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

February 5, 2025

Consolidated Financial Results for the Nine Months Ended December 31, 2024 (Under Japanese GAAP)

Company name: Shin Nippon Biomedical Laboratories, Ltd.
Listing: Prime Market, Tokyo Stock Exchange
Securities code: 2395
URL: https://en.snbl.com
Representative: Ryoichi Nagata, Representative Chairman, President & CEO
Inquiries: Toshiyuki Iwata, Executive Officer, Head of Corporate Communications
Telephone: +81-3-5565-6216
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 nine months ended December 31, 2024 (from April 1, 2024 to December 31, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2024	22,235	23.6	1,893	(25.3)	4,138	(15.3)	3,205	(15.5)
December 31, 2023	17,984	9.9	2,535	(33.0)	4,884	(29.0)	3,794	(12.8)

Note: Comprehensive income For the nine months ended December 31, 2024: ¥12,926 million [115.1%]
For the nine months ended December 31, 2023: ¥6,009 million [(46.2)%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2024	76.99	–
December 31, 2023	91.14	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
December 31, 2024	97,296	45,090	46.2	1,080.61
March 31, 2024	76,302	34,160	44.7	819.42

Reference: Equity
As of December 31, 2024: ¥44,988 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	–	20.00	–		
Fiscal year ending March 31, 2025 (Forecast)				30.00	50.00

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

3. Consolidated earnings forecasts for the year ending March 31, 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
Fiscal year ending March 31, 2025	32,000	21.0	2,900	(30.3)	5,900	(15.9)	4,400	(20.5)	105.68

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

*** 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: Yes

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of issued shares (common shares)

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

As of December 31, 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 December 31, 2024	518 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)

Nine months ended December 31, 2024	41,631,922 shares
Nine months ended December 31, 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 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 8 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 explanatory 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 Wednesday, February 5, 2025. Explanatory details (audio recording in Japanese and its transcript in both Japanese and English) will be posted on the Company's website (https://en.snbl.com) in a timely manner after the briefing.

Attached Material

Index

1. Qualitative information on quarterly consolidated financial results for the nine months ended December 31, 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 a proven track record in supporting research and development of new modalities in drug discovery, 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 a one-of-a-kind and far and away the first name that comes to mind for clients when they consider CRO.

Under such circumstances, revenue for the nine months ended December 31, 2024 (from April 1, 2024 to December 31, 2024; hereinafter, "the first nine months of the fiscal year ending March 31, 2025") increased by ¥4,250 million (up 23.6%) compared to the nine months ended December 31, 2023 (hereinafter, "the first nine months of the previous fiscal year") to ¥22,235 million, a record high for the first nine months of the fiscal year, driven by the mainstay CRO business. Operating profit was ¥1,893 million, a deterioration of ¥641 million (down 25.3%) year on year. The main reason for the decrease in operating profit is the recording of ¥1,911 million in expenses (the first nine months of the previous fiscal year: ¥812 million) for resubmission of an FDA application for STS101, an intranasal therapeutic agent for migraine from Satsuma Pharmaceuticals, Inc. (hereinafter, "Satsuma"), a consolidated subsidiary of the Company 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, establishment of a domestic breeding framework for laboratory non-human primates (NHPs), and promotion of digital transformation (DX), also contributed to the decrease in operating profit. Ordinary profit was ¥4,138 million, a deterioration of ¥745 million (down 15.3%) year on year. The share of profit of entities accounted for using equity method from PPD-SNBL K.K., which promotes the clinical business within the CRO business, increased by ¥434 million year on year to ¥2,445 million, setting a record high for the first nine months of the fiscal year. As for foreign exchange losses (gains), foreign exchange losses of ¥380 million were recorded, contributing to a decrease in ordinary profit by ¥660 million compared with foreign exchange gains of ¥279 million for the first nine months of the previous fiscal year. Profit attributable to owners of parent decreased by ¥589 million (down 15.5%) year on year to ¥3,205 million.

