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Consolidated Financial Statements for the Year Ended June 30, 2023 FY2024 (April 1, 2023 - March 31, 2024) [UNAUDITED]

Company name: Takara Holdings Inc.
 Stock exchange listings: Tokyo Stock Exchange (PRIME section)
 Code number: 2531
 URL: <https://www.takara.co.jp/>
 Company representative: Mutsumi Kimura, President
 Contact: Masakazu Usami, General Manager of Public Relations& Investor Relations Dept..
 TEL: (075)241-5124

Quarterly statement filing date(as planned): August 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 three months ended June 30, 2023 (April 1, 2023 - June 30, 2023)

(1) Consolidated operating results

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

	Three months ended June 30, 2023		Three months ended June 30, 2022	
	(Millions of yen)	(%)	(Millions of yen)	(%)
Net sales	81,510	4.8	77,782	13.0
Operating income (loss)	7,101	(20.2)	8,894	(27.9)
Ordinary income (loss)	7,700	(16.8)	9,253	(27.4)
Net income (loss) attributable to owners of the parent	4,965	(5.3)	5,241	(2.0)
Net income (loss) per share (Yen)	25.11		26.51	
Fully diluted net income per share (Yen)	-		-	
Note: Comprehensive income (loss)	11,166	(14.7)	13,091	(1.1)

(2) Consolidated financial position

	As of June 30, 2023	As of March 31, 2023
	(Millions of yen)	(Millions of yen)
Total assets	403,769	399,174
Net assets	256,964	255,318
Equity ratio (%)	51.2	51.1
(Reference) Equity	206,870	203,951

2. Dividends

	Dividend per share (Yen)		
	Year ended March 31, 2023	Year ending March 31, 2024	Year ending March 31, 2024 (Forecast)
First quarter end	-	-	-
Second quarter end	-	-	-
Third quarter end	-	-	-
Year end	38.00	-	27.00
Annual	38.00	-	27.00

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

3. Forecast for the year ending March 31, 2024 (April 1, 2023 - March 31, 2024)

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

	Six months ending September 30, 2023		Year ending March 31, 2024	
	(Millions of yen)	(%)	(Millions of yen)	(%)
Net sales	170,000	3.5	355,000	1.2
Operating income (loss)	11,100	(43.4)	26,300	(30.7)
Ordinary income (loss)	11,400	(42.9)	26,800	(30.8)
Net income (loss) attributable to owners of the parent	6,700	(38.4)	15,000	(29.3)
Net income per share (Yen)	33.89		75.87	

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

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 June 30, 2023 : 199,699,743 shares
 - As of March 31, 2023 : 199,699,743 shares
 - 2) Number of treasury stocks at the end of each period:
 - As of June 30, 2023 : 1,995,612 shares
 - As of March 31, 2023 : 1,995,612 shares
 - 3) Average number of outstanding shares in each period
 - Three months ended June 30, 2023 : 197,704,131 shares
 - Three months ended June 30, 2022 : 197,704,166 shares

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1. Qualitative Information for the Three Months Ended June 30, 2023

(1) Consolidated Financial Results

In the three months ended June 30, 2023, net sales increased 4.8% year on year to ¥81,510 million, gross profit increased 2.0% year on year to ¥28,039 million, and SG&A expenses increased 12.6% year on year to ¥20,937 million. Operating income decreased 20.2% year on year to ¥7,101 million, ordinary income decreased 16.8% year on year to ¥7,700 million, and net income attributable to owners of the parent decreased 5.3% year on year to ¥4,965 million.

Results by business segment were as follows.

[Takara Shuzo]

In the three months ended June 30, 2023, 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 2.7% year on year to ¥31,773 million. Cost of sales decreased 1.6% year on year to ¥23,389 million, mainly due to decreased sales volumes and a change in the sales mix, despite the impact of soaring raw material and fuel prices. Gross profit increased 16.9% year on year to ¥8,383 million. SG&A expenses decreased 4.6% year on year to ¥5,788 million due to a decrease in transportation costs and advertising expenses. Operating income was up 134.2% year on year to ¥2,595 million.

[Takara Shuzo International Group]

In the three months ended June 30, 2023, net sales of the Overseas Alcoholic Beverages Business increased year on year mainly due to continued growth in sales of whiskey in the U.S. and U.K. 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, with the development of new business bases also contributing positively.

As a result, net sales for the Takara Shuzo International Group increased 27.4% year on year to ¥37,432 million. Cost of sales increased 24.7% year on year to ¥25,228 million in line with the increase in net sales. Consequently, gross profit increased 33.6% year on year to ¥12,203 million. SG&A expenses were up 31.3% year on year to ¥8,616 million, primarily due to an increase in personnel expenses and transportation costs, and operating income was up 39.4% year on year to ¥3,587 million.

