

Integrated Report 2023



**Promoting people's happiness
hand in hand with our stakeholders**

Editorial Policy

This Integrated Report aims to give stakeholders a deeper understanding of SNBL Group's business model and foster mutual understanding through dialogue, leading to improvement in management and corporate value.

In this year's Integrated Report, we focus on thoroughly explaining the economic value and social value we create based on clearly defined material issues (materiality) for the realization of our 2028Vision, "Promoting people's happiness hand in hand with stakeholders"

During the editing process, the IFRS Foundation's International Integrated Reporting Framework and the Ministry of Economy, Trade and Industry's Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation were used as references.

Period covered : April 1, 2022 to March 31, 2023 (activities from April 2023 and thereafter are also included.)

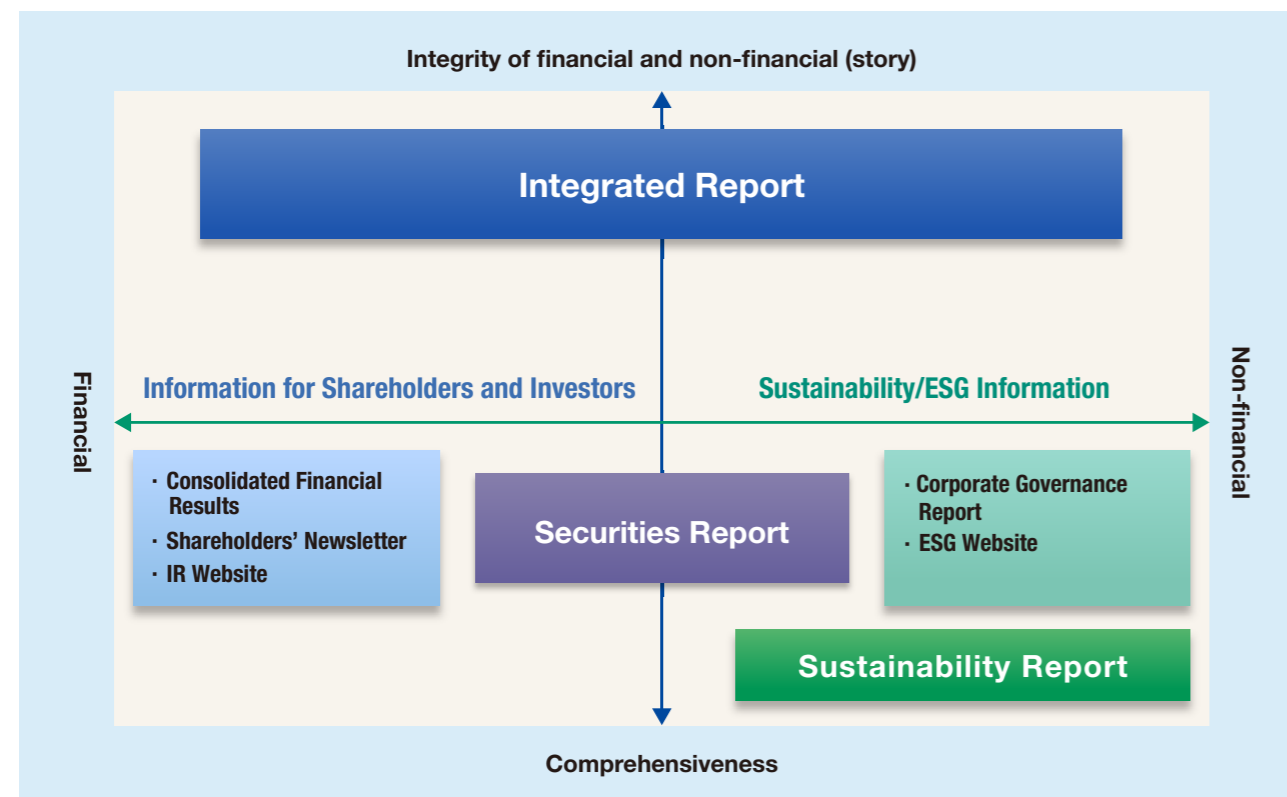
Scope of coverage : Shin Nippon Biomedical Laboratories, Ltd. (SNBL) and its subsidiaries

Notes concerning forward-looking statements

Forward-looking statements including our future plans, forecasts and strategies are based on certain assumptions deemed reasonable by SNBL in light of currently available information, and results including actual business performance may vary significantly from expectations.



Information disclosure system



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Value Creation Story

The touchstone for all of SNBL's management decisions is our corporate principle of being a company "committed to the environment, life, and people."

We are strengthening the management foundation that underlies our creation of value while enabling us to anticipate societal shifts and harnessing six types of management resources (financial capital and five types of non-financial capitals), as we work to develop new businesses and maximize the value we create in existing businesses. This way, we will generate a virtuous cycle of increasing capital through our business activities.

SNBL's mission is to free patients from suffering by supporting drug development and improving medical technology. With this mission in mind, we formulated the 2028Vision, which calls for us to be a company that promotes people's happiness hand in hand with our diverse stakeholders and generates economic and social value through our business activities.

<p>Manufactured capital</p> <ul style="list-style-type: none"> - Number of GLP-compliant research facilities: 3 centers - Establishment of industry's only breeding and supply system for laboratory NHPs* <small>* non-human primates</small> 	<p>Natural capital</p> <ul style="list-style-type: none"> - Area of company-owned forests: approx. 300 hectares - Ibusuki's abundant geothermal resources - Okinoerabu Island's high-quality seawater 	<p>Social and relationship capital</p> <ul style="list-style-type: none"> - Largest nonclinical CRO in Japan - Open innovation in partnership with universities in Japan and overseas
<p>Intellectual capital</p> <ul style="list-style-type: none"> - R&D expenses: ¥683 million* - Proprietary intranasal drug delivery technology <small>* FY 3/ 2023 results</small> 	<p>Human capital</p> <ul style="list-style-type: none"> - Consolidated number of employees: 1,208* - SNBL Academy, our original human resources development organization - Recognized as a "Certified Health & Productivity Management Outstanding Organization (White 500)" for seven consecutive years - Selected as a Nadeshiko Brand in 2022 - Awarded the Platinum Eruboshi Certification <small>* As of March 31, 2023</small> 	

SNBL Group's Businesses

Contract Research Organization (CRO) Business ▶ p18



SNBL's main business involves carrying out both nonclinical and clinical studies under contract from pharmaceutical companies and facilitating drug development. SNBL is Japan's first nonclinical contract research organization (CRO), which is a company that undertakes studies on behalf of pharmaceutical companies.

Translational Research (TR) Business ▶ p22



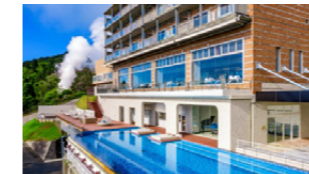
We are also developing our own drugs based on our proprietary technology for intranasal drug delivery.

* TR (Translational Research): SNBL is discovering promising drug seeds and new technologies born out of basic research at universities and biotech venture companies in Japan and overseas and adding value to them as we carry them to commercialization.

Businesses that Generate Benefits for Society

The Medipolis business encompasses business areas that generate benefits for society, including hospitality and power generation businesses, as well as research into the production of Japanese eel hatchlings.

Hospitality business ▶ p25



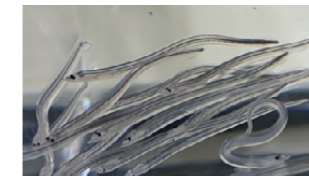
We operate three hotel businesses under the main concept of wellbeing.

Power generation business ▶ p26

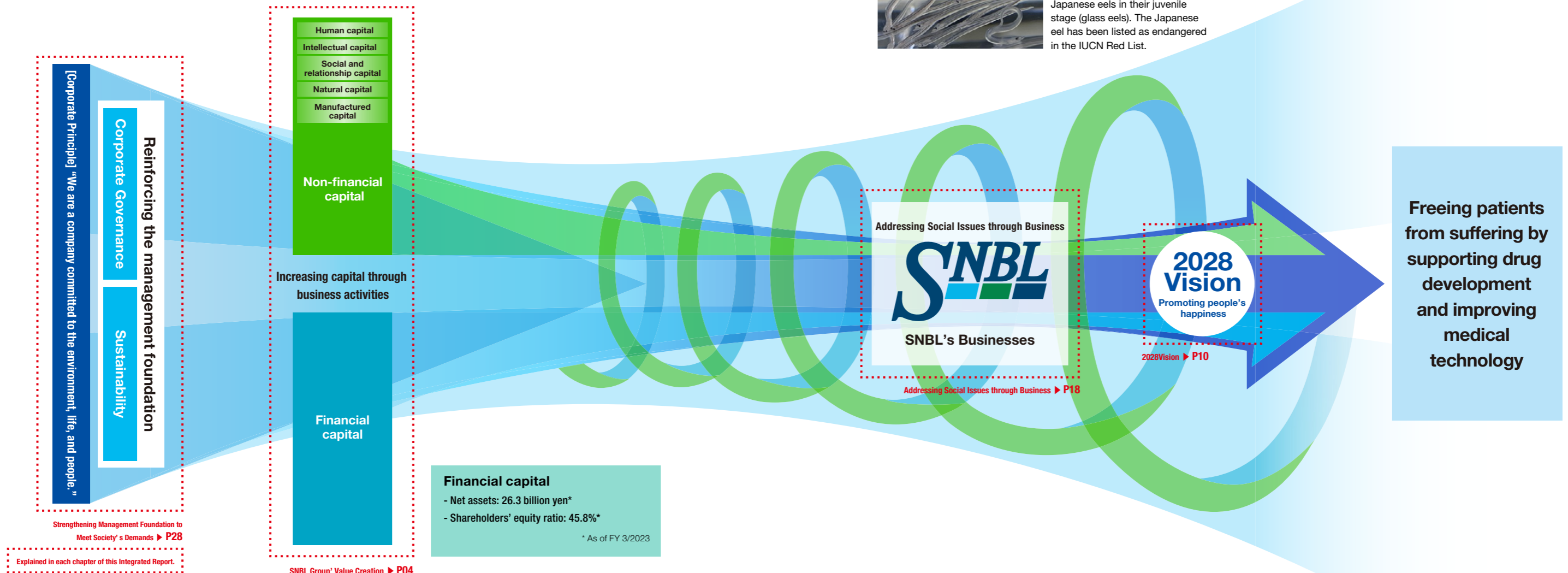


SNBL is engaged in a power generation business using renewable energy (geothermal and hot spring power generation).

Research into the production of Japanese eel seedling ▶ p27



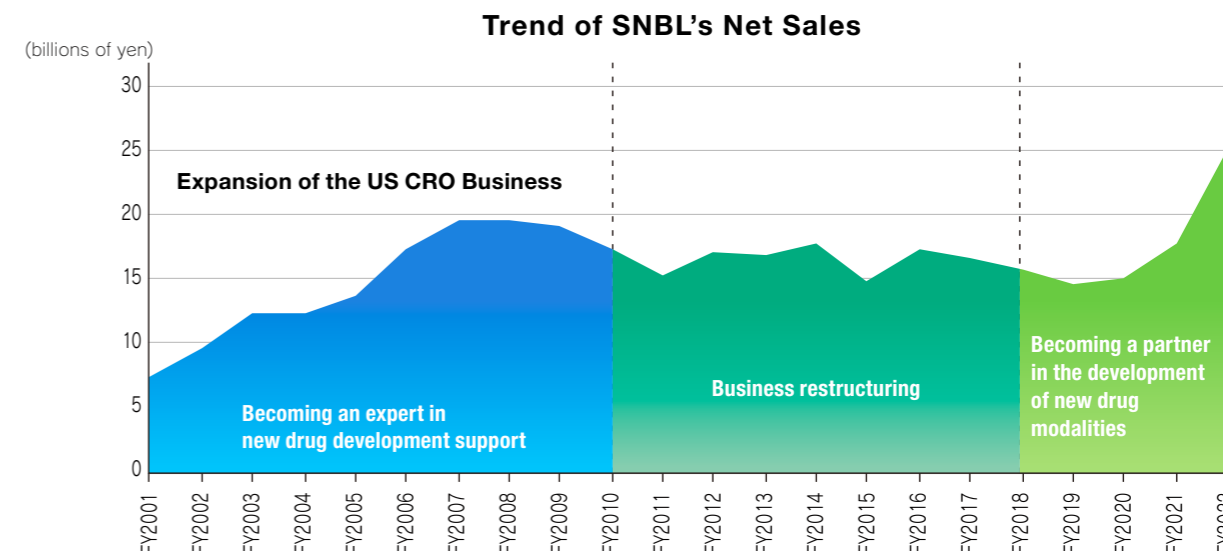
As a part of our efforts to preserve biodiversity, we are conducting research into the production of Japanese eels in their juvenile stage (glass eels). The Japanese eel has been listed as endangered in the IUCN Red List.



SNBL's History

SNBL's mission is to freeing patients from suffering by supporting drug development and improving medical technology. Guided by this mission, we have built a unique business model centered on life sciences related to drug development. We are currently expanding our business in all areas of drug development, helping to give patients access to more effective drugs as quickly as possible.

SNBL has worked to enhance its corporate value and better serve public interests through social activities even before the global focus on the United Nations Sustainable Development Goals (SDGs) and Environmental, Social, and Governance (ESG) issues. These initiatives are rooted in our corporate philosophy of being a company committed to the environment, life, and people and they reflect our commitment to resolving social issues through our business activities in a way that helps enhance our corporate value.



Becoming an expert in new drug development support (horizontal and vertical business expansion)



1957

1970s

1980s

1990s

2000s

2010s

2020s

Foundation and establishment of Japan's first nonclinical CRO



Southern Japan Dog Center, predecessor of SNBL

The predecessor of SNBL is the Southern Japan Dog Center, which was founded in Kagoshima City in 1957 by Tsugio Nagata, the father of the current President, for the purpose of breeding and modifying laboratory beagles.

In 1960, the company received its first commission for the nonclinical study of a drug from a leading overseas pharmaceutical company, thus becoming Japan's first nonclinical contract research organization (CRO).

The company went public in 1973, changing its name to Japan Dog Center Co., Ltd. and was renamed Shin Nihon Kagaku Co., Ltd. the following year.

Becoming an expert in new drug development support (horizontal and vertical business expansion)



Establishment of SNBL USA in the suburbs of Seattle

After being appointed president in 1991 (and CEO in 1997), Ryoichi Nagata expanded both the nonclinical CRO business internationally and the clinical CRO business in Japan, including Phase 2 and 3 contract studies and establishment of a Site Management Organization (SMO) business. He also set up the Translational Research (TR) business, expanded it overseas and launched the Medipolis business.

In 1999, SNBL established SNBL USA, Ltd. as a consolidated subsidiary in the suburbs of Seattle and launched the nonclinical CRO business in the US.

We established SNBL Clinical Pharmacology Center, Inc. as a consolidated subsidiary with a 96-bed clinical pharmacology research facility in Baltimore in 2004, before launching the clinical business in 2005.

Business restructuring



Outside view of Kagoshima Head Office
Implementation of trials for overseas customers at research centers in Japan

The US business situation deteriorated following the issuance of a Warning Letter by the Food and Drug Administration (FDA) in 2010 to SNBL USA, regarding noncompliance with Good Laboratory Practice (GLP) codes. This prompted a restructuring of the business, including the business in Japan. We took several steps as part of the restructuring: transferring the nonclinical CRO business of SNBL USA to the Altasciences Group (retaining and leasing the research facilities), selling our laboratory NHP breeding facilities in Texas to Orient Bio Inc., merging clinical trial facilities in Baltimore with Pharmaron Beijing Co., Ltd., merging the clinical CRO business in Japan into Pharmaceutical Product Development, LLC (PPD), selling the SMO business in Japan to M3, Inc., and shutting down the medical institution conducting clinical pharmacology studies in Japan. We completed the reorganization in 2018.

Becoming a partner to pharmaceutical companies



Rendering of Kagoshima Head Office building/research wing
scheduled for completion at the end of May 2024

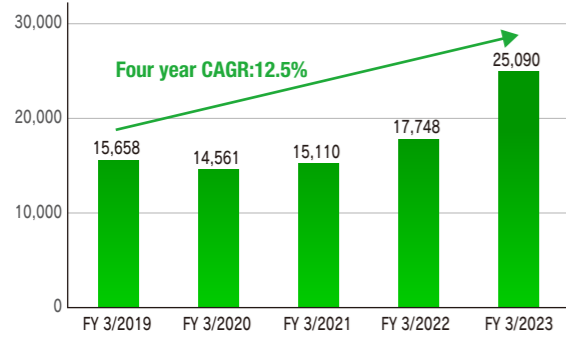
SNBL is set apart as being the only CRO in the world to have established its own in-group framework for breeding and supplying laboratory non-human primates as well as by our comprehensive supply chain management. The stable supply of laboratory non-human primates coupled with a proven and trusted track record in drug development support in Japan and abroad have earned us a growing reputation as an effective partner to pharmaceutical companies for the development of new drug modalities*.