As of December 31, 2024, the SNBL Group had 1,457 employees on a consolidated basis excluding part-time and hourly employees (an increase of 116 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. The ratio of female employees on a consolidated basis including temporary employees was 51.2%.

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 based on the results of numerous studies using NHPs, considered as one of the industry's second-top tier nonclinical CROs globally. The nonclinical business achieved steady results for the first nine months of the fiscal year ending March 31, 2025. The following initiatives implemented by the Company have shown positive results.

- The importance of the Company-established framework for breeding and supplying 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 NHPs overseas has also made a positive contribution to the Company, leading to orders 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. A new breeding facility was constructed during the first nine months of the fiscal year ending March 31, 2025 and it is already in operation.

- The concentration analysis performed on drug development candidates (test substances) and biomarkers in biological samples is called bioanalysis. The Company has introduced a lot of 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 NHPs within the SNBL Group. This led to an increase in orders of the bioanalysis.
- We concluded preferred contracts (agreements for preferentially outsourcing to pre-selected CROs) with multiple pharmaceutical companies, which highly evaluated these efforts, leading to an increase in orders received. 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. The Company has increased overseas sales personnel and strengthened sales activities in the fiscal year ending March 31, 2025. To cope with an increase in orders received from overseas, the Company newly formed the Global Study Team (GST) in the Drug Safety Research Laboratory in November 2024.
- The Company has also achieved steady progress in terms of number of major pharmaceutical companies in Japan, regarding contracts to undertake comprehensive research at the drug discovery stage and has already received orders from multiple companies for development research beginning with the early drug discovery stage.
- Construction of new office buildings 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 started full-scale operation from September 2024. We are currently preparing to commence contract services for Microphysiological System (MPS), and the new office buildings and research facility have a dedicated laboratory for MPS contracts in place.
- On July 30, 2024, at the Gate Opening Summit for Innovative Drug Discovery convened by then-Prime Minister Kishida, President Nagata was invited as the presenter (Part 1: the Prime Minister’s Office, Part 2: The Okura Tokyo), and presented case studies of incubation (SNBL Global Gateway) in the SNBL Group’s drug discovery ecosystem in the United States for 20 minutes in the Part 2. The presentation slides are available on the Gate Opening Summit for Innovative Drug Discovery page in the Cabinet Office website.
- As of October 1, 2024, the Company has begun offering nonclinical study services at a facility adjacent to SakuLab™-Tsukuba, an open innovation laboratory within the Astellas Tsukuba Research Center. This marks the first service provision in the facility that houses startups, academic institutions, and venture companies. Drawing on its experience gained and achievements secured in nonclinical studies across various modalities in drug discovery, the Company is poised to assist startups, academic institutions, pharmaceutical companies, and other entities in operating within the drug discovery ecosystem.

As a result of the aforementioned initiatives, orders received in the nonclinical business for the first nine months of the fiscal year ending March 31, 2025, increased by ¥2,016 million (up 9.8%) year on year to ¥22,675 million, renewing a record high for the first nine months of the fiscal year. Orders received in the third quarter (October-December) were ¥7,364 million (compared to ¥8,044 million in the third quarter of the previous fiscal year), partly due to the postponement of some projects to the fourth quarter, but orders received from customers in Europe and the U.S. continued to increase strongly. Orders received from overseas in the first nine months of the fiscal year ending March 31, 2025 increased by 46.3% year on year to ¥8,675 million, and the ratio of overseas orders received out of total orders received was 38.3% (compared to 28.7% in the first nine months of the previous fiscal year). The main factor for the increase in orders received from overseas is an increase in orders received from customers in Europe and the U.S., in which we have strengthened strategic initiatives, and such orders received grew significantly by 50.0% year on year to ¥6,478 million. The Japan order backlog as of December 31, 2024 was ¥19,104 million (down ¥298 million, or 1.5%), nearly the same amount as that as of December 31, 2023. The overseas order backlog increased to ¥16,463 million (up ¥2,003 million, or 13.8%) from that as of December 31, 2023, and as a result, the total order backlog for nonclinical business as of December 31, 2024 was ¥35,568 million (up ¥1,705 million, or 5.0%) from that as of December 31, 2023, and remained at a high level. On the other hand, the amount of cancellations of existing contracts before studies are commenced in the first nine months of the fiscal year ending March 31, 2025 was ¥3,993 million, consisting of ¥2,217 million in the first quarter, ¥1,043 million in the second quarter, and ¥733 million in the third quarter.

