

FY 2023 Financial Results Briefing

Wednesday, May 31, 2023

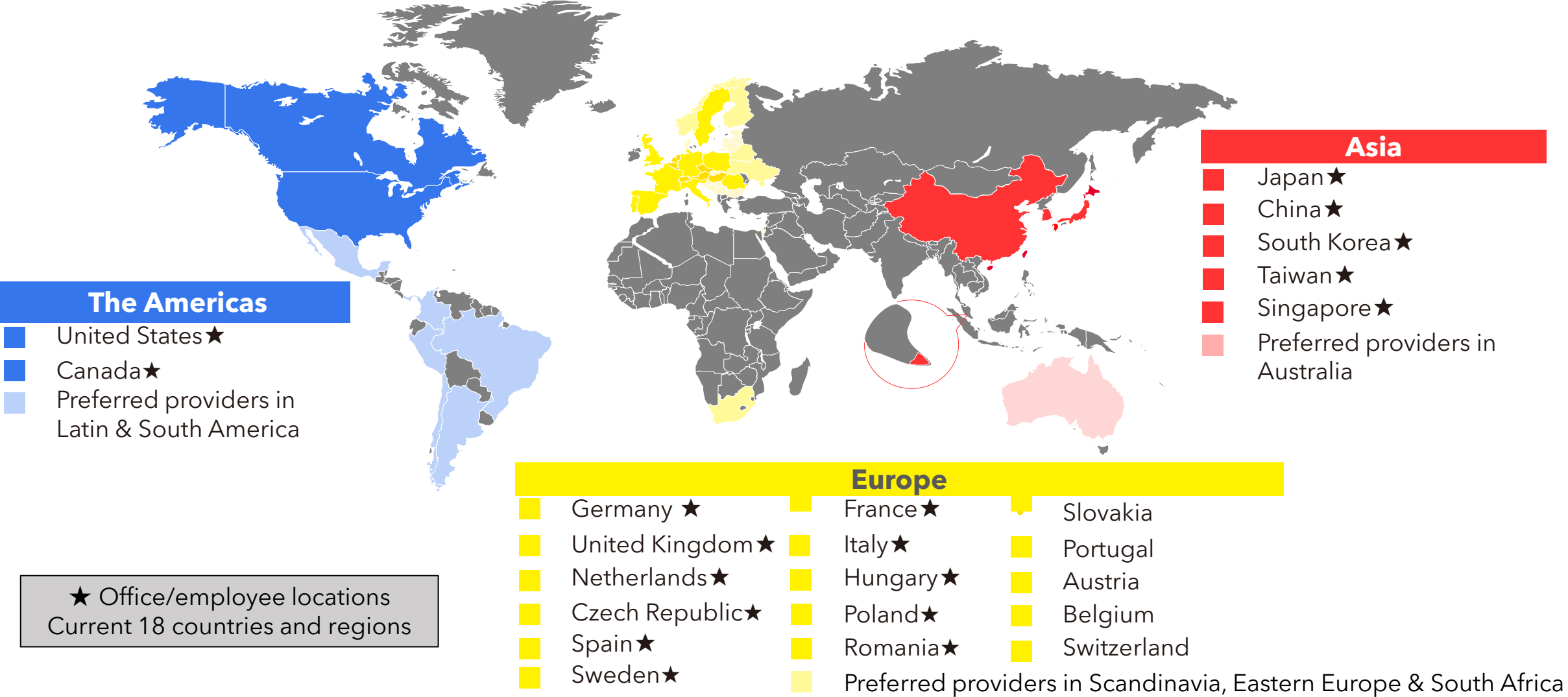
Linical Co., Ltd.

Kazuhiro Hatano, President and CEO

Agenda

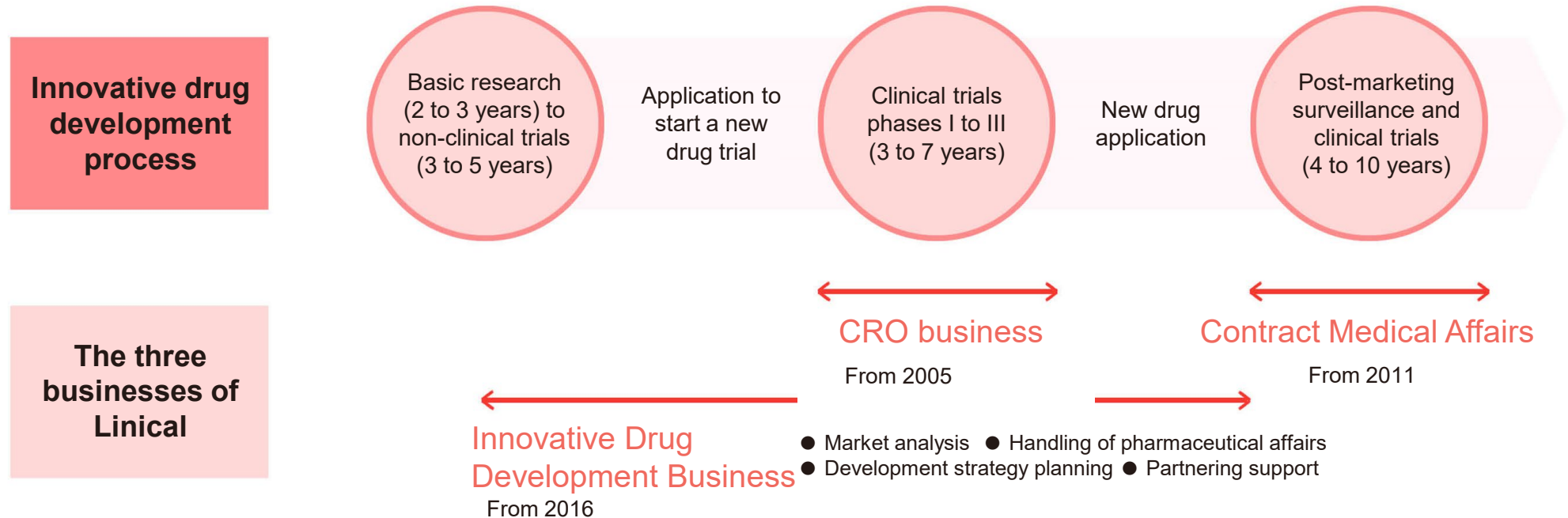
1. Company Overview
2. Financial Results for FY ended March 2023
3. Forecasts of FY ending March 2024
4. Management Strategy
 - [1] Strengthening of Profitability
 - [2] Strengthening of Governance

Our global network



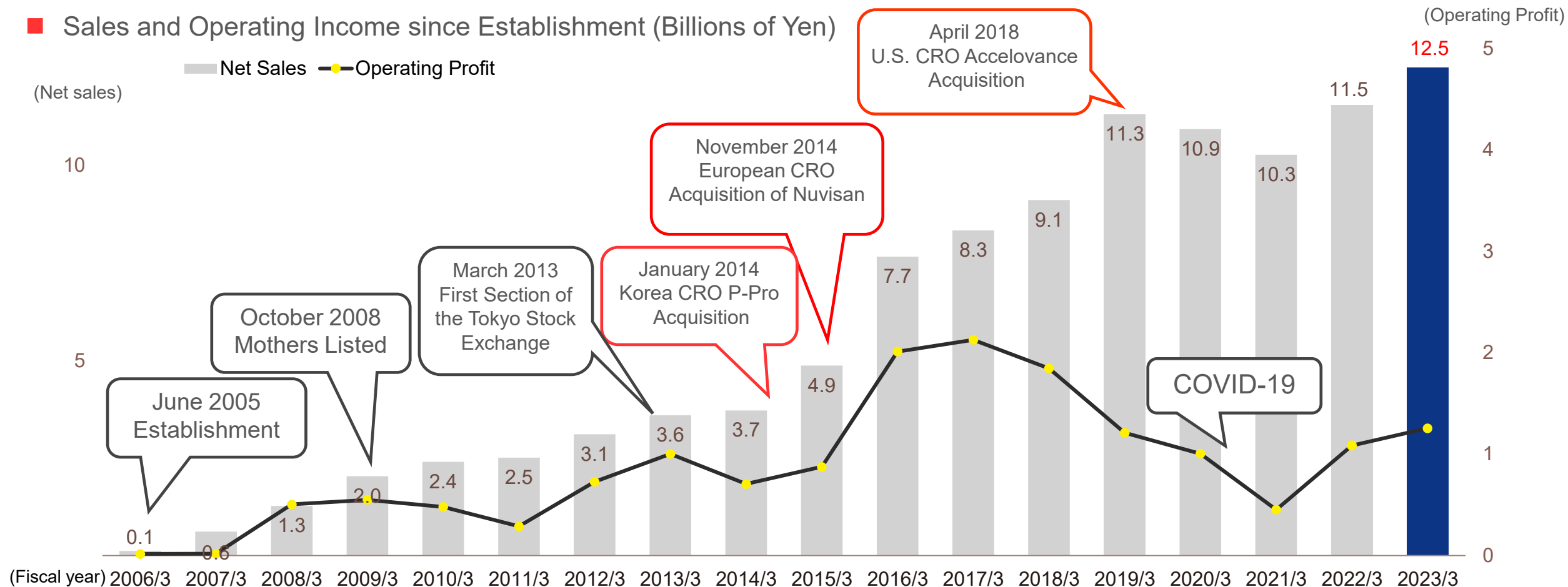
The Three Businesses of Linical

- We specialize in clinical development and cover the entire process from the innovative drug development stage through to the new drug development and approval stages.



