



**Consolidated Financial Statements for the Third Quarter Ended December 31, 2021
FY2022 (April 1, 2021 – March 31, 2022) [UNAUDITED]**

February 10, 2022

Company name: Takara Bio Inc.
 Stock exchange listings: Tokyo Stock Exchange (1st section)
 Code number: 4974
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 Scheduled date of quarterly statement filing: February 14, 2022

Scheduled date of starting delivery of dividends: -
 Supplementary documents of the financial results: Yes
 Financial results information meeting: No

Notes: 1. The accompanying financial statements have been prepared in accordance with accounting principles and practices generally accepted in Japan.
 2. Amounts are rounded down to the nearest million yen.

1. Results for the nine months ended December 31, 2021 (Apr. 1, 2021 – December 31, 2021)

(1) Consolidated operating results

(Percentages indicate changes from the same period of the previous fiscal year.)

	Nine months ended Dec. 31, 2021		Nine months ended Dec. 31, 2020	
	(Millions of yen)	(%)	(Millions of yen)	(%)
Net sales	45,659	54.5	29,549	20.3
Operating profit	19,926	126.7	8,791	126.6
Ordinary profit	20,154	126.0	8,919	128.9
Net income (loss) attributable to owners of parent	14,364	150.8	5,726	111.4
Net income per share (in yen)	119.29		47.56	
Fully diluted net income per share (in yen)	-		-	
(Note) Comprehensive income	17,080	245.7	4,940	226.6

(2) Consolidated financial position

	As of Dec. 31, 2021	As of Mar 31, 2021
	(Millions of yen)	(Millions of yen)
Total assets	106,116	89,750
Net assets	89,455	74,302
Equity ratio (%)	84.1	82.7
Net assets per share (in yen)	741.35	616.05
(Reference) Equity	89,270	74,181

2. Dividends

	Annual dividends per share in yen		
	Year ended Mar. 31, 2021	Year ending Mar. 31, 2022	Year ending Mar. 31, 2022 (Forecast)
First quarter end	-	-	
Second quarter end	0.00	0.00	
Third quarter end	-	-	
Year end	16.00		30.00
Annual	16.00		30.00

(Note) Revision of dividend payment forecast since the most recently announced payment forecast: Yes

The original disclosure in Japanese was released on February 10, 2022 at 15:00 (GMT+8)

3. Forecast for the year ending March 31, 2022 (Apr. 1, 2021 – Mar. 31, 2022)

(Percentages indicated changes from the same period of the previous fiscal year.)

	Year ending Mar. 31, 2022	
	(Millions of yen)	(%)
Net sales	65,000	41.0
Operating profit	26,000	86.3
Ordinary profit	26,200	85.0
Net income attributable to owners of the parent	18,500	93.8
Net income per share (in yen)	153.63	

[Note] Revision of financial forecast since the most recently announced payment forecast: Yes

※ Others

(1) Changes in subsidiaries during the nine months ended December 31, 2021

(Changes in specified subsidiaries resulting in change of scope) : No

Newly included: – (Name)

Excluded: – (Name)

(2) Application of special accounting methods to the consolidated quarterly financial statements: No

(3) Changes in accounting policies, changes in accounting estimates, and retrospective restatement

1) Changes based on revisions of accounting standard: Yes

2) Changes in accounting policies other than 1): No

3) Changes in accounting estimates: No

4) Restatement: No

NOTE: For details, please refer to "(4) Notes to Consolidated Quarterly Financial Statements (Changes in Accounting Policies)" of "2. Consolidated Quarterly Financial Statements and Primary Notes" on page 9 of the attached material.

(4) Number of outstanding shares (Common stock)

1) Number of outstanding shares at year end (Treasury stocks are included)

As of December 31, 2021 120,415,600

As of March 31, 2021 120,415,600

2) Number of treasury stocks at year end

As of December 31, 2021 -

As of March 31, 2021 -

3) Average number of outstanding shares

As of December 31, 2021 120,415,600

As of December 31, 2020 120,415,600

※ These quarterly financial statements are not subject to auditing.