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, and marks the 10th year this year since it was established. 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 stable 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 unique to the company, 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 people 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 English school of Veritas Academy 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 grown to exceed 1,000 employees as of the end of April 2024, more than three times the number with which we established in April 2015.

The share of profit of entities accounted for using equity method from PPD-SNBL’s contribution for the first nine months of the fiscal year ending March 31, 2025 increased significantly to ¥2,445 million (¥2,011 million in the first nine months of the previous fiscal year), a record high for the first nine months of the fiscal year, becoming the second growth engine of the Company.

Revenue of the CRO business for the first nine months of the fiscal year ending March 31, 2025 increased by ¥4,242 million (up 24.3%) year on year to ¥21,726 million, renewing a record high for the first nine months of the fiscal year. Operating profit of the CRO business increased by ¥693 million (up 16.0%) year on year to ¥5,036 million, and ratio of operating profit to revenue was 23.2%.

(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, biotech ventures, and research institutes, and develops them for commercialization, stock listing, or M&A, by increasing their added value.

The Company’s proprietary development 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 carrier composition as the base with a drug delivery device (medical device). It is characterized by rapid onset of action based on sufficient retention and drug absorption 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 drug administration, Satsuma has completed clinical trials for an intranasal therapeutic agent for migraine (development code: STS101), resubmitted a New Drug Application (NDA) to the US Food and Drug Administration (FDA) on October 30, 2024, and on November 25, received a notice from the FDA that it has accepted for review a resubmission. The Prescription Drug User Fee Act (PDUFA) date is set as April 30, 2025. Additionally, SNLD, Ltd., a consolidated subsidiary of the Company, is developing a nasal on-demand therapy for the treatment of off symptoms of Parkinson's Disease (development code: TR-012001).

STS101, which Satsuma in the United States is working to develop, 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. The paper detailing the results of the Phase III long-term safety and tolerability study of STS101 (study name: ASCEND), conducted by Satsuma, was published in CNS Drugs, an international medical journal with authority on drug therapy for central nervous system diseases. The first author of the paper is Dr. Stewart J. Tepper, MD, a Fellow of the American Headache Society (AHS) and an internationally prominent figure in the field of headaches. Dr. Stewart J. Tepper provided the following comments in a press release from Satsuma: "I am pleased that the data demonstrates that STS101 was well safe and tolerated, and easy for patients to use over the long term. This is exciting and important information for people living with migraine who have experienced inadequate migraine relief with existing therapies and the practitioners who treat them who are in need of new options. Even with the introduction of new treatment options in the past few years, there is a critical need for novel non-oral treatment options for patients who are often unable to achieve rapid relief with oral routes of administration."

Regarding the development of a nasal on-demand therapy for the treatment of off symptoms of Parkinson's Disease (development code: TR-012001), the dosing of patients in the Phase II clinical trial thereof was completed in January 2024. The Company is currently working to confirm the safety, tolerability, and absorbability and to fix and analyze the data leading to the Proof-of-Concept (POC). We are moving forward with preparations for an academic conference presentation. The Company also completed the dosing of healthy Japanese adults in the Phase I clinical trials in August 2024 for an improved development product of TR-012001 (TRN501) that aims to achieve even greater convenience, and is working on analyzing study's data and preparing the Study Report.

As the TR business's intranasal drug development project, we have also conducted research on an intranasal vaccine that is expected to act as an intranasal mucosal immunizing agent. While the goal of most vaccinations is traditionally to prevent the onset or increase in severity of disease, the intranasal vaccine we are developing is expected to be a very rare vaccine to have an effect to prevent virus 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, and gained approximately ¥100 million as an initial research grant to assess a nonclinical POC of the system. The Company is developing a prototype powder-type intranasal vaccine that blocks infection by respiratory viruses, particularly at the upper respiratory tract mucosa, which is the entry point, and it is currently conducting pharmaceutical formulation research and nonclinical trials to obtain a POC and establish it as a foundational technology.

