2024 INTEGRATED REPORT

Promoting people's happiness hand in hand with our stakeholders

Shin Nippon Biomedical Laboratories, Ltd. (SNBL)

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2024 INTEGRATED REPORT

Editorial Policy

This Integrated Report aims to give stakeholders a deeper understanding of SNBL Group's business model and foster mutual understanding through dialogue, leading to improvement in management and corporate value.
In the 2024 edition, we focus on our contribution to social issues and our business strategy for achieving our 2028 Vision, "Promoting people's happiness hand in hand with our stakeholders".
During the editing process, the IFRS Foundation's International Integrated Reporting Framework and the Ministry of Economy, Trade and Industry's Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation were used as references.

Period Covered

April 1, 2023, to March 31, 2024 (activities from April 2024 and thereafter are also included.)

Scope of Coverage

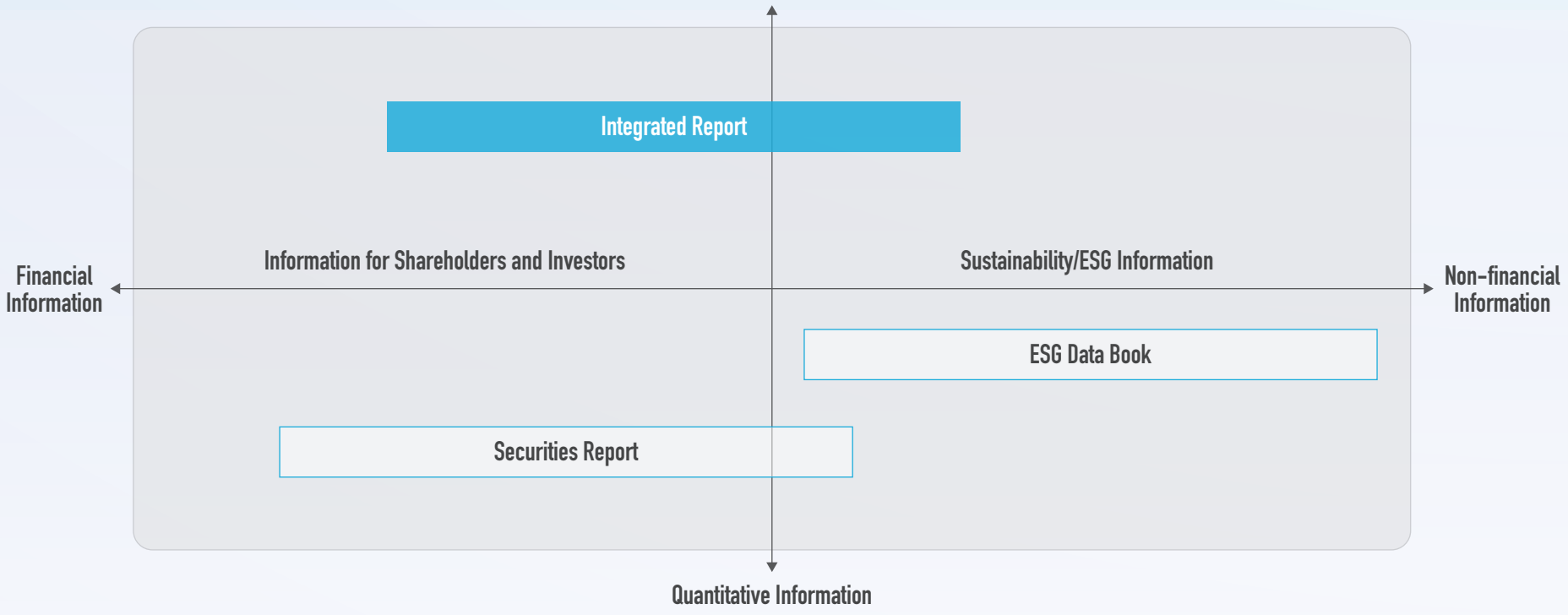
Shin Nippon Biomedical Laboratories, Ltd. (SNBL) and its subsidiaries

Notes concerning forward-looking statements

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

Our Reporting Universe

SNBL publishes three corporate reports: the Integrated Report, the ESG Data Book, and the Annual Securities Report. We define the role of each report along two axes: quantitative information - business strategy and financial information - non-financial information.
In particular, the Integrated Report and the ESG Data Book can be read together to confirm ESG initiative progress and data in addition to business strategies. We also invite you to visit our websites for additional information.



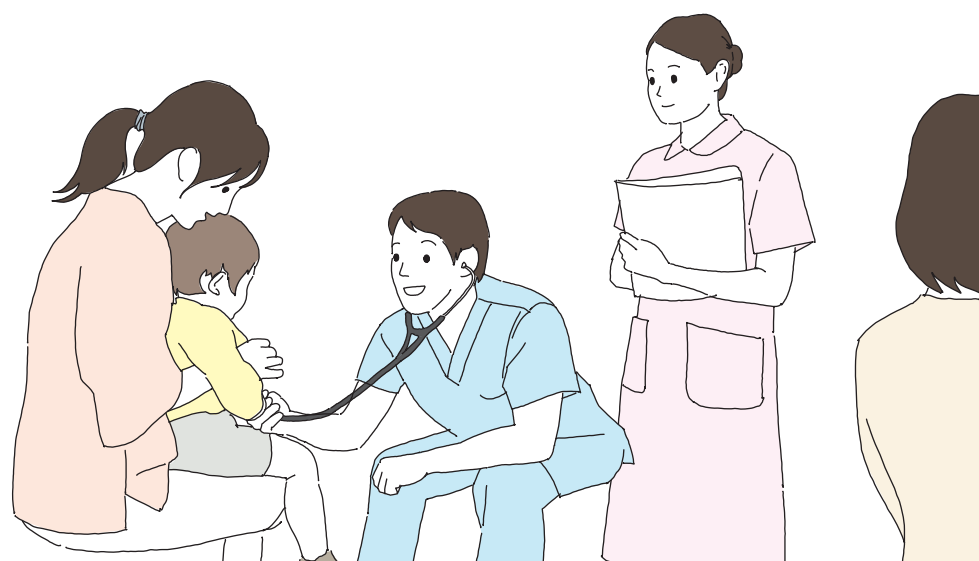
Website

SNBL At a Glance | Summary of Financial Result | ESG | Our Business | Recruitment and Career Training | Corporate Governance Report

SNBL's Vision of the Future

I am happy, you are happy, everyone is happy.

Everyone takes care of themselves. This is natural.
We believe that by considering other people's
perspectives in addition to our own,
we can create a society where we help each other with gratitude and respect.
This idea connects to our corporate philosophy of being "a company
committed to the environment, life, and people."
We have developed a unique business model centered on life sciences,
and our corporate philosophy has always been at the root of this.
In line with our corporate philosophy,
we will continue to work in partnership with all stakeholders,
fostering mutual respect and appreciation,
with the aim of creating a society where everyone can be happy.



Steps in Drug Development and the Area of SNBL Group's CRO Business

The Key to the Success of Developing New Types of Drugs

The development of drugs is becoming more and more difficult each year, with the focus being on disease areas where the therapeutic effects of conventional drugs cannot be expected to be sufficient. The key to success can be said to be held by CROs[*1], which are development support companies that have a wealth of experience in developing new types of drugs and can become development partners for pharmaceutical companies.

