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August 6, 2024

Consolidated Financial Results for the Three Months of the Fiscal Year Ending March 31, 2025 (Under Japanese GAAP)

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

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

1. Consolidated financial results for the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2024	5,549	(4.4)	(145)	–	342	(81.8)	122	(91.1)
June 30, 2023	5,804	43.5	1,227	71.9	1,877	(32.3)	1,373	(29.4)

Note: Comprehensive income For the three months ended June 30, 2024: ¥444 million [(72.7)%]
For the three months ended June 30, 2023: ¥1,627 million [(48.6)%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2024	2.93	–
June 30, 2023	32.98	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
June 30, 2024	81,663	33,356	40.8	800.32
March 31, 2024	76,302	34,160	44.7	819.42

Reference: Equity
As of June 30, 2024: ¥33,319 million
As of March 31, 2024: ¥34,114 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, 2024	–	20.00	–	30.00	50.00
Fiscal year ending March 31, 2025	–				
Fiscal year ending March 31, 2025 (Forecast)		20.00	–	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, 2025 (from April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2024	12,002	1.0	(202)	–	1,332	(64.5)	858	(71.1)	20.60
Fiscal year ending March 31, 2025	29,835	12.8	2,350	(43.5)	5,345	(23.8)	3,920	(29.1)	94.15

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

*** Notes**

(1) Significant changes in the scope of consolidation during the period: None

(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 June 30, 2024	41,632,400 shares
As of March 31, 2024	41,632,400 shares

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

As of June 30, 2024	469 shares
As of March 31, 2024	469 shares

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

Three months ended June 30, 2024	41,631,931 shares
Three months ended June 30, 2023	41,631,931 shares

* Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit corporation: None

* Proper use of earnings forecasts, and other special matters

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

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

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

Financial results supplementary materials are posted via TDnet on the date of disclosure. The Company plans to hold a financial results briefing call for analysts and institutional investors on Tuesday, August 6, 2024, from 14:30 p.m. Japan Time. Explanatory details (audio recording in Japanese and its transcript in both Japanese and English) will be posted on the Company’s website in a timely manner after the briefing.

Attached Material

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1. Qualitative information on quarterly consolidated financial results for the three months ended June 30, 2024

(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 three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024) decreased by ¥255 million (down 4.4%) year on year to ¥5,549 million. The main reason for the decrease in revenue is much revenue from the mainstay CRO business concentrating in the second quarter. Revenue in the first half is expected to increase year on year. Operating loss was ¥145 million, a deterioration of ¥1,372 million relative to operating profit of ¥1,227 million for the three months ended June 30, 2023. The main reason for the decrease in operating profit is the recording of ¥595 million in expenses for resubmission of an FDA application for STS101, an intranasal therapeutic agent for migraine from Satsuma Pharmaceuticals, Inc. in the United States. In addition, the Company views the current business environment surrounding its mainstay CRO business as an opportunity for further growth. The increase in costs due to continuing large strategic upfront investments, such as the substantial strengthening of human resources, expansion of laboratory facilities, and establishment of a domestic breeding framework for laboratory non-human primates (NHPs), also contributed to the decrease in operating profit. Ordinary profit decreased by ¥1,535 million (down 81.8%) year on year to ¥342 million. The share of profit of entities accounted for using equity method from PPD-SNBL, which promotes the clinical business within the Company's CRO business, increased by ¥133 million year on year to ¥681 million. On the other hand, as for foreign exchange losses (gains) for the three months ended June 30, 2024, foreign exchange losses of ¥282 million was recorded, contributing to a decrease in operating profit by ¥571 million compared with foreign exchange gains of ¥288 million for the three months ended June 30, 2023. Profit attributable to owners of parent decreased by ¥1,251 million (down 91.1%) year on year.

As of June 30, 2024, the SNBL Group had 1,445 employees on a consolidated basis excluding part-time and hourly employees (an increase of 104 employees from the end of March 2024), as a result of the 100 new employees (including 59 female employees) who joined the Company in April 2024 (an increase of 49 employees year on year). The ratio of female employees on a consolidated basis including temporary employees was 53.7%.