We have been highly rated for our ability to undertake comprehensive contract research at the drug discovery stage (bioanalysis) with leading pharmaceutical companies and for our consultation capabilities. Building on this reputation, we are working in many ways to meet customer needs with the aim of being the leading name in the CRO industry and the most sought-after partner.

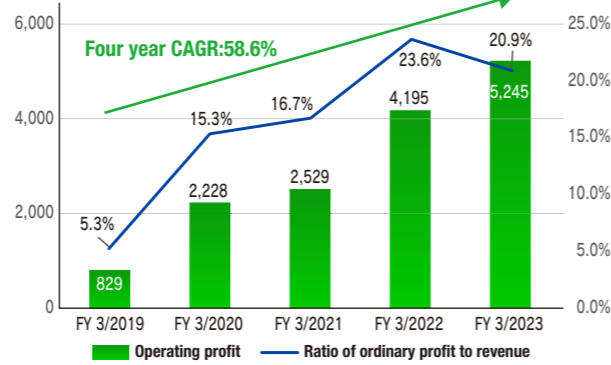
* Modalities indicate types of drug and treatment methods. New drug modalities currently in the spotlight include nucleotide drugs, next-generation therapeutic antibody drugs, peptide drugs, gene therapy, cell therapy, and regenerative medicine.

Financial Highlights : Results after Business Restructuring

Revenue (JPY in millions)

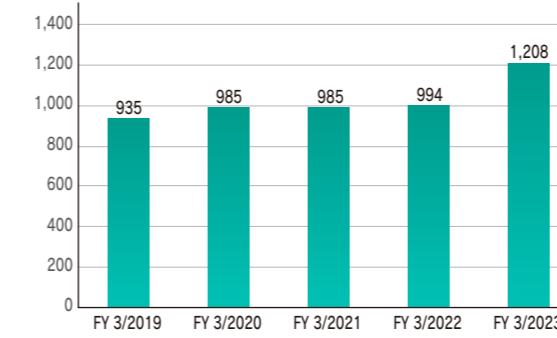


Operating profit (JPY in millions) / Ratio of operating profit to revenue

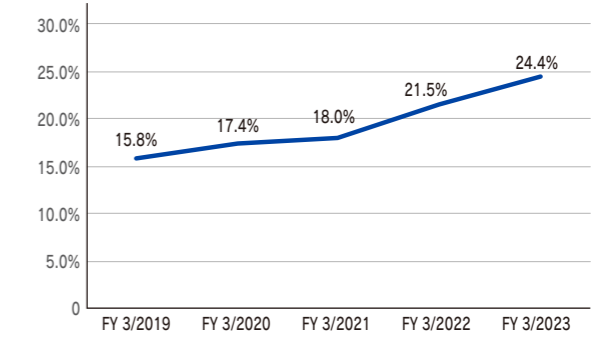


Non-financial Highlights

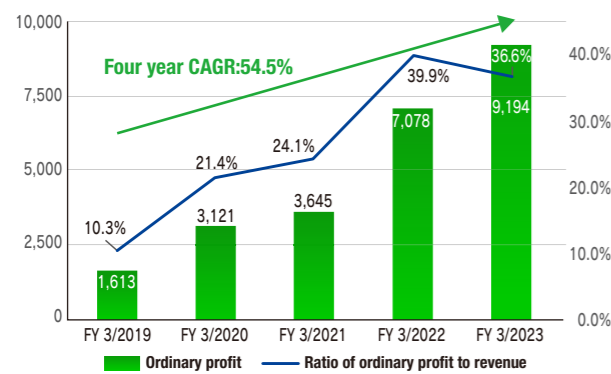
Number of employees (persons)



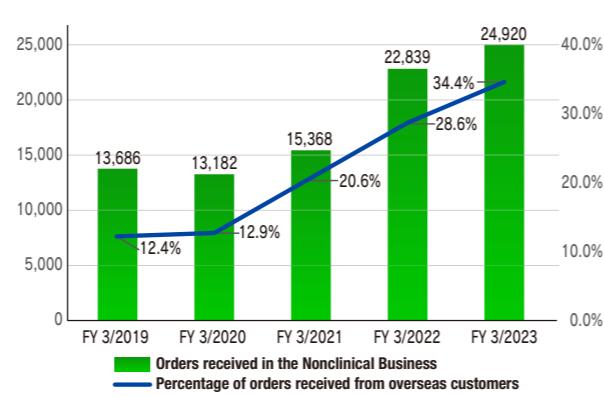
Ratio of female managers



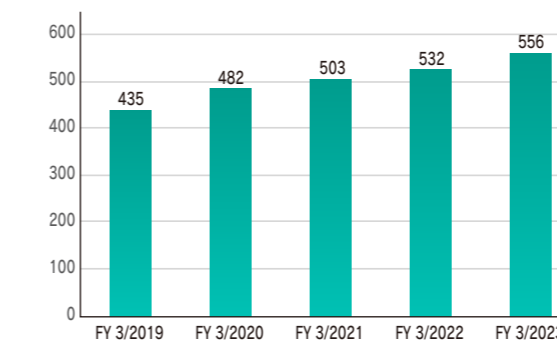
Ordinary profit (JPY in millions) / Ratio of ordinary profit to revenue



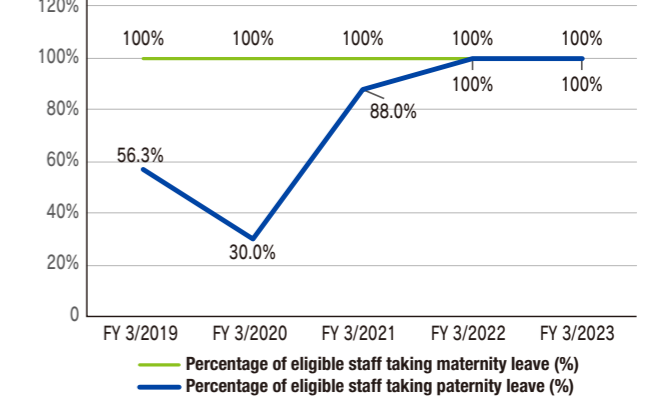
Orders received in the Nonclinical Business (JPY in millions) / Percentage of orders received from overseas customers



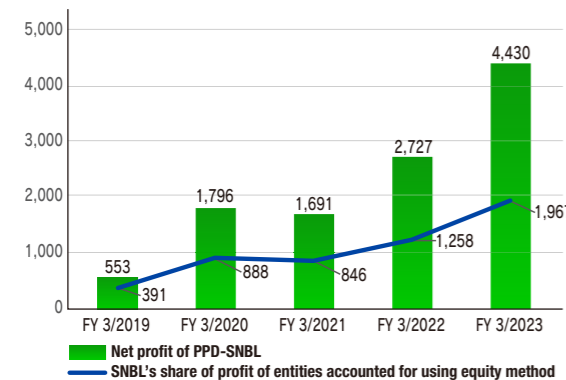
Average annual salary (JPY in ten thousand)



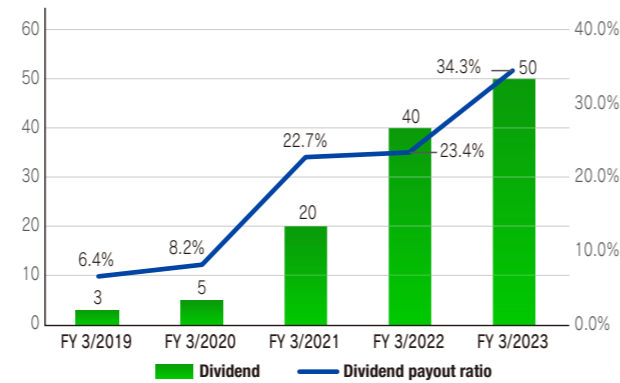
Percentage of employees taking childcare leave



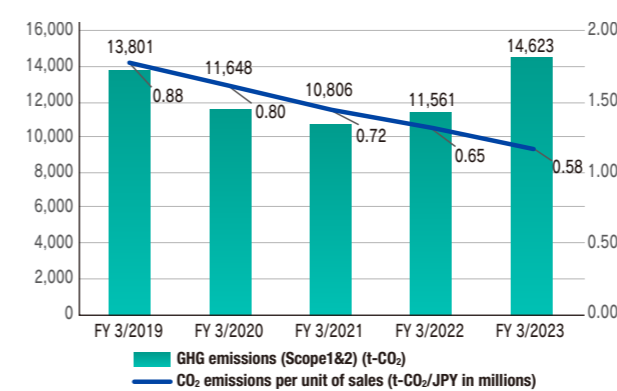
Business performance of PPD-SNBL and SNBL's share of profit of entities accounted for using equity method (JPY in millions)



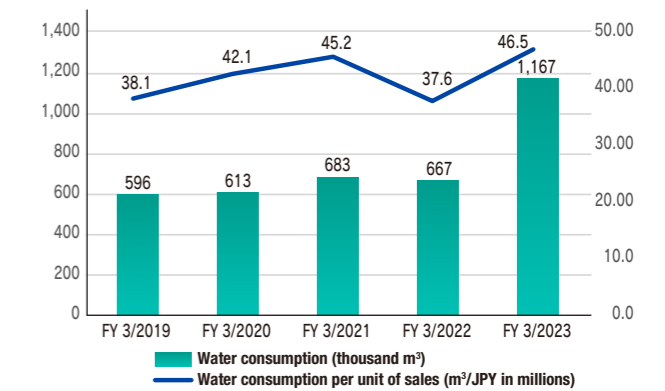
Dividends (JPY) and dividend payout ratio



Greenhouse gas emissions



Water consumption



PPD-SNBL (SNBL owns 40% of its equity), which is involved in the Clinical Business, is a joint venture and an entity accounted for using the equity method, and neither its net sales nor its operating profit are included in SNBL's business results.



Foresee the future and act preemptively

Message from the CEO

Representative Chairman and President

Ryoichi Nagata

Q1

You have entered a new growth phase since the business restructuring in 2018. What are the factors behind this?

I feel that the various strategic and preemptive initiatives we began to pursue 1997, when I became CEO, have gradually started to pay off. First, the Pharmacokinetics and Bioanalysis Center in Wakayama has entered its 25th year of operation since it was established. We struggled to get the center off the ground in the first 10 years, but the staff's skills have grown overtime, and it has become an organization that reliably generates profit. The clinical business, which we established in 1999, became a joint venture with PPD (in 2015) and has reported record-breaking profits every year since the establishment of the JV. At the laboratory NHP breeding facilities we built in China in 2003 and in Cambodia in 2007, production systems have been established for the stable supply of NHPs.

Looking back at our financial results for the fiscal year ended March 31, 2023, driven by the core CRO business, net sales reached a record high, while operating profit and ordinary profit set new records for a fourth and fifth consecutive year, respectively. The business profit of the CRO business as a whole, combining the operating profit from our nonclinical business with the equity method income from our clinical business, is 8.82 billion yen, which is up 36.3% YoY. The business profit margin (FY 3/2023 results) is 36.8%. Through these two initiatives, we have built an unmatched platform to support drug development.

Our nonclinical business is characterized by our development of a global brand in nonclinical studies using laboratory NHPs bred specifically for pharmaceutical development (purpose-bred NHPs). In recent years, the development of new modalities such as nucleic acid medicine, next-generation therapeutic antibody drugs, and gene therapy, has been gaining momentum in the pharmaceutical industry. In the development of these new modalities, even trials using rats, mice and other rodents commonly used in experiments are often not suitable for ensuring safety in humans, and laboratory NHPs, which are highly

similar to humans, have become essential. However, the pharmaceutical industry has been grappling with a global supply shortage of laboratory NHPs since around 2020. We have strongly differentiated ourselves from our competitors by being the only CRO in the world to establish an in-house breeding and supply system for laboratory NHPs. We have earned recognition for developing technologies and evaluation systems that are useful for assessing the safety and efficacy of new modalities and for our strong track record, and this has led to an increase in orders from customers in Japan and overseas.

Our clinical business is currently operated via PPD-SNBL K.K., a joint venture company established with PPD International Holdings, LLC, a world-class clinical CRO headquartered in the United States. In December 2021, PPD became a subsidiary of Thermo Fisher Scientific Inc., one of the world's largest life sciences companies, operating in about 50 countries worldwide. By conducting the Japanese portion of international clinical trials (global trials) commissioned by PPD, PPD-SNBL has developed a competitive business advantage over other domestic CROs and established a highly profitable structure. Though a global company, PPD-SNBL has incorporated into its organization Japanese-style management elements, including the working environment that values harmony which we have cultivated over many years, and as a result, it has achieved a high employee retention rate and the provision of high-quality services. Thanks to management that respects both PPD and the Company's strengths, we received equity method income of ¥1.96 billion from PPD-SNBL in FY2022, which is a record high.

Changes in the business profit and business profit margin of our CRO business

(Millions of yen)

		FY 3/2021	FY 3/2022	Growth rate	FY 3/2023	Growth rate
CRO business	Revenue	14,508	17,047	17.5%	24,000	40.8%
	Operating profit	3,393	5,035	48.4%	6,336	25.8%
	Operating profit ratio	23.4%	29.5%		26.4	
<hr/>						
	Equity method income	848	1,438		2,489	
	(PPD-SNBL)	846	1,258		1,967	
	Business profit	4,241	6,473	71.2%	8,825	36.3%
	Business profit margin	29.2	38.0%		36.8%	

* Business profit is the sum of operating profit and equity method income.

With the addition of the clinical business to the nonclinical business, we have an unrivalled platform for supporting drug development, and our CRO business will continue to grow and drive the performance of our financial results.

Q2 What did you hope to achieve with the two TOBs for Ina Research and Satsuma?

On July 20, 2022, we conducted a tender offer (“takeover bid”, or “TOB”) for shares of Ina Research Inc. (Ina Research), whose core business is the nonclinical CRO business, conducting nonclinical studies commissioned by pharmaceutical companies and others. Ina Research is headquartered in Ina City, Nagano. Since its establishment in July 1974, Ina Research has been refining its technology and expertise with a commitment to quality and reliability. By integrating Ina Research into our business operations, we aim to achieve diversification of our customer base and sharing our expertise. In terms of diversifying our customer base, our customers have traditionally been major Japanese pharmaceutical companies as well as American and European companies, mainly. Meanwhile, Ina Research’s strength lies in East Asia, especially the South Korean market, which we expect to have a geographically complementary relationship with us. In terms of sharing our expertise, Ina Research is known worldwide as a CRO capable of conducting special

studies, such as abuse liability studies for psychotropic drugs, which require advanced knowledge and technology and can only be conducted in a few places in the world. In addition, Ina Research is also strategically involved in the safety assessment of agrochemicals. By sharing our NHP testing experience, Ina Research can be expected to achieve improvement in profitability. The SNBL Group can offer a wider range of test types and provide better services.

We submitted a tender offer and concluded an agreement on the acquisition of Satsuma Pharmaceuticals, Inc. (hereinafter “Satsuma”). Satsuma became a subsidiary on June 8, 2023. Satsuma is licensed to use the intranasal drug delivery technology developed in our TR business segment and is a subsidiary we established in the United States in June 2016 to develop STS101, an intranasal antimigraine drug. Subsequently, Satsuma was listed on the NASDAQ and became an important investee. STS101, developed by Satsuma, is a proprietary formulation of the well-established antimigraine drug, dihydroergotamine mesylate (DHE), administered using Satsuma’s proprietary nasal delivery device to absorb the drug via the nasal mucosa. Satsuma filed a New Drug Application to the US Food and Drug Administration (FDA), based on data from a phase 1 clinical trial designed to evaluate comparative pharmacokinetics and a phase 3 long-term safety trial. Satsuma has had a very positive response in consultations with the FDA and expects to be

successfully obtaining approval from the FDA around January next year.

In the United States, nearly 40 million people struggle with migraines. This is 12% of the country’s population. The number of people who are actually prescribed antimigraine drugs is estimated at around 8 million. The trend in the number of prescriptions for acute migraine headaches shows that the emergence of new drugs to fulfill unmet needs promotes expansion of the market. STS101 can perfectly well aim for a share of around 5% of this growing new drug market. Moreover, a survey of 100 doctors specializing in migraines found that the doctors would prescribe STS101 to around 30% of their migraine patients, suggesting that this is a product which can be expected to generate hundreds of millions of dollars in annual revenue at the very least. STS101 is the first new drug based on the intranasal administration technology developed by our TR business segment, and we are quickly moving towards FDA approval.