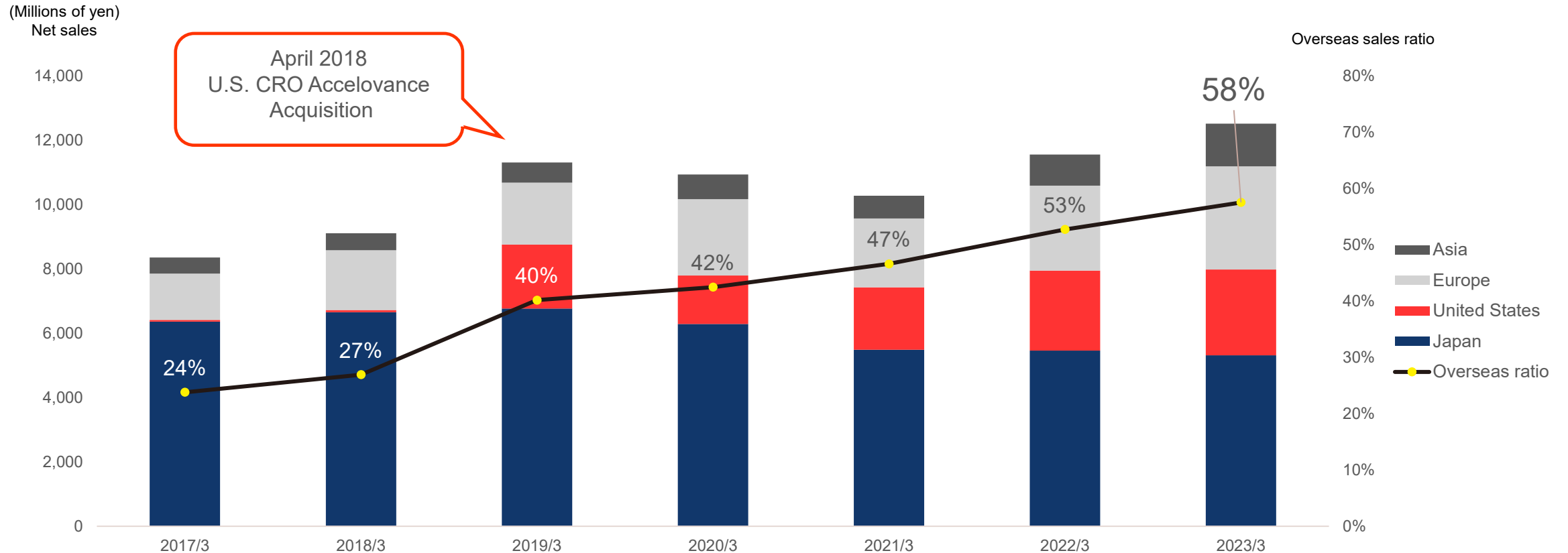
- We have developed three businesses centered on CRO business.
- Contract Medical Affairs business: We support post-marketing clinical research and marketing activities
- Innovative Drug Development Business :We provide consulting services that give total support for a wide range of pharmaceutical development activities including market analysis, the formulation of pharmaceutical affairs and development strategies, the selection of marketing partners, and the conclusion of contracts.

We Achieved Our Highest Ever Sales for the Second Consecutive Year



We achieved our highest ever sales for the second consecutive year. Operating profit also recovered, bringing the operating margin to a level in excess of 10%.

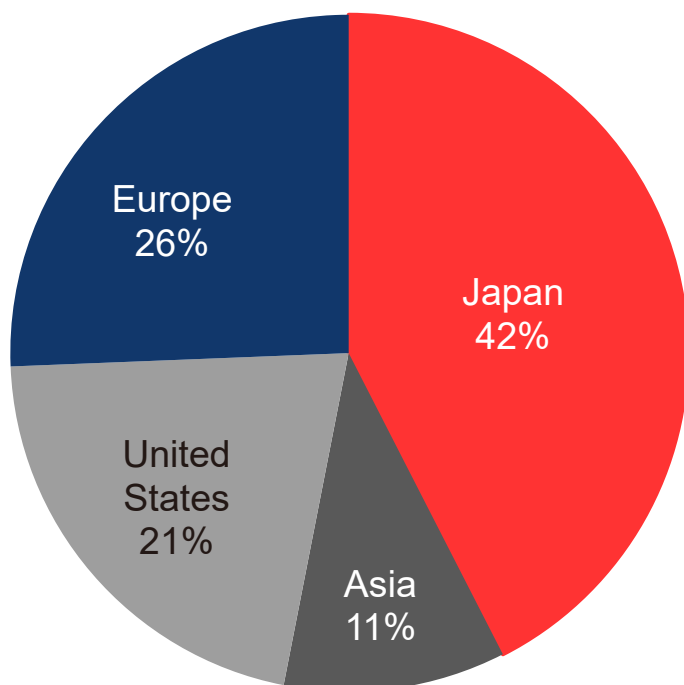
The Overseas Sales Ratio Reached About 60%



The overseas sales ratio has increased gradually and reached 58% in FY 2023. As a global CRO, we are entrusted with multi-regional clinical trials, with each region working in cooperation.

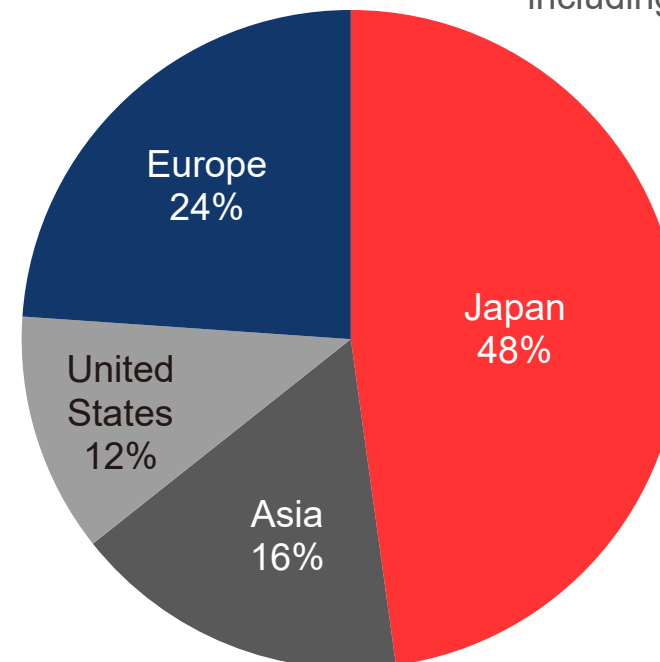
Sales and Employee Ratios by Region

■ Net sales: 12,516 million yen
(FY ended March 2023)



Overseas ratio 58%

■ Number of employees: 799
(As of the end of March 2023)
* including contract employees



Overseas ratio 52%

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Consolidated Financial Results



Units: Millions of yen, %	FY ended March 2022		FY ended March 2023		
	Amount	Net Sales	Amount	Net Sales	Year-on-Year
Net Sales	11,555	100%	12,516	100%	108.3%
Cost of Sales	7,943	68.7%	8,355	66.8%	105.2%
SG&A Expenses	2,525	21.9%	2,905	23.2%	115.0%
Operating Profit	1,085	9.4%	1,256	10.0%	115.7%
Ordinary Profit	1,183	10.2%	1,283	10.3%	108.4%
Net Profit	790	6.8%	1,004	8.0%	127.1%

■ Net sales: Increased

- Sales in all overseas business increased due to large-scale international clinical trials in the United States and Europe, and the weak yen.

■ Operating profit: Increased

- Operating profit increased due to strict control of personnel expenses by adjusting the number of employees hired in Japan.
- Although large-scale international clinical trials in the United States and Europe were delayed in the first quarter, they recovered from the second quarter on.
- The personnel utilization rate maintained a high level.

Financial Results by Region

Unit: Millions of yen	FY ended March 2022			FY ended March 31, 2023					
	Net Sales **	Operating Profit	Ordinary Profit	Net Sales	Rate of Change %	Operating Profit	Rate of Change %	Ordinary Profit	Rate of Change %
Japan	6,294	506	684	5,981	95.0	737	145.7	1,058	154.7
United States	2,378	399	372	3,332	140.1	305	76.4	286	76.9
Europe	3,136	359	352	3,751	119.6	353	98.3	310	88.1
Korea	723	127	121	850	117.6	95	74.8	82	67.8
Taiwan	117	-90	-95	155	132.5	0	-	1	-
China	369	41	23	391	106.0	39	95.1	41	178.3
Consolidation Adjustments*	-1,462	-257	-275	-1,944	-	- 273	-	-495	-
Total	11,555	1,085	1,183	12,516	108.3	1,256	115.7	1,283	108.4

* Amortization of goodwill is included in consolidation adjustments. ** Net sales have calculated before deducting internal transactions.