The Emergence of New Types of Drugs and the Increasing Difficulty of Development

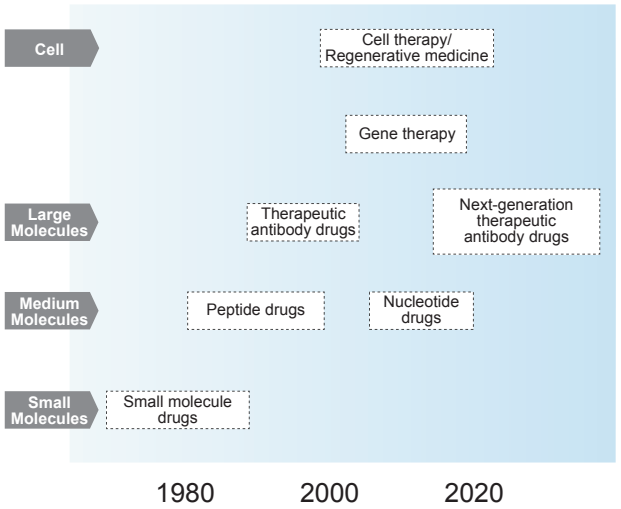
Drug development is said to take at least 10 years and tens or hundreds of billions of yen, and the probability of success is estimated at around 1 in 25,000.[*2] In recent years, due to advances in the technologies underlying drug developmet, in addition to conventional small molecules, various molecules, such as antibody drugs, nucleic acid drugs, gene therapy and regenerative medicine, have started being practically applied in drugs. This situation offers the potential to deliver groundbreaking therapies to patients with diseases that cannot be effectively treated with existing therapies. However, there is a growing tendency for new drug research and development to become increasingly complex. It also takes longer with each passing year, while the probability of success continues to decline.

The Role of a CRO

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

*1 CRO is a company that is contracted by pharmaceutical companies to carry out some or virtually all of the work related to the implementation, operation, and management of nonclinical and clinical studies.
*2 Source: Japan Pharmaceutical Manufacturers Association DATA BOOK 2023

Diversification of Drug Modalities



Steps in Drug Development and the Area of SNBL Group's CRO Business

9 to 17 years

Basic research
(2 to 3 years)

Drug development
Nonclinical study (3 to 5 years) Clinical study (3 to 7 years)

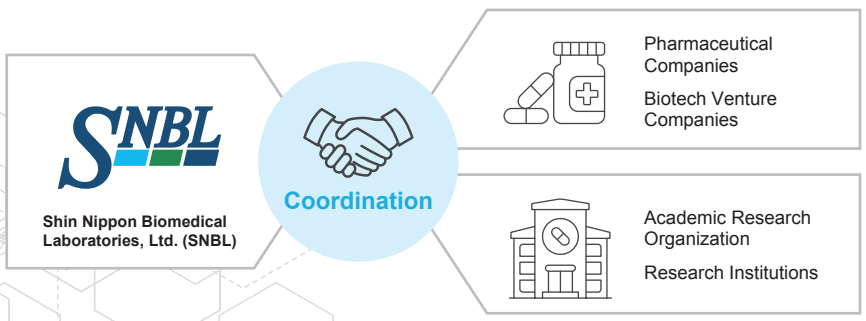
Approval and marketing
(1 to 2 years)

Nonclinical CRO business → **Clinical CRO business**

Nonclinical CRO business

According to international rule for new drug development, clinical studies involving the administration of a drug candidate compound to humans must be preceded by other studies using cells, laboratory animals, and other methods to ensure efficacy and safety. These studies are called nonclinical studies.
A unique feature of our nonclinical business is that we have built a global brand in nonclinical studies using laboratory NHPs (non-human primates), which are said to be the most advantageous laboratory animals and considered excellent models for humans. In the pharmaceutical industry, the research and development of new modalities in drug discovery is in full swing, particularly in relation to nucleic acid medicine, next-generation therapeutic antibody drugs, and gene therapy. Laboratory NHPs are essential for the development of these new type of drugs.
We have strongly differentiated ourselves from our competitors by being the only CRO in the world to establish an in-house breeding and supply system for laboratory NHPs. We are recognized by pharmaceutical companies as a development partner because we have introduced the state-of-the-art equipment needed to assess the efficacy and safety of new drug modalities and have built an evaluation system from an early stage.

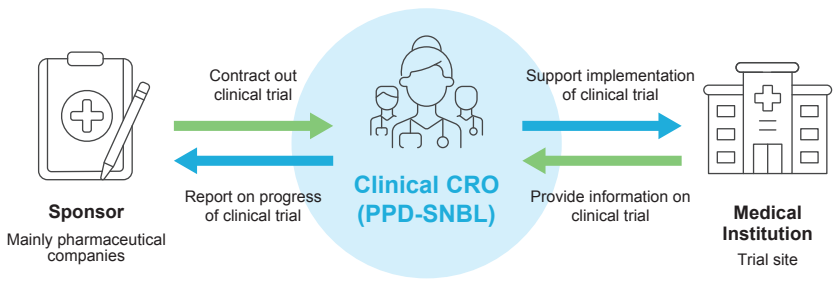
NonClinical CRO Supporting Drug Discovery and Development



Clinical CRO business

The main task of the clinical business is to connect pharmaceutical companies which are the sponsors of clinical studies, and medical institutions which conduct the trials, and to create a one-team that produces new drugs.
More specifically, our staffs visit medical institutions to see whether the clinical studies are properly conducted in compliance with the rules and standards established by the government and pharmaceutical companies, summarizes and statistically analyzes the data obtained and support the series of operations up to the preparations of the applications submitted to regulatory authorities.
Our clinical business is carried out through a joint venture, PPD-SNBL K.K., established in 2015 with PPD, a global clinical CRO headquartered in the United States. PPD-SNBL's mainstay business is to organize and to implement a part of global studies that are outsourced to PPD, in Japan.

Role of Clinical CRO in Drug Development



The History of Drug Development and the Evolution of SNBL's Business

A Pioneer in the CRO Industry, Ensuring Drug Safety and Supporting Global Health

The SNBL group plays a vital role in protecting patients by ensuring the safety of drugs before they are administered to humans. Through contract research services in nonclinical and clinical trials, we contribute to the advancement of development and the safeguarding of public health.

Year

Pharmaceutical Market: The Dawn of Drug Development

1955

1960

1965

1970

1975

Trends in Drug Development

Full-Scale Development of Small-Molecule Drugs with the Introduction of the Substance Patent System

The development of modern drugs began in 1897 when the German company Bayer refined a pain-relieving component of willow bark, called salicylic acid, to create a drug with fewer side effects. This drug was called "Aspirin." Chemically synthesized pharmaceuticals (known as small-molecule drugs) were easier to produce and convenient for oral administration due to their small molecular size, leading to their widespread use. The introduction of the substance patent system (introduced in Japan in 1976) significantly boosted the development efforts of pharmaceutical companies. However, despite the advantages of these drugs, their small molecular size led to a lower specificity for target molecules, increasing the likelihood of side effects.

Trends in the Pharmaceutical Industry

Drug Safety Issues and the Importance of Data and Its Evaluation

The sedative thalidomide, developed in Germany, caused severe birth defects when taken by pregnant women. This led to a major drug safety incident in 1958 and the eventual recall of the drug in over 40 countries. However, in the United States, the FDA (Food and Drug Administration) examiner questioned the submitted data on thalidomide and requested a re-examination, thus postponing the approval of this drug and avoiding the ill effects. This incident highlighted the global importance of the content and evaluation of pharmaceutical data, leading to the recognition that disclosing side effect information is crucial in the development of drugs.