※ 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, 2021 (4) Qualitative Information Regarding Consolidated Forecasts", on page 2 of the attached document.

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1. Overview of Financial Results for the nine months ended December 31, 2021

(1) Overview of Financial Results

The outlook for the global economy in the third quarter of the current fiscal year is uncertain due to the prolonged trade friction between the U.S. and China and the impact of the new Coronavirus disease (COVID-19).

Against these circumstances, Takara Bio Group is promoting initiatives to advance the development of fundamental biologics development technologies and become a biologics development company that continuously creates new modalities through the Reagents and Instruments and CDMO business under the six-year Long-Term Management Plan FY2026, which ends in fiscal 2026, and the three-year Medium-Term Management Plan FY2023, which ends in fiscal 2023¹.

In the third quarter of the fiscal year under review, although sales of Instruments and Gene Therapy decreased year on year, sales of Reagents and CDMO increased year on year. Especially in Reagents, in addition to sales of reagents for general research which are on a recovery trend, PCR test-related products for the new Coronavirus increased. Net sales increased to ¥45,659 million (up 54.5% year on year). Cost of sales increased to ¥11,559 million (up 39.3% year on year) due to such as an improvement in the cost of sales ratio in CDMO, and gross profit increased to ¥34,100 million (up 60.5% year on year). Selling, general and administrative (SG&A) expenses were ¥14,174 million (up 13.8% year on year), mainly due to an increase in personnel expenses and R&D expenses. Operating profit was ¥19,926 million (up 126.7% year on year).

As a result of the increase in operating profit, ordinary profit increased to ¥20,154 million (up 126.0% year on year), income before income taxes and others increased to ¥20,114 million (up 140.6% year on year), and net income attributable to owners of the parent increased to ¥14,364 million (up 150.8% 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 third quarter under review were ¥106,116 million, an increase of ¥16,365 million from the end of the previous fiscal year. This was mainly due to an increase of ¥9,358 million in cash and deposits and an increase of ¥5,609 million in property, plant and equipment resulting from interior finishing work for a new office building of Takara Bio USA, Inc. and our acquisition of manufacturing facilities.

Total liabilities at the end of the third quarter under review were ¥16,660 million, an increase of ¥1,212 million from the end of the previous fiscal year. This was mainly due to an increase of ¥1,971 million in other current liabilities, despite a decrease of ¥769 million in notes and accounts payable trade.

Total net assets at the end of the third quarter under review were ¥89,455 million, an increase of ¥15,153 million from the end of the previous fiscal year. This was mainly due to an increase of ¥12,437 million in retained earnings and an increase of ¥2,615 million in foreign currency translation adjustments due to the yen's depreciation.

(3) Overview of Cash Flows

Net cash provided by operating activities amounted to ¥15,401 million, an increase of ¥7,423 million from the same period of the previous fiscal year. This was mainly due to attributable to income before income taxes and others of ¥20,114 million, cash inflow from depreciation and amortization of ¥2,606 million, income taxes paid of ¥5,532 million, and cash outflow from an increase in inventories of ¥1,322 million.

Net cash used in investing activities amounted to ¥13,380 million, an increase of ¥11,705 million from the same period of the previous fiscal year. This was mainly due to payments into time deposits of ¥10,781 million, purchase of tangible and intangible fixed assets of ¥8,732 million, and proceeds from subsidies received of ¥3,960 million and withdrawal of time deposits of ¥2,215 million.

Net cash used in financing activities amounted to ¥2,034 million, an increase of ¥966 million from the same period of the previous fiscal year, mainly due to cash dividends paid of ¥1,923 million.

As a result of the above, the balance of cash and cash equivalents at the end of the third quarter of the current fiscal year, including the effect of exchange rate changes on cash and cash equivalents, increased by ¥626 million from the end of the previous fiscal year to ¥23,935 million.

(4) Qualitative Information Regarding Consolidated Forecasts

The financial forecast announced in the second quarter consolidated financial statements on November 9, 2021 have been revised. For details, please refer to "Notice Concerning Forecast Revisions of Financial Results and Dividend (Dividend Increase)" announced today (February 10, 2022).

