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November 7, 2023

Consolidated Financial Results for the Six Months of the Fiscal Year Ending March 31, 2024 (Under Japanese GAAP)

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 Listing: Prime Market, Tokyo Stock Exchange
 Securities code: 2395
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 Scheduled date to file quarterly securities report: November 7, 2023
 Scheduled date to commence dividend payments: November 30, 2023
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (for analysts and investors)

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

1. Consolidated financial results for the six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
September 30, 2023	11,884	14.8	2,349	1.5	3,756	(36.6)	2,966	(32.9)
September 30, 2022	10,348	30.0	2,313	17.5	5,928	134.4	4,419	26.1

Note: Comprehensive income For the six months ended September 30, 2023: ¥6,630 million [(5.7)%]
 For the six months ended September 30, 2022: ¥7,027 million [134.9%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2023	71.24	–
September 30, 2022	106.16	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
September 30, 2023	68,558	31,722	46.1	759.93
March 31, 2023	57,242	26,359	45.8	629.60

Reference: Equity
 As of September 30, 2023: ¥31,637 million
 As of March 31, 2023: ¥26,211 million

2. Cash dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	–	20.00	–	30.00	50.00
Fiscal year ending March 31, 2024	–	20.00			
Fiscal year ending March 31, 2024 (Forecast)			–	30.00	50.00

Note: Revisions to the forecast of cash dividends most recently announced: None

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
Fiscal year ending March 31, 2024	30,368	21.0	5,020	(4.3)	7,180	(21.9)	4,780	(21.1)	114.81

Note: Revisions to the forecast of consolidated financial results most recently announced: None

*** 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 “(4) Notes to quarterly consolidated financial statements (Changes in consolidated subsidiaries during the current quarterly accounting period)” of “2. Quarterly consolidated financial statements and significant notes thereto” in the attachment.

- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None
- (4) Number of issued shares (common shares)

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

As of September 30, 2023	41,632,400 shares
As of March 31, 2023	41,632,400 shares

- (ii) Number of treasury shares at the end of the period

As of September 30, 2023	469 shares
As of March 31, 2023	469 shares

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2023	41,631,931 shares
Six months ended September 30, 2022	41,631,968 shares

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

* Proper use of earnings forecasts, and other special matters

(The 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 7 of the attachment, “(3) Explanation of consolidated earnings forecasts and other forward-looking statements.”

(Method of obtaining financial results explanatory materials and details of financial results briefing)

The Company plans to hold a financial results briefing call for analysts and institutional investors on Wednesday, November 8, 2023, of which explanatory details (audio recording and transcript) will be posted together with financial results explanatory materials distributed on the Company’s website (<https://www.snbl.co.jp/>) in a timely manner before and after the results briefing.

Attached Material

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1. Qualitative information on quarterly consolidated financial results for the six months ended September 30, 2023

(1) Explanation of operating results

In the pharmaceutical industry, companies have been increasingly turning to contract research organizations (CROs) that specialize in outsourcing, with the aim of accelerating research and development in Japan and abroad while improving cost efficiency and simplifying their correspondence with regulatory authorities. In addition, research and development involving new modalities in drug discovery (therapeutic approaches) has been in full swing, particularly with respect to nucleic acid medicine, next-generation therapeutic antibodies, peptide drugs, gene therapy, cell therapy, and regenerative medicine. With the CRO business at the core of its operations, the Company has been addressing such trends by placing its focus on meeting customer needs which involves taking swift action, improving services, and persistently enhancing quality, aiming to become far and away the first name that comes to mind for clients when they consider CRO.

Under such circumstances, revenue for the six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023) increased by ¥1,535 million (up 14.8%) year on year to ¥11,884 million, a record high for the second quarter, driven by the mainstay CRO business. Operating profit increased by ¥35 million (up 1.5%) year on year to ¥2,349 million, absorbing an increase in personnel expenses due to the addition of 149 new employees in April 2023 (up 109 from the previous year) and higher costs owing to rising study material costs, marking a record profit for the second quarter. Ordinary profit decreased by ¥2,172 million (down 36.6%) year on year to ¥3,756 million. This was mainly due to recording foreign exchange gains of ¥242 million for the six months ended September 30, 2023, a decrease of ¥2,344 million compared with foreign exchange gains of ¥2,586 million for the six months ended September 30, 2022. After stripping out the impact of foreign exchange, ordinary profit for the six months ended September 30, 2023 was ¥3,514 million, an increase of ¥171 million (up 5.1%) compared with ¥3,342 million in the same period of the previous fiscal year. Profit attributable to owners of parent decreased by ¥1,453 million (down 32.9%) year on year to ¥2,966 million.

