

Financial Results for the Third Quarter Ended December 31, 2022

TAKARA BIO INC.

February 9, 2023

This is an English translation from Japanese presentation material.

Consolidated Quarterly Financial Results for FY2023 (for the Third Quarter Ended December 31, 2022)

	FY2022	FY2023	Y/Y
(millions of yen)			
Net sales	45,659	60,206	+14,546 +31.9%
Gross profit	34,100	36,434	+2,334 +6.8%
Operating profit	19,926	19,403	▲522 ▲2.6%
R&D	4,020	5,867	+1,846 +45.9%

Net sales

Significant sales growth mainly due to increase in the reagent business.

Operating profit

Gross profit increased, but operating profit decreased due to aggressive investment in R&D and other areas.

The 3rd Quarter: Net Sales

(millions of yen)	Net sales	Y/Y	
Reagents	52,469	+17,117 +48.4%	Reagents
COVID	30,888	+14,811 +92.1%	COVID: Sales of antigen testing kits sold in this fiscal year in Japan grew significantly, contributing to higher sales. Sales decreased in regions other than Japan.
General research	21,581	+2,306 +12.0%	General research: Sales decreased in Japan and China. Sales increased due to solid performance in other regions.
Instruments	1,080	+40 +3.9%	Instruments
			Sales of PCR equipment remained unchanged from the previous fiscal year, while sales of single-cell analysis equipment increased slightly.
CDMO	4,669	▲2,804 ▲37.5%	CDMO
Regenerative medicine	2,810	▲1,324 ▲32.0%	Regenerative medicine: Revenues declined significantly due to the impact of a decline in COVID vaccine-related contracts.
Gene analysis/ testing & others	1,860	▲1,480 ▲44.3%	Gene analysis & testing: Significant decline in sales due to the impact of the completion of large-scale projects such as human genome analysis.
Gene Therapy	1,985	+192 +10.7%	Gene Therapy
			Sales of RetroNectin® and other GMP graded reagents increased.

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The 3rd Quarter; Sales for Reagents by Region

(millions of yen)	Net sales	Y/Y
Japan	30,936	+17,418 +128.8%
U.S.	9,675	+2,433 +33.6%
China	7,257	▲460 ▲6.0%
Europe	2,840	▲2,398 ▲45.8%
Korea	891	+72 +8.9%
India	867	+52 +6.5%

Japan: Significant increase in sales due to growth in sales of COVID testing-related reagents, while decrease in sales of general research reagents due to sluggish sales of PCR enzymes, etc.

U.S.: Increase in sales due to full-scale recovery of general research reagents.

China: Decrease in sales of general research reagent due to spread of COVID.

Europe: Sales of COVID testing-related reagents in the previous year were large, and sales decreased as a reaction.

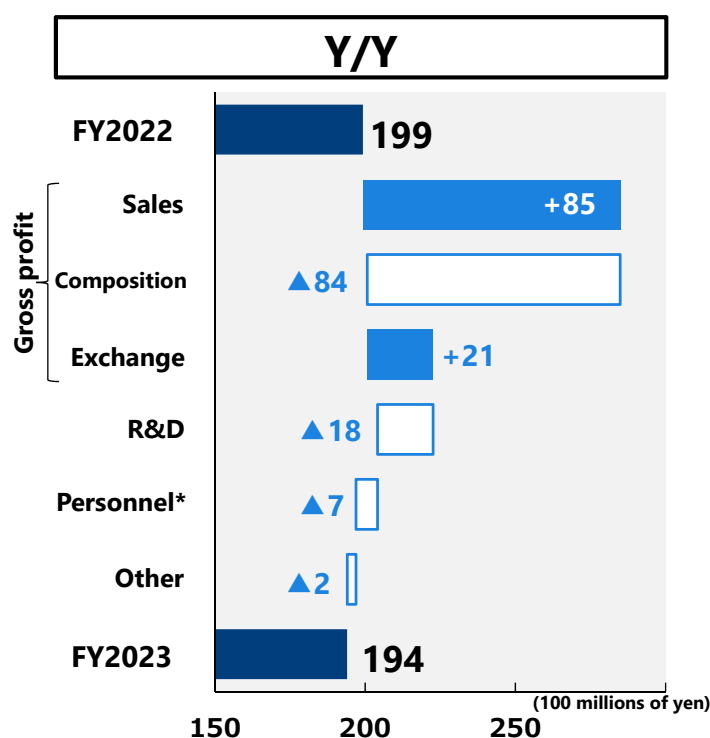
Korea: Increase in sales of general research reagents.

India: Increase in sales of general research reagents, decreased in sales on a local currency basis, and increased in sales on a yen basis due to the impact of foreign exchange rates.

