

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



MEMBERSHIP

February 2, 2024

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

Company name: Shin Nippon Biomedical Laboratories, Ltd.
 Listing: Prime Market, Tokyo Stock Exchange
 Securities code: 2395
 URL: <https://www.snbl.co.jp/>
 Representative: Ryoichi Nagata, Representative Chairman, President & CEO
 Inquiries: Toshiyuki Iwata, Executive Officer, Head of Corporate Communications
 Telephone: +81-3-5565-6216
 Scheduled date to file quarterly securities report: February 2, 2024
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (for analysts and investors)

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

1. Consolidated financial results for the nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended								
December 31, 2023	17,984	9.9	2,535	(33.0)	4,884	(29.0)	3,794	(12.8)
December 31, 2022	16,371	26.5	3,783	14.6	6,880	46.9	4,351	(17.1)

Note: Comprehensive income For the nine months ended December 31, 2023: ¥6,009 million [(46.2)%]
 For the nine months ended December 31, 2022: ¥11,174 million [207.5%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2023	91.14	—
December 31, 2022	104.52	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
December 31, 2023	71,371	30,252	42.3	725.02
March 31, 2023	57,242	26,359	45.8	629.60

Reference: Equity

As of December 31, 2023: ¥30,184 million
 As of March 31, 2023: ¥26,211 million

2. Cash dividends

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

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

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

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2024	26,190	4.4	3,470	(33.8)	6,390	(30.5)	3,975	(34.4)	95.47

Note: Revisions to the forecast of consolidated financial results most recently announced: Yes

For details, please see “Notice Regarding Revisions of Consolidated Earnings Forecasts for the Full-Year of the Fiscal Year Ending March 31, 2024” announced today.

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

Note: For details of changes in consolidated subsidiaries which do not fall into the case of specified subsidiaries, please refer to “(3) Notes to quarterly consolidated financial statements (Changes in consolidated subsidiaries during the current consolidated cumulative period)” of “2. Quarterly consolidated financial statements and significant notes thereto” in the attachment.

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

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

As of December 31, 2023	41,632,400 shares
As of March 31, 2023	41,632,400 shares

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

As of December 31, 2023	469 shares
As of March 31, 2023	469 shares

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

Nine months ended December 31, 2023	41,631,931 shares
Nine months ended December 31, 2022	41,631,976 shares

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

- * Proper use of earnings forecasts, and other special matters

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, any statements herein do not constitute assurances regarding actual results by the Company. Actual financial results may differ significantly from the forecasts for various reasons. For more information regarding our suppositions that form the assumptions for the earnings forecasts, please see page 7 of the attachment, “(3) Explanation of consolidated earnings forecasts and other forward-looking statements.”

Attached Material

Index

1. Qualitative information on quarterly consolidated financial results for the nine months ended December 31, 2023.....	2
(1) Explanation of operating results.....	2
(2) Explanation of financial position.....	7
(3) Explanation of consolidated earnings forecasts and other forward-looking statements.....	7
2. Quarterly consolidated financial statements and significant notes thereto.....	9
(1) Quarterly consolidated balance sheet.....	9
(2) Quarterly consolidated statement of income and consolidated statement of comprehensive income.....	11
Quarterly consolidated statement of income (cumulative).....	11
Quarterly consolidated statement of comprehensive income (cumulative).....	12
(3) Notes to quarterly consolidated financial statements.....	13
(Notes on going concern assumption).....	13
(Changes in consolidated subsidiaries during the current consolidated cumulative period).....	13
(Notes when there are significant changes in amounts of equity).....	13
(Changes in accounting policies).....	13
(Segment information).....	14

1. Qualitative information on quarterly consolidated financial results for the nine months ended December 31, 2023

(1) Explanation of operating results

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

Under such circumstances, revenue for the nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023) increased by ¥1,613 million (up 9.9%) year on year to ¥17,984 million, a record high for the first nine months, driven by the mainstay CRO business. Operating profit decreased by ¥1,248 million (down 33.0%) year on year to ¥2,535 million, driven by increases in personnel expenses caused by the 149 new employees who joined the Company in April 2023 (an increase of 109 persons year on year) as well as rising study material costs, which include animal costs, and other expenses. Ordinary profit decreased by ¥1,995 million (down 29.0%) year on year to ¥4,884 million. This was mainly due to recording foreign exchange gains of ¥279 million for the nine months ended December 31, 2023, a decrease of ¥906 million compared with foreign exchange gains of ¥1,185 million for the nine months ended December 31, 2022. Profit attributable to owners of parent decreased by ¥557 million (down 12.8%) year on year to ¥3,794 million.