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.

The Company's nonclinical business is one of the industry's largest in Japan, and one of the industry's second-top tier nonclinical CROs globally based on the results of numerous studies using laboratory NHPs. The nonclinical business achieved solid results for the three months ended June 30, 2024. The following initiatives implemented by the Company have shown positive results.

- The importance of the Company-established framework for breeding and supplying laboratory 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. In addition, the environment where it is difficult to obtain laboratory NHPs overseas has also made a positive contribution, leading to contracts received. We have also been strengthening our framework for breeding NHPs in full swing in Japan since the fiscal year ended March 31, 2023 to reduce import risks and improve quality. We additionally constructed new breeding facilities and started operations in the three months ended June 30, 2024.
- The concentration analysis performed on drug development candidates (test substances) and biomarkers in biological samples is called bioanalysis. The Company has introduced the cutting-edge devices required to evaluate the efficacy and safety of new modalities in drug discovery, and built a system for evaluating test substances and biomarkers from an earlier stage. Synergies were

demonstrated between this system and the above Company-established framework for breeding and supplying laboratory NHPs within the SNBL Group. This led to contracts received related to new modalities in drug discovery.

- These efforts were highly evaluated and led to the conclusion of new preferred contracts with domestic pharmaceutical companies in the fiscal year ended March 31, 2023, leading to an increase in contracts. In addition, the Company received contracts for the first study for due diligence in preparation for the conclusion of preferred contracts with several major pharmaceutical companies overseas in the fiscal year ended March 31, 2024, and has also begun sales activities in full swing in the fiscal year ending March 31, 2025.
- 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 contracts from multiple companies for similar studies.
- Construction of a new office building and research facility (eight floors above ground; two buildings) with which we had proceeded at the Kagoshima Head Office from December 2022 was completed at the end of May 2024, and the inauguration was held on June 18. The new facility plays a key role in building a system that can deal with large contracts in the nonclinical business, including expansion of the bioanalysis laboratory, and will start full-scale operation from August. We are currently preparing to commence contract services for Microphysiological System (MPS), and the new office building and research facility have a dedicated laboratory for MPS contracts in place.

As a result of the aforementioned initiatives, contracts received in the nonclinical business for the three months ended June 30, 2024 decreased by ¥1,227 million (down 14.6%) year on year to ¥7,170 million. Contracts received from overseas, which decreased by 17.8% year on year in the fiscal year ended March 31, 2024, increased by 44.8% year on year to ¥3,169 million in the three months ended June 30, 2024, and the ratio of overseas contracts received out of total contracts received was 44.2% (26.1% for the three months ended June 30, 2023). The main factor for the increase in contracts received from overseas is an increase in contracts received from customers in Asia, and such contracts received grew by 186.5% year on year. On the other hand, contracts received in Japan, which largely increased by 24.6% year on year in the fiscal year ended March 31, 2024, decreased by 35.6% year on year to ¥4,001 million in the three months ended June 30, 2024. However, based on inquiries, etc., the Company believes this is a temporary decrease. In addition, the amount of cancellations of existing contracts before studies are commenced in the three months ended June 30, 2024 was ¥2,217 million, which was at a high level compared with ¥475 million in the first three months ended June 30, 2023, also contributing to the decrease in contracts received. The order backlog as of June 30, 2024 was ¥36,051 million, which was also a record high.

Meanwhile, the clinical business has been engaged mainly in contract operations of global studies (studies conducted simultaneously in multiple countries and regions) at PPD-SNBL K.K. (“PPD-SNBL”), a joint venture with PPD International Holdings, LLC (“PPD”), an international clinical CRO based in the United States. 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 contract 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.

