

The original disclosure in Japanese was released on Aug. 4, 2022 at 15:30 (GMT+9)

Consolidated Financial Statements for the Year Ended June 30, 2022 FY2023 (April 1, 2022 - March 31, 2023) [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): August 10, 2022

- 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 year ended June 30, 2022 (April 1, 2022 - June 30, 2022)

(1) Consolidated operating results

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

	Three months ended June 30, 2022		Three months ended June 30, 2021	
	(Millions of yen)	(%)	(Millions of yen)	(%)
Net sales	77,782	13.0	68,806	5.2
Operating income (loss)	8,894	(27.9)	12,339	538.6
Ordinary income (loss)	9,253	(27.4)	12,742	482.6
Net income (loss) attributable to owners of the parent	5,241	(2.0)	5,349	362.7
Net income (loss) per share (Yen)	26.51		27.06	
Fully diluted net income per share (Yen)	-		-	
Note: Comprehensive income (loss)	13,091	(1.1)	13,237	-

(2) Consolidated financial position

	As of June 30, 2022	As of March 31, 2022
	(Millions of yen)	(Millions of yen)
Total assets	352,157	362,438
Net assets	228,748	224,555
Equity ratio (%)	52.0	49.8
(Reference) Equity	183,053	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	-	31.00
Annual	37.00	-	31.00

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

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.

	Six months ending September 30, 2022		Year ending March 31, 2023	
	(Millions of yen)	(%)	(Millions of yen)	(%)
Net sales	159,000	12.6	322,000	7.0
Operating income (loss)	16,700	(22.7)	31,700	(26.9)
Ordinary income (loss)	17,200	(21.4)	32,300	(25.3)
Net income (loss) attributable to owners of the parent	9,100	(9.5)	17,300	(16.7)
Net income per share (Yen)	46.03		87.50	

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 June 30, 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 June 30, 2022 : 1,995,577 shares
 - As of March 31, 2022 : 1,995,577 shares
 - 3) Average number of outstanding shares in each period
 - Three months ended June 30, 2022 : 197,704,166 shares
 - Three months ended June 30, 2021 : 197,704,261 shares

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1. Qualitative Information for the Three Months Ended June 30, 2022

(1) Consolidated Financial Results

In the three months ended June 30, 2022, net sales increased 13.0% year on year to ¥77,782 million, gross profit decreased 3.0% year on year to ¥27,488 million, and SG&A expenses increased 16.2% year on year to ¥18,593 million. Operating income decreased 27.9% year on year to ¥8,894 million, ordinary income decreased 27.4% year on year to ¥9,253 million, and net income attributable to owners of the parent decreased 2.0% year on year to ¥5,241 million.

Results by business segment were as follows.

[Takara Shuzo]

In the three months ended June 30, 2022, sales increased due to an increase in sales of shochu, light-alcohol refreshers, and *Hon Mirin*, despite a decrease in sales of sake compared to the previous fiscal year.

As a result, net sales for Takara Shuzo increased 3.9% year on year to ¥30,941 million. Cost of sales increased 7.0% year on year to ¥23,767 million, mainly due to the impact of rising resource and raw material prices, and gross profit decreased 5.5% year on year to ¥7,174 million. SG&A expenses decreased 0.8% year on year to ¥6,065 million due to a decrease in personnel expenses and transportation costs, despite an increase in advertising expenses and promotion expenses. Operating income was down 25.0% year on year to ¥1,108 million.

[Takara Shuzo International Group]

In the three months ended June 30, 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 39.4% year on year to ¥29,371 million. Cost of sales increased 41.2% year on year to ¥20,234 million, mainly due to the impact of continuing high sea freight costs. Consequently, gross profit increased 35.7% year on year to ¥9,136 million. SG&A expenses were up 31.4% year on year to ¥6,562 million, primarily due to an increase in personnel expenses and transportation costs, and operating income was up 47.9% year on year to ¥2,573 million.

[Takara Bio Group]

In the three months ended June 30, 2022, although sales of gene therapy decreased year on year, sales of reagents, instruments, and CDMO decreased year on year due to a decline in demand related to COVID-19.

As a result, net sales for the Takara Bio Group decreased 7.7% year on year to ¥14,102 million. Cost of sales increased 86.4% year on year to ¥3,977 million, mainly due to a change in sales mix. Consequently, gross profit decreased 22.9% year on year to ¥10,124 million. SG&A expenses were up 20.6% year on year to ¥5,586 million, primarily due to an increase in personnel expenses and R&D expenses. Operating income decreased 46.6% year on year to ¥4,537 million.

