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## Consolidated Financial Statements for the First Quarter Ended June 30, 2018 FY2019 (April 1, 2018 - March 31, 2019) [UNAUDITED]

Company name: Takara Holdings Inc.  
 Stock exchange listings: Tokyo Stock Exchange (1st section)  
 Code number: 2531  
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Quarterly statement filing date (as planned): August 10, 2018

- 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, 2018 (April 1, 2018 - June 30, 2018)

#### (1) Consolidated Operating results

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

	Three months ended June 30, 2018		Three months ended June 30, 2017	
	(Millions of yen)	(%)	(Millions of yen)	(%)
Net sales	66,969	5.7	63,368	21.1
Operating income (loss)	4,000	92.8	2,074	27.3
Ordinary income (loss)	4,306	91.6	2,247	12.4
Net income (loss) attributable to owners of the parent	2,337	100.9	1,163	7.3
Net income (loss) per share (Yen)	11.71		5.78	
Fully diluted net income per share (Yen)	-		-	
Note: Comprehensive income (loss)	(1,406)	-	171	-

#### (2) Consolidated Financial position

	As of June 30, 2018	As of March 31, 2018
	(Millions of yen)	(Millions of yen)
Total assets	279,490	284,281
Net assets	171,320	176,217
Equity ratio (%)	50.4	51.0
(Reference) Equity	140,971	145,111

### 2. Dividends

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

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

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

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

	Six months ending September 30, 2018		Year ending March 31, 2019	
	(Millions of yen)	(%)	(Millions of yen)	(%)
Net sales	135,000	4.8	282,000	5.2
Operating income (loss)	7,500	22.4	17,300	10.8
Ordinary income (loss)	7,800	25.8	17,900	11.3
Net income (loss) attributable to owners of the parent	4,200	21.8	9,600	(13.0)
Net income per share (Yen)	21.04		48.09	

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

#### 4. Others

- (1) Material changes in subsidiaries during this period  
(Changes in specified subsidiaries that caused a change in the scope of consolidation) : No
- (2) Accounting procedures specific to quarterly consolidated financial statements : No
- (3) Changes in accounting policies, accounting estimates and retrospective restatement
  - 1) Changes based on revisions of accounting standard : No
  - 2) Changes other than ones based on revisions of accounting standard : No
  - 3) Changes in accounting estimates : No
  - 4) Restatement : No
- (4) Number of outstanding shares (common stock)
  - 1) Number of outstanding shares at the end of each period (Treasury stocks are included)
    - As of June 30, 2018 : 201,699,743
    - As of March 31, 2018 : 201,699,743
  - 2) Number of treasury stocks at the end of each period
    - As of June 30, 2018 : 2,069,264
    - As of March 31, 2018 : 2,069,224
  - 3) Average number of outstanding shares in each period
    - Three months ended June 30, 2018 : 199,630,489
    - Three months ended June 30, 2017 : 201,224,001

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Supplement for the Consolidated Quarterly Financial Statements

## 1. Qualitative Information for the Three Months Ended June 30, 2018

### (1) Consolidated Financial Results

In the three months ended June 30, 2018, the Japanese economy maintained a moderate recovery as the corporate earnings and hiring environment improved with signs of personal consumption rebounding. However, with the intensifying trade friction originating in the U.S. and surging prices for crude oil and raw materials, the economic outlook remains uncertain.

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 the three months ended June 30, 2018, net sales were up 5.7% year on year to ¥66,969 million. Gross profit rose 7.8% year on year to ¥26,582 million. Operating income increased by 92.8% year on year to ¥4,000 million. Ordinary income increased by 91.6% year on year to ¥4,306 million. Net income attributable to owners of the parent increased by 100.9% to ¥2,337 million.

Results by business segment were as follows.

#### [Takara Shuzo]

For alcoholic beverages, in the three months ended June 30, 2018, while sales of shochu and sake decreased, sales of light-alcohol refreshers, where *Takara Shochu High Ball* remained robust, rose, and sales of alcoholic beverages overall increased.

In the Seasonings Business, sales were down due to decreased sales of mirin, despite healthy sales of cooking sake.

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 rose 2.1% year on year to ¥36,772 million. Cost of sales increased by 2.3% to ¥22,161 million. As a result, gross profit rose 1.7% year on year to ¥14,610 million. SG&A expenses were down by 3.2% year on year, to ¥13,759 million, due to decreases in promotion expenses and other expenses. Accordingly, the Takara Shuzo Group recorded operating income up 462.9% year on year to ¥851 million.