Gemseki Inc. ("Gemseki"), a consolidated subsidiary of the Company, was established in October 2017 with the corporate philosophy of "Striving to support the best development of drug candidates and technologies for society." The company operated a licensing brokerage business for drug discovery seeds and technologies on a global basis, and formed a fund setting itself as an unlimited liability partner to conduct investment business in venture companies. However, upon considering the effective utilization and optimization of the Group's management resources as well as the efficiency of management, a decision was made that integrating Gemseki's activities into the Company as one of its divisions would be the reasonable thing to do, and a company split and absorption-type merger of Gemseki were executed in October 2024. Specifically, the Company has absorbed and merged with the license brokering business of Gemseki, and a newly established company, Gemseki Investment Inc., has succeeded to its investment business. In the licensing brokerage business, the Gemseki Business Division of the Company is working to search for and conclude contracts with new clients such as academic institutions and companies with promising drug discovery seeds and technologies, as well as introducing drug discovery seeds and technologies to existing clients, in the same way as previous activities as Gemseki. The Company is also working on activities in collaboration with other sectors of the Company, and is working to enhance brokerage performance and generate synergies within the Group. At BIO Japan, held at PACIFICO Yokohama in October 2024, the Company exhibited at a booth in collaboration with the nonclinical business sector, and proactively made proposals to venture companies working on drug discovery, such as providing one-stop licensing brokerage services for nonclinical studies, etc.

As for the investment business, PRISM BioLab Co., Ltd, an investee company of the fund, was newly listed on the Growth Market of the Tokyo Stock Exchange in July 2024. A new investment was also made from the second fund (Gemseki Fund No. 2 Investment Limited Partnership) that was established in March 2024. In conjunction with our continual search for potential investee companies in Japan and overseas, we are also engaging in discussions about startup investments with academic institutions that possess promising seeds and technologies. We will provide the comprehensive support needed for the creation and development of pharmaceuticals and medical devices aimed at overseas expansion.

In addition, we are developing the SNBL Global Gateway (SGG) project, which leverages to the fullest extent our strong network with academic institutions, investors, and professional companies in Japan and the U.S., by utilizing the CRO and TR businesses which have been developed over many years, mainly centered on our facilities based in Washington State, USA. This project aims to create new businesses from a global perspective by promoting research, human resource development, business incubation, and information dissemination.

This project is being promoted in collaboration with the SBI Group, which has an extensive track record in global investment, and in addition to operating business incubation facilities, we are also focusing on fund management. In cooperation with several prestigious academic institutions in Japan and the U.S., we will accelerate the social implementation of research results through the creation of university-based venture companies, etc. At the same time, we will support the growth of Japanese companies aiming to enter the US market and US companies planning to enter the Japanese market, creating new business opportunities for both sides.

On September 24, 2024, the SNBL Group and the SBI Group announced the establishment of a joint fund for early-stage startup companies in North America. In addition, on September 25, 2024, the opening ceremony for SGG was held at our facility in Washington State, USA.

By combining the experience and strengths of both the SNBL Group and the SBI Group, we will promote business expansion and growth by maximizing the synergy between the business incubation business and the fund business.

Amid these circumstances, the TR business posted revenue of ¥49 million for the first nine months of the fiscal year ending March 31, 2025 (the first nine months of the previous fiscal year: ¥9 million). The recording of ¥1,911 million in expenses of Satsuma for the first nine months of the fiscal year ending March 31, 2025 (the first nine months of the previous fiscal year: ¥812 million) resulted in operating loss of ¥2,681 million (the first nine months of the previous fiscal year: operating loss of ¥1,627 million).