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. Accordingly, more than 200 new graduates have joined the company after the language study overseas, ever since it was founded. At the same time, in addition to actively recruiting from the group interested in a global career and that already have some experience and the group of bilingual graduates from overseas universities, 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. We have been striving to develop world-class global human resources for many years by providing opportunities for new graduates to study at the business English school located within the Company for two years after joining, and then to learn about clinical trial systems in Europe and the U.S. through short-term study abroad programs utilizing PPD’s international network. As a result, headcount has exceeded

1,000 employees as of the end of April 2024, roughly three times the number with which we started in April 2015.

The share of profit of entities accounted for using equity method from PPD-SNBL's contribution for the three months ended June 30, 2024 increased significantly to ¥681 million (¥548 million in the three months ended June 30, 2023), a record high for the first quarter. While the nonclinical business using laboratory NHPs are a growth engine at SNBL, the clinical business conducted by PPD-SNBL is the second growth engine of the Company.

The CRO business posted revenue for the three months ended June 30, 2024 of ¥5,424 million, which was a decrease of ¥192 million (down 3.4%) relative to the three months ended June 30, 2023. The main reason for the decrease in revenue is much revenue from the mainstay CRO business concentrating in the second quarter. Revenue in the first half is expected to increase year on year. Operating profit of the CRO business decreased by ¥671 million (down 46.1%) year on year to ¥784 million, and ratio of operating profit to revenue was 14.5%.

(ii) Translational Research business (TR business)

Translational Research business (hereinafter, "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 intranasal drug delivery platform technology, 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 composition as the base with a proprietary designed drug delivery device (medical device). It is characterized by rapid onset of action based on sufficient retention and drug absorbability through the nasal mucosa. It has the advantage of being easier to administer than injections 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. (hereinafter, "SNLD"), a consolidated subsidiary of the Company, is developing a nasal on-demand therapy for the treatment of symptoms of Parkinson's Disease (development code: TR-012001) in Japan. In January 2024, it completed the dosing of patients in the Phase II clinical trial thereof. The Company is currently working diligently to confirm the safety, tolerability, and rapid absorbability and to fix and analyze the data leading to the acquisition of a Proof-of-Concept (POC). The Company also submitted an IND (Investigational New Drug) application in relation to Phase I clinical trials in January 2024 for an improved development product of TR-012001 (TRN501) that aims to achieve even greater convenience, and is already conducting clinical trials. The administration to healthy Japanese adults was started in June 2024.

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. STS101 is an easy-to-use and portable intranasal formulation with dihydroergotamine as the active ingredient, which has a proven track record of efficacy against migraines. It has been confirmed in clinical trials to have rapid and sustained absorption and a high level of safety. By making Satsuma a wholly owned subsidiary, the Company will acquire know-how and manufacturing facilities ranging from development to the establishment of a commercial manufacturing system on a global level as well as bring experienced human resources into the Group. The Company plans to expand these resources to the development of new products based on this basic technology. 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, additional information was noted primarily regarding stability related to chemistry, manufacturing, and controls (CMC). Satsuma discussed matters related to this noted information with the FDA in February 2024 and received a formal opinion from the FDA in March 2024. Satsuma is now preparing to resubmit an NDA for this drug by the end of October 2024 based on the FDA's opinion, incorporating the stability information of the formulation manufactured in February 2024.

As another intranasal drug development project, we have conducted 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”). For the “FY2023 Program on R&D of New Generation Vaccine Including New Modality Application” solicited by the Strategic Center of Biomedical Advanced Vaccine Research and Development for Preparedness and Response (SCARDA), which is an organization established within the Japan Agency for Medical Research and Development (AMED) to promote rapid vaccine development as a national policy by the Japanese government, the “Development of a TR’s nasal vaccine powder delivery system which generates IgA” supervised by the Company’s Nasal Vaccine Research and Development Center was selected as one of developments to be supported. We have clarified development milestones and challenges, and made physical improvements for additive agent necessary for vaccine and others. Research is progressing on building an effect evaluation system. We have received a large budget for the national policy research and development of new vaccines, and are now in full-scale development of a powder-type intranasal vaccine that provides capability of immune barricade to multiple respiratory viruses in the upper respiratory tract.