#### [Takara Shuzo International Group]

In the three months ended June 30, 2018, sales for the Japanese food wholesale business in overseas markets increased with robust sales at FOODEX S.A.S. (France), Mutual Trading Co., Inc. (U.S.), and other companies. As a result, net sales for the Takara Shuzo International Group increased by 11.1% year on year to ¥18,270 million. Cost of sales increased by 8.9% year on year to ¥12,721 million. As a result, gross profit rose by 16.4% year on year to ¥5,549 million. SG&A expenses were up by 15.5% year on year to ¥4,399 million due mainly to increases in personnel expenses and administrative expenses. Accordingly, the Takara Shuzo International Group recorded operating income up 19.8% year on year to ¥1,150 million.

#### [Takara Bio Group]

Net sales for the three months ended June 30, 2018, were up by 39.2% year on year, to ¥8,847 million, due to increased sales of mainstay research reagents and the receipt of consideration in relation to a domestic co-development and exclusive sales agreement for NY-ESO-1 siTCR® gene therapy product and CD19 CAR gene therapy product. Cost of sales increased by 55.5% year on year, to ¥3,491 million, due to a higher cost ratio with changes in the structure of sales for each product, however, gross profit increased by 30.3% year on year, to ¥5,355 million. SG&A expenses decreased by 0.9% year on year to ¥3,811 million due to a decrease in R&D expenses and other factors. Accordingly, operating income increased 487.8% year on year to ¥1,544 million.

#### [Other]

Net sales of the Other segment for the three months ended June 30, 2018, declined 15.5% year on year, to ¥8,137 million, as TAKARA CHOU UN Co., Ltd. was excluded from the scope of consolidation during the previous fiscal year, accompanying the sale of shares in that company. Cost of sales declined by 14.6% year on year, to ¥6,834 million. Consequently, gross profit decreased by 20.3% year on year to ¥1,302 million. SG&A expenses fell by 9.9% year on year, to ¥793 million. As a result, operating income decreased by 32.4% year on year, to ¥509 million.

## Breakdown of sales results by product category

Segment	Equivalent Period of Previous Fiscal Year (From April 1, 2017, to June 30, 2017)	Period under Review (from April 1, 2018, to June 30, 2018)	YoY Comparison
Product category	Amount (Millions of yen)	Amount (Millions of yen)	(%)
<b>Takara Shuzo</b>			
Shochu	14,089	13,899	98.7
Sake	4,214	4,153	98.6
Light-alcohol refreshers	8,469	9,419	111.2
Other alcoholic beverages	1,641	1,654	100.8
Alcoholic beverages total	28,415	29,127	102.5
<i>Hon Mirin</i>	3,359	3,283	97.7
Other seasonings	2,306	2,330	101.0
Seasonings total	5,666	5,614	99.1
Raw alcohol, etc.	1,947	2,030	104.3
<b>Total</b>	<b>36,029</b>	<b>36,772</b>	<b>102.1</b>
<b>Takara Shuzo International Group</b>			
Overseas Alcoholic Beverages Business	2,340	2,384	101.8
Japanese Food Wholesales Business in overseas markets	14,516	16,341	112.6
Other	-	24	-
Elimination of intra-Group transaction on consolidation	(406)	(478)	-
<b>Total</b>	<b>16,450</b>	<b>18,270</b>	<b>111.1</b>
<b>Takara Bio Group</b>	<b>6,355</b>	<b>8,847</b>	<b>139.2</b>
<b>Reported segment total</b>	<b>58,835</b>	<b>63,890</b>	<b>108.6</b>
Other	9,634	8,137	84.5
<b>Segment total</b>	<b>68,470</b>	<b>72,028</b>	<b>105.2</b>
Sales not allocated to business segments and intersegment transactions	(5,101)	(5,058)	-
<b>Total</b>	<b>63,368</b>	<b>66,969</b>	<b>105.7</b>

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

## (2) Consolidated Financial Position

As of June 30, 2018, current assets were ¥169,286 million, a decrease of ¥1,781 million compared with that at the end of the previous fiscal year. This was primarily due to decreases in cash and deposits of ¥1,024 million and securities of ¥3,517 million, as well as increases in notes and accounts receivable-trade of ¥926 million, merchandise and finished goods of ¥759 million and other current assets of ¥1,168 million.

