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August 8, 2023

Consolidated Financial Results for the Three Months Ended June 30, 2023 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 4974
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Scheduled date to file quarterly securities report: August 10, 2023

Scheduled date to commence dividend payments: -

Preparation of supplementary material on quarterly financial results: Yes

Holding of quarterly financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the three months ended Jun. 30, 2023 (from Apr. 1, 2023 to Jun. 30, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
Jun. 30, 2023	9,176	(34.9)	423	(90.7)	509	(88.9)	319	(91.8)
Jun. 30, 2022	14,102	(7.7)	4,537	(46.6)	4,593	(46.5)	3,907	(35.1)

Note: Comprehensive income For the three months ended Jun. 30, 2023: ¥810 million (87.2%)
 For the three months ended Jun. 30, 2022: ¥6,334 million (22.8%)

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
Jun. 30, 2023	2.65	-
Jun. 30, 2022	32.45	-

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	yen
Jun. 30, 2023	120,662	108,207	89.5	896.53
Mar. 31, 2023	129,202	112,454	86.9	931.93

Reference: Equity

As of Jun. 30, 2023: ¥107,956 million

As of Mar. 31, 2023: ¥112,219 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended Mar. 31, 2023	Yen -	Yen 0.00	Yen -	Yen 42.00	Yen 42.00
Fiscal year ending Mar. 31, 2024	-				
Fiscal year ending Mar. 31, 2024 (Forecast)		0.00	-	17.00	17.00

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

3. Consolidated financial forecast for the year ending March 31, 2024 (Apr. 1, 2023 – Mar. 31, 2024)

(Percentages indicate year-on-year changes for the full year and year-on-year changes for the quarter.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Six months ending Sep. 30, 2023	19,400	(40.5)	1,100	(89.9)	1,170	(89.3)	650	(92.4)	5.40
Year ending Mar. 31, 2024	53,300	(31.8)	8,000	(61.1)	8,200	(60.4)	5,500	(65.7)	45.67

Note: Revisions to the financial forecast since the most recent announced: Yes

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

Newly included: - companies (Company name)

Excluded: - companies (Company name)

(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: None

(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 Jun. 30, 2023	120,415,600 shares
As of Mar. 31, 2023	120,415,600 shares

(ii) Number of treasury shares at the end of the period

As of Jun. 30, 2023	- shares
As of Mar. 31, 2023	- shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended Jun. 30, 2023	120,415,600 shares
Three months ended Jun. 30, 2022	120,415,600 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Comment regarding appropriate use of earnings forecasts and other special notes

Forward-looking statements contained in this document are determined by the Takara Bio Inc. (the “Company”) based on information currently available to the Company and include a number of uncertainties. Actual results could differ from these forecasts due to changes in conditions that occur in the future. For information regarding the above, please refer to “1. Overview of Financial Results (4) Explanation of Consolidated Financial Forecasts and Other Forward-looking Statements on page 2 of the attached document.

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1. Overview of Financial Results for the three months ended June 30, 2023

(1) Overview of Financial Results

The outlook for the global economy during the three months ended June 30, 2023 is uncertain due to the prolonged trade friction between the U.S. and China, and Russia's invasion of Ukraine. Under these circumstances, in the six-year Long-Term Management Plan FY2026, which is the final year of FY2026, and the three-year Medium-Term Management Plan 2026, which is the final year of FY2026, we have promoted the development of basic biotechnology-based biologics development technologies through Reagents / Instruments business and CDMO business, and have promoted initiatives aimed at becoming a global platform provider responsible for the infrastructure of the life science industry.

For the three months ended June 30, 2023, sales of Reagents and Instruments decreased compared with the same period of the previous fiscal year, despite year-on-year increases in CDMO and Gene Therapy. In Reagents, sales of reagents related to new Coronavirus infectious disease testing declined due to the convergence of the diseases and changes in the legal positioning. As a result, net sales decreased to ¥9,176 million (down 34.9% year-on-year). Cost of sales decreased to ¥2,683 million (down 32.5% year-on-year) due mainly to a decrease in sales. As a result, gross profit decreased to ¥6,493 million (down 35.9% year-on-year). Selling, general and administrative (SG&A) expenses were ¥6,069 million (up 8.6% year-on-year) due to an increase in personnel expenses, research and development (R&D) expenses, etc., and operating profit was ¥423 million (down 90.7% year-on-year).

