

The original disclosure in Japanese was released on August 4, 2020 at 15:30 (GMT+9)

## Consolidated Financial Statements for the First Quarter Ended June 30, 2020 FY2021(April 1, 2020 - March 31, 2021) [UNAUDITED]

Company name: Takara Holdings Inc.  
 Stock exchange listings: Tokyo Stock Exchange (1st section)  
 Code number: 2531  
 URL: <https://www.takara.co.jp/>  
 Company representative: Mutsumi Kimura, President  
 Contact: Masakazu Usami, General Manager of Financial & Investor Relations Dept.  
 TEL: (075)241-5124  
 Quarterly statement filing date (as planned): August 12, 2020

- 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, 2020 (April 1, 2020 - June 30, 2020)

#### (1) Consolidated Operating results

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

	Three months ended June 30, 2020		Three months ended June 30, 2019	
	(Millions of yen)	(%)	(Millions of yen)	(%)
Net sales	65,378	(2.9)	67,317	0.5
Operating income (loss)	1,932	(45.5)	3,548	(11.3)
Ordinary income (loss)	2,187	(44.1)	3,912	(9.2)
Net income (loss) attributable to owners of the parent	1,156	(41.3)	1,969	(15.7)
Net income (loss) per share (Yen)	5.85		9.87	
Fully diluted net income per share (Yen)	-		-	
Note: Comprehensive income (loss)	3	(99.8)	2,220	-

#### (2) Consolidated Financial position

	As of June 30, 2020	As of March 31, 2020
	(Millions of yen)	(Millions of yen)
Total assets	288,981	283,882
Net assets	176,980	181,329
Equity ratio (%)	49.9	52.1
(Reference) Equity	144,122	147,762

### 2. Dividends

	Dividend per share (Yen)		
	Year ended March 31, 2020	Year ending March 31, 2021	Year ending March 31, 2021(Forecast)
First quarter end	-	-	-
Second quarter end	-	-	-
Third quarter end	-	-	-
Year end	20.00		20.00
Annual	20.00		20.00

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

### 3. Forecast for the year ending March 31, 2021 (April 1, 2020 - March 31, 2021)

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

	Six months ending September 30, 2020		Year ending March 31, 2021	
	(Millions of yen)	(%)	(Millions of yen)	(%)
Net sales	122,504	(10.9)	275,800	(1.9)
Operating income (loss)	2,180	(71.4)	12,000	(24.2)
Ordinary income (loss)	2,265	(71.2)	12,200	(25.0)
Net income (loss) attributable to owners of the parent	760	(82.6)	5,952	(33.7)
Net income per share (Yen)	3.84		30.11	

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, 2020 : 199,699,743 shares
    - As of March 31, 2020 : 199,699,743 shares
  - 2) Number of treasury stocks at the end of each period:
    - As of June 30, 2020 : 1,995,058 shares
    - As of March 31, 2020 : 1,995,163 shares
  - 3) Average number of outstanding shares in each period
    - Three months ended June 30, 2020 : 197,704,620 shares
    - Three months ended June 30, 2019 : 199,630,037 shares

## Contents of the attached document

1. Qualitative Information for the Three Months Ended June 30, 2020.....	2
(1) Consolidated Financial Results .....	2
(2) Consolidated Financial Position .....	3
(3) Qualitative Information Regarding Consolidated Forecasts.....	4
2. Consolidated Quarterly Financial Statements and Primary Notes.....	5
(1) Consolidated Balance Sheets.....	5
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income.....	7
(Consolidated Statements of Income) .....	7
(For the Three Months Ended June 30, 2020 and 2019)	
(Consolidated Statements of Comprehensive Income) .....	8
(For the Three Months Ended June 30, 2020 and 2019)	
(3) Notes on Consolidated Financial Statements.....	9
(Notes on Premise of Going Concern) .....	9
(Notes on Material Changes in Shareholders' Equity) .....	9
(Segment Information) .....	9
(Significant Subsequent Events) .....	10
○ Supplement for the Consolidated Quarterly Financial Statements	

## 1. Qualitative Information for the Three Months Ended June 30, 2020

### (1) Consolidated Financial Results

In the three months ended June 30, 2020, the Japanese economy encountered restrictions on various economic activities due to the effects of COVID-19. Predicting what might lie ahead poses substantial difficulties amid a scenario where spread of the infection could emerge again, despite previously perceived to have been winding down. Overseas, the outlook remains uncertain as is the case with Japan, largely given mounting tensions surrounding trade issues particularly involving the U.S. and China, compounded by worldwide prevalence of the COVID-19 pandemic.

