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## Consolidated Financial Statements for the Third Quarter Ended December 31, 2018 FY2019 (April 1, 2018 - March 31, 2019) [UNAUDITED]

Company name: Takara Holdings Inc.  
 Stock exchange listings: Tokyo Stock Exchange (1st section)  
 Code number: 2531  
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 Quarterly statement filing date (as planned): February 8, 2019

- 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, 2018 (April 1, 2018 - December 31, 2018)

#### (1) Consolidated Operating results

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

	Nine months ended December 31, 2018		Nine months ended December 31, 2017	
	(Millions of yen)	(%)	(Millions of yen)	(%)
Net sales	210,622	3.1	204,266	18.6
Operating income (loss)	15,015	10.4	13,604	6.8
Ordinary income (loss)	15,420	10.3	13,984	4.3
Net income (loss) attributable to owners of the parent	8,952	(13.9)	10,396	17.1
Net income (loss) per share (Yen)	44.85		51.74	
Fully diluted net income per share (Yen)	-		-	
Note: Comprehensive income (loss)	6,807	(54.2)	14,849	852.7

#### (2) Consolidated Financial position

	As of December 31, 2018	As of March 31, 2018
	(Millions of yen)	(Millions of yen)
Total assets	290,503	284,281
Net assets	179,520	176,217
Equity ratio (%)	50.9	51.0
(Reference) Equity	147,891	145,111

### 2. Dividends

	Dividend per share (Yen)		
	Year ended March 31, 2018	Year ending March 31, 2019	Year ending March 31, 2019 (Forecast)
First quarter end	-	-	
Second quarter end	-	-	
Third quarter end	-	-	
Year end	16.00		18.00
Annual	16.00		18.00

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

### 3. Forecast for the year ending March 31, 2019 (April 1, 2018 - March 31, 2019)

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

	Year ending March 31, 2019	
	(Millions of yen)	(%)
Net sales	280,000	4.4
Operating income (loss)	17,300	10.8
Ordinary income (loss)	17,900	11.3
Net income (loss) attributable to owners of the parent	10,000	(9.3)
Net income per share (Yen)	50.09	

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, 2018 : 201,699,743
    - As of March 31, 2018 : 201,699,743
  - 2) Number of treasury stocks at the end of each period
    - As of December 31 30, 2018 : 2,069,706
    - As of March 31, 2018 : 2,069,224
  - 3) Average number of outstanding shares in each period
    - Nine months ended December 31, 2018 : 199,630,283
    - Nine months ended December 31, 2017 : 200,960,374

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## 1. Qualitative Information for the Nine Months Ended December 31, 2018

### (1) Consolidated Financial Results

In the nine months ended December 31, 2018, although personal spending was weak, the Japanese economy overall maintained a moderate recovery backed by improvements in corporate earnings and the hiring environment. On the other hand, overseas, while economic expansion was expected to continue centered on Europe and the U.S., there were risk factors such as trade friction originating in the U.S. and tension in the Middle East, meaning the global economic outlook remained uncertain.

In these economic circumstances, under the Takara Group Medium-Term Management Plan FY2020, which is the last step towards achieving its long-term Takara Group Vision 2020, the Company is aiming to build up a great number of fields in which it can beat competitors and establish a balanced business foundation able to grow revenues significantly, no matter what environmental changes occur, by further increasing the overseas sales ratio together with having a full product line-up and many products with a competitive edge, both in Japan and overseas.

As a result, in the nine months ended December 31, 2018, net sales were up 3.1% year on year to ¥210,622 million. Gross profit rose 3.9% year on year to ¥82,915 million. Operating income increased by 10.4% year on year to ¥15,015 million while ordinary income rose 10.3% year on year to ¥15,420 million. Net income attributable to owners of the parent decreased by 13.9% year on year to ¥8,952 million.

Results by business segment were as follows.

#### [Takara Shuzo]

For alcoholic beverages in the nine months ended December 31, 2018, while sales of shochu and sake decreased, sales of light alcohol refreshers, where *Takara Shochu High Ball* remained robust, rose, and sales of alcoholic beverages overall increased. In the Seasonings Business, sales were down due to decreased sales of mirin and other products. Sales of raw alcohol and other products were up, mainly as sales of industrial alcohol remained favorable.

As a result, net sales for the Takara Shuzo Group rose 1.0% year on year to ¥119,001 million. Cost of sales increased by 1.3% year on year to ¥70,919 million. Consequently, gross profit rose 0.6% year on year to ¥48,081 million. SG&A expenses were up by 0.7% year on year to ¥41,397 million, due to increases in transportation and promotion expenses and other expenses. Accordingly, the Takara Shuzo Group recorded operating income down 0.2% year on year to ¥6,683 million.

