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February 14, 2024

Consolidated Financial Results for the Nine Months Ended December 31, 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: February 14, 2024
 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 nine months ended Dec. 31, 2023 (from Apr. 1, 2023 to Dec. 31, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	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	%
Nine months ended								
Dec. 31, 2023	29,734	(50.6)	336	(98.3)	586	(97.0)	154	(98.9)
Dec. 31, 2022	60,206	31.9	19,403	(2.6)	19,480	(3.3)	14,595	1.6

Note: Comprehensive income For the nine months ended Dec. 31, 2023: ¥5,132 million (77.3%)
 For the nine months ended Dec. 31, 2022: ¥22,620 million 32.4%

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
Dec. 31, 2023	1.28	-
Dec. 31, 2022	121.21	-

(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
Dec. 31, 2023	123,087	112,529	91.2	932.12
Mar. 31, 2023	129,202	112,454	86.9	931.93

Reference: Equity
 As of Dec. 31, 2023: ¥112,242 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		Net income 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: 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 Dec. 31, 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 Dec. 31, 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)

Nine months ended Dec. 31, 2023	120,415,600 shares
Nine months ended Dec. 31, 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 Nine Months ended December 31, 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 Nine Months ended December 31, 2023

(1) Overview of Financial Results

The outlook for the global economy during the nine months ended December 31, 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 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 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 nine months ended December 31, 2023, net sales decreased to ¥29,734 million (down 50.6% year-on-year) due to a decrease of sales of test-related products resulting from a change in the legal positioning of new Coronavirus infectious disease. Cost of sales decreased to ¥11,692 million (down 50.8% year-on-year) due mainly to a decrease in sales. As a result, gross profit decreased to ¥18,041 million (down 50.5% year-on-year). Selling, general and administrative (SG&A) expenses were ¥17,704 million (up 4.0% year-on-year) due to an increase in personnel expenses, research and development (R&D) expenses, etc., and operating profit was ¥336 million (down 98.3% year-on-year).

As a result of the decrease in operating profit, ordinary profit decreased by ¥586 million (down 97.0% year-on-year), profit before income taxes and others was ¥500 million (down 97.5% year-on-year), and net income attributable to owners of the parent was ¥154 million (down 98.9% 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 nine months ended December 31, 2023 were ¥123,087 million, a decrease of ¥6,114 million from the end of the previous fiscal year. This was mainly due to decreases of ¥16,507 million in cash and deposits and ¥4,105 million in notes and accounts receivable-trade, despite increases of ¥9,519 million in property, plant and equipment, ¥2,425 million in other current assets, and ¥1,590 million in merchandise and finished goods.

Total liabilities at the end of the nine months ended December 31, 2023 were ¥10,557 million, a decrease of ¥6,189 million from the end of the previous fiscal year. This was mainly due to decreases of ¥6,795 million in other current liabilities.

Total net assets at the end of the nine months ended December 31, 2023 were ¥112,529 million, an increase of ¥75 million from the end of the previous fiscal year. This was mainly due to an increase of ¥4,877 million in foreign currency translation adjustment due to the yen's depreciation, despite a decrease of ¥4,902 million in retained earnings.

(3) Overview of Cash Flows

Net cash provided by operating activities amounted to ¥482 million, a decrease of ¥12,779 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 ¥4,566 million, depreciation and amortization of ¥3,259 million, and an increase in notes and accounts payable-trade of ¥1,167 million, and cash outflow from a decrease in consumption taxes payable of ¥3,352 million, income taxes paid of ¥2,286 million, an increase in inventories of 1,718 million, and a decrease in other current liabilities of ¥1,575 million.

Net cash used in investing activities amounted to ¥11,740 million, an increase of ¥2,189 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 ¥12,236 million, payment into time deposits of 1,477 million, subsidy refund of ¥1,335 million, and proceeds from withdrawal of time deposits of ¥2,873 million.

Net cash used in financing activities was ¥5,184 million, mainly due to cash dividends paid of ¥5,048 million, an increase of ¥1,107 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 nine months ended December 31, 2023, including the effect of exchange rate change on cash and cash equivalents, decreased by ¥15,296 million from the end of the previous fiscal year to ¥33,761 million.

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

Results for the nine months of the fiscal year under review were basically in line with the forecasts announced on November 9, 2023. In addition, the forecast for the fourth quarter of the current fiscal year is generally in line with the forecast for consolidated financial results.