SNBL's History

Japan's First Nonclinical CRO

The predecessor of SNBL was the Southern Japan Dog Center, which was founded in Kagoshima City in 1957 by Tsugio Nagata, the father of SNBL's current president, for the purpose of breeding and improving laboratory beagles.
In 1960, the company received its first commission for a nonclinical study of a drug from a leading overseas pharmaceutical company, thus becoming Japan's first nonclinical CRO.
In 1974, SNBL adopted its current name and has since pioneered the development of the nonclinical CRO market in Japan. As a trailblazer in the CRO industry, we have played a vital role for many years in ensuring the safety of drugs before they are administered to humans, thereby supporting the health and wellbeing of people worldwide.

Inside the laboratory, 1970s (Kamoike-cho, Kagoshima)

History

1957
Founded as Southern Japan Dog Center (with an attached animal hospital) in Kagoshima City

1960
Began accepting contracts for nonclinical studies as the first CRO in Japan

1973
Incorporated as Southern Japan Dog Center, Ltd.

1974
Company name changed to Shin Nippon Biomedical Laboratory, Ltd. (SNBL)

Size of the global pharmaceutical market

Growth of Small-Molecule Drug Market

1980
Estimated at 70 billion dollars

1985
Estimated at 94 billion dollars

1990
Estimated at 140 billion dollars

1995
Estimated at 280 billion dollars

Trends in Drug Development

Shift in Target Diseases: From Infectious Diseases to Cancer

In the past, infectious diseases posed the greatest threat to humanity. However, with the advent of antibiotics like penicillin, these diseases were perceived to be under control, leading the United States to declare in 1967 that the war against infectious diseases had been won. Following this milestone, research focus shifted toward cancer.
At the same time, lifestyle changes brought about by rapid economic growth and aging populations led to a rise in lifestyle-related diseases. As a result, new medications targeting conditions such as hypertension, high cholesterol, and diabetes emerged. These developments drove significant growth in the global pharmaceutical market.

Trends in the Pharmaceutical Industry

Emergence of Biotech Companies and the Development of Biopharmaceuticals

The discovery of the double-helix structure of DNA in 1953 marked a turning point in understanding the mechanisms of the human body at the molecular level. This breakthrough paved the way for the development of drugs—medications formulated from biological substances naturally produced within the human body, rather than from chemical compounds.
The first biopharmaceutical to reach the market was insulin, developed by a U.S. biotech company for the treatment of diabetes using recombinant DNA technology. Another groundbreaking advancement was therapeutic antibody drugs, which leverage the immune system to combat diseases and gained attention as a revolutionary cancer treatment. Due to their large molecular size, therapeutic antibody drugs brought significant changes to both safety studies and manufacturing processes in the pharmaceutical industry.

SNBL's History

Establishing a Comprehensive System for Contracting Both Nonclinical and Clinical Studies in Japan

Following the introduction of Good Laboratory Practice (GLP) standards in Japan, our company became the first domestic nonclinical CRO to undergo a GLP inspection by the Ministry of Health in 1984, earning the highest rating of "A" for compliance. In the 1990s, we expanded into the clinical trial sector, becoming the first in Japan to offer an integrated service encompassing the entire drug development process.
Furthermore, in 1999, we launched our nonclinical CRO business near Seattle, USA. We have also contributed to animal welfare advancements by developing restraint devices designed to minimize the burden on laboratory NHPs.

Established SNBL USA, Ltd. in Washington State

History

1983
Began Good Laboratory Practice (GLP) -compliant safety studies

1993
Began accepting contracts for clinical pharmacological testing and Phase 1 clinical trials

1997
Began accepting contracts for Phase 2 and 3 clinical trials

1998
Established the Pharmacokinetics and Bioanalysis Center in Kainan, Wakayama Prefecture

1999
Established SNBL USA, Ltd. in Washington State

Size of the global pharmaceutical market

Growth of the Biopharmaceutical Market (Especially Antibody Therapeutics)

2000
Estimated at 360 billion dollars

2005
Estimated at 600 billion dollars

2010
Estimated at 880 billion dollars

2015
Estimated at 1.1 trillion dollars

2020
Estimated at 1.3 trillion dollars

Trends in Drug Development

Antibody Therapeutics Dominate the Pharmaceutical Landscape

Biopharmaceuticals, which leverage the natural mechanisms and functions of the human body, have become a cornerstone of drug development due to their high efficacy and reduced side effects. Among these, antibody therapeutics—protein-based drugs that target the immune system—have risen to prominence, accounting for over half of the 10 best-selling pharmaceuticals globally.
Despite their success, antibody therapeutics face several challenges. Their large molecular size prevents them from crossing cell membranes to target intracellular disease mechanisms. Additionally, high manufacturing costs contribute to the elevated prices of these drugs. With the expiration of basic patents in the late 2010s, efforts to develop new drug modalities aimed at becoming the next-generation market leaders have intensified.

Trends in the Pharmaceutical Industry

Increased Outsourcing to CROs

Drug development involves several stages, including basic research, exploratory research, nonclinical studies, manufacturing of investigational drugs, clinical trials, and regulatory review. In the past, pharmaceutical companies handled all these steps internally. However, with the growing dominance of biopharmaceuticals, research and development costs have surged. This has driven a widespread realization that outsourcing certain areas is more efficient than doing everything in-house.
As a result, tasks such as exploratory research, nonclinical studies, and clinical trials are increasingly being entrusted to CROs with specialized expertise and a proven track record. Looking ahead, the emergence of new drug discovery companies leveraging AI and IT technologies is expected to further accelerate the trend toward outsourcing in the pharmaceutical industry.

SNBL's History

Supporting the Development of New Drug Modalities as a Development Partner

We have proactively introduced state-of-the-art equipment to evaluate the efficacy and safety of new drug modalities and established the necessary evaluation systems at an early stage. Additionally, we were the first CRO in the world to establish an in-house framework for breeding and supplying laboratory NHPs. Laboratory NHPs are essential not only for antibody drugs but also for the development of new drug modalities such as nucleic acid drugs and gene therapy, and we have built a global reputation on our NHP nonclinical studies.
These initiatives have been highly recognized, positioning us as a trusted development partner for pharmaceutical companies looking to advance new drug modalities.

Kagoshima Headquarters
Studies for overseas customers are also conducted in Japan

History

2003
Established NHP breeding facility in Guangdong, China

2004
Established SNBL Clinical Pharmacology Center, Inc. in Baltimore and built a medical facility specializing in clinical studies, with clinical operations beginning in

2005
Listed on the Tokyo Stock Exchange (TSE) Mothers Market

2007
Established NHP breeding facility in Cambodia

2015
Established PPD-SNBL, a joint venture with U.S. clinical CRO PPD

Size of the global pharmaceutical market

Expansion of New Drug Modality Market

2030
Estimated at 2.1 trillion dollars

Trends in Drug Development

A New Era of Innovation Driven by Advanced Therapeutics

Following the expiration of basic patents for antibody drugs, development efforts have intensified around next-generation therapies such as nucleic acid therapeutics, next-generation antibody drugs (e.g., ADCs), peptide drugs, and gene therapies, all poised to become major breakthroughs in medicine.
Innovations in delivery technologies are enabling smoother targeting of disease-causing molecules, while advances in biotechnology, such as genome editing, allow for highly selective action at specific sites.
Production technologies are also evolving rapidly to meet the demands of these cutting-edge medicines.
Governments worldwide increasingly recognize the importance of strengthening drug discovery capabilities—not only to deliver optimal medicines and medical care to their populations swiftly but also as a critical driver of national economic growth. To this end, many countries are investing heavily in the development of a drug discovery ecosystem, ensuring robust infrastructure and support for fostering innovation in this field.