As of December 31, 2023, the SNBL Group had 1,344 employees on a consolidated basis excluding part-time and hourly employees (an increase of 136 employees from the end of March 2023), and the ratio of female employees on a consolidated basis including temporary employees was 51.1%.

As of December 31, 2023, the SNBL Group is comprised of the Company, 24 consolidated subsidiaries and 4 equity method affiliates. Operating results by segment and initiatives for SDGs/ESG are as follows.

(i) CRO business

The CRO business comprises the nonclinical business, which undertakes nonclinical (or preclinical) studies mainly using cells and laboratory animals, and the clinical business, which undertakes clinical studies.

Revenue and profits for the nonclinical business in the nine months ended December 31, 2023, undershot company forecasts, but enquiries from overseas clients regarding new projects rose in October 2023, and orders received during the nine-month period reached a record high for the first nine months of a fiscal year. The following initiatives implemented by the Company have shown positive results.

- The importance of the Company-established framework for breeding and supplying laboratory non-human primates (NHPs) within the SNBL Group, the only such framework built by a CRO in the world, has increased due to research and development involving new modalities in drug discovery coming into full swing. This has led to orders received due to a global depletion of laboratory NHPs. Having received high praise for this initiative and in response to requests from customers in Japan and overseas, we now have breeding NHP colonies exclusively for each customer in such a manner that organizes NHPs into groups tailored to respective customers. NHP studies are typically conducted by introducing preliminarily-bred NHPs after an order is received. However, by having the customer purchase them in advance to establish a dedicated NHP colony, we can house them exclusively for the customer until they are ready to be introduced into the study. This means NHP studies can commence at any desired time. Accordingly, customer-exclusive colonies will likely lead to future orders of NHP studies. We are also strengthening our framework for breeding NHPs in Japan to reduce import risks and improve quality. In the third quarter we completed four new breeding and rearing facilities and are gradually bringing these into operation.
- The concentration analysis performed on drug development candidates (test substances) and biomarkers in biological samples is called bioanalysis. The Company has introduced cutting-edge devices required to evaluate the efficacy and safety of new modalities in drug discovery, and was quick to build a system for evaluating test substances and biomarkers. Synergies were demonstrated between this system and the above Company-established framework for breeding and supplying

laboratory NHPs within the SNBL Group. This has led to orders related to new modalities in drug discovery.

- In the fiscal year ended March 31, 2023, these efforts were highly evaluated and led to the conclusion of new preferred contracts with domestic pharmaceutical companies, leading to an increase in orders. Since the beginning of this fiscal year, several major overseas pharmaceutical companies have been engaged in full-fledged due diligence in preparation for concluding new contracts with the Company, and we were able to receive pilot orders from multiple companies during the third quarter.
- The Company has achieved steady progress in concluding contracts to undertake comprehensive research at the drug discovery stage with major pharmaceutical companies in Japan, and has already received orders from multiple companies for such studies.
- The Company focuses on improvement at the science level, particularly for younger researchers, and encourages and supports them as a company to obtain industry-related certifications and academic degrees, and to present at conferences and publish papers. The Company is aiming to become a CRO that can propose more effective and efficient studies to our clients, in support of which during the third quarter it made presentations of research results at multiple conferences and also published papers. The Company also held SNBL seminars in South Korea and Japan, engaging in scientific discussions with many clients, and successfully facilitating a broader understanding of our experiences and initiatives thus far.

As a result of the aforementioned initiatives, orders received in the nonclinical business for the nine months ended December 31, 2023 were ¥20,659 million, which is an increase by ¥1,381 million (up 7.2%) year on year. The order backlog as of December 31, 2023 was ¥33,863 million (up ¥4,614 million from the end of March 2023). Orders from domestic pharmaceutical companies and venture companies increased steadily and orders received in Japan was ¥14,730 million, an increase of ¥3,363 million (up 29.6%) year on year. Orders received from overseas declined by ¥1,981 million (down 25.0%) year on year to ¥5,928 million, and the ratio of overseas orders received out of total orders received was 28.7% (41.0 % for the nine months ended December 31, 2022).

That said, enquiries, which are a leading indicator of orders, have recently picked up, mainly from Europe, the United States, and Asia. Ina Research Inc. (“Ina Research”), which became a consolidated subsidiary in July 2022, received orders of ¥2,692 million for the nine months ended December 31, 2023.

