

We make strategic investments, aiming for sustainable growth.

Ryoichi Nagata

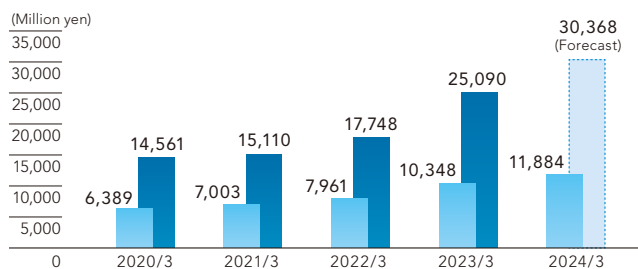
Representative Chairman,
President & CEO



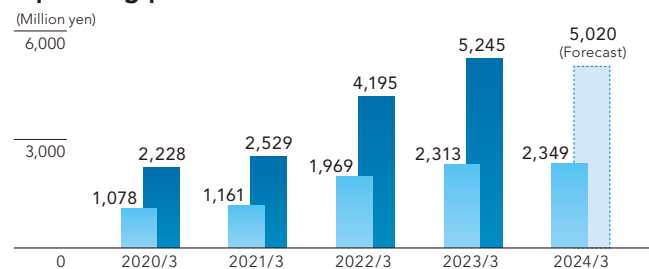
Summary of Financial Results

■ First half ■ Full year

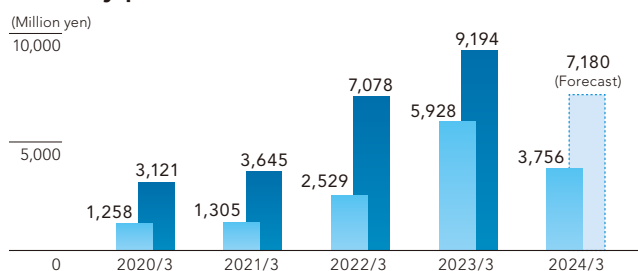
Revenue



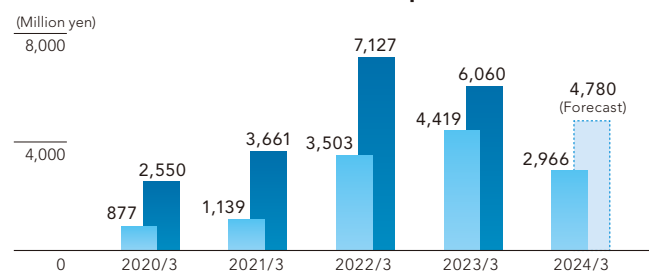
Operating profit



Ordinary profit



Profit attributable to owners of parent



Key points of financial results

In the first six months of the fiscal year ending March 31, 2024, our mainstay CRO business was the driving force behind the steady growth of revenue and profit. Record high revenue and operating profit were achieved for the second and the fifth consecutive term, respectively. Ordinary profit decreased by ¥2,170 million year on year and, unfortunately, a record high has not been achieved here for the sixth consecutive term. This was not due to a decline in the earning power of our main business, but it is attributed to a decrease in foreign exchange gains. Foreign exchange gains, which are recorded under non-operating income, amounted to 2.58 billion yen in the first half

of the previous fiscal year. In the first six months under review, foreign exchange gains of ¥240 million were posted, down by ¥2,340 million. This is the factor for the decline in profit. Excluding the impact of foreign exchange, ordinary profit increased by 5.1% year on year. Another factor that contributed to ordinary profit is the share of profit of entities accounted for using equity method from PPD-SNBL K.K. (hereinafter, PPD-SNBL), which is engaged in clinical business. This increased by ¥240 million from the same period last year, amounting to ¥1,230 million, which is a record high.

CEO INTERVIEW

Q

Could you explain the financial results for the first half of the fiscal year ending March 31, 2024?

A

Both revenue and profit exceeded the company's projections, with our mainstay CRO business being the driving force behind this.