Trends in the Pharmaceutical Industry

Leveraging the Drug Discovery Ecosystem

Pharmaceutical companies face increasing challenges in addressing the complexity and sophistication of developing new drug modalities alone. As a result, a growing trend involves active collaboration with academia and biotech ventures to integrate innovative drug discovery technologies and promising development candidates.
This collaborative framework extends to using CROs, as well as CMOs/CDMOs specializing in the manufacturing of candidate compounds and investigational drugs. This integrated approach, leveraging the drug discovery ecosystem, represents a transformative model for pharmaceutical innovation and is expected to become the dominant strategy in the future.

SNBL's History

Actively Contributing to the Growth of the Global Drug Discovery and Development Ecosystem

As our core nonclinical CRO business has a strong track record of supporting the development of new drugs, we view the current environment as an opportunity for further growth. To this end, we are making large strategic upfront investments, including significant workforce expansion, enlargement of our research facilities, and the establishment of a domestic breeding system for laboratory NHPs.
In 2024, in collaboration with SBI Holdings, the SNBL group launched a biotech startup incubator and joint fund initiative, leveraging our facility in Washington State, USA, as a base of operations. These efforts reflect our active contribution to the growth of the global drug discovery and development ecosystem.

History

2022
Relisted on Prime Market of TSE

2024
Completion of new headquarters and research building in Kagoshima

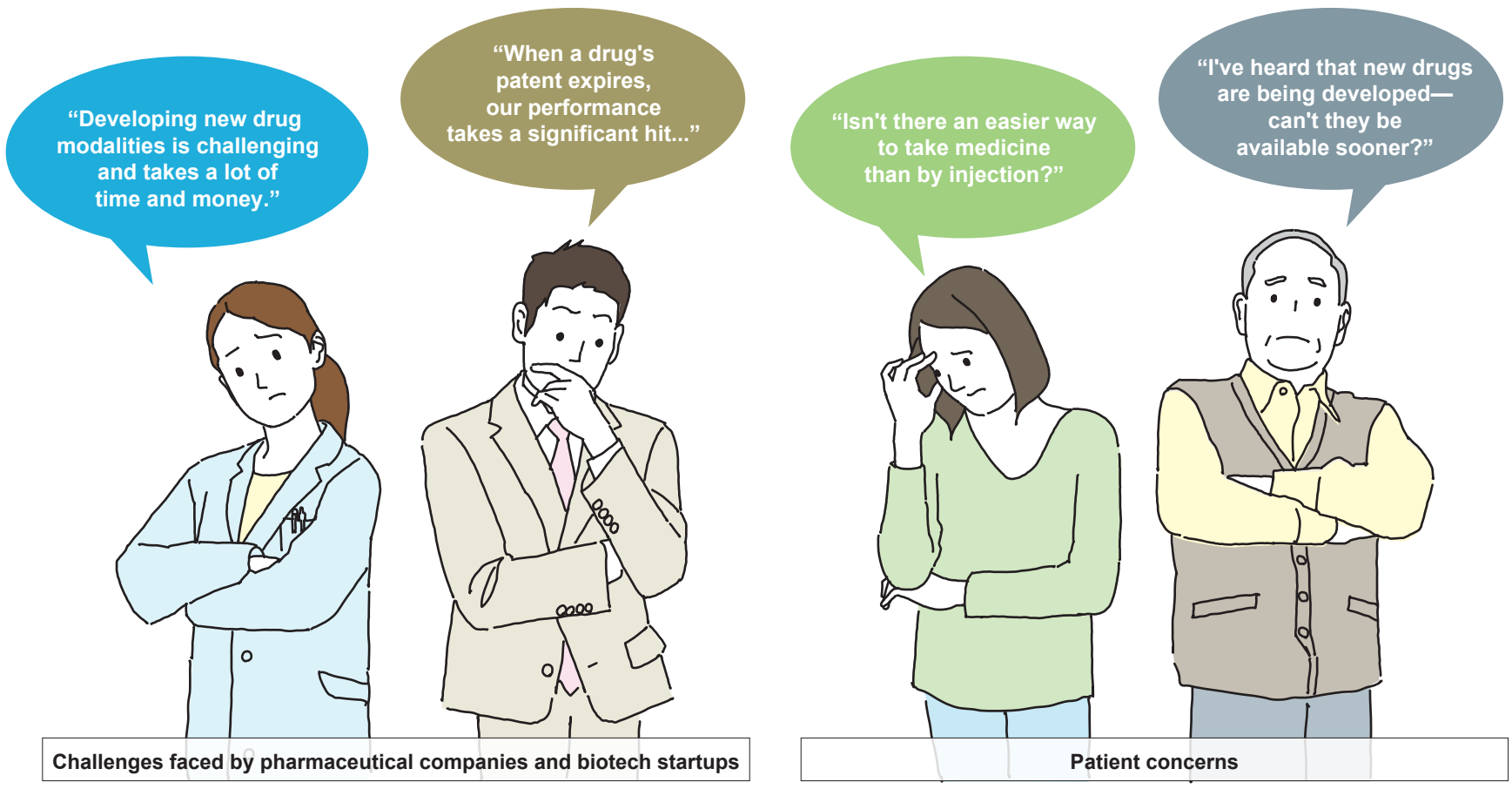
Strategic Alliance with SBI Holdings to Jointly Operate Biotech Startup Incubation and Fund Management in the United States

Collaboration with Astellas Pharma in Tsukuba to Strengthen the Drug Discovery Ecosystem

Social Issues Related to the Pharmaceutical Business

Social Issues in Drug Development

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



SNBL is committed to addressing societal and client challenges

Solutions Through Our CRO Business

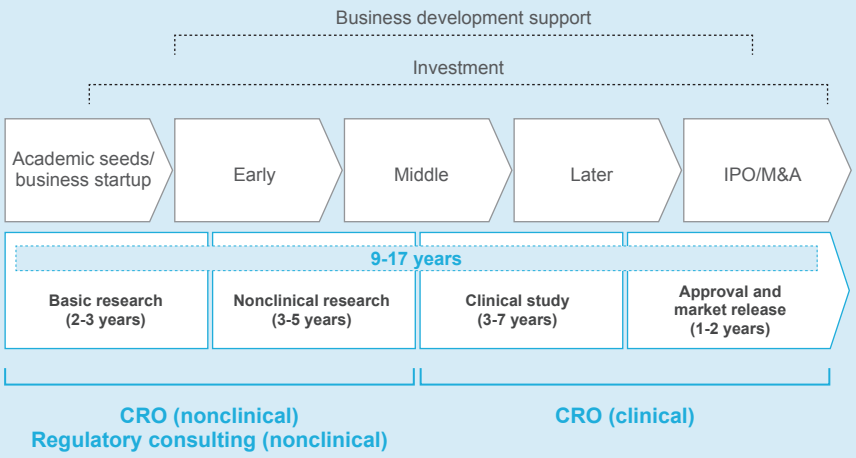
Approach to Pharmaceutical Company Challenges

As a reliable partner in the development of new drug modalities, we support pharmaceutical companies by reducing the time required for drug development. This not only maximizes the profitability of pharmaceutical companies but also contributes to the growth of the entire pharmaceutical industry.

Approach to Patient Concerns

As a development partner for pharmaceutical companies, we help deliver better medicines to patients more quickly by shortening the time it takes to develop drugs.

