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November 9, 2023

Consolidated Financial Results for the Six Months Ended September 30, 2023 (Under Japanese GAAP)

Company name: Takara Bio Inc.
 Listing: Tokyo Stock Exchange
 Securities code: 4974
 URL: <https://www.takara-bio.co.jp>
 Representative: Koichi Nakao, President & CEO
 Inquiries: Takuya Kakemi, Executive Officer, Head of Corporate Management Division

Telephone: +81-775-565-6970
 Scheduled date to file quarterly securities report: November. 10, 2023
 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes

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

1. Consolidated financial results for the six months ended Sep. 30, 2023 (from Apr. 1, 2023 to Sep. 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	%
Six months ended								
Sep. 30, 2023	19,116	(41.3)	1,410	(87.0)	1,598	(85.4)	1,084	(87.3)
Sep. 30, 2022	32,587	3.3	10,870	(22.9)	10,955	(23.1)	8,538	(14.7)

Note: Comprehensive income For the six months ended Sep. 30, 2023: ¥4,733 million (68.1%)
 For the six months ended Sep. 30, 2022: ¥14,858 million (19.9%)

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
Sep. 30, 2023	9.00	-
Sep. 30, 2022	70.91	-

(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
Sep. 30, 2023	123,283	112,130	90.7	928.91
Mar. 31, 2023	129,202	112,454	86.9	931.93

Reference: Equity
 As of Sep. 30, 2023: ¥111,855 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
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2023	-	0.00	-	42.00	42.00
Fiscal year ending Mar. 31, 2024	-	0.00			
Fiscal year ending Mar. 31, 2024 (Forecast)			-	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
Full-year	45,500	(41.8)	3,000	(85.4)	3,200	(84.5)	2,000	(87.5)	16.61

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 Sep. 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 Sep. 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)

Six months ended Sep. 30, 2023	120,415,600 shares
Six months ended Sep. 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 for the Six Months ended September 30, 2023 (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 Six Months ended September. 30, 2023

(1) Overview of Financial Results

The outlook for the global economy during the six months ended September 30, 2023 is uncertain due to the prolonged inflation, a slowdown in the Chinese economy, 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 six months ended September 30, 2023, net sales decreased to ¥19,116 million (down 41.3% year-on-year) due to a decrease of sales of test-related reagents resulting from a change in the legal positioning of new Coronavirus infectious disease. Cost of sales decreased to ¥5,772 million (down 45.3% year-on-year) due mainly to a decrease in sales. As a result, gross profit decreased to ¥13,343 million (down 39.4% year-on-year). Selling, general and administrative (SG&A) expenses were ¥11,933 million (up 7.0% year-on-year) due to an increase in personnel expenses, research and development (R&D) expenses, etc., and operating profit was ¥1,410 million (down 87.0% year-on-year).

As a result of the decrease in operating profit, ordinary profit decreased by ¥1,598 million (down 85.4% year-on-year), profit before income taxes and others was ¥1,588 million (down 86.6% year-on-year), and net income attributable to owners of the parent was ¥1,084 million (down 87.3% 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 six months ended September 30, 2023 were ¥123,283 million, a decrease of ¥5,918 million from the end of the previous fiscal year. This was mainly due to decreases of ¥13,435 million in cash and deposits and ¥3,165 million in notes and accounts receivable-trade, despite increases of ¥9,352 million in property, plant and equipment, ¥523 million in other current assets, and ¥335 million in merchandise and finished goods, mainly due to payments related to the contract for the construction of the Center for Gene and Cell Processing III.

Total liabilities at the end of the six months ended September 30, 2023 were ¥11,153 million, a decrease of ¥5,594 million from the end of the previous fiscal year. This was mainly due to decreases of ¥4,675 million in other current liabilities, ¥382 million in Accrued income taxes, and ¥262 million in notes and accounts payable-trade.

Total net assets at the end of the six months ended September 30, 2023 were ¥112,130 million, a decrease of ¥324 million from the end of the previous fiscal year. This was mainly due to a decrease of ¥3,973 million in retained earnings, despite an increase of ¥3,577 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 ¥2,087 million, a decrease of ¥6,584 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 ¥3,493 million, depreciation and amortization of ¥2,132 million, quarterly profit before income taxes of ¥1,588 million, and cash outflow from a decrease in consumption taxes payable of ¥2,561 million, a decrease in other current liabilities of ¥1,368 million, income taxes paid of ¥550 million, a decrease in notes and accounts payable-trade of ¥463 million.