As a result of the decrease in operating profit, ordinary profit decreased by ¥509 million (down 88.9% year-on-year), profit before income taxes and others was ¥505 million (down 90.8% year-on-year), and net income attributable to owners of the parent was ¥319 million (down 91.8% year-on-year).

Since our group is a single segment, the disclosure by segment is omitted.

(2) Overview of Financial Position

Total assets at the end of the three months ended June 30, 2023 were ¥120,662 million, a decrease of ¥8,539 million from the end of the previous fiscal year. This was mainly due to decreases of ¥5,840 million in cash and deposits and ¥3,154 million in notes and accounts receivable-trade.

Total liabilities at the end of the three months ended June 30, 2023 were ¥12,454 million, a decrease of ¥4,292 million from the end of the previous fiscal year. This was mainly due to decreases of ¥2,571 million in other current liabilities and ¥1,407 million in notes and accounts payable-trade.

Total net assets at the end of the three months ended June 30, 2023 were ¥108,207 million, a decrease of ¥4,246 million from the end of the previous fiscal year. This was mainly due to a decrease of ¥4,737 million in retained earnings, despite an increase of ¥458 million in foreign currency translation adjustment due to the yen's depreciation.

(3) Overview of Cash Flows

Net cash provided by operating activities amounted to ¥319 million, a decrease of ¥3,447 million compared with the same period of the previous fiscal year. This was mainly due to cash inflow from a decrease in trade receivable of ¥3,215 million, depreciation and amortization of ¥1,047 million, and cash outflow from a decrease in other current liabilities of ¥2,634 million, a decrease in notes and accounts payable-trade of ¥1,453 million.

Net cash used in investing activities amounted to ¥764 million, an increase of ¥469 million compared with the same period of the previous fiscal year. This was mainly due to purchases of property, plant and equipment and intangible assets of ¥1,408 million, payments into time deposits of ¥412 million, and proceeds from withdrawal of time deposits of ¥1,056 million.

Net cash used in financing activities was ¥4,911 million, mainly due to cash dividends paid of ¥4,872 million, an increase of ¥1,056 million compared with the same period of the previous fiscal year.

As a result of the above, the balance of cash and cash equivalents at the end of the three months ended June 30, 2023, including the effect of exchange rate change on cash and cash equivalents, decreased by ¥5,239 million from the end of the previous fiscal year to ¥43,818 million.

(4) Explanation of Consolidated Financial Forecasts and Other Forward-looking Statements

The consolidated financial forecast for the six months ending September 30, 2023, announced in the financial results report on May 11, 2023 has been revised. For details, please refer to the "Notice Concerning Revisions to the First Half Financial Results Forecasts" announced today (August 8, 2023).

For a comparison of the revised consolidated financial forecast with the previous fiscal year's results and the previous forecast, please refer to the "Comparative Statement of Income Relating to Consolidated Financial Forecasts" on page 10.

2. Consolidated Quarterly Financial Statements and Primary Notes

(1) Consolidated Quarterly Balance Sheets

(Millions of yen)

	As of Mar. 31, 2023	As of Jun. 30, 2023
Assets		
Current asset		
Cash and deposits	51,847	46,007
Notes and accounts receivable-trade	12,567	9,413
Merchandise and finished goods	6,248	6,541
Work in process	1,125	983
Raw materials and supplies	3,714	3,807
Other	2,184	2,388
Allowance for doubtful accounts	(118)	(94)
Total current assets	77,569	69,046
Non-current assets		
Property, plant and equipment		
Buildings and structures	28,098	28,333
Accumulated depreciation	(7,064)	(7,405)
Buildings and structures, net	21,034	20,928
Machinery, equipment and vehicles	8,384	8,614
Accumulated depreciation	(4,883)	(5,065)
Machinery, equipment and vehicles, net	3,500	3,548
Tools, furniture and fixtures	10,569	10,879
Accumulated depreciation	(6,229)	(6,544)
Tools, furniture and fixtures, net	4,340	4,335
Land	8,654	8,673
Construction in progress	2,102	2,457
Others	1,748	1,778
Accumulated depreciation	(425)	(466)
Others, net	1,323	1,312
Total Property, plant and equipment	40,956	41,255
Intangible assets		
Goodwill	6,674	6,565
Other	2,372	2,171
Total intangible assets	9,047	8,736
Investments and other assets		
Investments and other assets	1,627	1,624
Total investments and other assets	1,627	1,624
Total non-current assets	51,632	51,616
Total assets	129,202	120,662