As of September 30, 2023, the SNBL Group had 1,358 employees on a consolidated basis excluding part-time and hourly employees (an increase of 150 employees from the end of March 2023), and the ratio of female employees was 52.6% (53.5% at the end of March 2023).

As of September 30, 2023, the SNBL Group is comprised of the Company, 25 consolidated subsidiaries and 4 equity method affiliates. Operating results by segment 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.

Revenue and profits in the nonclinical business remained steady in the six months ended September 30, 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 orders received due to a global depletion of laboratory NHPs. Having received high praise for this initiative and in response to requests from customers in Japan and overseas, we now have breeding NHP colonies exclusively for each customer in such a manner that organizes NHPs into groups tailored to respective customers. NHP studies are typically conducted by introducing preliminarily-bred NHPs after an order is received. However, by having the customer purchase them in advance to establish a dedicated NHP colony, we can house them exclusively for the customer until they are ready to be introduced into the study. This means NHP studies can commence at any desired time. Accordingly, customer-exclusive colonies will likely lead to future orders of NHP studies. We are also strengthening our domestic NHP production system to reduce import risks and improve quality.
- The concentration analysis performed on drug development candidates (test substances) and biomarkers in biological samples is called bioanalysis. The Company has introduced cutting-edge devices required to evaluate the efficacy and safety of new modalities in drug discovery, and was quick to build a system for evaluating test substances and biomarkers. Synergies were demonstrated between this system and the above Company-established framework for breeding and supplying laboratory NHPs within the SNBL Group. This has led to orders related to new modalities in drug discovery.

- In the fiscal year ended March 31, 2023, these efforts were highly evaluated and led to the conclusion of new preferred contracts with domestic pharmaceutical companies, leading to an increase in orders. In addition, several major overseas pharmaceutical companies have been carried out due diligence in earnest since the start of this fiscal year with a view to signing new contracts, and we have started accepting in-depth pilot studies.
- 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 researchers, and encourages and supporting them as a company to obtain industry-related certifications and academic degrees, and to present at conferences and publish papers, aiming to become a CRO that can propose more effective and efficient studies to our clients.

As a result of the aforementioned initiatives, orders received in the nonclinical business for the six months ended September 30, 2023 were ¥12,656 million, which is a decrease by ¥717 million (down 5.4%) year on year. The order backlog as of September 30, 2023 was ¥32,224 million (up ¥2,976 million from the end of March 2023). Orders from domestic pharmaceutical companies and venture companies increased steadily and orders received in Japan was ¥9,720 million, an increase of ¥2,078 million (up 27.2%) year on year, but orders received from overseas declined by ¥2,796 million (down 48.8%) year on year to ¥2,935 million, reflecting a decrease from the high number of front-loaded contracts seen last fiscal year and fewer enquiries from Asian markets.

The ratio of overseas orders received out of total orders received was 23.2% (42.9% for the six months ended September 30, 2022).

That said, enquiries have recently picked up, mainly from Europe, the United States, and Asia. Ina Research Inc. (“Ina Research”), which became a consolidated subsidiary in July 2022, received orders of ¥1,761 million for the six months ended September 30, 2023, including orders related to agrochemicals, a strategic area of focus.

