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## Consolidated Financial Statements for the First Quarter Ended June 30, 2019 FY2020(April 1, 2019 - March 31, 2020) [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): August 9, 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 three months ended June 30, 2019 (April 1, 2019 - June 30, 2019)

#### (1) Consolidated Operating results

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

	Three months ended June 30, 2019		Three months ended June 30, 2018	
	(Millions of yen)	(%)	(Millions of yen)	(%)
Net sales	67,317	0.5	66,969	5.7
Operating income (loss)	3,548	(11.3)	4,000	92.8
Ordinary income (loss)	3,912	(9.2)	4,306	91.6
Net income (loss) attributable to owners of the parent	1,969	(15.7)	2,337	100.9
Net income (loss) per share (Yen)	9.87		11.71	
Fully diluted net income per share (Yen)	-		-	
Note: Comprehensive income (loss)	2,220	-	(1,406)	-

#### (2) Consolidated Financial position

	As of June 30, 2019	As of March 31, 2019
	(Millions of yen)	(Millions of yen)
Total assets	285,355	287,106
Net assets	178,200	179,795
Equity ratio (%)	51.2	51.6
(Reference) Equity	146,100	148,197

### 2. Dividends

	Dividend per share (Yen)		
	Year ended March 31, 2019	Year ending March 31, 2020	Year ending March 31, 2020 (Forecast)
First quarter end	-	-	-
Second quarter end	-	-	-
Third quarter end	-	-	-
Year end	18.00	-	20.00
Annual	18.00	-	20.00

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

### 3. Forecast for the year ending March 31, 2020 (April 1, 2019 - March 31, 2020)

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

	Six months ending September 30, 2019		Year ending March 31, 2020	
	(Millions of yen)	(%)	(Millions of yen)	(%)
Net sales	138,800	3.6	290,000	4.5
Operating income (loss)	8,400	3.0	19,000	6.7
Ordinary income (loss)	8,500	3.1	19,500	6.2
Net income (loss) attributable to owners of the parent	4,600	0.5	10,700	2.8
Net income per share (Yen)	23.04		53.60	

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 : Yes
  - 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, 2019 :	201,699,743
As of March 31, 2019 :	201,699,743
  - 2) Number of treasury stocks at the end of each period

As of June 30, 2019 :	2,069,706
As of March 31, 2019 :	2,069,706
  - 3) Average number of outstanding shares in each period

Three months ended June 30, 2019 :	199,630,037
Three months ended June 30, 2018 :	199,630,489

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## 1. Qualitative Information for the Three Months Ended June 30, 2019

### (1) Consolidated Financial Results

In the three months ended June 30, 2019, although exports and production were weak, the Japanese economy maintained a moderate recovery backed by continued improvements in the hiring and income environment. While the moderate recovery overall is expected to continue overseas, the global economic outlook remains uncertain, mainly due to such factors as the developments in trade issues, the slowdown in the Chinese economy, and the growing tension in the Middle East.

Under 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 three months ended June 30, 2019, net sales were up 0.5% year on year to ¥67,317 million. Gross profit fell 0.4% year on year to ¥26,473 million. Operating income decreased by 11.3% year on year to ¥3,548 million while ordinary income fell 9.2% year on year to ¥3,912 million. Net income attributable to owners of the parent decreased by 15.7% year on year to ¥1,969 million.

Results by business segment were as follows.

#### **[Takara Shuzo]**

For alcoholic beverages, in the three months ended June 30, 2019, while sales of light-alcohol refreshers remained robust, sales of shochu and sake fell, and sales of alcoholic beverages overall declined.

In the Seasonings Business, sales were level with the previous fiscal year as sales of mirin decreased while sales of other seasonings increased.

Sales of raw alcohol and other products were up mainly reflecting increased sales of industrial alcohol.

As a result, net sales for the Takara Shuzo Group fell 2.1% year on year to ¥36,009 million. Cost of sales decreased by 1.3% to ¥21,868 million. As a result, gross profit fell 3.2% year on year to ¥14,140 million. SG&A expenses were up by 1.5% year on year, to ¥13,967 million, due to increases in promotion expenses and other expenses. Accordingly, the Takara Shuzo Group recorded operating income down 79.7% year on year to ¥172 million.