In the first six months, ordinary profit decreased by ¥2,170 million year on year (down 36.6%). This is due to the generation of as much as ¥2,580 million in foreign exchange gains, exceeding operating profit, in the first half of the previous fiscal year. That unexpected exchange rate significantly increased our ordinary profit. Without the impact of such a significant foreign exchange rate, ordinary profit increased by ¥170 million (up 5.1%) year on year. Both revenue and profit remained above the revised earnings forecasts for the first six months, which we announced on August 2. We, therefore, plan to pay an interim dividend of ¥20 per share as we planned initially. Orders received in the nonclinical business in the first half stood at ¥12,650 million, down by 5.4% year on year. At present, however, inquiries, which are a leading indicator of contracts received, have picked up. Inquiries from overseas customers began to increase in October. I want to emphasize the strong performance of the clinical business of PPD-SNBL, a joint venture with PPD International Holdings, LLC, which is a major international clinical CRO based in the United States. Our share of profit of entities accounted for using equity method from PPD-SNBL increased by ¥240 million year on year, to ¥1,230 million, a record-high first-half value. With the clinical business as the addition to the nonclinical business that is an existing profit engine, our CRO business now has a business model that our competitors cannot imitate.

Q

Could you explain the forecasts for the second half of the fiscal year ending March 31, 2024 and the future direction of the Company?

A

For sustainable growth, we will invest intensively in human resources, facilities, and the breeding of laboratory NHPs in Japan.

Concerning our mainstay CRO business, we regard our current business environment as a good opportunity for further growth, and we are investing intensively in three initiatives, the enhancement of human resources, facility enhancement, and the establishment of a system for breeding laboratory NHPs in Japan. Regarding human resources, we recruited 149 new employees in April 2023 (compared to 40 in April last year). In terms of facilities, contract research facility expansion work is underway with a new eight-story office and research building being constructed on the premises of the Kagoshima Head Office scheduled to be completed around the end of May 2024. Nonclinical studies conducted using laboratory NHPs are essential for the safety study of new modalities in drug discovery. We are making strategic large-scale investments in Japan and overseas to establish a stable framework for breeding and supplying laboratory NHPs. We will continue to focus on these strategic



initiatives in the second half of the fiscal year.

The accrual of US\$ 11 million (¥1,590 million) as temporary expenses associated with the acquisition of Satsuma Pharmaceuticals, Inc. in the United States, which will be posted in the second half, is the main reason for the lower profit forecast in the current fiscal year. The results of the US FDA review of STS101, an intranasal drug for migraines for which we submitted a New Drug Application in March 2023, are expected to be announced in the middle of January 2024. We have received very positive feedback from our consultations with the FDA. If the approval is given, we will take quick actions to market the drug in the United States.

Q

Could you explain your initiatives for SDGs/ESG toward the enhancement of corporate value?

A

We have received Platinum Eruboshi certification in recognition of our initiative on promoting the active participation and empowerment of women in the workplace.

We published our Integrated Report 2023 on November 1, 2023. In the integrated report, we explained our 2028Vision, "Promoting people's happiness hand in hand with our stakeholders" as our image of what we want to be in FY2028. Regarding our human capital management initiatives, I have been managing the SNBL Group with the belief that a core element of business is to "develop people's potential." We believe that human capital is an important strategic core that enables us to build a competitive edge and differentiate ourselves from other companies, and we also see it as a source of the enhancement of our corporate value. Therefore, we invest a lot of time in our employee education program, Nagata-juku.

The greatest topic for the current fiscal year is that we received Platinum Eruboshi certification on October 11, 2023. In the Eruboshi certification program, the Minister of Health, Labour and Welfare recognizes excellent companies promoting initiatives for women's participation and advancement in the workplace. Previously, three stars was the highest rating, but in June 2020, a certification program granting the even higher rating of Platinum Eruboshi was launched. While there are slightly more than 3,800 listed companies in Japan, the certification's criteria are high. We are the seventh listed company to receive the certification and the first among healthcare-related companies.

We would like to ask our shareholders for their continued support as they watch over our growth.

Our Core Base for Bioanalysis Operations

Pharmacokinetics and Bioanalysis Center



? What are bioanalysis operations?