Under these economic circumstances, the Group has been working hard toward achieving sustainable growth both in Japan and overseas, and enhancing the Group's corporate value. To such ends, the Group has been flexibly addressing environmental changes including ramifications of COVID-19, appropriately allocating and investing management resources in areas that should be strengthened, and promoting efforts to rebuild business structures and global corporate functions such that consistently generate various forms of value that enhance profitability, underpinned by the Takara Group Medium-Term Management Plan for FY2021-2023 which serves as the first step in the Group's action plans cited in its long-term management vision, TaKaRa Group Challenge for the 100th.

As a result, in three months ended June 30, 2020, net sales were down 2.9% year on year to ¥65,378 million. Gross profit fell 4.2% year on year to ¥25,358 million. Operating income decreased by 45.5% year on year to ¥1,932 million, while ordinary income fell 44.1% year on year to ¥2,187 million. Net income attributable to owners of the parent decreased by 41.3% year on year to ¥1,156 million.

Results by business segment were as follows.

#### [Takara Shuzo]

In the three months ended June 30, 2020, net sales varied widely from category to category as a result of dining establishments and other such entities voluntarily restricting business operations and also due to so-called stay-at-home demand. For alcoholic beverages, sales of sake decreased but sales of light-alcohol refreshers overall increased given that sales of light-alcohol refreshers remained robust. In seasonings, sales decreased slightly despite an increase in sales of other seasonings, due to lower sales of mirin. Sales of raw alcohol and other products increased due to strong sales of industrial alcohol.

As a result, net sales for the Takara Shuzo Group rose 4.4% year on year to ¥37,601 million. Cost of sales increased 5.2% year on year to ¥23,015 million. Consequently, gross profit rose 3.2% year on year to ¥14,586 million. SG&A expenses were down by 0.8% year on year to ¥13,854 million due to decreases in advertisement expenses and other expenses, and operating income was up 323.6% year on year to ¥731 million.

#### [Takara Shuzo International Group]

In the three months ended June 30, 2020, net sales remained on par with those of the previous fiscal year overall amid a situation whereby the Overseas Alcoholic Beverages Business generated robust sales of whiskey in the U.K. and the U.S., but was substantially affected by COVID-19 in China. Meanwhile, the Japanese Food Wholesale Business in overseas markets encountered a decrease in sales largely due to closures since March of restaurants who serve as the Company's primary customers in Europe and the U.S. Moreover, net sales converted to Japanese yen decreased due to effects of a stronger yen than in the same period of the previous fiscal year.

As a result, net sales for the Takara Shuzo International Group decreased 6.1% year on year to ¥18,616 million. Cost of sales decreased 7.2% year on year to ¥13,237 million. Consequently, gross profit fell 3.3% year on year to ¥5,379 million. SG&A expenses were up 7.5% year on year to ¥5,245 million due to increases in administrative expenses and other expenses, and operating income was down 80.4% year on year to ¥133 million.

#### [Takara Bio Group]

In the three months ended June 30, 2020, net sales were down 19.8% year on year to ¥6,938 million due to lower sales in gene therapy. Cost of sales fell 18.3% year on year to ¥2,234 million largely due to the decrease in net sales, and gross profit decreased 20.5% year on year to ¥4,703 million. SG&A expenses were up 9.4% year on year to ¥4,009 million due to increases in research and development expenses and other expenses, and operating income was down 69.2% year on year to ¥693 million.

#### [Other]

In the three months ended June 30, 2020, net sales of the Other segment declined 10.7% year on year to ¥6,858 million largely due to effects of the spread of COVID-19. Cost of sales declined 9.3% year on year to ¥6,033 million. Consequently, gross profit decreased 19.8% year on year to ¥825 million. SG&A expenses fell 7.7% year on year to ¥473 million, and operating income was down 31.9% year on year to ¥352 million.