¹ FY2026 and FY2023 refer to the fiscal year ending March 31, 2026 and 2023, respectively.

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For comparison of the revised consolidated financial forecasts with the previous fiscal year's results and the previous financial forecasts, please refer to the "Comparative Statement of Income Relating to Consolidated Financial Forecasts" on page 12.

The original disclosure in Japanese was released on February 10, 2022 at 15:00 (GMT+8)

2. Consolidated Quarterly Financial Statements and Primary Notes

(1) Consolidated Quarterly Balance Sheets

(Millions of yen)

	As of Mar. 31, 2021	As of Dec. 31, 2021
Assets		
Current assets		
Cash and deposits	25,993	35,352
Notes and accounts receivable-trade	12,626	12,622
Merchandise and finished goods	4,966	5,411
Work in process	1,316	2,131
Raw materials and supplies	2,901	3,429
Other	1,352	1,146
Allowance for doubtful accounts	(41)	(36)
Total current assets	49,115	60,057
Non-current assets		
Property, plant and equipment		
Buildings and structures	15,670	23,409
Accumulated depreciation	(5,147)	(5,920)
Buildings and structures, net	10,522	17,489
Machinery, equipment and vehicles	7,058	8,178
Accumulated depreciation	(3,760)	(4,423)
Machinery, equipment and vehicles, net	3,297	3,755
Tools, furniture and fixtures	7,673	9,541
Accumulated depreciation	(5,141)	(5,825)
Tools, furniture and fixtures, net	2,531	3,716
Land	8,143	8,340
Construction in progress	3,756	618
Others	1,796	1,852
Accumulated depreciation	(282)	(395)
Others, net	1,514	1,456
Total Property, plant and equipment	29,766	35,376
Intangible assets		
Goodwill	6,149	6,268
Other	3,224	2,977
Total intangible assets	9,373	9,245
Investments and other assets		
Investments and other assets	1,495	1,436
Total investments and other assets	1,495	1,436
Total non-current assets	40,635	46,058
Total assets	89,750	106,116

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(Millions of yen)

	As of Mar. 31, 2021	As of Dec. 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable-trade	2,077	1,308
Accrued income taxes	3,146	3,201
Provision	739	736
Other	7,228	9,199
Total current liabilities	13,191	14,446
Non-current liabilities		
Retirement benefit liabilities	800	795
Other	1,456	1,418
Total non-current liabilities	2,256	2,214
Total liabilities	15,448	16,660
Net assets		
Shareholders' equity		
Share capital	14,965	14,965
Capital surplus	32,893	32,893
Retained earnings	27,085	39,523
Total shareholders' equity	74,945	87,382
Accumulated other comprehensive income		
Foreign currency translation adjustment	(529)	2,086
Cumulative remeasurements of retirement benefit	(234)	(198)
Total accumulated other comprehensive income	(763)	1,887
Non-controlling interests	120	185
Total net assets	74,302	89,455
Total liabilities and net assets	89,750	106,116

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(2) Consolidated Quarterly Statements of Profit or Loss and Consolidated Quarterly Statements of Comprehensive Income
(Consolidated Quarterly Statements of Profit or Loss)
(For the nine months ended December 31, 2021)

(Millions of yen)

	Nine months ended Dec. 31, 2020	Nine months ended Dec. 31, 2021
Net sales	29,549	45,659
Cost of sales	8,297	11,559
Gross profit	21,251	34,100
SG&A expenses		
Employees' salaries and bonuses	3,313	3,846
Retirement benefit expenses	145	174
R&D expenses	3,656	4,020
Provision for doubtful accounts	305	365
Other	5,039	5,766
Total SG&A expenses	12,460	14,174
Operating profit	8,791	19,926
Non-operating income		
Interest income	85	91
Foreign exchange gains	3	45
Rent income from real estate	93	101
Other	23	59
Total non-operating income	205	297
Non-operating expenses		
Interest expenses	18	17
Rent expenses on real estate	38	43
Other	19	7
Total non-operating expenses	77	68
Ordinary profit	8,919	20,154
Extraordinary profit		
Gain on sale of fixed assets	1	0
National subsidies	35	3,205
Total extraordinary profit	36	3,205
Extraordinary losses		
Loss on disposal of fixed assets	49	40
Asset shrinkage losses	35	3,205
Loss on liquidation of business	462	-
Others	49	-
Total extraordinary losses	596	3,245
Income before income taxes and others	8,359	20,114
Income taxes-current	2,693	5,640
Income taxes-deferred	(83)	56
Total income taxes	2,610	5,696
Net income	5,749	14,418
Net income attributable to non-controlling interest	22	54
Net income attributable to owners of the parent	5,726	14,364

