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Financial Results for the SIX Months Ended December 31, 2024 (Japanese Accounting Standards)

February 13, 2025

Company name: TAUNS Laboratories, Inc.
Listing: Tokyo Stock Exchange
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The additional material of the Financial Results: Yes
The briefing session of the Financial Results: No

(Amounts less than one million yen are rounded down.)

1. Financial Results for the Six Months Ended December 31, 2024（July 1, 2024 - December 31, 2024）

(1) Operating results

(Percent indications show percentage of changes from corresponding figures for the previous period)

	Net sales		Operating income		Ordinary income		Net income	
Six Months Ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2024	11,981	—	6,538	—	6,525	—	4,686	—
December 31, 2023	—	—	—	—	—	—	—	—

	Basic earnings per share	Diluted earnings per share
Six Months Ended	yen	yen
December 31, 2024	46.39	43.75
December 31, 2023	—	—

Note: No financial results for the six months ended December 31, 2023 being prepared, the figures of the corresponding period and increase/decrease ratio compared to the current six months period are not presented.

(2) Financial position

	Total assets	Net assets	Net assets as a percentage of total assets
	Millions of yen	Millions of yen	%
FY2025 1st half	36,012	16,291	45.2
FY2024	29,261	13,666	46.7

Reference: Net assets excluding share subscription rights: 16,285million yen as of December 31, 2024,
13,658 million yen as of June 30, 2024

2. Dividends

	Annual cash dividends per share				
	At 1st quarter end	At 2nd quarter end	At 3rd quarter end	At fiscal year end	Total
	yen	yen	yen	yen	yen
FY2024	—	6.00	—	21.75	27.75
FY2025	—	6.00			
FY2025（Forecast）			—	22.00	28.00

Note 1. Changes in dividends forecast for FY2025 from the latest disclosure: No
2. The year-end dividends for the FY2024 include special dividend of 11.10 yen.
3. The year-end dividends for the FY2025 include special dividend of 10.00 yen.

3. Forecast of operating results for FY2025（July 1, 2024 - June 30, 2025）

(Indications show percentage of changes from corresponding figures for the previous period)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
FY2025	19,273	4.5	8,308	3.5	8,316	6.1	6,019	4.2	59.79

Note Changes in forecast of operating results for FY 2025 from the latest disclosure: No

※ Notes

(1) Adoption of specific accounting policies for semiannual financial statements: Yes

Note: See attached page 9 (4) Notes to semiannual financial statements – (Notes to adoption of specific accounting policies for semiannual financial statements)

(2) Changes in accounting policies, accounting estimation change and restatement

① Changes in accounting policies due to the revision of the accounting standards：None

② Changes in accounting policies except for those in ① ：None

③ Changes due to accounting estimation change：None

④ Restatement：None

(3) Number of shares issued（common stock）

① Number of shares issued at the end of the period (including treasury stocks)	FY2025 1st half	101,784,896shares	FY2024	100,000,000shares
② Number of treasury stocks at the end of the period	FY2025 1st half	－shares	FY2024	－shares
③ The average number of shares issued during the six months ended December 31	FY2025 1st half	101,022,279shares	FY2024 1st half	－shares

（Note）No semiannual Financial Results being prepared for the 1st half of FY2024, the average number of shares issued during the 1st half of FY2024 is not presented.

※ This Semiannual Financial Results report is out of scope of review by certified public accountants or an audit firm

※ Explanation regarding the appropriate use of forecast of business results

The financial forecast is based on judgments and estimates that have been made on the basis of currently available information. By nature, such financial forecast is subject to uncertainty and risk. Therefore, you are advised that the final results might be significantly different from the aforementioned forecast due to changes in economic environments related to our business, market trends and exchange rate, etc.

Please refer to “Overview of the operating results, etc., (3) Explanation on financial forecasts” on page 4 for the assumptions used in forecasting business results and precautions regarding the use of business results forecasts.

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1. Overview of the operating results, etc.