TR Company’s Platform Technology Development Office conducts drug discovery research and development based on the intranasal administration technology. It also conducts research on our proprietary delivery technology (Nose-to-Brain delivery technology: N2B-system) that enhances drug delivery to the brain through intranasal administration. We are developing a special administration device that can selectively administer powder formulations to the area closest to the brain in the nasal cavity (olfactory region). In the joint research with Hamamatsu University School of Medicine, 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 confirmed with PET imaging. Furthermore, development is also underway for visualizing agent distribution in the nasal cavity or olfactory region.

In order to further accelerate formulation and clinical development by TR Company and SNLD, TR Company has begun recruiting human resources to research new base technologies that will enable rational development of drugs and vaccines, while building a new organizational structure to accelerate its activities in the U.S.

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 J.P. Morgan Healthcare Conference, BIO CEO & Investor Conference and BIO-Europe Spring 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. So far Gemseki has mediated the conclusion of option agreements and joint research agreements in a number of projects, which has contributed to the derivation and adoption of drug discovery seeds and technologies as well as industry-academia collaborations.

In its investment business, Gemseki completed the creation of a ¥1.5 billion second fund (Gemseki Ventures II L.P. in March 2024 with the parent company, Shin Nippon Biomedical Laboratories, Ltd., as a limited liability partner. Gemseki is actively considering investments in venture companies, including additional investments in existing investee companies, in order to further expand the investment business. Through a process of ongoing communication with multiple existing investees in Japan and overseas and other venture capitals, the Company is continuing to examine how best to generate business synergies with the SNBL Group. 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 ¥10 million for the three months ended June 30, 2024, relative to revenue of ¥1 million for the three months ended June 30, 2023. Higher costs of ¥595 million associated with the incorporation of Satsuma in consolidated results resulted in operating loss of ¥801 million, relative to operating loss of ¥245 million for the three months ended June 30, 2023.

(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 not only economic gains but also benefits for society from the perspective of the issues in society and the environment in an integrated fashion. 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 CO_2 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 is capable of generating approximately 10 million kWh of electricity throughout the year. This is equivalent to roughly half of the Company's annual power consumption. In addition, we generate steady electricity sale income from the produced electricity, using the feed-in tariff (FIT) system. Nine years have passed since the start of operation, so we conducted open inspections and repairs of the generator from the fourth quarter of the fiscal year ended March 31, 2024 to ensure stable long-term operation, and suspended operation at the geothermal power plant. However, power generation was resumed in the middle of May 2024. 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. Hot spring power generation also produces hardly any CO_2 emissions, contributing significantly to reduction of greenhouse gases. We also plan to sell electricity produced from hot spring power generation under the FIT system, and electricity sales are scheduled to be started from the fourth quarter of the fiscal year ending March 31, 2025.

In the hospitality business, two facilities, namely the Amafuru Oka as a healing resort hotel and the HOTEL Freesia as an accommodation facility for patients of the Medipolis Proton Therapy and Research Center, are each operated to meet the needs of guests. The Medipolis Proton Therapy and Research Center has treated more than 6,400 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 ¥105 million for the three months ended June 30, 2024, which was a decrease of ¥91 million (down 46.5%) relative to the three months ended June 30, 2023. The decrease in revenue is largely due to the suspension of sales of electricity from geothermal power generation until the restart of the operation in mid-May. However, electricity sales were resumed nearly six months earlier than expected at the beginning of the period. Effects of the suspension of sales of electricity from geothermal power generation resulted in operating loss of ¥99 million, relative to operating loss of ¥6 million for the three months ended June 30, 2023.

(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 ESG data book 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. Calculated based on operating results for the fiscal year ended March 31, 2024, ROE is 18.3%, and ROIC is 10.3%. In addition, the Company updated its Corporate Governance Report in June 2024, and has implemented all the principles of the Corporate Governance Code following the revisions in June 2021, including those for the TSE Prime Market. The ratio of female Directors as of June 30, 2024 was 22.2% (two out of nine Directors).