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 Wilmington, United States. The mainstay business of PPD-SNBL is implementing the global studies undertaken by PPD in Japan. Despite being a foreign-capital global company, PPD-SNBL has incorporated the Japanese management principle of emphasizing harmony, which has been cultivated by the Company over the years, into its working environment, thus achieving a high rate of employee retention. The number of employees is expected to soon exceed 1,000. 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 the equity method from PPD-SNBL’s contribution for the six months ended September 30, 2023 increased significantly to ¥1,232 million (¥986 million in the six months ended September 30, 2022), a record high for the first six months. In the CRO business, in addition to the earnings engine of the nonclinical business, the earnings engine of the clinical business has been added and continues to grow. In December 2021, PPD’s shares were acquired by Thermo Fisher Scientific Inc., 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 for the six months ended September 30, 2023 of ¥11,490 million, which was an increase of ¥1,705 million (up 17.4%) relative to the six months ended September 30, 2022. Operating profit of the CRO business increased by ¥139 million (up 5.0%) year on year to ¥2,942 million, and ratio of operating profit to revenue was 25.6%. Ina Research reported revenue of ¥1,836 million while operating profit decreased by ¥107 million year on year to ¥10 million, due mainly to transient factors such as a large-scale project with relatively low margin which was posted in the six months ended September 2023.

(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 Company's 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 administration, we have been focusing on a few projects. SNLD, Ltd., a consolidated subsidiary of the Company, conducted a Phase 1 clinical trial of a nasal on-demand therapy for the treatment of off symptoms of a neurodegenerative disease (development code: TR-012001) in Japan. The trial evaluated the safety, tolerability, and pharmacokinetics of TR-012001 administered intranasally to a total of 21 healthy individuals and ended in January 2023. Also, a decision was made to conduct a clinical trial for the next phase, for which the notification was submitted in August. Research is progressing on improving the TR-012001 formulation and device with the aim of further enhancing usability and preparations are currently being made for that clinical trial.

In the United States, significant progress was made toward commercialization. Satsuma Pharmaceuticals, Inc. ("Satsuma") in the United States obtained a license from the Company for intranasal administration technologies and is developing an intranasal therapeutic agent for migraine (development code: STS101), and on April 16, 2023, the Company entered into an agreement to acquire Satsuma and conducted a tender offer, and on June 8, 2023, Satsuma became a wholly owned subsidiary of the Company. In March 2023, Satsuma submitted a New Drug Application (NDA) to the US Food and Drug Administration (FDA), which was accepted in May. At present, Satsuma is steadily responding to the FDA's requirements and is diligently working to establish a mass production line. The target date designated by the FDA for the completion of the STS101 review is expected to be at the beginning of 2024.

As another intranasal formulations development project, we have begun research on an intranasal vaccine that is expected to act as an intranasal mucosal immunizing agent. While the goal of most vaccines is to prevent the onset or increase in severity of disease, the intranasal vaccine we are developing aims to prevent infection itself from occurring (this is called "immune barricade"). In January 2023, the Company entered into a joint research and development 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 April, we established the Nasal Vaccine Research and Development Center within the Company, decided on targeted infections, designated a number of vaccine material candidates, and began research that effectively utilizes our nonclinical in-house infrastructure.

While conducting drug discovery research and development based on the nasal drug administration platform technology described above, we conduct researches on our proprietary delivery technology (Nose-to-Brain delivery technology: N2B-system) that enhances drug delivery to the brain through intranasal administration. We developed a special administration device that can selectively administer powder formulations to the area closest to the brain in the nasal cavity (olfactory region), and with the use of a cynomolgus monkey with a nasal cavity structure similar to that of humans, the efficient binding of intranasally administered drugs (which do not easily pass through the blood-brain barrier) to specific receptors in the brain with this technology was evaluated with PET imaging. The results of joint research with Hamamatsu University School of Medicine were published in June 2023 in the *Journal of Controlled Release*, 359 (2023), pp. 384-399 (impact factor: 11.4), a scientific journal with authority on drug delivery research.

Subsidiary Gemseki Inc. operates a licensing brokerage business for drug discovery seeds and technologies on a global basis, and has formed a fund setting itself as an unlimited liability partner to conduct investment business in venture companies. In its licensing brokerage business, Gemseki mediated the conclusion of an option agreement between Hokkaido University and TMS, Co., Ltd. regarding the evaluation and licensing of pharmaceutical candidate substances. The agreement was disclosed in May 2023. For a number of other projects as well, Gemseki is pressing ahead with partnership negotiations under confidentiality agreements, thereby supporting the smooth derivation and adoption of drug discovery seeds and technologies. In its investment business, Gemseki actively invested in venture companies, including additional investments in existing investee companies. Through a process of ongoing communication with multiple existing investees in Japan and overseas, the Company is continuing to examine how best to generate synergies between Gemseki's licensing brokerage business and its own business operations. Within the SNBL Group, we aim to provide the comprehensive support needed for the creation and development of pharmaceuticals and medical devices, with the goal of generating synergies throughout the Group.