(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 to operate the Medipolis business and generate benefits for society. This business is the embodiment of corporate principle: “Committed to the environment, life and people.” We are committed to creating benefits for society in an integrated fashion, not only from the perspective of economic gains, but also in terms of the issues in society and the environment. Specifically, we operate a power generation business using renewable energy sources, as well as a hospitality business centering on the operation of hotels based on the concept of well-being, or in other words, holistic health.

In the power generation business, we have operated a 1,500 kW binary geothermal power plant since February 2015. Geothermal power generation produces hardly any 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. We generate steady electricity sale income from the produced electricity, using the feed-in tariff (FIT). 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. Also, 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 are also preparing to sell electricity produced from hot spring power generation under the FIT system, and electricity sales are scheduled to be started during 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. In addition, the “Ibusuki Bay Hills HOTEL & SPA,” which had been operating as a long-term stay hotel, is now being used as a training facility. The Medipolis Proton Therapy and Research Center has treated approximately 7,000 cancer patients with proton therapy since it began treatments in January 2011. There are two main reasons why the Company operates 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 ¥389 million for the first nine months of the fiscal year ending March 31, 2025, which was a decrease of ¥102 million (down 20.8%) relative to the first nine months of the previous fiscal year. 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 2024. 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 ¥275 million (the first nine months of the previous fiscal year: operating loss of ¥100 million).

(iv) Initiatives for SDGs/ESG

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

Regarding our 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, and the Environmental Committee (chaired by the director in charge of sustainability), which the Company established as a subordinate organization of the SDGs Committee conduct lively discussions on a monthly basis. The Company discloses an 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://en.snbl.com/esg).

In the Integrated Report, we have provided our 2028 Vision, a phrase of “promoting people’s happiness in close involvement with stakeholders” as the future we aim to create. The management strategy specifies aims of FY2028 financial KPIs (targets) of ¥50 billion in revenue, ¥20 billion in ordinary profit, ordinary profit margin of 40%, and payout ratio of 30–40%. The cost of capital has been set at 5.1%, estimated based on the earnings results for the fiscal year ended March 31, 2024. In our analysis of capital return indicators, we put emphasis on ROE and ROIC, which are presented during the Board of Directors meetings held monthly. It calls for ROE and ROIC of at least 10%, and calculated based on operating results for the fiscal year ended March 31, 2024, ROE was 18.3%, and ROIC was 10.3%. In addition, the Company updated its Corporate Governance Report in November 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 December 31, 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 December 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 2024, 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 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. As for women’s participation and advancement in the workplace, 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. In September 2024, the Company was awarded “Platinum Kurumin Plus” certification by the same ministry, recognizing its support for balancing work with both childcare and infertility treatments (first time in Kagoshima Prefecture).

As for the results of dialogue with shareholders and investors during the first nine months of the fiscal year ending March 31, 2025, the Company conducted 189 meetings with institutional investors and analysts. In the General Meeting of Shareholders held in June 2024, the Company held a briefing session on its intranasal drug delivery platform technology for shareholders, who attended such shareholder's meeting, after the conclusion of the meeting.

Through efforts to conserve biodiversity for regional contribution (Kagoshima Prefecture is the No. 1 supplier of Japanese eels in Japan), the Company has been pursuing research into the production of artificial seedlings of Japanese eels in their juvenile stage (glass eels) (Fisheries Business), which are listed as endangered in the IUCN Red List, in artificial habitats. In 2019, we also newly established our research facility in Wadomari-cho, Okinoerabujima, Kagoshima Prefecture, to produce seedlings of farm-raised glass eels using natural seawater. We have already achieved a high survival rate of 50% or more in small-scale rearing in the laboratory, from the onset of feeding to the large larva stage prior to glass eel metamorphosis. In May 2024, we held a tasting event of farm-raised eels in Tokyo. During the first nine months of the fiscal year ending March 31, 2025, we worked on the design and development of a new large-scale water tank and resolving issues to realize the expansion of scale toward achieving volume production, and we also began construction of a new building on the premises of the Okinoerabujima research facility with the aim of mass producing glass eels.