We see the TR business as an extension of the CRO business in a broad sense and we aim to become a proposal-type CRO that can also present the development of intranasal drugs as an option to customers. Through its experience to date, Satsuma has gained a great deal of knowledge about new drug development and the approval process in the US. In this respect, synergies for the development of other intranasal drugs we are developing in parallel can be expected. This is also an important benefit that can be expected in the Satsuma TOB.

performance. Basically, strengthening human resources, expanding facilities, and establishing laboratory NHPs breeding in Japan are the three important pillars. As a golden rule of management, I have always aimed to think further ahead into the future and act preemptively, and I have already taken effective steps.

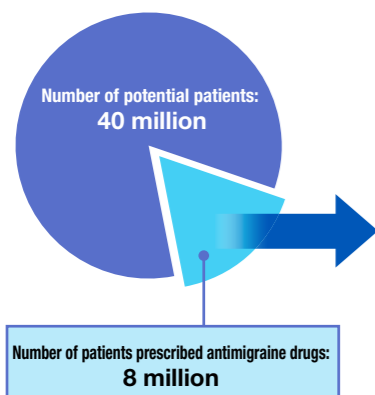
I believe that to promote people’s happiness in the world, it is important for employees to be the starting point for promoting happiness. For employees to actually experience happiness and become the starting point for promoting people’s happiness, it is important that individual employees grow alongside the company and realize their dreams. I have always managed based on the belief that the “development of people” lies at the root of business. I believe that human capital is the most important strategic core that enables us to build a competitive edge and differentiate ourselves from other companies, and I also see it as a source of the enhancement of our corporate value.

I have overhauled the evaluation system to support employees in realizing their dreams, and I have developed an environment in which employees can balance work and education and achieve personal growth. More specifically, I have revised the previous seniority-based wage system and created an HR system under which employee diversity is fairly assessed, individual employees take on challenges, create and innovate autonomously and independently, and we foster a corporate culture that sharpen one’s intelligence.

In terms of the training of human resources, SNBL Academy, an in-house training academy we established in 2002, runs multiple programs for the training of a wide range of human resources from new employees to candidates for managerial-level positions and managers. I, myself, also spend a great deal of time on employee training and manager training (Nagata Juku), and I value the time I spend talking directly with employees. By developing an organization in which employees work with autonomy and take the initiative, we will increase their engagement with stakeholders and create not only economic value but also social value in an integrated manner.

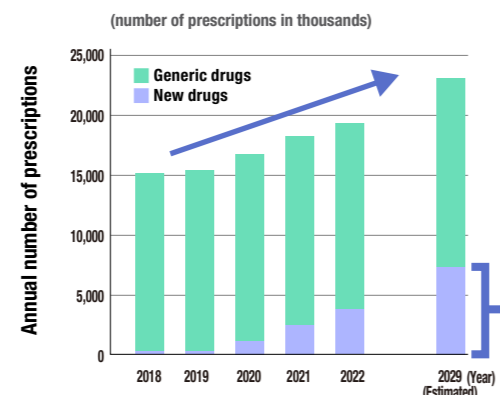
[Number of migraine patients (US)]

The number of patients is extremely high



[Trend in number of prescriptions for acute migraine headaches (US)]

Emergence of new drugs drives market expansion



Q3 Tell us about your initiatives for realization of the 2028Vision.

We set out our vision for FY2028 as “Vision 2028: Promoting people’s happiness hand in hand with our stakeholders.” As part of this, we set financial targets for fiscal year 2028 (ending March 31, 2029), which are revenue of ¥50 billion, ordinary profit of ¥20 billion, and an ordinary profit margin of 40%. We have prepared financial targets for fiscal year 2028 based on the concept that the CRO business will continue to drive our

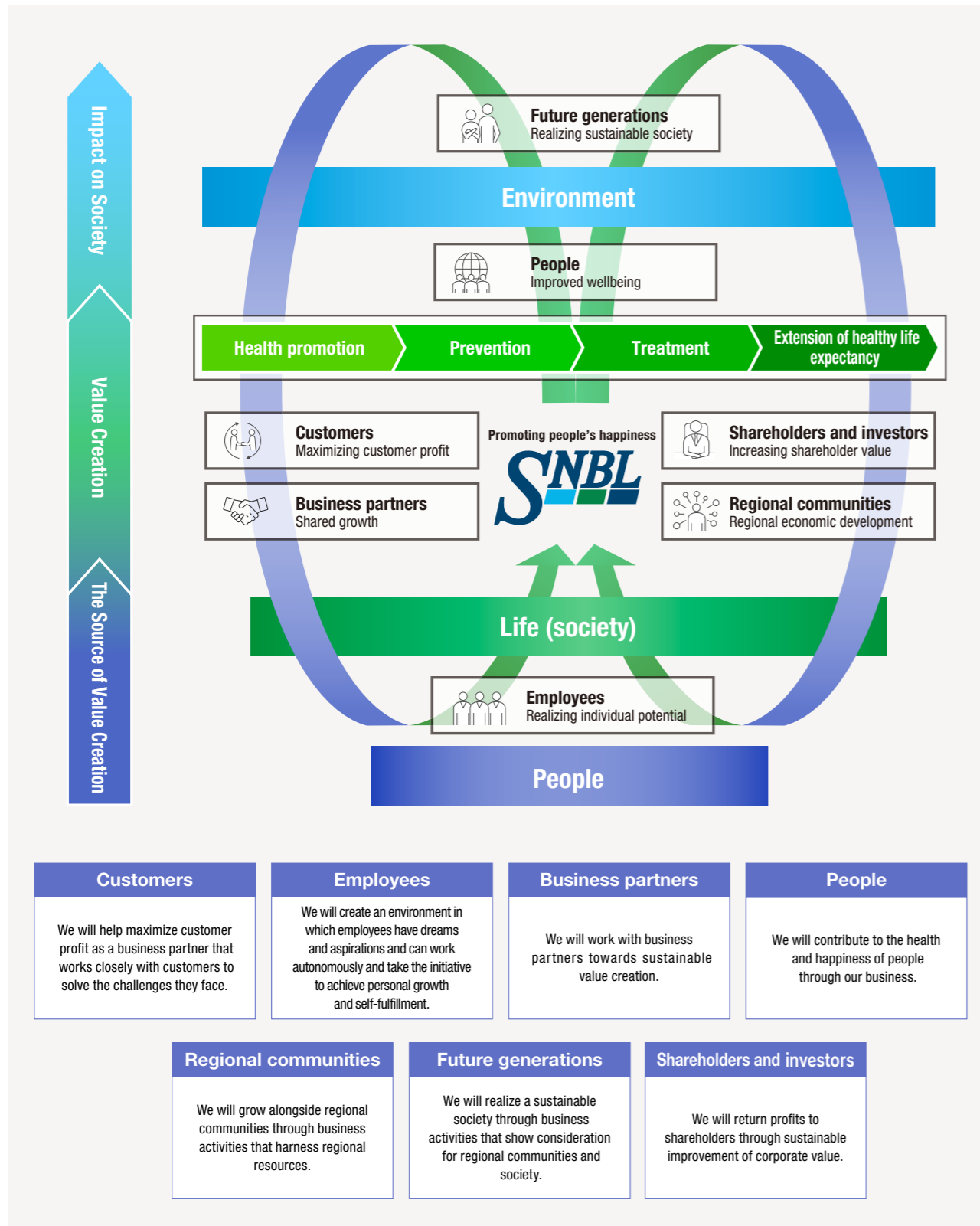
Source : Acute Migraine Market : IQVIA USC 20700 Anti-migraine not including preventive mAbs or atogepant

2028Vision

“Promoting people’s happiness hand in hand with our stakeholders”

SNBL’s Vision

Based on our corporate philosophy, we aim to build close relationships with stakeholders that straddle the three domains of “environment,” “life,” and “people,” and to work with stakeholders to create economic and social value in an integrated manner through our business, thus promoting people’s happiness in the world.



Financial KPIs

While keeping some of the financial KPIs established in 2022, we added ROE (Return on Equity) and ROIC (Return on Invested Capital), setting economic value KPIs to realize sustainable growth and improvement in corporate value over the medium and long term. Regarding the cost of capital, SNBL recognizes that it is estimated to be 6.0% based on the financial results for the fiscal year ended March 31, 2023 (using a β value of 1.0). ROE and ROIC calculated based on the financial results for the fiscal year ended March 31, 2023 are 26.5% and 17.9%, respectively, both of which greatly exceed SNBL’s cost of capital. SNBL will continue to work to achieve return on capital that exceeds the cost of capital.

		2022 (Result) (FY 3/2023)	2023 (Forecast) (FY 3/2024)	2028 (Target) (FY 3/2029)
Indicators of growth potential	Revenue	25.09 billion yen	30.36 billion yen	50.0 billion yen
	Ordinary profit	9.19 billion yen	7.18 billion yen	20.0 billion yen
	Ordinary profit margin	36.6%	23.6%	40.0%
Indicators of shareholder returns	Dividend payout ratio	34.3%	43.6%	30~40%
Indicators of capital profitability	ROE	26.5%	—	10% or higher
	ROIC	17.9%	—	10% or higher

Enhancement of corporate value

ROIC (17.9%)
Return on invested capital

>

Weighted average cost of capital (6.0%)
Expected rate of return of funders

Improvement of shareholder value

ROIC (26.5%)
Return on shareholders' equity

>

Cost of shareholders' equity (6.7%)
Expected rate of return for shareholders

Initiatives for growth of nonclinical business

We set a revenue of ¥50 billion, ordinary profit of ¥20 billion, and an ordinary profit margin of 40% as financial targets for fiscal year 2028 (ending March 31, 2029). These were prepared based on the belief that the nonclinical business will still be driving our performance in 2028. We have taken four steps to meet robust demand from customers in the nonclinical business.

1 Expansion of study and analysis facilities

Investment in new equipment for the development of diverse new drug modalities and expansion of processing facilities

2 Augmentation of laboratory NHP breeding capacity in Japan

Around threefold increase in number of maternal animals at end of March 2023 from end of March 2022

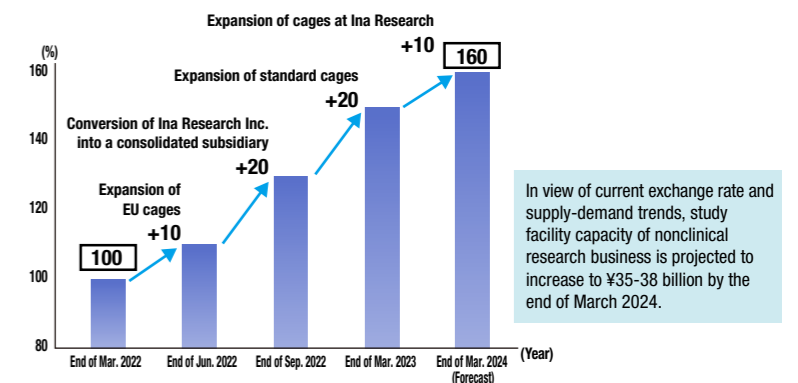
3 Construction of 8-story head office and research building at the Kagoshima Drug Safety Research Laboratory

Construction began in December 2022 and is scheduled for completion by the end of May 2024

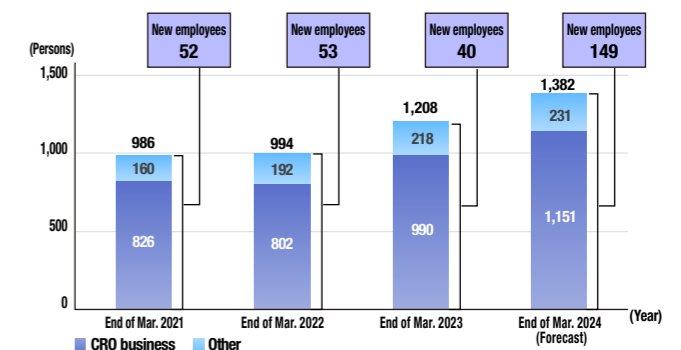
4 Hiring of human resources

Strengthening of activities to recruit new graduates (149 new graduates hired in April 2023, 135 of which were assigned to non-clinical CRO business segment) and to recruit mid-career professionals

Projection of Study Facility Capacity (capacity as of March 31, 2022 = 100)



Change in the number of employees



Materiality / Non-financial KPIs

In line with the 2028Vision, we reexamined our materiality (material issues) from the Environmental, Social, and Governance (ESG) perspectives and recently identified a total of seven material issues: three under the heading “addressing social issues through business” and four under the heading “Strengthening management foundation to meet society’s demands”. Focusing on these material issues will also help achieve the SDGs and realize a sustainable society.

Addressing Social Issues through Business

1. Supporting Drug Development and Improving Medical Technology (Improving Access to Medicines)



Sub-materiality	KPI (indicators)	Target
Creating time value in the nonclinical study	- Shorter lead time for nonclinical study	- FY 3/2026 : Submission of final report draft in 6 weeks at the earliest
Improving scientific capabilities to become an outstanding CRO	- Number of conference presentations and publications of articles - Obtaining qualifications	- FY 3/2029 : 40 conference presentations and 13 article publications - FY 3/2029 : 10 employees with DABT* credential
Helping meet unmet medical needs	- Number of intranasal formulations approved utilizing our intranasal dosing platform	- FY 3/2031 : 2 or more
Supporting bio-venture companies	- Number of funds established in the Gemseki business	- FY 3/2029 : 3

* Diplomat of the America Board of Toxicology

2. Wellbeing Lifestyle



Sub-materiality	KPI (indicators)	Target
Realizing wellbeing	- Employee satisfaction surveys - Employee engagement surveys	- Checking Results - Checking Results
Developing hospitality mindset	- Customer satisfaction survey	- Checking Results

3. Preserving the Beautiful Natural Environment



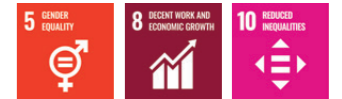
Sub-materiality	KPI (indicators)	Target
Realizing carbon neutrality	- Scope1 & 2 & 3 - SNBL carbon neutral indicator - CO ₂ environmental efficiency - Amount of renewable energy produced	- Checking Results ¹ - FY 3/2031 : Net zero ² - FY 3/2031 : 50% improvement (Base year : FY 3/2021) - FY 3/2029 : 30 million kWh
Shifting to a circular economy	- Water environmental efficiency - Percentage of water resources reused	- Checking Results - Checking Results
Transition to nature positive	- Number of fully farmed Japanese eels produced	- FY 3/2027 : Annual production of 100,000 eels

¹ Scope 3 emissions will be calculated by FY 3/2026

² SNBL on a non-consolidated basis

Strengthening management foundation to meet society’s demands

4. Creating an Organization Where People can Enjoy Their Work



Sub-materiality	KPI (indicators)	Target
Promoting Diversity & Inclusion	- Percentage of women in managerial positions - Percentage of employees taking childcare leave	- FY 3/2029 : 30% or higher - FY 3/2029 : Maintaining 100%
Promoting human capital management	- Training hours per person - Development of reading as a habit ¹	- Checking Results - Checking Results
Promoting health and productivity management	- SNBL Health & Productivity Management indicators (10 items)	- FY 3/2027 : Achievement of target for each indicator ²
Achieving growth of both employees and company	- Employee satisfaction surveys - Employee engagement surveys	- Checking Results - Checking Results

¹ Percentage of employees who read at least 7 books a year

² Please refer to our website: <https://www.snbl.co.jp/esg/esgdata/#s2>

5. Evolving the Business through Digital Transformation and Robotic Process Automation



Sub-materiality	KPI (indicators)	Target
Study records digitalization	- Number of sheets of paper saved	- FY 3/2024 : 1.2 million sheets (compared to FY 3/2022)

6. Enhancing Stakeholder Engagement



Sub-materiality	KPI (indicators)	Target
Maximizing customer profit	- Customer satisfaction survey	- Checking Results
Sharing growth with business partners	- Percentage of suppliers who agree to the Suppliers Code of Conduct	- Checking Results
Increasing shareholder value	- Number of investor meetings	- Checking Results

7. Building a Governance Framework for Realizing the Corporate Principles

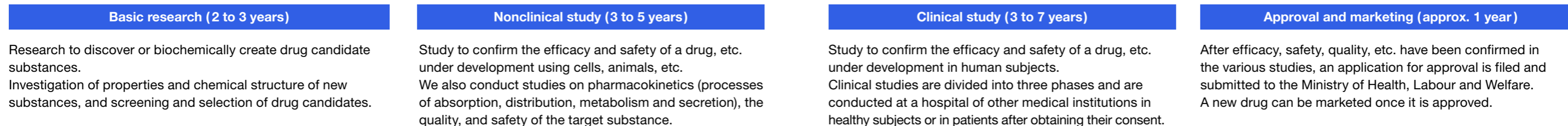


Sub-materiality	KPI (indicators)	Target
Enhancement of the function of the Board of Directors	- Board meeting attendance of directors and corporate auditors	- Checking Resultst (maintaining of 80% or higher)
Promotion of fair business activities	- Conformity to the Corporate Governance Code	- Checking Results (maintaining of 100%)
Commitment to compliance	- Percentage of employees who take part in the Compliance Action Guidelines training	- 100%

Addressing Social Issues through Business

Supporting drug development and improving medical technology (improving access to medicines)

Steps in drug development and the area of SNBL Group's CRO business



Area of SNBL Group's CRO business

Bioanalytical CRO business



We use cutting-edge high sensitivity analysis equipment to carry out bioanalysis, biomarker measurements, etc.