Meanwhile, the clinical business has been engaged mainly in contract operations of global studies (studies conducted simultaneously in multiple countries and regions) at PPD-SNBL K.K. (“PPD-SNBL”), a joint venture with PPD International Holdings, LLC (“PPD”), an international clinical CRO based in Wilmington, United States. In December 2021, PPD became a member of the corporate group of Thermo Fisher Scientific Inc., a major global player in medical devices, with the objective of enhancing order synergies. PPD-SNBL’s mainstay business is that of the implementation in Japan of studies, outsourced to PPD, that are conducted simultaneously in multiple countries. While it is a global company, PPD-SNBL has established a working environment with high retention rates by incorporating the management and training know-how that the Company has developed over many years, and it has achieved high rates of growth ever since it was founded, against the background of high order backlogs. In 2019, PPD-SNBL was named a top-five growth business and desirable employer by Randstad.

When promoting clinical trials, it seeks to take advantage of the spread of online conferencing systems and compatible devices to improve efficiency through the use of remote monitoring, which it uses to gather data without visiting medical institutions. In terms of personnel recruitment, when PPD-SNBL was originally founded we introduced a system, running parallel to that for new graduates joining in April, that enables new graduates wishing to join the company in October to benefit from a six-month scholarship for language study overseas, thus facilitating their ability to deal with global situations and enhancing their experience of society. In addition to actively recruiting from the group interested in a global career and that already have some experience, this has enabled us to maintain a flexible hiring strategy that achieves a good balance with the system for new graduates joining PPD-SNBL in spring and fall. As a result, headcount is projected to exceed 1,000 employees before long, roughly three times the number with which we started in April 2015.

PPD-SNBL is growing as a highly profitable company with operating profit margins in excess of 40%, and the share of profit of entities accounted for using equity method for the nine months ended December 31, 2023 for PPD-SNBL was ¥2,011 million, a significant increase over the ¥1,611 million recorded in the same period of the previous fiscal year, and a record high for the first nine months of a fiscal year. Furthermore, as PPD-SNBL is an equity method affiliate of the Company (present equity stake is 40%),

its contribution to the consolidated statement of income is recorded as “share of profit of entities accounted for using equity method” under non-operating income. In the CRO business, in addition to the earnings engine of the nonclinical business, the earnings engine of the clinical business has been added and continues to grow.

The CRO business posted revenue for the nine months ended December 31, 2023 of ¥17,483 million, which was an increase of ¥1,968 million (up 12.7%) relative to the nine months ended December 31, 2022. Operating profit of the CRO business decreased by ¥111 million (down 2.5%) year on year to ¥4,342 million, and ratio of operating profit to revenue was 24.8%. Ina Research reported revenue of ¥2,731 million while operating profit decreased by ¥242 million year on year to ¥41 million, due mainly to transient factors such as the revenue posting of a large-scale project with relatively low margin.

(ii) Translational Research business (TR business)

Translational Research business (“TR business”) is a research and development business that discovers promising seeds and new technologies generated through in-house research and development as well as fundamental research performed at Japanese and overseas universities, bio-ventures, and research institutes, and develops them for commercialization, stock listing, or M&A, by increasing their added value.

The Company’s basic technology of the intranasal delivery system, which has been a focus of inquiry as the core of the TR business since 1997, is a platform technology that combines a powdered formulation technology using a proprietary carrier as the base with a proprietary designed delivery device (medical device), and characterized by rapid onset of action based on drug absorbability through the nasal mucosa. It has the advantage of being easier to administer than injection and allowing the formulation to be stored at room temperature.

Regarding the commercialization of intranasal administration, we have been focusing on a few projects. SNLD, Ltd., a consolidated subsidiary of the Company, conducted a Phase 1 clinical trial of a nasal on-demand therapy for the treatment of off symptoms of a neurodegenerative disease (development code: TR-012001) in Japan. The trial evaluated the safety, tolerability, and pharmacokinetics of TR-012001 administered intranasally to a total of 21 healthy individuals and ended in January 2023. In August 2023, we submitted a notification to the PMDA in relation to Phase 2a clinical trials. The Company also submitted a notification in relation to Phase 1 clinical trials in January 2024 for an improved version of TR-012001 (TRN501) that aims to achieve even greater convenience. Accordingly, these two clinical trials will begin in the fourth quarter.