Net cash used in investing activities amounted to ¥10,805 million, an increase of ¥3,287 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 ¥11,407 million, payments into time deposits of ¥1,298 million, and proceeds from withdrawal of time deposits of ¥1,925 million.

Net cash used in financing activities was ¥5,126 million, mainly due to cash dividends paid of ¥5,047 million, an increase of ¥1,092 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 six months ended September 30, 2023, including the effect of exchange rate change on cash and cash equivalents, decreased by ¥12,993 million from the end of the previous fiscal year to ¥36,065 million.

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

The consolidated financial forecast announced in the financial results report on May 11, 2023 has been revised. For details, please refer to the "Notice Concerning Revisions to the Financial Results Forecasts" announced today (November 9, 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 Sep. 30, 2023
Assets		
Current asset		
Cash and deposits	51,847	38,412
Notes and accounts receivable-trade	12,567	9,402
Merchandise and finished goods	6,248	6,584
Work in process	1,125	1,356
Raw materials and supplies	3,714	3,914
Other	2,184	2,707
Allowance for doubtful accounts	(118)	(92)
Total current assets	77,569	62,285
Non-current assets		
Property, plant and equipment		
Buildings and structures	28,098	29,193
Accumulated depreciation	(7,064)	(7,798)
Buildings and structures, net	21,034	21,394
Machinery, equipment and vehicles	8,384	8,951
Accumulated depreciation	(4,883)	(5,322)
Machinery, equipment and vehicles, net	3,500	3,628
Tools, furniture and fixtures	10,569	11,383
Accumulated depreciation	(6,229)	(6,907)
Tools, furniture and fixtures, net	4,340	4,475
Land	8,654	8,943
Construction in progress	2,102	10,546
Others	1,748	1,830
Accumulated depreciation	(425)	(510)
Others, net	1,323	1,319
Total Property, plant and equipment	40,956	50,308
Intangible assets		
Goodwill	6,674	6,963
Other	2,372	2,087
Total intangible assets	9,047	9,050
Investments and other assets		
Investments and other assets	1,627	1,639
Total investments and other assets	1,627	1,639
Total non-current assets	51,632	60,998
Total assets	129,202	123,283

(Millions of yen)

	As of Mar. 31, 2023	As of Sep. 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable-trade	2,323	2,061
Accrued income taxes	672	289
Provision for bonuses	1,065	933
Other	10,313	5,638
Total current liabilities	14,375	8,922
Non-current liabilities		
Retirement benefit liabilities	992	1,054
Other	1,379	1,177
Total non-current liabilities	2,372	2,231
Total liabilities	16,747	11,153
Net assets		
Shareholders' equity		
Share capital	14,965	14,965
Capital surplus	32,893	32,893
Retained earnings	57,047	53,074
Total shareholders' equity	104,906	100,933
Accumulated other comprehensive income		
Foreign currency translation adjustment	7,680	11,257
Cumulative remeasurements of retirement benefit	(367)	(335)
Total accumulated other comprehensive income	7,312	10,922
Non-controlling interests	235	274
Total net assets	112,454	112,130
Total liabilities and net assets	129,202	123,283

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

(Millions of yen)

	Six months ended Sep. 30, 2022	Six months ended Sep. 30, 2023
Net sales	32,587	19,116
Cost of sales	10,562	5,772
Gross profit	22,025	13,343
SG&A expenses		
Employees' salaries and bonuses	2,758	2,904
Retirement benefit expenses	122	161
R&D expenses	3,853	4,241
Provision of allowance	433	365
Other	3,986	4,260
Total SG&A expenses	11,154	11,933
Operating profit	10,870	1,410
Non-operating income		
Interest income	65	84
Foreign exchange gains	-	74
Rent income from real estate	72	78
Other	33	11
Total non-operating income	170	248
Non-operating expense		
Interest expenses	12	12
Foreign exchange losses	38	-
Rent expenses on real estate	32	35
Other	1	11
Total non-operating expenses	85	59
Ordinary profit	10,955	1,598
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	12	12
Others	14	-
Total extraordinary losses	27	12
Income before income taxes and others	11,831	1,588
Income taxes-current	2,538	684
Income taxes-deferred	721	(195)
Total income taxes	3,259	489
Net income	8,572	1,099
Net income attributable to non-controlling interest	33	14
Net income attributable to owners of the parent	8,538	1,084

(Consolidated Quarterly Statements of Comprehensive Income)

(Millions of yen)