Nonclinical CRO business



We carry out studies to assess the safety and efficacy of drugs, agrochemicals, etc. at research facilities that comply with Good Laboratory Practice (GLP) regulations and are fully accredited by the Association for Assessment and Accreditation of Laboratory Animal Care International (AAALAC).

Clinical CRO business



We provide support to ensure that clinical studies run smoothly, including managing the clinical study schedule, preparing clinical study materials, explaining details of the clinical studies to subjects, and caring for their mental and physical wellbeing.



The role of a CRO

The stages of developing a drug are basic research, nonclinical studies, clinical studies, and the approval process. Pharmaceutical companies used to carry out all these processes in-house; however, rather than having facilities and human resources on their own, they now tend to outsource some basic research and nonclinical and clinical studies to clinical research organizations (CROs) that possess specialist knowledge, expertise, and experience in these areas, based on management's judgment that outsourcing is more efficient. In the United States, which is the world leader in new drug development, the rate of outsourcing to CROs is said to be more than 60%.

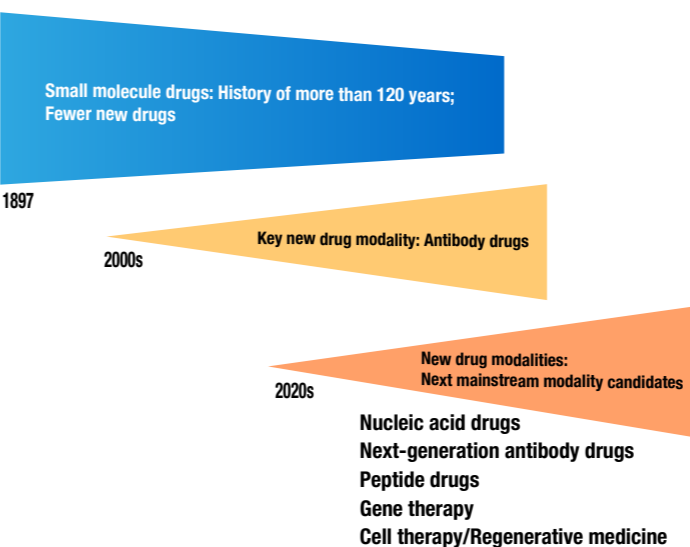
Pharmaceutical market trends

Looking at the global pharmaceutical market, drug development

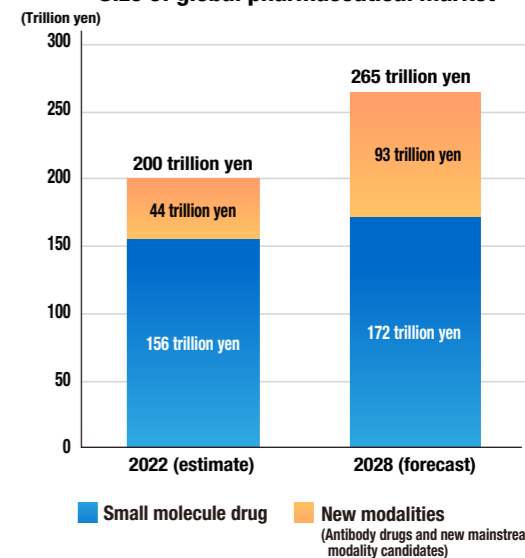
used to be the development of drugs made with chemical compounds called small molecule drugs. In the early 1990s, moves to apply biotechnology to drug development became widespread. Antibody drugs that use large molecule proteins present in the human body (i.e. the antibodies that play a central role in the human immune system) emerged in the late 1990s, and new drug modalities became the drivers of market expansion.

After the basic primary patents for antibody drugs expired in the late 2010s, development went full swing, with the aim of making new bio-therapeutic modalities such as nucleic acid drugs, next-generation antibody drugs, peptide drugs, and gene therapy, as the next growth drivers. Laboratory NHPs, which are SNBL's area of strength, are now essential for the development of such new drug modalities. Our CRO business contributes significantly to advanced drug development around the world and it drives our company's growth.

Conceptual diagram of global pharmaceutical market development



Size of global pharmaceutical market



Source: SNBL forecast

Social issues

Increasing complexity of new drug development

Drug development is said to take at least 10 years and tens or hundreds of billions of yen and the probability of success is estimated at around 1 in 25,000.^{*1} In recent years, due to advances in the technologies underlying drug development, in addition to conventional small molecules, various molecules (medium and large molecules), such as antibody drugs, nucleic acid drugs, gene therapy and regenerative medicine, have started being practically applied in drugs. Whilst this situation has the potential for making groundbreaking therapies available to patients with diseases that cannot be effectively treated with existing therapies, there is also a tendency for new drug research and development to become increasingly complex and take longer with every passing year, and the probability of success falls year after year.

Drug lag

Drug lag refers to the situation where it takes a long time for drugs approved overseas to be approved for use in Japan, meaning that drugs which are available overseas are not available to Japanese patients until they are approved in Japan.

*1 Source: Japan Pharmaceutical Manufacturers Association DATA BOOK 2023

2028 Vision for CRO business

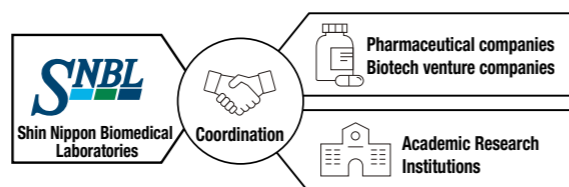
Creating a nonclinical R&D ecosystem to deliver new drugs to patients as quickly as possible

We are strengthening collaborative relationships with pharmaceutical companies and various other stakeholders to create a nonclinical R&D ecosystem to deliver new drugs to patients as quickly as possible, and we are working to create a new nonclinical development ecosystem^{*2} that reduces time needed for nonclinical studies.

We believe that this new ecosystem will help maximize benefits

not only for patients, but also for the pharmaceutical companies, biotech venture companies, academic institutions, and research organizations we work with. We believe that an environment where clinical development, from selection of compounds for new drug candidates onward, can begin sooner will eliminate “drug lag” and lead to the growth of the pharmaceutical industry as a whole.

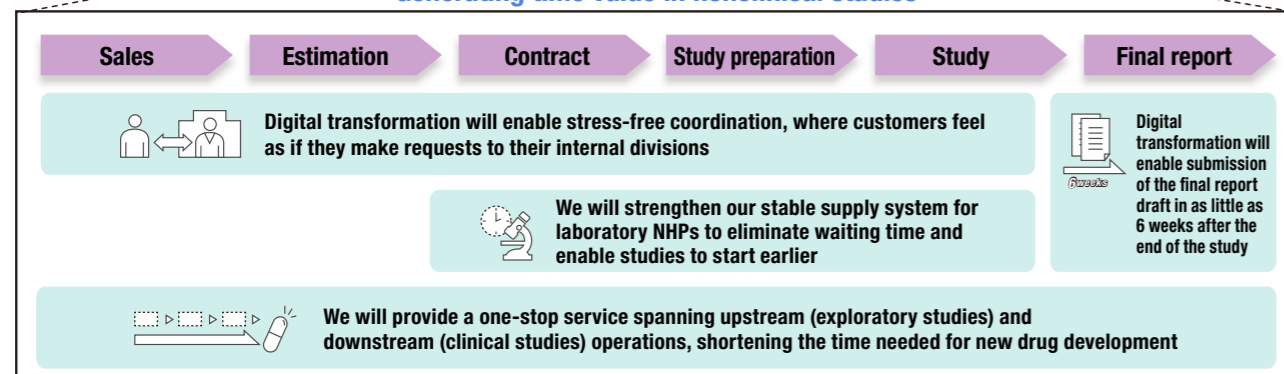
Nonclinical ecosystem SNBL aims to create



Delivering new drugs to patients as quickly as possible



Generating time value in nonclinical studies



*2 “Ecosystem” derives from the field of ecology and indicates a context where organisms exist interdependently in the same space. In the business world, it describes cooperative relationships for the purpose of addressing the issues of customers and society.

Our strengths : Nonclinical business

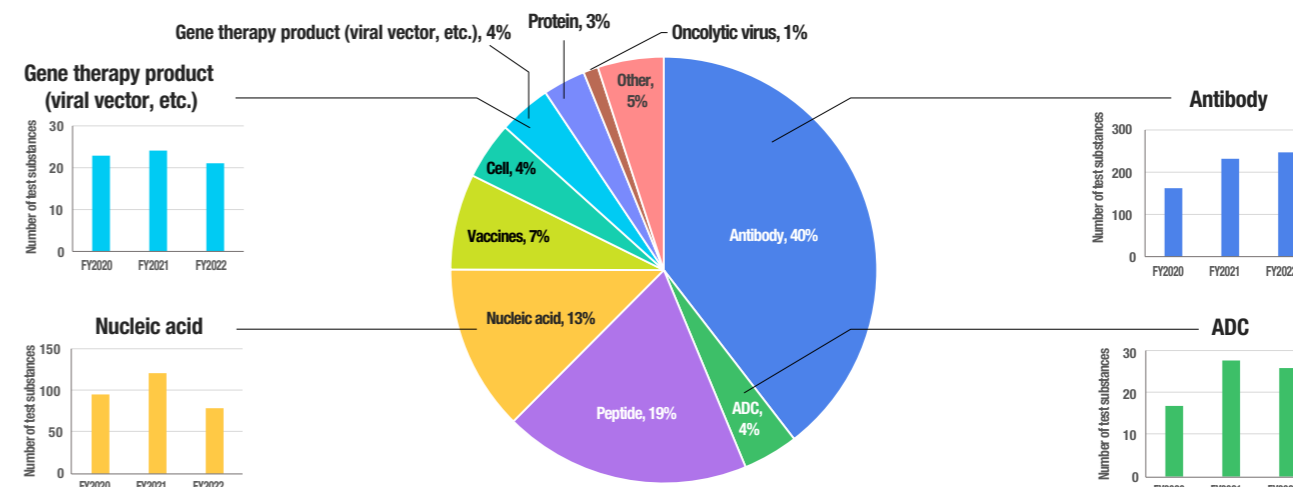
Extensive experience and track record in the nonclinical testing services, boasting the top market share in Japan

We are recognized by pharmaceutical companies not as a drug development subcontractor but as a development partner because we have introduced the state-of-the-art equipment needed to assess the efficacy and safety of new drug modalities and have built an evaluation system from an early stage. This has helped us generate high profits.

Only CRO to have established its own in-group framework for breeding and supplying laboratory NHPs

We have built a global brand in nonclinical studies using laboratory NHPs, which are essential for the development of new modalities such as nucleic acid drugs, gene therapy, and regenerative medicine.

Studies commissioned for drugs other than small molecule drugs (number of test substances) in the fiscal year ended March 31, 2023: 616 compounds



Our strengths : clinical business

Partnership with PPD, a global CRO, in the clinical test services market

PPD-SNBL^{*1} is a joint venture established in 2015 with PPD, a global CRO that operates in about 50 countries worldwide. PPD-SNBL’s mainstay business is the implementation of the Japanese part of global clinical trials^{*2} outsourced from major pharmaceutical companies overseas.



*1 PPD-SNBL is our equity method affiliate (equity stake: 40%), and the profits (dividends) from this company are recorded as share of profit of entities accounted for using equity method under non-operating income. Partly because of the contribution of this share of profit, our ordinary profit has been greater than operating profit since the fiscal year ended March 31, 2019.

*2 Global clinical trials are clinical trials conducted simultaneously in multiple countries and regions. Global collaboration on new drug development can speed up market introduction and maximize sales. Such clinical trials can also be expected to eliminate the drug lag as the new drugs can become globally available at the same time.

Social issues

Access to medicine

Access to medicine refers to the state of having the means to provide appropriate medicines and medical care to those who need it. In some regions around the world, people do not have access to necessary pharmaceutical and medical services due to poverty, conflicts, disasters, inadequate medical systems, and other reasons.

Improvement of usability of drugs from the patient's perspective

The age and constitution of people who use medicines vary widely, and it is necessary to make them as easy and convenient to use as possible.

2028Vision for TR business

Aiming to build the next engine for profit growth after the CRO business through the application of proprietary intranasal drug delivery technology

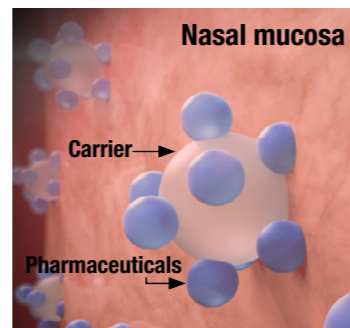
Since the TR business started in 1997, we have been developing drug products based on our proprietary intranasal delivery platform technology, which we have continued to research and develop. The intranasal drug delivery technology is a platform technology combining a powdered formulation technology with a proprietary carrier and a proprietary designed delivery device. The characteristics of this technology are that it is easy to use and is expected to be quick-acting due to the rapid drug absorption via the nasal mucosa.

Drug development at our TR business mainly focuses on intranasal formulations in which existing drugs with abundant clinical data are applied to the above-mentioned platform technology. Accordingly, unlike the development of new chemical/biological therapies, this involves minimal risk of development being discontinued on the grounds of poor efficacy, and therefore, we are seeking to expand the business in pursuit of guaranteed high returns.

Our strengths

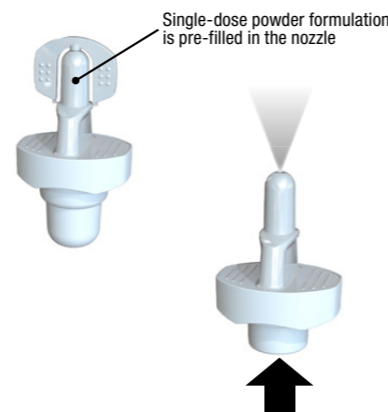
Carrier-based powder formulation technology

The action of our proprietary carrier has made it possible to increase the nasal mucosal absorbability of drugs. Two investigational drugs, a treatment for acute migraine headaches (Satsuma) and a treatment for the "wearing off" symptoms in Parkinson's Disease (SNLD), are currently under development.



Proprietary designed delivery device

Intranasal administration is easier and is non-invasive when compared with injections. Powdered formulations can be stored at room temperature longer than liquid drugs and can therefore be used without refrigeration in developing nations and other countries and regions that do not have strong medical infrastructure.