The Company has been highly evaluated by various rating agencies for its continuous efforts for SDGs/ESG. In July 2024, the Company was again selected as a component of the FTSE Blossom Japan Sector Relative Index, constructed by global index provider FTSE Russell in the UK. In the MSCI ESG ratings, the Company received an "A" rating in March 2024 as a company in the Health Care Equipment & Supplies sector again this year. 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 2024, 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 eighth consecutive year. In October 2023, 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 three months ended June 30, 2024 the Company conducted 53 meetings with institutional investors. The Company held its General Meeting of Shareholders on June 24, and received 13 questions from six shareholders. In addition, a briefing session on the Company's intranasal drug delivery platform technology was held after the conclusion of the General Meeting of Shareholders for shareholders who attended the meeting.

For efforts to conserve biodiversity and regional contribution (Kagoshima Prefecture is the No. 1 supplier of Japanese eels in Japan), the Company has been pursuing research into the production of Japanese eels in their juvenile stage (glass eels), which are listed as endangered in the IUCN Red List, in artificial habitats. In 2019, we moved our research facility to Wadomari-cho, Okinoerabujima, Kagoshima Prefecture, to produce farm-raised glass eels using natural seawater. We have already achieved a high production rate of 50% or more on a small scale in the laboratory, and in May 2024, we held a tasting event of farm-raised eels for the first time in Tokyo. In the three months ended June 30, 2024, as in the previous fiscal year, we worked to resolve issues to realize the expansion of the scale toward volume production.

(2) Explanation of financial position

Changes in financial position for the three months ended June 30, 2024 from the end of the previous fiscal year were as follows:

Total assets as of June 30, 2024 increased by ¥5,361 million compared to the balance as of the end of the previous fiscal year, to ¥81,663 million (up 7.0%). Current assets increased by ¥2,328 million compared to the balance as of the end of the previous fiscal year, to ¥33,165 million (up 7.5%) due mainly to an increase in inventories. Non-current assets increased by ¥3,032 million compared to the balance as of the end of the previous fiscal year, to ¥48,497 million (up 6.7%) due mainly to an increase in property, plant and equipment.

Liabilities increased by ¥6,165 million compared to the balance as of the end of the previous fiscal year, to ¥48,307 million (up 14.6%). Current liabilities increased by ¥279 million compared to the balance as of the end of the previous fiscal year, to ¥23,846 million (up 1.2%) due mainly to increases in short-term borrowings and advances received, and a decrease in income taxes payable. Non-current liabilities increased by ¥5,886 million compared to the balance as of the end of the previous fiscal year, to ¥24,460 million (up 31.7%) due mainly to an increase in long-term borrowings.

Net assets decreased by ¥804 million compared to the balance as of the end of the previous fiscal year, to ¥33,356 million (down 2.4%) due mainly to the posting of ¥122 million in profit attributable to owners of parent, dividends paid of ¥1,248 million, and a decrease in valuation difference on available-for-sale securities.

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

The consolidated financial results for the three months ended June 30, 2024, including contracts received, were almost in line with our full-year plan. Although capital expenditures tripled from the same quarter of the previous fiscal year to ¥4,273 million, they are on schedule, and more than 60% of them are related to the CRO business including NHP breeding. We proceeded according to plan with strengthening our structure for receiving contract studies in our mainstay CRO business. The assumed exchange rate is US$1 = ¥145.00.

Please refer to the following for principal management benchmarks (capital expenditures, depreciation, R&D expenses, and number of employees), assumptions on which the forecast is based.