(2) Explanation of financial position

Changes in financial position for the nine months ended December 31, 2024 from the end of the previous fiscal year were as follows:

Total assets as of December 31, 2024 increased by ¥20,994 million (up 27.5%) compared to the balance as of the end of the previous fiscal year, to ¥97,296 million. Current assets increased by ¥2,024 million (up 6.6%) compared to the balance as of the end of the previous fiscal year, to ¥32,862 million due mainly to an increase in inventories of ¥1,836 million (up 14.8%) and an increase in notes and accounts receivable - trade, and contract assets of ¥596 million (up 10.3%). Non-current assets increased by ¥18,969 million (up 41.7%) compared to the balance as of the end of the previous fiscal year, to ¥64,434 million due mainly to an increase in property, plant and equipment of ¥7,549 million (up 28.6%) due to augmented capital investment, etc. and an increase in investment securities of ¥10,651 million (up 69.9%).

Liabilities increased by ¥10,064 million (up 23.9%) compared to the balance as of the end of the previous fiscal year, to ¥52,206 million. Current liabilities increased by ¥3,606 million (up 15.3%) compared to the balance as of the end of the previous fiscal year, to ¥27,174 million due mainly to an increase in advances received of ¥1,927 million (up 20.2%) accompanying growth in orders received, and an increase in short-term borrowings of ¥2,724 million (up 34.8%). Non-current liabilities increased by ¥6,458 million (up 34.8%) compared to the balance as of the end of the previous fiscal year, to ¥25,031 million due mainly to an increase in long-term borrowings of ¥5,242 million (up 28.9%).

Net assets increased by ¥10,929 million (up 32.0%) compared to the balance as of the end of the previous fiscal year, to ¥45,090 million due mainly to a recording of ¥3,205 million in profit attributable to owners of parent, an increase of ¥8,022 million in valuation difference on available-for-sale securities of which market value rose, and an increase of ¥1,727 million in the balance of foreign currency translation adjustment, despite a dividend payment of ¥2,081 million.

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

In consideration of the latest business trends, the Company revised the consolidated financial forecasts for the fiscal year ending March 31, 2025, announced on May 8, 2024. For details, please refer to the "Notice Regarding Revisions of Consolidated Earnings Forecasts for the Full-Year of the Fiscal Year Ending March 31, 2025" announced today. The assumed exchange rate is US$1 = ¥145.00, established at the beginning of the period. The impact of exchange rates on revenue and operating profit is increasing as the ratio of overseas business expands. The Company estimates the foreign exchange rate sensitivity of a ¥1 annual depreciation against the USD increases revenue by ¥52 million and operating profit by ¥13 million.

The initial full-year plan for orders received for the fiscal year ending March 31, 2025 was ¥34,284 million, but this has been revised to ¥31,600 million, taking into account that the total for the first nine months was ¥22,675 million. Although the planned figure has been revised down, this still assumes a high double-digit increase of 15.3% year-on-year.

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.

[Orders received in the nonclinical business]

(Millions of yen)

	Results for the nine months ended December 31, 2021	Full-year results for the fiscal year ended March 31, 2022	Results for the nine months ended December 31, 2022	Full-year results for the fiscal year ended March 31, 2023	Results for the nine months ended December 31, 2023	Full-year results for the fiscal year ended March 31, 2024	Results for the nine months ended December 31, 2024	Full-year plan for the fiscal year ending March 31, 2025
Orders received	17,860	22,839	19,278	24,920	20,659	27,411	22,675	31,600
Of which, Japan	12,680	16,318	11,368	16,339	14,731	20,359	13,999	19,166
Of which, overseas	5,180	6,521	7,910	8,581	5,928	7,052	8,675	12,434
Order backlog	19,960	20,966	32,585	29,248	33,863	33,212	35,568	

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

[Trends in principal management benchmarks]

(Millions of yen, unless otherwise noted)

