

The original disclosure in Japanese was released on February 9, 2023 at 15:30 (GMT+9)

**Consolidated Financial Statements for the Third Quarter Ended December 31, 2022
FY2023 (April 1, 2022 - March 31, 2023) [UNAUDITED]**

February 9, 2023

Company name: Takara Holdings Inc.
Stock exchange listings: Tokyo Stock Exchange (PRIME section)
Code number: 2531
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Quarterly statement filing date(as planned): February 10, 2023

- 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, 2022 (April 1, 2022 - December 31, 2022)

(1) Consolidated operating results

Note: Percentages indicated changes from the same period of the previous fiscal year.

	Nine months ended December 31, 2022		Nine months ended December 31, 2021	
	(Millions of yen)	(%)	(Millions of yen)	(%)
Net sales	265,627	19.8	221,778	7.2
Operating income (loss)	34,885	3.9	33,589	95.4
Ordinary income (loss)	35,517	3.9	34,192	94.6
Net income (loss) attributable to owners of the parent	19,093	11.4	17,143	85.0
Net income (loss) per share (Yen)	96.58		86.71	
Fully diluted net income per share (Yen)	-		-	
Note: Comprehensive income (loss)	45,712	48.6	30,754	177.5

(2) Consolidated financial position

	As of December 31, 2022	As of March 31, 2022
	(Millions of yen)	(Millions of yen)
Total assets	389,505	362,438
Net assets	259,816	224,555
Equity ratio (%)	53.2	49.8
(Reference) Equity	207,221	180,420

2. Dividends

	Dividend per share (Yen)		
	Year ended March 31, 2022	Year ending March 31, 2023	Year ending March 31, 2023 (Forecast)
First quarter end	-	-	-
Second quarter end	-	-	-
Third quarter end	-	-	-
Year end	37.00	-	34.00
Annual	37.00	-	34.00

Note: Correction of dividend forecast from the most recent dividend forecast: No

3. Forecast for the year ending March 31, 2023 (April 1, 2022 - March 31, 2023)

Note: Percentages indicated changes from the same period of the previous fiscal year.

	Year ending March 31, 2023	
	(Millions of yen)	(%)
Net sales	350,000	16.3
Operating income (loss)	36,800	(15.1)
Ordinary income (loss)	37,400	(13.5)
Net income (loss) attributable to owners of the parent	19,400	(6.6)
Net income per share (Yen)	98.13	

Note: Correction of financial forecast from the most recent financial forecast: Yes

4. Others

- (1) Material changes in subsidiaries during this period
(Changes in specified subsidiaries that caused a change in the scope of consolidation): No
- (2) Accounting procedures specific to quarterly consolidated financial statements : No
- (3) Changes in accounting policies, accounting estimates and retrospective restatement
 - 1) Changes based on revisions of accounting standard: No
 - 2) Changes other than ones based on revisions of accounting standard: No
 - 3) Changes in accounting estimates: No
 - 4) Restatement: No
- (4) Number of outstanding shares (common stock)
 - 1) Number of outstanding shares at the end of each period (Treasury stocks are included):

As of December 31, 2022 :	199,699,743 shares
As of March 31, 2022 :	199,699,743 shares
 - 2) Number of treasury stocks at the end of each period:

As of December 31, 2022 :	1,995,602 shares
As of March 31, 2022 :	1,995,577 shares
 - 3) Average number of outstanding shares in each period

Nine months ended December 31, 2022 :	197,704,143 shares
Nine months ended December 31, 2021 :	197,704,210 shares

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1. Qualitative Information for the Nine Months Ended December 31, 2022

(1) Consolidated Financial Results

In the nine months ended December 31, 2022, net sales increased 19.8% year on year to ¥265,627 million, gross profit increased 11.3% year on year to ¥93,501 million, and SG&A expenses increased 16.2% year on year to ¥58,615 million. Operating income increased 3.9% year on year to ¥34,885 million, ordinary income increased 3.9% year on year to ¥35,517 million, and net income attributable to owners of the parent increased 11.4% year on year to ¥19,033 million.

Results by business segment were as follows.

[Takara Shuzo]

In the nine months ended December 31, 2022, although sales of shochu and sake decreased year on year, sales of light-alcohol refreshers, *Hon Mirin* and raw alcohol increased.