(1) Overview of business performance for the current half year

During the current first half year period (July 1, 2024 to December 31, 2024), the global economy continued to be unstable, and the outlook remained uncertain, particularly due to the protracted situation in Ukraine and signs of escalating conflict in the Middle East. In Japan, although the yen's depreciation temporarily showed signs of stabilizing in Japan, fluctuations in market sentiment due to the release of U.S. economic indicators and the Bank of Japan's discussion of a review of its monetary easing policy in December raised concerns about the possibility of new impacts on corporate profit structures.

In the in vitro diagnostics industry, although the spread and contraction of the infection continued to repeat itself even after the designation of the new coronavirus infection as a Class 5 infectious disease was changed in May 2023, after the 11th wave of the new coronavirus infection that occurred in July 2024 had subsided, the epidemic showed signs of calming down in October and November, as in the same period of the previous year. On the other hand, in December, the fixed-point observations reversed, and the 12th wave of the epidemic began.

In the same period last year, there was a prolonged influenza epidemic, so there was continued high demand for influenza test kits and products (combo test kits) that can test for both influenza and COVID-19 at the same time in medical institutions, but in the current interim accounting period, the influenza epidemic was limited to some regions until November, just like the new coronavirus infection, and it did not develop into a nationwide epidemic. However, in December the infection spread rapidly, and the fixed-point observation values for the last week of the year were the highest since 1999, when current statistics began to be collected, and the shortage of testing and treatment drugs in the city made the influenza epidemic an issue of social concern.

Under these circumstances, demand for our products was limited during the current interim reporting period as the prevalence of influenza was low until November, but in December we received many orders, particularly for influenza test kits and combo test kits, in response to the prevalence of influenza. The orders that were shipped before the end of the year were recognized as sales, but the orders that were carried forward as backlog were not recognized in the current interim period.

<Quarterly net sales trend> (Unit: millions of yen)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
FY2023	6,326	4,106	2,401	2,839	15,673
FY2024	6,943	4,673	4,754	2,063	18,434
FY2025	6,419	5,561	―	―	―

In terms of quarterly net sales performance, the first quarter of each fiscal year has always been the largest.

We ask you to note that the sales of COVID-19 test kits for local governments, a one-time event, was included in the first quarter of the fiscal year ended June 2023, amounting approximately to 1.4 billion yen.

In addition, although we had to adjust the shipment of our main products from around September to around February in the fiscal year ended June 2024, for the fiscal year ending June 2025, we anticipate that the impact of adjustments to shipments of our major products will not be as significant as in the previous fiscal year. For this reason, we expect cumulative sales to exceed the previous year's results from the third quarter onward.

<Six-month Period P/L Comparison> (Unit: millions of yen)

	FY2023 First half	FY2024 First half	FY2025 First half	Increase/(decrease)
Net sales	10,432	11,617	11,981	3.1%
(including sales to local governments)	1,634	159	―	―
Gross profit	6,643	7,932	8,720	9.9%
Gross profit ratio (%)	63.7%	68.3%	72.8%	4.5%
Operating income	4,422	5,854	6,538	11.7%
Operating income ratio (%)	42.4%	50.4%	54.6%	4.2%
Ordinary income	4,414	5,877	6,525	11.0%
Ordinary income ratio (%)	42.3%	50.6%	54.5%	3.9%
Interim net income	3,013	4,219	4,686	11.1%
Interim net income ratio (%)	28.9%	36.3%	39.1%	2.8%

Comparing the profits and losses of the first half year period with those of the previous year, in the period ending June 2024, we were forced to adjust shipments, especially of combo kits, due to a longer than expected influenza epidemic, whereas in the period ending June 2025, although the influenza epidemic started later than in the same period of the previous year, we were able to maintain sufficient inventory after the full-scale epidemic started in December, which was reflected in the Company's performance and resulted in an increase in revenue compared to the same period of the previous year. In addition, sales of the COVID-19 test kit in the first quarter and sales of the combo test kit in the second quarter, which are relatively high-margin products, accounted for a high proportion of sales, so the profit margin at each stage continued to improve, and the Company ultimately recorded an increase in profit.