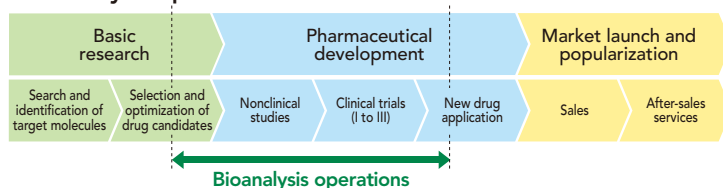
Our mainstay business is the provision of support for pharmaceutical development, that is, confirming the safety and efficacy of drug development candidates provided by pharmaceutical companies and other customers. When a drug (test article) is administered into the body, it is eliminated from the body through the processes of absorption, distribution, and metabolism. In order to analyze how much of the administered drug reaches the tissues in each of these processes, we administer the drug to experimental animals, collect bioanalytical samples such as plasma, and measure and analyze the concentration of the drug in the samples for nonclinical projects.

The concentration analysis performed for drugs (test article) and biomarkers*¹ is called bioanalysis. In the pharmaceutical industry, progress is being made in the development of new modalities in drug discovery, including nucleic acid medicine, antibody-drug conjugate (ADC), and gene therapy in addition to antibody drugs,*² and the demand for measurement systems and accurate measurements for these drugs has been growing.

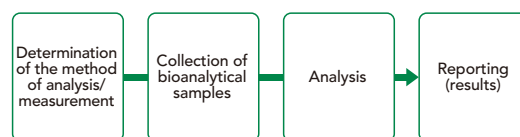
*1 Biomarker: A biological marker for checking change in the condition and reaction to a treatment by examining biological samples that are contained in the blood, urine, etc.

*2 Antibody drugs: Antibody drugs are pharmaceutical drugs that use antibodies. They produce effects by specifically binding to antigens that are targets on cell surface. They are expected to have high therapeutic effects and reduce side effects.

■ Pharmaceutical development process and scope of bioanalysis operations



■ Operational flow of bioanalysis



Pharmacokinetics and Bioanalysis Center in Wakayama



High-sensitivity mass spectrometer

■ SNBL's Pharmacokinetics and Bioanalysis Center

Our core base for bioanalysis operations is the Pharmacokinetics and Bioanalysis Center. We established this facility in the Kainan Intelligent Park in Kainan City, Wakayama, in August 1998. This facility has received the highest evaluation in all pharmaceutical GLP compliance inspections.*³ It is equipped with more than 40 liquid chromatograph-mass spectrometers (LC-MS/MS), which are mainstay analytical equipment. This is the largest number of liquid chromatograph-mass spectrometers at any CRO in Japan. The facility also has multiple liquid chromatograph-mass spectrometers that are the latest model featuring high sensitivity. The Drug Safety Research Laboratories in

Kagoshima also have functions for bioanalysis operations, but they mainly conduct ligand binding assay (LBA), the analysis of macromolecular drugs including antibody drugs. We are responding to the growing customer demand for various bioanalysis operations through cooperation between the Pharmacokinetics and Bioanalysis Center in Wakayama and the Drug Safety Research Laboratories in Kagoshima. The development of new modalities in drug discovery is believed to have begun in earnest, and this is an area where market expansion is expected in the future.

*3 Pharmaceutical GLP compliance inspections: GLP (Good Laboratory Practice) is a set of standards for good laboratories. These standards apply to facilities that conduct the safety studies required for applications for marketing authorization of pharmaceuticals and medical devices. Pharmaceutical GLP compliance inspections are conducted to check that the GLP standards, which are necessary for conducting nonclinical studies related to the safety of drugs, are fulfilled in the operations.

Good news: we have received Platinum Eruboshi certification!

SNBL's initiatives for promoting the active participation and empowerment of women in the workplace



In October 2023, SNBL became the seventh listed company and the first one in the healthcare field to receive Platinum Eruboshi certification.

As of October 31, 2023, there are **44** Platinum Eruboshi certified companies, and **7** of them are listed companies. SNBL is **the first listed company** in the healthcare field to receive the certification.

? What is Eruboshi certification?

The Eruboshi certification program is based on the Act on the Promotion of Women's Active Engagement in Professional Life, which came into force on April 1, 2016.

In this program:

? What is Platinum Eruboshi?

Introduced in June 2020, Platinum Eruboshi certification is granted by the Minister of Health, Labour and Welfare to Eruboshi-certified companies which implement outstanding initiatives in terms of:

- **The achievement of action plans**
- **The status of implementation of initiatives related to the promotion of the active participation and empowerment of women** in the workplace.