#### **[Takara Shuzo International Group]**

In the three months ended June 30, 2019, sales for the Japanese Food Wholesale Business in overseas markets remained robust for Mutual Trading Co., Inc. (U.S.) and other companies. Sales of products such as sake and whiskey also increased in the Overseas Alcoholic Beverages Business. As a result, net sales for the Takara Shuzo International Group increased by 8.5% year on year to ¥19,819 million. Cost of sales increased by 12.1% year on year to ¥14,259 million. As a result, gross profit rose by 0.2% year on year to ¥5,559 million. SG&A expenses were up by 11.0% year on year to ¥4,881 million due mainly to increases in personnel expenses and other expenses. Accordingly, the Takara Shuzo International Group recorded operating income down 41.0% year on year to ¥678 million.

#### **[Takara Bio Group]**

In the three months ended June 30, 2019, net sales were down 2.2% year on year to ¥8,650 million, due to a decrease in sales of scientific instruments and the impact from the transfer of both the health food and mushroom-related business during the previous fiscal year although sales of mainstay research reagents and contract research services increased. Cost of sales fell by 21.7% year on year to ¥2,734 million, due to a lower cost rate with changes in the structure of sales for each product, and gross profit increased by 10.5% year on year to ¥5,916 million. SG&A expenses decreased by 3.8% year on year to ¥3,664 million due to a decrease in R&D expenses and other factors. Accordingly, operating income increased 45.8% year on year to ¥2,251 million.

#### **[Other]**

Net sales of the Other segment for the three months ended June 30, 2019, declined 5.6% year on year, to ¥7,682 million, as Takara Healthcare Inc. 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 2.7% year on year, to ¥6,652 million. Consequently, gross profit decreased by 21.0% year on year to ¥1,029 million. SG&A expenses fell by 35.4% year on year, to ¥512 million. As a result, operating income increased by 1.5% year on year, to ¥517 million.

### Breakdown of sales results by product category

Segment	Equivalent Period of Previous Fiscal Year (From April 1, 2018, to June 30, 2018)	Period under Review (from April 1, 2019, to June 30, 2019)	YoY Comparison
Product category	Amount (Millions of yen)	Amount (Millions of yen)	(%)
Takara Shuzo			
Shochu	13,899	12,297	88.5
Sake	4,153	4,111	99.0
Light-alcohol refreshers	9,419	10,028	106.5
Other alcoholic beverages	1,654	1,611	97.4
Alcoholic beverages total	29,127	28,048	96.3
Hon Mirin	3,283	3,191	97.2
Other seasonings	2,330	2,423	104.0
Seasonings total	5,614	5,614	100.0
Raw alcohol, etc.	2,030	2,345	115.5
Total	36,772	36,009	97.9
Takara Shuzo International Group			
Overseas Alcoholic Beverages Business	2,384	2,493	104.6
Japanese Food Wholesales Business in overseas markets	16,341	17,774	108.8
Other	24	24	102.0
Elimination of intra-Group transaction on consolidation	(478)	(473)	—
Total	18,270	19,819	108.5
Takara Bio Group	8,847	8,650	97.8
Reported segment total	63,890	64,479	100.9
Other	8,137	7,682	94.4
Segment total	72,028	72,161	100.2
Sales not allocated to business segments and intersegment transactions	(5,058)	(4,844)	—
<b>Total</b>	<b>66,969</b>	<b>67,317</b>	<b>100.5</b>

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

#### (2) Consolidated Financial Position

As of June 30, 2019, current assets were ¥173,940 million, a decrease of ¥1,071 million compared with that at the end of the previous fiscal year. This was primarily due to a decrease in securities of ¥5,834 million, as well as increases in cash and deposits of ¥2,782 million and merchandise and finished goods of ¥1,248 million.

Noncurrent assets were ¥111,415 million, a decrease of ¥679 million compared with that at the end of the previous fiscal year.

This was primarily due to a decrease in investments and other assets including investment securities of ¥1,778 million and an increase in property, plant and equipment of ¥1,430 million.

As a result, total assets were ¥285,355 million, a decrease of ¥1,751 million compared with that at the end of the previous fiscal year.