As a result, net sales for Takara Shuzo increased 2.5% year on year to ¥96,350 million. Cost of sales increased 3.9% year on year to ¥72,925 million, mainly due to the impact of soaring raw material and fuel prices, and gross profit decreased 1.6% year on year to ¥23,425 million. SG&A expenses decreased 2.8% year on year to ¥18,148 million due to a decrease in personnel expenses, transportation costs, and advertising expenses. Operating income was up 2.7% year on year to ¥5,276 million.

[Takara Shuzo International Group]

In the nine months ended December 31, 2022, net sales of the Overseas Alcoholic Beverages Business increased year on year mainly due to continued growth in sales of whiskey in the U.K. and the U.S. as well as an increase in sales of sake. Net sales of the Japanese Food Wholesale Business in overseas markets also increased as the eating and drinking establishment market continued to perform well.

As a result, net sales for the Takara Shuzo International Group increased 35.9% year on year to ¥99,689 million. Cost of sales increased 37.8% year on year to ¥68,854 million, mainly due to the impact of rising raw material prices and purchasing costs. Consequently, gross profit increased 31.8% year on year to ¥30,835 million. SG&A expenses were up 33.5% year on year to ¥22,380 million, primarily due to an increase in personnel expenses and transportation costs, and operating income was up 27.4% year on year to ¥8,454 million.

[Takara Bio Group]

In the nine months ended December 31, 2022, although sales of CDMO decreased year on year, sales of reagents, instruments, and gene therapy increased. In particular, sales of reagents for general research use increased, and sales of testing-related reagents for COVID-19 grew affected by the spread of the infection mainly in Japan.

As a result, net sales for the Takara Bio Group increased 31.9% year on year to ¥60,206 million. Cost of sales increased 105.7% year on year to ¥23,771 million, mainly due to a change in sales mix. Consequently, gross profit increased 6.8% year on year to ¥36,434 million. SG&A expenses were up 20.2% year on year to ¥17,031 million, primarily due to an increase in R&D expenses. Operating income decreased 2.6% year on year to ¥19,403 million.

[Other]

In the nine months ended December 31, 2022, net sales of the Other segment increased 1.8% year on year to ¥24,069 million due to continued strong import and sale of wine. Cost of sales increased 1.8% year on year to ¥20,726 million. Consequently, gross profit increased 1.9% year on year to ¥3,343 million. SG&A expenses rose 2.3% year on year to ¥1,419 million due to an increase in transportation costs, and operating income was up 1.6% year on year to ¥1,924 million.

Breakdown of sales results by product category

Segment	Equivalent Period of Previous Fiscal Year (From April 1, 2021, to December 31, 2021)	Period under Review (From April 1, 2022, to December 31, 2022)	YoY Comparison
Product category	Amount (Millions of yen)	Amount (Millions of yen)	(%)
Takara Shuzo			
Shochu	30,116	29,241	(2.9)
Sake	10,452	9,858	(5.7)
Light-alcohol refreshers	29,019	30,791	6.1
Other alcoholic beverages	4,206	4,198	(0.2)
<i>Hon Mirin</i>	7,320	7,628	4.2
Other seasonings	6,685	6,935	3.7
Raw alcohol, etc.	6,200	7,696	24.1
Total	94,003	96,350	2.5
Takara Shuzo International Group			
Overseas Alcoholic Beverages Business	10,365	12,891	24.4
Japanese Food Wholesales Business in overseas markets	64,148	88,306	37.7
Other	42	2,826	—
Elimination of intra-Group transaction on consolidation	(1,184)	(4,335)	—
Total	73,372	99,689	35.9
Takara Bio Group			
Reagents	35,351	52,469	48.4
Instruments	1,040	1,080	3.9
CDMO	7,474	4,669	(37.5)
Gene therapy	1,793	1,985	10.7
Total	45,659	60,206	31.9
Reported segment total	213,034	256,246	20.3
Other	23,643	24,069	1.8
Segment total	236,678	280,315	18.4
Sales not allocated to business segments and intersegment transactions	(14,899)	(14,688)	—
Total	221,778	265,627	19.8

Notes: 1. Amounts include alcohol tax.

2. Net sales of GMP grade (for manufacturing regenerative medical products) reagents, etc., which had been included in Takara Bio Group's "Reagents" until the fiscal year ended March 31, 2022, will be included in "Gene therapy" from the first quarter. The results for the equivalent period of the previous fiscal year presented in this table have been restated to reflect this change.