In the United States, significant progress was made toward commercialization. Satsuma Pharmaceuticals, Inc. (“Satsuma”) in the United States obtained a license from the Company for intranasal administration technologies and is developing an intranasal therapeutic agent for migraine (development code: STS101), and on April 16, 2023, the Company entered into an agreement to acquire Satsuma and conducted a tender offer, and on June 8, 2023, Satsuma became a wholly owned subsidiary of the Company. On March 17, 2023, Satsuma submitted a New Drug Application (NDA) to the US Food and Drug Administration (FDA), and on January 17, 2024, it received a Complete Response Letter (CRL) from the FDA that the review had been completed. The CRL did not contain any expressions of concern in relation to the clinical trial results, including the safety of STS101, and additional clinical trials were not requested. However, due primarily to considerations related to chemistry, manufacturing, and controls (CMC), Satsuma plans to investigate resubmitting an NDA for STS101, after holding discussions with the FDA in the near future.

As another intranasal drug development project, we have begun research on an intranasal vaccine that is expected to act as an intranasal mucosal immunizing agent. While the goal of most vaccines is to prevent the onset or increase in severity of disease, the intranasal vaccine we are developing aims to prevent infection itself from occurring (this is called “immune barricade”). In January 2023, the Company entered into a joint research and development agreement with the Faculty of Biology-Oriented Science and Technology, Kindai University, for the purpose of developing a novel intranasal vaccine that could control the spread of respiratory tract infections, leading the world. In April, we established the Nasal Vaccine Research and Development Center within the Company, decided on targeted infections, designated a number of vaccine material candidates, and began research that effectively utilizes our nonclinical in-house infrastructure. We are currently exploring vaccine materials suitable for nasal immune induction, and proceeding with in vivo studies.

While conducting drug discovery research and development based on the nasal drug administration platform technology described above, we conduct researches on our proprietary delivery technology (Nose-to-Brain delivery technology: N2B-system) that enhances drug delivery to the brain through

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

In order to further accelerate formulation development and clinical development for TR/SNLD, from next fiscal year onward we will work on building schemes for conducting even more rational vaccine development, and begin preparations for establishing an organizational structure overseas.

Subsidiary Gemseki Inc. (“Gemseki”) operates a licensing brokerage business for drug discovery seeds and technologies on a global basis, and has formed a fund setting itself as an unlimited liability partner to conduct investment business in venture companies. In the license brokering business, Gemseki used biotechnology-related exhibitions and partnering events such as BioJapan 2023 and BIO-Europe 2023 to search for and conclude contracts with new clients such as academic institutions and companies with promising drug discovery seeds and technologies, and also focused on introducing drug discovery seeds and technologies of existing clients. For a number of projects, Gemseki is pressing ahead with partnership negotiations under confidentiality agreements, thereby continuing to support the smooth derivation and adoption of client drug discovery seeds and technologies. In the investment business, Gemseki made new investments. The company is constantly searching for and investigating new investments, as well as considering additional investments in, and the creation of synergies with existing investees. Within the SNBL Group, Gemseki aims to provide the comprehensive support needed for the creation and development of pharmaceuticals and medical devices, with the goal of generating synergies throughout the Group.

Amid these circumstances, the TR business posted revenue of ¥9 million for the nine months ended December 31, 2023, relative to revenue of ¥12 million for the nine months ended December 31, 2022. An increase in research and development expenses, and higher costs of ¥812 million associated with the incorporation of Satsuma in consolidated results from the third quarter onward resulted in operating loss of ¥1,627 million, relative to operating loss of ¥518 million for the nine months ended December 31, 2022.

(iii) Medipolis business (Social Benefits Generation business)

The Company owns a large tract of land of 340 hectares (840 acres) in the highlands of Ibusuki City, Kagoshima Prefecture called Medipolis Ibusuki. The Company leverages this natural asset (approximately 90% forest) to operate the Medipolis business and generate benefits for society. This business is the embodiment of the Company’s corporate principle: “Committed to the environment, life and people.” We are committed to creating benefits for society in an integrated fashion, not only from the perspective of economic gains, but also in terms of the issues in society and the environment. Specifically, we operate a power generation business using renewable energy sources, as well as a hospitality business centering on the operation of hotels based on the concept of well-being, or in other words, holistic health.