(Millions of yen)

	As of Mar. 31, 2023	As of Jun. 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable-trade	2,323	916
Accrued income taxes	672	279
Provision for bonuses	1,065	1,325
Other	10,313	7,742
Total current liabilities	14,375	10,263
Non-current liabilities		
Retirement benefit liabilities	992	1,020
Other	1,379	1,171
Total non-current liabilities	2,372	2,191
Total liabilities	16,747	12,454
Net assets		
Shareholders' equity		
Share capital	14,965	14,965
Capital surplus	32,893	32,893
Retained earnings	57,047	52,309
Total shareholders' equity	104,906	100,168
Accumulated other comprehensive income		
Foreign currency translation adjustment	7,680	8,139
Cumulative remeasurements of retirement benefit	(367)	(351)
Total accumulated other comprehensive income	7,312	7,787
Non-controlling interests	235	251
Total net assets	112,454	108,207
Total liabilities and net assets	129,202	120,662

**(2) Consolidated Quarterly Statements of Profit or Loss and Consolidated Statements of Comprehensive Income
(Consolidated Statements of Profit or Loss)**

(Millions of yen)

	Three months ended Jun. 30, 2022	Three months ended Jun. 30, 2023
Net sales	14,102	9,176
Cost of sales	3,977	2,683
Gross profit	10,124	6,493
SG&A expenses		
Employees' salaries and bonuses	1,363	1,451
Retirement benefit expenses	66	81
R&D expenses	1,859	2,240
Provision of allowance	265	218
Other	2,032	2,077
Total SG&A expenses	5,586	6,069
Operating profit	4,537	423
Non-operating income		
Interest income	30	42
Foreign exchange gains	-	29
Rent income from real estate	35	38
Other	12	9
Total non-operating income	78	119
Non-operating expense		
Interest expenses	5	7
Foreign exchange losses	2	-
Rent expenses on real estate	13	15
Other	1	10
Total non-operating expenses	23	33
Ordinary profit	4,593	509
Extraordinary gains		
Gain on sale of fixed assets	250	1
Insurance received	652	-
Total extraordinary profit	902	1
Extraordinary losses		
Loss on sale and retirement of non-current assets	5	5
Others	10	-
Total extraordinary losses	16	5
Income before income taxes and others	5,479	505
Income taxes-current	875	377
Income taxes-deferred	667	(204)
Total income taxes	1,542	172
Net income	3,936	333
Net income attributable to non-controlling interest	28	13
Net income attributable to owners of the parent	3,907	319

(Consolidated Quarterly Statements of Comprehensive Income)

(Millions of yen)

	Three months ended Jun. 30, 2022	Three months ended Jun. 30, 2023
Net income	3,936	333
Other comprehensive income		
Foreign currency translation adjustment	2,387	461
Remeasurements of retirement benefit	10	16
Total other comprehensive income	2,398	477
Comprehensive income	6,334	810
Comprehensive income attributable to:		
Owners of the parent	6,294	794
Non-controlling interest	39	16

(3) Consolidated Quarterly Statements of Cash Flows

(Millions of yen)