<2nd quarter from October to December P/L Comparison> (Unit: millions of yen)

	FY2023 2nd quarter	FY2024 2nd quarter	FY2025 2nd quarter	Increase/(decrease)
Net sales	4,106	4,673	5,561	19.0%
(including sales to local governments)	157	—	—	—
Gross profit	2,733	3,129	3,910	24.9%
Gross profit ratio (%)	66.6%	67.0%	70.3%	3.3%
Operating income	1,609	2,108	2,793	32.5%
Operating income ratio (%)	39.2%	45.1%	50.2%	5.1%
Ordinary income	1,606	2,136	2,771	29.7%
Ordinary income ratio (%)	39.1%	45.7%	49.8%	4.1%
Quarterly net income	1,093	1,534	1,990	29.7%
Quarterly net income ratio (%)	26.6%	32.8%	35.8%	3.0%

Compared with the same quarter of the previous year, sales and profit increased, and the profit margin at each stage also increased. The reason for the increase in sales in the quarter under review is that while inventory levels were low throughout the quarter of the previous year, and shipping adjustments were made to ensure stable supply, we were able to meet the demand associated with the year-end epidemic in the current quarter, as it was able to enter the second quarter with sufficient inventory. One of the reasons for the profit increase was the higher proportion of sales from the combo test kit, which has the highest profit margin.

<Six-month Period Sales by main product> (Unit: millions of yen)

Sales by main product	FY2023 First half	FY2024 First half (a)	FY2025 First half (b)	(b) / (a)
COVID-19 single-test kits	7,188	3,043	3,945	29.7%
Influenza/COVID-19 combo test kits	1,688	4,210	4,579	8.8%
Influenza test kits	508	2,689	2,080	(22.6%)
Others	1,048	1,674	1,375	(17.9%)
Total	10,432	11,617	11,981	3.1%

Comparing sales by main product, in the first half of the fiscal year ending June 2024, there was a nationwide outbreak of influenza from September, whereas in the current interim accounting period, although the start of the influenza epidemic was delayed, the COVID-19 single-test kit, which expanded its market share in the first quarter, drove performance. On the other hand, in the second quarter, sales of combo test kits and influenza test kits contributed to performance, reflecting the rapid spread of the influenza epidemic toward the end of the year.

<2nd quarter from October to December Sales by main product> (Unit: millions of yen)

Sales by main product	FY2023 2nd quarter	FY2024 2nd quarter (a)	FY2025 2nd quarter (b)	(b) / (a)
COVID-19 single-test kits	1,831	668	661	△1.2%
Influenza/COVID-19 combo test kits	1,402	1,730	2,565	48.2%
Influenza test kits	389	1,402	1,679	19.7%
Others	482	871	654	△24.8%
Total	4,106	4,673	5,561	19.0%

Comparing sales by main product for the 2nd quarter from October to December quarter with the same period of the previous year, sales of combo test kits and influenza test kits both increased year-on-year. In the quarter of the previous year, shipments of both products were adjusted, but in the current quarter, sufficient inventory was secured, and the main factor was that demand associated with the year-end epidemic was captured.

In this environment, we did our utmost to fulfill our social responsibility to provide test kits based on our corporate slogan "Peace of mind through diagnostic technology."
As a result, in the first half year, we achieved net sales of 11,981,022 thousand yen, operating income of 6,538,477 thousand yen, ordinary income of 6,525,144 thousand yen, and net income of 4,686,875 thousand yen, respectively.

(2) Overview of financial position as of the current half year end

(Assets, Liabilities and Equity)

Total assets at the end of the current half year period increased by 6,751,212 thousand yen from the end of the previous fiscal year to 36,012,538 thousand yen. This was mainly due to an increase in accounts receivable resulting from a significant increase in sales due to the influenza epidemic in December, as well as an increase in construction in progress related to the construction of a new plant.