Topics

Acquired Satsuma, making it a wholly owned subsidiary

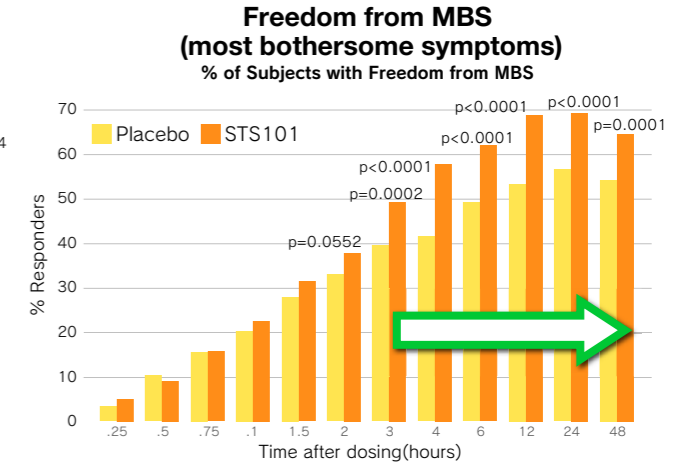
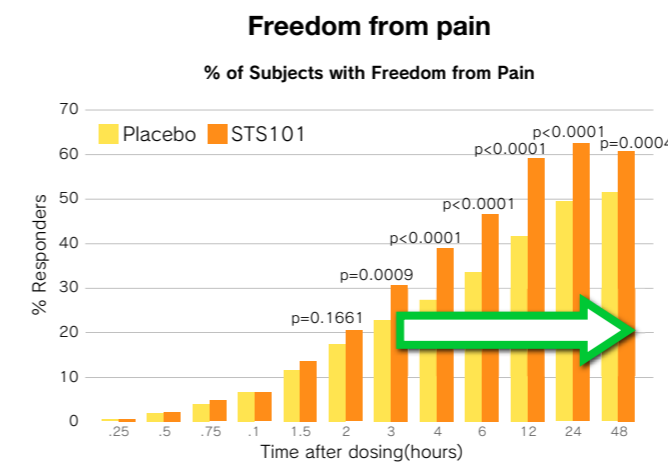
First-ever approval of an intranasal drug product using our intranasal drug delivery platform technology



Features of STS101, nasal powder drug product for migraine: differentiation from existing products

Long-lasting relief from symptoms

More than half of migraine patients prefer long-acting drugs than fast-acting or short-acting drugs. Treatment with existing commercially available drugs is reported to entail a high risk of the pain recurring after dosing. However, STS101 has been shown to provide long-lasting relief from symptoms, and therefore, it is expected to be able to meet the needs of many patients.



Great usability (user-friendly device)

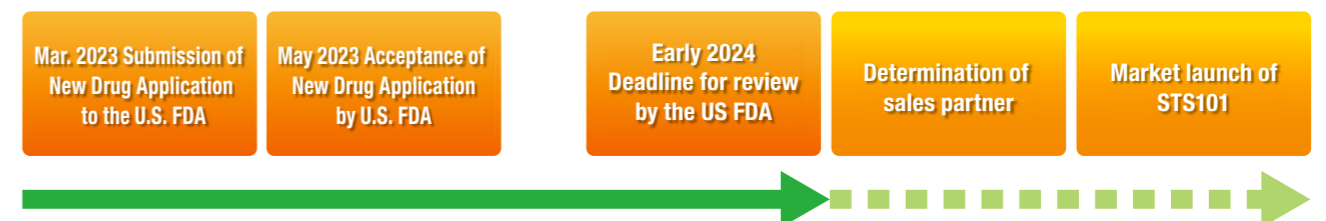
Compared to existing drugs, the STS101 device is compact, lightweight, and easy to use, making it easy for anyone to self-administer.



Market environment of nasal treatments for migraine and future schedule

Satsuma obtained good results in the clinical phase I study for STS101, and the clinical phase III long-term safety study for STS101 demonstrated good safety and tolerability.

The clinical phase III efficacy study did not show statistically significant differences between STS101 and the placebo in the primary endpoints (the disappearance of pain two hours after dosing and the disappearance of accompanying symptoms, such as photophobia, and nausea) though a trend of improvement was noticeable. However, since STS101 continued to outperform the placebo in efficacy with a statistical significance in the 3 to 48 hours after dosing, we concluded that acquiring FDA approval would be possible without additional clinical studies. Thus, we are in the process of selecting candidate sales partners and strategic business partners.



Social issues

Common issues faced by biotech ventures

In recent years, biotech ventures have increased their presence in new drug development and the development of therapeutic technologies; however, many biotech ventures still face issues in terms of funding and labor shortages. Since research is usually conducted at universities, there is a focus on obtaining efficacy data, and the lack of investigation and research into safety or of an integrated strategy for R&D and business model development have been pointed out as common issues.

2028Vision for Gemseki

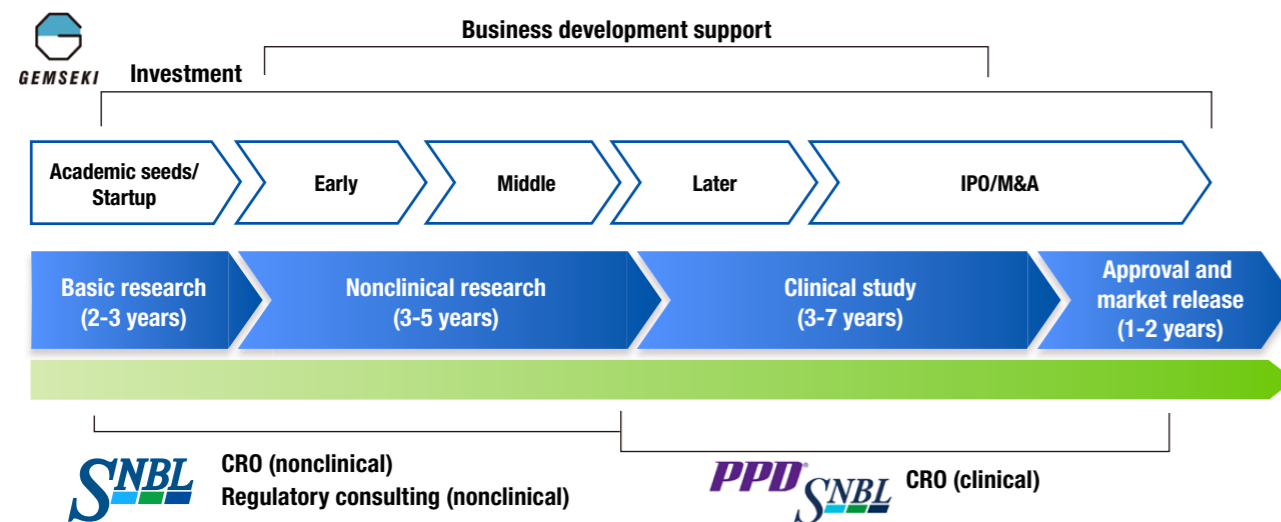
Helping to improve the health of humanity by efficiently and effectively supporting the development of the life science industry

Gemseki, a subsidiary of SNBL, is expanding its business development operations, which involves supporting the business development activities of biotech ventures and academic institutions that are researching and developing the academic seeds of pharmaceuticals and medical devices. Additionally, Gemseki is also expanding its investment business, which mainly consists of investing in biotech ventures. The aim of both businesses is the growth and value enhancement of customers, which are mainly biotech ventures and academic institutions with limited capital, human resources, and other management resources.

Our strengths

Total support for drug development at every stage, from basic research to approval and marketing, drawing on the strengths of each group company

With SNBL's nonclinical business and nonclinical regulatory consulting business, PPD-SNBL's clinical business, Gemseki's investment and BD operations, the Group offers a one-stop shop that can provide all the support necessary for the discovery and development of pharmaceuticals and medical devices.



Synergies between businesses

By providing total support for Gemseki's customers, we have created synergies between Gemseki and our CRO business, leading to new orders for nonclinical and clinical studies.

Addressing Social Issues through Business

Wellbeing lifestyle

Social issues

Achieving wellbeing

Wellbeing is a concept denoting that individuals are in good physical, mental, and social condition, and that their rights and self-actualization are guaranteed. As a rapidly aging society, Japan needs to value and promote wellbeing in order to extend healthy life expectancy.

Use of real-world data

Real-world data (RWD) is data routinely collected for medical and/or health administration purposes. While it is possible to collect huge amounts of RWD thanks to the digitization of health care data accompanying advances in digital technologies, the standardization and structuring of data have been raised as challenges.

2028Vision for Hospitality Business

Offering hospitality for mental, physical, and social health for all

In the hospitality business, we have divided our hotel facilities into three categories by accommodation building and by function to meet the diverse needs of guests. The facilities are the Amafuru Oka healing resort hotel, the Ibusuki Bay Hills Hotel & Spa for training-oriented stays, and the Freesia Hotel exclusively for patients of the Medipolis Proton Therapy and Research Center.



Our strengths

Contributing to people's wellbeing

Our contribution to people's wellbeing through hospitality helps enhance our corporate value.

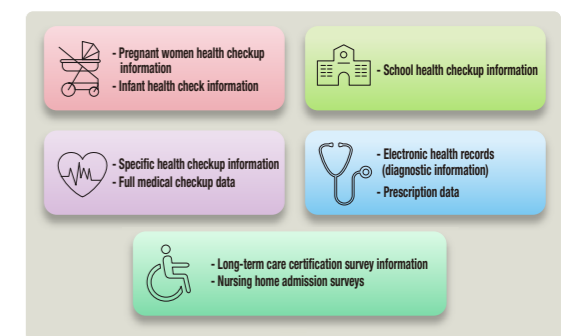
Instilling a hospitality mindset

Fostering a group-wide hospitality mindset towards customers through the hospitality business has also helped improve customer satisfaction in our other businesses.

2028Vision for New Initiatives to Improve People's Health

Contributing to the dissemination of science-based, highly reliable medical information

For three years since 2020, we have been promoting various studies for wider acknowledgement of use of RWD, through the establishment of a joint research course at Juntendo University. As digital technology improves and spreads, the increased use of RWD will improve the health of many people and realize a sustainable social security system by streamlining the clinical development process of new drugs, curbing growing healthcare costs associated with an aging population, and improving the quality of health management and preventive services.



Our strengths

Connections with pharmaceutical companies, medical institutions, and academia that we have built through our CRO business

Whilst effectively leveraging our connections with pharmaceutical companies, medical institutions, and academia developed over many years, we harness digital technologies and RWD to actively support commercialization.



Addressing Social Issues through Business

Preserving the Beautiful Natural Environment

Social issues

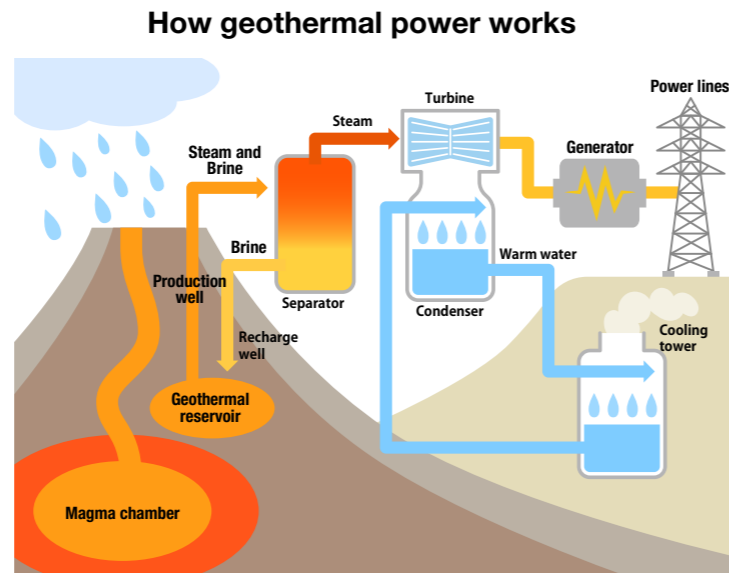
Promotion of geothermal power generation

Geothermal energy has been attracting more interest as a renewable energy source that can be stably generated day and night throughout the year without being affected by the weather. Although Japan has the world's third largest geothermal resource potential, it has not tapped into this market due to the risk of the failure of drilling operations, in addition to high development costs, and a lengthy development process.

2028Vision for the Power Generation Business

Contributing to raising Japan's renewable energy ratio and to solving climate issues using the geothermal resources of Ibusuki

In 2015, we established and began operating Japan's first binary geothermal power plant,¹ using the abundant geothermal resources of Ibusuki in Kagoshima Prefecture. Going forward, we intend to leverage the expertise and track record we have built up to date aiming to increase the power generated to around 30 million kWh (the equivalent of around 1.7% of the total power usage of the manufacturing sector in Kagoshima Prefecture) by FY2028.



Strengths of the Group

High capacity utilization rate

Compared to other renewable energy sources, geothermal power generation has a high facility utilization rate² and is expected to become a base load power source. The facility utilization ratio based on the amount of power transmitted off the grid in our power generation business is also high at 73.8% (average of the last three years).

Capacity factor by energy source (2022; based on power generation at sending end)

Energy source	Thermal power	Nuclear power	Hydro power	Solar power	Wind power	Geothermal power
Capacity factor	48.6%	18.6%	19.2%	13.9%	20.9%	56.1%

Source: Organization for Cross-regional Coordination of Transmission Operators, JAPAN (OCCTO)

Efficient use of geothermal resources

Following the binary geothermal power generation, we are also moving forward with hot spring power generation plan using surplus steam from the springs used in our hotels. We are also focusing on the efficient use of energy, such as utilizing the hot water used in geothermal power generation to heat the facilities.

¹ Binary geothermal power generation is an environmentally friendly way of generating power. Binary cycle plants use the steam from hot water to boil a working fluid with a low boiling point. The working fluid is vaporized in a heat exchanger and used to efficiently turn a turbine. After being used, the steam turns back into hot water, which is injected back into the ground.

² Capacity factor is the ratio of actual annual power generation at the sending end to the theoretical maximum annual power generation at the sending end. The higher the factor, the more effectively power generating facilities are being used.

Social issues

Decline in number of Japanese eels

In 2014, the Japanese eel was listed as endangered on the IUCN (International Union for Conservation of Nature) Red List of Threatened Species IB (species at high risk of extinction in the near future) due to a decline in its population. Catches of juvenile eels, known as glass eels, have decreased dramatically, with 2022 catches down to around one-quarter of the level in 2003, when the Fisheries Agency began conducting surveys. Currently, the lifecycle of the eel is in large part a mystery, and eel farming relies entirely on wild glass eels. One problem this approach presents is that glass eel prices rise sharply in years when the catch of juveniles is poor. Due to their scarcity, poaching of juvenile eels — now known as "white diamonds" in Japan — has also become an issue.

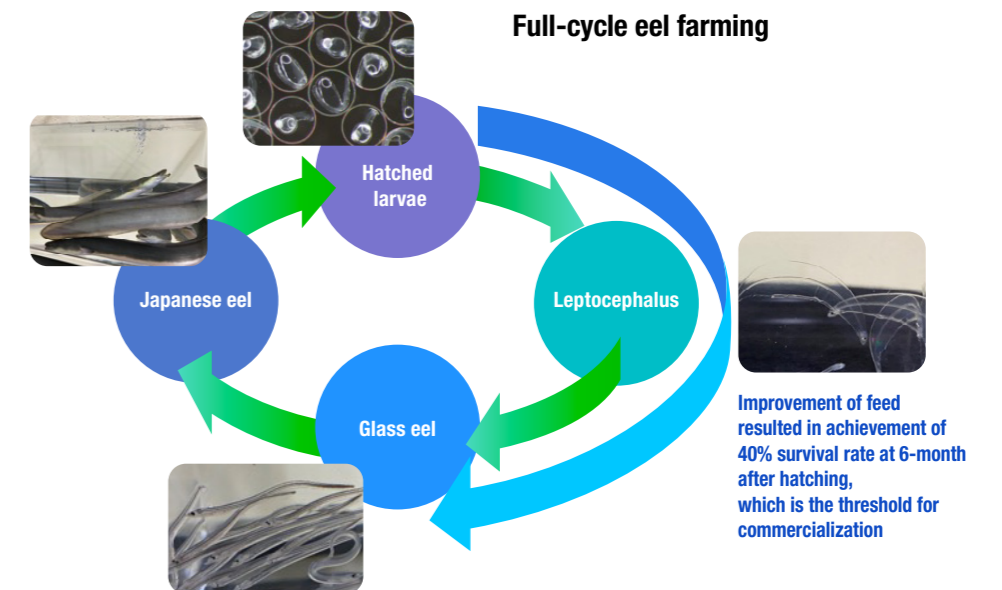
2028Vision for Research into the Production of Japanese Eel Seedling

Contributing to the realization of full-cycle farming Japanese eels and the preservation of natural resources and traditional Japanese culinary culture

We are researching artificially growing Japanese eel seedlings on the island of Okinoerabu in Kagoshima Prefecture. Seedlings here mean juvenile fish used in aquafarming. Eel farming involves the use of glass eels as seedlings. However, only wild glass eels caught in estuaries can be used as seedlings. Artificially grown glass eels are not used.

The realization of mass production using artificial seedlings would open up the possibility of commercialization of full-cycle farming of Japanese eels and could help stabilize the market, prevent the overfishing of natural resources, and contribute to the preservation of traditional Japanese culinary culture and marine resources. We also believe that on the island of Okinoerabu in Kagoshima Prefecture, we can contribute to the regional economy, as a new local industry.