#### [Takara Shuzo International Group]

In the nine months ended December 31, 2018, sales in the Japanese food wholesale business in overseas markets increased with robust sales at FOODEX S.A.S. (France), Mutual Trading Co., Inc. (U.S.), and other companies. As a result, net sales for the Takara Shuzo International Group increased by 10.7% year on year to ¥56,843 million. Cost of sales increased by 11.1% year on year to ¥40,196 million. Consequently, gross profit rose by 9.6% year on year to ¥16,647 million. SG&A expenses were up by 11.9% year on year to ¥13,416 million due mainly to increases in personnel and transportation expenses. Accordingly, the Takara Shuzo International Group recorded operating income up 0.8% to ¥3,230 million.

#### [Takara Bio Group]

Net sales for the nine months ended December 31, 2018 were up by 14.3% year on year to ¥25,888 million, mainly due to increased sales of mainstay research reagents and the receipt of consideration in relation to a domestic co-development and exclusive sales agreement for NY-ESO-1 siTCR® gene therapy product and CD19 CAR gene therapy product. Cost of sales increased by 10.8% year on year to ¥10,947 million due to the increase in net sales. As a result, gross profit rose by 17.0% year on year to ¥14,940 million. SG&A expenses increased by 3.1% year on year to ¥11,507 million due to an increase in personnel expenses and other factors. Accordingly, operating income increased by 113.4% year on year to ¥3,432 million.

#### [Other]

Net sales of the Other segment for the nine months ended December 31, 2018 declined by 12.0% year on year to ¥25,593 million, as TAKARA CHOU UN Co., Ltd. was excluded from the scope of consolidation during the previous fiscal year accompanying the sale of shares in that company. Cost of sales declined by 11.3% year on year to ¥21,621 million. Consequently, gross profit decreased by 15.8% year on year to ¥3,971 million. SG&A expenses fell by 10.7% year on year to ¥2,320 million. As a result, operating income decreased by 22.0% year on year to ¥1,651 million.

## Breakdown of sales results by product category

Segment	Equivalent Period of Previous Fiscal Year (From April 1, 2017, to December 31, 2017)	Period under Review (from April 1, 2018, to December 31, 2018)	YoY Comparison
Product category	Amount (Millions of yen)	Amount (Millions of yen)	(%)
<b>Takara Shuzo</b>			
Shochu	42,608	41,186	96.7
Sake	18,302	17,524	95.7
Light-alcohol refreshers	26,602	29,742	111.8
Other alcoholic beverages	5,133	5,051	98.4
Alcoholic beverages total	92,647	93,505	100.9
<i>Hon Mirin</i>	11,304	11,032	97.6
Other seasonings	7,851	7,779	99.1
Seasonings total	19,156	18,811	98.2
Raw alcohol, etc	6,041	6,683	110.6
<b>Total</b>	<b>117,845</b>	<b>119,001</b>	<b>101.0</b>
<b>Takara Shuzo International Group</b>			
Overseas Alcoholic Beverages Business	7,424	7,616	102.6
Japanese Food Wholesales Business in overseas markets	45,231	50,591	111.9
Other	33	48	145.2
Elimination of intraGroup transaction on consolidation	(1,324)	(1,413)	—
<b>Total</b>	<b>51,364</b>	<b>56,843</b>	<b>110.7</b>
<b>Takara Bio Group</b>	<b>22,646</b>	<b>25,888</b>	<b>114.3</b>
<b>Reported segment total</b>	<b>191,856</b>	<b>201,732</b>	<b>105.1</b>
<b>Other</b>	<b>29,090</b>	<b>25,593</b>	<b>88.0</b>
<b>Segment total</b>	<b>220,946</b>	<b>227,326</b>	<b>102.9</b>
Sales not allocated to business segments and intersegment transactions	(16,680)	(16,703)	—
<b>Total</b>	<b>204,266</b>	<b>210,622</b>	<b>103.1</b>

Notes: Amounts include alcohol tax but do not include consumption tax.

### (2) Consolidated Financial Position

As of December 31, 2018, current assets were ¥181,694 million, an increase of ¥10,626 million compared with that at the end of the previous fiscal year. This was primarily due to increases in cash and deposits of ¥1,239 million, notes and accounts receivable-trade of ¥12,550 million, merchandise and finished goods of ¥3,406 million, and other current assets of ¥1,313 million, and a decrease in securities of ¥8,622 million.

Noncurrent assets were ¥108,808 million, a decrease of ¥4,405 million compared with that at the end of the previous fiscal year. This was primarily due to decreases in intangible fixed assets of ¥1,429 million and investment securities of ¥3,745 million.

As a result, total assets were ¥290,503 million, an increase of ¥6,221 million compared with that at the end of the previous fiscal year.