Reasons why SNBL was selected as a Platinum Eruboshi-certified company

- We made company-wide efforts to achieve **100% of eligible male employees taking paternity leave** and achieved this goal.
- **The criteria for promotion to each position are available for anyone** to see, so all employees, regardless of their life stage, can have a fair chance. With initiatives including the above, **we achieved 24.4% ratio of women in management positions**. We were recognized for this and other achievements.

Initiatives for promoting the active participation and empowerment of women in the workplace.

SNBL's initiatives for promoting active participation and empowerment of women started from a company-wide questionnaire survey on women's workstyles that we conducted in 2007. We analyzed the results and began to improve our workplace proactively to enable women to work comfortably through initiatives, such as the establishment of a childcare facility attached to the workplace. Subsequently, female members were selected from each department across the organization to form the Working Nadeshiko Committee. This committee was established as a mechanism for collecting opinions from offices to identify the things that are needed to enable women to fully demonstrate their capabilities in the workplace, as well as things that employees have noticed in their everyday work regarding improvements that can be made and changes they desire. The committee has continued to meet for 30 minutes every week.

Initiatives of the Working Nadeshiko Committee

Conducting a regular company-wide questionnaire survey across departments and business locations and **considering the introduction of specific initiatives** based on the results of the survey

Holding luncheon seminars themed on childcare, careers, and other topics, thus providing **opportunities to build internal networks** and facilitating the **formation of various communities** beyond the boundaries between departments, job categories, and positions

The Committee's achievements

Since the establishment of the Working Nadeshiko Committee in 2014, **more than 50 improvements** have been made to date and **the percentage of women who leave the company because of marriage or childbirth improved from 38.5% (FY2008/3) to 1.5% (FY2021/3)**.

Interviews with members of the Working Nadeshiko Committee

Many of the company's employees are women. They return to work actively after giving birth and while they are raising their children. We offer reduced working hours to enable women to care for their children after returning to work, not to mention maternity leave and childcare leave. Women choose the work hours that are appropriate for their family. Many female employees who share the same experience are with us, so I think we have a working environment that allows us to utilize the programs without hesitation. In addition, telework is also available for employees who have difficulty coming to work due to nursing or caregiving needs. We can choose the workstyle that is appropriate for us, so I think the environment is also good for women who aim to develop their careers. (Kitamura)



The Committee always has a friendly atmosphere, allowing us to exchange opinions freely. Even if it is an issue at a different location, I feel a sense of unity because I can share my own opinions, saying, "I know about this service," or "This is how we solved the problem at this location." Last year, we created a form for employees to share their troubles. This has enabled us to solve more issues speedily. We hope to continue creating an environment where more employees can fully demonstrate their capabilities and work with peace of mind. (Oinishi)

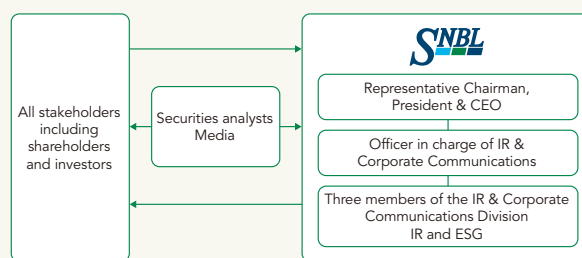


News From IR & Corporate Communication



Members of the IR & Corporate Communications Division

■ Framework for IR activities at SNBL



I am Toshiyuki Iwata, Division Head of the IR & Corporate Communication Division. Time goes by so quickly, and we are in the middle of FY2023. During the first six months of the current consolidated fiscal year, we had 168 meetings with institutional investors (compared to 162 meetings in the same period of the previous fiscal year). In May, we held a company information session in Kagoshima City, for individual investors with the President & CEO participating in the event as a speaker, creating an opportunity for direct, two-way communication between shareholders and investors and top management. March 2024 will be the 20th anniversary of our listing. All of us team members will continue working together cheerfully, happily, and with a smile, aiming to enhance the opportunities for constructive dialogue with the market. The following topics are discussed in this issue:

1 Continued Selection for Inclusion in the JPX-Nikkei Mid and Small Cap Index

In August, SNBL was again selected to be a constituent of the JPX-Nikkei Mid and Small Cap Index which is calculated jointly by JPX Market Innovation & Research, Inc. and Nikkei Inc. This index applies the concept of the JPX-Nikkei Index 400, whose constituents are “highly appealing to shareholders as investment destinations,” to companies with small and medium market capitalization. It is comprised of companies which aim to improve their corporate value sustainably and manage business with awareness of their shareholders. Its constituents are selected from among the common stocks whose main market is the Tokyo Stock Exchange Prime Market, Standard Market or Growth Market. They are the top 200 stocks determined using criteria that combine quantitative factors (3-year average ROE and 3-year cumulative operating profit) and qualitative factors (selection of independent outside directors, female officers, the disclosure of financial information and corporate governance reports in English, etc.). As a constituent of this index, we will continue to promote management with an awareness of the efficient use of capital as well as an awareness of the market and investors.



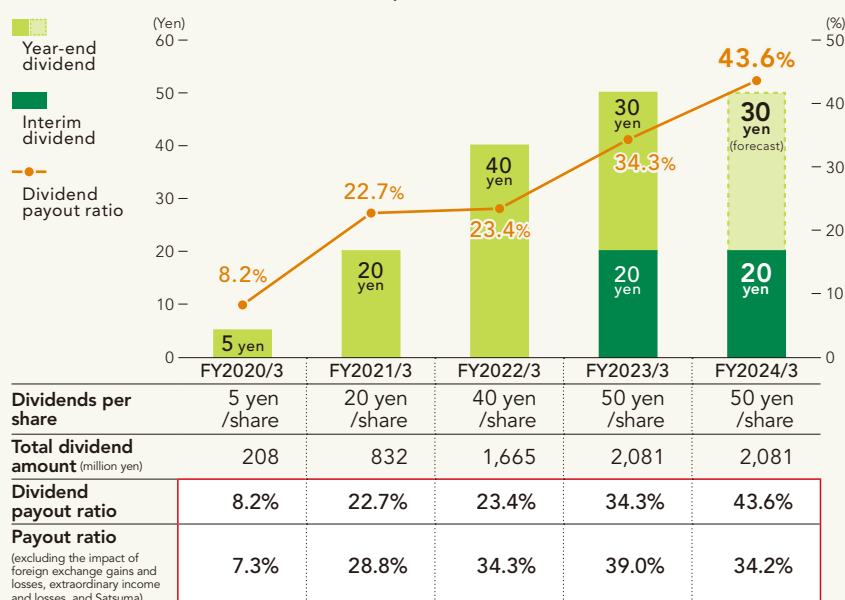
2 Level of Disclosure That Is By Far the Highest in Industry

We aim to improve the level of our financial results disclosures every quarter. After the establishment of the IR & Corporate Communications Division, the first thing we did was the quarterly disclosure of orders received and backlogs, which are leading indicators in our mainstay nonclinical business. In the next quarter, we disclosed the breakdown of orders received, by dividing them into orders received in Japan and ones received overseas. In the following quarter, we disclosed the breakdown of orders received overseas by dividing them into ones in Europe and the United States and ones received in Asia. In the third quarter of FY2022, we disclosed the number of cancellations, which had been taboo in the industry. We see our IR level as by far the highest in the CRO industry, and overseas investors are also surprised at the high level of our disclosures.

3 SNBL's Shareholder Return Policy

We regard stable profit-sharing with investors as one of our important management policies. Our basic policy is to set a target consolidated payout ratio of 30% to 40%, taking into account factors such as basic earning power and cash flows. In FY2023/3, partly reflecting record-high revenue, operating profit and ordinary profit, we paid an interim dividend of 20 yen for the first time. Combined with the year-end dividend of 30 yen, we paid a record-high annual dividend of 50 yen per share. In the fiscal year ending March 31, 2024, we expect to pay an annual dividend of 50 yen per share (including an interim dividend of 20 yen) again in comprehensive consideration of our performance trends, financial condition, the future expansion of our business, and other factors, as well as the return of profits to our shareholders.