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

(Millions of yen)

	As of Mar. 31, 2023	As of Dec. 31, 2023
Assets		
Current asset		
Cash and deposits	51,847	35,340
Notes and accounts receivable-trade	12,567	8,462
Merchandise and finished goods	6,248	7,838
Work in process	1,125	1,466
Raw materials and supplies	3,714	4,314
Other	2,184	4,610
Allowance for doubtful accounts	(118)	(85)
Total current assets	77,569	61,947
Non-current assets		
Property, plant and equipment		
Buildings and structures	28,098	29,578
Accumulated depreciation	(7,064)	(8,176)
Buildings and structures, net	21,034	21,401
Machinery, equipment and vehicles	8,384	9,527
Accumulated depreciation	(4,883)	(5,517)
Machinery, equipment and vehicles, net	3,500	4,010
Tools, furniture and fixtures	10,569	11,504
Accumulated depreciation	(6,229)	(7,197)
Tools, furniture and fixtures, net	4,340	4,307
Land	8,654	9,051
Construction in progress	2,102	10,383
Others	1,748	1,884
Accumulated depreciation	(425)	(562)
Others, net	1,323	1,321
Total Property, plant and equipment	40,956	50,475
Intangible assets		
Goodwill	6,674	7,013
Other	2,372	1,815
Total intangible assets	9,047	8,829
Investments and other assets		
Investments and other assets	1,627	1,835
Total investments and other assets	1,627	1,835
Total non-current assets	51,632	61,140
Total assets	129,202	123,087

(Millions of yen)

	As of Mar. 31, 2023	As of Dec. 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable-trade	2,323	3,776
Accrued income taxes	672	152
Provision for bonuses	1,065	870
Other	10,313	3,517
Total current liabilities	14,375	8,317
Non-current liabilities		
Retirement benefit liabilities	992	1,067
Other	1,379	1,172
Total non-current liabilities	2,372	2,240
Total liabilities	16,747	10,557
Net assets		
Shareholders' equity		
Share capital	14,965	14,965
Capital surplus	32,893	32,893
Retained earnings	57,047	52,144
Total shareholders' equity	104,906	100,003
Accumulated other comprehensive income		
Foreign currency translation adjustment	7,680	12,557
Cumulative remeasurements of retirement benefit	(367)	(319)
Total accumulated other comprehensive income	7,312	12,238
Non-controlling interests	235	287
Total net assets	112,454	112,529
Total liabilities and net assets	129,202	123,087

(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)

	Nine months ended Dec. 31, 2022	Nine months ended Dec. 31, 2023
Net sales	60,206	29,734
Cost of sales	23,771	11,692
Gross profit	36,434	18,041
SG&A expenses		
Employees' salaries and bonuses	4,382	4,638
Retirement benefit expenses	188	234
R&D expenses	5,867	6,119
Provision of allowance	408	325
Other	6,184	6,385
Total SG&A expenses	17,031	17,704
Operating profit	19,403	336
Non-operating income		
Interest income	98	131
Foreign exchange gains	-	65
Rent income from real estate	113	119
Other	39	16
Total non-operating income	252	333
Non-operating expense		
Interest expenses	18	18
Foreign exchange losses	106	-
Rent expenses on real estate	48	53
Other	1	12
Total non-operating expenses	175	84
Ordinary profit	19,480	586
Extraordinary gains		
Gain on sale of fixed assets	250	3
Insurance received	652	-
Total extraordinary profit	902	3
Extraordinary losses		
Loss on sale and retirement of non-current assets	25	12
Impairment loss	-	75
Others	39	-
Total extraordinary losses	64	88
Income before income taxes and others	20,318	500
Income taxes-current	4,857	722
Income taxes-deferred	827	(399)
Total income taxes	5,684	323
Net income	14,633	177
Net income attributable to non-controlling interest	38	22
Net income attributable to owners of the parent	14,595	154

(Consolidated Quarterly Statements of Comprehensive Income)

(Millions of yen)

	Nine months ended Dec. 31, 2022	Nine months ended Dec. 31, 2023
Net income	14,633	177
Other comprehensive income		
Foreign currency translation adjustment	7,954	4,906
Remeasurements of retirement benefit	32	48
Total other comprehensive income	7,987	4,955
Comprehensive income	22,620	5,132
Comprehensive income attributable to:		
Owners of the parent	22,549	5,080
Non-controlling interest	70	52

(3) Consolidated Quarterly Statements of Cash Flows

(Millions of yen)

