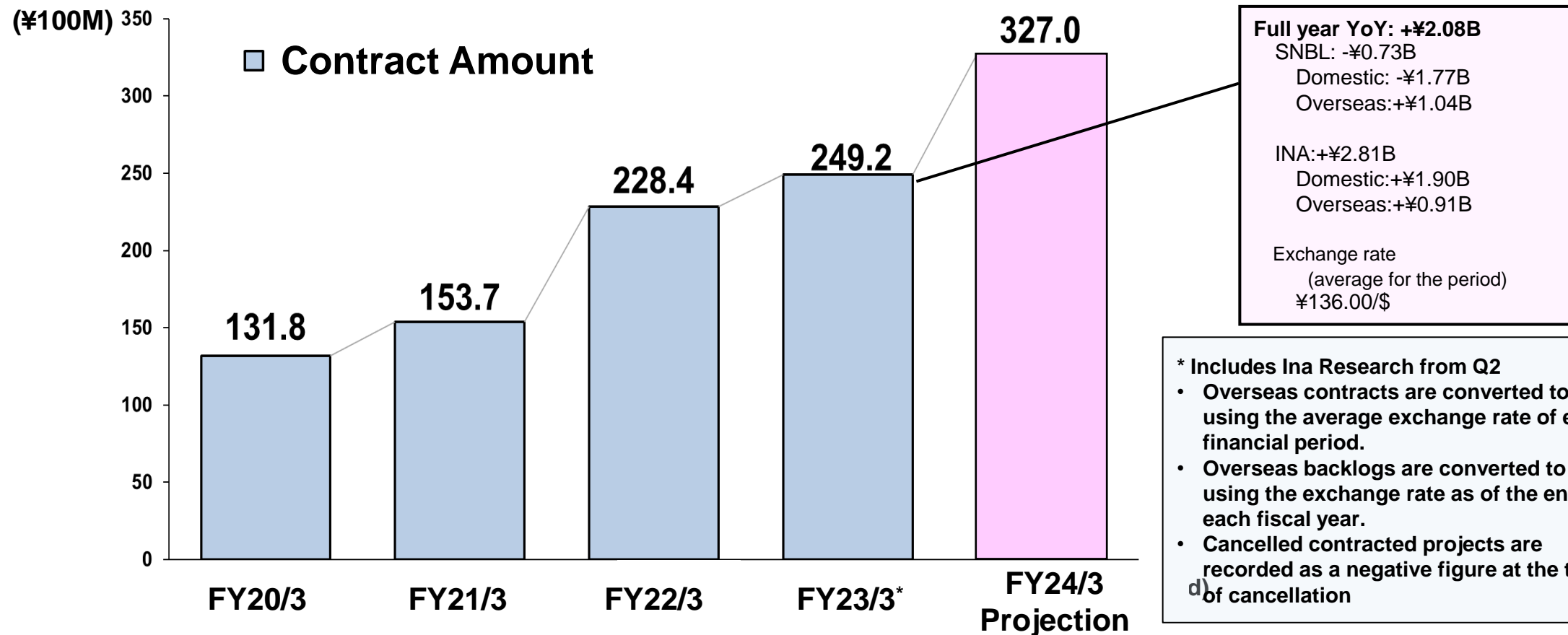


Management Benchmarks and Topics

Contracts Received in Nonclinical Business (in JPY)



Order cancellations occurred in FY2023/3 are expected to slow down. For FY2024/3, contracts received are projected to achieve ¥32.7B, up 31.2% YoY. This trend is driven by a continuous solid demand from overseas.