As of December 31, 2018, current liabilities were ¥61,785 million, an increase of ¥9,073 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 ¥2,077 million, short-term loans payable of ¥4,726 million, mainly due to transfers from noncurrent liabilities, and accrued alcohol tax of ¥3,375 million. There was also a decrease of ¥1,057 million in income taxes payable and other current liabilities.

Noncurrent liabilities were ¥49,197 million, a decrease of ¥6,154 million compared with that at the end of the previous fiscal year. This was primarily due to decreases in long-term loans payable of ¥5,170 million and other noncurrent liabilities of ¥1,057 million due mainly to a decrease in deferred tax liabilities.

As a result, total liabilities were ¥110,982 million, an increase of ¥2,918 million compared with that at the end of the previous fiscal year.

As of December 31, 2018, total net assets were ¥179,520 million, an increase of ¥3,303 million compared with that at the end of the previous fiscal year. This was primarily due to an increase in retained earnings of ¥5,758 million and a decrease in valuation difference on available-for-sale securities of ¥2,641 million.

As a result, the equity ratio totaled 50.9%, compared with 51.0% at the end of the previous fiscal year.

### (3) Qualitative Information Regarding Consolidated Forecasts

The Group's consolidated business results in the nine months ended December 31, 2018 progressed largely in line with the

consolidated business results forecast released on November 6, 2018.

On January 30, 2019 Takara Bio Inc. (First Section of the TSE, code 4974), which is a consolidated subsidiary of the Company, released Notice Regarding Forecast Revisions of Financial Results and Dividend (Dividend Increase). However, the Group's consolidated business results forecast will not be revised as the effect on the consolidated business results is negligible.

## 2. Consolidated Quarterly Financial Statements and Important Notes

### (1) Consolidated Quarterly Balance Sheets

(Millions of Yen)

	As of Mar. 31, 2018	As of Dec. 31, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	47,754	48,994
Notes and accounts receivable-trade	57,889	70,400
Securities	19,721	11,099
Merchandise and finished goods	37,979	41,386
Work in process	997	1,392
Raw materials and supplies	3,932	4,311
Other	3,122	4,435
Allowance for doubtful accounts	(329)	(366)
Total current assets	171,067	181,694
Noncurrent assets		
Property, plant and equipment	57,485	57,597
Intangible assets		
Goodwill	13,765	13,022
Other	8,504	7,818
Total intangible assets	22,269	20,840
Investments and other assets		
Investment securities	28,607	24,862
Other	4,928	5,576
Allowance for doubtful accounts	(77)	(68)
Total investments and other assets	33,458	30,371
Total noncurrent assets	113,213	108,808
Total assets	284,281	290,503

(Millions of Yen)

	As of Mar. 31, 2018	As of Dec. 31, 2018
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	16,544	18,621
Short-term loans payable	5,221	9,947
Current portion of bonds		
Accrued alcohol tax	9,278	12,654
Accrued expenses	5,639	5,775
Income taxes payable	3,126	2,069
Provision for bonuses	2,286	1,570
Provision for sales promotion expenses	1,853	2,206
Other provision	225	250
Other	8,535	8,689
<b>Total current liabilities</b>	<b>52,712</b>	<b>61,785</b>
<b>Noncurrent liabilities</b>		
Bonds payable	25,000	25,000
Long-term loans payable	10,620	5,449
Net defined benefit liability	8,759	8,794
Long-term deposits received	5,312	5,351
Other	5,659	4,601
<b>Total noncurrent liabilities</b>	<b>55,352</b>	<b>49,197</b>
<b>Total liabilities</b>	<b>108,064</b>	<b>110,982</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	13,226	13,226
Capital surplus	2,219	2,262
Retained earnings	117,571	123,329
Treasury stock	(1,367)	(1,368)
<b>Total shareholders' equity</b>	<b>131,649</b>	<b>137,450</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	11,520	8,878
Deferred gains or losses on hedges	(120)	100
Foreign currency translation adjustment	2,645	2,054
Remeasurements of defined benefit plans	(583)	(592)
<b>Total accumulated other comprehensive income</b>	<b>13,461</b>	<b>10,440</b>
<b>Noncontrolling interests</b>	<b>31,106</b>	<b>31,629</b>
<b>Total net assets</b>	<b>176,217</b>	<b>179,520</b>
<b>Total liabilities and net assets</b>	<b>284,281</b>	<b>290,503</b>



**(2) Consolidated Quarterly Statements of Income and Consolidated Quarterly Statements of Comprehensive Income****(Consolidated Statements of Income)****(For the Nine Months Ended December 31, 2018 and 2017)**

(Millions of Yen)

