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August 8, 2024

Consolidated Financial Results for the Three Months Ended June 30, 2024 (Under Japanese GAAP)

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 Securities code: 4974
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Scheduled date to commence dividend payments: -

Preparation of supplementary material on quarterly financial results: Yes

Holding of quarterly financial results briefing: No

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

1. Consolidated financial results for the three months ended Jun. 30, 2024 (from Apr. 1, 2024 to Jun. 30, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

Three months ended	Net sales		Operating profit		Ordinary profit		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Jun. 30, 2024	8,493	(7.4)	(1,634)	-	(1,498)	-	(1,047)	-
Jun. 30, 2023	9,176	(34.9)	423	(90.7)	509	(88.9)	319	(91.8)

Note: Comprehensive income For the three months ended Jun. 30, 2024: ¥1,778 million 119.3%
 For the three months ended Jun. 30, 2023: ¥810 million (87.2%)

Three months ended	Basic earnings per share	Diluted earnings per share
Jun. 30, 2024	Yen (8.70)	Yen -
Jun. 30, 2023	Yen 2.65	Yen -

(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, 2024	121,752	111,516	91.3	923.50
Mar. 31, 2024	121,252	111,784	92.0	926.00

Reference: Equity

As of Jun. 30, 2024: ¥111,203 million

As of Mar. 31, 2024: ¥111,505 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, 2024	Yen -	Yen 0.00	Yen -	Yen 17.00	Yen 17.00
Fiscal year ending Mar. 31, 2025	-				
Fiscal year ending Mar. 31, 2025 (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, 2025 (Apr. 1, 2024 – Mar. 31, 2025)

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

	Net sales		Operating profit		Ordinary profit		Net income attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Second quarter (cumulative)	20,200	5.7	150	(89.4)	250	(84.4)	100	(90.8)	0.83
Full-year	48,900	12.4	5,000	66.5	5,200	52.7	3,400	129.6	28.24

Note: Revisions to the financial forecast since the most recent announced: No

* 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, 2024	120,415,600 shares
As of Mar. 31, 2024	120,415,600 shares

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

As of Jun. 30, 2024	- shares
As of Mar. 31, 2024	- shares

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

Three months ended Jun. 30, 2024	120,415,600 shares
Three months ended Jun. 30, 2023	120,415,600 shares

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: Yes (voluntary)

* 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 Three Months ended June 30, 2024 (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, 2024

(1) Overview of Financial Results

The outlook for the global economy during the three months ended June 30, 2024 is uncertain due to the prolonged inflation, a slowdown in the Chinese economy, and Russia's invasion of Ukraine.

Under these circumstances, in the Long-Term Management Plan 2026 for the six-year period ending March 31, 2026, and the Medium-Term Management Plan 2026 for the three-year period ending March 31, 2026, we have promoted the development of 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, 2024, net sales decreased to ¥8,493 million (down 7.4% year-on-year) due to a decrease in sales of test-related products of new Coronavirus infectious disease, a slump in the life science research market affected by the economic downturn overseas, and other reasons. Cost of sales increased to ¥4,139 million (up 54.3% year-on-year) due to a decrease in sales of test-related product which have relatively high profit margin, and changes in the sales mix, and other reasons. As a result, gross profit decreased to ¥4,353 million (down 32.9% year-on-year). Selling, general and administrative (SG&A) expenses were ¥5,988 million (down 1.3% year-on-year), and operating loss was ¥1,634 million (compared with operating profit of ¥423 million in the same period of the previous fiscal year).

As a result of the decrease in operating income, ordinary loss was ¥1,498 million (compared with ordinary income of ¥509 million in the same period of the previous fiscal year) and loss before income taxes was ¥1,507 million (compared with income before income taxes and minority interests of ¥505 million in the same period of the previous fiscal year), resulting in income taxes-deferred of minus ¥686 million. As a result, net loss attributable to owners of parent was ¥1,047 million (compared with net income attributable to owners of parent of ¥319 million in the same period of the previous fiscal year).

From the first quarter of the current fiscal year, due to a review of management classification, net sales of products related to mRNA manufacturing (for research use), which were previously included in "Reagent," have been added to "Gene Therapy." As a result, net sales for the first quarter of the previous fiscal year has been reclassified as "Gene Therapy."

