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Consolidated Financial Statements for the Third Quarter Ended December 31, 2023 FY2024 (April 1, 2023 - March 31, 2024) [UNAUDITED]

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 Stock exchange listings: Tokyo Stock Exchange (PRIME section)
 Code number: 2531
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Quarterly statement filing date(as planned): February 14, 2024

- 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, 2023 (April 1, 2023 – December 31, 2023)

(1) Consolidated operating results

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

	Nine months ended December 31, 2023		Nine months ended December 31, 2022	
	(Millions of yen)	(%)	(Millions of yen)	(%)
Net sales	253,618	(4.5)	265,627	19.8
Operating income (loss)	17,779	(49.0)	34,885	3.9
Ordinary income (loss)	18,820	(47.0)	35,517	3.9
Net income (loss) attributable to owners of the parent	13,937	(27.0)	19,093	11.4
Net income (loss) per share (Yen)	70.55		96.58	
Fully diluted net income per share (Yen)	-		-	
Note: Comprehensive income (loss)	34,169	(25.3)	45,712	48.6

(2) Consolidated financial position

	As of December 31, 2023	As of March 31, 2023
	(Millions of yen)	(Millions of yen)
Total assets	434,742	399,174
Net assets	278,217	255,318
Equity ratio (%)	51.8	51.1
(Reference) Equity	225,284	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	-	-	-
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.

	Year ending March 31, 2024	
	(Millions of yen)	(%)
Net sales	341,000	(2.8)
Operating income (loss)	21,700	(42.8)
Ordinary income (loss)	22,500	(41.9)
Net income (loss) attributable to owners of the parent	15,000	(29.3)
Net income per share (Yen)	76.12	

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 December 31, 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 December 31, 2023 :	3,445,673 shares
As of March 31, 2023 :	1,995,612 shares
 - 3) Average number of outstanding shares in each period

Nine months ended December 31, 2023 :	197,565,560 shares
Nine months ended December 31, 2022 :	197,704,143 shares

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1. Qualitative Information for the Nine Months Ended December 31, 2023

(1) Consolidated Financial Results

In the nine months ended December 31, 2023, net sales decreased 4.5% year on year to ¥253,618 million, gross profit decreased 9.7% year on year to ¥84,394 million, and SG&A expenses increased 13.6% year on year to ¥66,614 million. Operating income decreased 49.0% year on year to ¥17,779 million, ordinary income decreased 47.0% year on year to ¥18,820 million, and net income attributable to owners of parent decreased 27.0% year on year to ¥13,937 million due to increases in extraordinary income as a result of sale of investment securities and decreases in net income attributable to the noncontrolling interest.

Results by business segment were as follows.

[Takara Shuzo]

In the nine months ended December 31, 2023, although sales of shochu and sake decreased year on year, sales of light-alcohol refreshers and raw alcohol increased.

As a result, net sales for Takara Shuzo increased 1.3% year on year to ¥97,619 million. Cost of sales decreased 2.0% year on year to ¥71,436 million, mainly due to a change in the sales mix, despite the continued impact of rising raw material prices. Gross profit increased 11.8% year on year to ¥26,182 million. SG&A expenses increased 5.8% year on year to ¥19,204 million due to an increase in advertising expenses, etc. Operating income was up 32.2% year on year to ¥6,978 million.

[Takara Shuzo International Group]

In the nine months ended December 31, 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 despite the impact of a slow-down in personal consumption in the U.S., Europe, etc., with the development of new business bases also contributing positively.

As a result, net sales for the Takara Shuzo International Group increased 17.7% year on year to ¥117,378 million. Despite a reduction in shipping container prices, cost of sales increased 16.2% year on year to ¥80,013 million in line with the increase in net sales. Consequently, gross profit increased 21.2% year on year to ¥37,364 million. SG&A expenses were up 27.0% year on year to ¥28,431 million, primarily due to increases in personnel expenses and rent expenses, and operating income was up 5.7% year on year to ¥8,933 million.

