

The original disclosure in Japanese was released on February 10, 2021 at 15:30 (GMT+9)

Consolidated Financial Statements for the Third Quarter Ended December 31, 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): February 12, 2021

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, 2020 (April 1, 2020 - December 31, 2020)

(1) Consolidated operating results

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

	Nine months ended December 31, 2020		Nine months ended December 31, 2019	
	(Millions of yen)	(%)	(Millions of yen)	(%)
Net sales	206,938	(2.5)	212,172	0.7
Operating income (loss)	17,186	33.9	12,836	(14.5)
Ordinary income (loss)	17,568	32.2	13,290	(13.8)
Net income (loss) attributable to owners of the parent	9,268	11.7	8,300	(7.3)
Net income (loss) per share (Yen)	46.88		41.61	
Fully diluted net income per share (Yen)	-		-	
Note: Comprehensive income (loss)	11,083	73.0	6,406	(5.9)

(2) Consolidated financial position

	As of December 31, 2020	As of March 31, 2020
	(Millions of yen)	(Millions of yen)
Total assets	306,726	283,882
Net assets	188,059	181,329
Equity ratio (%)	50.0	52.1
(Reference) Equity	153,303	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.

	Year ending March 31, 2021	
	(Millions of yen)	(%)
Net sales	277,000	(1.5)
Operating income (loss)	19,200	21.2
Ordinary income (loss)	19,300	18.6
Net income (loss) attributable to owners of the parent	9,700	8.0
Net income per share (Yen)	49.06	

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 December 31, 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 December 31, 2020	1,995,450 shares
As of March 31, 2020	1,995,163 shares
 - 3) Average number of outstanding shares in each period:

Nine months ended December 31, 2020	197,704,523 shares
Nine months ended December 31, 2019	199,495,658 shares

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○ Supplement for the Consolidated Financial Statements

1. Qualitative Information for the Nine Months Ended December 31, 2020

(1) Consolidated Financial Results

In the nine months ended December 31, 2020, the Japanese economy continued to face a severe situation due to the prolonged effects of COVID-19. Overseas, the outlook of the economic trend remains uncertain, largely given the impacts of the prolonged trade friction between the U.S. and China and the Brexit (the U.K.'s withdrawal from the EU), compounded by worldwide prevalence of the COVID-19 pandemic.

Under these circumstances, the Group has endeavored at 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, announced in May 2020, while placing utmost priority on preventing COVID-19 infections and stopping expansion of the pandemic. The Group has been focusing on forging solid footing towards achieving sustainable growth, both in and outside of Japan, and enhancing the Group's corporate value, while keeping a close eye on the impact of COVID-19, flexibly addressing environmental changes, appropriately allocating and investing management resources in areas that should be strengthened, and promoting efforts to rebuild business structures and global corporate functions that consistently generate various forms of value that enhance profitability.

As a result, in the nine months ended December 31, 2020, net sales were down 2.5% year on year to ¥206,938 million. Gross profit increased 5.1% year on year to ¥86,199 million. Operating income increased 33.9% year on year to ¥17,186 million, while ordinary income was up 32.2% year on year to ¥17,568 million. Net income attributable to owners of the parent increased 11.7% year on year to ¥9,268 million.

Results by business segment were as follows.

[Takara Shuzo]

In the nine months ended December 31, 2020, net sales varied widely from category to category as a result of continued sluggish demand for dining outside the home at eating and drinking establishments and other such entities and also due to so-called stay-at-home demand. For alcoholic beverages, sales of sake declined substantially, although sales of light-alcohol refreshers remained favorable. In addition, sales of seasonings also declined, while sales of raw alcohol and other products rose owing to their demand as disinfectant.

As a result, net sales for the Takara Shuzo Group increased 0.7% year on year to ¥119,757 million. Cost of sales was up 0.7% year on year to ¥72,111 million. Gross profit increased 0.7% year on year to ¥47,646 million. SG&A expenses were down 2% year on year to ¥41,501 million due to decreases in promotion expenses and other expenses, and operating income was up 23.3% year on year to ¥6,145 million.