By the end of the current fiscal year (ending March 2024), we aim to artificially grow between several thousand and 10,000 eels, and in FY2026, we will be structurally equipped to grow 100,000 eels.



Our strengths

High survival rate

If more than 40% of the leptocephalus hatched from the artificially inseminated eggs survive for around six months after hatching, growing big enough to metamorphose into glass eels, the process may be considered fit for commercialization. In 2023, thanks mainly to improvements in feed, we succeeded in artificially growing lots which achieved the 40% survival rate at six month after hatching.

Research using high-quality seawater

In 2019, we moved our research facility to the town of Wadamari on the island of Okinoerabu, with a view to conducting research using high-quality seawater. We believe that we can also contribute to the regional economy as a new local industry.

Strengthening management foundation to meet society's demands

Creating an Organization Where People can Enjoy Their Work

Human capital management initiatives

SNBL supports each employee in the realization of their dreams by improving their motivation and job satisfaction, to turn human resources into human capital, which are society's most important assets. We will promote a virtuous cycle in which the diverse employees that share our philosophy gather and achieve self-fulfillment through their work at SNBL while creating value for a wide range of stakeholders.

2028 Human Capital Strategy Vision

An organization where employees and the company grow together and promote happiness



Overview of in-house training at SNBL

	Compulsory	Elective	For selected personnel		
Directors	Training for officers				
Managers	Information security training Compliance Action Guidelines training Confidentiality training Philosophy training Manager's mindset training Four-line diary (reflections on putting corporate philosophy into practice)	Personnel and labor management training	Nagata Daigakko		
Supervisors and Deputy Supervisors		Coaching training	Nagata Juku		
Young employees		Mokkeikai	Morning classes delivered by in-house professionals	Nagata Juku Yoka	
New employees			New employee training		XUP
Dispatch employees					
Part-time employees					

Human capital initiatives	Related Indicators	Our Initiatives
Creation of comfortable work environments	- Ratio of female employees - Ratio of female managers - Ratio of employees who took childcare leave - Ratio of employees who return to work from childcare leave - Retention rate - Turnover rate	We have positioned "gratitude and respect" as the cornerstones of our organizational management, and we encourage our employees to give "coins" using the "Thanks Gift" in-house app within the company. In the workplace, we also pay attention to health and safety, creating an environment where work can be carried out in a healthy and safe manner. To better empower women, we set up the Working Nadeshiko* Committee in 2014 as a mechanism for listening to the voices of women in the workplace about what is needed for them to adequately fulfill their potential, and more than 50 improvements have been implemented to date.
Performance-based compensation system	- Average annual income	The organization have overhauled the evaluation system to support employees in realizing their dreams and developed an environment in which employees can balance work and study and achieve personal growth. More specifically, we have revised the previous seniority-based wage system and created an HR system under which employee diversity is fairly assessed, individual employees challenges, creates, and innovates with autonomy, and independence, and we foster a corporate culture that sharpens intelligence.
Spreading corporate philosophy	- Four-line diary (reflections on putting corporate philosophy into practice) penetration rate - One-on-one meeting implementation rate	In 1997, when the current president assumed the position of CEO, he produced a corporate philosophy handbook clearly setting out SNBL's corporate philosophy and distributed it to all employees. He has also published commentaries on the philosophy in "Reading Nagata-ism Vol. 1 - Vol. 4" on SNBL's homepage. In addition, we have posted this information on our website to advocate the importance of management by philosophy to society at large.
SNBL's cultivation of human capital	- Number of Nagata Juku graduates - Reading habit penetration rate	In terms of the development of human capital SNBL Academy, an in-house training academy we established in 2002, runs multiple programs for the development of a wide range of employees, from new hires to candidates for managerial-level positions and managers. The President himself also spends a great deal of time on employee development and manager training (Nagata juku) and he values the time he spends talking directly with employees.
Promotion of health and productivity management	- SNBL Health & Productivity Management indicators (10 items)* * See Social (Health & Productivity Management) data on p42	The CEO, who is also a medical doctor, serves as the Chief Health Officer (CHO). The Health Management Division, a dedicated department, and the General Affairs and Human Resources Division are the main players in health promotion measures. The progress of these measures is presented at the Management Philosophy Meeting (a monthly meeting attended by all full-time Directors and Officers), along with the overall state of employee health, putting in place a system under which necessary measures can be taken rapidly.

* Nadeshiko is a Japanese term referring to the personification of an idealized Japanese woman

Strengthening management foundation to meet society's demands

Evolving the business through digital transformation and robotic process automation (RPA)

Basic policy

At SNBL, we recognize that enhancing our business models through digital transformation is essential for sustainable improvement in our corporate value. In order to realize the business models we aspire to we are implementing various initiatives including upgrading our IT infrastructure, creating a database, and cultivating human resources specialized in digital transformation, an approach which combines improvement of our existing business models and creation of new ones at the same time.

Digital transformation and RPA initiatives in the nonclinical business

In nonclinical business operations, long-established quality control business processes that are labor intensive using hardcopies of original documents were one of the issues preventing greater efficiency. To solve this issue, we have automated operations through the development of proprietary robotic technologies, such as a slide preparation robot and a lid-closing robot, and promoted more efficient operations through the study record digitalization working to improve operational productivity and improve employees' work-life balance.

Initiatives for the digitalization of nonclinical business processes

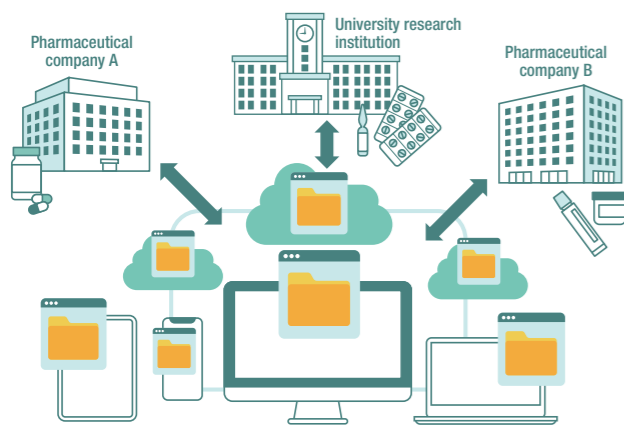
As part of a project aimed at going paperless through the study record digitalization, we have been pursuing more efficient business operations by converting paper-based records into electronic documents. In FY 3/2022, we used around 3.6 million sheets of paper a year in our nonclinical business; however, we put in place a system under which we can expect to use around 1.2 million fewer sheets of paper by the end of FY 3/2024, which will not only reduce costs but also help conserve forest resources.

Digital transformation initiatives

Our digital transformation initiatives are focused on achieving both improvement of customer experience (front-end innovation) and creation of time value (back-end innovation) at the same time.

Improving customer experience (front-end innovation)

By working closely with our customers around the world and offering timely access to the information they need, we aim to provide the ultimate customer experience, making them feel as if they are working with their own staff rather than outsourcing to an external organization.

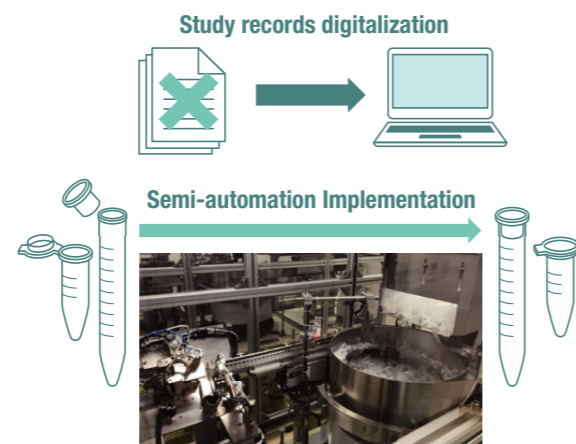


Development of customer portal



Reducing time (back-end innovation)

By identifying which tasks need to be performed by humans and which ones can be computerized, we will maximize the value created by our employees while promoting system linkage and RPA to help realize the shortest lead times in the industry.



Automatic lid-closing robot

This robot replaces employees' simple task of closing 2,000 lids per day

Strengthening management foundation to meet society's demands

Improving stakeholder engagement

Promoting cooperation and dialogue with diverse stakeholders

We are promoting cooperation and interactive (two-way) dialogue with diverse stakeholders to achieve sustainable improvement in our corporate value.

Number of meetings with institutional investors
315
FY 3/2023 Results

IR Blog
181 posts
FY 3/2023 Results

Briefings for individual investors
4 times / 290 people
FY 3/2023 Results

Main topics of dialogues with shareholders and institutional investors

- Business: business activities by segment (strengths, market share), business strategies, M&A
- Overview of SNBL and SNBL Group: history, location
- Performance trends: Status of financial indicators and orders received, capital expenditure, impact of exchange rates
- External environment: changes in CRO business environment, competition
- Others: shareholder returns, shareholder structure, corporate governance, etc.

Cooperating with stakeholders

SNBL has established a Policy on Social Contribution Activities and is actively engaged in social contribution activities in cooperation with diverse stakeholders, in the priority activity areas of access to healthcare, access to education, and preservation of local and environmental resources and improvement of sustainability.

Supporting healthcare

Total number of patients treated at Medipolis Proton Treatment Therapy and Research Center
5,996 or more
As of October 20, 2023

Helping reduce infant mortality rate in the Kingdom of Bhutan

Supporting regional sports and cultural activities

Official partner of Kagoshima United FC
Sponsorship of Kirishima International Music Festival, etc.
FY 3/2023 Results

Support for education

Support for the operation of Veritas Kindergarten
Operation of a free school in Cambodia, etc.
FY 3/2023 Results

The Medipolis Proton Treatment Therapy and Research Center specializes in the treatment of solid carcinoma. We helped build the center and then provided support for its subsequent operations. With the aim of improving the infant mortality rate in the Kingdom of Bhutan, SNBL built a cheese and yogurt factory in Bhutan and gave breeding guidance to dairy cattle farmers. As a result, we succeeded in significantly reducing infant mortality rate. We subsequently donated the factory to the Bhutanese government.

We supported regional sports and cultural activities in Kagoshima through our support of the local soccer club, a local music event, etc.

We supported the management of a local institute of education in Kagoshima through the secondment of employees and we built a free school in our facility in Cambodia and offered a free learning program to two children living in a local village.

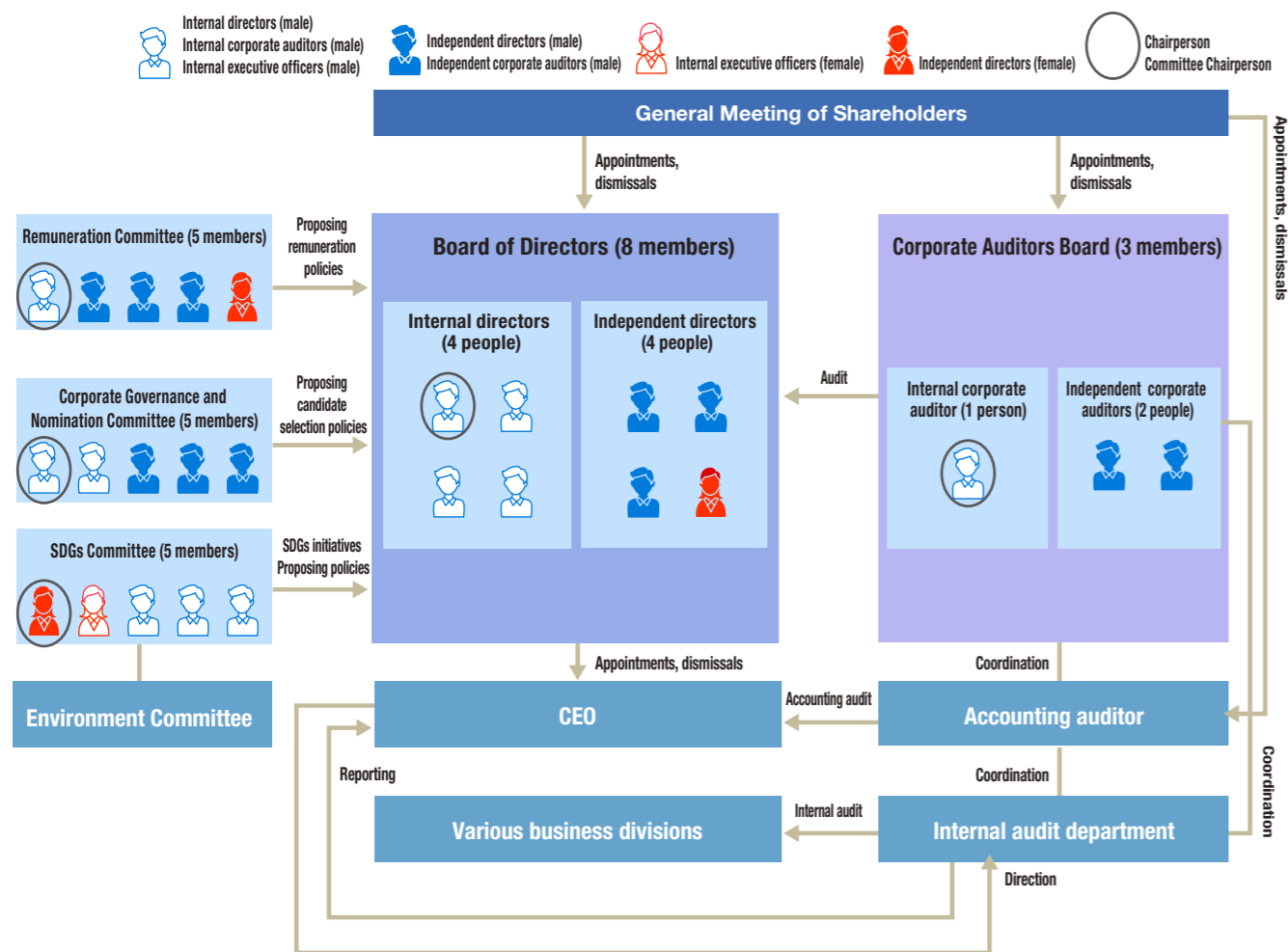
Strengthening management foundation to meet society's demands

Building a Governance Framework for Realizing the Corporate Principles

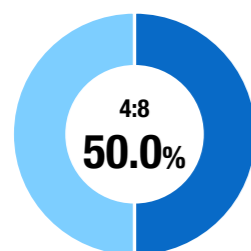
Basic Views Regarding Corporate Governance

To further enhance corporate value, SNBL has adopted a basic policy of realizing effective corporate governance by improving management soundness, efficiency, transparency, and strengthening the compliance system.

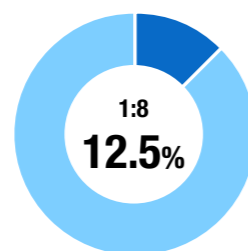
Organizational Chart of Corporate Governance



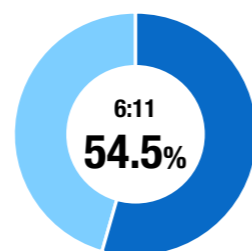
Ratio of independent directors



Ratio of female directors



Ratio of Independent officers*



* Independent directors and independent corporate auditors

Approach to the Board of Directors

For its Board of Directors, the Company seeks persons of excellent character and insight from inside and outside the Company, regardless of their nationality, personal history, or gender in accordance with our diversity and inclusion policy. On this basis, for directors in charge of business execution, we have selected as candidates individuals with extensive business expertise and experience, and for independent directors, we have selected as candidates individuals with extensive knowledge and experience in their fields of expertise.

The Company has appointed eight directors to the Board. To enhance the agility and flexibility of management regarding business execution other than matters for resolution, each of the four internal directors, and 16 executive officers (including one non-Japanese officer) are responsible for the execution of their respective business operations, and many of them also serve as the managers of divisions under the organizational structure of the Company.

Remuneration Committee

We have established a voluntary "Remuneration Committee," the independence of which is ensured by having a majority of its members consist of independent directors.

The Remuneration Committee deliberates on draft proposals to be submitted to the General Meeting of Shareholders regarding compensation for directors and corporate auditors, drafts the amount of compensation (including calculation methods) for directors, executive officers and subsidiary directors, determines policies including the composition of executive compensation, and discusses procedures for determining executive compensation.

Corporate Governance and Nomination Committee

We established the Corporate Governance and Nomination Committee, which is a non-statutory committee, and the majority of committee members are independent directors to ensure the committee's independence.