[Other]

In the three months ended June 30, 2022, net sales of the Other segment increased 6.4% year on year to ¥8,064 million due to continued strong import and sale of wine. Cost of sales increased 5.5% year on year to ¥6,856 million. Consequently, gross profit increased 11.9% year on year to ¥1,207 million. SG&A expenses rose 4.6% year on year to ¥474 million due to an increase in transportation costs, and operating income was up 17.2% year on year to ¥732 million.

Breakdown of sales results by product category

Segment	Equivalent Period of Previous Fiscal Year (From April 1, 2021, to June 30, 2021)	Period under Review (From April 1, 2022, to June 30, 2022)	YoY Comparison
Product category	Amount (Millions of yen)	Amount (Millions of yen)	(%)
Takara Shuzo			
Shochu	10,654	10,821	1.6
Sake	2,500	2,395	(4.2)
Light-alcohol refreshers	9,109	9,707	6.6
Other alcoholic beverages	1,319	1,399	6.0
<i>Hon Mirin</i>	2,131	2,251	5.7
Other seasonings	2,053	2,127	3.6
Raw alcohol, etc.	2,025	2,239	10.5
Total	29,794	30,941	3.9
Takara Shuzo International Group			
Overseas Alcoholic Beverages Business	3,299	3,848	16.7
Japanese Food Wholesales Business in overseas markets	18,064	25,980	43.8
Other	16	2,797	—
Elimination of intra-Group transaction on consolidation	(310)	(3,256)	—
Total	21,068	29,371	39.4
Takara Bio Group			
Reagents	12,520	12,043	(3.8)
Instruments	390	267	(31.3)
CDMO	1,955	1,291	(33.9)
Gene therapy	406	499	22.9
Total	15,272	14,102	(7.7)
Reported segment total	66,134	74,415	12.5
Other	7,578	8,064	6.4
Segment total	73,712	82,479	11.9
Sales not allocated to business segments and intersegment transactions	(4,906)	(4,696)	—
Total	68,806	77,782	13.0

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 period under review. 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 June 30, 2022, current assets were ¥222,578 million, a decrease of ¥9,745 million compared with that at the end of the previous fiscal year. This was primarily due to a decrease in cash and deposits of ¥17,770 million, partially offset by increases in notes and accounts receivable-trade of ¥1,750 million, merchandise and finished goods of ¥4,497 million, and other in current assets such as accounts receivable-other of ¥2,670 million. Noncurrent assets were ¥129,579 million, a decrease of ¥535 million compared with that at the end of the previous fiscal year.

As a result, total assets were ¥352,157 million, a decrease of ¥10,280 million compared with that at the end of the previous fiscal year.

As of June 30, 2022, current liabilities were ¥64,968 million, a decrease of ¥14,183 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 ¥3,789 million. Noncurrent liabilities were ¥58,440 million, a decrease of ¥290 million compared with that at the end of the previous fiscal year.

As a result, total liabilities were ¥123,408 million, a decrease of ¥14,473 million compared with that at the end of the previous fiscal year.

As of June 30, 2022, total net assets were ¥228,748 million, an increase of ¥4,192 million compared with that at the end of the previous fiscal year. This was primarily due to increases in foreign currency translation adjustment of ¥4,958 million and noncontrolling interests of ¥1,559 million, despite a decrease in retained earnings of ¥2,073 million due to net income attributable to owners of the parent of ¥5,241 million and cash dividends paid of ¥7,315 million.

As a result, the equity ratio totaled 52.0%, compared with 49.8% at the end of the previous fiscal year.

(3) Qualitative Information Regarding Consolidated Forecasts

The Company has revised the consolidated results forecasts for the six months ending September 30, 2022, and the fiscal year ending March 31, 2023, published on May 12, 2022, in view of recent circumstances.

With regard to the net sales for the fiscal year ending March 31, 2023, at the Takara Shuzo International Group, on top of the eating and drinking establishment market in the Japanese Food Wholesale Business in overseas markets that is performing strong, the sales through the retail channels are solid as well, and the Overseas Alcoholic Beverages Business is also expected to perform well, with the exception of China, which is under strict COVID-19 regulations. Moreover, net sales are expected to exceed the initial forecast, partially due to the depreciation of the yen. Takara Shuzo plans to revise its prices in October, therefore demand is expected to rise ahead of schedule in September, resulting in an increase in sales in the first half of the fiscal year and a decrease in sales in the second half. Nevertheless, as the full-year forecast is expected to unfold almost exactly as planned, overall consolidated net sales for the Takara Group are expected to exceed the initial forecast.