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The 3rd Quarter; Operating Profit



Gross profit

Negative impact of changes in product mix increased sales (sales difference) and positive impact of exchange rate fluctuations exceeded profit growth.

SG&A expenses

Increase in R&D expenses and personnel expenses (expenses for technical training and the impact of exchange rates on overseas).

Operating profit

Gross profit increased, but operating profit decreased due to an increase in SG&A expenses. Exceeded the previous full year operating profit forecast (¥19 billion) as of Q3.

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* Excluding R&D expenses



Revised Consolidated Financial Forecast for FY2023 (for the Year ending March 31, 2023)

(millions of yen)	Full year forecast	Y/Y	Comparison with previous forecast*
Net sales	78,700	+11,000 +16.2%	+900 +1.2%
Gross profit	45,057	▲4,154 ▲8.4%	+1,326 +3.0%
Operating profit	20,000	▲8,902 ▲30.8%	+1,000 +5.3
R&D	8,654	+2,544 +41.7%	▲59 ▲0.7%

Y/Y

Sales increased due to growth in sales of COVID testing-related reagents. Operating profit is expected to decline due to an increase in SG&A expenses as a result of aggressive investment in R&G and other expenses.

Comparison with previous forecast*

COVID testing-related reagents go up. SG&A expenses are expected to be on par with the previous forecast, so operating income is expected to exceed the previous forecast

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* Announced on Nov. 10, 2022



Revised Full Year Forecast; Net Sales

(millions of yen)	Net sales	Y/Y	Comparison with previous forecast*
Reagents	66,275	+13,795 +26.3%	+1,169 +1.8%
COVID	36,089	+10,450 +40.8%	+1,791 +5.2%
General research	30,185	+3,345 +12.5%	▲622 ▲2.0%
Instruments	1,550	+31 +2.1%	▲165 ▲9.7%
CDMO	8,242	▲3,184 ▲27.9%	▲113 ▲1.4%
Regenerative medicine	4,489	▲1,224 ▲21.4%	▲435 ▲8.8%
Gene analysis / testing & others	3,753	▲1,960 ▲34.3%	+321 +9.4%
Gene Therapy	2,631	+356 +15.7%	+10 +0.4%

Y/Y

Reagents: Sales of COVID testing-related reagents are expected to grow, and sales of general research reagents are also expected to be firm.

Instruments: Expected to be on par with the previous fiscal year.

CDMO: Sales are expected to decline due to the absence of large-scale projects in the previous year in both regenerative medicine and gene analysis & testing.

Gene Therapy: Sales of RetroNectin® and other GMP grade reagents are expected to increase

Comparison with previous forecast*

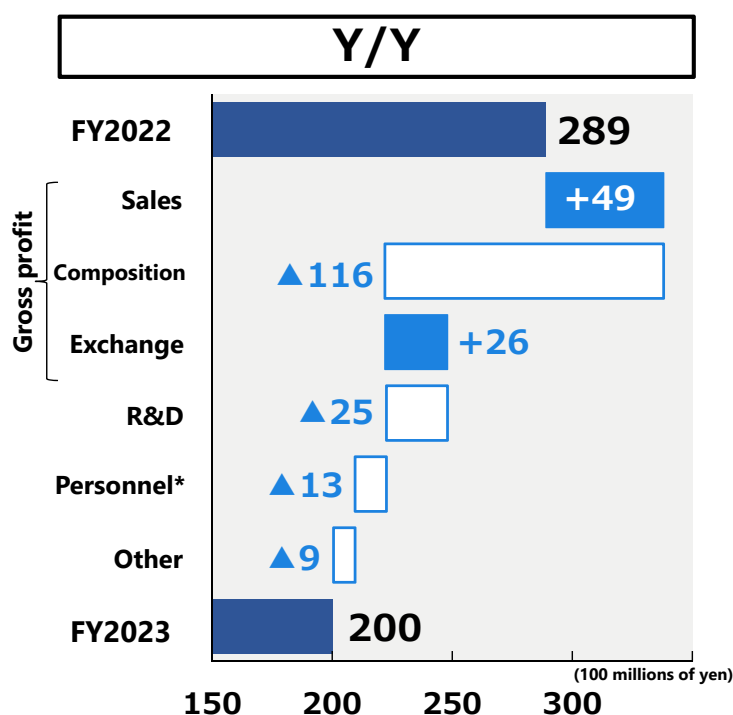
Although sales in Instruments and CDMO are expected to fall short of forecasts, sales of COVID testing-related reagents are expected to rise, and overall sales are expected to exceed the previous forecast.