[Takara Bio Group]

In the three months ended June 30, 2023, although sales of CDMO and gene therapy increased year on year, sales of reagents and instruments decreased. As a result, net sales for the Takara Bio Group decreased 34.9% year on year to ¥9,176 million. In particular, sales of testing-related reagents decreased, mainly due to the convergence of the COVID-19 pandemic and changes in the legal categorization of the virus. Cost of sales decreased 32.5% year on year to ¥2,683 million, mainly due to a decrease in net sales. Consequently, gross profit decreased 35.9% year on year to ¥6,493 million. SG&A expenses were up 8.6% year on year to ¥6,069 million, primarily due to increases in personnel expenses and R&D expenses. Operating income decreased 90.7% year on year to ¥423 million.

[Other]

In the three months ended June 30, 2023, net sales of the Other segment decreased 5.5% year on year to ¥7,623 million due to decreased sales in the transportation business and the printing business. Cost of sales decreased 5.7% year on year to ¥6,466 million. Consequently, gross profit decreased 4.2% year on year to ¥1,156 million. SG&A expenses decreased 1.1% year on year to ¥469 million due to decreases in personnel expenses and sales promotion expenses, and operating income was down 6.2% year on year to ¥686 million.

Breakdown of sales results by product category

Segment	Equivalent Period of Previous Fiscal Year (From April 1, 2022, to June 30, 2022)	Period under Review (From April 1, 2023, to June 30, 2023)	YoY Comparison
Product category	Amount (Millions of yen)	Amount (Millions of yen)	(%)
Takara Shuzo			
Shochu	10,821	9,612	(11.2)
Sake	2,395	2,292	(4.3)
Light-alcohol refreshers	9,707	10,684	10.1
Other alcoholic beverages	1,399	1,486	6.3
<i>Hon Mirin</i>	2,251	2,328	3.4
Other seasonings	2,127	2,215	4.2
Raw alcohol, etc.	2,239	3,153	40.8
Total	30,941	31,773	2.7
Takara Shuzo International Group			
Overseas Alcoholic Beverages Business	3,848	4,889	27.0
Japanese Food Wholesales Business in overseas markets	25,980	33,140	27.6
Other	2,797	198	(92.9)
Elimination of intra-Group transaction on consolidation	(3,256)	(796)	—
Total	29,371	37,432	27.4
Takara Bio Group			
Reagents	12,043	6,909	(42.6)
Instruments	267	220	(17.5)
CDMO	1,291	1,366	5.8
Gene therapy	499	679	36.1
Total	14,102	9,176	(34.9)
Reported segment total	74,415	78,382	5.3
Other	8,064	7,623	(5.5)
Segment total	82,479	86,005	4.3
Sales not allocated to business segments and intersegment transactions	(4,696)	(4,495)	—
Total	77,782	81,510	4.8

Note: 1. Amounts include alcohol tax.

(2) Consolidated Financial Position

As of June 30, 2023, current assets were ¥237,491 million, a decrease of ¥4,022 million compared with that at the end of the previous fiscal year. This was primarily due to a decrease in cash and deposits of ¥8,907 million, despite an increase in other in current assets of ¥3,396 million. Noncurrent assets were ¥166,278 million, an increase of ¥8,616 million compared with that at the end of the previous fiscal year. This was primarily due to increases in property, plant and equipment of ¥768 million, intangible assets of ¥569, and investments and other assets of ¥7,278 million due to an increase in the market valuation of investment securities.

As a result, total assets were ¥403,769 million, an increase of ¥4,594 million compared with that at the end of the previous fiscal year.

As of June 30, 2023, current liabilities were ¥67,300 million, a decrease of ¥154 million compared with that at the end of the previous fiscal year. Noncurrent liabilities were ¥79,503 million, an increase of ¥3,101 million compared with that at the end of the previous fiscal year.

As a result, total liabilities were ¥146,804 million, an increase of ¥2,947 million compared with that at the end of the

previous fiscal year.

As of June 30, 2023, total net assets were ¥256,964 million, an increase of ¥1,646 million compared with that at the end of the previous fiscal year. This was primarily due to increases in valuation difference on available-for-sale securities of ¥3,752 million and foreign currency translation adjustment of ¥1,576 million, offset by decreases in retained earnings of ¥2,547 million and noncontrolling interests of ¥1,272 million.

As a result, the equity ratio totaled 51.2%, compared with 51.1% at the end of the previous fiscal year.

(3) Qualitative Information Regarding Consolidated Forecasts

There are no changes to the consolidated results forecasts for the six months ending September 30, 2023 and the fiscal year ending March 31, 2024 published in the financial statements on May 11, 2023.

Note: Today (August 8, 2023), the Company subsidiary Takara Bio Inc. (listed on the Prime Market of the Tokyo Stock Exchange with securities code number 4974) revised its consolidated results forecasts for the six months ending September 30, 2023, published in the financial statements on May 11, 2023; however, there are no changes to its full-year consolidated results forecast for the fiscal year ending March 31, 2024.