Balance of Goodwill and Remaining Amortization Period (As of March 2023)



Unit: Millions of yen	Goodwill			Related intangible assets other than goodwill ^{*2}		
	Balance at End of Term	Remaining Amortization Period(year)	Annual Amortization ^{*3}	Balance at End of Term	Remaining Amortization Period(year)	Annual Amortization ^{*3}
KOREA	Termination of depreciation in FY 2019			Termination of depreciation in FY 2019		
EUROPE ^{*1}	1,326	10 to 11	129	10.8 68.7	4 7.75	2.7 8.9
USA ^{*1}	2,058	11	187	40	4	10
TOTAL	3,384	—	316	119.5*	—	21.6

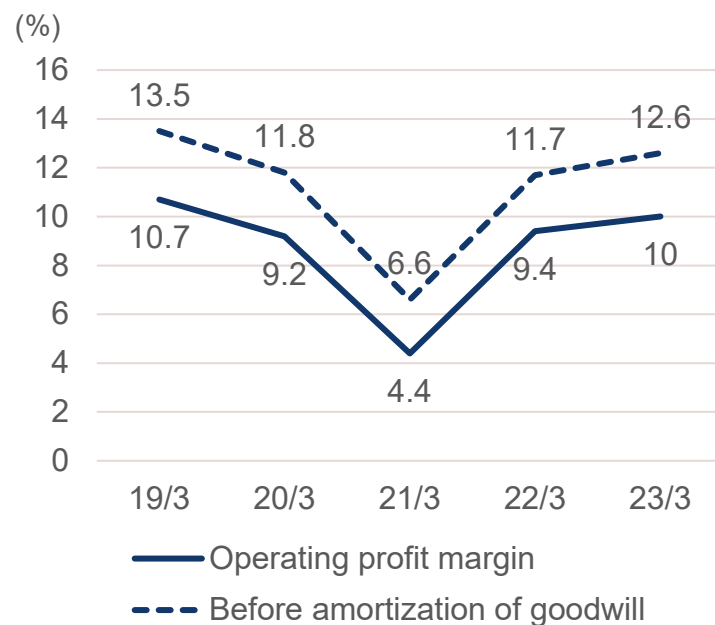
^{*1} Goodwill generated by the acquisition of Linical Accelovance America, Inc., has been apportioned pro rata to its European subsidiary.

^{*2} Intangible assets other than goodwill recognized by purchase price allocation.

^{*3} Figures have been converted at the exchange rate as of the end of the fiscal year ended March 2023.

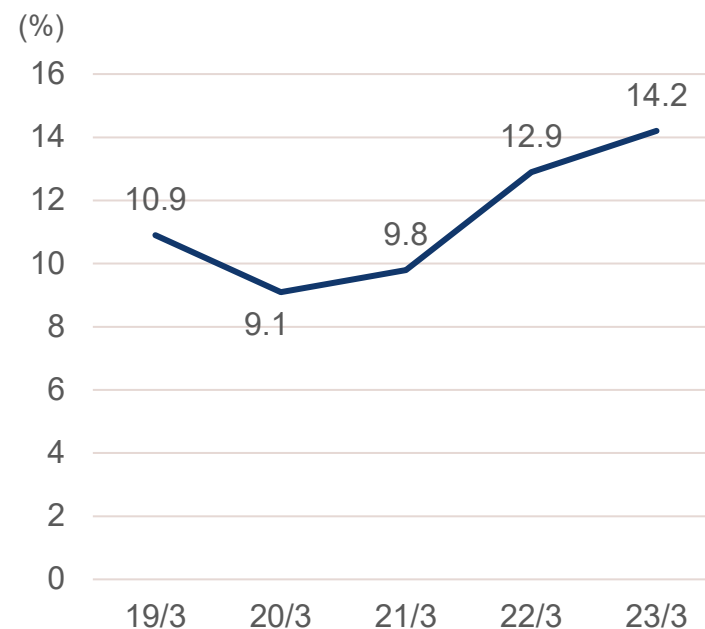
Key Financial Indicators (Past 5 Years)

Operating profit margin

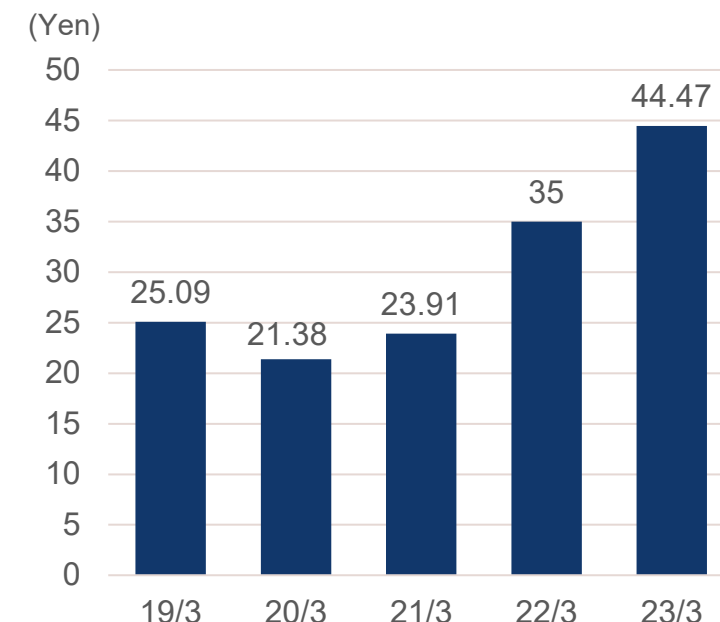


Medium to long-term goal
of in excess of 20%
(Before amortization of goodwill)

ROE



EPS



All indicators have recovered to pre-COVID-19 levels and are on an improvement trend.
We will aim for continuous improvement.

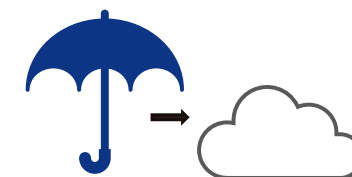
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The Business Environment in the Current Fiscal Year

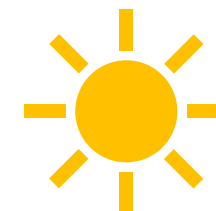
■ Japan

- May 8: COVID-19 made a class 5 infectious disease -> Normalization of clinical trial environment
- Increased demand for Alzheimer's-related business at Japanese pharmaceutical companies



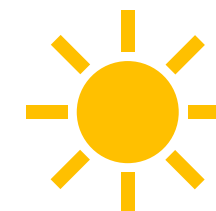
■ United States

- New drug development in the United States market is vigorous, with increased inquiries for new projects, including some large ones.
- We acquired multiple large-scale projects from American biotech firms and the hard backlog increased greatly.



■ Europe

- Inquiries about new projects have increased greatly recently and demand for the development of new drugs is vigorous.
- Although the hard backlog decreased compared to the end of last fiscal year, we continued positive sales activities to accumulate sales.



