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Consolidated Financial Statements for the Second Quarter Ended September 30, 2024 FY2025 (April 1, 2024 - March 31, 2025) [UNAUDITED]

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Stock exchange listings: Tokyo Stock Exchange (PRIME section)
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- 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 six months ended September 30, 2024 (April 1, 2024- September 30, 2024)

(1) Consolidated operating results

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

	Six months ended September 30, 2024		Six months ended September 30, 2023	
	(Millions of yen)	(%)	(Millions of yen)	(%)
Net sales	176,539	8.2	163,172	(0.7)
Operating income (loss)	10,532	(15.5)	12,464	(36.5)
Ordinary income (loss)	11,166	(14.3)	13,032	(34.7)
Net income (loss) attributable to owners of the parent	9,088	13.0	8,043	(26.0)
Net income (loss) per share (Yen)	46.55		40.69	
Fully diluted net income per share (Yen)	-		-	
Note: Comprehensive income (loss)	22,483	(14.4)	26,272	(13.0)

(2) Consolidated financial position

	As of September 30, 2024	As of March 31, 2024
	(Millions of yen)	(Millions of yen)
Total assets	447,811	437,468
Net assets	296,451	280,465
Equity ratio (%)	54.0	52.3
(Reference) Equity	241,748	228,665

2. Dividends

	Dividend per share (Yen)		
	Year ended March 31, 2024	Year ending March 31, 2025	Year ending March 31, 2025 (Forecast)
First quarter end	-	-	-
Second quarter end	-	-	-
Third quarter end	-	-	-
Year end	29.00	-	31.00
Annual	29.00	-	31.00

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

3. Forecast for the year ending March 31, 2025(April 1, 2024 - March 31, 2025)

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

	Year ending March 31, 2025	
	(Millions of yen)	(%)
Net sales	362,000	6.7
Operating income (loss)	25,700	15.5
Ordinary income (loss)	26,300	12.7
Net income (loss) attributable to owners of the parent	17,200	6.3
Net income per share (Yen)	88.09	

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: 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 September 30, 2024 : 197,252,043 shares
 - As of March 31, 2024 : 197,252,043 shares
 - 2) Number of treasury stocks at the end of each period:
 - As of September 30, 2024 : 1,995,825 shares
 - As of March 31, 2024 : 1,995,688 shares
 - 3) Average number of outstanding shares in each period
 - Six months ended September 30, 2024 : 195,256,313 shares
 - Six months ended September 30, 2023 : 197,704,122 shares

- * Review of the Japanese-language originals of the attached the second quarter financial results report by certified public accountants or an audit firm: No

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

- * Comment regarding appropriate use of earnings forecasts and other special notes
Forward-looking statements contained in this document are determined by the Takara Holdings Inc. (the “Company”) Based on information currently available to the Company and include a number of uncertainties. Actual results could differ from these forecasts due to changes in conditions that occur in the future. For information regarding the above, please refer to “1. Overview of Financial Results for the Six Months ended September 30, 2024 (3) Explanation of Consolidated Financial Forecasts and Other Forward-looking Statements” on page 4 of the attached document.

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○ Supplement for the Consolidated Semi-annual Financial Statements

1. Overview of Financial Results

(1) Overview of Financial Results for the Period under Review

In the six months ended September 30, 2024, net sales increased 8.2% year on year to ¥176,539 million, gross profit increased 5.9% year on year to ¥58,745 million, and SG&A expenses increased 12.1% year on year to ¥48,212 million. Operating income decreased 15.5% year on year to ¥10,532 million, ordinary income decreased 14.3% year on year to ¥11,166 million, and net income attributable to owners of parent increased 13.0% year on year to ¥9,088 million mainly due to an increase in extraordinary income as a result of sale of noncurrent assets and investment securities.

Results by business segment were as follows.

[Takara Shuzo]

In the six months ended September 30, 2024, although sales of shochu and sake decreased year on year mainly due to a demand surge in September prior to price revisions, sales of light-alcohol refreshers and *Hon Mirin*, etc. increased.

As a result, net sales for Takara Shuzo increased 1.3% year on year to ¥61,980 million. Cost of sales increased 2.9% year on year to ¥46,508 million mainly due to the impact of rising raw material prices. Gross profit decreased 3.1% year on year to ¥15,471 million. SG&A expenses increased 6.9% year on year to ¥12,847 million due to an increase in transportation costs, advertising expenses, etc. Operating income was down 33.6% year on year to ¥2,623 million.