[Takara Bio Group]

In the nine months ended December 31, 2023, sales of testing-related products decreased due to changes in the legal categorization of COVID-19 and we also saw a slump in the life sciences research market due to the impact of the economic stagnation overseas. As a result, net sales for the Takara Bio Group decreased 50.6% year on year to ¥29,734 million. Cost of sales decreased 50.8% year on year to ¥11,692 million, mainly due to a decrease in net sales. Consequently, gross profit decreased 50.5% year on year to ¥18,041 million. SG&A expenses were up 4.0% year on year to ¥17,704 million, primarily due to increases in personnel expenses and R&D expenses. Operating income decreased 98.3% year on year to ¥336 million.

[Other]

In the nine months ended December 31, 2023, net sales of the Other segment decreased 3.1% year on year to ¥23,319 million due to decreased sales in the transportation business and the printing business. Cost of sales decreased 3.7% year on year to ¥19,963 million. Consequently, gross profit increased 0.4% year on year to ¥3,355 million. SG&A expenses increased 0.9% year on year to ¥1,432 million owing primarily to an increase in travel and transportation expenses, and operating income was down 0.0% year on year to ¥1,923 million.

Breakdown of sales results by product category

Segment	Equivalent Period of Previous Fiscal Year (From April 1, 2022, to December 31, 2022)	Period under Review (From April 1, 2023, to December 31, 2023)	YoY Comparison
Product category	Amount (Millions of yen)	Amount (Millions of yen)	(%)
Takara Shuzo			
Shochu	29,241	27,188	(7.0)
Sake	9,858	9,365	(5.0)
Light-alcohol refreshers	30,791	33,089	7.5
Other alcoholic beverages	4,198	4,228	0.7
<i>Hon Mirin</i>	7,628	7,708	1.1
Other seasonings	6,935	7,306	5.3
Raw alcohol, etc.	7,696	8,730	13.4
Total	96,350	97,619	1.3
Takara Shuzo International Group			
Overseas Alcoholic Beverages Business	12,891	15,102	17.1
Japanese Food Wholesales Business in overseas markets	88,306	104,019	17.8
Other	2,826	231	(91.8)
Elimination of intra-Group transaction on consolidation	(4,335)	(1,974)	—
Total	99,689	117,378	17.7
Takara Bio Group			
Reagents	52,469	22,989	(56.2)
Instruments	1,080	638	(40.9)
CDMO	4,669	4,369	(6.4)
Gene therapy	1,985	1,737	(12.5)
Total	60,206	29,734	(50.6)
Reported segment total	256,246	244,732	(4.5)
Other	24,069	23,319	(3.1)
Segment total	280,315	268,051	(4.4)
Sales not allocated to business segments and intersegment transactions	(14,688)	(14,433)	—
Total	265,627	253,618	(4.5)

Note: 1. Amounts include alcohol tax.

(2) Consolidated Financial Position

As of December 31, 2023, current assets were ¥248,051 million, an increase of ¥6,538 million compared with that at the end of the previous fiscal year. This was primarily due to increases in notes and accounts receivable-trade, merchandise and finished goods, and other under current assets of ¥8,813 million, ¥4,624 million, and ¥3,682 million, respectively despite a decrease in cash and deposits of ¥11,436 million. Noncurrent assets were ¥186,690 million, an increase of ¥29,029 million compared with that at the end of the previous fiscal year. This was primarily due to increases in property, plant and equipment of ¥15,858 million, mainly due to increases in buildings and structures and construction in progress, intangible assets of ¥3,932 million, and investments and other assets of ¥9,238 million due to an increase in the market valuation of investment securities.

As a result, total assets were ¥434,742 million, an increase of ¥35,567 million compared with that at the end of the previous fiscal year.

As of December 31, 2023, current liabilities were ¥82,042 million, an increase of ¥14,587 million compared with that at the end of the previous fiscal year. This was primarily due to increases in notes and accounts payable-trade of ¥2,881 million, short-term loans payable of ¥5,120 million, current portion of bonds of ¥5,000 million, and accrued alcohol tax of ¥4,219

million, despite a decrease in other under current liabilities of ¥3,519 million. Noncurrent liabilities were ¥74,482 million, a decrease of ¥1,919 million compared with that at the end of the previous fiscal year. This was primarily due to decreases in bonds payable of ¥5,000 million and long-term loans payable of ¥4,730 million, despite an increase in other under noncurrent liabilities of ¥7,860 million.