(2) Consolidated Financial Position

As of December 31, 2022, current assets were ¥251,746 million, an increase of ¥19,422 million compared with that at the end of the previous fiscal year. This was primarily due to increases in notes and accounts receivable-trade of ¥25,478 million offset by a decrease in cash and deposits of ¥6,927 million. Noncurrent assets were ¥137,759 million, an increase of ¥7,644 million compared with that at the end of the previous fiscal year. This was primarily due to increases in property, plant and equipment of ¥7,281 million and intangible assets of ¥927 million offset by a decrease in investments and other assets of ¥564 million.

As a result, total assets were ¥389,505 million, an increase of ¥27,067 million compared with that at the end of the previous fiscal year.

As of December 31, 2022, current liabilities were ¥68,717 million, a decrease of ¥10,433 million compared with that at the end of the previous fiscal year. This was primarily due to decreases in current portion of bonds of ¥10,000 million and

income taxes payable of ¥3,277 million offset by an increase in accrued alcohol tax of ¥3,582 million. Noncurrent liabilities were ¥60,971 million, an increase of ¥2,240 million compared with that at the end of the previous fiscal year. This was primarily due to an increase in other under noncurrent liabilities, such as lease obligations, of ¥2,420 million.

As a result, total liabilities were ¥129,688 million, a decrease of ¥8,193 million compared with that at the end of the previous fiscal year.

As of December 31, 2022, total net assets were ¥259,816 million, an increase of ¥35,260 million compared with that at the end of the previous fiscal year. This was primarily due to increases in retained earnings of ¥11,778 million due to net income attributable to owners of the parent of ¥19,093 million and dividends from surplus of ¥7,315 million, foreign currency translation adjustment of ¥15,523 million and noncontrolling interests of ¥8,459 million, offset by a decrease in capital surplus of ¥538 million.

As a result, the equity ratio totaled 53.2%, compared with 49.8% at the end of the previous fiscal year.

(3) Qualitative Information Regarding Consolidated Forecasts

The Company has revised the full-year consolidated results forecasts published on November 10, 2022 in consideration of recent performance trends.

For the fiscal year ending March 31, 2023, for Takara Shuzo, net sales of shochu and raw alcohol are projected to be higher than the previous forecast (announced on November 10, 2022). In addition, for the Takara Bio Group, net sales of reagents are projected to be higher than the previous forecast due to growth of testing-related reagents for COVID-19, despite net sales of instruments and CDMO falling below the forecast. For the Takara Shuzo International Group, net sales are expected to be in line with the previous forecast.

In terms of profit, gross profit posted by Takara Shuzo and the Takara Bio Group is expected to rise due to the increase in net sales, and accordingly, operating income expected to exceed the previous forecast. Operating income for the Takara Shuzo International Group is projected to be largely in line with the forecast.

As a result, net sales, operating income, ordinary income, and net profit attributable to owners of parent are expected to exceed the previous forecast for the Takara Group as a whole. For the details of forecasts for each business segment, please refer to pages 8/13-11/13 in “Supplement for the Consolidated Quarterly Financial Statements.”

(Full-Year Consolidated Results Forecasts for the fiscal year ending March 31, 2023)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent	Net income per share
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Yen)
Previous forecast (A) (Published November 10, 2022)	347,000	35,400	36,000	18,900	95.60
Revised forecast (B)	350,000	36,800	37,400	19,400	98.13
Difference (B – A)	3,000	1,400	1,400	500	—
Difference (%)	0.9	4.0	3.9	2.6	—
Reference: Business results for previous fiscal year (Ended March 31, 2022)	300,918	43,354	43,230	20,769	105.05

2. Consolidated Quarterly Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Millions of Yen)

	As of Mar. 31, 2022	As of Dec. 31, 2022
Assets		
Current assets		
Cash and deposits	80,445	73,518
Notes and accounts receivable-trade	70,260	95,738
Merchandise and finished goods	63,172	62,893
Work in process	2,012	2,392
Raw materials and supplies	7,458	7,591
Other	9,422	10,224
Allowance for doubtful accounts	(449)	(613)
Total current assets	232,323	251,746
Noncurrent assets		
Property, plant and equipment	79,747	87,028
Intangible assets		
Goodwill	10,070	11,182
Other	5,290	5,105
Total intangible assets	15,360	16,288
Investments and other assets		
Investment securities	29,228	28,967
Other	5,843	5,538
Allowance for doubtful accounts	(64)	(64)
Total investments and other assets	35,006	34,442
Total noncurrent assets	130,114	137,759
Total assets	362,438	389,505