	Three months ended Jun. 30, 2022	Three months ended Jun. 30, 2023
Net cash provided by (used in) operating activities		
Profit before income taxes and others	5,479	505
Depreciation and amortization	979	1,047
Depreciation and amortization on other	19	24
Amortization of goodwill	132	150
Increase (decrease) in allowance for doubtful accounts	(18)	(25)
Increase (decrease) in reserve for bonuses	251	253
Increase (decrease) in retirement benefit liabilities	(10)	26
Interest income	(30)	(42)
Interest expenses	5	7
Loss (gain) on sale and retirement of fixed assets	(244)	3
Decrease (increase) in trade receivables-trade	5,375	3,215
Decrease (increase) in inventories	(471)	(120)
Increase (decrease) in notes and accounts payable-trade	(712)	(1,453)
Increase (decrease) in other current liabilities	(1,554)	(2,634)
Other	(288)	(418)
Subtotal	8,912	541
Interest and dividend income received	23	41
Income expenses paid	(5)	(5)
Income taxes paid	(5,164)	(258)
Net cash provided by (used in) operating activities	3,766	319
Net cash provided by (used in) investing activities		
Payments into time deposits	(163)	(412)
Proceed from withdrawal of time deposits	496	1,056
Purchase of property, plant and equipment and intangible assets	(970)	(1,408)
Proceeds from sales of property, plant and equipment and intangible assets	393	1
Purchase of other depreciable assets	(60)	(2)
Other	9	(0)
Net cash provided by (used in) investing activities	(294)	(764)
Net cash provided by (used in) financing activities		
Dividends paid	(3,821)	(4,872)
Repayments of lease obligations	(33)	(38)
Net cash provided by (used in) financing activities	(3,854)	(4,911)
Effect of exchange rate change on cash and cash equivalents	692	117
Net increase (decrease) in cash and cash equivalents	309	(5,239)
Cash and cash equivalents at beginning of period	22,160	49,058
Cash and cash equivalents at end of period	22,469	43,818

(4) Notes to Consolidated Quarterly Financial Statements

(Notes on Premise of Going Concern)

No items to report.

(Notes in case of Changes in Marked Amount of Shareholders' Equity)

No item to report.

3. Supplemental Information

(1) Trends in Key Indicators for Business Management

1) Cash Flows

(Millions of yen)

	Three months ended Jun. 30, 2022 (Apr. 1, 2022 – Jun. 30, 2022)	Three months ended Jun. 30, 2023 (Apr. 1, 2023 – Jun. 30, 2023)	Year ended Mar. 31, 2023 (Apr. 1, 2022 – Mar. 31, 2023)
Cash flow from operating activities	3,766	319	36,897
Cash flow from investing activities	(294)	(764)	(6,693)
Cash flow from financing activities	(3,854)	(4,911)	(4,119)

2) Sales Breakdown by Region

(Millions of yen)

	Three months ended Jun. 30, 2022 (Apr. 1, 2022 – Jun. 30, 2022)	Three months ended Jun. 30, 2023 (Apr. 1, 2023 – Jun. 30, 2023)	Year ended Mar. 31, 2023 (Apr. 1, 2022 – Mar. 31, 2023)
Japan	5,365	3,226	45,667
United States	3,183	2,972	12,886
China	2,828	1,109	10,799
Asia excluding Japan and China	1,143	696	3,546
Europe	1,518	1,108	4,949
Others	63	62	293
Total	14,102	9,176	78,142

(2) Comparative Consolidated Statement of Income

(Rounded down to one million yen)

	Three months ended Jun. 30, 2022	Three months ended Jun. 30, 2023	Y/Y change	Y/Y ratio
(Net sales)				
Reagents	12,043	6,909	(5,133)	(42.6%)
Instruments	267	220	(46)	(17.5%)
CDMO	1,291	1,366	75	5.8%
Gene Therapy	499	679	180	36.1%
Total net sales	14,102	9,176	(4,925)	(34.9%)
(Operating profit and Loss)				
Net sales	14,102	9,176	(4,925)	(34.9%)
Cost of sales	3,977	2,683	(1,294)	(32.5%)
Gross profit	10,124	6,493	(3,631)	(35.9%)
SG & A expenses	5,586	6,069	483	8.6%
Transportation expenses	150	134	(16)	(10.8%)
Advertising expenses	10	11	0	5.9%
Promotion expenses	131	166	34	26.3%
R&D expenses	1,859	2,240	381	20.5%
Administrative expense, other	3,345	3,443	98	2.9%
Enterprise taxes (external standards taxation)	89	73	(15)	(17.5%)
Operating profit	4,537	423	(4,114)	(90.7%)
(Non-operating income and Expenses)				
Non-operating income	78	119	40	51.9%
Non-operating expenses	23	33	10	43.8%
Ordinary profit	4,593	509	(4,083)	(88.9%)
(Extraordinary income & Losses)				
Extraordinary income	902	1	(900)	(99.8%)
Extraordinary losses	16	5	(11)	(67.4%)
Income before income taxes and others	5,479	505	(4,973)	(90.8%)
Income taxes	1,542	172	(1,369)	(88.8%)
Net income	3,936	333	(3,603)	(91.5%)
Net income (loss) attributable to non-controlling interests	28	13	(15)	(53.3%)
Net income attributable to owners of the parent	3,907	319	(3,588)	(91.8%)
Depreciation and amortization (Property, plant and equipment and intangible assets)	979	1,047	67	6.9%
Amortization of goodwill	132	150	18	13.8%