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* Announced on Nov. 10, 2022



Revised Full Year Forecast; Operating Profit ①



Gross profit

Significant decrease in profit due to negative impact of changes in product mix

SG&A expenses

Increased in R&D expenses and personnel expenses (expense for technical training and the impact of exchange rates on overseas subsidiaries)

Operating profit

Profit decreased by 8.9 billion year on year due to an increase in SG&A expenses in addition to a decrease in gross profit

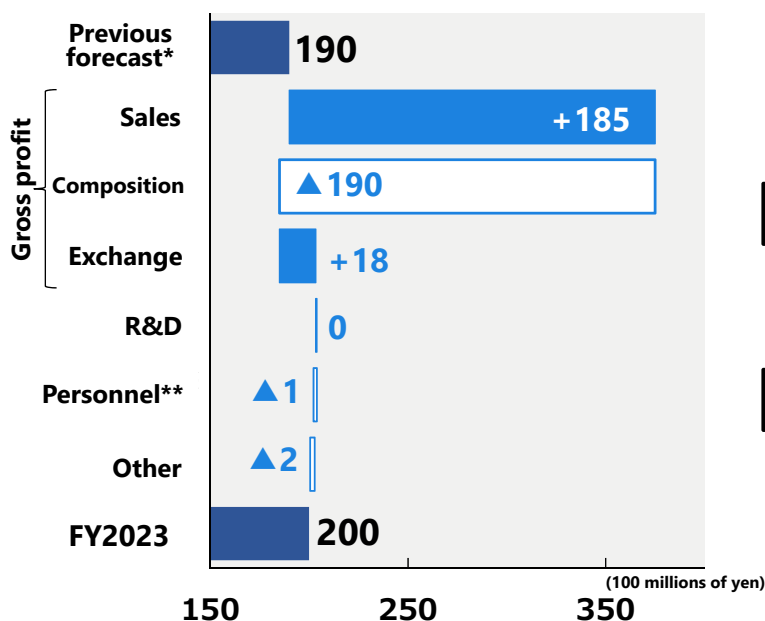
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* Excluding R&D expenses



Revised Full Year Forecast; Operating profit ②

Comparison with previous forecast*



Gross profit

Sales gap increased significantly due to higher sales of COVID antigen testing kits, but decreased due to product mix differences.

SG&A expenses

Almost in line with the previous forecast

Operating profit

Expected to exceed the previous forecast by ¥1 billion due to the significant effect of the increase in gross profit

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* Announced on Nov. 10, 2022

** Excluding R&D expenses



Other Topics

Transfer of SAKIGAKE and Orphan Designation of NY-ESO-1 · siTCR™ Gene Therapy Product

- Following the termination of agreement with Otsuka Pharmaceutical Co., Ltd. on Nov. 10, 2022, these designations were transferred to Takara Bio as of Jan. 20, 2023.
- Proceeding with the preparation for the application for marketing authorization based on the Phase I/II clinical trial of NY-ESO-1 · siTCR™ in Japan for synovial sarcoma.

Revision of Dividend Forecast (Dividend Increase)*

- This is an increase of ¥2 from previous forecast (announced on Nov. 10, 2022) of ¥40 per share, to ¥42. Dividend increased by ¥9 from the previous fiscal year and increased for the 11th consecutive year since the dividend was started.

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* Scheduled for discussion at our Ordinary General Meeting of Shareholders (June 2023)



Forward-looking Statements

Statements in this news release, other than those based on historical fact, concerning the current plans, prospects, strategies and expectations of the Company and its Group represent forecasts of future results. While such statements are based on the conclusions of management according to information available at the time of writing, they reflect many assumptions and opinions derived from information that includes major risks and uncertainties. Actual results may vary significantly from these forecasts due to various factors. Factors that could influence actual results include, but are not limited to, economic conditions, especially trends in consumer spending, as well as exchange rate fluctuations, changes in laws and government systems, pressure from competitors' prices and product strategies, decline in selling power of the Company's existing and new products, disruptions to production, violations of our intellectual property rights, rapid advances in technology and unfavorable verdicts in major litigation.