### Breakdown of sales results by product category

Segment	Equivalent Period of Previous Fiscal Year (From April 1, 2019, to June 30, 2019)	Period under Review (from April 1, 2020, to June 30, 2020)	YoY Comparison
Product category	Amount (Millions of yen)	Amount (Millions of yen)	(%)
<b>Takara Shuzo</b>			
Shochu	12,297	12,445	101.2
Sake	4,111	3,507	85.3
Light-alcohol refreshers	10,047	11,886	118.3
Other alcoholic beverages	1,592	1,352	84.9
Alcoholic beverages total	28,048	29,191	104.1
<i>Hon Mirin</i>	3,191	3,127	98.0
Other seasonings	2,423	2,461	101.6
Seasonings total	5,614	5,589	99.6
Raw alcohol, etc.	2,345	2,821	120.3
<b>Total</b>	<b>36,009</b>	<b>37,601</b>	<b>104.4</b>
<b>Takara Shuzo International Group</b>			
Overseas Alcoholic Beverages Business	2,493	2,506	100.5
Japanese Food Wholesales Business in overseas markets	17,774	16,460	92.6
Other	24	28	113.0
Elimination of intra-Group transaction on consolidation	(473)	(379)	—
<b>Total</b>	<b>19,819</b>	<b>18,616</b>	<b>93.9</b>
<b>Takara Bio Group</b>	<b>8,650</b>	<b>6,938</b>	<b>80.2</b>
<b>Reported segment total</b>	<b>64,479</b>	<b>63,156</b>	<b>97.9</b>
<b>Other</b>	<b>7,682</b>	<b>6,858</b>	<b>89.3</b>
<b>Segment total</b>	<b>72,161</b>	<b>70,014</b>	<b>97.0</b>
Sales not allocated to business segments and intersegment transactions	(4,844)	(4,635)	—
<b>Total</b>	<b>67,317</b>	<b>65,378</b>	<b>97.1</b>

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

### (2) Consolidated Financial Position

As of June 30, 2020, current assets were ¥174,397 million, an increase of ¥5,577 million compared with that at the end of the previous fiscal year. This was primarily due to an increase in cash and deposits of ¥4,399 million. Noncurrent assets were ¥114,584 million, a decrease of ¥477 million compared with that at the end of the previous fiscal year.

As a result, total assets were ¥288,981 million, an increase of ¥5,099 million compared with that at the end of the previous fiscal year.

As of June 30, 2020, current liabilities were ¥55,055 million, a decrease of ¥411 million compared with that at the end of the previous fiscal year. Noncurrent liabilities were ¥56,945 million, a decrease of ¥9,859 million compared with that at the end of the previous fiscal year. This was due to an increase in long-term loans payable of ¥9,957 million.

As a result, total liabilities were ¥112,001 million, an increase of ¥9,448 million compared with that at the end of the previous fiscal year.

As of June 30, 2020, total net assets were ¥176,980 million, a decrease of ¥4,348 million compared with that at the end of the previous fiscal year. This was primarily due to decreases in retained earnings of ¥2,797 million and foreign currency translation adjustment of ¥1,613 million.

As a result, the equity ratio totaled 49.9%, compared with 52.1% 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, 2020, and the fiscal year ending March 31, 2021, in view of the consolidated business results in the three months ended June 30, 2020, and recent circumstances.

In the three months ended June 30, 2020, Takara Shuzo and Takara Shuzo International Group largely exceeded the internal targets. Nevertheless, the Company has decided to leave the initial forecast unchanged given a situation where effects of COVID-19 had been expected to persist until sometime around July 2020, but now seem likely to continue for a longer period of time.

Moreover, Takara Bio Group has revised its consolidated results forecasts for the six months ending September 30, 2020, and the fiscal year ending March 31, 2021, upon having accounted for factors that seem likely at this point of time, including potential contributions to financial results particularly from polymerase chain reaction (PCR)-related products for COVID-19 testing and contract manufacturing services involving DNA vaccines, and also upon having accounted for effects of having terminated Takara Bio's agreement for exclusive development, manufacturing and sales of oncolytic viral immunotherapy agent C-REV (canerpaturev) in China, announced on August 4, 2020.

Accordingly, the Company has revised the Group's consolidated results forecasts for the six months ending September 30, 2020, and the fiscal year ending March 31, 2021, as follows. Please refer pages 8/9 to 9/9 in "Supplement for the Consolidated Financial Statements" for further details.