	FY2018 (Apr. 1, 2017 – Dec. 31, 2017)	FY2019 (Apr. 1, 2018 – Dec. 31, 2018)
Net sales	204,266	210,622
Cost of sales	124,486	127,706
Gross profit	79,779	82,915
Selling, general and administrative expenses	66,175	67,900
Operating income	13,604	15,015
Non-operating income		
Dividends income	497	553
Other	644	512
Total non-operating income	1,141	1,065
Non-operating expenses		
Interest expenses	463	276
Other	297	384
Total non-operating expenses	761	661
Ordinary income	13,984	15,420
Extraordinary income		
Insurance income	—	71
Gain on sales of stocks of subsidiaries and affiliates	3,312	—
Other	174	9
Total extraordinary income	3,486	81
Extraordinary loss		
Impairment loss	—	696
Other	106	378
Total extraordinary losses	106	1,075
Income before income taxes and minority interests	17,364	14,426
Income taxes-current	5,824	4,627
Income taxes-deferred	342	(310)
Total income taxes	6,167	4,316
Net income	11,197	10,110
Net income attributable to the noncontrolling interest	800	1,157
Net income attributable to owners of the parent	10,396	8,952

**(Consolidated Quarterly Statements of Comprehensive Income)**  
**(For the Nine Months Ended December 31, 2018 and 2017)**

(Millions of Yen)

	FY2018 (Apr. 1, 2017 – Dec. 31, 2017)	FY2018 (Apr. 1, 2018 – Dec. 31, 2018)
Net income	11,197	10,110
Other comprehensive income		
Valuation difference on available-for-sale securities	2,872	(2,641)
Deferred gains or losses on hedges	201	214
Foreign currency translation adjustment	541	(875)
Remeasurements of defined benefit plans	36	(0)
Total other comprehensive income	3,651	(3,302)
Comprehensive income	14,849	6,807
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	14,150	5,931
Comprehensive income attributable to noncontrolling interest	698	875

**(3) Notes on Consolidated Quarterly 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)**

(Adoption of the Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.)

Following the adoption of the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) and other standards from the beginning of the first quarter of the fiscal year under review, Deferred Tax Assets is classified as Investments and Other Assets and Deferred Tax Liabilities is classified as Noncurrent Liabilities.

**(Segment Information)**

I Equivalent Period of Previous Fiscal Year (From April 1, 2017, to December 31, 2017)

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

	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	117,566	51,123	22,112	190,803	13,455	204,258	7	204,266
Intersegment	278	241	533	1,053	15,634	16,688	(16,688)	—
Total	117,845	51,364	22,646	191,856	29,090	220,946	(16,680)	204,266
Segment income (loss)	6,698	3,206	1,608	11,513	2,115	13,629	(25)	13,604

Notes: 1. Other includes business segments that are not part of reported segments, such as the Company's real estate rental business and the transportation business of domestic Group companies among others.

2. Details of adjustment amounts are as follows.

(1) Net sales to external customers are income from business contracting recorded at the Company.

(2) Segment income (loss) comprises ¥60 million of intersegment eliminations and ¥-86 million in income of the Company not allocated to business segments.

3. Segment income (loss) 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  
(Significant Changes in the Amount of Goodwill)

In the Takara Bio Group segment, goodwill was recorded due to the acquisition of shares in WaferGen Biosystems, Inc. and Rubicon Genomics, Inc. by Takara Bio Inc.'s wholly owned subsidiary Takara Bio USA Holdings Inc. The increase in goodwill due to this event in the nine months ended December 31, 2018 was ¥7,713 million. Note that as the allocation of the acquisition cost has not been completed, this is a tentatively calculated amount.

II Period under Review (From April 1, 2018, to December 31, 2018)

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 Internation al Group	Takara Bio Group	Subtotal				
Net sales								
External customers	118,520	56,625	25,480	200,626	9,996	210,622	0	210,622
Intersegment	481	217	407	1,106	15,597	16,703	Δ16,703	—
Total	119,001	56,843	25,888	201,732	25,593	227,326	Δ16,703	210,622
Segment income	6,683	3,230	3,432	13,346	1,651	14,997	18	15,015

Notes: 1. Other includes business segments that are not part of reported segments, such as the Company's real estate rental business and the transportation business of domestic Group companies among others.

2. Details of adjustment amounts are as follows.

(1) Net sales to external customers are income from business contracting recorded at the Company.

(2) Segment income (loss) comprises ¥55 million of intersegment eliminations and -¥37 million in losses of the Company not allocated to business segments.

3. Segment income (loss) 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

(Significant Impairment Losses Concerning Noncurrent Asset)

Impairment losses relating to business assets which are expected to be idle and assets relating to a planned business transfer have been recorded in the Takara Bio Group segment as extraordinary loss.

The amount of impairment losses recorded was ¥696 million in the nine months ended December 31, 2018.