[Contracts received in the nonclinical business]

(Millions of yen)

	Results for the three months ended June 30, 2021	Full-year results for the fiscal year ended March 31, 2022	Results for the three months ended June 30, 2022	Full-year results for the fiscal year ended March 31, 2023	Results for the three months ended June 30, 2023	Full-year results for the fiscal year ended March 31, 2024	Results for the three months ended June 30, 2024	Full-year plan for the fiscal year ending March 31, 2025
Contracts received	6,242	22,839	7,219	24,920	8,398	27,411	7,170	34,284
Of which, Japan	4,593	16,318	3,887	16,339	6,208	20,359	4,001	21,829
Of which, overseas	1,649	6,521	3,332	8,581	2,189	7,052	3,169	12,455
Order backlog	17,216	20,966	25,756	29,248	33,329	33,212	36,051	

(Notes) 1. Results of Ina Research are included from July 1, 2022.
2. For calculation of contracts 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 three months ended June 30, 2021	Full-year results for the fiscal year ended March 31, 2022	Results for the three months ended June 30, 2022	Full-year results for the fiscal year ended March 31, 2023	Results for the three months ended June 30, 2023	Full-year results for the fiscal year ended March 31, 2024	Results for the three months ended June 30, 2024	Full-year plan for the fiscal year ending March 31, 2025
Capital expenditures		1,703		5,614	1,408	8,525	4,273	10,559
Depreciation	279	1,177	308	1,544	411	1,774	482	2,751
R&D expenses	76	425	116	683	294	1,741	617	3,121
Number of employees at period-end (people)	1,035	994	1,050	1,208	1,360	1,341	1,445	1,465

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

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Thousands of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	10,274,773	10,964,538
Notes and accounts receivable - trade, and contract assets	5,778,872	5,132,949
Securities	336,724	133,050
Inventories	12,373,178	14,057,696
Other	2,130,226	2,933,536
Allowance for doubtful accounts	(56,062)	(55,887)
Total current assets	30,837,713	33,165,883
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	10,686,940	11,183,315
Land	3,959,041	4,036,307
Other, net	11,711,684	15,540,668
Total property, plant and equipment	26,357,666	30,760,291
Intangible assets		
Goodwill	1,934,419	1,944,076
Other	224,879	268,191
Total intangible assets	2,159,298	2,212,267
Investments and other assets		
Investment securities	15,235,711	13,676,566
Other	1,725,904	1,862,309
Allowance for doubtful accounts	(13,947)	(13,947)
Total investments and other assets	16,947,667	15,524,928
Total non-current assets	45,464,633	48,497,487
Total assets	76,302,347	81,663,370

(Thousands of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	460,527	947,490
Short-term borrowings	7,826,167	9,358,167
Income taxes payable	1,701,128	177,918
Advances received	9,542,361	10,315,425
Other	4,037,708	3,047,942
Total current liabilities	23,567,894	23,846,944
Non-current liabilities		
Long-term borrowings	18,147,876	23,991,494
Lease liabilities	212,815	188,746
Other	213,125	280,146
Total non-current liabilities	18,573,818	24,460,386
Total liabilities	42,141,712	48,307,331
Net assets		
Shareholders' equity		
Share capital	9,679,070	9,679,070
Capital surplus	2,358,493	2,358,493
Retained earnings	17,215,849	16,089,084
Treasury shares	(420)	(420)
Total shareholders' equity	29,252,993	28,126,228
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,644,434	1,558,646
Foreign currency translation adjustment	1,216,991	3,634,190
Total accumulated other comprehensive income	4,861,426	5,192,837
Non-controlling interests	46,215	36,973
Total net assets	34,160,635	33,356,039
Total liabilities and net assets	76,302,347	81,663,370

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

Quarterly consolidated statement of income (cumulative)