(Consolidated results forecasts for the six months ending September 30, 2020)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent	Net income per share
Previous forecast (A) (Published May 14, 2020)	(Millions of yen) 120,000	(Millions of yen) 300	(Millions of yen) 400	(Millions of yen) 0	(Yen) 0.00
Revised forecast (B)	122,504	2,180	2,265	760	3.84
Difference (B – A)	2,504	1,880	1,865	760	—
Difference (%)	2.1	626.7	466.3	—	—
Reference: Business results for previous fiscal year (Ended September 30, 2019)	137,502	7,623	7,871	4,374	21.91

(Full-Year Consolidated Results Forecasts for the fiscal year ending March 31, 2021)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent	Net income per share
Previous forecast (A) (Published May 14, 2020)	(Millions of yen) 270,000	(Millions of yen) 10,000	(Millions of yen) 10,200	(Millions of yen) 5,100	(Yen) 25.80
Revised forecast (B)	275,800	12,000	12,200	5,952	30.11
Difference (B – A)	5,800	2,000	2,000	852	—
Difference (%)	2.1	20.0	19.6	16.7	—
Reference: Business results for previous fiscal year (Ended March 31, 2020)	281,191	15,836	16,269	8,980	45.11

## 2. Consolidated Financial Statements and Primary Notes

### (1) Consolidated Balance Sheets

(Millions of Yen)

	As of Mar. 31, 2020	As of June 30, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	47,265	51,664
Notes and accounts receivable-trade	61,017	59,563
Securities	7,352	7,324
Merchandise and finished goods	42,295	44,029
Work in process	1,801	1,937
Raw materials and supplies	4,879	5,473
Other	4,515	4,812
Allowance for doubtful accounts	(307)	(408)
<b>Total current assets</b>	<b>168,820</b>	<b>174,397</b>
Noncurrent assets		
Property, plant and equipment	69,835	69,210
Intangible assets		
Goodwill	11,750	11,294
Other	6,950	6,569
<b>Total intangible assets</b>	<b>18,700</b>	<b>17,864</b>
Investments and other assets		
Investment securities	21,720	22,768
Other	4,873	4,809
Allowance for doubtful accounts	(69)	(69)
<b>Total investments and other assets</b>	<b>26,525</b>	<b>27,509</b>
<b>Total noncurrent assets</b>	<b>115,061</b>	<b>114,584</b>
<b>Total assets</b>	<b>283,882</b>	<b>288,981</b>

(Millions of Yen)

	As of Mar. 31, 2020	As of June 30, 2020
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	16,440	16,469
Short-term loans payable	4,787	4,916
Commercial papers	—	5,000
Current portion of bonds	5,000	—
Accrued alcohol tax	7,690	7,521
Accrued expenses	5,511	4,272
Income taxes payable	1,886	829
Provision for bonuses	2,513	3,585
Other provision	2,711	2,837
Other	8,926	9,623
Total current liabilities	55,466	55,055
Noncurrent liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	5,448	15,405
Lease obligations	3,538	3,241
Net defined benefit liability	9,065	9,115
Long-term deposits received	5,363	5,373
Other	3,670	3,808
Total noncurrent liabilities	47,086	56,945
Total liabilities	102,553	112,001
<b>Net assets</b>		
Shareholders' equity		
Capital stock	13,226	13,226
Capital surplus	2,454	2,454
Retained earnings	128,564	125,766
Treasury stock	(1,682)	(1,681)
Total shareholders' equity	142,563	139,765
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,125	7,851
Deferred gains or losses on hedges	84	123
Foreign currency translation adjustment	(1,102)	(2,715)
Remeasurements of defined benefit plans	(908)	(902)
Total accumulated other comprehensive income	5,199	4,356
Noncontrolling interests	33,566	32,858
Total net assets	181,329	176,980
Total liabilities and net assets	283,882	288,981



**(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income****(Consolidated Statements of Income)****(For the Three Months Ended June 30, 2020 and 2019)**

(Millions of Yen)

	FY2020 (April 1, 2019 – June 30, 2019)	FY2021 (April 1, 2020 – June 30, 2020)
Net sales	67,317	65,378
Cost of sales	40,844	40,020
Gross profit	26,473	25,358
Selling, general and administrative expenses	22,924	23,426
Operating income	3,548	1,932
Nonoperating income		
Dividends income	314	267
Other	315	208
Total nonoperating income	630	476
Nonoperating expenses		
Interest expenses	101	99
Commission for syndicated loans	—	54
Other	165	68
Total nonoperating expenses	266	222
Ordinary income	3,912	2,187
Extraordinary income		
Gain on sales of noncurrent assets	1	0
Total extraordinary income	1	0
Extraordinary loss		
Loss on sales and retirement of non-current assets	113	19
Loss on valuation of investment securities	74	5
Other	2	—
Total extraordinary losses	190	25
Income before income taxes	3,723	2,161
Income taxes-current	1,401	1,081
Income taxes-deferred	(295)	(154)
Total income taxes	1,105	927
Net income	2,617	1,234
Net income attributable to the noncontrolling interest	647	78
Net income attributable to owners of the parent	1,969	1,156