[Takara Shuzo International Group]

In the nine months ended December 31, 2020, net sales were severely impacted as demand declined from major customers of both the Overseas Alcoholic Beverages Business and the Japanese Food Wholesale Business in overseas markets, primarily dining establishments, as a result of lockdowns that took place around the world. In the Overseas Alcoholic Beverages Business, sales of whiskey were robust while sales of sake declined. The Japanese Food Wholesale Business in overseas markets engaged in efforts to bolster sales to retailers and also to seize upon demand for home delivery and takeout. However, being unable to offset a decline in sales to major dining establishments, net sales declined.

As a result, net sales for the Takara Shuzo International Group decreased 17.7% year on year to ¥49,768 million. Cost of sales decreased 19.3% year on year to ¥34,877 million. Consequently, gross profit fell 13.8% year on year to ¥14,891 million. SG&A expenses were down 4.7% year on year to ¥14,253 million due to decreases in personnel expenses and other expenses, while operating income decreased 72.4% year on year to ¥637 million.

[Takara Bio Group]

In the nine months ended December 31, 2020, sales of research reagents and contract research services increased year on year, despite a year-on-year decrease in gene therapy sales. In addition, sales of polymerase chain reaction (PCR)-related products, including in-vitro diagnostics for COVID-19, launched in November 2020, grew.

As a result, net sales for the Takara Bio Group were up 20.3% year on year to ¥29,549 million. Cost of sales fell 15% year on year to ¥8,297 million due to change in sales composition and a higher production operation rate which drove the cost rate downward. Gross profit increased 43.7% year on year to ¥21,251 million. SG&A expenses were up 14.2% year on year to ¥12,460 million due to increases in research and development expenses and other expenses, and operating income was up 126.6% year on year to ¥8,791 million.

[Other]

In the nine months ended December 31, 2020, net sales of the Other segment declined 7.9% year on year to ¥22,689 million largely due to effects of the spread of COVID-19. Cost of sales declined 7.7% year on year to ¥19,744 million. Consequently,

gross profit decreased 9.4% year on year to ¥2,944 million. SG&A expenses fell 7.2% year on year to ¥1,423 million due to a decline in administrative expenses and other expenses, and operating income was down 11.4% year on year to ¥1,520 million.

Breakdown of sales results by product category

Segment	Equivalent Period of Previous Fiscal Year (From April 1, 2019, to December 31, 2019)	Period under Review (from April 1, 2020, to December 31, 2020)	YoY Comparison
Product category	Amount (Millions of yen)	Amount (Millions of yen)	(%)
Takara Shuzo			
Shochu	38,026	38,188	100.4
Sake	16,860	14,362	85.2
Light-alcohol refreshers	32,712	36,356	111.1
Other alcoholic beverages	4,861	4,330	89.1
Alcoholic beverages total	92,460	93,237	100.8
<i>Hon Mirin</i>	11,238	10,706	95.3
Other seasonings	8,222	8,232	100.1
Seasonings total	19,461	18,938	97.3
Raw alcohol, etc.	6,975	7,581	108.7
Total	118,897	119,757	100.7
Takara Shuzo International Group			
Overseas Alcoholic Beverages Business	8,010	7,279	90.9
Japanese Food Wholesales Business in overseas markets	53,881	43,344	80.4
Other	190	45	23.7
Elimination of intra-Group transaction on consolidation	(1,622)	(899)	—
Total	60,461	49,768	82.3
Takara Bio Group	24,558	29,549	120.3
Reported segment total	203,917	199,075	97.6
Other	24,644	22,689	92.1
Segment total	228,562	221,764	97.0
Sales not allocated to business segments and intersegment transactions	(16,389)	(14,826)	—
Total	212,172	206,938	97.5

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

(2) Consolidated Financial Position

As of December 31, 2020, current assets were ¥185,998 million, an increase of ¥17,178 million compared with that at the end of the previous fiscal year. This was primarily due to an increase of ¥13,224 million in notes and accounts receivable-trade as well as an increase in cash and deposits of ¥11,122 million and a decline in securities of ¥6,346 million partly as a result of converting securities to cash in order to increase liquidity on hand.

Noncurrent assets were ¥120,727 million, an increase of ¥5,665 million compared with the end of the previous fiscal year. This was primarily due to an increase of ¥4,791 million in property, plant and equipment on account of acquiring land and a building as a new location for Takara Bio USA, Inc.