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

(2) Overview of Financial Position for the Current Quarter

Total assets at the end of the three months ended June 30, 2024 were ¥121,752 million, an increase of ¥500 million from the end of the previous fiscal year. This was mainly due to increase of ¥2,552 million in cash and deposits, ¥1,001 million in investments and other assets, and ¥997 million in property, plant and equipment, despite a decrease of ¥3,899 million in note and accounts receivable-trade.

Total liabilities at the end of the three months ended June 30, 2024 were ¥10,236 million, an increase of ¥768 million from the end of the previous fiscal year. This was mainly due to increases of ¥416 million in provision for bonuses and ¥115 million on accrued income taxes.

Total net assets at the end of the three months ended June 30, 2024 were ¥111,516 million, a decrease of ¥268 million from the end of the previous fiscal year. This was mainly due to a decrease of ¥3,094 million in retained earnings, despite an increase of ¥2,775 million in foreign currency translation adjustment due to the yen's depreciation.

(3) Overview of Cash Flows for the Current Quarter

Net cash provided by operating activities amounted to ¥4,534 million, an increase of ¥4,215 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 ¥4,132 million, and an increase in consumption taxes payable of ¥1,478 million, and cash outflow of ¥1,507 million in quarterly loss before income taxes.

Net cash used in investing activities amounted to ¥792 million, an increase of ¥27 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 ¥572 million, payment into time deposits of ¥375 million, purchase of other depreciable assets of ¥212 million, and proceeds from withdrawal of time deposits of ¥364 million.

Net cash used in financing activities was ¥2,022 million, mainly due to cash dividends paid of ¥1,971 million, a decrease of ¥2,888 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, 2024, including the effect of exchange rate change on cash and cash equivalents, increased by ¥2,427 million from the end of the previous fiscal year to ¥35,599 million.

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

Results for the three months of the fiscal year under review were basically in line with the forecasts announced on May 10, 2024. In addition, the current forecast for the second quarter and beyond are generally in line with the forecast for consolidated financial results.

For the year ending March 31, 2025, we forecast consolidated net sales of ¥48,900 million, operating profit of ¥5,000 million, ordinary profit of ¥5,200 million, and net income attributable to owners of the parent of ¥3,400 million.

For the cumulative second quarter, we forecast a year-on-year increase in sales and profits, with net sales of ¥20,200 million, operating profit of ¥150 million, ordinary profit of ¥250 million, and net income attributable to owners of the parent of ¥100 million.

As mentioned above, due to a bias in the progress of net sales, we expected the progress of our operating profit forecast to be approximately 3% for the full year in the first half (operating loss of ¥1,634 million in the first quarter) and 97% in the second half.

2. Consolidated Quarterly Financial Statements and Primary Notes
(1) Consolidated Quarterly Balance Sheets

(Millions of yen)

	As of Mar. 31, 2024	As of Jun. 30, 2024
Assets		
Current asset		
Cash and deposits	35,416	37,969
Notes and accounts receivable-trade	11,358	7,458
Merchandise and finished goods	6,784	7,586
Work in process	970	1,163
Raw materials and supplies	4,096	4,171
Other	4,205	2,746
Allowance for doubtful accounts	(72)	(79)
Total current assets	62,759	61,016
Non-current assets		
Property, plant and equipment		
Buildings and structures	28,521	29,608
Accumulated depreciation	(8,318)	(8,771)
Buildings and structures, net	20,203	20,837
Machinery, equipment and vehicles	8,346	8,764
Accumulated depreciation	(5,309)	(5,569)
Machinery, equipment and vehicles, net	3,037	3,195
Tools, furniture and fixtures	11,673	11,857
Accumulated depreciation	(7,674)	(8,022)
Tools, furniture and fixtures, net	3,998	3,834
Land	8,869	9,094
Construction in progress	11,712	11,826
Others	2,083	2,163
Accumulated depreciation	(828)	(878)
Others, net	1,254	1,285
Total Property, plant and equipment	49,075	50,073
Intangible assets		
Goodwill	6,488	6,754
Other	1,539	1,516
Total intangible assets	8,027	8,270
Investments and other assets		
Investments and other assets	1,389	2,391
Total investments and other assets	1,389	2,391
Total non-current assets	58,492	60,735
Total assets	121,252	121,752

(Millions of yen)