As of June 30, 2019, current liabilities were ¥62,832 million, an increase of ¥5,010 million compared with that at the end of the previous fiscal year.

This was primarily due to an increase in current portion of bonds of ¥5,000 million due to transfer from noncurrent liabilities.

Noncurrent liabilities were ¥44,322 million, a decrease of ¥5,166 million compared with that at the end of the previous fiscal year.

This was primarily due to a decrease in bonds of ¥5,000 million.

As a result, total liabilities were ¥107,154 million, a decrease of ¥156 million compared with that at the end of the previous fiscal year. As of June 30, 2019, total net assets were ¥178,200 million, a decrease of ¥1,594 million compared with that at the end of the previous fiscal year.

This was primarily due to decreases of ¥1,548 million in retained earnings and ¥710 million in valuation difference on available-for-sale securities and an increase of ¥502 million in non-controlling interests.

As a result, the equity ratio totaled 51.2%, compared with 51.6% at the end of the previous fiscal year.

### (3) Qualitative Information Regarding Consolidated Forecasts

The Company has not revised the consolidated forecasts for the six months ending September 30, 2019, or for the fiscal year ending March 31, 2020, that were released in the Consolidated Financial Statements for the year ended March 31, 2019, on May 14, 2019.

## 2. Consolidated Financial Statements and Primary Notes

### (1) Consolidated Balance Sheets

(Millions of Yen)

	As of Mar. 31, 2019	As of June 30, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	49,415	52,198
Notes and accounts receivable-trade	59,780	59,158
Securities	16,089	10,254
Merchandise and finished goods	40,600	41,848
Work in process	1,341	1,578
Raw materials and supplies	4,093	4,495
Other	4,006	4,728
Allowance for doubtful accounts	(315)	(323)
<b>Total current assets</b>	<b>175,011</b>	<b>173,940</b>
Noncurrent assets		
Property, plant and equipment	60,576	62,007
Intangible assets		
Goodwill	12,400	12,164
Other	7,514	7,418
<b>Total intangible assets</b>	<b>19,914</b>	<b>19,582</b>
Investments and other assets		
Investment securities	26,143	25,063
Other	5,520	4,822
Allowance for doubtful accounts	(60)	(60)
<b>Total investments and other assets</b>	<b>31,603</b>	<b>29,825</b>
<b>Total noncurrent assets</b>	<b>112,094</b>	<b>111,415</b>
<b>Total assets</b>	<b>287,106</b>	<b>285,355</b>

(Millions of Yen)

	As of Mar. 31, 2019	As of June 30, 2019
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	16,374	16,040
Short-term loans payable	9,960	9,958
Current portion of bonds	–	5,000
Accrued alcohol tax	10,224	10,724
Accrued expenses	5,809	4,783
Income taxes payable	1,879	1,238
Provision for bonuses	2,579	3,661
Provision for sales promotion expenses	1,921	2,154
Other provision	180	162
Other	8,891	9,107
<b>Total current liabilities</b>	<b>57,822</b>	<b>62,832</b>
<b>Noncurrent liabilities</b>		
Bonds payable	25,000	20,000
Long-term loans payable	5,415	5,398
Net defined benefit liability	8,757	8,770
Long-term deposits received	5,337	5,322
Other	4,977	4,830
<b>Total noncurrent liabilities</b>	<b>49,489</b>	<b>44,322</b>
<b>Total liabilities</b>	<b>107,311</b>	<b>107,154</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	13,226	13,226
Capital surplus	2,417	2,417
Retained earnings	124,788	123,239
Treasury stock	(1,368)	(1,368)
<b>Total shareholders' equity</b>	<b>139,064</b>	<b>137,515</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	9,814	9,104
Deferred gains or losses on hedges	114	48
Foreign currency translation adjustment	(196)	44
Remeasurements of defined benefit plans	(599)	(612)
<b>Total accumulated other comprehensive income</b>	<b>9,133</b>	<b>8,584</b>
<b>Noncontrolling interests</b>	<b>31,597</b>	<b>32,100</b>
<b>Total net assets</b>	<b>179,795</b>	<b>178,200</b>
<b>Total liabilities and net assets</b>	<b>287,106</b>	<b>285,355</b>