In the power generation business, we have operated a 1,500 kW binary geothermal power plant since February 2015. Geothermal power generation produces hardly any CO₂ emissions, is not affected by the weather during the day or night, and has the potential to be a baseload power source capable of stable power generation all year round. Our geothermal power plant maintains a high capacity utilization rate and generates approximately 10 million kWh of electricity, equivalent to roughly half of the Company’s annual power consumption. We sell this electricity under the feed-in tariff (FIT) system, thus generating steady income. As a new power generation project, progress has been made on a hot spring power generation plant (annual output of 4 million kWh) that utilizes residual steam from the hot spring sources supplied to hotel bathing facilities and floor heating. The plant was completed and connected to the grid in the previous fiscal year. This project had entered the final adjustment phase for the start of electricity sales this fiscal year, but some initial defects in the power generation equipment were discovered, so we are currently undertaking repair work, including the replacement of some equipment. Once the repair work is completed, electricity sales will commence. As the hot spring power generation plant is already authorized under the FIT system (15 years; ¥40/kWh electricity sales price), the impact on expected earnings from the project’s delay will be minimal.

In the hospitality business, hotel facilities (total number of rooms: 74) are divided into three by accommodation building and function to meet the needs of guests, and they each are operated as the

Amafuru Oka as a healing resort hotel, the Ibusuki Bay Hills Hotel & Spa as a facility for stays for training, and the HOTEL Freesia as an accommodation facility for patients of the Medipolis Proton Therapy and Research Center. The Medipolis Proton Therapy and Research Center has treated more than 6,100 cancer patients with proton therapy since it began treatments in January 2011. There are two main reasons why we operate our hospitality business. The first one is that, from the perspective of enhancing corporate value, we are a company which contributes to people's well-being. The second one is to contribute to fostering a stronger customer-oriented hospitality mindset at SNBL. We believe that further strengthening the hospitality mindset of the SNBL Group through the hospitality business and plowing the benefits back into the mainstay CRO business will play a key role in our efforts to compete on the world stage.

The Medipolis business posted revenue of ¥492 million for the nine months ended December 31, 2023, which was flat relative to the nine months ended December 31, 2022. Operating loss was reduced by ¥66 million to ¥100 million as a result of the disappearance of expenses associated with the eighth-year periodic statutory inspection in the power generation business incurred during the nine months ended December 31, 2022 (operating loss of ¥167 million).

(iv) Initiatives for SDGs/ESG

In September 2015, the UN General Assembly adopted the “Sustainable Development Goals (SDGs)” as globally shared targets to be met by 2030 that were established so that the people of the world can live in happiness. The SDGs are actually the same as the Company's all-time corporate philosophy of “We are a company that values the environment, life, and people” and the Company's slogan “I'm happy, you are happy, and everyone is happy,” and the Company accordingly has an awareness of being an industry leader in initiatives for SDGs/ESG.

The SDGs Committee (chaired by independent External Director, Dr. Keiko Toya), which the Company established as an advisory body to the Board of Directors in August 2021, conducts lively discussion on a monthly basis. The Company discloses a sustainability report that is produced based on these achievements regarding initiatives for SDGs/ESG, each of the Company's policies, information based on TCFD Recommendations, and such on a dedicated page of the Company's website (<https://www.snbl.co.jp/esg/>) (in Japanese).

The Company published “Integrated Report 2023” on November 1, 2023. In the report, we provided our 2028 Vision “promoting people's happiness in close involvement with stakeholders” as the future we aim to create. The management strategy specifies FY2028 financial targets of ¥50 billion in revenue, ¥20 billion in ordinary profit, and ordinary profit margin of 40%. It also calls for ROE and ROIC of at least 10%, two indicators of capital returns that we are newly putting emphasis on. We updated our Corporate Governance Report in January 2024. The Company has implemented all the principles of the Corporate Governance Code following the revisions in June 2021, including those for the TSE Prime Market.

The Company has been highly evaluated by various rating agencies for its continuous efforts for SDGs/ESG. In June 2022, the Company was selected as a component of the FTSE Blossom Japan Sector Relative Index, constructed by global index provider FTSE Russell in the UK. The ESG score, which is the basis for adoption, was updated in June 2023, increasing to 3.1 from 2.5 last year. In the MSCI ESG ratings, the Company received an “A” rating in April 2023 as a company in the Health Care Equipment & Supplies sector. In August 2023, the Company was again selected as a component of the JPX-Nikkei Mid and Small Cap Index, jointly provided by JPX Market Innovation & Research, Inc. and Nikkei Inc. In addition, in March 2023, the Company was recognized by the Ministry of Economy, Trade and Industry as one of the “White 500” Certified Health & Productivity Management Outstanding Organizations for the seventh consecutive year. In the following October, the Company received “Platinum Eruboshi” certification from the Ministry of Health, Labour and Welfare in accordance with the Act on the Promotion of Women's Active Engagement in Professional Life.