Changes in dividends and dividend payout ratio



Share Status (As of September 30, 2023)

Total Number of Shares Issued

41,632,400 shares (including 469 treasury shares)

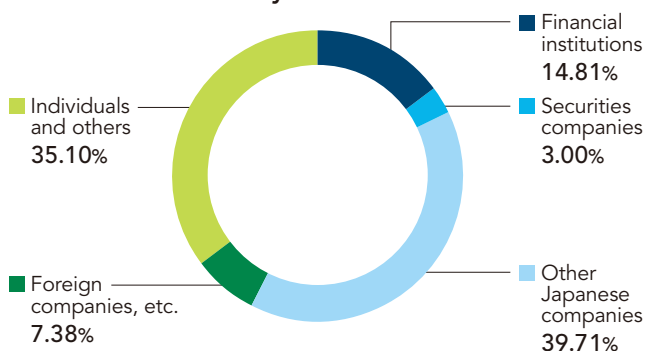
Number of Shareholders

14,839 people (up 4,630 people from the end of the previous fiscal year)

Major Shareholders (Top 10 shareholders)

Name	Number of Shares Held (thousand shares)	Shareholding Ratio (%)
Nagata and Company Co., Ltd.	14,740	35.41
The Master Trust Bank of Japan, Ltd. (Trust account)	3,232	7.76
Takahisa Nagata	2,030	4.88
Medipolis Medical Research Institute	1,474	3.54
Custody Bank of Japan, Ltd. (Trust Account)	1,417	3.41
Ikue Nagata	1,024	2.46
Ichiro Nagata	1,024	2.46
Rie Umehara	1,024	2.46
The KAGOSHIMA BANK, LTD.	1,000	2.40
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02 505002	428	1.03

Distribution of Shares by Shareholder



Board of Directors (As of September 30, 2023)

Representative Chairman, President, CEO, and CHO	Ryoichi Nagata
Senior Executive Vice President Group Financial Management and Global Business Management	Ken Takanashi
Executive Vice President General Manager of CRO Business and Hospitality Business	Ichiro Nagata
Executive Managing Director President of Nonclinical Company in charge of Global Business Development	Hideshi Tsusaki
Independent External Director (Part-Time)	Shinichi Fukumoto
Independent External Director (Part-Time)	Takashi Yamashita
Independent External Director (Part-Time)	Tsuyoshi Hanada
Independent External Director (Part-Time)	Keiko Toya

Basic Stock Information (As of September 30, 2023)

Fiscal Year	From April 1 to March 31 of the following year
Annual Shareholders Meeting	End of June every year
Record Date	March 31
Record Date for Distribution of Dividends of Surplus	March 31 (September 30 if interim dividends are paid)
Listed Exchange	TSE Prime Market (Code: 2395)
Number of Shares per Unit	100 shares
Administrator of Shareholders' Register	Stock Transfer Agency Department, Mizuho Trust & Banking Co., Ltd. 1-3-3 Chiyoda-ku, Tokyo 100-8241 Toll free number: 0120-288-324 (9:00-17:00 excluding Saturdays, Sundays and holidays)

PICK UP! 65th Anniversary Ceremony

On Saturday, August 19, approximately 400 people participated in the ceremony for the 65th anniversary of our founding that we held at SHIROYAMA HOTEL Kagoshima. After an opening address by President Nagata and congratulatory words from the guests, the event was divided into three parts. In part 1, Professor Kent E. Calder, international political scientist and Director of Edwin O. Reischauer Center for East Asian Studies, and Prof. Yoshinori Hara, professor at Kyoto University's Graduate School of Management, on the topic of "Japan's International Position and Necessary Strategies for Future Development," with President Nagata serving as the MC. Part 2 featured a musical ensemble with Vice President Ichiro Nagata playing the piano and a string quartet from the Kagoshima Symphony Orchestra. Part 3 was a concert performed by Lin Yu Chun, a Taiwanese singer famous for his heavenly voice. Vice President Ichiro Nagata began playing the piano at the age of three, and while a student at Juntendo University School of Medicine, he participated in the Chopin International Piano Competition in Asia several times, winning awards at the Asian competition. Even after not having performed for some time, his performance was brilliant and greatly applauded.



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