Non-current assets were ¥110,203 million, a decrease of ¥3,010 million compared with that at the end of the previous fiscal year. This was primarily due to decreases in property, plant and equipment of ¥886 million, intangible assets of ¥1,514 million and investment securities of ¥774 million.

As a result, total assets were ¥279,490 million, a decrease of ¥4,791 million compared with that at the end of the previous fiscal year.

As of June 30, 2018, current liabilities were ¥53,357 million, an increase of ¥644 million compared with that at the end of the previous fiscal year. This was primarily due to increases in accrued alcohol tax of ¥1,963 million and provision for bonuses of ¥1,059 million, as well as decreases in accrued expenses of ¥859 million and income taxes payable of ¥1,632 million. Non-current liabilities were ¥54,812 million, a decrease of ¥539 million compared with that at the end of the previous fiscal year. This was primarily due to a decrease in other noncurrent liabilities of ¥556 million.

As a result, total liabilities were ¥108,169 million, an increase of ¥105 million compared with that at the end of the previous fiscal year. As of June 30, 2018, total net assets were ¥171,320 million, a decrease of ¥4,896 million compared with that at the end of the previous fiscal year. This was primarily due to decreases of ¥856 million in retained earnings, ¥3,041 million in foreign currency translation adjustments and ¥756 million in noncontrolling interests.

As a result, the equity ratio totaled 50.4%, compared with 50.6% 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, 2018, or for the fiscal year ending March 31, 2019, that were released in the Consolidated Financial Statements for the year ended March 31, 2018, on May 11, 2018, as the Group's consolidated operating results in the three months ended June 30, 2018, have been in line with the forecast.

## 2. Consolidated Quarterly Financial Statements and Primary Notes

### (1) Consolidated Quarterly Balance Sheets

(Millions of Yen)

	As of Mar. 31, 2018	As of June 30, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	47,754	46,729
Notes and accounts receivable-trade	57,889	58,815
Securities	19,721	16,204
Merchandise and finished goods	37,979	38,738
Work in process	997	1,254
Raw materials and supplies	3,932	3,562
Other	3,122	4,290
Allowance for doubtful accounts	(329)	(309)
<b>Total current assets</b>	<b>171,067</b>	<b>169,286</b>
Noncurrent assets		
Property, plant and equipment	57,485	56,599
Intangible assets		
Goodwill	13,765	12,866
Other	8,504	7,888
<b>Total intangible assets</b>	<b>22,269</b>	<b>20,754</b>
Investments and other assets		
Investment securities	28,607	27,833
Other	4,928	5,088
Allowance for doubtful accounts	(77)	(73)
<b>Total investments and other assets</b>	<b>33,458</b>	<b>32,849</b>
<b>Total noncurrent assets</b>	<b>113,213</b>	<b>110,203</b>
<b>Total assets</b>	<b>284,281</b>	<b>279,490</b>

(Millions of Yen)

	As of Mar. 31, 2018	As of June 30, 2018
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	16,544	16,187
Short-term loans payable	5,221	4,905
Accrued alcohol tax	9,278	11,241
Accrued expenses	5,639	4,780
Income taxes payable	3,126	1,494
Provision for bonuses	2,286	3,346
Other provision	2,078	2,288
Other	8,535	9,111
Total current liabilities	52,712	53,357
Noncurrent liabilities		
Bonds payable	25,000	25,000
Long-term loans payable	10,620	10,568
Net defined benefit liability	8,759	8,814
Long-term deposits received	5,312	5,326
Other	5,659	5,103
Total noncurrent liabilities	55,352	54,812
Total liabilities	108,064	108,169
Net assets		
Shareholders' equity		
Capital stock	13,226	13,226
Capital surplus	2,219	2,257
Retained earnings	117,571	116,714
Treasury stock	(1,367)	(1,367)
Total shareholders' equity	131,649	130,831
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,520	11,011
Deferred gains or losses on hedges	(120)	112
Foreign currency translation adjustment	2,645	(396)
Remeasurements of defined benefit plans	(583)	(587)
Total accumulated other comprehensive income	13,461	10,140
Noncontrolling interests	31,106	30,349
Total net assets	176,217	171,320
Total liabilities and net assets	284,281	279,490



**(2) Consolidated Quarterly Statements of Income and Consolidated Quarterly Statements of Comprehensive Income****(Consolidated Statements of Income)****(For the Three Months Ended June 30, 2018 and 2017)**