Total Support for Drug Development at Every Stage, from Basic Research to Approval and Marketing



See page 15 for more details

Solutions Through Our TR Business

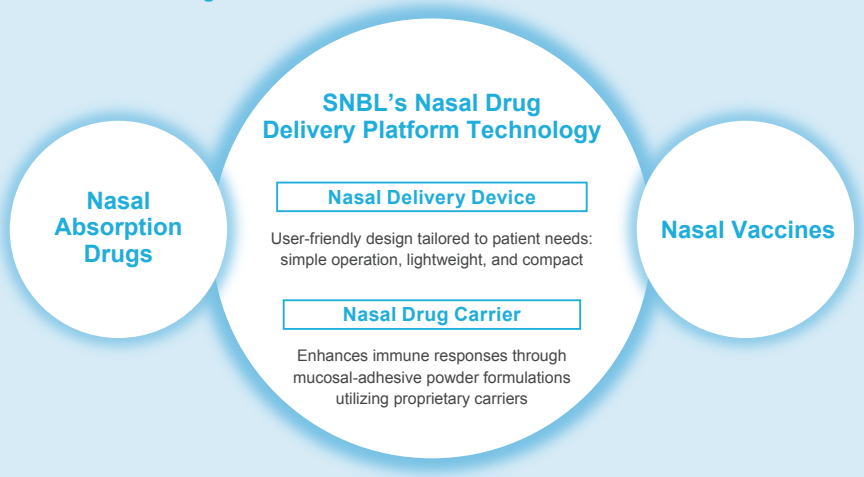
Approach to Pharmaceutical Company Challenges

SNBL's nasal drug delivery platform technology enables us to transform existing drugs with expired patents into value-added new drugs.

Approach to Patient Concerns

Drugs utilizing our nasal drug delivery platform technology offer superior usability and portability. They provide rapid absorption like injectable drugs and sustained absorption like oral medications. This allows patients to self-administer medication immediately upon symptom onset without the need to visit a hospital.

Platform Technology for Transforming Existing Drugs into New Nasal Drug Formulations



See page 32 for more details

Value Creation Story

The touchstone for all of SNBL's management decisions is our corporate philosophy of being a company "committed to the environment, life, and people." We are strengthening the management foundation that underlies our creation of value while enabling us to anticipate societal shifts and harnessing six types of management resources (financial capital and five types of non-financial capitals), as we work to develop new businesses and maximize the value we create in existing businesses. This way, we will generate a virtuous cycle of increasing capital through our business activities.
SNBL's mission is to free patients from suffering by supporting drug development and improving medical technology. With this mission in mind, we formulated the 2028 Vision, which calls for us to be a company that promotes people's happiness hand in hand with our diverse stakeholders and generates economic and social value through our business activities.

SNBL's Value Creation Process

Corporate Philosophy

"We are a company committed to the environment, life, and people."

Reinforcing the management foundation

- Corporate Governance
- Sustainability

Sustainability Initiatives ▶ p36

Non-financial capital

- Human capital
- Intellectual capital
- Social and relationship capital
- Natural capital
- Manufactured capital

Increasing capital through business activities

Financial capital

Net assets:
34.1 billion yen

Shareholders' equity ratio:
44.7%

As of March, 2024

Business Strategy ▶ p26

Addressing Social Issues through Business

SNBL

SNBL's Businesses

Addressing Social Issues through Business ▶ p12

Medium-Term Business Plan

2028 Vision

2028 Vision ▶ p22

Wellbeing

Freeing patients from suffering by supporting drug development and improving medical technology

Explained in each chapter of this Integrated Report.

Creating a Drug Discovery Ecosystem to Deliver New Drugs to Patients as Quickly as Possible

As a pioneer in the CRO industry, we are working to strengthen collaborative relationships with various stakeholders, including pharmaceutical companies, and to reduce the time needed for development of new drugs.

Through our contract research and development, we play an important role in ensuring the safety of new drugs and protecting patients.
In recent years, new types of drugs under development hold promise for effectively treating diseases that cannot be adequately addressed by conventional drugs. However, research and development timelines are becoming longer.
We are working to create a new drug discovery ecosystem that reduces the time needed for development of new drugs to deliver new drugs to patients as quickly as possible.
We believe that this new ecosystem will help maximize benefits not only for patients, but also for the pharmaceutical companies, biotech venture companies, academic institutions, and research organizations we work with. We believe that an environment where clinical development can begin sooner, from selection of compounds for new drug candidates onward, will eliminate "drug lag" and lead to the growth of the pharmaceutical industry as a whole.

The Drug Discovery Ecosystem We Want to Create

Delivering new drugs to patients as quickly as possible

SNBL
Shin Nippon Biomedical Laboratories, Ltd. (SNBL)

Coordination

- Pharmaceutical Companies
- Biotech Venture Companies
- Academic Research Organization
- Research Institutions

Basic research | **Pharmaceutical development** | **Market launch and spread**

Generating time value

Sales → **Estimation** → **Contract** → **Study preparation** → **Study** → **Final report**

Digital transformation will enable stress-free coordination with customers, as if they are making requests within their own company.

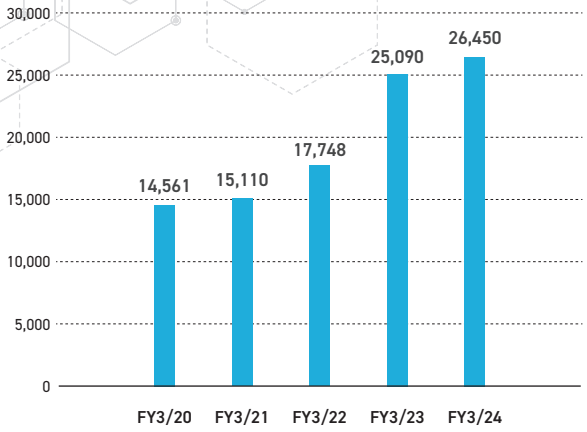
Strengthening our stable laboratory NHP supply system will eliminate waiting times, enabling studies to start earlier.

Digital transformation will enable submission of the final report draft in as little as 6 weeks after the end of the study.

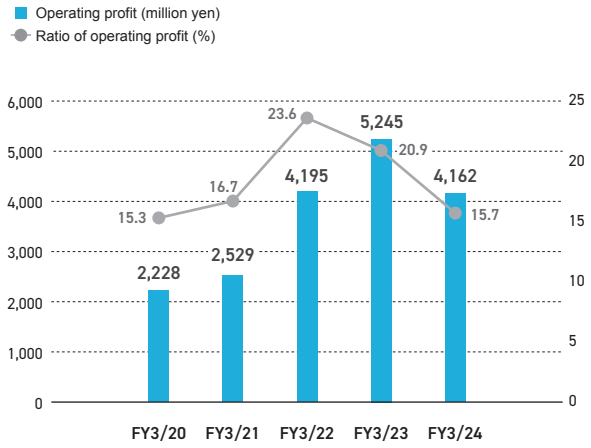
A one-stop service spanning upstream (exploratory studies) and downstream (clinical studies) operations will shorten the time needed for new drug development.