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(Consolidated Quarterly Statements of Comprehensive Income)

(For the nine months ended December 31, 2021)

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Net income	5,749	14,418
Other comprehensive income		
Foreign currency translation adjustment	(834)	2,626
Remeasurements of retirement benefit	25	35
Total other comprehensive income	(809)	2,661
Comprehensive income	4,940	17,080
Comprehensive income attributable to:		
Owners of the parent	4,923	17,014
Non-controlling interest	16	65

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(3) Consolidated Quarterly Statements of Cash Flows

(Millions of yen)

	Nine months ended Dec. 31, 2020	Nine months ended Dec. 31, 2021
Net cash provided by (used in) operating activities		
Income before income taxes and others	8,359	20,114
Depreciation and amortization	2,421	2,606
Depreciation and amortization on other	61	71
Amortization of goodwill	367	370
Increase (decrease) in allowance for doubtful accounts	(1)	(7)
Increase (decrease) in other provision	68	(31)
Increase (decrease) in retirement benefit liabilities	5	(5)
Interest income	(85)	(91)
Interest expenses	18	17
Loss (gain) on sale and retirement of fixed assets	48	39
Loss on liquidation of business	462	-
Decrease (increase) in trade receivables-trade	(2,242)	286
Decrease (increase) in inventories	(2,003)	(1,322)
Increase (decrease) in notes and accounts payable-trade	450	(972)
Increase (decrease) in other current liabilities	1,567	(861)
Others	(26)	(29)
Subtotal	9,473	20,186
Interest and dividend income received	86	93
Income expenses paid	(18)	(17)
Income taxes paid	(1,563)	(5,532)
Subsidies received	-	671
Net cash provided by (used in) operating activities	7,978	15,401
Net cash provided by (used in) investing activities		
Payments into time deposits	(2,038)	(10,781)
Proceeds from withdrawal of time deposits	3,422	2,215
Proceeds from sales and redemption of securities	2,000	-
Purchase of property, plant and equipment and intangible assets	(6,994)	(8,732)
Proceeds from sales of property, plant and equipment and intangible assets	14	3
Purchase of other depreciable assets	(159)	(42)
Subsidies received	2,082	3,960
Others	(2)	(2)
Net cash provided by (used in) investing activities	(1,675)	(13,380)
Net cash provided by (used in) financing activities		
Dividends paid	(962)	(1,923)
Repayments of lease obligations	(105)	(111)
Net cash provided by (used in) financing activities	(1,068)	(2,034)
Effect of exchange rate change on cash and cash equivalents	(230)	640
Net increase (decrease) in cash and cash equivalents	5,004	626
Cash and cash equivalents at beginning of period	14,462	23,308
Cash and cash equivalents at end of period	19,467	23,935

(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.

(Changes in Subsidiaries during the nine months ended December 31, 2021)

From the first quarter of the current fiscal year, Takara Bio UK Ltd, newly established as a 100% subsidiary of Takara Bio Europe S.A.S. has been included in the scope of consolidation.

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition)

We adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, hereinafter referred to as the "Accounting Standard for Revenue Recognition") from the beginning of the first quarter of the current fiscal year and recognized revenue when control of promised goods or services is transferred to customers in an amount that is expected to be received in exchange for those goods or services.

With regard to the application of the Accounting Standard for Revenue Recognition, in accordance with the transitional treatment stipulated in the provisions of paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of retrospectively applying the new accounting policy prior to the beginning of the first quarter of the current fiscal year was added to or deducted from retained earnings at the beginning of the first quarter of the current fiscal year, and a new accounting policy was applied from the beginning balance of the current fiscal year.