[Takara Shuzo International Group]

In the six months ended September 30, 2024, net sales of the Overseas Alcoholic Beverages Business increased year on year mainly due to continued growth in sales of whiskey as well as an increase in sales of sake, etc. Net sales of the Japanese Food Wholesale Business in overseas markets also increased primarily due to continued efforts made to acquire new customers and procure products tailored to customer needs despite the impact of a slow-down in personal consumption in the U.S., Europe, etc.

As a result, net sales for the Takara Shuzo International Group increased 15.3% year on year to ¥88,979 million. Cost of sales increased 13.9% year on year to ¥60,105 million in line with the increase in net sales. Consequently, gross profit increased 18.4% year on year to ¥28,874 million. SG&A expenses were up 23.5% year on year to ¥22,386 million, primarily due to an increase in personnel expenses, and operating income was up 3.7% year on year to ¥6,488 million.

[Takara Bio Group]

In the six months ended September 30, 2024, sales of reagents, instruments, and gene therapy increased year on year despite a decrease in sales of CDMO.

As a result, net sales for the Takara Bio Group increased 3.4% year on year to ¥19,758 million. Cost of sales increased 26.7% year on year to ¥7,313 million, mainly due to a decrease in sales of testing-related reagents with relatively high profit margins and the impact of a change in the sales mix. Gross profit decreased 6.7% year on year to ¥12,445 million. SG&A expenses were up 0.8% year on year to ¥12,028 million, and operating income decreased 70.4% year on year to ¥417 million.

[Other]

In the six months ended September 30, 2024, net sales of the Other segment increased 3.5% year on year to ¥15,382 million primarily due to an increase in the import and sale of wine. Cost of sales increased 2.2% year on year to ¥13,010 million, and gross profit increased 11.0% year on year to ¥2,371 million. SG&A expenses rose 3.0% year on year to ¥971 million primarily due to an increase in personnel expenses, and operating income was up 17.3% year on year to ¥1,399 million.

Breakdown of sales results by product category

Segment		Equivalent Period of Previous Fiscal Year (From April 1, 2023 to September 30, 2023)	Period under Review (From April 1, 2024 to September 30, 2024)	YoY Comparison
	Product category	Amount (Millions of yen)	Amount (Millions of yen)	(%)
	Shochu	17,469	16,926	(3.1)
	Sake	4,252	4,214	(0.9)
	Light-alcohol refreshers	21,782	23,169	6.4
	Other alcoholic beverages	2,750	2,827	2.8
	<i>Hon Mirin</i>	4,546	4,734	4.1
	Other seasonings	4,447	4,524	1.7
	Raw alcohol, etc.	5,941	5,582	(6.0)
Takara Shuzo		61,190	61,980	1.3
	Overseas Alcoholic Beverages Business	10,262	11,213	9.3
	Japanese Food Wholesales Business in overseas markets	68,084	79,079	16.1
	Other	215	545	153.7
	Elimination of intra-Group transaction on consolidation	(1,397)	(1,858)	—
Takara Shuzo International Group		77,164	88,979	15.3
	Reagents	14,703	15,405	4.8
	Instruments	411	426	3.7
	CDMO	2,702	2,274	(15.9)
	Gene therapy	1,298	1,652	27.2
Takara Bio Group		19,116	19,758	3.4
Reported segment total		157,471	170,718	8.4
Other		14,866	15,382	3.5
Segment total		172,338	186,100	8.0
Sales not allocated to business segments and intersegment transactions		(9,165)	(9,560)	—
Total		163,172	176,539	8.2

Notes: 1. Amounts include alcohol tax.

2. From the six months ended September 30, 2024, the Takara Bio Group began adding sales of mRNA manufacturing related products, etc. for research use, which had been included in “Reagents” until the previous fiscal year, to “Gene therapy.” In this table, this change is applied and the results for the six months ended September 30, 2023 have been modified.

(2) Overview of Financial Position for the Period under Review

As of September 30, 2024, current assets were ¥253,317 million, an increase of ¥8,103 million compared with that at the end of the previous fiscal year. This was primarily due to increases in notes and accounts receivable-trade of ¥2,477 million and merchandise and finished goods of ¥5,919 million. Noncurrent assets were ¥194,494 million, an increase of ¥2,239 million compared with that at the end of the previous fiscal year. This was primarily due to increases in property, plant and equipment of ¥5,048 million, mainly due to increases in buildings and structures and construction in progress, and intangible assets of ¥1,401 million, despite a decrease in investments and other assets of ¥4,210 million mainly due to a decrease in investment securities.