The Corporate Governance and Nomination Committee deliberates on the appointment and dismissal of directors and corporate auditors and submits their recommendations to the General Meeting of Shareholders, as well as on the appointment of candidates for CEO, executive officers, and other management members, such as operating officers, administrative officers, and directors of subsidiaries, and on their dismissal and submits its recommendations to the Board of Directors. It also deliberates on decisions on policies and procedures for the selection of candidates for directors, corporate auditors, and management members, on matters related to the appointment of successors to the CEO, and on matters related to evaluations of the effectiveness of the Board of Directors.

SDGs Committee

At the Board of Directors meeting held on August 27, 2021, the Company resolved to establish the SDGs Committee as a non-statutory advisory body to the Board of Directors with the aim of systematically enhancing SNBL Group sustainability initiatives from a medium- to long-term perspective. In October 2021, the Company established the Environment Committee as a subordinate body to the SDGs Committee.

Supporting System for Independent Directors

Currently no sections or personnel designed to assist independent directors or independent corporate auditors have been put in place, but personnel are assigned within reasonable limits when requested.

In addition, decisions on matters related to personnel rights, including the appointment and transfer of sections and persons in charge of assisting independent auditors, are made with the prior consent of the Board of Corporate Auditors, thereby ensuring independence from directors.

Training of Directors and Corporate Auditors

The Company conducts necessary training and provides information for directors and corporate auditors to appropriately carry out their roles and responsibilities. When a director or corporate auditor is newly appointed, they receive training on legal matters and corporate governance as needed. In addition, ongoing training is provided to the Board of Directors and other bodies regarding management issues. Specifically, efforts are made to follow-up on topics related to management and other areas through lectures given by independent directors or other speakers around once every three months.

In addition to the above activities, when an independent director or independent corporate auditor is newly appointed, they receive an explanation of the Company's business activities and tour key Company sites, etc. as needed.

Necessary information is provided to independent directors and independent corporate auditors on the Company's business issues and other matters.

Roles of Directors

Directors	Current position and responsibilities at the Company	Years as a Director	Attendances (FY 3/2023)				Areas of expectations								
			Board of Directors	Remuneration Committee	Corporate Governance & Nomination Committee	SDGs Committee	Corporate management	Global business	Technology and research development	Financial affairs and accounting	Human resources, labor and staff development	Legal affairs and risk management	Environment	Social	Internal control and governance
Ryoichi Nagata	Representative Chairman, President, and CEO General Manager of Fisheries Business Operations and CHO (Chief Health Officer)	42 years	14/14	2/2	-	-	○	○	○		○		○		○
Ken Takanashi	Senior Executive Vice President Group Financial Management and Global Business Management	19 years	14/14	-	3/3	12/12	○	○		○		○		○	○
Ichiro Nagata	Executive Vice President General Manager of CRO Business and Hospitality Business	3 years	14/14	-	3/3	12/12	○	○	○		○				○
Hideshi Tsusaki	Executive Managing Director, President of Nonclinical Company in charge of Global Business Development	5 years	14/14	-	-	-	○	○	○				○		○
Shinichi Fukumoto	Independent Director	8 years	14/14	2/2	3/3	-					○	○		○	○
Takashi Yamashita	Independent Director	8 years	14/14	2/2	3/3	-				○	○	○			○
Tsuyoshi Hanada	Independent Director	3 years	14/14	2/2	3/3	-				○	○			○	○
Keiko Toya	Independent Director	2 years	14/14	-	-	12/12	○	○					○	○	○

Evaluation of effectiveness of the Board of Directors

To assess the effectiveness of deliberations by the Board of Directors and the execution of business decisions, the non-statutory Corporate Governance & Nomination Committee draws up and conducts an evaluation survey of directors and corporate auditors, and the Representative Chairman, President & CEO also conducts individual interviews with each director. The results of the survey are discussed by the Corporate Governance & Nomination Committee and shared with the Board of Directors, which leads to improvements that help revitalize the deliberations conducted by the Board of Directors and consequently, to enhance its effectiveness.

1. Method of evaluation

Evaluations were conducted using the following method. SNBL has a Corporate Governance & Nomination Committee, a majority of whose members are independent directors, which is responsible for monitoring the functioning of the Board of Directors, and, as in previous years, this committee played a leading role in evaluating the effectiveness of the Board of Directors during the fiscal year ending March 31, 2023.

- 1 A survey of all directors and all corporate auditors, covering topics such as the composition and operations of the Board of Directors as well as the content of deliberations, was drawn up and conducted.
- 2 The Representative Chairman played a central role in considering the evaluation results with internal directors.
- 3 The results of deliberations by the Corporate Governance & Nomination Committee were discussed by independent directors only.
- 4 The results of the questionnaire were discussed at a meeting of the Corporate Governance & Nomination Committee.
- 5 The results of the evaluation of effectiveness were shared at a meeting of the Board of Directors and discussions were held on progress in comparison with the previous fiscal year's results and issues that need to be addressed in the future.

2. Summary of evaluation results

It was determined that an appropriate level of effectiveness of the Board of Directors was achieved in the fiscal year ended on March 31, 2023. Although a high evaluation (3 out of 4) was achieved in all areas, and there was an overall tendency for improvement compared with the previous year, it was recognized that there are still issues that need to be addressed in the future to further improve effectiveness, given the changes in the business environment and in the issues management is required to tackle.

The action and initiatives taken to address issues identified in the previous fiscal year's evaluation of the effectiveness of the Board of Directors

and the evaluation results are as follows.

- 1 Efforts were made to enhance deliberations through the utilization and active incorporation of the advice of independent directors who are experts in global business and advisors with extensive experience of corporate management as well as management strategy meetings, etc.
- 2 Efforts were made to enhance and facilitate the deliberation process at meetings of the Board of Directors by frequently creating opportunities for prior consultations on important matters.
- 3 The Company formulated the 2028Vision with three key initiatives: boosting investment in growth, digital transformation, improving human capital, and clearly set out financial and non-financial KPIs.
- 4 Efforts were made to encourage information sharing and communication, including creating opportunities to explain activities in the highly specialized TR business and opportunities for meetings of independent directors only.
- 5 The Company published the Integrated Report 2022, describing for the first time the path of value creation in the medium and long term, and it also held financial results briefings, engaged in dialogue with shareholders and investors, and disseminated information about its regional community contribution activities through the media, etc.

3. Issues for further improvement of effectiveness based on the evaluation results

The Company recognizes the need to further improve the effectiveness of the Board of Directors by continuing to discuss and improve the matters listed below.

- 1 Incorporation of a broader range of experience, including global corporate management experience, skills, expertise and diversity into the operation of the Board of Directors.
- 2 Enhancement of deliberation process when consulting on or proposing important matters.
- 3 Further enhancement of discussion on medium-to-long term vision and management strategies.
- 4 Improvement of understanding about any highly specialized businesses and encouragement of information sharing and communication among directors.
- 5 Provision of feedback to the Board of Directors about opinions and concerns conveyed in dialogue with shareholders and investors.

Directors and Corporate Auditors

Board of Directors



Ryoichi Nagata
Representative Chairman, President, CEO, and CHO
 Born : August 11, 1958
 Time in office : 42 years
 Number of Company shares owned : 0
Career profile
 September 1981 : Director of the Company
 June 2014 : Representative Chairman, President, CEO, and CHO

Reasons for nomination as a candidate for the board of directors

The Company deems Dr. Ryoichi Nagata capable of properly executing his duties as a Representative Director of the Company in consideration of his abundant experience and broad insights as an executive manager of the Company, his proven leadership as a CEO and CHO, advanced specialist knowledge in medical care as a physician, and his well-versed insight into a variety of business sectors of the Company, particularly with respect to drug development.

Attendance at meetings of the Board of Directors : 100% (14/14)



Ken Takanashi
Senior Executive Vice President
 Born: May 23, 1964
 Time in office: 19 years
 Number of Company shares owned: 37,100
Career profile
 December 2002 : Joined the Company, Director of the Company
 June 2017 : Senior Executive Vice President of the Company

Reasons for nomination as a candidate for the board of directors

The Company deems Mr. Ken Takanashi capable of properly executing his duties as a Representative Director of the Company in consideration of his abundant experience in global business and new business development and his leadership as a vice president in the businesses of corporations.

Attendance at meetings of the Board of Directors : 100% (14/14)



Ichiro Nagata
Executive Vice President
 Born : August 3, 1985
 Time in office : 3 years
 Number of Company shares owned : 1,024,000
Career profile
 April 2017 : Joined the Company
 April 2023 : Executive Vice President of the Company

Reasons for nomination as a candidate for the board of directors

The Company deems Dr. Ichiro Nagata capable of properly executing his duties as a director of the Company in consideration of his advanced medical expertise as a medical doctor and his considerable knowledge and understanding of global strategies from a leader's perspective.

Attendance at meetings of the Board of Directors : 100% (14/14)



Hideshi Tsusaki
Executive Managing Director
 Born: January 27, 1967
 Time in office: 5 years
 Number of Company shares owned: 18,100
Career profile
 April 1996 : Joined the Company
 June 2021 : Executive Managing Director of the Company

Reasons for nomination as a candidate for the board of directors

The Company deems Dr. Hideshi Tsusaki capable of properly executing his duties as a director of the Company in consideration of his abundant experience in the nonclinical business as a veterinarian and his leadership in the domestic and international nonclinical business.

Attendance at meetings of the Board of Directors : 100% (14/14)

Message from newly appointed Executive Vice President (Future aspirations)

Committed to improving people's wellbeing



Executive Vice President
Ichiro Nagata

My name is Ichiro Nagata, and I became Executive Vice President in July this year.

Eight years ago, as a physician committed to empathetic healthcare, I realized that, besides treatment, improving patient wellbeing is very important for relieving patients from pain. As a result, I joined SNBL, where I could share my strong determination to contribute to healthcare from a broader perspective.

I will work to deeply instill our corporate philosophy into the organization, and plan and implement management strategies centered on this philosophy. I believe that by aiming to become a company that can help improve the wellbeing of all humankind, we can further strengthen the foundations for SNBL's growth, and I see this as my role.

We sincerely appreciate your continued support and cooperation.

Independent External Director



Shinichi Fukumoto
Independent Director
 Born : July 20, 1958
 Time in office : 8 years
 Number of Company shares owned : 100
Career profile
 June 2015 : Independent Director of the Company

Reasons for nomination as a candidate for the board of directors

The Company deems Mr. Shinichi Fukumoto capable of properly executing his duties as an independent director of the Company based on his well-versed insight, specialist knowledge and experience in corporate legal affairs as an attorney-at-law and application of his skills to provide supervision and advice.

Attendance at meetings of the Board of Directors : 100% (14/14)



Takashi Yamashita
Independent Director
 Born : February 18, 1956
 Time in office : 8 years
 Number of Company shares owned : 100
Career profile
 June 2015 : Independent Director of the Company

Reasons for nomination as a candidate for the board of directors

The Company deems Mr. Takashi Yamashita capable of properly executing his duties as an independent director of the Company based on his advanced specialist knowledge and abundant experience as a certified public accountant and tax accountant and application of his skills to provide supervision and advice.

Attendance at meetings of the Board of Directors : 100% (14/14)



Tsuyoshi Hanada
Independent Director
 Born : May 2, 1958
 Time in office : 3 years
 Number of Company shares owned : 3,500
Career profile
 June 2020 : Independent Director of the Company

Reasons for nomination as a candidate for the board of directors

The Company deems Mr. Tsuyoshi Hanada capable of properly executing his duties as an independent director of the Company based on his advanced specialist knowledge and abundant experience as a tax accountant and application of his skills to provide supervision and advice.

Attendance at meetings of the Board of Directors : 100% (14/14)



Keiko Toya
Independent Director
 Born : February 26, 1964
 Time in office : 2 years
 Number of Company shares owned : 200
Career profile
 June 2021 : Independent Director of the Company

Reasons for nomination as a candidate for the board of directors

The Company deems Dr. Keiko Toya capable of properly executing her duties as an independent director of the Company based on her advanced specialist knowledge and abundant experience as an expert in business administration and application of her skills to provide supervision and advice.

Attendance at meetings of the Board of Directors : 100% (14/14)

Auditors



Masakazu Suda
Corporate Auditor
 Born : August 15, 1961
 Time in office : 3 years
 Number of Company shares owned : 6,300
Career profile
 August 1990 : Joined the Company
 June 2020 : Corporate Auditor of the Company

Reasons for nomination as a candidate for corporate auditor

The Company deems Mr. Masakazu Suda capable of properly executing his duties as a corporate auditor based on his abundant knowledge and experience cultivated during a long career in the nonclinical business and work experience in the Internal Audit Department.

Attendance at meetings of the Board of Directors : 100% (14/14)



Koshin Tatarano
Independent Corporate Auditor
 Born : February 27, 1965
 Time in office : 4 years
 Number of Company shares owned : 0
Career profile
 June 2019 : Independent corporate auditor of the Company

Reasons for nomination as a candidate for corporate auditor

The Company deems Mr. Takakiyo Tatarano capable of auditing the Company as the Company's independent corporate auditor based on his familiarity with corporate law, and knowledge and experience gained as a lawyer.

Attendance at meetings of the Board of Directors : 100% (14/14)



Yoshikazu Shigehisa
Independent Corporate Auditor
 Born : November 2, 1952
 Time in office : 4 years
 Number of Company shares owned : 0
Career profile
 June 2019 : Independent corporate auditor of the Company

Reasons for nomination as a candidate for corporate auditor

The Company deems Mr. Zenichi Shigehisa capable of auditing the Company as the Company's independent corporate auditor based on his high level of expertise and extensive experience gained as a certified public accountant and tax accountant.

Attendance at meetings of the Board of Directors : 100% (14/14)

Message from an Independent Director

An Independent Director's contribution to the enhancement of corporate value



Independent Director
Shinichi Fukumoto

The most important role required by law for independent directors is to supervise the execution of duties by the president and other members of the management team.

I believe that, in order for Independent Directors to fulfil this supervisory function, management must have the capacity to properly listen to outside opinions. Just before I became an Independent Director, SNBL had suffered a setback in its U.S. business and was in a dire situation; however, I accepted the position of Independent Director because I had the impression that President Ryoichi Nagata, who I was already acquainted with, was able to properly listen to other people's opinions despite his own outstanding abilities. Several years on and this impression is now a firmly held belief, and the company's financial results have improved rapidly.

To properly fulfil the supervisory function mentioned earlier, I will always be conscious that it is essential to strive to build a relationship of trust with management as a basis for effective communication whilst at the same time maintaining an appropriate sense of tension and distance. We intend to be more deeply involved in setting the agenda for meetings of the Board of Directors in the future.

Improving the effectiveness of the Board of Directors



Independent Director
Takashi Yamashita

Although SNBL's corporate governance has improved compared with last year and the effectiveness of the Board of Directors has been highly evaluated in all areas, there are still issues that need to be addressed to further improve the effectiveness of the system.

SNBL operates in a wide range of highly specialized business domains, and in some areas, its business operations are becoming more globalized. Consequently, Independent Directors need to have a proper understanding of business activities and their progress in order to competently hold discussions with business executives.

At SNBL, management strategy meetings attended by all Directors and Corporate Auditors are held over two days twice a year. At these meetings, those responsible for each business division carefully explain the current business status, and then there is a Q&A session for Independent Directors and Corporate Auditors to give them a more in-depth understanding and to share information and knowledge. These meetings are important in order for Independent Directors and Corporate Auditors to make appropriate judgments at meetings of the Board of Directors and should be made more in-depth in the future.

Challenges facing SNBL and my expectations



Independent Director
Tsuyoshi Hanada

The CRO business, which is SNBL's core business, is essential for the development of pharmaceuticals, and the provision of prompt and high-quality services is required. The global CRO market is projected to expand at a CAGR (compound annual growth rate) of 6.6% from 2021 to 2028. SNBL laid out its 2028Vision in October 2022, and set revenue of ¥50 billion, ordinary profit of ¥20 billion, and an ordinary profit margin of 40% as medium-term financial targets for fiscal 3/2029. Management strategies and measures to achieve these targets are also being steadily implemented based on deliberations and resolutions of the Board of Directors.

More specifically, the Company has begun construction of the new office and research building (aiming for completion by the end of May 2024), and has achieved supply chain stabilization and implemented risk management which are essential for the CRO business. In terms of hiring and training human resources, the Company puts effort into recruiting new graduates and also launched an alumni (ex-employees) network. We are also promoting the reading habits of employees as part of our SDGs efforts.

I hope that SNBL will prosper and develop and contribute to society by meeting the needs of all stakeholders.