(Thousands of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Revenue	5,804,974	5,549,524
Cost of revenue	2,611,139	2,524,777
Gross profit	3,193,835	3,024,746
Selling, general and administrative expenses	1,966,752	3,169,936
Operating profit (loss)	1,227,082	(145,189)
Non-operating income		
Interest income	485	2,297
Dividend income	1,525	850
Foreign exchange gains	288,466	–
Share of profit of entities accounted for using equity method	531,883	768,991
Other	113,833	41,433
Total non-operating income	936,194	813,571
Non-operating expenses		
Interest expenses	36,945	40,555
Commission expenses	246,491	2,066
Foreign exchange losses	–	282,726
Other	2,453	915
Total non-operating expenses	285,891	326,263
Ordinary profit	1,877,385	342,118
Extraordinary income		
Gain on sale of non-current assets	3,553	68
Gain on step acquisitions	82,164	–
Total extraordinary income	85,717	68
Extraordinary losses		
Loss on retirement of non-current assets	19,686	29,980
Impairment losses	2,047	1,115
Total extraordinary losses	21,734	31,095
Profit before income taxes	1,941,369	311,091
Income taxes - current	258,847	175,262
Income taxes - deferred	301,031	21,421
Total income taxes	559,878	196,684
Profit	1,381,490	114,406
Profit (loss) attributable to non-controlling interests	8,179	(7,785)
Profit attributable to owners of parent	1,373,311	122,192

Quarterly consolidated statement of comprehensive income (cumulative)

(Thousands of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Profit	1,381,490	114,406
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,718,169)	(2,085,787)
Foreign currency translation adjustment	1,937,074	2,361,011
Share of other comprehensive income of entities accounted for using equity method	27,139	54,731
Total other comprehensive income	246,044	329,955
Comprehensive income	1,627,534	444,362
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,619,493	453,603
Comprehensive income attributable to non-controlling interests	8,041	(9,241)

(3) Notes to quarterly consolidated financial statements

(Notes on going concern assumption)

Not applicable.

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

Not applicable.

(Notes to quarterly consolidated statement of cash flows)

No quarterly consolidated statement of cash flows was prepared for the three months ended June 30, 2024. Amounts of depreciation (including amortization of intangible assets excluding goodwill) and amortization of goodwill are as follows.

(Thousands of yen)

	Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)	Three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)
Depreciation	411,025	482,688
Amortization of goodwill	18,685	28,405

(Notes to segment information)

(Segment information)

I. Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

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

(Thousands of yen)

	Reportable segments				Other (Note 1)	Total	Adjustments (Note 2)	Amount recorded on the quarterly consolidated statement of income (Note 3)
	CRO business	TR business	Medipolis business	Subtotal				
Revenue								
Revenues from external customers	5,570,040	1,857	155,088	5,726,986	77,988	5,804,974	–	5,804,974
Transactions with other segments	46,776	–	41,152	87,928	160,444	248,373	(248,373)	–
Total	5,616,816	1,857	196,240	5,814,914	238,433	6,053,348	(248,373)	5,804,974
Segment profit (loss)	1,456,209	(245,757)	(6,470)	1,203,980	39,217	1,243,198	(16,115)	1,227,082

(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 ¥16,115 thousand consist of ¥16,011 thousand in elimination of intersegment transactions and negative ¥32,127 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.

2. Information about impairment loss of non-current assets, goodwill and other information in reported segments.

(Significant changes in amount of goodwill)

In the first quarter ended June 30, 2023, the Company included Satsuma Pharmaceuticals, Inc. in the scope of consolidation because of an acquisition of that company's shares. As the result, an increase in goodwill of ¥573,951 thousand was recorded in the TR business in the same period.

Please note that the said goodwill amount was tentatively calculated based on the information available as of the date of this announcement since the allocation of the related acquisition costs has not been completed.

II. Three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

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	TR business	Medipolis business	Subtotal				
Revenue								
Revenues from external customers	5,406,345	10,871	72,232	5,489,449	60,075	5,549,524	–	5,549,524
Transactions with other segments	18,091	–	32,814	50,905	131,848	182,754	(182,754)	–
Total	5,424,436	10,871	105,047	5,540,354	191,924	5,732,279	(182,754)	5,549,524
Segment profit (loss)	784,722	(801,260)	(99,294)	(115,832)	18,279	(97,553)	(47,636)	(145,189)

(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 ¥47,636 thousand consist of negative ¥18,796 thousand in elimination of intersegment transactions and negative ¥28,839 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.

2. Information about impairment loss of non-current assets, goodwill and other information in reported segments.

This information is omitted as there are no significant changes.