As for the results of dialogue with shareholders and investors during the nine months ended December 31, 2023, the Company conducted 233 meetings with institutional investors (225 meetings in the same period of the previous fiscal year). In addition, company briefing sessions for individual investors were held in Kagoshima City in November 2023 and in Fukuoka City in December 2023, both with the CEO as speaker.

As a part of efforts to conserve biodiversity, the Company has been conducting research into the production of Japanese eels in their juvenile stage (glass eels), which are listed as endangered in the IUCN Red List, in artificial habitats. In 2019, we moved our research facility to Wadamari-cho, Okinoerabujima, Kagoshima Prefecture, to produce farm-raised glass eels using natural seawater, and in May 2023, we held a tasting event of farm-raised eels on Okinoerabu Island with the mayor of Wadamari-cho and the head of

the fishery cooperative. So far we have obtained remarkably positive results from small-scale production and in the fiscal year ending March 31, 2024, we have moved forward with investigations into expanding the scale of production, and are working to resolve new issues related to volume production.

(2) Explanation of financial position

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

Total assets as of December 31, 2023 increased by ¥14,129 million compared to the balance as of the end of the previous fiscal year, to ¥71,371 million (up 24.7%). Current assets increased by ¥9,543 million compared to the balance as of the end of the previous fiscal year, to ¥33,442 million (up 39.9%) due mainly to an increase in inventories of ¥4,606 million (up 62.8%), an increase in cash and deposits of ¥2,246 million (up 21.3%), and an increase in other (mainly prepaid expenses) of ¥1,557 million (up 116.0%). Non-current assets increased by ¥4,586 million compared to the balance as of the end of the previous fiscal year, to ¥37,928 million (up 13.8%) due mainly to an increase in property plant and equipment of ¥2,469 million (up 13.1%) due to augmented capital investment, etc., an increase in investment securities of ¥807 million (up 6.7%), and an increase in goodwill of ¥526 million (up 36.6%).

Liabilities increased by ¥10,235 million compared to the balance as of the end of the previous fiscal year, to ¥41,118 million (up 33.1%). Current liabilities increased by ¥1,350 million compared to the balance as of the end of the previous fiscal year, to ¥22,362 million (up 6.4%) due mainly to an increase in advances received of ¥1,922 million (up 23.9%) accompanying growth in orders received, and a decrease in short-term borrowings of ¥918 million (down 10.3%). Non-current liabilities increased by ¥8,885 million compared to the balance as of the end of the previous fiscal year, to ¥18,756 million (up 90.0%) due mainly to an increase in long-term borrowings of ¥8,959 million (up 94.5%).

Net assets increased by ¥3,893 million compared to the balance as of the end of the previous fiscal year, to ¥30,252 million (up 14.8%) due mainly to a dividend payment of ¥2,081 million and an increase in the balance of foreign currency translation adjustment of ¥2,181 million, despite the recording of ¥3,794 million in profit attributable to owners of parent.

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

In consideration of the latest operating results, the Company revised the consolidated financial forecasts for the fiscal year ending March 31, 2024, announced on August 2, 2023. For details, please refer to the “Notice Regarding Revisions of Consolidated Earnings Forecasts for the Full-Year of the Fiscal Year Ending March 31, 2024” announced today. The assumed exchange rate for the revised forecasts remains to be the rate at the end of the first quarter (1US dollar = 144.99 yen).

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

[Revision of the earnings forecasts]

(Millions of yen, unless otherwise noted)

	Revenue	Operating profit	Ordinary profit	Profit attributable to owners of parent	Profit per share (Yen)
Previous forecast (A)	30,368	5,020	7,180	4,780	114.81
Revised forecast (B)	26,190	3,470	6,390	3,975	95.47
Change (B-A)	(4,178)	(1,550)	(790)	(805)	
Change (%)	(13.8)	(30.9)	(11.0)	(16.8)	
(Reference) Results for the fiscal year ended March 31, 2023	25,090	5,245	9,194	6,060	145.56

[Orders received in the nonclinical business]

(Millions of yen)

	Results for the nine months ended December 31, 2020	Full-year results for the fiscal year ended March 31, 2021	Results for the nine months ended December 31, 2021	Full-year results for the fiscal year ended March 31, 2022	Results for the nine months ended December 31, 2022	Full-year results for the fiscal year ended March 31, 2023	Results for the nine months ended December 31, 2023	Full-year plan for the fiscal year ending March 31, 2024
Orders received [of which, overseas orders received]	11,742 [2,278]	15,368 [3,160]	17,860 [5,180]	22,839 [6,521]	19,278 [7,910]	24,920 [8,581]	20,659 [5,928]	28,260- 29,060 [8,110- 8,340]
Order backlog	13,801	13,661	19,960	20,966	32,585	29,248	33,863	

- (Notes) 1. Results of Ina Research are included from July 1, 2022.
2. For calculation of orders received (overseas), an average USD/JPY exchange rate of each fiscal year is applied.
3. For calculation of order backlog (overseas), a year-end exchange rate of each fiscal year is applied.