Financial Highlights

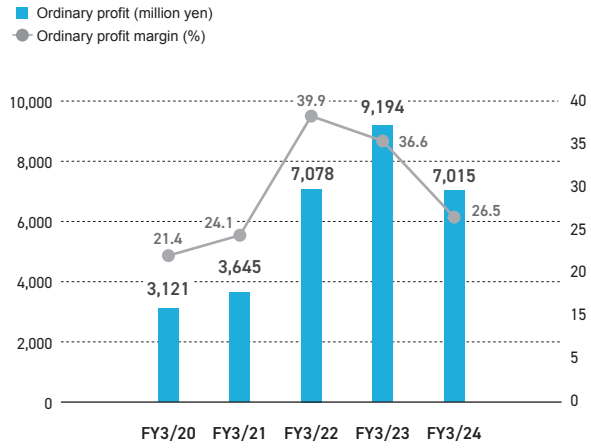
Revenue



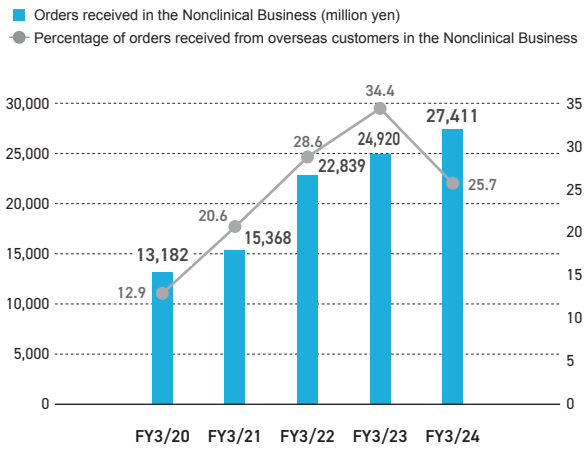
Operating profit / Ratio of operating profit to revenue



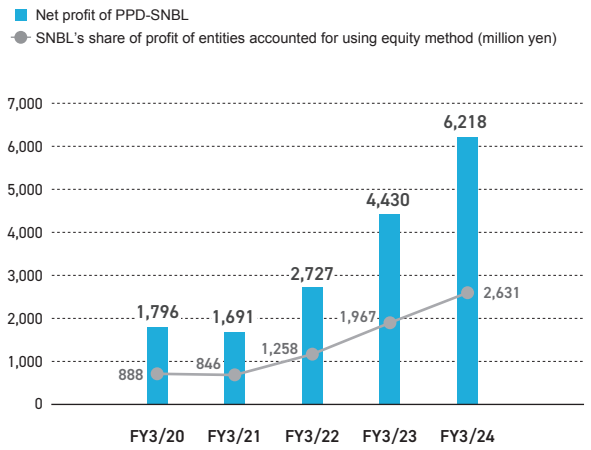
Ordinary profit / Ordinary profit margin



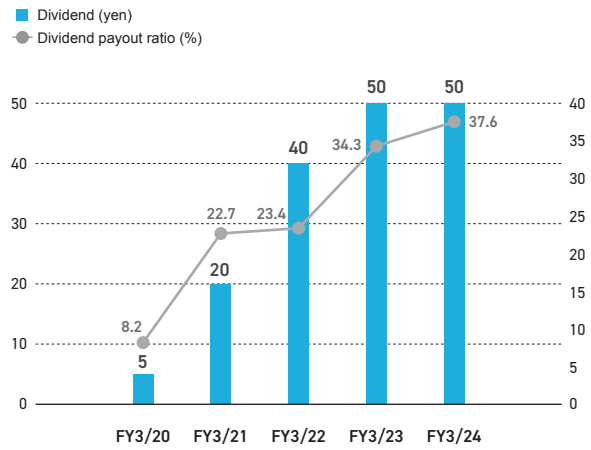
Orders received in the Nonclinical Business / Percentage of orders received from overseas customers



Business performance of PPD-SNBL and SNBL's share of profit of entities accounted for using equity method

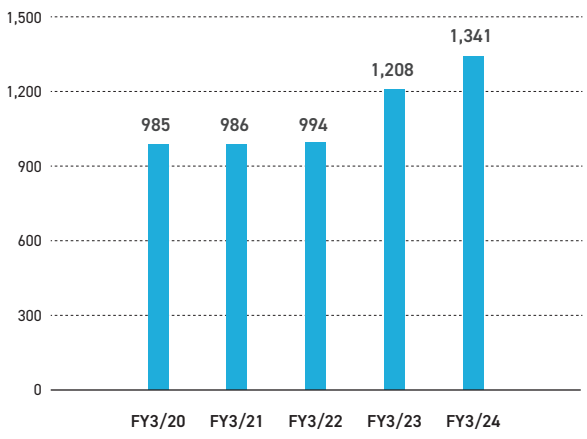


Dividends / Dividend payout ratio

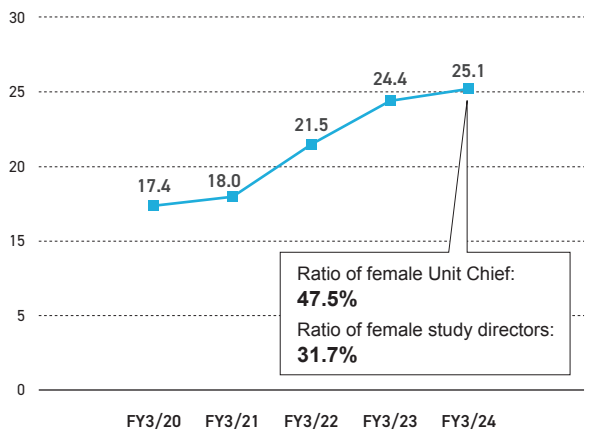


Non-Financial Highlights

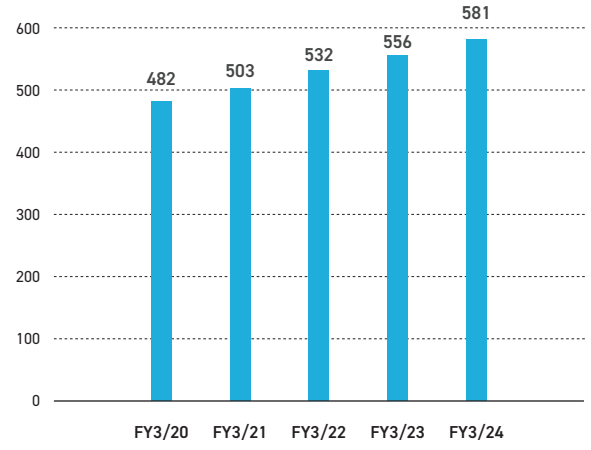
Number of employees (persons)



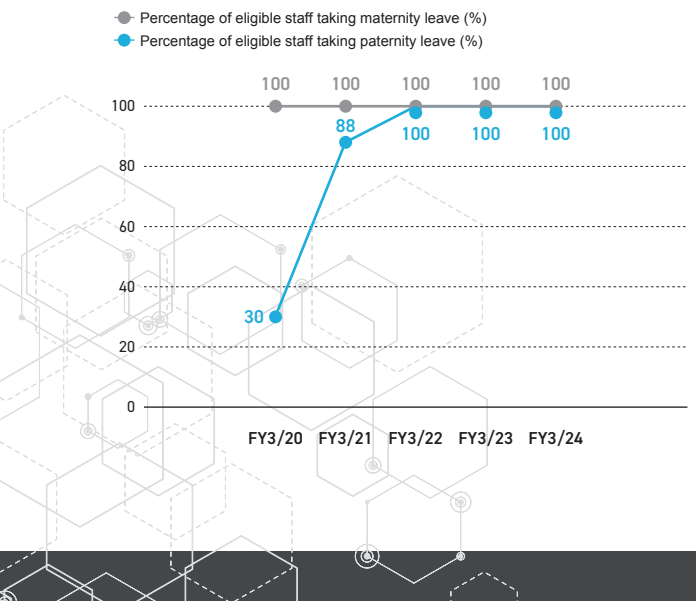
Ratio of female managers



Average annual salary (ten thousand yen)