As a result, total assets were ¥447,811 million, an increase of ¥10,343 million compared with that at the end of the previous fiscal year.

As of September 30, 2024, current liabilities were ¥78,081 million, a decrease of ¥2,575 million compared with that at the end of the previous fiscal year. This was primarily due to decreases in current portion of bonds of ¥5,000 million, accrued

alcohol tax of ¥1,602 million, and accrued expenses of ¥3,308 million, despite an increase in commercial papers of ¥8,000 million. Noncurrent liabilities were ¥73,278 million, a decrease of ¥3,067 million compared with that at the end of the previous fiscal year. This was primarily due to a decrease in long-term loans payable of ¥4,916 million, despite an increase in other under noncurrent liabilities of ¥1,898 million.

As a result, total liabilities were ¥151,359 million, a decrease of ¥5,643 million compared with that at the end of the previous fiscal year.

As of September 30, 2024, total net assets were ¥296,451 million, an increase of ¥15,986 million compared with that at the end of the previous fiscal year. This was primarily due to increases in retained earnings of ¥3,425 million, foreign currency translation adjustment of ¥14,984 million, and noncontrolling interests of ¥2,903 million, offset by a decrease in valuation difference on available-for-sale securities of ¥5,486 million.

As a result, the equity ratio totaled 54.0%, compared with 52.3% at the end of the previous fiscal year.

In the six months ended September 30, 2024, net cash provided by operating activities decreased ¥8,714 million year on year to ¥6,207 million primarily due to income before income taxes of ¥13,718 million, depreciation and amortization of ¥4,997 million, an increase in inventories of ¥1,339 million, an increase in other current assets of ¥1,913 million, a decrease in notes and accounts payable-trade of ¥1,494 million, a decrease in accrued alcohol tax of ¥1,603 million, a decrease in other current liabilities of ¥3,499 million, and income taxes paid of ¥2,322 million.

Net cash used in investing activities resulted in expenditure of ¥2,313 million, a decrease in expenditure of ¥13,483 million compared to the same period of the previous fiscal year primarily due to purchase of property, plant and equipment and intangible assets of ¥5,838 million and proceeds from sale of investment securities of ¥2,790 million.

Net cash used in financing activities resulted in expenditure of ¥9,136 million, a decrease in expenditure of ¥575 million compared to the same period of the previous fiscal year primarily due to repayments of long-term borrowings of ¥5,163 million, redemption of bonds of ¥5,000 million, cash dividends paid of ¥5,654 million, and proceeds from issuance of commercial papers of ¥8,000 million.

As a result, cash and cash equivalents as of September 30, 2024, including effect of exchange rate change on cash and cash equivalents, stood at ¥89,929 million, down ¥255 million from the previous fiscal year-end.

(3) Qualitative Information Regarding Consolidated Forecasts

There are no changes to the consolidated results forecasts for the fiscal year ending March 31, 2025 published in the consolidated financial statements on May 10, 2024.

2. Consolidated Semi-annual Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Millions of Yen)

	As of Mar. 31, 2024	As of Sept. 30, 2024
Assets		
Current assets		
Cash and deposits	95,085	95,078
Notes and accounts receivable-trade	70,123	72,601
Merchandise and finished goods	61,834	67,754
Work in process	1,659	2,015
Raw materials and supplies	7,558	7,947
Other	9,768	8,743
Allowance for doubtful accounts	(817)	(823)
Total current assets	245,213	253,317
Noncurrent assets		
Property, plant and equipment	104,882	109,930
Intangible assets		
Goodwill	12,154	12,922
Other	6,181	6,814
Total intangible assets	18,336	19,737
Investments and other assets		
Investment securities	43,597	34,848
Other	25,502	30,040
Allowance for doubtful accounts	(62)	(62)
Total investments and other assets	69,036	64,826
Total noncurrent assets	192,254	194,494
Total assets	437,468	447,811