	As of Mar. 31, 2024	As of Jun. 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,543	1,640
Accrued income taxes	128	244
Provision for bonuses	962	1,379
Other	4,533	4,548
Total current liabilities	7,168	7,813
Non-current liabilities		
Retirement benefit liabilities	1,102	1,121
Other	1,196	1,301
Total non-current liabilities	2,299	2,422
Total liabilities	9,467	10,236
Net assets		
Shareholders' equity		
Share capital	14,965	14,965
Capital surplus	32,893	32,893
Retained earnings	53,471	50,376
Total shareholders' equity	101,330	98,235
Accumulated other comprehensive income		
Foreign currency translation adjustment	10,548	13,323
Cumulative remeasurements of retirement benefit	(373)	(356)
Total accumulated other comprehensive income	10,174	12,967
Non-controlling interests	279	312
Total net assets	111,784	111,516
Total liabilities and net assets	121,252	121,752

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

(Millions of yen)

	Three months ended Jun. 30, 2023	Three months ended Jun. 30, 2024
Net sales	9,176	8,493
Cost of sales	2,683	4,139
Gross profit	6,493	4,353
SG&A expenses		
Employees' salaries and bonuses	1,451	1,757
Retirement benefit expenses	81	87
R&D expenses	2,240	1,706
Provision of allowance	218	257
Other	2,077	2,178
Total SG&A expenses	6,069	5,988
Operating profit (loss)	423	(1,634)
Non-operating income		
Interest income	42	73
Foreign exchange gains	29	26
Rent income from real estate	38	39
Other	9	38
Total non-operating income	119	178
Non-operating expense		
Interest expenses	7	7
Rent expenses on real estate	15	15
Other	10	19
Total non-operating expenses	33	42
Ordinary profit (loss)	509	(1,498)
Extraordinary gains		
Gain on sale of fixed assets	1	2
Total extraordinary profit	1	2
Extraordinary losses		
Loss on sale and retirement of non-current assets	5	11
Total extraordinary losses	5	11
Income (loss) before income taxes and others	505	(1,507)
Income taxes-current	377	210
Income taxes-deferred	(204)	(686)
Total income taxes	172	(475)
Net income (loss)	333	(1,032)
Net income attributable to non-controlling interest	13	15
Net income (loss) attributable to owners of the parent	319	(1,047)

(Consolidated Quarterly Statements of Comprehensive Income)

(Millions of yen)

	Three months ended Jun. 30, 2023	Three months ended Jun. 30, 2024
Net income	333	(1,032)
Other comprehensive income		
Foreign currency translation adjustment	461	2,793
Remeasurements of retirement benefit	16	17
Total other comprehensive income	477	2,811
Comprehensive income	810	1,778
Comprehensive income attributable to:		
Owners of the parent	794	1,745
Non-controlling interest	16	33

(3) Consolidated Quarterly Statements of Cash Flows

(Millions of yen)

	Three months ended Jun. 30, 2023	Three months ended Jun. 30, 2024
Net cash provided by (used in) operating activities		
Profit (loss) before income taxes and others	505	(1,507)
Depreciation and amortization	1,047	927
Depreciation and amortization on other	24	42
Amortization of goodwill	150	169
Increase (decrease) in allowance for doubtful accounts	(25)	2
Increase (decrease) in reserve for bonuses	253	384
Increase (decrease) in retirement benefit liabilities	26	17
Interest income	(42)	(73)
Interest expenses	7	7
Loss (gain) on sale and retirement of fixed assets	3	9
Decrease (increase) in trade receivables-trade	3,215	4,132
Decrease (increase) in inventories	(120)	(640)
Increase (decrease) in notes and accounts payable-trade	(1,453)	5
Increase (decrease) in consumption taxes payable	(1,985)	1,478
Increase (decrease) in other current liabilities	(649)	(331)
Other	(418)	(37)
Subtotal	541	4,588
Interest and dividend income received	41	58
Income expenses paid	(5)	(7)
Income taxes paid	(258)	(103)
Net cash provided by (used in) operating activities	319	4,534
Net cash provided by (used in) investing activities		
Payments into time deposits	(412)	(375)
Proceed from withdrawal of time deposits	1,056	364
Purchase of property, plant and equipment and intangible assets	(1,408)	(572)
Proceeds from sales of property, plant and equipment and intangible assets	1	3
Purchase of other depreciable assets	(2)	(212)
Other	(0)	(0)
Net cash provided by (used in) investing activities	(764)	(792)
Net cash provided by (used in) financing activities		
Dividends paid	(4,872)	(1,971)
Repayments of lease obligations	(38)	(51)
Net cash provided by (used in) financing activities	(4,911)	(2,022)
Effect of exchange rate change on cash and cash equivalents	117	708
Net increase (decrease) in cash and cash equivalents	(5,239)	2,427
Cash and cash equivalents at beginning of period	49,058	33,171
Cash and cash equivalents at end of period	43,818	35,599