(Millions of Yen)

	As of Mar. 31, 2022	As of Dec. 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable-trade	20,973	21,680
Short-term loans payable	5,497	4,911
Current portion of bonds	10,000	—
Accrued alcohol tax	7,172	10,755
Accrued expenses	5,579	5,467
Income taxes payable	6,602	3,324
Provision	3,516	2,406
Other	19,809	20,171
Total current liabilities	79,151	68,717
Noncurrent liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	15,248	15,170
Net defined benefit liability	8,944	8,842
Other	14,537	16,957
Total noncurrent liabilities	58,730	60,971
Total liabilities	137,882	129,688
Net assets		
Shareholders' equity		
Capital stock	13,226	13,226
Capital surplus	2,499	1,960
Retained earnings	149,933	161,712
Treasury stock	(1,682)	(1,682)
Total shareholders' equity	163,976	175,216
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,216	12,184
Deferred gains or losses on hedges	412	371
Foreign currency translation adjustment	4,330	19,853
Remeasurements of defined benefit plans	(515)	(404)
Total accumulated other comprehensive income	16,443	32,004
Noncontrolling interests	44,135	52,594
Total net assets	224,555	259,816
Total liabilities and net assets	362,438	389,505

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income**(Consolidated Statements of Income)****(For the Nine Months Ended December 31, 2022 and 2021)**

(Millions of Yen)

	FY2022 (Apr. 1, 2021 – Dec. 31, 2021)	FY2023 (Apr. 1, 2022 – Dec. 31, 2022)
Net sales	221,778	265,627
Cost of sales	137,765	172,125
Gross profit	84,013	93,501
Selling, general and administrative expenses	50,423	58,615
Operating income	33,589	34,885
Nonoperating income		
Dividends income	573	780
Other	587	609
Total nonoperating income	1,161	1,389
Nonoperating expenses		
Interest expenses	243	235
Foreign exchange losses	—	188
Other	315	334
Total nonoperating expenses	558	757
Ordinary income	34,192	35,517
Extraordinary income		
Gain on sale of noncurrent assets	82	256
Insurance claim income	100	652
National subsidies	3,205	63
Other	—	136
Total extraordinary income	3,388	1,108
Extraordinary loss		
Loss on sale and retirement of noncurrent assets	123	86
Loss on tax purpose reduction entry of noncurrent assets	3,205	63
Loss on voluntary product recall	1,563	—
Other	28	64
Total extraordinary losses	4,921	214
Income before income taxes	32,658	36,410
Income taxes-current	9,309	9,619
Income taxes-deferred	(50)	1,026
Total income taxes	9,258	10,646
Net income	23,400	25,764
Net income attributable to the noncontrolling interest	6,257	6,670
Net income attributable to owners of the parent	17,143	19,093

(Consolidated Statements of Comprehensive Income)
(For the Nine Months Ended December 31, 2022 and 2021)

(Millions of Yen)

	FY2022 (Apr. 1, 2021 – Dec. 31, 2021)	FY2023 (Apr. 1, 2022 – Dec. 31, 2022)
Net income	23,400	25,764
Other comprehensive income		
Valuation difference on available-for-sale securities	628	(32)
Deferred gains or losses on hedges	80	(40)
Foreign currency translation adjustment	6,508	19,896
Remeasurements of defined benefit plans	136	124
Total other comprehensive income	7,353	19,947
Comprehensive income	30,754	45,712
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	23,065	34,654
Comprehensive income attributable to noncontrolling interest	7,689	11,057

(3) Notes to Consolidated Financial Statements

(Notes on Premise of Going Concern)

No items to report.

(Notes on Material Changes in Shareholders' Equity)

No items to report.