Amid these circumstances, the TR business posted revenue of ¥6 million for the six months ended September 30, 2023, relative to revenue of ¥11 million for the six months ended September 30, 2022, and posted operating loss of ¥498 million, due mainly to increase in R&D expenses, relative to operating loss of ¥328 million for the six months ended September 30, 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. The Company leverages this natural asset (approximately 90% forest) to operate the Medipolis business and generate benefits for society. This business is the embodiment of the Company's corporate principle: "Committed to the environment, life and people." We are committed to creating benefits for society in an integrated fashion, not only from the perspective of economic gains, but also in terms of the issues in society and the environment. Specifically, we operate a power generation business using renewable energy sources, as well as a hospitality business centering on the operation of hotels based on the concept of well-being, or in other words, holistic health.

In the power generation business, we have operated a 1,500 kW binary geothermal power plant since February 2015. Geothermal power generation produces hardly any CO₂ emissions, is not affected by the weather during the day or night, and has the potential to be a baseload power source capable of stable power generation all year round. Our geothermal power plant maintains a high capacity utilization rate and generates approximately 10 million kWh of electricity, equivalent to roughly half of the Company's annual power consumption. We sell this electricity under the feed-in tariff (FIT) system, thus generating steady income. We carried out the power plant's annual inspection in August and no particularly serious issues were found.

As a new power generation project, progress has been made on a hot spring power generation plant (annual output of 4 million kWh) that utilizes residual steam from the hot spring sources supplied to hotel bathing facilities and floor heating. The plant was completed and connected to the grid last year. This project had entered the final adjustment phase for the start of electricity sales this fiscal year, but some initial defects in the power generation equipment were discovered, so we are currently undertaking repair work, including the replacement of some equipment. Once the repair work is completed, electricity sales will commence. As the hot spring power generation plant is already authorized under the FIT system (15 years; ¥40/kWh electricity sales price), the impact on expected earnings from the project's delay will be minimal.

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 Research Center. The Medipolis Proton Therapy and Research Center has treated more than 5,900 cancer patients with proton therapy since it began treatments in January 2011. There are two main reasons why we operate our hospitality business. The first one is that, from the perspective of enhancing corporate value, we are a company which contributes to people's well-being. The second one is to contribute to fostering a stronger customer-oriented hospitality mindset at SNBL. We believe that further strengthening the hospitality mindset of the SNBL Group through the hospitality business and plowing the benefits back into the mainstay CRO business will play a key role in our efforts to compete on the world stage.

The Medipolis business posted revenue of ¥348 million for the six months ended September 30, 2023, which was an increase of ¥45 million (up 15.0%) relative to the six months ended September 30, 2022, due mainly to the trend of recovery in occupancy rates of its hotel accommodation facilities. Operating loss amounted to ¥57 million, an improvement of ¥90 million relative to the six months ended September 30, 2022 (operating loss of ¥147 million) when expenses had incurred for the ninth-year periodic statutory inspection in the power generation business.

(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%. It also calls for ROE and ROIC of at least 10%, two indicators of capital returns that we are newly putting emphasis on. We updated our Corporate Governance Report in June 2023. The Company has implemented all the principles of the Corporate Governance Code following the revisions in June 2021, including those for the TSE Prime Market.

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 the UK. The ESG score, which is the basis for adoption, was updated in June 2023, increasing to 3.1 from 2.5 last year. In the MSCI ESG ratings, the company received an "A" rating in April 2023 as a company in the Health Care Equipment & Supplies sector. In August 2023, the Company was again selected as a component of the JPX-Nikkei Mid and Small Cap Index, jointly provided by JPX Market Innovation & Research, Inc. and Nikkei Inc. In addition, 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. In the following October, the Company received "Platinum Eruboshi" certification from the Ministry of Health, Labour and Welfare in accordance with the Act on the Promotion of Women's Active Engagement in Professional Life.