[Trends in principal management benchmarks]

(Millions of yen, unless otherwise noted)

	Results for the nine months ended December 31, 2020	Full-year results for the fiscal year ended March 31, 2021	Results for the nine months ended December 31, 2021	Full-year results for the fiscal year ended March 31, 2022	Results for the nine months ended December 31, 2022	Full-year results for the fiscal year ended March 31, 2023	Results for the nine months ended December 31, 2023	Full-year plan for the fiscal year ending March 31, 2024
	From April 2020 to December 2020	From April 2020 to March 2021	From April 2021 to December 2021	From April 2021 to March 2022	From April 2022 to December 2022	From April 2022 to March 2023	From April 2023 to December 2023	From April 2023 to March 2024
Capital expenditures		1,025		1,703	3,320	5,614	3,409	10,887
Depreciation	867	1,187	853	1,177	1,107	1,544	1,265	1,983
R&D expenses	285	392	286	425	378	683	1,302	1,975
Number of employees at period-end	1,029	986	1,002	994	1,219	1,208	1,344	1,382

(Note) Ina Research and Satsuma Pharmaceuticals are included from July 1, 2022, and October 1, 2023, respectively.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Thousands of yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	10,533,094	12,779,319
Notes and accounts receivable - trade, and contract assets	4,760,363	5,660,479
Securities	–	223,026
Inventories	7,329,408	11,935,574
Other	1,342,662	2,900,510
Allowance for doubtful accounts	(65,964)	(56,135)
Total current assets	23,899,564	33,442,774
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,424,835	10,070,270
Land	3,512,926	3,854,479
Other, net	5,941,527	7,423,785
Total property, plant and equipment	18,879,289	21,348,535
Intangible assets		
Goodwill	1,438,769	1,965,582
Other	260,660	264,732
Total intangible assets	1,699,429	2,230,314
Investments and other assets		
Investment securities	11,980,424	12,787,588
Other	796,571	1,577,347
Allowance for doubtful accounts	(13,074)	(14,847)
Total investments and other assets	12,763,921	14,350,088
Total non-current assets	33,342,640	37,928,938
Total assets	57,242,205	71,371,712

(Thousands of yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and Accounts payable - trade	419,764	562,925
Short-term borrowings	8,923,211	8,004,500
Income taxes payable	603,708	1,032,360
Advances received	8,055,161	9,977,528
Other	3,009,844	2,784,792
Total current liabilities	21,011,689	22,362,106
Non-current liabilities		
Long-term borrowings	9,480,425	18,440,047
Lease liabilities	357,026	243,614
Other	34,043	72,955
Total non-current liabilities	9,871,494	18,756,617
Total liabilities	30,883,184	41,118,724
Net assets		
Shareholders' equity		
Share capital	9,679,070	9,679,070
Capital surplus	2,306,771	2,358,493
Retained earnings	13,766,184	15,479,235
Treasury shares	(420)	(420)
Total shareholders' equity	25,751,605	27,516,378
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,596,709	2,623,266
Foreign currency translation adjustment	(2,136,482)	44,633
Total accumulated other comprehensive income	460,226	2,667,900
Non-controlling interests	147,188	68,708
Total net assets	26,359,021	30,252,988
Total liabilities and net assets	57,242,205	71,371,712

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

Quarterly consolidated statement of income (cumulative)