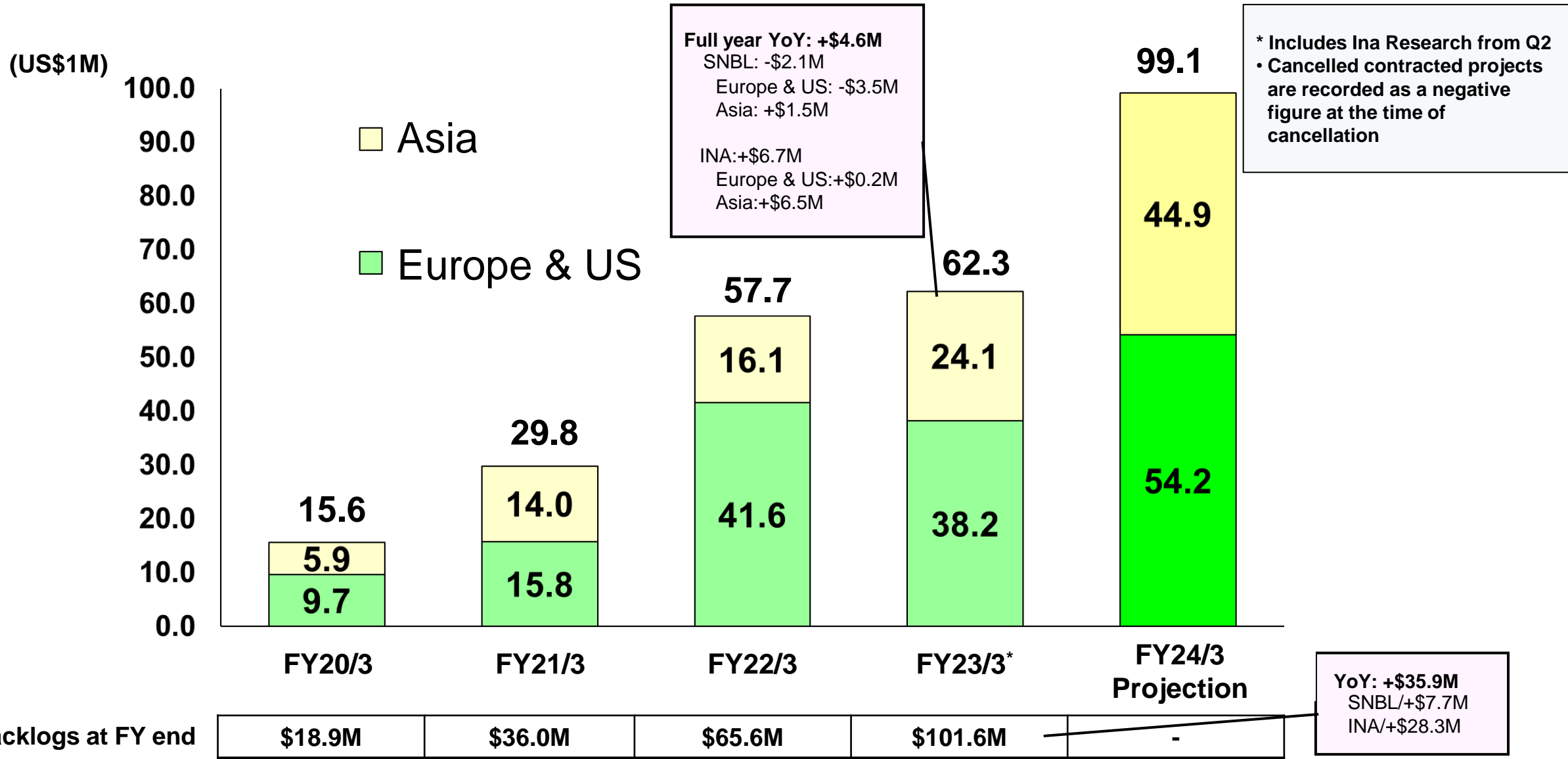


Backlogs at FY end
 Ratio of overseas contracts

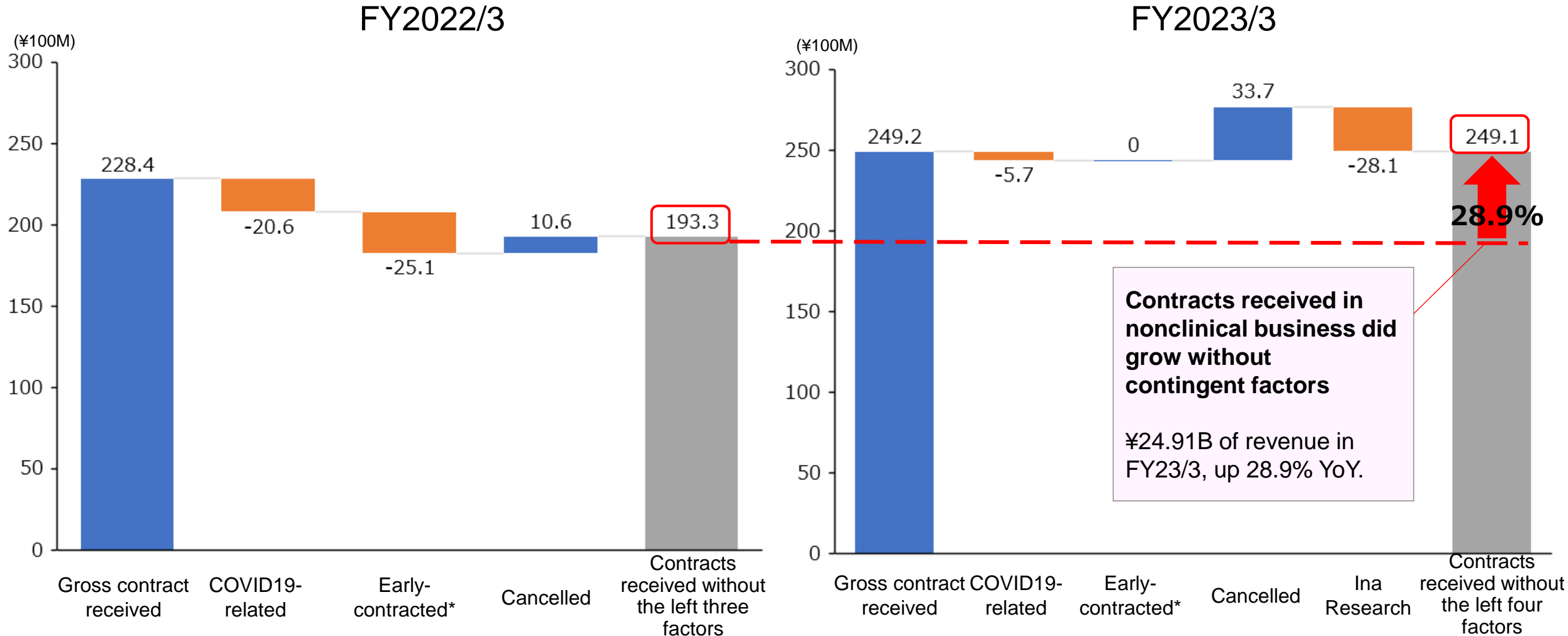
Backlogs at FY end	¥11.47B	¥13.66B	¥20.97B	¥29.25B	—
Ratio of overseas contracts	12.9%	20.6%	28.6%	34.4%	40.5%

End of the previous term
 YOY +¥8.28B
 SNBL: +¥3.02B
 INA: +¥5.26B

Contracts Received (Overseas) in Nonclinical Business (in US\$)



Analysis of the Contracts Received in FY2023/3



Steady growth excluding the above factors
 (Japan: ¥13.09B→¥15.15B, Europe & US: US\$40.0M→US\$54.7M, Asia: US\$15.0M→\$22.6M)

*Orders with more than one year gap between the contract start date and the study start date. 14

CRO Business: Business Profit Performance



Business Profit (operating profit + equity in earnings of affiliates) of CRO business was ¥8.82B, up 36.3% compared to the same period last year, with its margin of 36.8%.

【Trends in Business Profit and Business Profit Margin in CRO Business】

(Unit : Millions of yen)

		FY2021/3	FY2022/3	Growth Rate	FY2023/3	Growth Rate
CRO Business	Sales	14,508	17,047	17.5%	24,000	40.8%
	Operating income	3,393	5,053	48.4%	6,336	25.8%
	Operating income to sales	23.4%	29.5%		26.4%	
	Equity in earnings of affiliates	848	1,438		2,489	
	(of PPD-SNBL)	846	1,258		1,967	
	Business profit	4,241	6,473	71.2%	8,825	36.3%
	Business profit ratio	29.2%	38.0%		36.8%	

* **Business profit = Operating income + Equity in earnings of affiliates**

※PPD-SNBL (equity ratio 40.0%), which conducts clinical operations, and Biomedical Research (equity ratio 49.9%), a breeding facility in China, are accounted for by the equity method and are not included in net sales and operating income