As a result, total assets were ¥306,726 million, an increase of ¥22,844 million compared with that at the end of the previous fiscal year.

As of December 31, 2020, current liabilities were ¥60,790 million, an increase of ¥5,323 million compared with that at the end of the previous fiscal year. This was primarily due to an increase of ¥4,785 million in other under current liabilities, an increase of ¥4,033 million in accrued alcohol tax owing to December 31, 2020 falling on a holiday, etc., and a decrease in current portion of bonds of ¥5,000 million.

Noncurrent liabilities were ¥57,876 million, an increase of ¥10,789 million compared with that at the end of the previous

fiscal year. This was primarily due to an increase in long-term loans payable of ¥10,045 million.

As a result, total liabilities were ¥118,666 million, an increase of ¥16,113 million compared with that at the end of the previous fiscal year.

As of December 31, 2020, total net assets were ¥188,059 million, an increase of ¥6,730 million compared with that at the end of the previous fiscal year. This was primarily due to an increase of ¥5,314 million in retained earnings.

As a result, the equity ratio totaled 50.0%, compared with 52.1% at the end of the previous fiscal year.

(3) Qualitative Information Regarding Consolidated Forecasts

The Company has revised the full-year consolidated results forecasts published on November 10, 2020 in view of the consolidated business results in the nine months ended December 31, 2020 and recent circumstances.

Overall consolidated net sales for the Takara Group are expected to exceed the previous forecast by ¥3,000 million (1.1%) as net sales for the Takara Bio Group and the Takara Shuzo International Group are projected to be larger than the forecast, although net sales for Takara Shuzo will be a little lower than the forecast.

In terms of profit, operating income, ordinary income, and net income attributable to owners of the parent are expected to exceed the previous forecast by ¥5,400 million (39.1%), ¥5,300 million (37.9%), and ¥2,600 million (36.6%), respectively, as a sales increase and a lower cost of sales rate raised gross profit and SG&A expenses were held down. Operating income and ordinary income are projected to be an all-time high.

For further details of the revision to the consolidated business results forecast, please refer to “Revision of Consolidated Business Results for the Fiscal Year Ending March 31, 2021,” announced today (February 10, 2021). Also, for the details of forecasts for each business segment, please refer to pages 8/13 to 11/13 in “Supplement for the Consolidated Financial Statements.”

(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 November 10, 2020)	(Millions of yen) 274,000	(Millions of yen) 13,800	(Millions of yen) 14,000	(Millions of yen) 7,100	(Yen) 35.91
Revised forecast (B)	277,000	19,200	19,300	9,700	49.06
Difference (B – A)	3,000	5,400	5,300	2,600	—
Difference (%)	1.1	39.1	37.9	36.6	—
Reference: Business results for previous fiscal year (Ended March 31, 2020)	281,191	15,836	16,269	8,980	45.11

2. Consolidated Quarterly Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Millions of Yen)

	As of Mar. 31, 2020	As of Dec. 31, 2020
Assets		
Current assets		
Cash and deposits	47,265	58,387
Notes and accounts receivable-trade	61,017	74,242
Securities	7,352	1,006
Merchandise and finished goods	42,295	39,977
Work in process	1,801	2,131
Raw materials and supplies	4,879	6,085
Other	4,515	4,705
Allowance for doubtful accounts	(307)	(538)
Total current assets	168,820	185,998
Noncurrent assets		
Property, plant and equipment	69,835	74,627
Intangible assets		
Goodwill	11,750	10,853
Other	6,950	5,860
Total intangible assets	18,700	16,713
Investments and other assets		
Investment securities	21,720	24,699
Other	4,873	4,755
Allowance for doubtful accounts	(69)	(69)
Total investments and other assets	26,525	29,386
Total noncurrent assets	115,061	120,727
Total assets	283,882	306,726

(Millions of Yen)