As for the results of dialogue with shareholders and investors during the six months ended September 30, 2023, the Company conducted 168 meetings with institutional investors (162 meetings in the same period of the previous fiscal year). In addition, a company briefing session for individual investors was held in Kagoshima City with the CEO as speaker in May 2023.

As a part of efforts to conserve biodiversity, the Company has been conducting research into the production of Japanese eels in their juvenile stage (glass eels), which are listed as endangered in the IUCN Red List, in artificial habitats. In 2019, we moved our research facility to Wadomari-cho, Okinoerabujima, Kagoshima Prefecture, to produce farm-raised glass eels using natural seawater, and in May 2023, we held a tasting event of farm-raised eels on Okinoerabu Island with the mayor of Wadomari-cho and the head of the fishery cooperative. Markedly good results have been achieved thus far with small-scale production, therefore plans and preparations are being made in the fiscal year ending March 31, 2024 to scale up production with the aim of farming anywhere between a few thousand and 10,000 glass eels.

(2) Explanation of financial position

(Analysis of assets, liabilities and net assets)

Changes in financial position for the six months ended September 30, 2023 from the end of the previous fiscal year were as follows:

Total assets as of September 30, 2023 increased by ¥11,316 million compared to the balance as of the end of the previous fiscal year, to ¥68,558 million (up 19.8%). Current assets increased by ¥5,901 million compared to the balance as of the end of the previous fiscal year, to ¥29,801 million (up 24.7%) due mainly to an increase in inventories of ¥2,674 million (up 36.5%), an increase in securities of ¥1,293 million, and an increase in other (mainly prepaid expenses) of ¥1,308 million (up 97.5%). Non-current assets increased by ¥5,414 million compared to the balance as of the end of the previous fiscal year, to ¥38,757 million (up 16.2%) due mainly to an increase in investment securities of ¥2,301 million (up 19.2%), an increase in property plant and equipment of ¥2,021 million (up 10.7%) due mainly to capital investment, and an increase in goodwill of ¥536 million (up 37.3%).

Liabilities increased by ¥5,952 million compared to the balance as of the end of the previous fiscal year, to ¥36,836 million (up 19.3%). Current liabilities increased by ¥1,301 million compared to the balance as of the end of the previous fiscal year, to ¥22,312 million (up 6.2%) due mainly to an increase in advances received of ¥1,735 million (up 21.5%) and a decrease in short-term borrowings of ¥1,012 million (down 11.3%). Non-current liabilities increased by ¥4,651 million compared to the balance as of the end of the previous fiscal year, to ¥14,523 million (up 47.1%) due mainly to an increase in long-term borrowings of ¥4,478 million (up 47.2%).

Net assets increased by ¥5,363 million compared to the balance as of the end of the previous fiscal year, to ¥31,722 million (up 20.3%) due mainly to the posting of ¥2,966 million in profit attributable to owners of parent, while the Company paid dividends of ¥1,248 million and posted an improvement in the balance of foreign currency translation adjustment of ¥3,095 million.

(Analysis of cash flows)

The outstanding balance of cash and cash equivalents (“cash”) as of September 30, 2023 was ¥9,225 million, up ¥27 million (0.3%) compared to the balance as of the end of the previous fiscal year.

Status of each cash flow during the six months ended September 30, 2023 and main contributing factors thereof are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥687 million, down ¥2,104 million (75.4%) relative to the six months ended September 30, 2022.

The main contributing factors included profit before income taxes of ¥3,813 million, depreciation of ¥830 million, share of profit of entities accounted for using equity method of ¥1,239 million, increase in inventories of ¥2,637 million, increase in advances received of ¥1,735 million, and interest and dividends received of ¥1,092 million.

(Cash flows from investing activities)

Net cash used by investing activities was ¥3,671 million (increase by ¥1,092 million (up 42.3%) compared to the six months ended September 30, 2022).

The main contributing factors included purchase of property, plant and equipment of ¥2,931 million, and purchase of shares of subsidiaries resulting in change in scope of consolidation of ¥850 million.

(Cash flows from financing activities)

Net cash provided in financing activities was ¥2,124 million (decrease by ¥4,145 million (down 66.1%) compared to the six months ended September 30, 2022).

The main contributing factors included proceeds from long-term borrowings of ¥9,000 million, repayments of long-term borrowings of ¥2,689 million, decrease in short-term borrowings of ¥2,850 million and dividends paid of ¥1,243 million.