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[Reference]

Reference Information

- **Consolidated Financial Results (3Q)**
- **Consolidated Financial Results (Full Year Forecast)**
- **Net Sales by Category (3Q)**
- **Net Sales by Category (Full Year Forecast)**
- **Reagents Sales by Region (3Q)**
- **Reagents Sales by Region (Full Year Forecast)**
- **Performance by Subsidiaries (3Q, Full Year Forecast)**
- **Exchange Rate (Actual, Forecast)**

[Reference]

Consolidated Financial Results (3Q)

(millions of yen)

	FY2023 3 rd Quarter	Y/Y	
		Change	Ratio
Net sales	60,206	14,546	31.9%
Cost of sales	23,771	12,212	105.7%
Gross profit	36,434	2,334	6.8%
SG&A expenses	17,031	2,856	20.2%
Operating profit	19,403	▲522	▲2.6%
Ordinary profit	19,480	▲674	▲3.3%
Net income attributable to owners of parent	14,595	231	1.6%

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[Reference]

Consolidated Financial Results (Full Year Forecast)

(millions of yen)

	FY2023 Full Year	Y/Y		Comparison with previous forecast*	
		Change	Ratio	Change	Ratio
Net sales	78,700	11,000	16.2%	900	1.2%
Cost of sales	33,642	15,154	82.0%	▲426	▲1.3%
Gross profit	45,057	▲4,154	▲8.4%	1,326	3.0%
SG&A expenses	25,057	4,747	23.4%	326	1.3%
Operating profit	20,000	▲8,902	▲30.8%	1,000	5.3%
Ordinary profit	20,100	▲8,359	▲29.4%	1,000	5.2%
Net income attributable to owners of parent	14,500	▲5,349	▲27.0%	700	5.1%

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* Announced on Nov. 10, 2022



[Reference]

Net Sales by Category (3Q)

(millions of yen)

	FY2023 3 rd Quarter	Y/Y	
		Change	Ratio
Reagents	52,469	17,117	48.4%
Instruments	1,080	40	3.9%
CDMO	4,669	▲2,804	▲37.5%
Gene Therapy	1,985	192	10.7%
Total net sales	60,206	14,546	31.9%

The sales of GMP-grade reagents and the resembling which are used for manufacturing regenerative medicine products including in "Reagents" until the year ended of March 31, 2022, have been included in "Gene therapy" since the year ending March 31, 2023.

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[Reference]

Net Sales by Category (Full Year Forecast)

(millions of yen)

	FY2023 Full Year	Y/Y		Comparison with previous forecast*	
		Change	Ratio	Change	Ratio
Reagents	66,275	13,795	26.3%	1,169	1.8%
Instruments	1,550	31	2.1%	▲165	▲9.7%
CDMO	8,242	▲3,184	▲27.9%	▲113	▲1.4%
Gene Therapy	2,631	356	15.7%	10	0.4%
Total net sales	78,700	11,000	16.2%	900	1.2%

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* Announced on Nov. 10, 2022



[Reference]

Reagents Sales by Region (3Q)

(millions of yen)

	FY2023 3 rd Quarter	Y/Y		
		Change	for exchange	Ratio (Exchange excluded)
Japan	30,936	17,418	0	128.8%
U.S.	9,675	2,433	1,487	13.1%
China	7,257	▲460	969	▲18.5%
Europe	2,840	▲2,398	129	▲48.3%
Korea	891	72	44	3.5%
India	867	52	94	▲5.1%
Total	52,469	17,117	2,725	40.7%

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[Reference]

Reagents Sales by Region (Full Year Forecast)

(millions of yen)

	FY2023 Full Year	Y/Y		
		Change	for exchange	Ratio (Exchange excluded)
Japan	37,449	15,932	0	74.0%
U.S.	12,649	2,544	2,089	4.5%
China	9,926	▲1,144	1,252	▲21.6%
Europe	4,022	▲3,663	239	▲50.8%
Korea	1,227	116	69	4.2%
India	1,000	9	107	▲9.9%
Total	66,275	13,795	3,758	19.1%

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[Reference]

Performance by Subsidiaries

(millions of yen)

	3rd Quarter Actual		Full Year Forecast	
	Net sales	Operating profit	Net sales	Operating profit
Takara Bio (Non-consolidated)	45,603	14,497	58,328	14,354
Takara Bio Europe (Consolidated)	3,395	186	4,829	213
Takara Biotechnology (Dalian)	4,299	1,310	5,406	1,415
Takara Biomedical Technology (Beijing)	7,952	1,254	10,796	1,643
Takara Korea Biomedical	1,081	171	1,451	234
DSS Takara India	884	88	1,022	80
Takara Bio USA	13,391	2,656	17,463	2,714

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[Reference]

Exchange Rate

(Unit: Yen)	FY2022 3rd Quarter	FY2022 Full Year	FY2023 3rd Quarter	FY2023 Full Year
	Actual	Actual	Actual	Forecast
US dollar	108.58	109.90	128.30	131.80
Euro	129.86	129.91	136.05	137.00
Yuan	16.79	17.04	19.38	19.50
100 Won	9.59	9.60	10.09	10.20
Rupee	1.48	1.49	1.66	1.70
Sweden Krona	12.79	12.81	12.92	13.10
Pound	150.45	151.17	160.67	158.60

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