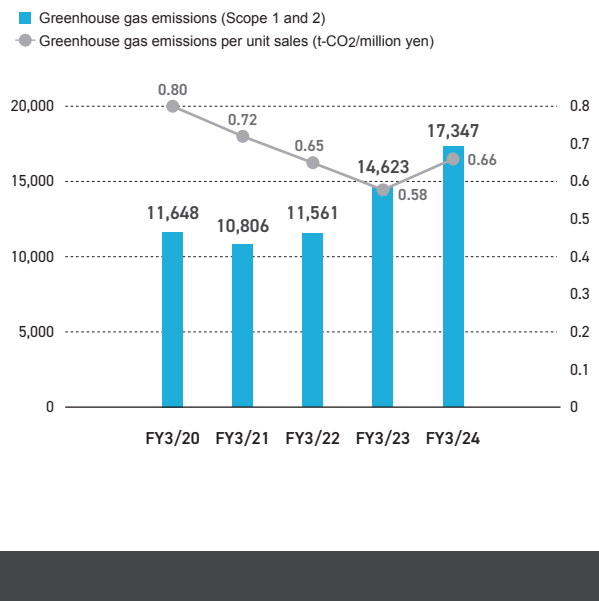


Percentage of employees taking childcare leave



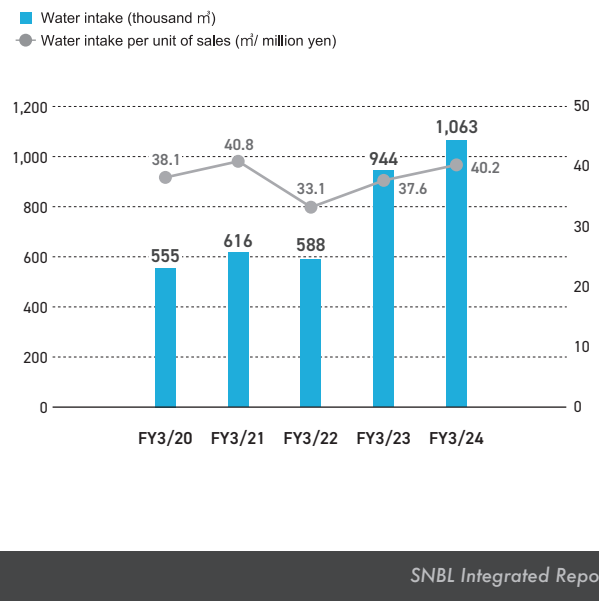
Greenhouse gas emissions

* Including the SNBL Ina Research Center from the FY3/2024



Water Resources

* Including the SNBL Ina Research Center from the FY3/2024



MESSAGE

Message from the CEO

Representative Chairman and President

Ryoichi Nagata

Foresee the future and act preemptively to promote people's happiness

In our core nonclinical CRO business, we see the current business environment as an opportunity for further growth. We have designated three key pillars—strengthening human capital, expanding facilities, and advancing digital transformation—and are making large strategic upfront investments in these areas while focusing on capturing overseas markets.

SNBL's Mission

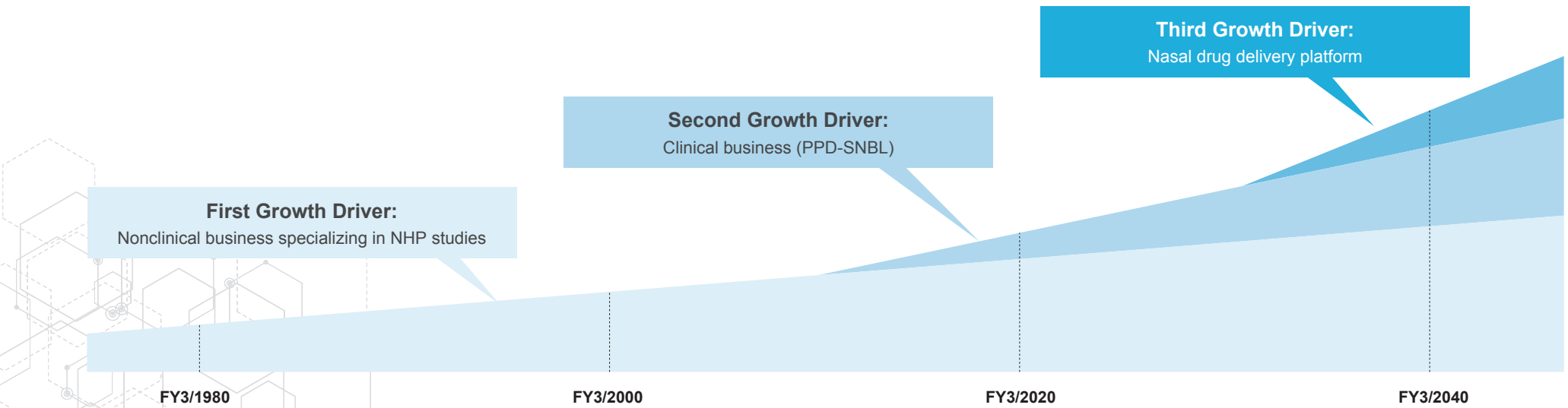
Our mission is to free patients from suffering by supporting drug development and improving medical technology. With the healthcare business as our focus, we are dedicated to alleviating patients' pain and fulfilling our responsibilities with sincerity and care.
The realization of this mission is a challenging, arduous, and lengthy journey. However, we approach it with steadfast principles and unwavering passion.
We adhere to five fundamental guidelines that serve as the foundation for carrying out our daily responsibilities:

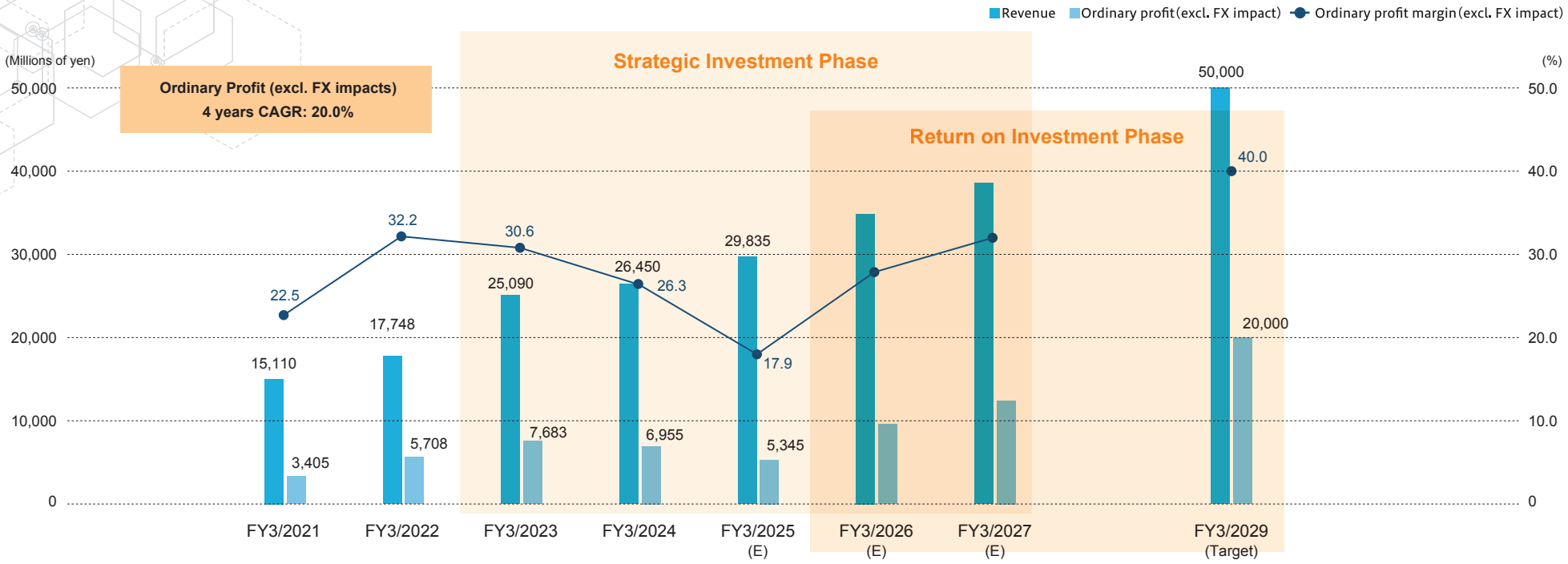
1. I act immediately.
2. I give my best.
3. I am truthful.
4. I think ahead.
5. I take pride in and responsibility for my work.