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

Both revenue and profit for the six months ended September 30, 2023 came in higher than our forecasts announced on August 2, 2023. Operating profit increased year on year, despite our forecast for a year-on-year decline. Our full-year forecasts remain unchanged. The assumed exchange rate is the rate at the end of the first quarter (1 US dollar = 144.99 yen).

Also, the forecast of capital expenditures for the fiscal year ending March 31, 2024 has increased to ¥10,887 million from our initial forecast of ¥6,875 million. This chiefly owes to accelerated efforts to strengthen the framework for breeding laboratory NHPs in Japan and continued development of unused land owned by consolidated subsidiary SNBL USA (Everett, Washington) from which lease revenue is expected to come onstream from next fiscal year.

With regard to the impact of the situation in Russia and Ukraine, the Company does not expect any direct impact since we do not have any business locations in Russia or Ukraine; however, due to concerns about rising energy and other costs, on April 12, 2022, the Company established a committee to promote energy consumption savings, and we are studying fundamental measures and strengthening resource-conserving activities that we have been implementing in the past.

The impact of COVID-19 on the Company’s financial results is believed to be negligible at this time.

[Orders received in the nonclinical business]

(Millions of yen)

	Results for the six months ended September 30, 2020	Full-year results for the fiscal year ended March 31, 2021	Results for the six months ended September 30, 2021	Full-year results for the fiscal year ended March 31, 2022	Results for the six months ended September 30, 2022	Full-year results for the fiscal year ended March 31, 2023	Results for the six months ended September 30, 2023	Full-year plan for the fiscal year ending March 31, 2024
Orders received [of which, overseas orders received]	7,578 [1,280]	15,368 [3,160]	11,208 [2,760]	22,839 [6,521]	13,373 [5,731]	24,920 [8,581]	12,656 [2,935]	33,835 [14,371]
Order backlog	12,685	13,661	17,671	20,966	33,672	29,248	32,224	

(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)

	Results for the six months ended September 30, 2020	Full-year results for the fiscal year ended March 31, 2021	Results for the six months ended September 30, 2021	Full-year results for the fiscal year ended March 31, 2022	Results for the six months ended September 30, 2022	Full-year results for the fiscal year ended March 31, 2023	Results for the six months ended September 30, 2023	Full-year plan for the fiscal year ending March 31, 2024
	From April 2020 to September 2020	From April 2020 to March 2021	From April 2021 to September 2021	From April 2021 to March 2022	From April 2022 to September 2022	From April 2022 to March 2023	From April 2023 to September 2023	From April 2023 to March 2024
Capital expenditures	415	1,025	734	1,703	1,971	5,614	2,174	10,887
Depreciation	574	1,187	560	1,177	741	1,544	830	1,983
R&D expenses	167	392	180	425	265	683	482	928
Number of employees at period-end (people)	1,034	986	1,005	994	1,219	1,208	1,358	1,382

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

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Thousands of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	10,533,094	10,721,485
Notes and accounts receivable - trade, and contract assets	4,760,363	5,186,248
Securities	–	1,293,818
Inventories	7,329,408	10,003,970
Other	1,342,662	2,651,457
Allowance for doubtful accounts	(65,964)	(55,884)
Total current assets	23,899,564	29,801,097
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,424,835	9,766,113
Land	3,512,926	3,909,820
Other, net	5,941,527	7,225,280
Total property, plant and equipment	18,879,289	20,901,215
Intangible assets		
Goodwill	1,438,769	1,975,349
Other	260,660	271,062
Total intangible assets	1,699,429	2,246,412
Investments and other assets		
Investment securities	11,980,424	14,282,063
Other	796,571	1,342,395
Allowance for doubtful accounts	(13,074)	(14,847)
Total investments and other assets	12,763,921	15,609,611
Total non-current assets	33,342,640	38,757,239
Total assets	57,242,205	68,558,336