As a result, total liabilities were ¥156,524 million, an increase of ¥12,668 million compared with that at the end of the previous fiscal year.

As of December 31, 2023, total net assets were ¥278,217 million, an increase of ¥22,899 million compared with that at the end of the previous fiscal year. This was primarily due to increases in retained earnings of ¥6,424 million, valuation difference on available-for-sale securities of ¥4,003 million and foreign currency translation adjustment of ¥12,708 million due to the ongoing weakening of the yen.

As a result, the equity ratio totaled 51.8%, 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 fiscal year ending March 31, 2024 published in the consolidated financial statements for the second quarter ended September 30, 2023 on November 9, 2023.

2. Consolidated Quarterly Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Millions of Yen)

	As of Mar. 31, 2023	As of Dec. 31, 2023
Assets		
Current assets		
Cash and deposits	96,820	85,383
Notes and accounts receivable-trade	69,717	78,531
Merchandise and finished goods	57,812	62,437
Work in process	1,718	1,958
Raw materials and supplies	7,372	8,055
Other	8,765	12,447
Allowance for doubtful accounts	(694)	(761)
Total current assets	241,513	248,051
Noncurrent assets		
Property, plant and equipment	88,890	104,748
Intangible assets		
Goodwill	10,668	12,850
Other	5,262	7,014
Total intangible assets	15,931	19,864
Investments and other assets		
Investment securities	30,573	35,879
Other	22,328	26,261
Allowance for doubtful accounts	(64)	(62)
Total investments and other assets	52,838	62,077
Total noncurrent assets	157,661	186,690
Total assets	399,174	434,742

(Millions of Yen)

	As of Mar. 31, 2023	As of Dec. 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable-trade	21,775	24,657
Short-term loans payable	4,919	10,039
Current portion of bonds	–	5,000
Accrued alcohol tax	5,815	10,034
Accrued expenses	6,368	7,427
Income taxes payable	2,220	3,147
Provision	3,622	2,521
Other	22,733	19,213
Total current liabilities	67,454	82,042
Noncurrent liabilities		
Bonds payable	20,000	15,000
Long-term loans payable	15,186	10,456
Net defined benefit liability	8,925	8,876
Other	32,288	40,149
Total noncurrent liabilities	76,401	74,482
Total liabilities	143,856	156,524
Net assets		
Shareholders' equity		
Capital stock	13,226	13,226
Capital surplus	1,994	1,994
Retained earnings	163,825	170,250
Treasury stock	(1,682)	(3,433)
Total shareholders' equity	177,363	182,036
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,974	16,977
Deferred gains or losses on hedges	286	96
Foreign currency translation adjustment	13,686	26,395
Remeasurements of defined benefit plans	(359)	(221)
Total accumulated other comprehensive income	26,588	43,247
Noncontrolling interests	51,366	52,932
Total net assets	255,318	278,217
Total liabilities and net assets	399,174	434,742

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income**(Consolidated Statements of Income)****(For the Nine Months Ended December 31, 2023 and 2022)**

(Millions of Yen)