2. Consolidated Quarterly Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Millions of Yen)

	As of Mar. 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	96,820	87,913
Notes and accounts receivable-trade	69,717	70,372
Merchandise and finished goods	57,812	58,630
Work in process	1,718	1,671
Raw materials and supplies	7,372	7,415
Other	8,765	12,161
Allowance for doubtful accounts	(694)	(673)
Total current assets	241,513	237,491
Noncurrent assets		
Property, plant and equipment	88,890	89,658
Intangible assets		
Goodwill	10,668	11,499
Other	5,262	5,002
Total intangible assets	15,931	16,501
Investments and other assets		
Investment securities	30,573	35,996
Other	22,328	24,184
Allowance for doubtful accounts	(64)	(62)
Total investments and other assets	52,838	60,117
Total noncurrent assets	157,661	166,278
Total assets	399,174	403,769

(Millions of Yen)

	As of Mar. 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable-trade	21,775	21,203
Short-term loans payable	4,919	4,915
Accrued alcohol tax	5,815	6,520
Accrued expenses	6,368	5,894
Income taxes payable	2,220	2,414
Provision for bonuses	3,380	4,263
Other provision	242	177
Other	22,733	21,911
Total current liabilities	67,454	67,300
Noncurrent liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	15,186	15,178
Net defined benefit liability	8,925	8,902
Other	32,288	35,422
Total noncurrent liabilities	76,401	79,503
Total liabilities	143,856	146,804
Net assets		
Shareholders' equity		
Capital stock	13,226	13,226
Capital surplus	1,994	1,994
Retained earnings	163,825	161,277
Treasury stock	(1,682)	(1,682)
Total shareholders' equity	177,363	174,815
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,974	16,726
Deferred gains or losses on hedges	286	380
Foreign currency translation adjustment	13,686	15,262
Remeasurements of defined benefit plans	(359)	(314)
Total accumulated other comprehensive income	26,588	32,055
Noncontrolling interests	51,366	50,094
Total net assets	255,318	256,964
Total liabilities and net assets	399,174	403,769

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income**(Consolidated Statements of Income)****(For the Three Months Ended June 30, 2023 and 2022)**

(Millions of Yen)

	FY2023 (Apr. 1, 2022 – June 30, 2022)	FY2024 (Apr. 1, 2023 – June 30, 2023)
Net sales	77,782	81,510
Cost of sales	50,294	53,471
Gross profit	27,488	28,039
Selling, general and administrative expenses	18,593	20,937
Operating income	8,894	7,101
Nonoperating income		
Dividends income	425	471
Other	258	275
Total nonoperating income	683	746
Nonoperating expenses		
Interest expenses	75	91
Foreign exchange losses	145	—
Other	103	56
Total nonoperating expenses	324	148
Ordinary income	9,253	7,700
Extraordinary income		
Gain on sale of noncurrent assets	251	11
Gain on sale of investment securities	—	8
Insurance claim income	652	—
Total extraordinary income	903	19
Extraordinary loss		
Loss on sale and retirement of noncurrent assets	10	27
Other	12	—
Total extraordinary losses	22	27
Income before income taxes	10,134	7,692
Income taxes-current	2,499	2,754
Income taxes-deferred	551	(514)
Total income taxes	3,051	2,240
Net income	7,083	5,451
Net income attributable to the noncontrolling interest	1,841	486
Net income attributable to owners of the parent	5,241	4,965

(Consolidated Statements of Comprehensive Income)
(For the Three Months Ended June 30, 2023 and 2022)

(Millions of Yen)

	FY2023 (Apr. 1, 2022 – June 30, 2022)	FY2024 (Apr. 1, 2023 – June 30, 2023)
Net income	7,083	5,451
Other comprehensive income		
Valuation difference on available-for-sale securities	(648)	3,752
Deferred gains or losses on hedges	323	93
Foreign currency translation adjustment	6,291	1,817
Remeasurements of defined benefit plans	41	50
Total other comprehensive income	6,008	5,715
Comprehensive income	13,091	11,166
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	9,912	10,431
Comprehensive income attributable to noncontrolling interest	3,178	734

(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, 2022 to June 30, 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	30,734	29,336	14,101	74,172	3,610	77,782	-	77,782
Intersegment	207	34	0	242	4,454	4,696	(4,696)	-
Total	30,941	29,371	14,102	74,415	8,064	82,479	(4,696)	77,782
Segment income (loss)	1,108	2,573	4,537	8,219	732	8,952	(57)	8,894

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 ¥(57) million comprises intersegment eliminations of ¥25 million and loss of the Company not allocated to business segments of ¥(83) 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, 2023, to June 30, 2023)

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	31,524	37,348	9,176	78,049	3,461	81,510	-	81,510
Intersegment	249	83	0	333	4,162	4,495	(4,495)	-
Total	31,773	37,432	9,176	78,382	7,623	86,005	(4,495)	81,510
Segment income (loss)	2,595	3,587	423	6,606	686	7,293	(191)	7,101

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 ¥(191) million comprises intersegment eliminations of ¥(4) million and loss of the Company not allocated to business segments of ¥(187) 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.