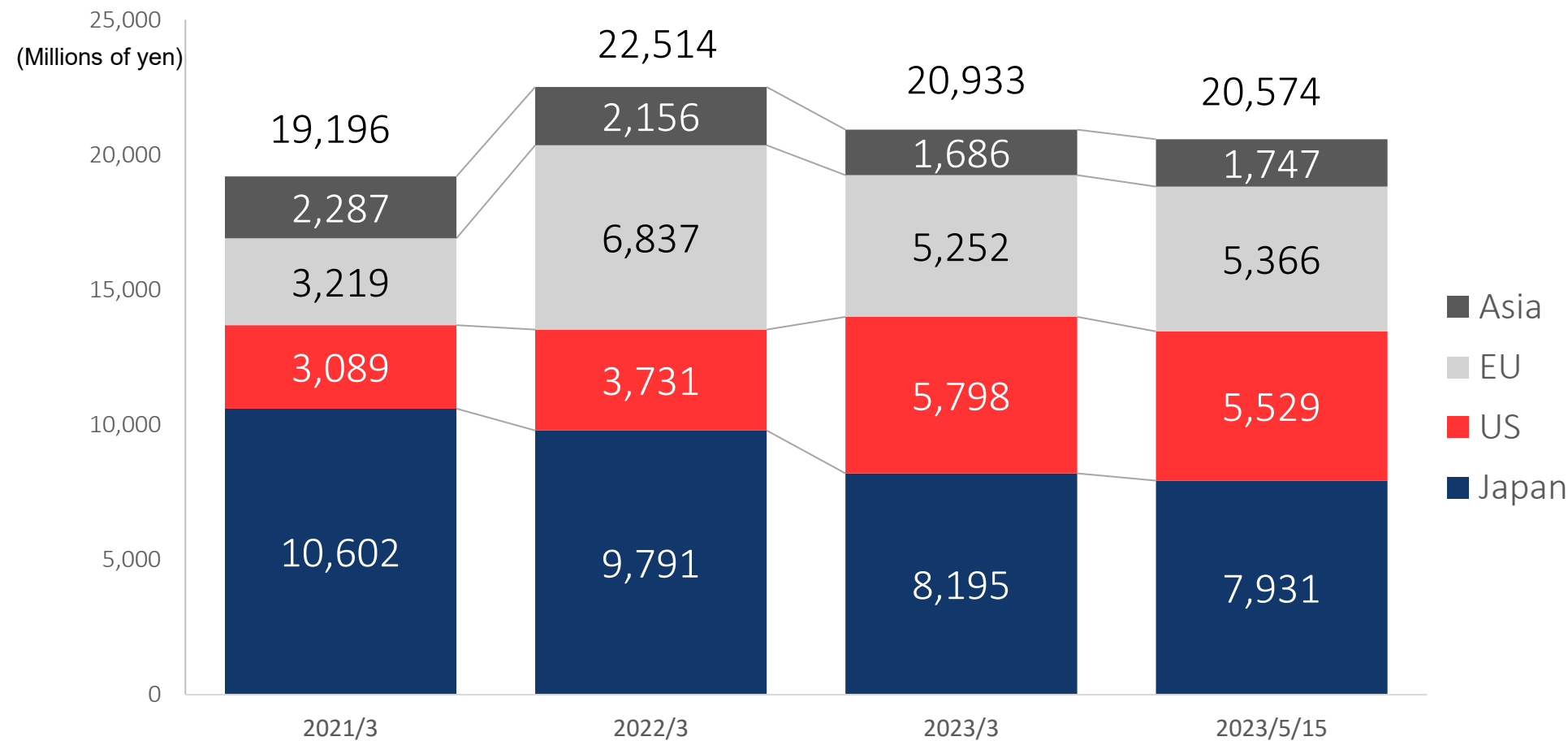
Full-Year Forecast

Unit: Millions of yen	FY ended March 2023 Results		FY ending March 2024 forecasts		
	Amount	Sales Ratio	Amount	Sales Ratio	Rate of Change
Net Sales	12,516	100%	13,300	100%	106.3%
Operating Profit	1,256	10.0%	1,400	10.5%	111.4%
Ordinary Profit	1,283	10.3%	1,400	10.5%	109.1%
Net Profit	1,004	8.0%	1,008	7.6%	100.4%
	Amount (yen)	Payout ratio (%)	Amount (yen)	Payout ratio (%)	
Dividend per share	14	31.5	15	33.6	

We plan to increase revenue and profit.

Dividends increased by 1 yen and the payout ratio continues at a level in excess of 30%.

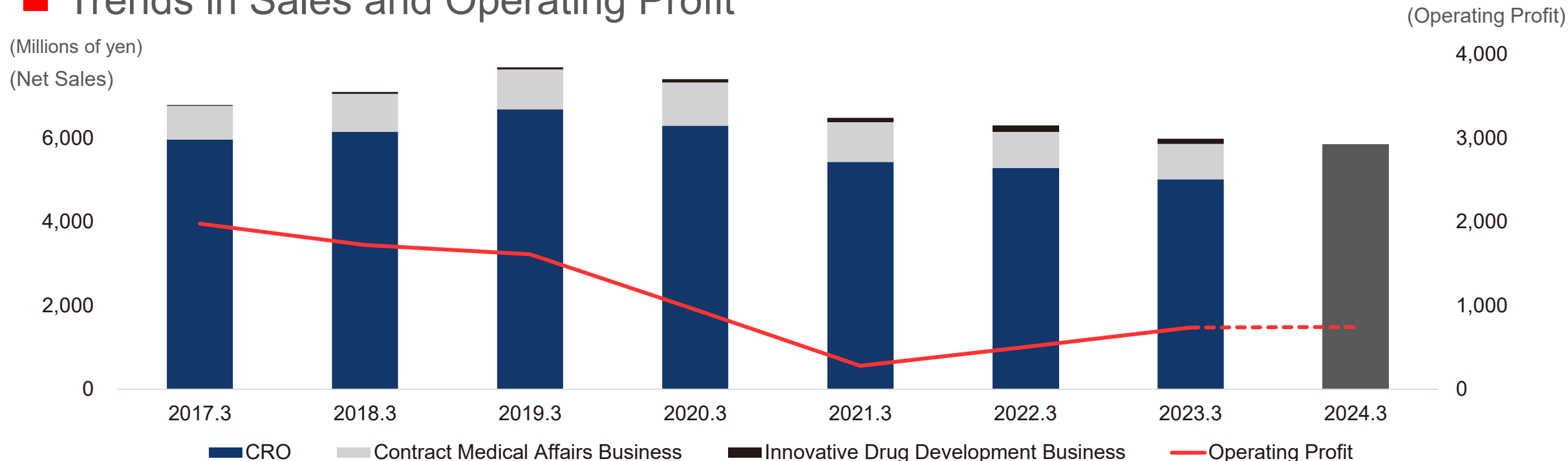
Hard Backlog by Region



The hard backlog remains at a high level of more than 20,000 million yen.

Financial Results by Region: Japan

Trends in Sales and Operating Profit

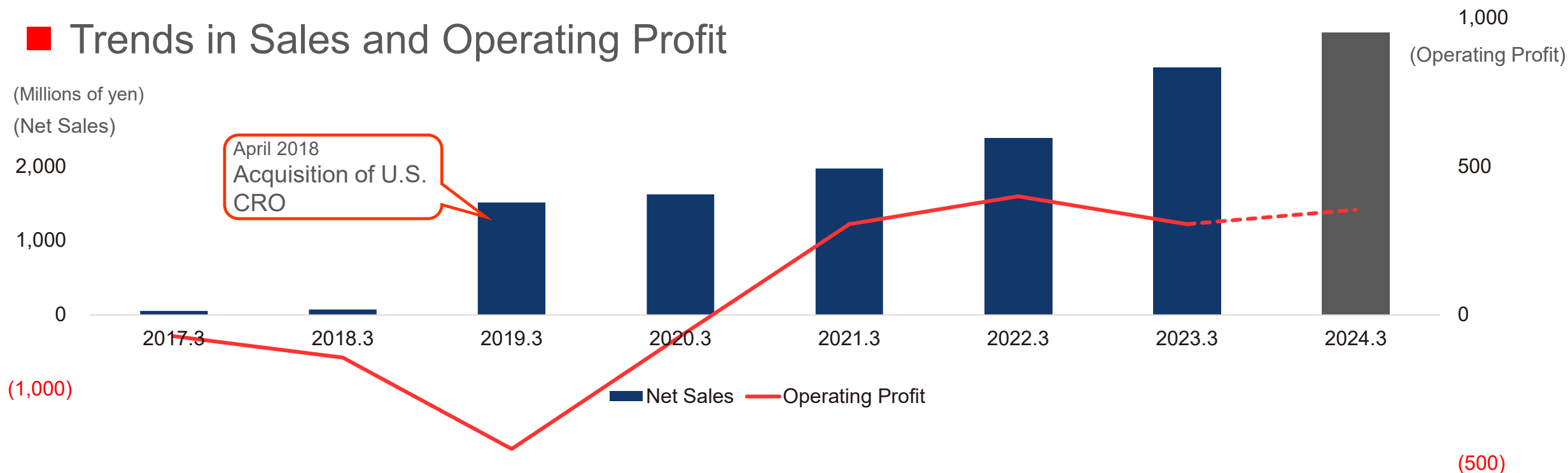


- The clinical trial environment in Japan is heading towards normalization, but impacts are expected to remain this term.
- We are continuing efforts to acquire clinical trials in Japan from European and American customers and to attract bio-venture development based on packages with innovative drug development in collaboration with marketing functions in Europe and the United States.

Financial Results by Region: US



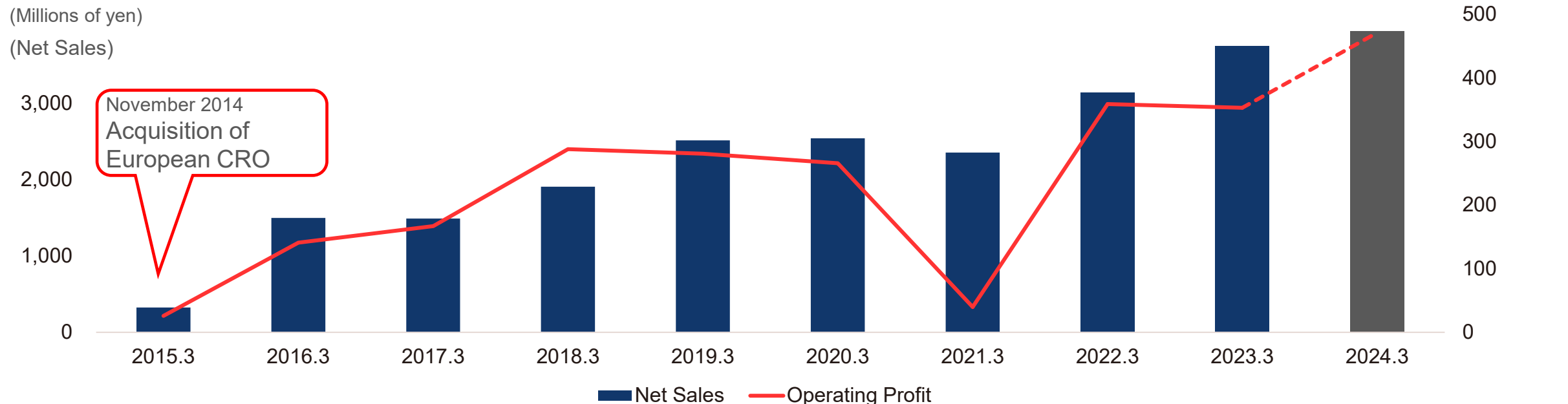
Trends in Sales and Operating Profit



- Business in the United States has grown steadily after the acquisition of a local CRO in April 2018.
- In the fiscal year ended March 2023, sales increased significantly to reach a record high. Operating profit fell due to factors including the impact of the utilization rate deteriorating because of delays in large-scale clinical trials in the first quarter.
- In the current fiscal year, we expect sales and profits to increase as we capture vigorous development demand from biotech companies.