	Six months ended Sep. 30, 2022	Six months ended Sep. 30, 2023
Net income	8,572	1,099
Other comprehensive income		
Foreign currency translation adjustment	6,264	3,601
Remeasurements of retirement benefit	21	32
Total other comprehensive income	6,286	3,634
Comprehensive income	14,858	4,733
Comprehensive income attributable to:		
Owners of the parent	14,798	4,693
Non-controlling interest	59	39

(3) Consolidated Quarterly Statements of Cash Flows

(Millions of yen)

	Six months ended Sep. 30, 2022	Six months ended Sep. 30, 2023
Net cash provided by (used in) operating activities		
Profit before income taxes and others	11,831	1,588
Depreciation and amortization	1,962	2,132
Depreciation and amortization on other	35	50
Amortization of goodwill	280	307
Increase (decrease) in allowance for doubtful accounts	(20)	(34)
Increase (decrease) in reserve for bonuses	(22)	(169)
Increase (decrease) in retirement benefit liabilities	(1)	58
Interest income	(65)	(84)
Interest expenses	12	12
Insurance claim income	(652)	-
Loss (gain) on sale and retirement of fixed assets	(238)	10
Decrease (increase) in trade receivables-trade	2,055	3,493
Decrease (increase) in inventories	960	(218)
Increase (decrease) in notes and accounts payable-trade	(615)	(463)
Increase (decrease) in consumption taxes payable	750	(2,561)
Increase (decrease) in other current liabilities	(2,716)	(1,368)
Other	513	(193)
Subtotal	14,070	2,560
Interest and dividend income received	55	89
Income expenses paid	(13)	(11)
Income taxes paid	(6,093)	(550)
Proceeds from insurance income	652	-
Net cash provided by (used in) operating activities	8,672	2,087
Net cash provided by (used in) investing activities		
Payments into time deposits	(5,527)	(1,298)
Proceed from withdrawal of time deposits	792	1,925
Purchase of property, plant and equipment and intangible assets	(3,076)	(11,407)
Proceeds from sales of property, plant and equipment and intangible assets	394	1
Purchase of other depreciable assets	(111)	(24)
Other	10	(2)
Net cash provided by (used in) investing activities	(7,518)	(10,805)
Net cash provided by (used in) financing activities		
Dividends paid	(3,965)	(5,047)
Repayments of lease obligations	(69)	(79)
Net cash provided by (used in) financing activities	(4,034)	(5,126)
Effect of exchange rate change on cash and cash equivalents	1,325	851
Net increase (decrease) in cash and cash equivalents	(1,554)	(12,993)
Cash and cash equivalents at beginning of period	22,160	49,058
Cash and cash equivalents at end of period	20,606	36,065

(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)

	Six months ended Sep. 30, 2022 (Apr. 1, 2022 – Sep. 30, 2022)	Six months ended Sep. 30, 2023 (Apr. 1, 2023 – Sep. 30, 2023)	Year ended Mar. 31, 2023 (Apr. 1, 2022 – Mar. 31, 2023)
Cash flow from operating activities	8,672	2,087	36,897
Cash flow from investing activities	(7,518)	(10,805)	(6,693)
Cash flow from financing activities	(4,034)	(5,126)	(4,119)

2) Sales Breakdown by Region

(Millions of yen)

	Six months ended Sep. 30, 2022 (Apr. 1, 2022 – Sep. 30, 2022)	Six months ended Sep. 30, 2023 (Apr. 1, 2023 – Sep. 30, 2023)	Year ended Mar. 31, 2023 (Apr. 1, 2022 – Mar. 31, 2023)
Japan	16,298	6,298	45,667
United States	6,263	5,892	12,886
China	5,388	2,986	10,799
Asia excluding Japan and China	1,860	1,639	3,546
Europe	2,643	2,162	4,949
Others	132	137	293
Total	32,587	19,116	78,142

(2) Comparative Consolidated Statement of Income

(Rounded down to one million yen)