(3) Comparative Statement of Income Relating to Consolidated Financial Forecasts

(Rounded down to one million yen)

	First half ended Sep. 30, 2023 Actual	First half ending Sep. 30, 2023		Y/Y Change	Y/Y Ratio	Previous forecast Change	Previous forecast Ratio
		Previous forecast	Current forecast				
(Net sales)							
Reagents	27,565	18,081	15,083	(12,481)	(45.3%)	(2,997)	(16.6%)
Instruments	694	904	492	(201)	(29.1%)	(412)	(45.6%)
CDMO	3,183	2,761	2,749	(434)	(13.6%)	(12)	(0.4%)
Gene Therapy	1,144	1,052	1,074	(69)	(6.1%)	22	2.1%
Total Net Sales	32,587	22,800	19,400	(13,187)	(40.5%)	(3,400)	(14.9%)
(Operating profit and Loss)							
Net sales	32,587	22,800	19,400	(13,187)	(40.5%)	(3,400)	(14.9%)
Cost of sales	10,562	7,684	5,928	(4,633)	(43.9%)	(1,756)	(22.9%)
Gross profit	22,025	15,115	13,471	(8,553)	(38.8%)	(1,643)	(10.9%)
SG & A expenses	11,154	13,015	12,371	1,217	10.9%	(643)	(4.9%)
Transportation expenses	330	337	300	(30)	(9.2%)	(37)	(11.1%)
Advertising expenses	21	36	30	8	38.1%	(6)	(18.2%)
Promotion expenses	306	480	330	23	7.6%	(150)	(31.2%)
R&D expenses	3,853	4,471	4,498	645	16.7%	27	0.6%
Administrative expenses, other	6,412	7,526	7,060	648	10.1%	(466)	(6.2%)
Enterprise taxes (external standards taxation)	229	162	151	(77)	(33.9%)	(10)	(6.5%)
Operating profit	10,870	2,100	1,100	(9,770)	(89.9%)	(1,000)	(47.6%)
(Non-operating income and Expenses)							
Non-operating income	170	90	154	(16)	(9.6%)	63	70.0%
Non-operating expenses	85	90	84	(0)	(0.9%)	(6)	(7.1%)
Ordinary profit	10,955	2,100	1,170	(9,785)	(89.3%)	(930)	(44.3%)
(Extraordinary gains & Losses)							
Extraordinary gains	902	0	1	(901)	(99.8%)	1	-
Extraordinary losses	27	5	9	(17)	(65.5%)	4	82.5%
Income before income taxes and others	11,831	2,094	1,162	(10,669)	(90.2%)	(932)	(44.5%)
Income taxes	3,259	880	497	(2,762)	(84.7%)	(382)	(43.5%)
Net income	8,572	1,214	664	(7,907)	(92.2%)	(549)	(45.3%)
Net income (loss) attributable to non-controlling interests	33	14	14	(18)	(55.8%)	0	2.3%
Net income attributable to owners of parent	8,538	1,200	650	(7,888)	(92.4%)	(550)	(45.8%)
Depreciation and amortization (Property, plant and equipment and intangible assets)	1,962	2,182	2,206	244	12.5%	24	1.1%
Amortization of goodwill	280	318	307	26	9.6%	(11)	(3.6%)