	FY2022 (Apr. 1, 2022 – Dec. 31, 2022)	FY2023 (Apr. 1, 2023 – Dec. 31, 2023)
Net sales	265,627	253,618
Cost of sales	172,125	169,224
Gross profit	93,501	84,394
Selling, general and administrative expenses	58,615	66,614
Operating income	34,885	17,779
Nonoperating income		
Dividends income	780	927
Other	609	826
Total nonoperating income	1,389	1,754
Nonoperating expenses		
Interest expenses	235	300
Foreign exchange losses	188	–
Other	334	412
Total nonoperating expenses	757	713
Ordinary income	35,517	18,820
Extraordinary income		
Gain on sale of investment securities	136	2,670
Insurance claim income	652	–
National subsidies	63	–
Other	256	54
Total extraordinary income	1,108	2,724
Extraordinary loss		
Loss on sale and retirement of noncurrent assets	86	203
Loss on tax purpose reduction entry of noncurrent assets	63	–
Impairment losses	–	75
Other	64	–
Total extraordinary losses	214	279
Income before income taxes	36,410	21,265
Income taxes-current	9,619	7,142
Income taxes-deferred	1,026	(641)
Total income taxes	10,646	6,501
Net income	25,764	14,764
Net income attributable to the noncontrolling interest	6,670	827
Net income attributable to owners of the parent	19,093	13,937

(Consolidated Statements of Comprehensive Income)
(For the Nine Months Ended December 31, 2023 and 2022)

(Millions of Yen)

	FY2022 (Apr. 1, 2022 – Dec. 31, 2022)	FY2023 (Apr. 1, 2023 – Dec. 31, 2023)
Net income	25,764	14,764
Other comprehensive income		
Valuation difference on available-for-sale securities	(32)	4,003
Deferred gains or losses on hedges	(40)	(190)
Foreign currency translation adjustment	19,896	15,434
Remeasurements of defined benefit plans	124	157
Total other comprehensive income	19,947	19,404
Comprehensive income	45,712	34,169
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	34,654	30,596
Comprehensive income attributable to noncontrolling interest	11,057	3,572

(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.

(Additional Information)

(Acquisition and cancellation of treasury stock)

The meeting of the Company's Board of Directors held on November 9, 2023, approved the acquisition of treasury stock based on the provisions for Article 156 of the Companies Act described in Article 165 (3) of the same act and the cancellation of treasury stock based on the provision of Article 178 of the Companies Act.

1. Reasons for the acquisition and cancellation of treasury stock
The Company will acquire treasury stock in order to execute an agile capital policy that aligns with shareholder returns and the business environment. In conjunction with this, the Company will also cancel treasury stock in accordance with its policy on ownership of treasury stock.
2. Details of acquisition of treasury stock
 - (1) Classification of stock to be acquired Common stock of the Company
 - (2) Number of shares to be acquired 3.0 million shares (upper limit)
(1.52% of total number of shares issued and outstanding (excluding treasury stock))
 - (3) Total cost of acquisition ¥3.0 billion (upper limit)
 - (4) Period of acquisition November 13, 2023 to February 20, 2024
 - (5) Method of acquisition Open market purchase through the Tokyo Stock Exchange
3. Details of cancellation of treasury stock
 - (1) Classification of stock to be cancelled Common stock of the Company
 - (2) Number of shares to be cancelled Total number of shares acquired in Item 2 above
(1.50% of total number of shares issued and outstanding before cancellation (if 3.0 million shares (upper limit) are acquired))
 - (3) Scheduled cancellation date February 29, 2024

In accordance with the aforementioned meeting of the Company's Board of Directors, the Company acquired treasury stock as follows:

- (1) Classification of stock acquired Common stock of the Company
- (2) Number of shares acquired 2,447,700 shares
- (3) Total cost of acquisition ¥2,999,897,650
- (4) Period of acquisition November 13, 2023 to February 2, 2024
- (5) Method of acquisition Open market purchase through the Tokyo Stock Exchange

(Segment Information)

I. Equivalent Period of Previous Fiscal Year (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.

II. Period under Review (From April 1, 2023, to December 31, 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	96,963	117,061	29,733	243,757	9,860	253,618	-	253,618
Intersegment	656	317	0	974	13,458	14,433	(14,433)	-
Total	97,619	117,378	29,734	244,732	23,319	268,051	(14,433)	253,618
Segment income (loss)	6,978	8,933	336	16,248	1,923	18,171	(392)	17,779

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 ¥(392) million comprises intersegment eliminations of ¥40 million and loss of the Company not allocated to business segments of ¥(432) 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

Impairment loss of ¥75 million was recorded in the Takara Bio Group segment.