	As of Mar. 31, 2020	As of Dec. 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable-trade	16,440	16,770
Short-term loans payable	4,787	5,253
Current portion of bonds	5,000	—
Accrued alcohol tax	7,690	11,723
Accrued expenses	5,511	6,022
Income taxes payable	1,886	3,149
Provision	5,224	4,159
Other	8,926	13,711
Total current liabilities	55,466	60,790
Noncurrent liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	5,448	15,493
Lease obligations	3,538	3,091
Net defined benefit liability	9,065	9,180
Long-term deposits received	5,363	5,199
Other	3,670	4,911
Total noncurrent liabilities	47,086	57,876
Total liabilities	102,553	118,666
Net assets		
Shareholders' equity		
Capital stock	13,226	13,226
Capital surplus	2,454	2,454
Retained earnings	128,564	133,878
Treasury stock	(1,682)	(1,682)
Total shareholders' equity	142,563	147,876
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,125	9,195
Deferred gains or losses on hedges	84	(36)
Foreign currency translation adjustment	(1,102)	(2,830)
Remeasurements of defined benefit plans	(908)	(901)
Total accumulated other comprehensive income	5,199	5,426
Noncontrolling interests	33,566	34,756
Total net assets	181,329	188,059
Total liabilities and net assets	283,882	306,726

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
(Consolidated Statements of Income)
(For the Nine Months Ended December 31, 2020 and 2019)

(Millions of Yen)

	FY2020 (Apr. 1, 2019 – Dec. 31, 2019)	FY2021 (Apr. 1, 2020 – Dec. 31, 2020)
Net sales	212,172	206,938
Cost of sales	130,168	120,738
Gross profit	82,004	86,199
Selling, general and administrative expenses	69,167	69,012
Operating income	12,836	17,186
Non-operating income		
Dividends income	585	513
Other	697	497
Total non-operating income	1,283	1,011
Non-operating expenses		
Interest expenses	303	263
Other	525	366
Total non-operating expenses	829	630
Ordinary income	13,290	17,568
Extraordinary income		
Gain on sales of investment securities	1,130	–
National subsidies	–	35
Other	163	8
Total extraordinary income	1,294	43
Extraordinary loss		
Loss on sales and retirement of non-current assets	233	183
Loss on business liquidation	–	462
Provision for environmental measures	415	–
Other	139	152
Total extraordinary losses	787	798
Income before income taxes	13,797	16,813
Income taxes-current	4,019	5,074
Income taxes-deferred	305	347
Total income taxes	4,324	5,422
Net income	9,473	11,390
Net income attributable to the noncontrolling interest	1,172	2,122
Net income attributable to owners of the parent	8,300	9,268

(Consolidated Statements of Comprehensive Income)
(For the Nine Months Ended December 31, 2020 and 2019)

(Millions of Yen)

	FY2020 (Apr. 1, 2019 – Dec. 31, 2019)	FY2021 (Apr. 1, 2020 – Dec. 31, 2020)
Net income	9,473	11,390
Other comprehensive income		
Valuation difference on available-for-sale securities	785	2,070
Deferred gains or losses on hedges	(13)	(121)
Foreign currency translation adjustment	(3,820)	(2,275)
Remeasurements of defined benefit plans	(18)	18
Total other comprehensive income	(3,067)	(307)
Comprehensive income	6,406	11,083
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	5,969	9,495
Comprehensive income attributable to noncontrolling interest	436	1,587

(3) Notes on 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 December 31, 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	118,411	60,214	24,557	203,183	8,984	212,167	5	212,172
Intersegment	485	246	1	733	15,660	16,394	(16,394)	
Total	118,897	60,461	24,558	203,917	24,644	228,562	(16,389)	212,172
Segment income	4,983	2,313	3,879	11,176	1,716	12,892	(56)	12,836

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 comprises intersegment eliminations of ¥36 million and loss of the Company not allocated to business segments of ¥92 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, 2020, to December 31, 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	Takara Shuzo International Group	Takara Bio Group	Subtotal				
Net sales								
External customers	119,349	49,589	29,548	198,487	8,450	206,938	0	206,938
Intersegment	408	179	0	587	14,239	14,826	(14,826)	-
Total	119,757	49,768	29,549	199,075	22,689	221,764	(14,826)	206,938
Segment income	6,145	637	8,791	15,574	1,520	17,094	91	17,186

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 comprises intersegment eliminations of ¥43 million and income of the Company not allocated to business segments of ¥48 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

The Company posted a ¥363 million impairment loss in line with the liquidation of the next-generation sequencing library manufacturing equipment-related business, in the “Takara Bio Group” segment. This impairment loss is posted as “loss on business liquidation” under extraordinary loss, together with related loss.