(Segment Information)

I. Equivalent Period of Previous Fiscal Year (From April 1, 2021 to December 31, 2021)

1. Net sales and Income (Loss) by Reported Segment

(Millions of yen)

	Reported Segment				Other (Note: 1)	Total	Adjustment (Note: 2)	Amount recognized in consolidated quarterly statements of income (Note: 3)
	Takara Shuzo	Takara Shuzo International Group	Takara Bio Group	Subtotal				
Net sales								
External customers	93,380	73,180	45,659	212,219	9,559	221,778	-	221,778
Intersegment	622	192	0	814	14,084	14,899	(14,899)	-
Total	94,003	73,372	45,659	213,034	23,643	236,678	(14,899)	221,778
Segment income (loss)	5,136	6,637	19,926	31,700	1,893	33,593	(3)	33,589

Notes: 1. Other includes business segments that are not part of reported segments, such as the real estate rental business, the transportation business, and the wine import and sale business.

2. The adjustment to segment income (loss) of ¥(3) million comprises intersegment eliminations of ¥29 million and loss of the Company not allocated to business segments of ¥(33) million.

3. Segment income has been adjusted to the operating income of consolidated quarterly statements of income.

2. Information on Impairment Loss on Noncurrent Assets, Goodwill, etc. by Reportable Segment

No items to report.

II. Period under Review (From April 1, 2022, to December 31, 2022)

1. Net sales and Income (Loss) by Reported Segment

(Millions of yen)

	Reported Segment				Other (Note: 1)	Total	Adjustment (Note: 2)	Amount recognized in consolidated quarterly statements of income (Note: 3)
	Takara Shuzo	Takara Shuzo International Group	Takara Bio Group	Subtotal				
Net sales								
External customers	95,685	99,541	60,203	255,431	10,195	265,627	-	265,627
Intersegment	664	147	2	814	13,873	14,688	(14,688)	-
Total	96,350	99,689	60,206	256,246	24,069	280,315	(14,688)	265,627
Segment income (loss)	5,276	8,454	19,403	33,135	1,924	35,059	(173)	34,885

Notes: 1. Other includes business segments that are not part of reported segments, such as the real estate rental business, the transportation business, and the wine import and sale business.

2. The adjustment to segment income (loss) of ¥(173) million comprises intersegment eliminations of ¥57 million and loss of the Company not allocated to business segments of ¥(231) million.

3. Segment income has been adjusted to the operating income of consolidated quarterly statements of income.

2. Information on Impairment Loss on Noncurrent Assets, Goodwill, etc. by Reportable Segment

No items to report.

(Revenue Recognition)

Information on breakdown of revenue from contracts with customers

Equivalent Period of Previous Fiscal Year (From April 1, 2021 to December 31, 2021)

(Millions of yen)

	Reported Segment				Other (Note)	Total
	Takara Shuzo	Takara Shuzo International Group	Takara Bio Group	Subtotal		
Alcoholic Beverages Business	93,380	9,033	-	102,414	3,659	106,074
Japanese Food Wholesales Business in overseas markets	-	64,146	-	64,146	-	64,146
Bio	-	-	45,659	45,659	-	45,659
Other	-	-	-	-	5,445	5,445
Revenue earned from contracts with customers	93,380	73,180	45,659	212,219	9,104	221,324
Other revenue	-	-	-	-	454	454
Net sales to external customers	93,380	73,180	45,659	212,219	9,559	221,778

Note: Other includes business segments that are not part of reported segments, under which revenue from the import and sale of wine and from freight delivery services is included in “Revenue earned from contracts with customers,” and revenue from real estate rental is included in “Other revenue” based on ASBJ Statement No. 13 “Accounting Standard for Lease Transactions.”

Period under Review (From April 1, 2022, to December 31, 2022)

(Millions of yen)

	Reported Segment				Other (Note)	Total
	Takara Shuzo	Takara Shuzo International Group	Takara Bio Group	Subtotal		
Alcoholic Beverages Business	95,685	11,237	-	106,923	4,248	111,172
Japanese Food Wholesales Business in overseas markets	-	88,304	-	88,304	-	88,304
Bio	-	-	60,203	60,203	-	60,203
Other	-	-	-	-	5,491	5,491
Revenue earned from contracts with customers	95,685	99,541	60,203	255,431	9,740	265,171
Other revenue	-	-	-	-	455	455
Net sales to external customers	95,685	99,541	60,203	255,431	10,195	265,627

Note: Other includes business segments that are not part of reported segments, under which revenue from the import and sale of wine and from freight delivery services is included in “Revenue earned from contracts with customers,” and revenue from real estate rental is included in “Other revenue” based on ASBJ Statement No. 13 “Accounting Standard for Lease Transactions.”