Working to implement sustainability initiatives



Independent Director
Keiko Toya

I have been an Independent Director of SNBL since 2021, and I am also chair of the SDGs Committee. In addition to its core CRO business, SNBL is engaged in a wide range of other businesses that contribute to society such as the Translational Research Business, the hospitality business, the proton therapy center, geothermal power generation, and the fishery business. SNBL aspires to enhance value created within a service ecosystem, and I believe this is highly commendable. The SDGs Committee evaluates the sustainability of these businesses and holds discussions which are summarized in the Integrated Report. The area that interests me is the development of employee engagement, specifically, support for the empowerment of women. Since SNBL has a high percentage of female employees, as well as an environment and systems enabling the active participation and career advancement of women, I believe that the issue that needs addressing now is how to accelerate the appointment of women to managerial positions. I would like to see in-depth discussions at meetings of the Board of Directors and elsewhere about ways to make it easier for employees to work and make work more rewarding in order to improve employee engagement.

Financial Data

Five-Year Financial Summary

(Millions of yen)

	FY 3/2019	FY 3/2020	FY 3/2021	FY 3/2022	FY 3/2023
Revenue	15,658	14,561	15,110	17,748	25,090
YoY (%)	-5.7	-7.0	3.8	17.5	41.4
Gross profit	6,177	7,615	7,554	9,687	13,046
Ratio of gross profit to revenue (%)	39.5	52.3	50.0	54.6	52.0
Operating profit	829	2,228	2,529	4,195	5,245
YoY (%)	—	168.5	13.5	65.9	25.0
Share of profit of entities accounted for using equity method	361	888	846	1,439	2,489
EBITDA	2,190	3,457	3,716	5,372	6,789
Ordinary profit	1,613	3,121	3,645	7,078	9,194
Profit before income tax	1,650	3,062	4,175	8,183	7,759
Income tax	-308	414	497	1,016	1,708
Profit attributable to owners of parent	1,950	2,550	3,661	7,127	6,060
Profit per share (yen)	46.84	61.25	87.95	171.20	145.56
Revenue from international sponsors	4,014	2,317	2,100	3,091	6,575
Ratio of revenue from international sponsors (%)	25.6	15.9	13.9	17.4	26.2
Shareholders' equity	9,958	12,386	15,840	22,181	25,751
Net assets	28,477	16,381	15,838	19,723	26,359
Total assets	54,329	39,002	36,972	39,312	57,242
Interest-bearing debt	16,158	15,123	12,864	9,281	18,931
Equity ratio (%)	52.3	41.8	42.6	49.8	45.8
Capital expenditure	1,612	1,514	1,025	1,703	5,614
Depreciation	1,361	1,229	1,187	1,177	1,544
R&D expenses	339	400	392	425	683
Ratio of R&D expenses to revenue (%)	2.17	2.75	2.59	2.39	2.72
Number of employees at the end of the fiscal year	935	985	986	994	1,208
ROE (%)	7.1	11.4	22.9	40.4	26.5
ROA (%)	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 (%)	5.3	15.3	16.7	23.6	20.9
Cash dividends per share (yen)	3.00	5.00	20.00	40.00	50.0
Dividend payout ratio (%)	6.4	8.2	22.7	23.4	34.3

Non-Financial Data

Five-Year Non-Financial Summary

Environment	FY 3/2019	FY 3/2020	FY 3/2021	FY 3/2022	FY 3/2023
Greenhouse gas emissions (Scope 1 and 2)					
(Market base) (t-CO ₂)	13,801	11,648	10,806	11,561	14,623
Scope1 (t-CO ₂)	—	—	3,176	3,145	5,389
Scope2 (t-CO ₂)	—	—	7,630	8,416	9,234
Scope3 (t-CO ₂)	—	—	—	246	312
Category 5: Waste generated in operations (t-CO ₂)	—	—	—	115	155
Category 6: Business travel (t-CO ₂)	—	—	—	131	157
Use of electricity (MWh)	21,551	21,665	21,114	18,591	24,372
Electric power generated (renewable energy) (MWh) ^{*1}	8,325	10,344	10,328	10,751	9,579
Water intake and discharge (thousand m ³)	596	613	683	667	1,167
Industrial waste generated (t)	171	159	160	178	288
CO ₂ environmental efficiency (revenue/CO ₂ emissions) (million yen/t-CO ₂)	1.13	1.25	1.40	1.54	1.72
CO ₂ environmental efficiency index (Base Year: FY 2020)	—	—	100	110	123
Water environmental efficiency (revenue/water use)(million yen/thousand m ³)	26.27	23.75	22.12	26.61	21.49
Water environmental efficiency index (base year: FY 2020)	—	—	100	120	97

*1 Amount of electricity generated at and sold by binary geothermal power plant

Social	FY 3/2019	FY 3/2020	FY 3/2021	FY 3/2022	FY 3/2023
Employee information					
(excluding consolidated figures)					
Number of employees	935	985	986	994	1,208
Of which, female (proportion)	—	—	417 (42.3%)	423 (42.6%)	516 (42.7%)
Number of non-Japanese employees (proportion)	—	—	204 (20.7%)	196 (19.7%)	175 (14.5%)
(including non-consolidated figures)					
Number of employees	853	911	965	1,008	1,071
Of which, female (proportion)	430 (50.4%)	454 (49.8%)	479 (49.6%)	516 (51.2%)	573 (53.5%)
(non-consolidated basis)					
Number of employees	651	720	747	765	819
Of which, female (proportion)	285 (43.8%)	305 (42.4%)	310 (41.5%)	328 (42.9%)	364 (44.4%)
Number of non-Japanese employees (proportion)	9 (1.4%)	12 (1.7%)	15 (2.0%)	16 (2.1%)	19 (2.3%)
Number of employees with disabilities (proportion) ^{*2}	27 (2.4%)	37 (3.8%)	39 (3.8%)	40 (3.8%)	41.5 (3.8%)
Employees by age groups					
Under 30 (of which, female)	— (—)	124 (70)	136 (76)	152 (87)	171 (105)
30s (of which, female)	— (—)	213 (104)	208 (99)	206 (99)	198 (95)
40s (of which, female)	— (—)	258 (109)	273 (110)	269 (112)	284 (122)
50s (of which, female)	— (—)	93 (20)	94 (23)	95 (27)	115 (38)
60 years or older (of which, female)	33 (2)	32 (2)	36 (2)	43 (3)	51 (4)
Employment rate of older employees (60 and over) (%)	5.1	4.4	4.8	5.6	6.2
Number of managers	101	109	133	121	160
Number of females in managerial positions (proportion)	16 (15.8%)	19 (17.4%)	24 (18.0%)	26 (21.5%)	39 (24.4%)
Number of managers ^{*3}	63	63	59	80	87
Number of female managers (proportion)	12 (19.0%)	10 (15.9%)	11 (18.6%)	16 (20.0%)	16 (18.4%)
Manager equivalent or higher (of which, female)	— (—)	— (—)	— (—)	24 (7)	30 (6)
Manager equivalent positions (of which, female)	— (—)	— (—)	— (—)	56 (9)	57 (10)
Employees newly appointed to managerial positions (of which, female)	— (—)	— (—)	— (—)	13 (4)	7 (2)

*2 Including a special subsidiary (calculated for the group)

Based on the employment rate system for persons with disabilities, short-time workers are counted as 0.5 persons

*3 Managerial positions are section heads, deputy section heads, or higher

Glossary

Social	FY 3/2019	FY 3/2020	FY 3/2021	FY 3/2022	FY 3/2023
Average employee age	38.7	40.3	40.1	40.1	40.5
Male	40.4	42.5	42.3	42.4	43.1
Female	36.5	37.3	36.9	37.0	37.4
Employee tenure	11.0	11.2	12.1	12.1	11.8
Male	11.9	12.2	13.2	13.3	13.1
Female	9.9	9.9	10.5	10.6	10.3
New hires during the fiscal year (of which, female)	26 (10)	66 (35)	66 (27)	73 (44)	91 (50)
New graduates hired (of which, female)	15 (6)	30 (17)	50 (24)	52 (34)	39 (29)
Mid-career employees hired (of which, female)	11 (4)	36 (18)	16 (3)	21 (10)	52 (21)
Number of employees leaving work (of which, female)	56 (29)	38 (20)	45 (17)	54 (33)	33 (19)
Turnover rate (%)	7.7	5.9	6.4	7.2	4.3
Three-year turnover rate for new graduates (%)	16.4	6.6	8.4	15.2	16.3
Average annual salary (thousands of yen)	4,350	4,820	5,030	5,321	5,564
Average annual salary for males (thousands of yen)	—	—	—	5,941	6,320
Average annual salary for females (thousands of yen)	—	—	—	4,505	4,706
Male-female salary differential ^{*4}	—	—	—	75.8	74.5
Paid leave taken (%)	58.4	57.9	55.3	61.0	61.1
Average days of paid leave taken	10.6	10.3	9.5	10.6	11.6
Average monthly overtime (hours)	14.3	16.9	18.9	25.2	24.4
Percentage of eligible staff taking maternity leave (%)	100	100	100	100	100
Percentage of eligible staff taking paternity leave (%)	56.3	30.0	88.0	100	100
Average days of paternity leave taken	—	—	5.4	10.0	24.0
Return to work after childcare leave (retention rate) (%)	100	100	100	100	100
Employees using long-term care leave system	0	1	0	0	1
Employees taking volunteer leave	0	0	0	0	0
Other social information					
Employees on leave of absence	—	—	—	26	18
Occupational accidents	13	10	9	11	12
Fatal accidents	0	0	0	0	0
Administrative actions	0	0	0	0	0
Consultations through internal reporting system	1	0	0	0	0

Social Information (Health Management)	FY 3/2019	FY 3/2020	FY 3/2021	FY 3/2022	FY 3/2023
Measures to prevent lifestyle-related diseases					
Metabolic syndrome rate (%)	12.9	11.6	13.6	12.7	13.1
Employees at risk of diabetes (%)	11.0	9.2	9.4	7.6	10.6
Employees at risk of hypertension (%)	5.6	7.0	9.4	8.9	10.0
Employees at risk of arteriosclerosis (%)	32.9	31.2	25.4	25.3	27.3
Habitual exercise ratio (%)	21.0	24.0	22.0	23.6	24.0
Rate of follow-up health examinations (%)	72.3	72.8	68.6	72.6	76.0
Health examinations rate (%)	100	100	99.9	100	100
Mental health measures					
Stress check participation rate (%)	98.1	99.1	100	100	100
Employees with high stress (%)	11.9	12.0	8.6	11.8	11.9
Measures to prevent smoking					
Smoking rate (%)	13.4	13.2	15.4	12.4	11.0

*4 There is no difference in wages for equal work, and the disparity is due to differences in the composition of the number of people in different positions.

Glossary

Terms	Explanation
Contract Research Organization (CRO) business	Pharmaceutical companies and other drug developers outsource some or virtually all of the work related to the implementation, operation, and management of nonclinical and clinical studies.
Nonclinical studies	Also called preclinical studies, these are studies carried out before clinical trials to investigate the efficacy and safety of a drug or other compounds under development using laboratory animals, cells, or bacteria.
Clinical trials	A study to investigate the efficacy and safety in human subjects of drugs or other compounds under development.
GLP (Good Laboratory Practice)	Refers to the Standards for Implementation of Nonclinical Studies on Safety of Drugs established by Japan's Ministry of Health, Labour and Welfare (MHLW). Among the documents submitted when applying for manufacturing and marketing approval of drugs or other compounds, testing facilities are required to comply with GLP regulations to ensure the reliability of safety testing data using animals.
Laboratory NHPs	Nonhuman primates (NHP) are extremely useful for evaluating the efficacy and safety of pharmaceuticals due to their biological and physiological similarities with humans. Rhesus macaques, crab-eating macaques, and marmosets bred specifically for laboratory testing are generally used.
Final report	A document created for each study by the study director to report the study results.
Drug modality	Indicates types of drugs and treatment methods. New drug modalities that are currently trending include nucleotide drugs, next-generation antibody drugs, peptide drugs, gene therapies, and cell therapies.
Drug lag	The time lag between when a drug receives approval overseas and when it is approved for use in the target country.
Nasal drug delivery technology	A nasal drug delivery technology, consisting of a powder carrier technology designed for increased drug absorption through its muco-adhesive properties and a delivery device technology designed for simple use, and complete and consistent delivery of intranasal powder formulations.
Drug-device combinations	Various pharmaceuticals known as drug-device combinations can be developed through the combination of a proprietary powder formulation technology and administration device.
Carrier	SNBL's proprietary nasal drug delivery technology consists of a muco-adhesive powder carrier. The muco-adhesive properties of the carrier enable enhanced absorption of the active pharmaceutical ingredient.
IPO (Initial Public Offering)	The new listing on a stock exchange of a previously unlisted company.
Real-world data	A comprehensive term indicating large-scale medical data generated from routine treatments at medical institutions, including data on drug health insurance claims and other health insurance data and from electronic medical records.
Binary power generation	Indicates a system in which a source of heat evaporates a medium with a low boiling point and the resulting steam turns a turbine to generate electricity. It is also called binary cycle power generation because it uses two heat cycles, the primary heat source cycle and the fluid cycle.
Eel seedling	Seedlings here mean juvenile fish used in aquafarming. In eel farming, glass eels are used as seed fish.
Stakeholder	A term that refers to a person or entity affected in some way by a company's activities. It encompasses financial institutions, administrative agencies, and various other organizations in addition to shareholders, managers, employees, customers, and business partners.
Carbon neutrality	The effort to neutralize the total emissions of greenhouse gases with gases that are absorbed or removed.
Circular economy	A circular economy system is a socioeconomic system in which added value is maximized through efficient resource use and recycling.
Nature positive	Nature positive refers to halting and reversing biodiversity loss.
Digital Transformation	The concept of transforming people's lives for the better through the spread of advanced IT technology.
RPA (Robotic Process Automation)	The automation of simple routine tasks performed on a computer, such as data entry, transcription, and file copying, using a robot.

Corporate Data

(As of March 31, 2023)

Company and Stock Information

Company Name	SHIN NIPPON BIOMEDICAL LABORATORIES, LTD. (SNBL)
Foundation	September 1957 (Established: May 1973)
Capital	9,679 million yen
Number of employees	1,208
Fiscal Year	April 1 to March 31 (Ordinary General Meeting of Shareholders in June)
Headquarters	<ul style="list-style-type: none"> Kagoshima Head Office 2438 Miyanoura-cho, Kagoshima-shi, Kagoshima Tokyo Head Office St. Luke's Tower 28th Floor, 8-1 Akashi-cho, Chuo-ku, Tokyo
Total Number of Shares Issued	41,632,400 shares
Share Unit	100 shares
Number of Shareholders	10,209
Stock Listing	Tokyo Stock Exchange Prime (Market Security code: 2395)
Administrator of Shareholder Registry	Mizuho Trust & Banking Co., Ltd.
Accounting auditor	KPMG AZSA LLC

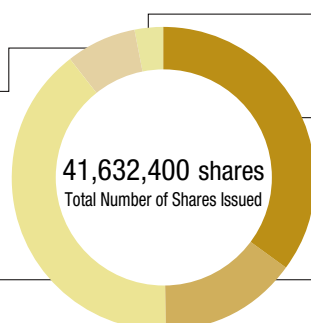
Distribution of Shares by Type (Share Unit Base)

Name	Total number of shares held (thousands)	Shareholding ratio (%)
Nagata and Company Co., Ltd.	14,740	35.40
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,542	10.90
Custody Bank of Japan, Ltd. (Trust Account)	2,343	5.62
Takahisa Nagata	2,030	4.87
Medipolis Medical Research Institute	1,474	3.54
Ikue Nagata	1,024	2.45
Ichiro Nagata	1,024	2.45
Rie Umehara	1,024	2.45
The KAGOSHIMA BANK, LTD.	1,000	2.40
BNP PARIBAS LUXEMBOURG	470	1.12

Distribution of Shares by Type (share unit base)

Foreign investors
11.67%

Other Japanese companies
39.44%



Securities companies
1.28%

Individuals and others
27.14%

Financial institutions
20.47%

Major External Evaluations and Awards

(As of October 31, 2023)



Platinum Eruboshi Certification
(Kagoshima's first "Platinum Eruboshi (highest evaluation)" certification)



Nadeshiko Brand 2022



2023 Certified Health and Productivity Management Outstanding Organization
(Large Enterprise Category) (White 500 Company)



June, 2011 Full AAALAC Accreditation

Full AAALAC International Accreditation



FTSE Blossom
Japan Sector
Relative Index

FTSE Blossom
Japan Sector Relative Index



FY 3/2023 - FY 3/2024

JPX-Nikkei Mid and Small Cap Index