**(2) Consolidated Quarterly Statements of Income and Consolidated Quarterly Statements of Comprehensive Income****(Consolidated Statements of Income)****(For the Three Months Ended June 30, 2019 and 2018)**

(Millions of Yen)

	FY2019 (Apr. 1, 2018 – June 30, 2018)	FY2020 (Apr. 1, 2019 – June 30, 2019)
Net sales	66,969	67,317
Cost of sales	40,387	40,844
Gross profit	26,582	26,473
Selling, general and administrative expenses	22,582	22,924
Operating income	4,000	3,548
Non-operating income		
Dividends income	287	314
Other	180	315
Total non-operating income	467	630
Non-operating expenses		
Interest expenses	85	101
Foreign exchange loss	34	92
Other	42	72
Total non-operating expenses	161	266
Ordinary income	4,306	3,912
Extraordinary income		
Gain on sales of noncurrent assets	0	1
Total extraordinary income	0	1
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	18	113
Loss on valuation of investment securities	-	74
Other	-	2
Total extraordinary losses	18	190
Income before income taxes	4,288	3,723
Income taxes-current	1,871	1,401
Income taxes-deferred	(496)	(295)
Total income taxes	1,375	1,105
Net income	2,912	2,617
Net income attributable to the noncontrolling interest	575	647
Net income attributable to owners of the parent	2,337	1,969

**(Consolidated Quarterly Statements of Comprehensive Income)**  
**(For the Three Months Ended June 30, 2019 and 2018)**

(Millions of Yen)

	FY2019 (Apr. 1, 2018 – June 30, 2018)	FY2020 (Apr. 1, 2019 – June 30, 2019)
Net income	2,912	2,617
Other comprehensive income		
Valuation difference on available-for-sale securities	(509)	(710)
Deferred gains or losses on hedges	226	(66)
Foreign currency translation adjustment	(4,034)	389
Remeasurements of defined benefit plans	(2)	(10)
Total other comprehensive income	(4,319)	(397)
Comprehensive income	(1,406)	2,220
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	(983)	1,421
Comprehensive income attributable to noncontrolling interest	(423)	798

(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.

(Changes in Accounting Policies)

(Adoption of ASU No. 2014-09 Revenue from Contracts with Customers)

Overseas subsidiaries that apply U.S. GAAP adopted ASU No. 2014-09 Revenue from Contracts with Customers (“ASU No. 2014-09”) effective from the beginning of the first quarter of the fiscal year under review. The method of recognizing the cumulative impact due to the adoption of the standard on the commencement date of adoption, which is permitted as an interim measure, was employed for the adoption of ASU No. 2014-09.

Accompanying this, revenue is recognized at the time of transfer to the customer of the promised goods or services in an amount that reflects the consideration that the entity expects to be entitled to in exchange for those goods and services.

The impact on the Consolidated Quarterly Financial Statements from the adoption of this accounting standard is immaterial.

(Adoption of IFRS 16 Leases)

Overseas subsidiaries that apply International Financial Reporting Standards (IFRS) adopted IFRS 16 Leases (“IFRS 16”) effective from the beginning of the first quarter period under review. The method of recognizing the cumulative impact due to the adoption of the standard on the commencement date of adoption, which is permitted as an interim measure, was employed for the adoption of IFRS 16.

Accompanying this, as a rule, the lessee recognizes all leases as assets and liabilities on the commencement date of adoption.

The impact on the Consolidated Quarterly Financial Statements from the adoption of this accounting standard is immaterial.

(Segment Information)

I. Equivalent Period of Previous Fiscal Year (From April 1, 2018 to June 30, 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 consolidate d quarterly statements of income (Note: 3)
	Takara Shuzo	Takara Shuzo International Group	Takara Bio Group	Subtotal				
Net sales								
External customers	36,614	18,205	8,743	63,563	3,405	66,969	0	66,969
Intersegment	158	64	103	326	4,731	5,058	(5,058)	-
Total	36,772	18,270	8,847	63,890	8,137	72,028	(5,058)	66,969
Segment income (loss)	851	1,150	1,544	3,546	509	4,055	(55)	4,000

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 intersegment eliminations of ¥12 million and income of the Company not allocated to business segments of ¥-67million.

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, 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 Group	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 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 intersegment eliminations of ¥21 million and income 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.