Financial Results by Region: Europe

■ Trends in Sales and Operating Profit

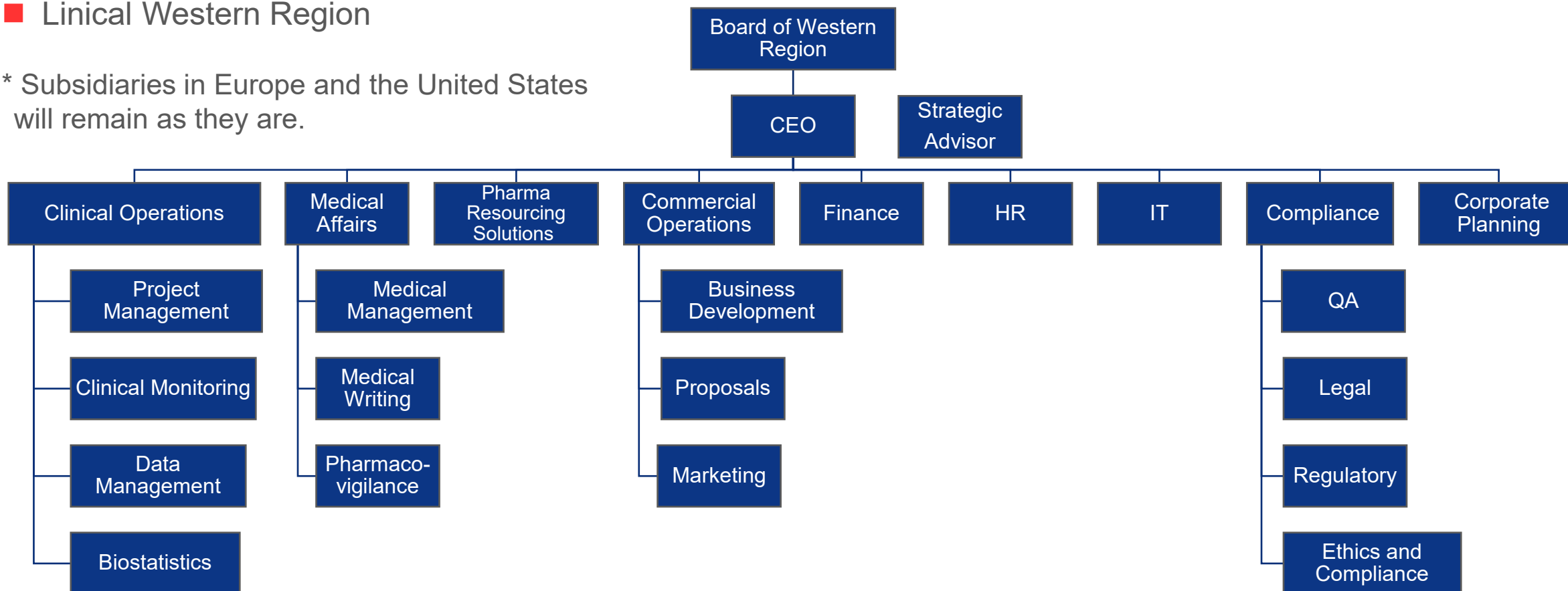


- Business in Europe recovered from the impact of COVID-19, recording record high sales in the fiscal year ended March 2023.
Operating profit fell slightly due to factors including the impact of the utilization rate deteriorating because of delays in large-scale clinical trials in the first quarter.
- In the current fiscal year, we will work on the acquisition of orders for multi-regional clinical trials by promoting sales activities integrating Europe and the United States, and we expect increased sales and profits.

Changes in Management Systems in Europe and the United States

■ Linical Western Region

* Subsidiaries in Europe and the United States will remain as they are.



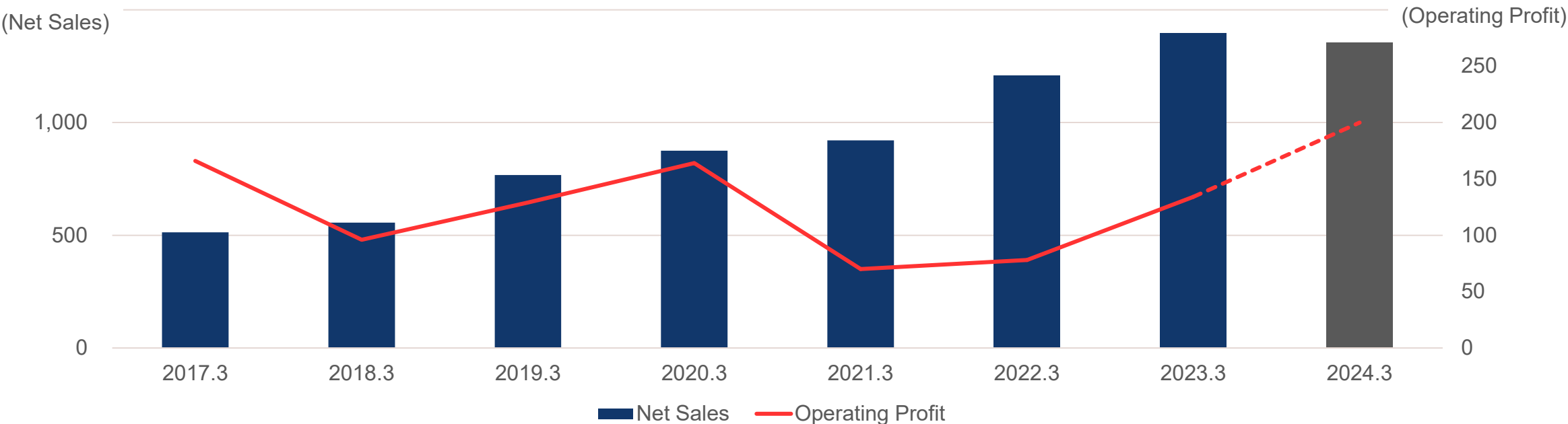
- We will unify the chain of command in Europe and the United States under one CEO to speed up decision-making.
- We will optimize the organization by unifying systems and business procedures that are duplicated at the two groups.
- The groups in Europe and the United States will unite to strengthen the sales structure and we will provide integrated services between the two poles.

Financial Results by Region: Asia



Trends in Sales and Operating Profit

(Millions of yen)



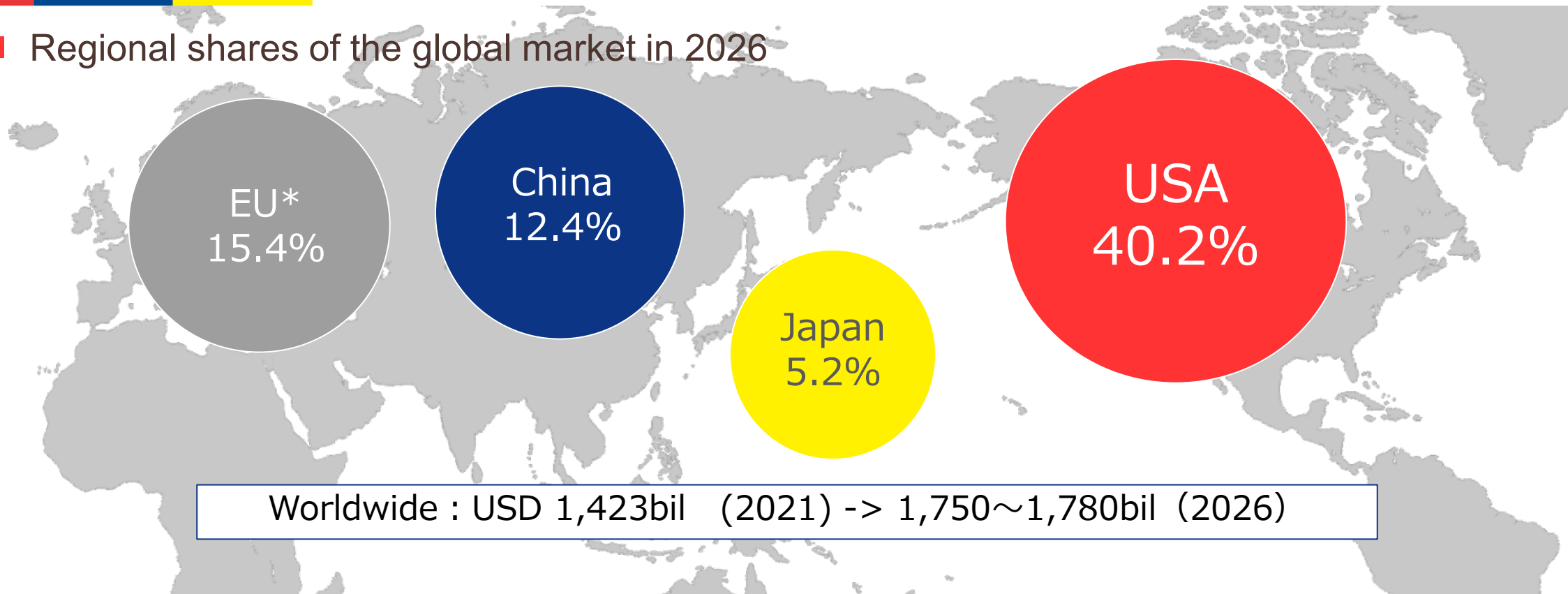
- In the fiscal year ended March 2023, sales in South Korea were at a record high for the second term running, and sales in China and Taiwan also increased. In addition to sales increasing in Taiwan, we returned to operating profitability as a result of continuing cost savings, and profits increased overall too.
- Next fiscal year, we will target an increase in the number of global clinical trials originating in Europe and the United States that include Japan and Asia by expanding synergies in European and American business.