	Results for the nine months ended December 31, 2021	Full-year results for the fiscal year ended March 31, 2022	Results for the nine months ended December 31, 2022	Full-year results for the fiscal year ended March 31, 2023	Results for the nine months ended December 31, 2023	Full-year results for the fiscal year ended March 31, 2024	Results for the nine months ended December 31, 2024	Full-year plan for the fiscal year ending March 31, 2025
	From April 2021 to December 2021	From April 2021 to March 2022	From April 2022 to December 2022	From April 2022 to March 2023	From April 2023 to December 2023	From April 2023 to March 2024	From April 2024 to December 2024	From April 2024 to March 2025
Capital expenditures		1,703	3,320	5,614	3,409	8,525	9,089	10,559
Depreciation	853	1,177	1,107	1,544	1,265	1,774	1,770	2,557
R&D expenses	286	425	378	683	1,302	1,741	1,829	2,471
Number of employees at period-end (people)	1,002	994	1,219	1,208	1,344	1,341	1,457	1,465

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

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Thousands of yen)

	As of March 31, 2024	As of December 31, 2024
Assets		
Current assets		
Cash and deposits	10,274,773	9,923,316
Notes and accounts receivable - trade, and contract assets	5,778,872	6,375,377
Securities	336,724	134,223
Inventories	12,373,178	14,209,419
Other	2,130,226	2,316,847
Allowance for doubtful accounts	(56,062)	(96,879)
Total current assets	30,837,713	32,862,305
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	10,686,940	17,038,733
Land	3,959,041	4,038,990
Other, net	11,711,684	12,829,822
Total property, plant and equipment	26,357,666	33,907,547
Intangible assets		
Goodwill	1,934,419	1,854,508
Other	224,879	240,980
Total intangible assets	2,159,298	2,095,489
Investments and other assets		
Investment securities	15,235,711	25,887,467
Other	1,725,904	2,557,682
Allowance for doubtful accounts	(13,947)	(13,947)
Total investments and other assets	16,947,667	28,431,202
Total non-current assets	45,464,633	64,434,238
Total assets	76,302,347	97,296,544

(Thousands of yen)

	As of March 31, 2024	As of December 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	460,527	556,351
Short-term borrowings	7,826,167	10,550,979
Income taxes payable	1,701,128	1,330,819
Advances received	9,542,361	11,469,480
Other	4,037,708	3,266,740
Total current liabilities	23,567,894	27,174,372
Non-current liabilities		
Long-term borrowings	18,147,876	23,390,129
Lease liabilities	212,815	147,135
Other	213,125	1,494,660
Total non-current liabilities	18,573,818	25,031,925
Total liabilities	42,141,712	52,206,297
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	18,339,799
Treasury shares	(420)	(492)
Total shareholders’ equity	29,252,993	30,376,870
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,644,434	11,666,702
Foreign currency translation adjustment	1,216,991	2,944,632
Total accumulated other comprehensive income	4,861,426	14,611,334
Non-controlling interests	46,215	102,040
Total net assets	34,160,635	45,090,246
Total liabilities and net assets	76,302,347	97,296,544

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

Quarterly consolidated statement of income (cumulative)

(Thousands of yen)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Revenue	17,984,725	22,235,369
Cost of revenue	8,447,513	10,552,110
Gross profit	9,537,211	11,683,259
Selling, general and administrative expenses	7,001,481	9,789,307
Operating profit	2,535,730	1,893,951
Non-operating income		
Interest income	75,800	36,772
Dividend income	2,075	1,630
Share of profit of entities accounted for using equity method	2,148,164	2,628,755
Foreign exchange gains	279,557	–
Other	203,788	120,471
Total non-operating income	2,709,386	2,787,630
Non-operating expenses		
Interest expenses	96,860	148,206
Commission expenses	255,553	2,356
Foreign exchange losses	–	380,631
Other	8,439	11,853
Total non-operating expenses	360,852	543,048
Ordinary profit	4,884,264	4,138,533
Extraordinary income		
Gain on sale of non-current assets	4,707	4,042
Gain on sale of investment securities	–	21,919
Gain on step acquisitions	82,164	–
Total extraordinary income	86,871	25,961
Extraordinary losses		
Loss on retirement of non-current assets	27,030	121,093
Loss on sale of non-current assets	2,581	–
Impairment losses	3,860	14,332
Total extraordinary losses	33,472	135,426
Profit before income taxes	4,937,663	4,029,069
Income taxes - current	1,643,960	1,445,996
Income taxes - deferred	(511,045)	(593,053)
Total income taxes	1,132,914	852,943
Profit	3,804,748	3,176,125
Profit attributable to non-controlling interests	10,101	29,420
Profit attributable to owners of parent	3,794,647	3,205,545