In terms of profit, the Takara Shuzo International Group expects gross profit to increase due to an increase in net sales, and operating income is expected to exceed the initial forecast, despite an increase in SG&A expenses. Takara Shuzo expects operating income to be in line with the plan, as increases in costs due to soaring energy and raw material prices, as well as the depreciation of the yen, will be offset by price revisions and new products. As a result, operating income, ordinary income, and net income attributable to owners of the parent are expected to exceed the initial forecast for the Takara Group as a whole.

Moreover, the forecast for the Takara Bio Group remains unchanged from the previous forecast announced on May 12, 2022.

For further details of the revision to the consolidated business result forecast, please refer to “Notice Concerning the Revision of Consolidated Business Results Forecast and Dividend Forecast (Dividend Increase) for the Fiscal Year Ending March 31, 2023,” announced today (August 4, 2022). Also, for the details of forecasts for each business segment, please refer to pages 8/14-13/14 in “Supplement for the Consolidated Quarterly Financial Statements.”

(Consolidated Results Forecasts for the six months ending September 30, 2022)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent	Net income per share
Previous forecast (A) (Published May 12, 2022)	(Millions of yen) 146,000	(Millions of yen) 15,000	(Millions of yen) 15,400	(Millions of yen) 8,100	(Yen) 40.97
Revised forecast (B)	159,000	16,700	17,200	9,100	46.03
Difference (B – A)	13,000	1,700	1,800	1,000	—
Difference (%)	8.9	11.3	11.7	12.3	—
Reference: Business results for previous fiscal year (Cumulative total for the six months ended September 30, 2021)	141,213	21,616	21,884	10,050	50.84

(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
Previous forecast (A) (Published May 12, 2022)	(Millions of yen) 301,000	(Millions of yen) 30,000	(Millions of yen) 30,400	(Millions of yen) 16,000	(Yen) 80.93
Revised forecast (B)	322,000	31,700	32,300	17,300	87.50
Difference (B – A)	21,000	1,700	1,900	1,300	—
Difference (%)	7.0	5.7	6.3	8.1	—
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 June 30, 2022
Assets		
Current assets		
Cash and deposits	80,445	62,675
Notes and accounts receivable-trade	70,260	72,011
Securities	1,179	535
Merchandise and finished goods	63,172	67,670
Work in process	2,012	2,262
Raw materials and supplies	7,458	6,970
Other	8,243	10,914
Allowance for doubtful accounts	(449)	(461)
Total current assets	232,323	222,578
Noncurrent assets		
Property, plant and equipment	79,747	80,454
Intangible assets		
Goodwill	10,070	10,394
Other	5,290	5,248
Total intangible assets	15,360	15,643
Investments and other assets		
Investment securities	29,228	28,246
Other	5,843	5,298
Allowance for doubtful accounts	(64)	(64)
Total investments and other assets	35,006	33,480
Total noncurrent assets	130,114	129,579
Total assets	362,438	352,157

(Millions of Yen)

	As of Mar. 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable-trade	20,973	20,740
Short-term loans payable	5,497	4,907
Current portion of bonds	10,000	—
Accrued alcohol tax	7,172	6,793
Accrued expenses	5,579	5,327
Income taxes payable	6,602	2,812
Provision for bonuses	3,161	4,118
Other provision	355	310
Other	19,809	19,957
Total current liabilities	79,151	64,968
Noncurrent liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	15,248	15,177
Lease obligations	3,005	3,043
Net defined benefit liability	8,944	8,943
Other	11,531	11,276
Total noncurrent liabilities	58,730	58,440
Total liabilities	137,882	123,408
Net assets		
Shareholders' equity		
Capital stock	13,226	13,226
Capital surplus	2,499	2,534
Retained earnings	149,933	147,860
Treasury stock	(1,682)	(1,682)
Total shareholders' equity	163,976	161,938
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,216	11,568
Deferred gains or losses on hedges	412	735
Foreign currency translation adjustment	4,330	9,289
Remeasurements of defined benefit plans	(515)	(478)
Total accumulated other comprehensive income	16,443	21,114
Noncontrolling interests	44,135	45,694
Total net assets	224,555	228,748
Total liabilities and net assets	362,438	352,157