	Nine months ended Dec. 31, 2022	Nine months ended Dec. 31, 2023
Net cash provided by (used in) operating activities		
Profit before income taxes and others	20,318	500
Depreciation and amortization	2,976	3,259
Impairment loss	-	75
Depreciation and amortization on other	60	75
Amortization of goodwill	438	471
Increase (decrease) in allowance for doubtful accounts	(5)	(44)
Increase (decrease) in reserve for bonuses	(39)	(259)
Increase (decrease) in retirement benefit liabilities	4	71
Interest income	(98)	(131)
Interest expenses	18	18
Insurance claim income	(652)	-
Loss (gain) on sale and retirement of fixed assets	(225)	9
Decrease (increase) in trade receivables-trade	(9,846)	4,566
Decrease (increase) in inventories	9,929	(1,718)
Increase (decrease) in notes and accounts payable-trade	(766)	1,167
Increase (decrease) in consumption taxes payable	2,264	(3,352)
Increase (decrease) in other current liabilities	(2,541)	(1,575)
Other	355	(49)
Subtotal	22,189	3,086
Interest and dividend income received	80	133
Income expenses paid	(18)	(16)
Income taxes paid	(9,641)	(2,286)
Proceeds from insurance income	652	-
Subsidy refund	-	(433)
Net cash provided by (used in) operating activities	13,261	482
Net cash provided by (used in) investing activities		
Payments into time deposits	(7,312)	(1,477)
Proceed from withdrawal of time deposits	1,230	2,873
Purchase of property, plant and equipment and intangible assets	(3,750)	(12,236)
Proceeds from sales of property, plant and equipment and intangible assets	394	9
Purchase of other depreciable assets	(121)	(29)
Subsidies received	-	462
Subsidy refund	-	(1,335)
Other	8	(6)
Net cash provided by (used in) investing activities	(9,551)	(11,740)
Net cash provided by (used in) financing activities		
Dividends paid	(3,967)	(5,048)
Repayments of lease obligations	(108)	(135)
Net cash provided by (used in) financing activities	(4,076)	(5,184)
Effect of exchange rate change on cash and cash equivalents	1,418	1,146
Net increase (decrease) in cash and cash equivalents	1,052	(15,296)
Cash and cash equivalents at beginning of period	22,160	49,058
Cash and cash equivalents at end of period	23,212	33,761

(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)

	Nine months ended Dec. 31, 2022 (Apr. 1, 2022 – Dec. 31, 2022)	Nine months ended Dec. 31, 2023 (Apr. 1, 2023 – Dec. 31, 2023)	Year ended Mar. 31, 2023 (Apr. 1, 2022 – Mar. 31, 2023)
Cash flow from operating activities	13,261	482	36,897
Cash flow from investing activities	(9,551)	(11,740)	(6,693)
Cash flow from financing activities	(4,076)	(5,184)	(4,119)

2) Sales Breakdown by Region

(Millions of yen)

	Nine months ended Dec. 31, 2022 (Apr. 1, 2022 – Dec. 31, 2022)	Nine months ended Dec. 31, 2023 (Apr. 1, 2023 – Dec. 31, 2023)	Year ended Mar. 31, 2023 (Apr. 1, 2022 – Mar. 31, 2023)
Japan	35,931	9,655	45,667
United States	9,879	9,256	12,886
China	7,950	4,788	10,799
Asia excluding Japan and China	2,589	2,444	3,546
Europe	3,660	3,394	4,949
Others	195	195	293
Total	60,206	29,734	78,142

(2) Comparative Consolidated Statement of Income

(Rounded down to one million yen)

	Nine months ended Dec. 31, 2022	Nine months ended Dec. 31, 2023	Y/Y change	Y/Y ratio
(Net sales)				
Reagents	52,469	22,989	(29,480)	(56.2%)
Instruments	1,080	638	(442)	(40.9%)
CDMO	4,669	4,369	(300)	(6.4%)
Gene Therapy	1,985	1,737	(247)	(12.5%)
Total net sales	60,206	29,734	(30,471)	(50.6%)
(Operating profit and Loss)				
Net sales	60,206	29,734	(30,471)	(50.6%)
Cost of sales	23,771	11,692	(12,079)	(50.8%)
Gross profit	36,434	18,041	(18,392)	(50.5%)
SG & A expenses	17,031	17,704	673	4.0%
Transportation expenses	506	420	(85)	(16.9%)
Advertising expenses	33	49	16	47.8%
Promotion expenses	506	527	21	4.3%
R&D expenses	5,867	6,119	251	4.3%
Administrative expense, other	9,735	10,365	630	6.5%
Enterprise taxes (external standards taxation)	381	220	(160)	(42.1%)
Operating profit	19,403	336	(19,066)	(98.3%)
(Non-operating income and Expenses)				
Non-operating income	252	333	81	32.4%
Non-operating expenses	175	84	(90)	(51.9%)
Ordinary profit	19,480	586	(18,893)	(97.0%)
(Extraordinary income and Losses)				
Extraordinary income	902	3	(899)	(99.6%)
Extraordinary losses	64	88	23	36.8%
Income before income taxes and others	20,318	500	(19,817)	(97.5%)
Income taxes	5,684	323	(5,361)	(94.3%)
Net income	14,633	177	(14,455)	(98.8%)
Net income (loss) attributable to non-controlling interests	38	22	(15)	(39.8%)
Net income attributable to owners of the parent	14,595	154	(14,440)	(98.9%)
Depreciation and amortization (Property, plant and equipment and intangible assets)	2,976	3,259	283	9.5%
Amortization of goodwill	438	471	33	7.7%