Total liabilities increased by 4,126,829 thousand yen from the end of the previous fiscal year to 19,721,395 thousand yen. This was mainly due to an increase in long-term loans payable as a result of a partial drawdown of a syndicated loan from financial institutions for the construction of a new plant.

Total equity increased by 2,624,383 thousand yen from the end of the previous fiscal year to 16,291,143 thousand yen. This was mainly due to an increase in retained earnings resulting from net income for the first half year period, despite the payment of dividends of 2,170,637 thousand yen.

(Cash Flow)

The balance of cash and cash equivalents (hereafter referred to as “funds”) at the end of the first half year was 7,573,438 thousand yen.

(Cash flow from operating activities)

Cash flow from operating activities increased by 1,093,775 thousand yen. This was mainly due to the recording of income before income taxes and an increase in accounts payable for refunds, which exceeded the increase in accounts receivable.

(Cash flow from investing activities)

Cash flow from investing activities decreased by 4,664,086 thousand yen. This was mainly due to expenditure on the acquisition of tangible fixed assets associated with the construction of a new factory.

(Cash flow from financing activities)

Net cash provided by financing activities was 1,718,857 thousand yen. This was mainly due to proceeds from long-term loans associated with the partial drawdown of the syndicated loan facility for the construction of a new factory.

(3) Explanation on financial forecasts

At present, the full-year financial forecast for the fiscal year ending June 2025 remains unchanged from the financial forecast announced on August 13, 2024. During the current first half year period, the largest-ever influenza epidemic in the history of influenza sentinel surveillance in December led to strong demand for our testing kits over the year-end and New Year period, and we received many orders, which caused our inventory levels to fall and forced us to adjust shipments until late January. On the other hand, it is difficult to accurately forecast the situation with the spread of influenza and COVID-19 from February onwards, and it is difficult to accurately estimate the level of impact on business forecasts due to this, but if it is judged that a revision is necessary when a forecast becomes available in the future, we will promptly disclose it.

2. Quarterly Financial Statements

(1) Semiannual Balance sheet

(Unit: thousands of yen)

	Prior fiscal year (As of June 30, 2024)	Current first half year (As of December 31, 2024)
Assets		
Current assets		
Cash on hand and in banks	9,424,891	7,573,438
Accounts receivable – trade	2,706,864	6,793,110
Merchandise and finished goods	2,731,012	2,319,023
Work in process	846,011	1,263,111
Raw materials and supplies	1,140,425	1,421,577
Other	66,508	198,168
Total current assets	16,915,714	19,568,429
Fixed assets		
Property, plant and equipment		
Construction in progress	3,972,673	7,610,332
Other	3,932,553	4,157,672
Total property, plant and equipment	7,905,227	11,768,005
Intangible fixed assets		
Customer related assets	2,726,400	2,612,800
Technology related assets	696,266	646,533
Other	298,204	568,591
Total of intangible fixed assets	3,720,871	3,827,924
Investments and other assets	719,512	848,178
Total fixed assets	12,345,611	16,444,108
Total assets	29,261,325	36,012,538

(Unit: thousands of yen)

	Prior fiscal year (As of June 30, 2024)	Current first half year (As of December 31, 2024)
Liabilities		
Current liabilities		
Accounts payable – trade	1,482,761	1,348,476
Short-term borrowings	4,500,000	4,500,000
Current portion of long-term borrowings	732,000	732,000
Accrued income taxes	1,706,274	1,937,165
Allowance for bonuses	427,577	115,842
Allowance for bonuses to directors	27,991	—
Other	1,597,837	2,186,565
Total current liabilities	10,474,442	10,820,049
Long-term liabilities		
Long-term borrowings	4,307,000	8,083,000
Deferred tax liabilities	619,491	619,072
Accrued retirement benefits	181,631	187,272
Asset retirement obligations	12,000	12,000
Total long-term liabilities	5,120,123	8,901,345
Total liabilities	15,594,565	19,721,395
Net assets		
Shareholders' equity		
Common stock	200,000	253,546
Deposits for subscriptions rights to common stocks	5,681	13,867
Capital surplus	2,683,300	2,736,846
Retained earnings	10,777,852	13,289,728
Total shareholders' equity	13,666,834	16,293,990
Valuation and translation adjustments		
Net unrealized gains (losses) on securities	(7,982)	(8,966)
Total valuation and translation adjustments	(7,982)	(8,966)
Share subscription rights	7,907	6,119
Total net assets	13,666,759	16,291,143
Total liabilities and net assets	29,261,325	36,012,538