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Global Pharmaceutical Market Size in 2026 (Latest Forecast)

■ Regional shares of the global market in 2026



Worldwide : USD 1,423bil (2021) -> 1,750~1,780bil (2026)

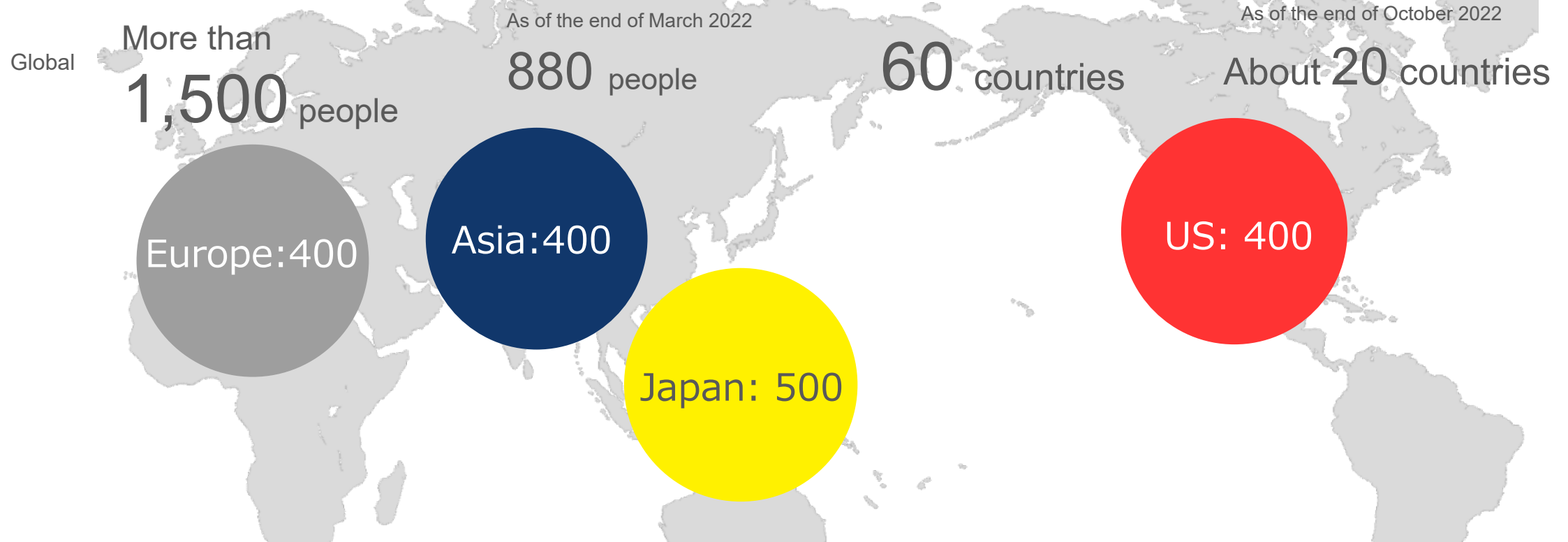
To 2026, the global pharmaceutical market is expected to grow at an annual average of 3 to 6%.
Japan is the only developed country with a forecast for negative growth.
Business expansion globally, including the United States, the largest market, is essential.

*EU : Germany, France, Italy, UK and Spain

Expansion of Our Business (2nd targets)

■ Number of employees

■ Number of countries where we do business



- 2nd targets
- [1] 500 people in Japan, 400 people in Asia, 400 people in Europe, 400 people in the United States
=> Building of a framework with more than 1,500 people
 - [2] Maintenance of profitability and improvement of profit margins while investing in growth
(including M&A) in each region
 - [3] Expansion into about 60 countries worldwide

The way we want to be



To be the “Strongest” CRO

We are aiming to be the strongest CRO, not the biggest. To be the strongest CRO, we need to be **knowledge-intensive** rather than labor-intensive, and to achieve the highest profitability in the industry. To realize this, each team member will aim to **outperform the competition in terms of revenue per person**

Strengthening of Profitability

Further growth of overseas business

- Most important market - We will conduct M&A quickly to realize growth in the United States.
- Europe - We will build a development system in Scandinavia.
- APAC - Expansion into Australia (next page)

Expansion of the customer base

- We are acquiring repeat orders from major Japanese pharmaceutical companies and contracts from European and American pharmaceutical companies.
- We are focusing on European and American biotech start-ups with promising development pipelines. We will aim to differentiate ourselves from major global CROs and expand our customer base by making detailed proposals that match needs.

Expansion of disease areas

- We will strengthen collaboration with medical institutions, external experts and partners to conduct high-quality clinical trials in a short period of time in areas where needs for new drug discovery modalities are expanding (rare diseases, ophthalmology, dermatology, etc.) in addition to oncology, central nervous system, and autoimmune diseases.

Expansion of service areas

- For biotech companies that have limited experience and resources in global development compared to major pharmaceutical companies, we will provide high-quality, proposal-based services that meet customer needs quickly and flexibly on a global one-stop basis by strengthening the development of internal expert human resources and the use of external resources through collaboration.

Further Growth of Overseas Business

■ The strategic significance of expanding into Australia

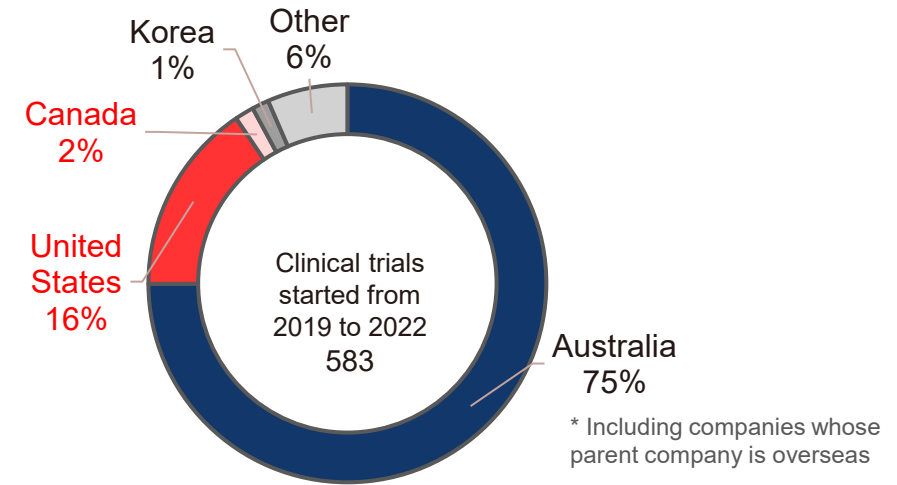
Clinical trial environment

- 1) The submission of notification to conduct Phase 1 clinical trials is not required.
- 2) Preferential tax system for pharmaceutical and bio companies that implement clinical trials domestically.



■ Number of sponsors conducting clinical trials in Australia by country

About 20% are from North America



Source: The Australian New Zealand Clinical Trials Registry (ANZCTR)

- By having a base in the southern hemisphere, we would be able to implement clinical trials on seasonal diseases throughout the year.
- The American bio-ventures that the company will focus on have no bases overseas and needs in Australia are high.
- There are many cases where Phase 1 trials are conducted in Australia, followed by Phase 2 and 3 clinical trials in Europe and the United States, leading to subsequent orders.