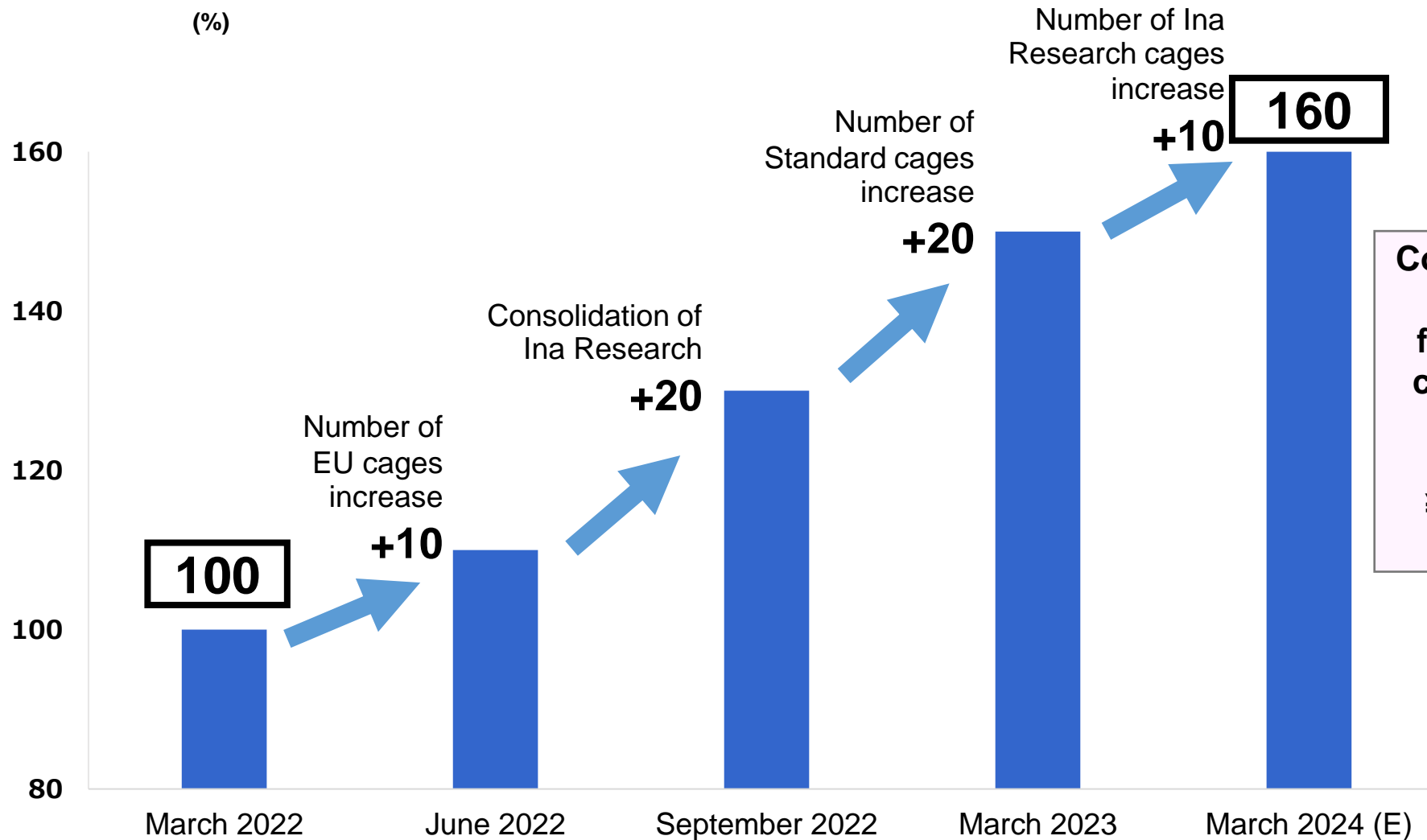
⇒The CRO business achieved business profit of ¥8,825M for the fiscal year ending March 31, 2023, including PPD-SNBL's equity in earnings of ¥1,967M (previous year: ¥1,258M) and Biomedical Research's equity in earnings of ¥522M (previous year: ¥181M), which will be recorded in non-operating income.

Business profit margin of CRO business is 36.8%.