As a result, there was no impact on the profit and loss for the third quarter of the current fiscal year. In addition, there is no impact on the balance of retained earnings at the beginning of the fiscal year.

(Additional Information)

(Accounting Estimates for the Impact of the COVID-19)

At the time of preparing the consolidated financial statements for the previous fiscal year, the impact of the COVID-19 on our Group was generally assumed to continue for a certain period in fiscal 2021. However, based on information available at the time of preparing the consolidated financial statements for the third quarter of the fiscal year under review, we have revised the assumption that the impact will continue for a certain period in fiscal 2022. We make estimates and judgments regarding the impairment of goodwill and the recoverability of deferred tax assets at the end of the third quarter based on the revised assumptions. However, no indicators of impairment have been identified for goodwill, and we have determined that no additional valuation allowance is required for the recoverability of deferred tax assets.

Due to the high degree of uncertainty associated with the impact of the COVID-19, any change in the above assumptions could have an impact on the Group's financial condition and results of operations.

(Segment Information)

[Segment Information]

Since our group is a single segment, this information is omitted.

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3. Supplementary Information

(1) Trends in Key Indicators for Business Management

1) Cash Flows

(Millions of yen)

	Nine months ended Dec. 31, 2020 (Apr. 1, 2020 – Dec. 31, 2020)	Nine months ended Dec. 31, 2021 (Apr. 1, 2021 – Dec. 31, 2021)	Year ended Mar. 31, 2021 (Apr. 1, 2020 – Mar. 31, 2021)
Cash flow from operating activities	7,978	15,401	13,943
Cash flow from investing activities	(1,675)	(13,380)	(3,778)
Cash flow from financing activities	(1,068)	(2,034)	(1,103)

2) Sales Breakdown by Region

(Millions of yen)

	Nine months ended Dec. 31, 2020 (Apr. 1, 2020 – Dec. 31, 2020)	Nine months ended Dec. 31, 2021 (Apr. 1, 2021 – Dec. 31, 2021)	Year ended Mar. 31, 2021 (Apr. 1, 2020 – Mar. 31, 2021)
Japan	12,425	21,781	20,475
United States	5,745	7,298	7,862
China	5,542	8,373	8,415
Asia excluding Japan and China	2,709	4,499	4,917
Europe	2,547	3,528	3,743
Others	578	177	671
Total	29,549	45,659	46,086

The original disclosure in Japanese was released on February 10, 2022 at 15:00 (GMT+8)

(2) Comparative Consolidated Statement of Income

(Rounded down to one million yen)

	Nine months ended Dec. 31, 2020	Nine months ended Dec. 31, 2021	Y/Y change	Y/Y Ratio
(Net sales)				
Reagents	22,615	36,998	14,382	63.6%
Instruments	1,113	1,040	(73)	(6.6%)
CDMO	5,575	7,474	1,898	34.0%
Gene therapy	243	146	(96)	(39.7%)
Total net sales	29,549	45,659	16,110	54.5%
(Operating profit and Loss)				
Net sales	29,549	45,659	16,110	54.5%
Cost of sales	8,297	11,559	3,261	39.3%
Gross profit	21,251	34,100	12,848	60.5%
SG & A expenses	12,460	14,174	1,713	13.8%
Transportation expenses	545	615	70	12.9%
Advertising expenses	40	43	2	6.1%
Promotion expenses	489	475	(13)	(2.9%)
R&D expenses	3,656	4,020	364	10.0%
Administrative expense, other	7,453	8,631	1,177	15.8%
Enterprise taxes (external standards taxation)	274	386	112	41.0%
Operating profit	8,791	19,926	11,134	126.7%
(Non-operating income and Expenses)				
Non-operating income	205	297	91	44.5%
Non-operating expenses	77	68	(8)	(11.2%)
Ordinary profit	8,919	20,154	11,235	126.0%
(Extraordinary gains & Losses)				
Extraordinary gains	36	3,205	3,169	-
Extraordinary losses	596	3,245	2,649	444.0%
Income before income taxes and others	8,359	20,114	11,755	140.6%
Income taxes	2,610	5,696	3,086	118.2%
Net income	5,749	14,418	8,669	150.8%
Net income (loss) attributable to non-controlling interests	22	54	31	139.3%
Net income attributable to owners of the parent	5,726	14,364	8,637	150.8%
Depreciation and amortization (Property, plant and equipment and intangible assets)	2,421	2,606	185	7.7%
Amortization of goodwill	367	370	3	0.9%