Quarterly consolidated statement of comprehensive income (cumulative)

(Thousands of yen)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Profit	3,804,748	3,176,125
Other comprehensive income		
Valuation difference on available-for-sale securities	26,557	8,022,267
Foreign currency translation adjustment	2,072,652	1,700,128
Share of other comprehensive income of entities accounted for using equity method	105,752	27,568
Total other comprehensive income	2,204,963	9,749,964
Comprehensive income	6,009,711	12,926,089
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,002,321	12,955,454
Comprehensive income attributable to non-controlling interests	7,390	(29,364)

(3) Notes to quarterly consolidated financial statements

(Notes on going concern assumption)

Not applicable.

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

In the third quarter of the fiscal year ending March 31, 2025, two companies were added as consolidated subsidiaries and one company was removed from such status due to an absorption-type merger. As a result, in the nine months ended December 31, 2024, five subsidiaries were newly included in the scope of consolidation.

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

Not applicable.

(Changes in accounting policies)

(Application of the "Accounting Standard for Current Income Taxes," etc.)

The Company has applied the "Accounting Standard for Current Income Taxes" (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022; hereinafter, the "2022 Revised Accounting Standard") and other relevant ASBJ regulations from the beginning of the three months ended June 30, 2024.

With regard to revisions to the classification of current income taxes (taxation on other comprehensive income), the Company conforms to the transitional treatment stipulated in the proviso of paragraph 20-3 of the 2022 Revised Accounting Standard, and the transitional treatment stipulated in the proviso of paragraph 65-2 of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022; hereinafter, the "2022 Revised Guidance"). There is no impact as a result of this change in accounting policies.

In addition, the Company has applied the 2022 Revised Guidance from the beginning of the three months ended June 30, 2024 as for the revisions related to the revised treatment in consolidated financial statements when gain or loss on sale arising from the sale of shares of subsidiaries, etc. among consolidated subsidiaries is deferred for tax purposes. This change in accounting policies has no impact on the quarterly and full-year consolidated financial statements of the previous fiscal year.

(Notes to quarterly consolidated statement of cash flows)

No quarterly consolidated statement of cash flows was prepared for the nine months ended December 31, 2024. Amounts of depreciation (including amortization of intangible assets excluding goodwill) and amortization of goodwill are as follows.

(Thousands of yen)

	Nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)	Nine months ended December 31, 2024 (from April 1, 2024 to December 31, 2024)
Depreciation	1,265,179	1,770,115
Amortization of goodwill	65,023	85,552

(Notes to segment information)

(Segment information)

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

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

(Thousands of yen)

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

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

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

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

II. Nine months ended December 31, 2024 (from April 1, 2024 to December 31, 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	21,614,592	49,659	317,959	21,982,210	253,158	22,235,369	–	22,235,369
Transactions with other segments	111,977	–	72,038	184,015	1,177,097	1,361,113	(1,361,113)	–
Total	21,726,569	49,659	389,997	22,166,226	1,430,256	23,596,483	(1,361,113)	22,235,369
Segment profit (loss)	5,036,356	(2,681,613)	(275,953)	2,078,789	44,071	2,122,860	(228,909)	1,893,951

(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 ¥228,909 thousand consist of negative ¥125,755 thousand in elimination of intersegment transactions and negative ¥103,153 thousand in corporate expenses not allocated to a reportable segment. Corporate expenses are mainly general and administrative expenses, which are not attributable to the reportable segments.

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

4. Financial results of Satsuma Pharmaceuticals are included in the TR business from October 1, 2023.