CRO Business: Facility Expansion in Nonclinical Business

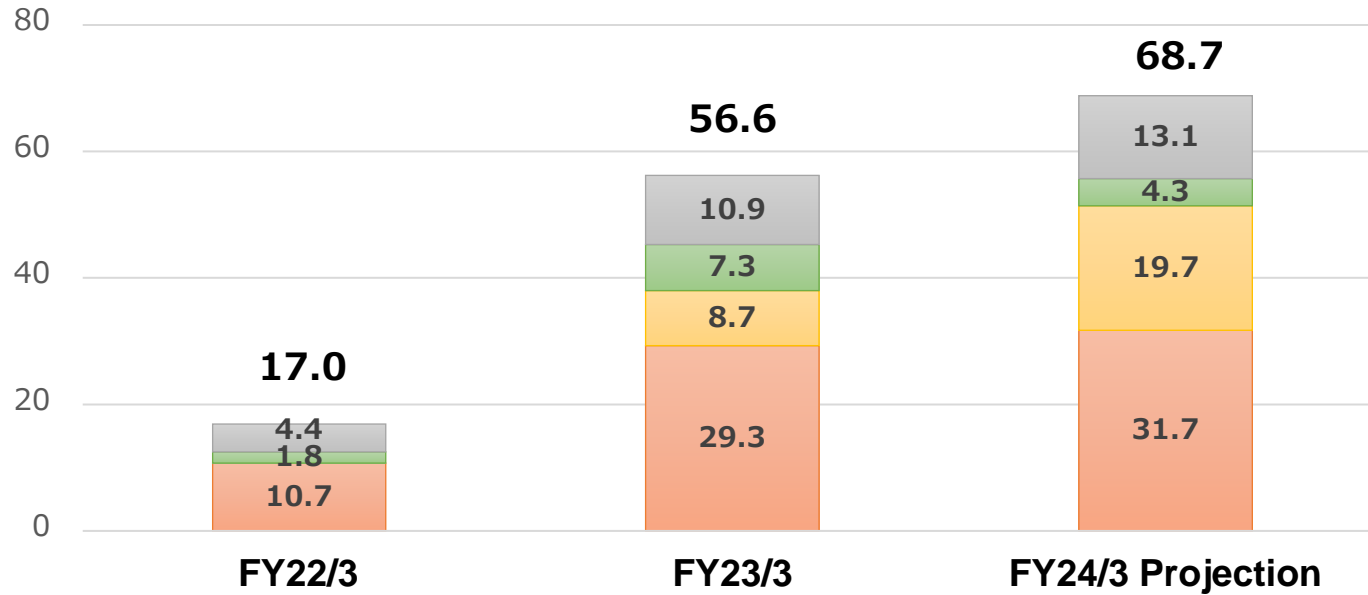


Conceptual Image of SNBL's Study Facility Capacity
(capacity as of March 31, 2022, is set as 100%)



Considering the recent trends of supply/demand and foreign exchange rates, the capacity of study facility for nonclinical business is to reach a level ranging from ¥35B to ¥38B at the end of March 2024.

Continuous strategic investment in CRO business: construction of new HQ and research buildings in Kagoshima and enhancement of laboratory NHP breeding capacity



■ CRO (ex. NHP breeding)
 ■ CRO (NHP breeding)
 ■ Medipolis
 ■ Others
 (¥100M)

	FY2022/3	FY2023/3	FY2024/3	
			Forecast	YoY
CAPEX	17.0	56.6	68.7	+12.1
Depreciation	11.7	15.4	18.0	+2.5



Perspective drawing of Kagoshima New HQ and Research Buildings

<Overview>

Name: Kagoshima new HQ and research buildings
Address: 2438 Miyanoura-cho, Kagoshima-city, Kagoshima Pref.