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income**(Consolidated Statements of Income)****(For the Three Months Ended June 30, 2022 and 2021)**

(Millions of Yen)

	FY2022 (April 1, 2021 – June 30, 2021)	FY2023 (April 1, 2022 – June 30, 2022)
Net sales	68,806	77,782
Cost of sales	40,470	50,294
Gross profit	28,335	27,488
Selling, general and administrative expenses	15,995	18,593
Operating income	12,339	8,894
Nonoperating income		
Dividends income	293	425
Other	275	258
Total nonoperating income	568	683
Nonoperating expenses		
Interest expenses	80	75
Foreign exchange losses	—	145
Other	85	103
Total nonoperating expenses	166	324
Ordinary income	12,742	9,253
Extraordinary income		
Gain on sale of noncurrent assets	1	251
Insurance claim income	—	652
National subsidies	49	—
Total extraordinary income	50	903
Extraordinary loss		
Loss on sale and retirement of noncurrent assets	45	10
Loss on voluntary product recall	1,576	—
Other	49	12
Total extraordinary losses	1,671	22
Income before income taxes	11,122	10,134
Income taxes-current	3,707	2,499
Income taxes-deferred	(437)	551
Total income taxes	3,270	3,051
Net income	7,851	7,083
Net income attributable to the noncontrolling interest	2,502	1,841
Net income attributable to owners of the parent	5,349	5,241

(Consolidated Statements of Comprehensive Income)
(For the Three Months Ended June 30, 2022 and 2021)

(Millions of Yen)

	FY2022 April 1, 2021– June 30, 2021)	FY2023 (April 1, 2022 – June 30, 2022)
Net income	7,851	7,083
Other comprehensive income		
Valuation difference on available-for-sale securities	(332)	(648)
Deferred gains or losses on hedges	(17)	323
Foreign currency translation adjustment	5,703	6,291
Remeasurements of defined benefit plans	32	41
Total other comprehensive income	5,385	6,008
Comprehensive income	13,237	13,091
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	9,510	9,912
Comprehensive income attributable to noncontrolling interest	3,726	3,178

(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 June 30, 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	29,548	20,994	15,272	65,814	2,991	68,806	-	68,806
Intersegment	245	74	0	320	4,586	4,906	(4,906)	-
Total	29,794	21,068	15,272	66,134	7,578	73,712	(4,906)	68,806
Segment income (loss)	1,478	1,740	8,504	11,722	624	12,347	(7)	12,339

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. Segment income (loss) comprises intersegment eliminations of ¥9 million and loss of the Company not allocated to business segments of ¥(16) 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 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. Segment income (loss) 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.

(Revenue Recognition)

Information on breakdown of revenue from contracts with customers

Equivalent Period of Previous Fiscal Year (From April 1, 2021 to June 30, 2021)

(Millions of yen)

	Reported Segment				Other (Note)	Total
	Takara Shuzo	Takara Shuzo International Group	Takara Bio Group	Subtotal		
Alcoholic Beverages Business	29,548	2,931	-	32,479	1,039	33,519
Japanese Food Wholesales Business in overseas markets	-	18,063	-	18,063	-	18,063
Bio	-	-	15,272	15,272	-	15,272
Other	-	-	-	-	1,800	1,800
Revenue earned from contracts with customers	29,548	20,994	15,272	65,814	2,840	68,654
Other revenue	-	-	-	-	151	151
Net sales to external customers	29,548	20,994	15,272	65,814	2,991	68,806

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 June 30, 2022)

(Millions of yen)

	Reported Segment				Other (Note)	Total
	Takara Shuzo	Takara Shuzo International Group	Takara Bio Group	Subtotal		
Alcoholic Beverages Business	30,734	3,356	-	34,090	1,630	35,721
Japanese Food Wholesales Business in overseas markets	-	25,980	-	25,980	-	25,980
Bio	-	-	14,101	14,101	-	14,101
Other	-	-	-	-	1,827	1,827
Revenue earned from contracts with customers	30,734	29,336	14,101	74,172	3,458	77,630
Other revenue	-	-	-	-	151	151
Net sales to external customers	30,734	29,336	14,101	74,172	3,610	77,782

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.”