	Six months ended Sep. 30, 2022	Six months ended Sep. 30, 2023	Y/Y change	Y/Y ratio
(Net sales)				
Reagents	27,565	14,949	(12,615)	(45.8%)
Instruments	694	411	(282)	(40.7%)
CDMO	3,183	2,702	(480)	(15.1%)
Gene Therapy	1,144	1,052	(91)	(8.0%)
Total net sales	32,587	19,116	(13,470)	(41.3%)
(Operating profit and Loss)				
Net sales	32,587	19,116	(13,470)	(41.3%)
Cost of sales	10,562	5,772	(4,789)	(45.3%)
Gross profit	22,025	13,343	(8,681)	(39.4%)
SG & A expenses	11,154	11,933	778	7.0%
Transportation expenses	330	285	(45)	(13.7%)
Advertising expenses	21	32	10	48.8%
Promotion expenses	306	347	40	13.3%
R&D expenses	3,853	4,241	387	10.1%
Administrative expense, other	6,412	6,872	460	7.2%
Enterprise taxes (external standards taxation)	229	154	(75)	(32.8%)
Operating profit	10,870	1,410	(9,460)	(87.0%)
(Non-operating income and Expenses)				
Non-operating income	170	248	77	45.5%
Non-operating expenses	85	59	(25)	(29.7%)
Ordinary profit	10,955	1,598	(9,356)	(85.4%)
(Extraordinary income & Losses)				
Extraordinary income	902	1	(901)	(99.8%)
Extraordinary losses	27	12	(14)	(54.4%)
Income before income taxes and others	11,831	1,588	(10,243)	(86.6%)
Income taxes	3,259	489	(2,770)	(85.0%)
Net income	8,572	1,099	(7,473)	(87.2%)
Net income (loss) attributable to non-controlling interests	33	14	(18)	(55.7%)
Net income attributable to owners of the parent	8,538	1,084	(7,454)	(87.3%)
Depreciation and amortization (Property, plant and equipment and intangible assets)	1,962	2,132	170	8.7%
Amortization of goodwill	280	307	26	9.6%

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

(Rounded down to one million yen)

	Year ended Mar. 31, 2023 Actual	Year ending Mar. 31, 2024		Y/Y Change	Y/Y Ratio	Previous forecast Change	Previous forecast Ratio
		Previous forecast	Current forecast				
(Net sales)							
Reagents	65,925	38,353	32,792	(33,133)	(50.3%)	(5,561)	(14.5%)
Instruments	1,375	2,019	1,314	(61)	(4.5%)	(705)	(34.9%)
CDMO	8,200	9,914	8,652	451	5.5%	(1,261)	(12.7%)
Gene Therapy	2,640	3,012	2,740	100	3.8%	(272)	(9.0%)
Total Net Sales	78,142	53,300	45,500	(32,642)	(41.8%)	(7,800)	(14.6%)
(Operating profit and Loss)							
Net sales	78,142	53,300	45,500	(32,642)	(41.8%)	(7,800)	(14.6%)
Cost of sales	33,377	19,315	17,399	(15,977)	(47.9%)	(1,916)	(9.9%)
Gross profit	44,765	33,984	28,100	(16,664)	(37.2%)	(5,883)	(17.3%)
SG & A expenses	24,224	25,984	25,100	876	3.6%	(883)	(3.4%)
Transportation expenses	653	691	638	(14)	(2.2%)	(53)	(7.7%)
Advertising expenses	48	74	70	21	44.3%	(4)	(5.9%)
Promotion expenses	699	965	796	96	13.8%	(169)	(17.5%)
R&D expenses	8,575	9,000	8,810	234	2.7%	(189)	(2.1%)
Administrative expenses, other	13,790	14,881	14,479	689	5.0%	(401)	(2.7%)
Enterprise taxes (external standards taxation)	456	372	305	(151)	(33.1%)	(66)	(17.9%)
Operating profit	20,541	8,000	3,000	(17,541)	(85.4%)	(5,000)	(62.5%)
(Non-operating income and Expenses)							
Non-operating income	363	386	394	31	8.7%	8	2.1%
Non-operating expenses	221	186	194	(27)	(12.2%)	8	4.4%
Ordinary profit	20,682	8,200	3,200	(17,482)	(84.5%)	(5,000)	(61.0%)
(Extraordinary gains & Losses)							
Extraordinary gains	930	-	1	(928)	(99.8%)	1	-
Extraordinary losses	388	59	60	(327)	(84.3%)	1	2.1%
Income before income taxes and others	21,224	8,140	3,140	(18,083)	(85.2%)	(5,000)	(61.4%)
Income taxes	5,176	2,612	1,100	(4,065)	(78.5%)	(1,501)	(57.5%)
Net income	16,047	5,528	2,030	(14,017)	(87.3%)	(3,497)	(63.3%)
Net income (loss) attributable to non- controlling interests	35	28	30	(5)	(14.6%)	2	8.2%
Net income attributable to owners of parent	16,012	5,500	2,000	(14,012)	(87.5%)	(3,500)	(63.6%)
Depreciation and amortization (Property, plant and equipment and intangible assets)	4,050	4,590	4,552	502	12.4%	(37)	(0.8%)
Amortization of goodwill	599	637	635	36	6.0%	(1)	(0.3%)