Handling of New Clinical Trial Methods

■ Handling of needs for greater development efficiency using digital technology

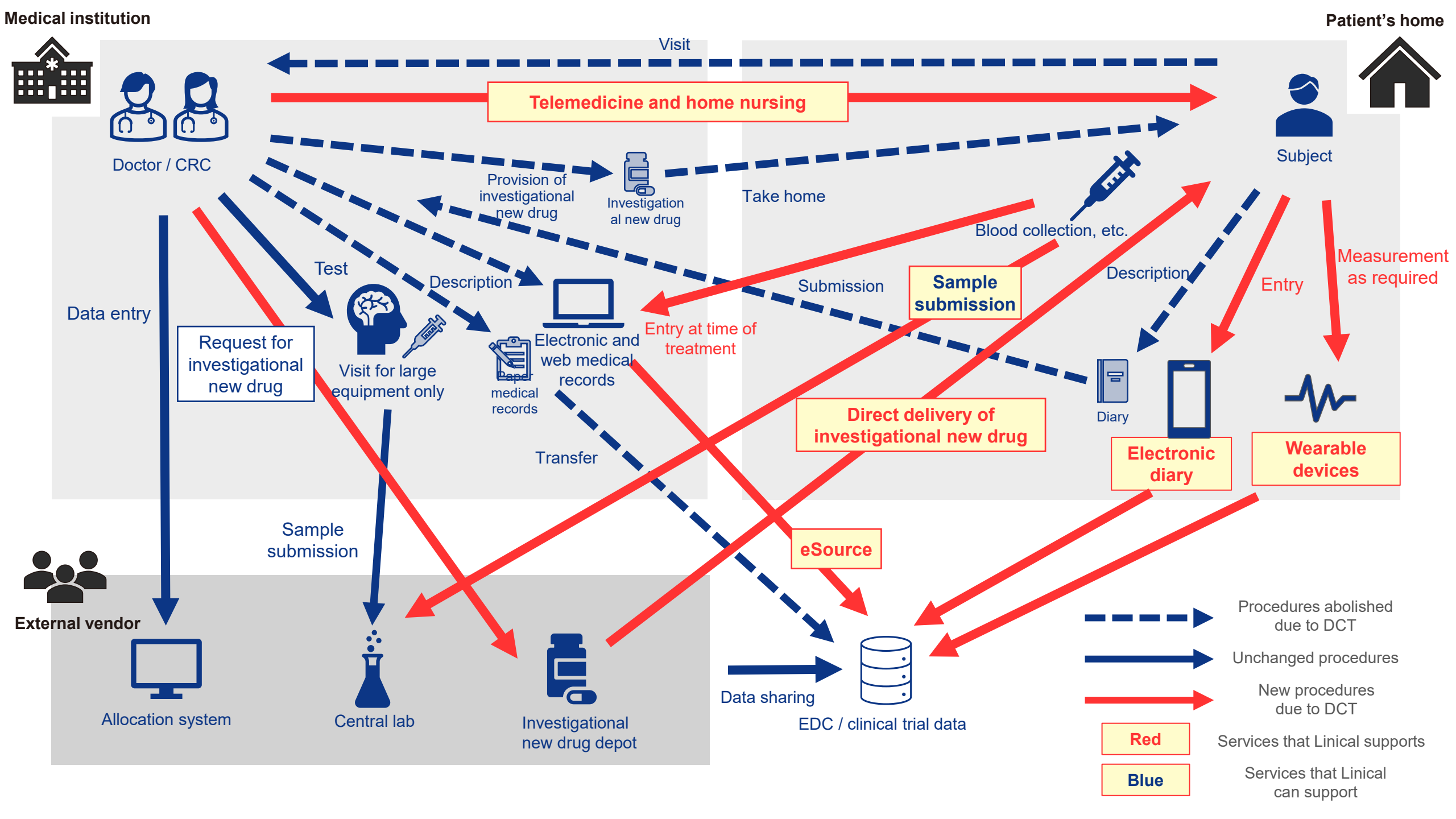
We will strengthen collaborative relationships with vendors around the world who have digital and other cutting-edge technologies that the company does not possess.

Business opportunities related to the use of digital technology

- Proposals on the use of real world data
- Promotion of remote clinical trials by DCT *Next page
- Greater monitoring efficiency (use of remote SDV, RBM, blockchain, etc.)
- Proposals on the introduction of biomarker and diagnostic imaging into clinical development (diagnosis and selection of treatment groups)

Current collaborative partners (some)



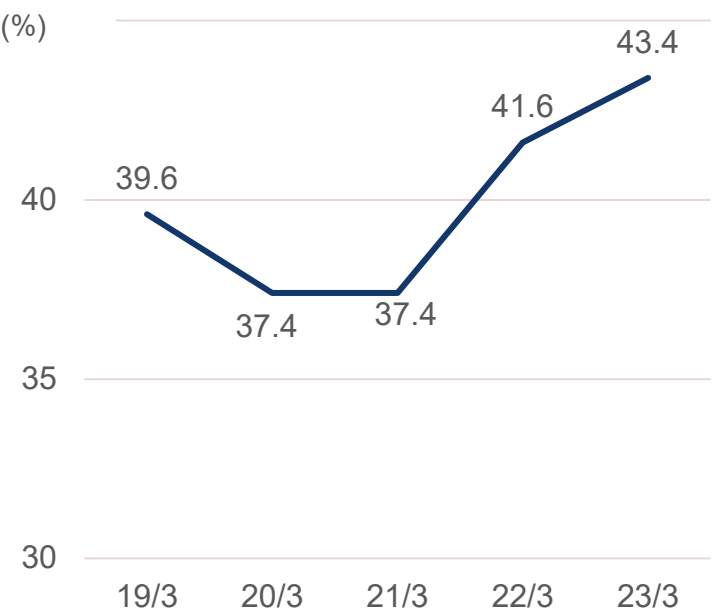


Capital Policy

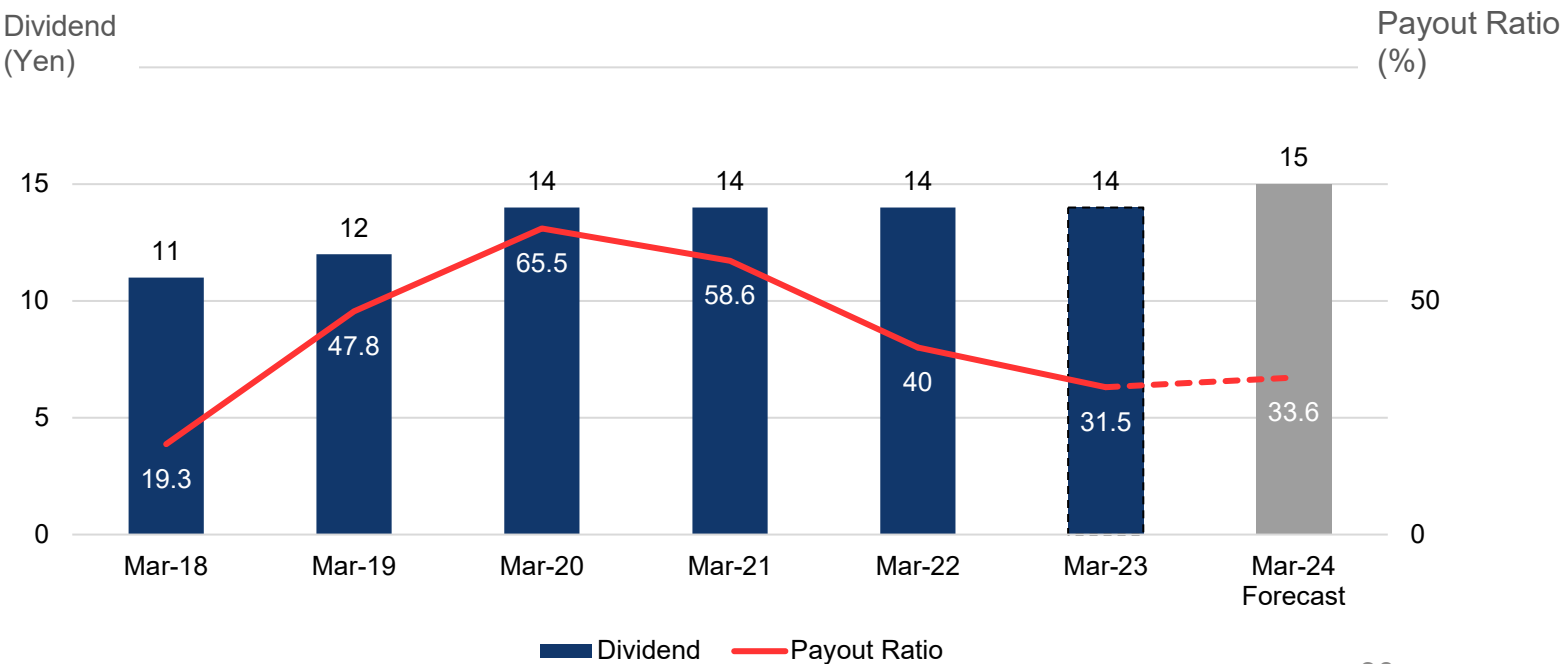
Strengthening of our financial base

- In order to secure funds for growth investment aimed at the expansion of overseas business, we will ensure sustained growth per share by increasing revenue based on the strategy above, maintaining high utilization rates, and managing costs thoroughly.
- At the same time, we will increase our quick ratio and capital adequacy ratio to enable flexible fund procurement.
- We will strive to secure both shareholder returns and funds for growth.

■ Capital Adequacy Ratio



■ Returns to Shareholders (trends in dividends and the payout ratio)