(Millions of Yen)

	FY2018 (Apr. 1, 2017 – June 30, 2017)	FY2019 (Apr. 1, 2018 – June 30, 2018)
Net sales	63,368	66,969
Cost of sales	38,705	40,387
Gross profit	24,662	26,582
Selling, general and administrative expenses	22,588	22,582
Operating income	2,074	4,000
Non-operating income		
Dividends income	268	287
Other	237	180
Total non-operating income	505	467
Non-operating expenses		
Interest expenses	173	85
Bond issuance cost	112	-
Foreign exchange loss	-	34
Other	47	42
Total non-operating expenses	333	161
Ordinary income	2,247	4,306
Extraordinary income		
Gain on sales of noncurrent assets	6	0
Total extraordinary income	6	0
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	33	18
Total extraordinary losses	33	18
Income before income taxes and minority interests	2,220	4,288
Income taxes-current	1,364	1,871
Income taxes-deferred	(442)	(496)
Total income taxes	922	1,375
Net income	1,297	2,912
Net income attributable to the noncontrolling interest	134	575
Net income attributable to owners of the parent	1,163	2,337

**(Consolidated Quarterly Statements of Comprehensive Income)**  
**(For the Three Months Ended June 30, 2018 and 2017)**

(Millions of Yen)

	FY2018 (Apr. 1, 2017 – June 30, 2017)	FY2019 (Apr. 1, 2018 – June 30, 2018)
Net income	1,297	2,912
Other comprehensive income		
Valuation difference on available-for-sale securities	931	(509)
Deferred gains or losses on hedges	122	226
Foreign currency translation adjustment	(2,195)	(4,034)
Remeasurements of defined benefit plans	15	(2)
Total other comprehensive income	(1,126)	(4,319)
Comprehensive income	171	(1,406)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	508	(983)
Comprehensive income attributable to noncontrolling interest	(337)	(423)

### (3) Notes on Consolidated Quarterly Financial Statements

#### (Notes on Premise of Going Concern)

No items to report.

#### (Notes on Material Changes in Shareholders' Equity)

No items to report.

#### (Additional Information)

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

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

#### (Segment Information)

I. Equivalent Period of Previous Fiscal Year (From April 1, 2017 to June 30, 2017)

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

<Information for the three months ended June 30, 2017 stated based on post-change classifications>

(Millions of yen)

	Reported Segment				Other (Note: 1)	Total	Adjustment (Note: 2)	Amount recognized in consolidated quarterly statements of income (Note: 3)
	Takara Shuzo	Takara Shuzo Internation al Group	Takara Bio Group	Subtotal				
Net sales								
External customers	36,018	16,354	6,175	58,547	4,820	63,368	0	63,368
Intersegment	10	96	180	287	4,814	5,101	(5,101)	-
Total	36,029	16,450	6,355	58,835	9,634	68,470	(5,101)	63,368
Segment income (loss)	151	960	262	1,374	753	2,128	(53)	2,074

- 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 ¥24 million and income of the Company not allocated to business segments of ¥-77million.
  3. Segment income (loss) has been adjusted to the operating income of consolidated quarterly statements of income.

#### 2. Information on Impairment Loss on Non-current Assets, Goodwill, etc. by Reportable Segment (Significant Changes to the Amount of Goodwill)

In the Takara Bio Group segment, goodwill was recorded due to the acquisition of shares in WaferGen Bio-systems, Inc. and Rubicon Genomics, Inc. by the Takara Bio Inc.'s wholly owned subsidiary Takara Bio USA Holdings Inc. The increase in goodwill due to this event in the three months ended June 30, 2018 was ¥7,709 million. Note that as the allocation of the acquisition cost has not been completed, this is a tentatively calculated amount.

## II. Period under Review (From April 1, 2018, to 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 consolidated quarterly statements of income (Note: 3)
	Takara Shuzo	Takara Shuzo Internation al 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	851	1,150	1,544	3,546	509	4,055	(55)	4,000

- Notes:
- 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.
  - Details of adjustment amounts are as follows.
    - Net sales to external customers are income from business contracting recorded at the Company.
    - Segment income comprises intersegment eliminations of ¥12 million and income of the Company not allocated to business segments of ¥67 million.
  - Segment income has been adjusted to the operating income of consolidated quarterly statements of income.

### 2. Information on Impairment Loss on Non-current Assets, Goodwill, etc. by Reportable Segment

No items to report.