TFA: 13,018m²

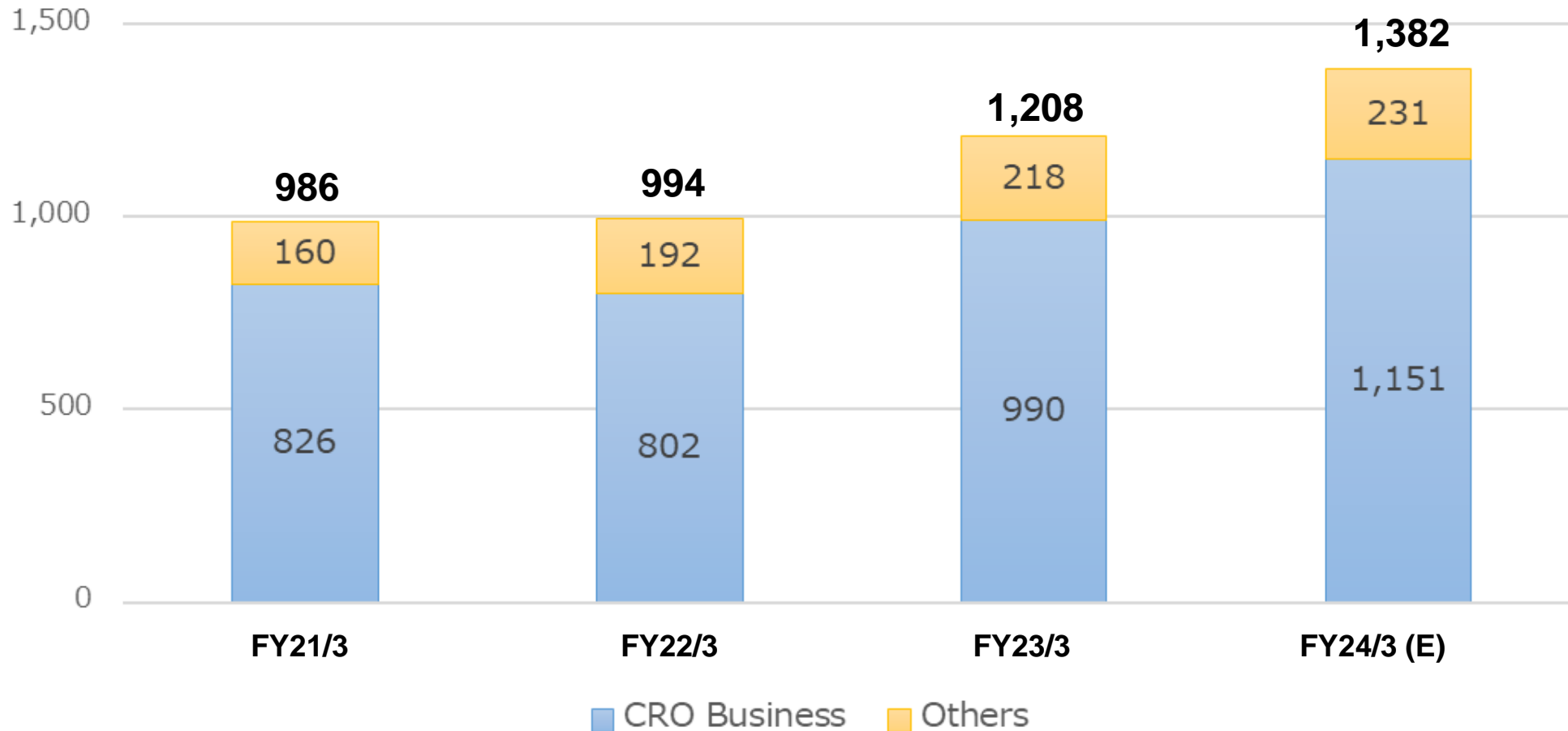
Structures: two 8-stories reinforced concrete buildings

Purpose: office and research lab

Start of Construction: the end of 2022

Completion of Construction: June 2024 (planned)

Number of Employees



Number of employees does not include part-time and temporary employees.

TR Business: Acquisition of Satsuma Pharmaceuticals



Acquisition Economic Terms

Price (at time of acquisition) :

US\$0.91 per share,

Total amount US\$30.2 million

(=Estimated cash balance + US\$2.5million)

CVR(contingent value right):

Max US\$192.5million

(upon achievement of US\$500 million accumulated earnings from post-recovery of investments made by SNBL after acquisition)

- **June 2016**-Established in the U.S. by licensing out our intranasal administration technology (limited to application to dihydroergotamine, an intranasal migraine drug)
- **September 2019**-Raised funds mainly from U.S. institutional investors and listed on Nasdaq
- **November 2022**- Release of clinical trial data from Phase 3 drug efficacy study (SUMMIT)

Satsuma stopped building its own sales network, which would require additional funding, and strived to reduce operating costs. Meanwhile, Satsuma has shifted to a policy of maximizing shareholder value through seeking commercial partners and strategic business partners, and continuing development for approval. This is because STS101 can be approved by the FDA without further clinical trials and its commercial potential remains large and is not significantly compromised by the results of the SUMMIT trial.