(2) Semiannual Statement of income

(Unit: thousands of yen)

	Current first half year (From July 1, 2024 To December 31, 2024)
Net sales	11,981,022
Cost of sales	3,260,118
Gross profit	8,720,904
Selling, general and administrative expenses	2,182,426
Operating income	6,538,477
Non-operating income	
Interest income	1,977
Dividends income	110
Subsidy income	16,828
Miscellaneous income	1,737
Total non-operating income	20,654
Non-operating expenses	
Interest expenses	33,515
Miscellaneous expenses	472
Total non-operating expenses	33,987
Ordinary income	6,525,144
Special gains	
Gain on sales of fixed assets	1,448
Gain on reversal of subscription rights to stocks	3
Total special gains	1,451
Income before income taxes	6,526,596
Income taxes	1,839,720
Net income	4,686,875

(3) Semiannual Statement of cash flows

(Unit: thousands of yen)

	Current first half year (From July 1, 2024 To December 31, 2024)
Cash flows from operating activities	
Income before income taxes	6,526,596
Depreciation and amortization	350,096
Increase (decrease) in allowance for bonuses to employees	(311,735)
Increase (decrease) in allowance for bonuses to directors	(27,991)
Increase (decrease) in refund liabilities	865,186
Increase (decrease) in accrued retirement benefits	5,641
Interest and dividends income	(2,088)
Subsidy income	(16,828)
Gain on reversal of subscription rights to stocks	(3)
Interest expenses	33,515
(Gain) on sales/disposal of fixed assets	(1,448)
Decrease (increase) in accounts receivable - trade	(4,086,245)
Decrease (increase) in inventories	(286,261)
Increase (decrease) in accounts payable - trade	(134,285)
Increase (decrease) in consumption tax payable	(264,254)
Other	147,970
Subtotal	2,797,863
Interest and dividends received	929
Interest paid	(31,840)
Subsidy received	16,828
Income taxes paid	(1,690,003)
Net cash provided by (used in) operating activities	1,093,775
Cash flows from investing activities	
Purchase of fixed assets	(4,118,389)
Proceeds from sales of fixed assets	1,859
Purchase of intangible assets	(281,661)
Purchase of investment securities	(129,826)
Loan to employees	(136,069)
Net cash provided by (used in) investing activities	(4,664,086)
Cash flows from financing activities	
Proceeds from long-term borrowings	4,142,000
Repayment of long-term borrowings	(366,000)
Proceeds from exercise of subscription rights to stock	113,495
Cash dividends paid	(2,170,637)
Net cash provided by (used in) financing activities	1,718,857
Increase (decrease) in cash and cash equivalents	(1,851,452)
Cash and cash equivalents at the beginning of the period	9,424,891
Cash and cash equivalents at the end of the period	7,573,438

(4) Notes to semiannual financial statements

(Notes to adoption of specific accounting policies for semiannual financial statements)

(Calculation of tax expense)

Income taxes are determined based on the amount of income before income taxes for the current first half year ended December 31, 2024 multiplied by the effective tax rate, after adoption of tax-effect accounting, estimated for the entire fiscal year ending Jun 30, 2025.

(Notes to business segments and related information)

No segment information is provided as the Company has only one segment, which is IVD (in vitro diagnostics) business.

(Notes to significant changes in shareholders' equity)

None

(Notes to events and conditions which indicate there could be substantial doubt about going concern assumption)

None