(Thousands of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	419,764	474,086
Short-term borrowings	8,923,211	7,910,667
Income taxes payable	603,708	1,058,355
Advances received	8,055,161	9,790,661
Other	3,009,844	3,079,049
Total current liabilities	21,011,689	22,312,819
Non-current liabilities		
Long-term borrowings	9,480,425	13,958,582
Lease liabilities	357,026	278,297
Other	34,043	286,329
Total non-current liabilities	9,871,494	14,523,208
Total liabilities	30,883,184	36,836,028
Net assets		
Shareholders' equity		
Share capital	9,679,070	9,679,070
Capital surplus	2,306,771	2,356,072
Retained earnings	13,766,184	15,483,395
Treasury shares	(420)	(420)
Total shareholders' equity	25,751,605	27,518,118
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,596,709	3,160,107
Foreign currency translation adjustment	(2,136,482)	959,352
Total accumulated other comprehensive income	460,226	4,119,460
Non-controlling interests	147,188	84,729
Total net assets	26,359,021	31,722,307
Total liabilities and net assets	57,242,205	68,558,336

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

Quarterly consolidated statement of income (cumulative)

(Thousands of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Revenue	10,348,731	11,884,047
Cost of revenue	4,943,444	5,530,749
Gross profit	5,405,287	6,353,298
Selling, general and administrative expenses	3,091,559	4,003,818
Operating profit	2,313,727	2,349,479
Non-operating income		
Interest income	16,504	85,389
Dividend income	500	1,525
Share of profit of entities accounted for using equity method	1,113,023	1,239,850
Foreign exchange gains	2,586,424	242,380
Other	118,745	161,238
Total non-operating income	3,835,198	1,730,384
Non-operating expenses		
Interest expenses	61,181	62,692
Commission expenses	135,534	252,327
Other	23,475	8,388
Total non-operating expenses	220,191	323,408
Ordinary profit	5,928,734	3,756,455
Extraordinary income		
Gain on sale of non-current assets	675	3,655
Gain on sale of shares of subsidiaries and associates	34,293	–
Gain on step acquisitions	–	82,164
Total extraordinary income	34,968	85,819
Extraordinary losses		
Loss on retirement of non-current assets	0	22,705
Loss on sale of non-current assets	–	2,581
Impairment losses	620	3,165
Loss on valuation of investment securities	73,200	–
Total extraordinary losses	73,820	28,453
Profit before income taxes	5,889,883	3,813,821
Income taxes - current	1,014,071	1,178,999
Income taxes - deferred	478,175	(338,627)
Total income taxes	1,492,246	840,371
Profit	4,397,636	2,973,450
Profit (loss) attributable to non-controlling interests	(22,193)	7,281
Profit attributable to owners of parent	4,419,829	2,966,169

Quarterly consolidated statement of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	4,397,636	2,973,450
Other comprehensive income		
Valuation difference on available-for-sale securities	814,788	563,398
Foreign currency translation adjustment	1,711,707	3,030,544
Share of other comprehensive income of entities accounted for using equity method	103,710	63,255
Total other comprehensive income	2,630,206	3,657,198
Comprehensive income	7,027,843	6,630,648
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,053,141	6,625,402
Comprehensive income attributable to non- controlling interests	(25,298)	5,246

(3) Quarterly consolidated statement of cash flows

(Thousands of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	5,889,883	3,813,821
Depreciation	741,012	830,652
Impairment losses	620	3,165
Amortization of goodwill	18,685	37,370
Increase (decrease) in allowance for doubtful accounts	(142)	(8,307)
Interest and dividend income	(17,004)	(86,914)
Interest expenses	61,181	62,692
Foreign exchange losses (gains)	(2,562,262)	(444,312)
Share of loss (profit) of entities accounted for using equity method	(1,113,023)	(1,239,850)
Loss (gain) on sale of non-current assets	(675)	(1,073)
Loss on retirement of non-current assets	0	22,705
Loss (gain) on valuation of investment securities	73,200	–
Loss (gain) on sale of shares of subsidiaries and associates	(34,293)	–
Loss (gain) on step acquisitions	–	(82,164)
Decrease (increase) in trade receivables	329,251	(369,925)
Decrease (increase) in inventories	(890,227)	(2,637,341)
Increase (decrease) in advances received	690,833	1,735,499
Increase (decrease) in trade payables	(518,160)	(163,020)
Increase (decrease) in accounts payable - other	210,513	587,560
Increase (decrease) in accrued expenses	(905,149)	(506,230)
Other	996,391	(1,173,918)
Subtotal	2,970,633	380,408
Interest and dividends received	610,291	1,092,278
Interest paid	(63,614)	(58,714)
Income taxes paid	(725,203)	(726,041)
Net cash provided by (used in) operating activities	2,792,106	687,931
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,842,168)	(2,931,345)
Purchase of intangible assets	(74,577)	(4,511)
Proceeds from sale of property, plant and equipment	675	4,619
Purchase of investment securities	(1,157,494)	(139,979)
Proceeds from sale of investment securities	–	274,988
Proceeds from sale of shares of subsidiaries and associates	34,293	–
Proceeds from withdrawal of time deposits	2,448,200	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,937,239)	(850,364)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(15,457)
Other	(51,338)	(9,882)
Net cash provided by (used in) investing activities	(2,579,651)	(3,671,934)