	As of Mar. 31, 2024	As of Sept. 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable-trade	22,315	22,160
Short-term loans payable	10,008	9,878
Current portion of bonds	5,000	–
Commercial papers	–	8,000
Accrued alcohol tax	8,174	6,572
Accrued expenses	8,826	5,517
Income taxes payable	2,600	3,300
Provision	3,950	3,581
Other	19,782	19,071
Total current liabilities	80,657	78,081
Noncurrent liabilities		
Bonds payable	15,000	15,000
Long-term loans payable	10,422	5,506
Net defined benefit liability	8,735	8,686
Other	42,187	44,085
Total noncurrent liabilities	76,345	73,278
Total liabilities	157,003	151,359
Net assets		
Shareholders' equity		
Capital stock	13,226	13,226
Capital surplus	2,716	2,804
Retained earnings	169,909	173,335
Treasury stock	(2,103)	(2,103)
Total shareholders' equity	183,749	187,262
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	22,511	17,024
Deferred gains or losses on hedges	3	(3)
Foreign currency translation adjustment	22,389	37,374
Remeasurements of defined benefit plans	12	89
Total accumulated other comprehensive income	44,915	54,485
Noncontrolling interests	51,799	54,702
Total net assets	280,465	296,451
Total liabilities and net assets	437,468	447,811

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

(Consolidated Statements of Income)

(Millions of Yen)

	FY2024 (Apr. 1, 2023 – Sept. 30, 2023)	FY2025 (Apr. 1, 2024 – Sept. 30, 2024)
Net sales	163,172	176,539
Cost of sales	107,713	117,794
Gross profit	55,459	58,745
Selling, general and administrative expenses	42,995	48,212
Operating income	12,464	10,532
Nonoperating income		
Interest income	153	408
Dividends income	496	492
Other	397	406
Total nonoperating income	1,048	1,306
Nonoperating expenses		
Interest expenses	184	311
Provision for loss on litigation	109	–
Other	185	361
Total nonoperating expenses	480	672
Ordinary income	13,032	11,166
Extraordinary income		
Gain on sale of noncurrent assets	28	814
Gain on sale of investment securities	8	1,973
Other	–	19
Total extraordinary income	36	2,808
Extraordinary loss		
Loss on sale and retirement of noncurrent assets	84	121
Impairment losses	–	108
Other	–	26
Total extraordinary losses	84	256
Income before income taxes	12,984	13,718
Income taxes-current	4,290	4,688
Income taxes-deferred	(337)	(671)
Total income taxes	3,953	4,016
Net income	9,031	9,702
Net income attributable to the noncontrolling interest	988	613
Net income attributable to owners of the parent	8,043	9,088

(Consolidated Statements of Comprehensive Income)

(Millions of Yen)

	FY2024 (Apr. 1, 2023 – Sept. 30, 2023)	FY2025 (Apr. 1, 2024 – Sept. 30, 2024)
Net income	9,031	9,702
Other comprehensive income		
Valuation difference on available-for-sale securities	4,688	(5,486)
Deferred gains or losses on hedges	3	(6)
Foreign currency translation adjustment	12,436	18,182
Remeasurements of defined benefit plans	111	91
Total other comprehensive income	17,240	12,781
Comprehensive income	26,272	22,483
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	23,250	18,658
Comprehensive income attributable to noncontrolling interest	3,022	3,825

(3) Consolidated Statements of Cash Flows

(Millions of Yen)

	FY2024 (Apr. 1, 2023– Sept. 30, 2023)	FY2025 (Apr. 1, 2024– Sept. 30, 2024)
Net cash provided by (used in) operating activities		
Income before income taxes	12,984	13,718
Depreciation and amortization	4,796	4,997
Impairment losses	–	108
Amortization of goodwill	544	696
Increase (decrease) in provision	(231)	(522)
Interest and dividends income	(650)	(900)
Interest expenses	184	311
Loss (gain) on sale and retirement of noncurrent assets	56	(693)
Loss (gain) on sale of investment securities	(8)	(1,973)
Decrease (increase) in notes and accounts receivable-trade	941	477
Decrease (increase) in inventories	1,663	(1,339)
Decrease (increase) in other current assets	(796)	(1,913)
Increase (decrease) in notes and accounts payable-trade	(1,181)	(1,494)
Increase (decrease) in accrued alcohol tax	3,458	(1,603)
Increase (decrease) in accrued consumption taxes	(1,639)	1,594
Increase (decrease) in other current liabilities	(2,453)	(3,499)
Other, net	103	(20)
Subtotal	17,771	7,944
Interest and dividends income received	683	950
Interest expenses paid	(213)	(364)
Income taxes paid	(3,319)	(2,322)
Net cash provided by (used in) operating activities	14,922	6,207
Net cash provided by (used in) investing activities		
Payments into time deposits	(1,696)	(3,433)
Proceeds from withdrawal of time deposits	2,596	3,736
Purchase of property, plant and equipment and intangible assets	(14,540)	(5,838)
Proceeds from sale of property, plant and equipment and intangible assets	34	747
Proceeds from sale of investment securities	31	2,790
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(2,160)	–
Other, net	(63)	(316)
Net cash provided by (used in) investing activities	(15,796)	(2,313)
Net cash provided by (used in) financing activities		
Repayment of long-term loans payable	(40)	(5,163)
Redemption of bonds	–	(5,000)
Proceeds from issuance of commercial papers	–	8,000
Cash dividends paid	(7,497)	(5,654)
Dividends paid to noncontrolling interests	(1,999)	(813)
Repayments of lease obligations	(492)	(591)
Other, net	318	86
Net cash provided by (used in) financing activities	(9,711)	(9,136)
Effect of exchange rate change on cash and cash equivalents	3,246	4,986
Net increase (decrease) in cash and cash equivalents	(7,339)	(255)
Cash and cash equivalents at beginning of period	91,785	90,184
Cash and cash equivalents at end of period	84,446	89,929