(Thousands of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Revenue	16,371,630	17,984,725
Cost of revenue	7,724,851	8,447,513
Gross profit	8,646,779	9,537,211
Selling, general and administrative expenses	4,862,913	7,001,481
Operating profit	3,783,866	2,535,730
Non-operating income		
Interest income	16,698	75,800
Dividend income	1,000	2,075
Share of profit of entities accounted for using equity method	1,984,272	2,148,164
Foreign exchange gains	1,185,580	279,557
Other	168,073	203,788
Total non-operating income	3,355,625	2,709,386
Non-operating expenses		
Interest expenses	90,500	96,860
Commission expenses	139,285	255,553
Other	29,524	8,439
Total non-operating expenses	259,309	360,852
Ordinary profit	6,880,181	4,884,264
Extraordinary income		
Gain on sale of non-current assets	11,438	4,707
Gain on sale of shares of subsidiaries and associates	34,293	–
Gain on step acquisitions	–	82,164
Total extraordinary income	45,731	86,871
Extraordinary losses		
Loss on retirement of non-current assets	22,111	27,030
Loss on sale of non-current assets	–	2,581
Impairment losses	620	3,860
Loss on sale of investment securities	400	–
Loss on valuation of investment securities	1,272,075	–
Total extraordinary losses	1,295,207	33,472
Profit before income taxes	5,630,706	4,937,663
Income taxes - current	700,305	1,643,960
Income taxes - deferred	575,547	(511,045)
Total income taxes	1,275,853	1,132,914
Profit	4,354,853	3,804,748
Profit attributable to non-controlling interests	3,093	10,101
Profit attributable to owners of parent	4,351,759	3,794,647

Quarterly consolidated statement of comprehensive income (cumulative)

(Thousands of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Profit	4,354,853	3,804,748
Other comprehensive income		
Valuation difference on available-for-sale securities	5,596,229	26,557
Foreign currency translation adjustment	1,111,262	2,072,652
Share of other comprehensive income of entities accounted for using equity method	112,398	105,752
Total other comprehensive income	6,819,890	2,204,963
Comprehensive income	11,174,743	6,009,711
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,175,939	6,002,321
Comprehensive income attributable to non- controlling interests	(1,196)	7,390

(3) Notes to quarterly consolidated financial statements

(Notes on going concern assumption)

Not applicable.

(Changes in consolidated subsidiaries during the current consolidated cumulative period)

In the first quarter ended June 30, 2023, Satsuma Pharmaceuticals, Inc. was included in the scope of consolidation because of an acquisition of that company's shares. In the second quarter ended September 30, 2023, a newly-established subsidiary company was newly included in the scope of consolidation. Moreover, in the third quarter ended December 31, 2023, a subsidiary was excluded from the scope of consolidation due to a merger between consolidated subsidiaries.

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

Not applicable.

(Changes in accounting policies)

Not applicable.

(Segment information)

I. Nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

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

(Thousands of yen)

	Reportable segments				Other (Note 1)	Total	Adjustments (Note 2)	Amount recorded on the quarterly consolidated statement of income (Note 3)
	CRO business	Translational Research business	Medipolis business	Subtotal				
Revenue								
Revenues from external customers	15,483,539	12,180	431,451	15,927,170	444,460	16,371,630	–	16,371,630
Transactions with other segments	32,269	–	60,680	92,949	721,100	814,049	(814,049)	–
Total	15,515,808	12,180	492,131	16,020,119	1,165,560	17,185,680	(814,049)	16,371,630
Segment profit (loss)	4,453,495	(518,377)	(167,040)	3,768,077	115,507	3,883,585	(99,719)	3,783,866

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

2. Segment profit (loss) adjustments amounting to negative ¥99,719 thousand consist of negative ¥14,787 thousand in elimination of intersegment transactions and negative ¥84,931 thousand in corporate expenses not allocated to a reportable segment. Corporate expenses are mainly general and administrative expenses, which are not attributable to the reportable segments.

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

II. Nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

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

(Thousands of yen)

	Reportable segments				Other (Note 1)	Total	Adjustments (Note 2)	Amount recorded on the quarterly consolidated statement of income (Note 3)
	CRO business	Translational Research business	Medipolis business	Subtotal				
Revenue								
Revenues from external customers	17,318,624	8,270	419,405	17,746,300	238,425	17,984,725	–	17,984,725
Transactions with other segments	165,358	1,557	73,164	240,080	925,263	1,165,343	(1,165,343)	–
Total	17,483,983	9,827	492,569	17,986,380	1,163,688	19,150,068	(1,165,343)	17,984,725
Segment profit (loss)	4,342,461	(1,627,793)	(100,961)	2,613,705	95,730	2,709,436	(173,706)	2,535,730

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

2. Segment profit (loss) adjustments amounting to negative ¥173,706 thousand consist of negative ¥77,464 thousand in elimination of intersegment transactions and negative ¥96,242 thousand in corporate expenses not allocated to a reportable segment. Corporate expenses are mainly general and administrative expenses, which are not attributable to the reportable segments.

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

4. Results of Ina Research and Satsuma Pharmaceuticals are included from July 1, 2022, and October 1, 2023, respectively.