**(Consolidated Statements of Comprehensive Income)**  
**(For the Three Months Ended June 30, 2020 and 2019)**

(Millions of Yen)

	FY2020 (April 1, 2019 – June 30, 2019)	FY2021 April 1, 2020– June 30, 2020)
Net income	2,617	1,234
Other comprehensive income		
Valuation difference on available-for-sale securities	(710)	725
Deferred gains or losses on hedges	(66)	38
Foreign currency translation adjustment	389	(2,006)
Remeasurements of defined benefit plans	(10)	10
Total other comprehensive income	(397)	(1,231)
Comprehensive income	2,220	3
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	1,421	313
Comprehensive income attributable to noncontrolling interest	798	(310)

### (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, 2019 to June 30, 2019)

##### 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	35,874	19,766	8,650	64,290	3,023	67,313	3	67,317
Intersegment	134	53	0	188	4,659	4,847	(4,847)	-
Total	36,009	19,819	8,650	64,479	7,682	72,161	(4,844)	67,317
Segment income (loss)	172	678	2,251	3,102	517	3,619	(71)	3,548

Notes: 1. Other includes business segments that are not part of reported segments, such as the 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 intersegment eliminations of ¥21 million and loss of the Company not allocated to business segments of ¥(92) million.

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

No items to report.

##### II. Period under Review (From April 1, 2020, to June 30, 2020)

##### 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 Group	Takara Shuzo International Group	Takara Bio Group	Subtotal				
Net sales								
External customers	37,515	18,536	6,938	62,990	2,388	65,378	0	65,378
Intersegment	86	79	-	165	4,470	4,635	(4,635)	-
Total	37,601	18,616	6,938	63,156	6,858	70,014	(4,635)	65,378
Segment income (loss)	731	133	693	1,558	352	1,910	21	1,932

Notes: 1. Other includes business segments that are not part of reported segments, such as the 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 intersegment eliminations of ¥41 million and loss of the Company not allocated to business segments of ¥(19) million.
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  
No items to report.

**(Significant Subsequent Events)**

(Significant termination of the agreement)

Takara Bio Inc., a consolidated subsidiary of the Company, has resolved to terminate the licensing agreement for oncolytic virus canerpturev (Abbreviated to C-REV) concluded with Tasly Biopharmaceuticals Co, Ltd. (headquarters in Shanghai, People's of China; hereafter Tasly) at the board of directors' meeting held on August 4, 2020 and terminated the agreement on the same date.

1. Reason for the agreement termination

Takara Bio entered into this agreement on 11 May, 2020. After mutual discussions on future policies, it agreed to terminate the agreement on 4 August, 2020, taking into account the recent social situation (the worldwide outbreak of COVID-19) and other factors.

2. Name of the counterparty to the agreement

Tasly Biopharmaceuticals Co., Ltd.

3. Date of the agreement termination

August 4, 2020

4. Details of the agreement

Takara Bio grants Tasly the exclusive rights to develop, manufacture and commercialize C-REV in China (including Hong Kong and Macao, excluding Taiwan). The Company transfers the manufacturing technology of C-REV, and Tasly is advancing clinical development with the aim of commercializing C-REV to the market as a new anticancer agent in China.

Takara Bio receives upfront, annual and milestone payments depending on the achievement certain development from Tasly. Following launch, the Company also receives running royalty on net sales and milestone payments upon the achievement of target sales.

5. Significant impact of termination of agreement on business activities, etc..

The exclusive development, manufacturing and commercial rights of C-REV licensed to Tasly under this agreement in China will all be returned to Takara Bio upon termination of this agreement, and Takara Bio will not be able to expect the sales revenues from milestones due to development and commercial progress. On 4 August, 2020, the Company announced a revised consolidated earnings forecast for the fiscal year ending 31 March, 2021, including the impact of termination of the contract.