(4) 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.

(Notes on Changes in Accounting Policies)

(Application of Accounting Standard for Current Income Taxes, etc.)

The Accounting Standard for Current Income Taxes (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022; hereinafter the "Revised Accounting Standard 2022"), etc., have been adopted from the beginning of the six months ended September 30, 2024.

The amendment to categories for recording income taxes (taxes on other comprehensive income) conforms to the transitional treatment prescribed in the proviso of Paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment prescribed in the proviso of Paragraph 65-2 (2) of the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022; hereinafter the "Revised Guidance 2022"). This change in accounting policies has no impact on the consolidated semi-annual financial statements.

For the amendment related to the revised accounting treatment for consolidated financial statements when gains or losses on the sale of shares in subsidiaries between consolidated companies are deferred for tax purposes, the Revised Guidance 2022 has been adopted from the beginning of the six months ended September 30, 2024. This change in accounting policies was applied retrospectively. Therefore, the semi-annual and annual consolidated financial statements for the previous fiscal year have been modified retrospectively. This change in accounting policies has no impact on the semi-annual or annual consolidated financial statements for the previous fiscal year.

(Notes on Segment Information, etc.)

I. Equivalent Period of Previous Fiscal Year (From April 1, 2023 to September 30, 2023)

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 semi-annual statements of income (Note: 3)
	Takara Shuzo	Takara Shuzo International Group	Takara Bio Group	Subtotal				
Net sales								
External customers	60,704	76,881	19,116	156,702	6,470	163,172	-	163,172
Intersegment	486	282	0	768	8,396	9,165	(9,165)	-
Total	61,190	77,164	19,116	157,471	14,866	172,338	(9,165)	163,172
Segment income (loss)	3,952	6,256	1,410	11,619	1,193	12,812	(348)	12,464

Notes: 1. Other includes business segments that are not part of reported segments, such as the cargo transportation business, the wine import and sale business, and the real estate rental business.

2. The adjustment to segment income (loss) of ¥(348) million comprises intersegment eliminations of ¥(5) million and loss of the Company not allocated to business segments of ¥(343) million.

3. Segment income has been adjusted to the operating income of consolidated semi-annual 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, 2024 to September 30, 2024)

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 semi-annual statements of income (Note: 3)
	Takara Shuzo	Takara Shuzo International Group	Takara Bio Group	Subtotal				
Net sales								
External customers	61,475	88,752	19,757	169,985	6,554	176,539	-	176,539
Intersegment	504	227	0	732	8,827	9,560	(9,560)	-
Total	61,980	88,979	19,758	170,718	15,382	186,100	(9,560)	176,539
Segment income (loss)	2,623	6,488	417	9,528	1,399	10,928	(395)	10,532

Notes: 1. Other includes business segments that are not part of reported segments, such as the cargo transportation business, the wine import and sale business, and the real estate rental business.

2. The adjustment to segment income (loss) of ¥(395) million comprises intersegment eliminations of ¥9 million and loss of the Company not allocated to business segments of ¥(404) million.

3. Segment income has been adjusted to the operating income of consolidated semi-annual statements of income.

2. Information on Impairment Loss on Noncurrent Assets, Goodwill, etc. by Reportable Segment

Impairment loss of ¥108 million was recorded in the Takara Bio Group segment.