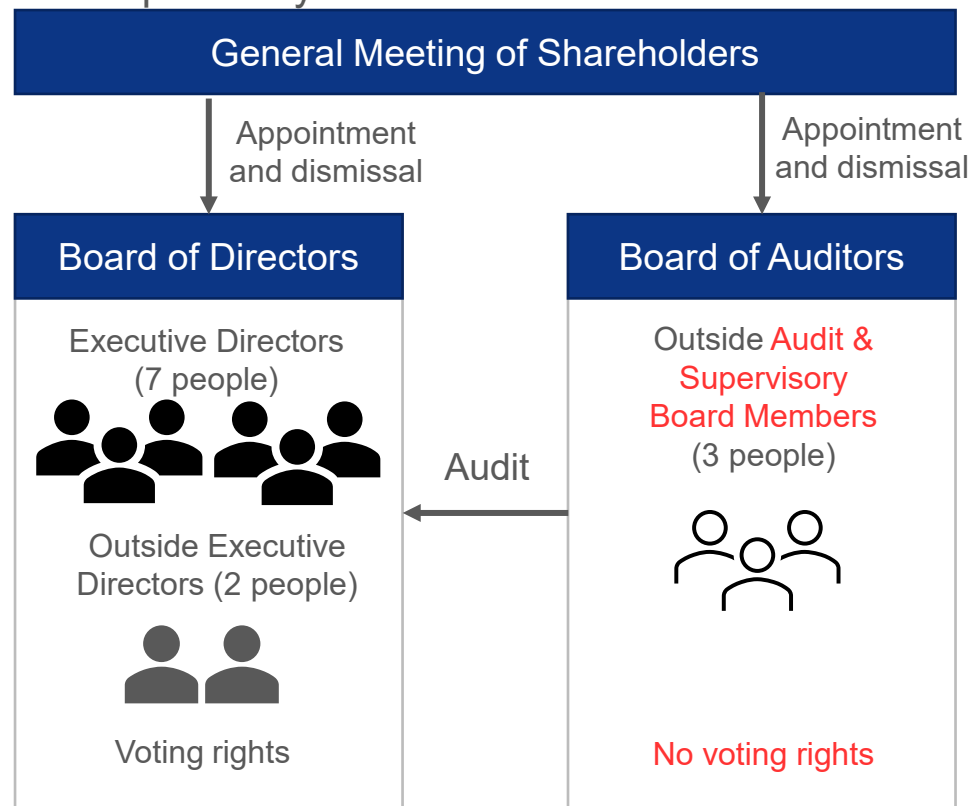


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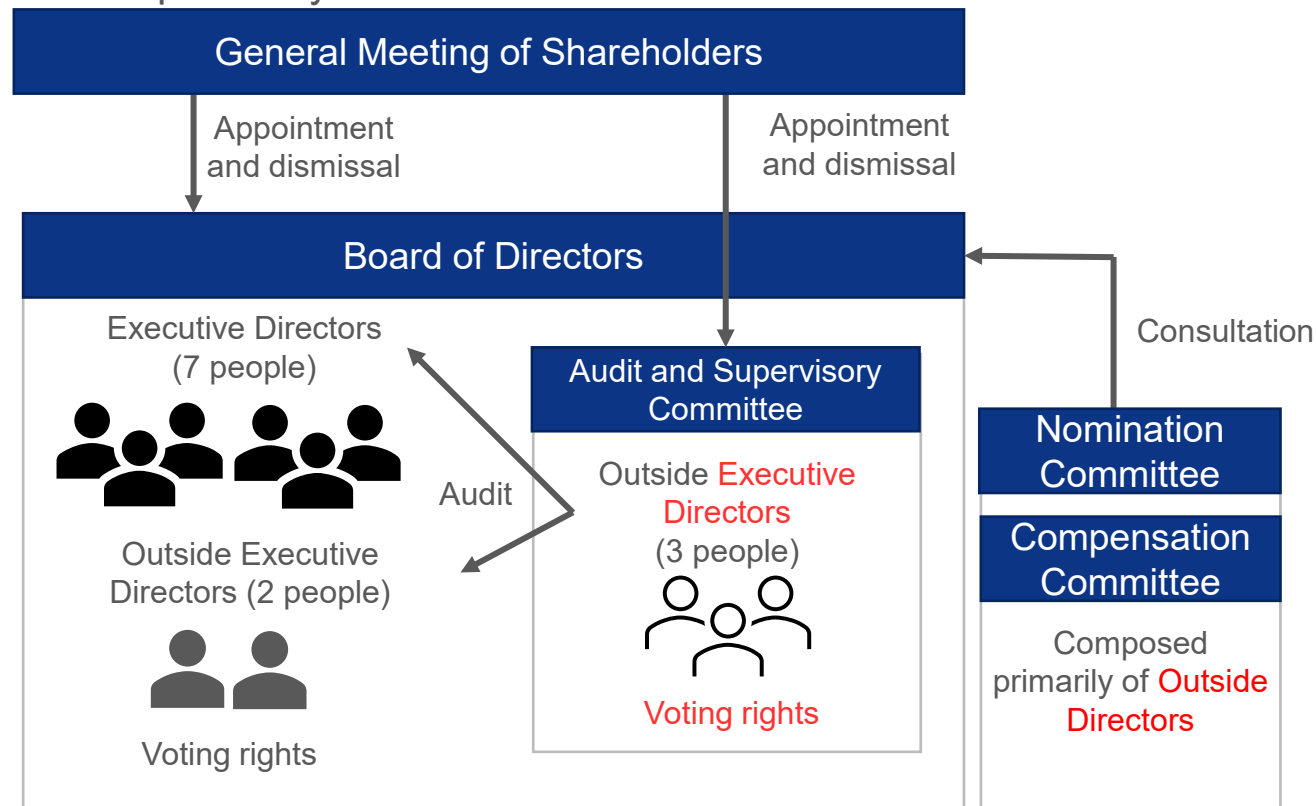
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Transition to a Company with an Audit & Supervisory Committee (After General Meeting of Shareholders on June 22)

■ Before transition: Company with an Audit & Supervisory Board



■ After transition: Company with an Audit & Supervisory Committee



- This will strengthen the Board of Directors monitoring function and improved the soundness and transparency of management.
- We will separate business execution functions from the Board of Directors and advanced the transfer of authority
=> Acceleration of decision-making

Executive Appointments (after the General Meeting of Shareholders on June 22)

■ Candidates for Executive Director

Name	New title	Current title
Kazuhiro Hatano	President & CEO	Same as on the left
Keigo Tsujimoto	Executive Vice President	Same as on the left
Jun Kawai	Executive Vice President	Same as on the left
Akihiro Takahashi	Executive Vice President	Same as on the left
Masaya Miyazaki	Executive Vice President	Same as on the left
Isao Sakamoto	Executive Director	Same as on the left
Shiori Yamaguchi	Executive Director	Same as on the left
Eri Sugiyama	Outside Executive Director	New
Satoko Nishimura	Outside Executive Director	New

- Two Outside Directors will be replaced
- Outside Auditors will be appointed as Outside Directors who are Audit & Supervisory Committee Members.

■ Candidates for Executive Directors who are Audit & Supervisory Committee Members

Name	New title	Current title
Yoshiaki Nakashima	Full-time Audit and Supervisory Committee Member (Outside Executive Director)	Full-time Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)
Yuichi Murakami	Full-time Audit and Supervisory Committee Member (Outside Executive Director)	Full-time Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)
Yoshimitsu Ando	Full-time Audit and Supervisory Committee Member (Outside Executive Director)	Full-time Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)

■ Executive Directors to retire

Name	New title	Current title
Masafumi Nogimori	Retired	Outside Executive Director
Akio Osawa	Retired	Outside Executive Director

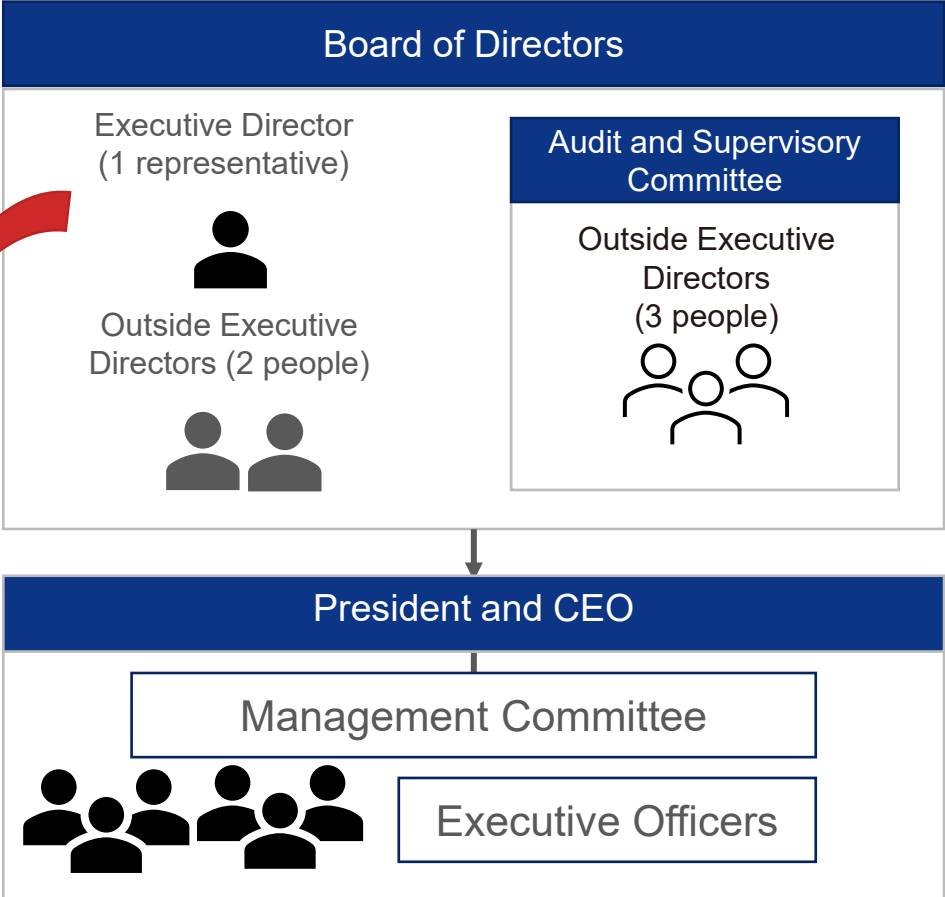
Further promote the separation of execution and supervision duties in future

We are considering transitioning all internal Executive Directors other than CEO to Executive Officer positions. This will accelerate decision-making due to the delegation of authority and strengthen profitability.

■ After June 22



■ Future (TBD)



Practice our business philosophy and help patients



Management Philosophy

To promote the greater wellbeing of all our stakeholders — patients, business partners, shareholders, and employees — we strive constantly to offer professional, high-quality services to support all aspects of new drug development.



Blue: Integrity and Honesty
Red: Unending enthusiasm
Yellow: Continuing spirit of inquiry

Our corporate logo expresses our passion to pursue happiness of patients through our business activities.