(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.

(Notes on Segment Information)

Since our group is a single segment, the description is omitted.

3. Supplemental Information

(1) Trends in Key Indicators for Business Management

1) Cash Flows

(Millions of yen)

	Three months ended Jun. 30, 2023 (Apr. 1, 2023 – Jun. 30, 2023)	Three months ended Jun. 30, 2024 (Apr. 1, 2024 – Jun. 30, 2024)	Year ended Mar. 31, 2024 (Apr. 1, 2023 – Mar. 31, 2024)
Cash flow from operating activities	319	4,534	1,711
Cash flow from investing activities	(764)	(792)	(13,043)
Cash flow from financing activities	(4,911)	(2,022)	(5,233)

2) Sales Breakdown by Region

(Millions of yen)

	Three months ended Jun. 30, 2023 (Apr. 1, 2023 – Jun. 30, 2023)	Three months ended Jun. 30, 2024 (Apr. 1, 2024 – Jun. 30, 2024)	Year ended Mar. 31, 2024 (Apr. 1, 2023 – Mar. 31, 2024)
Japan	3,226	2,212	15,434
United States	2,972	3,148	12,974
China	1,109	1,355	7,039
Asia excluding Japan and China	696	709	3,355
Europe	1,108	979	4,496
Others	62	88	205
Total	9,176	8,493	43,505

(2) Comparative Consolidated Statement of Income

(Rounded down to one million yen)

	Three months ended Jun. 30, 2023	Three months ended Jun. 30, 2024	Y/Y change	Y/Y ratio
(Net sales)				
Reagents	6,809	6,606	(203)	(3.0%)
Instruments	220	221	0	0.3%
CDMO	1,366	1,018	(348)	(25.5%)
Gene Therapy	778	647	(131)	(16.9%)
Total net sales	9,176	8,493	(682)	(7.4%)
(Operating profit and Loss)				
Net sales	9,176	8,493	(682)	(7.4%)
Cost of sales	2,683	4,139	1,456	54.3%
Gross profit	6,493	4,353	(2,139)	(32.9%)
SG & A expenses	6,069	5,988	(81)	(1.3%)
Transportation expenses	134	136	2	1.6%
Advertising expenses	11	16	5	45.5%
Promotion expenses	166	175	8	5.3%
R&D expenses	2,240	1,706	(534)	(23.8%)
Administrative expense, other	3,443	3,888	444	12.9%
Enterprise taxes (external standards taxation)	73	65	(8)	(11.1%)
Operating profit	423	(1,634)	(2,057)	—
(Non-operating income and Expenses)				
Non-operating income	119	178	58	49.2%
Non-operating expenses	33	42	9	27.7%
Ordinary profit	509	(1,498)	(2,008)	—
(Extraordinary income and Losses)				
Extraordinary income	1	2	0	32.9%
Extraordinary losses	5	11	6	114.9%
Income before income taxes and others	505	(1,507)	(2,013)	—
Income taxes	172	(475)	(648)	—
Net income	333	(1,032)	(1,365)	—
Net income (loss) attributable to non-controlling interests	13	15	1	13.3%
Net income attributable to owners of the parent	319	(1,047)	(1,367)	—
Depreciation and amortization (Property, plant and equipment and intangible assets)	1,047	927	(120)	(11.5%)
Amortization of goodwill	150	169	18	12.3%

* From the fiscal year ending March 31, 2025, we began adding sales of mRNA manufacturing related products (for research use), which had been included in “Reagents” until year ended March 31, 2024, to “Gene Therapy.” The results for the year ended March 31, 2024 in this table have been reclassified to reflect this change.