Although these principles may appear basic, employees who consistently implement them, even at the most detailed operational levels, are regarded as exemplary within our company. A company is not defined by its name or buildings but is built upon its workforce. The growth of a company directly reflects the growth of its employees. Establishing a workplace environment where each individual can grow is the responsibility of the company president. Through the indispensable healthcare business of developing new drugs, we aim to foster the growth of our employees and contribute to society as a whole.
I believe that corporate management involves managing an organization that contributes to society, i.e., an organization that engages in activities essential to the community. By continuing such endeavors, we can generate both economic and social benefits.
In our Medipolis Business, which focuses on expanding social benefits, we are steadily preparing for the mass production of glass eels on Okinoerabu Island, Japan, using proprietary tanks developed by our company. Alongside our efforts in geothermal energy generation, we are also beginning development of power generation using hot springs. This initiative involves using surplus steam from hot springs and heating operations to produce electricity, and our commitment to renewable energy continues to garner attention.
At the Medipolis Proton Therapy and Research Center, our support teams work to ensure that patients feel at ease when undergoing proton therapy, which is increasingly covered by insurance. We also organize seminars and initiatives aimed at promoting wellbeing not only to patients undergoing treatment, but also to the general public.
Going forward, we will remain committed to our corporate philosophy, maintaining a balance between economic and social value while continuing to grow and contribute to society.

Three Growth Engines

Our company was founded in 1957 by my father, Tsugio Nagata. In 1960, we accepted our first contract for nonclinical studies from an overseas pharmaceutical





company, becoming Japan's first nonclinical CRO. After assuming the role of president in 1991, I focused on sustainable growth. This included initiating clinical pharmacology studies (Phase 1 trials) in 1992 and analytical research services (bioanalysis) in 1997. Subsequently, we significantly expanded our business domains by launching the Translational Research (TR) business in 1997 and clinical trial support services (Phase 2/3 trials) in 1998. In 1999, we constructed a laboratory for nonclinical studies outside Seattle, followed by a 96-bed medical facility for clinical studies built on the campus of the University of Maryland.

Our nonclinical business has since become the largest in Japan and continues to secure substantial orders from international clients. With the accelerated development of new drug modalities, such as antibody drugs and nucleic acid therapeutics, the importance of laboratory NHPs for research has grown significantly. Since the 1980s, we have maintained breeding facilities for laboratory NHPs and are the only CRO worldwide to have established an in-house breeding and supply system for these animals. This initiative has proven successful, making our nonclinical business, centered on laboratory NHPs, our first growth engine.

Our clinical business is conducted through a joint venture, PPD-SNBL K.K, which we established a decade ago with PPD, a global clinical CRO headquartered in the United State. PPD-SNBL primarily manages Japanese operations for global studies contracted by PPD. While operating as part of a global enterprise, our long-standing commitment to a workplace environment that values harmony has resulted in exceptional employee retention and the delivery of high-quality services. By leveraging the strengths of both PPD and our company, the clinical business has become our second growth engine.

In the TR business, our intranasal drug delivery platform technology has the potential to become our third growth engine. Since 1997, we have been developing intranasal formulations for various drugs based on proprietary powder formulation technologies using carriers we independently discovered, combined with our self-developed devices (medical devices). The intranasal migraine treatment "STS101," which is currently under review for approval by the U.S. FDA, is a product of this platform technology. Over the years, we have made substantial and continuous investments in this area, and we are now poised to enter the phase of investment recovery.

Focusing on Capturing International Markets

Currently, we are prioritizing the capture of international markets. As part of this initiative, we have expanded the laboratory for nonclinical studies at our Kagoshima headquarters and established a domestic breeding system for laboratory NHPs. This year, we further strengthened our research staff by forming the Global Study Team (GST) and promoting a program to support the acquisition of DABT (Diplomate of the American Board of Toxicology) certification.

The GST conducts various training programs as part of its DABT acquisition support initiative. These include training sessions led by in-house DABT-certified professionals, foundational courses using resources such as the Japanese Society of Toxicology textbook and Casarett & Doull's Toxicology, as well as training on ICH guidelines and U.S. chemical handling regulations. English education within GST is conducted on a regular basis with the cooperation of native English-speaking instructors from Veritas Academy. Within the next three years, internal communication within GST is expected to be conducted entirely in English.

In addition to these efforts, we have established U.S. sales offices in Seattle, Boston, and San Diego to provide services that eliminate the challenges presented by time zone differences. Looking ahead, we anticipate increased contracts from major pharmaceutical companies in Europe and the United States.

Strategic Investments Toward Vision 2028

We set out our vision for FY2028 as "Vision 2028: Promoting People's Happiness Hand in Hand with Our Stakeholders." As part of this, we set financial goals for the 2028 fiscal year (ending March 31, 2029) as follows: revenue of ¥50 billion, ordinary profit of ¥20 billion, and an ordinary profit margin of 40%.

Regarding our first growth engine, the nonclinical CRO business, we perceive the current business environment as an opportunity for further growth. We have designated three key pillars— strengthening human capital, expanding facilities, and advancing digital transformation (DX)—and are making large strategic upfront investments in these areas.

Strengthening human capital means increasing the number of staff engaged in the CRO business and enhancing their skills. I have always managed based on the belief that the development of people lies at the root of business. I believe that human capital is the most important strategic core that enables us to build a competitive edge and differentiate ourselves from other companies, and I also see it as the means to enhance our corporate value. Since 2002, SNBL Academy, an in-house training academy, offers various programs for employees at all levels, from new hires to managerial candidates and managers. I personally dedicate a significant amount of time to mentor young employees and conduct leadership training (the Nagata Juku program), and I place great importance on having direct discussions with our employees.

We continue to invest strategically in equipment and expand our facilities. At the Kagoshima Drug Safety Research Laboratory, we built a new headquarters and research building (two eight-story buildings), significantly increasing the number of analytical equipment and expanding our laboratories. We have also increased our capacity in order to respond to the growing number of overseas orders. While a global shortage of laboratory NHPs has been an industry issue for the past few years, our new domestic breeding system, together with our breeding facility in Cambodia, enables us to guarantee a stable supply of laboratory NHPs.

As part of our ongoing digital transformation efforts, we have been working on a project called Zero Mission, which aims to eliminate the use of paper. In 1981, we were the first CRO in the world to successfully transition data to an online format. However, due to the increasing number and complexity of examinations in studies, some data could not be converted online and had to be handled on paper data sheets. The goal of the Zero Mission project is to reduce paper usage to as close to zero as possible. Five years ago, our paper usage averaged 300,000 sheets per month, but we have successfully reduced it to 180,000 sheets, with the next goal being to reduce it to fewer than 100,000 sheets. This process has transformed our organization into one where the trend is to digitalize study data. In addition, we have also advanced the adoption of AI and robotics.

Moving forward, we plan to rapidly accelerate digital initiatives, such as the use of AI in protocol and report creation and the automation of studies.

The results of these preemptive initiatives are steadily becoming visible in tangible ways. We remain eager to continue promoting happiness together with all of you. We kindly ask our stakeholders to continue supporting our sustainable growth and to watch over our progress with the same trust and encouragement as always.