(Thousands of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	–	(2,850,028)
Proceeds from long-term borrowings	10,150,000	9,000,000
Repayments of long-term borrowings	(1,717,844)	(2,689,035)
Repayments of finance lease liabilities	(506,198)	(89,919)
Dividends paid	(1,655,637)	(1,243,832)
Dividends paid to non-controlling interests	–	(2,950)
Purchase of treasury shares	(284)	–
Net cash provided by (used in) financing activities	6,270,035	2,124,234
Effect of exchange rate change on cash and cash equivalents	769,055	887,759
Net increase (decrease) in cash and cash equivalents	7,251,545	27,990
Cash and cash equivalents at beginning of period	4,548,792	9,197,694
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	(2,236)	–
Cash and cash equivalents at end of period	11,798,102	9,225,685

(4) Notes to quarterly consolidated financial statements

(Notes on going concern assumption)

Not applicable.

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

In the first quarter, the Company included Satsuma Pharmaceuticals, Inc. in the scope of consolidation because of an acquisition of that company's shares. Moreover, from the second quarter ended September 30, 2023, due to the new establishment of SNBL Sokxay CO., Ltd., that company has been newly included in the scope of consolidation.

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

Not applicable.

(Changes in accounting policies)

Not applicable.

(Segment information)

I. Six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

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

(Thousands of yen)

	Reportable segments				Other (Note 1)	Total	Adjustments (Note 2)	Amount recorded on the quarterly consolidated statement of income (Note 3)
	CRO business	Translational Research business	Medipolis business	Subtotal				
Revenue								
Revenues from external customers	9,763,533	11,250	259,878	10,034,661	314,069	10,348,731	–	10,348,731
Transactions with other segments	22,363	–	43,484	65,848	492,270	558,118	(558,118)	–
Total	9,785,897	11,250	303,362	10,100,509	806,340	10,906,850	(558,118)	10,348,731
Segment profit (loss)	2,802,946	(328,611)	(147,881)	2,326,453	52,447	2,378,900	(65,172)	2,313,727

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

2. Segment profit (loss) adjustments amounting to negative ¥65,172 thousand consist of negative ¥13,117 thousand in elimination of intersegment transactions and negative ¥52,055 thousand in corporate expenses not allocated to a reportable segment. Corporate expenses are mainly general and administrative expenses, which are not attributable to the reportable segments.

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

II. Six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

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

(Thousands of yen)

	Reportable segments				Other (Note 1)	Total	Adjustments (Note 2)	Amount recorded on the quarterly consolidated statement of income (Note 3)
	CRO business	Translational Research business	Medipolis business	Subtotal				
Revenue								
Revenues from external customers	11,421,226	6,457	293,384	11,721,068	162,979	11,884,047	–	11,884,047
Transactions with other segments	69,736	–	55,352	125,088	579,069	704,157	(704,157)	–
Total	11,490,962	6,457	348,736	11,846,156	742,048	12,588,205	(704,157)	11,884,047
Segment profit (loss)	2,942,714	(498,673)	(57,265)	2,386,776	69,010	2,455,787	(106,308)	2,349,479

(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 ¥106,308 thousand consist of negative ¥42,086 thousand in elimination of intersegment transactions and negative ¥64,221 thousand in corporate expenses not allocated to a reportable segment. Corporate expenses are mainly general and administrative expenses, which are not attributable to the reportable segments.

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