※ From the first quarter of the current fiscal year, the names of the categories of net sales have been changed from "Research reagents", "Scientific instruments" and "Contract services" to "Reagents", "Instruments" and "CDMO".

The original disclosure in Japanese was released on February 10, 2022 at 15:00 (GMT+8)

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

(Rounded down to one million yen)

	Year ended Mar. 31, 2021 Actual	Year ending Mar. 31, 2022 Previous forecast	Year ending Mar. 31, 2022 Current forecast	Y/Y Change	Y/Y Ratio	Previous forecast Change	Previous forecast Ratio
(Net sales)							
Reagents	35,189	46,375	52,213	17,023	48.4%	5,837	12.6%
Instruments	1,726	1,388	1,354	(372)	(21.5%)	(34)	(2.5%)
CDMO	8,901	11,388	11,283	2,381	26.8%	(105)	(0.9%)
Gene therapy	268	146	148	(119)	(44.5%)	2	1.5%
Total Net Sales	46,086	59,300	65,000	18,913	41.0%	5,700	9.6%
(Operating profit and Loss)							
Net sales	46,086	59,300	65,000	18,913	41.0%	5,700	9.6%
Cost of sales	14,214	18,797	18,524	4,310	30.3%	(272)	(1.5%)
Gross profit	31,872	40,502	46,475	14,603	45.8%	5,972	14.7%
SG & A expenses	17,919	20,502	20,475	2,556	14.3%	(27)	(0.1%)
Transportation expenses	742	865	865	122	16.6%	(0)	(0.1%)
Advertising expenses	57	63	58	0	1.4%	(5)	(8.2%)
Promotion expenses	676	759	683	6	1.0%	(76)	(10.0%)
R&D expenses	5,545	5,974	6,162	616	11.1%	187	3.1%
Administrative expenses, other	10,496	12,346	12,186	1,690	16.1%	(159)	(1.3%)
Enterprise taxes (external standards taxation)	401	493	520	118	29.6%	27	5.5%
Operating profit	13,952	20,000	26,000	12,047	86.3%	6,000	30.0%
(Non-operating income and Expenses)							
Non-operating income	308	317	293	(14)	(4.7%)	(23)	(7.4%)
Non-operating expenses	101	117	93	(7)	(7.6%)	(23)	(20.2%)
Ordinary profit	14,159	20,200	26,200	12,040	85.0%	6,000	29.7%
(Extraordinary gains & Losses)							
Extraordinary gains	518	4,934	4,821	4,303	829.8%	(112)	(2.3%)
Extraordinary losses	1,125	4,999	4,925	3,800	337.7%	(73)	(1.5%)
Income before income taxes and others	13,552	20,135	26,095	12,542	92.5%	5,960	29.6%
Income taxes	3,971	5,979	7,536	3,565	89.8%	1,556	26.0%
Net income	9,581	14,155	18,559	8,977	93.7%	4,404	31.1%
Net income (loss) attributable to non-controlling interests	34	55	59	24	72.9%	4	7.4%
Net income attributable to owners of parent	9,547	14,100	18,500	8,952	93.8%	4,400	31.2%
Depreciation and amortization (Property, plant and equipment and intangible assets)	3,220	3,623	3,534	314	9.8%	(89)	(2.5%)
Amortization of goodwill	486	496	500	14	2.9%	3	0.7%

※ From the first quarter of the current fiscal year, the names of the categories of net sales have been changed from "Research reagents", "Scientific instruments" and "Contract services" to "Reagents", "Instruments" and "CDMO".