- **From November last year to February this year**, while discussing with the financial advisor (Lazard), Satsuma had been selecting potential strategic business partners etc. by providing data under a confidentiality agreement with them. During the selection process, Satsuma also approached SNBL, and we subsequently **discussed basic terms and conditions (LOI) from February to mid-March of this year.**
- **Due diligence was conducted from mid-March to mid-April of this year.** In parallel, the contents of the Merger agreement was discussed.
- **Friday, March 17-Apply for NDA.**
- **Sunday, April 16- Execution of the Merger Agreement after both parties' board resolutions (disclosed early morning, April 17, Japan time)**
- **Friday, May 5**-Tender Offer begins in the U.S. market (Buying period: 20 business days)
- SNBL will own 100% (after acquisition) from 8.4% (before acquisition).
- After STS101 is launched, licensing income (royalties on sales etc.) can be expected.



Financial Data

(In millions of yen)	2018/3	2019/3	2020/3	2021/3	2022/3	2023/3	2024/3 Forecasts
Revenue	16,600	15,658	14,561	15,110	17,748	25,090	30,100
YoY(%)	-3.7%	-5.7%	-7.0%	3.8%	17.5%	41.4%	20.0%
Gross profit	5,204	6,177	7,615	7,554	9,687	13,046	16,170
Ratio of gross profit to revenue (%)	31.3%	39.5%	52.3%	50.0%	54.6%	52.0%	53.7%
Operating profit	-697	829	2,228	2,529	4,195	5,245	4,850
YoY(%)	-	-	168.5%	13.5%	65.9%	25.0%	-7.5%
Share of profit of entities accounted for using equity method	637	361	888	846	1,439	2,489	
Ordinary profit	-813	1,613	3,121	3,645	7,078	9,194	6,940
Profit before income taxes	-1,507	1,650	3,062	4,175	8,183	7,759	
Income taxes	2,013	-308	414	497	1,016	1,708	
Profit attributable to owners of parent	-3,555	1,950	2,550	3,661	7,127	6,060	4,510
Profit per share (yen)	-85.41	46.84	61.25	87.95	171.20	145.56	108.33
Overseas sales	4,868	4,015	2,317	2,100	3,091	6,575	
Overseas sales ratio	29.3%	25.6%	15.9%	13.9%	17.4%	26.2%	
Revenue from international sponsors	7,982	9,958	12,386	15,840	22,181	25,751	
Net assets	26,215	28,477	16,381	15,838	19,723	26,359	
Total assets	57,493	54,329	39,002	36,972	39,312	57,242	
Interest-bearing debt	19,139	16,158	15,123	12,864	9,281	18,931	
Equity ratio (%)	45.5%	52.3%	41.8%	42.6%	49.8%	45.8%	
Capital expenditures	1,274	1,612	1,514	1,025	1,703	5,663	6,875
Depreciation	1,472	1,361	1,229	1,187	1,177	1,544	1,800
R&D expenses	518	339	400	392	425	683	928
Ratio of R&D expenses to revenue (%)	3.12%	2.17%	2.75%	2.59%	2.39%	2.72%	3.08%
Number of employees at the end of the fiscal year	1,385	935	985	986	994	1,208	1,382
ROE (%)	-14.6%	7.1%	11.4%	22.9%	40.4%	26.5%	
ROA (%)	-1.4%	2.9%	6.7%	9.6%	18.6%	19.0%	
ROIC (%)	—	—	11.7%	12.3%	18.4%	17.9%	
Ratio of operating profit to revenue (%)	-4.2%	5.3%	15.3%	16.7%	23.6%	20.9%	16.1%
Ratio of ordinary profit to revenue (%)	-4.9%	10.3%	21.4%	24.1%	39.9%	36.6%	23.1%
Cash dividends per share (yen)	-	3.0	5.0	20.0	40.0	50.0	50.0
Dividend payout ratio (%)	-	6.4%	8.2%	22.7%	23.4%	34.3%	46.2%

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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.

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