

Consolidated Financial Statements for the Year Ended March 31, 2022
FY2022 (April 1, 2021 - March 31, 2022) [UNAUDITED]

May 12, 2022

Company name: Takara Holdings Inc.
 Stock exchange listings: Tokyo Stock Exchange (PRIME 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
 Annual statement filing date (as planned): Jun 29, 2022

- 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 year ended March 31, 2022 (April 1, 2021 - March 31, 2022)

(1) Consolidated operating results

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

	Year ended March 31, 2022		Year ended March 31, 2021	
	(Millions of yen)	(%)	(Millions of yen)	(%)
Net sales	300,918	8.1	278,443	(1.0)
Operating income (loss)	43,354	100.8	21,595	36.4
Ordinary income (loss)	43,230	97.1	21,929	34.8
Net income (loss) attributable to owners of the parent	20,769	96.4	10,574	17.7
Net income (loss) per share (Yen)	105.05		53.48	
Fully diluted net income per share (Yen)	-		-	
Return on equity		12.3		6.9
Ordinary income to total assets ratio		12.9		7.4
Operating income to net sales ratio		14.4		7.8
Note: Comprehensive income (loss)	39,992	145.0	16,320	152.3
(Reference) Income (loss) from equity method investment	46		123	

Since the "Accounting Standard for Revenue Recognition" (Corporate Accounting Standard No. 29 , March 31, 2020), etc. has been adopted from FY2022, the above results is the amount after applying the accounting standard.

(2) Consolidated financial position

	As of March 31, 2022	As of March 31, 2021
	(Millions of yen)	(Millions of yen)
Total assets	362,438	306,918
Net assets	224,555	191,535
Equity ratio (%)	49.8	51.1
Net assets per share (Yen)	912.58	793.53
(Reference) Equity	180,420	156,884

(3) Consolidated Cash flow

	Year ended March 31, 2022	Year ended March 31, 2021
	(Millions of yen)	(Millions of yen)
Cash flow from operating activities	16,376	27,100
Cash flow from investing activities	(10,399)	(6,738)
Cash flow from financing activities	4,133	(1,506)
Cash and cash equivalents, end of year	75,729	62,860

2. Dividends

	Dividend per share (Yen)		
	Year ended March 31, 2021	Year ended March 31, 2022	Year ending March 31, 2023 (Forecast)
First quarter end	-	-	-
Second quarter end	-	-	-
Third quarter end	-	-	-
Year end	21.00	37.00	29.00
Annual	21.00	37.00	29.00
Total dividend (Millions of yen)	4,151	7,315	
Payout ratio (%)	39.3	35.2	35.8
Dividend on equity (%)	2.7	4.3	

Note: Correction of dividend forecast from the most recent dividend forecast: Yes

3. Forecast for the year ending March 31, 2023 (April 1, 2022 - March 31, 2023)

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

	Six months ending September 30, 2022		Year ending March 31, 2023	
	(Millions of yen)	(%)	(Millions of yen)	(%)
Net sales	146,000	3.4	301,000	-
Operating income (loss)	15,000	(30.6)	30,000	(30.8)
Ordinary income (loss)	15,400	(29.6)	30,400	(29.7)
Net income (loss) attributable to owners of the parent	8,100	(19.4)	16,000	(23.0)
Net income per share (Yen)	40.97		80.93	

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) 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

(3) Number of outstanding shares (common stock)

1) Number of outstanding shares at year end (Treasury stocks are included):

As of March 31, 2022 199,699,743 shares

As of March 31, 2021 199,699,743 shares

2) Number of treasury stocks at year end:

As of March 31, 2022 1,995,577 shares

As of March 31, 2021 1,995,468 shares

3) Average number of outstanding shares:

Year ended March 31, 2022 197,704,189 shares

Year ended March 31, 2021 197,704,467 shares

Contents of the attached document

1. Overview of Financial Results.....	2
(1) Overview of Financial Results for the Fiscal Year under Review.....	2
(2) Overview of Financial Position for the Fiscal Year under Review.....	7
(3) Overview of Cash Flows for the Fiscal Year under Review.....	7
(4) Future Outlook.....	7
2. Basic Concept on Selection of Accounting Standards.....	8
3. Consolidated Financial Statements and Primary Notes.....	9
(1) Consolidated Balance Sheets.....	9
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income.....	11
Consolidated Statements of Income.....	11
Consolidated Statements of Comprehensive Income.....	12
(3) Consolidated Statements of Changes in Net Assets.....	13
(4) Consolidated Statements of Cash Flows.....	15
(5) Notes to Consolidated Financial Statements.....	16
(Notes on Premise of Going Concern).....	16
(Changes in Accounting Policies).....	16
(Segment Information).....	16
(Revenue Recognition).....	19
(Per Share Information).....	20
(Significant Subsequent Events).....	20

○Supplement for the Consolidated Financial Statements

1. Overview of Financial Results

(1) Overview of Financial Results for the Fiscal Year under Review

In the fiscal year under review, ended March 31, 2022, the Japanese economy faced a slow recovery in personal consumption amid the prolonged effects of COVID-19 infections, and the outlook became increasingly uncertain mainly due to soaring raw material prices and the rapid depreciation of the yen toward the end of the fiscal year. Overseas, although there are regional differences, restrictions on activities due to COVID-19 infections have eased and economic activities are expected to recover; however, the economic outlook remains difficult to predict due to prolonged trade friction between the U.S. and China, disruptions in the global supply chain caused by Russia's invasion of Ukraine, and soaring resource prices.

Under these economic 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. The Group has been allocating and investing management resources in areas that should be strengthened, and has been focusing on rebuilding business structures and global corporate functions that consistently generate various forms of value that enhance profitability, while keeping a close eye on the impact of COVID-19 and flexibly addressing environmental changes.

As a result, in the fiscal year under review, ended March 31, 2022, net sales were up 8.1% year on year to ¥300,918 million, absorbing the impact of the Accounting Standard for Revenue Recognition, etc. Gross profit decreased 1.8% year on year to ¥113,541 million. Operating income rose 100.8% year on year to ¥43,354 million while ordinary income increased 97.1% year on year to ¥43,230 million. Net income attributable to owners of the parent rose 96.4% year on year to ¥20,769 million. All income items from operating income, which is not affected by the said accounting standards, onwards increased significantly.

Results by business segment were as follows.

[Takara Shuzo]

Amid the backdrop of the persisting trend of decrease in total consumption of alcoholic beverages due to the impact of the decline and aging of the population in Japan among other factors, consumption styles are undergoing change due to the COVID-19 crisis. In addition, there has been an unabated rise in prices of raw materials due to the soaring prices of resources as well as the depreciation of the yen.

In this situation, Takara Shuzo gave the highest priority to supplying safe and secure products as a food manufacturer, while giving attention to the prevention of infection and spread of COVID-19. At the same time, Takara Shuzo has been committed to nurturing high value-added products that meet consumer needs, such as SDGs-conscious products, and to thorough cost reductions. However, in light of the large-scale voluntary recall of chu-hi products in May 2021, we are once again implementing thorough quality control.

The segment's sales and other information are as shown below.

Descriptions of sales by category are based on amounts before the application of the Accounting Standard for Revenue Recognition, etc.; however, the amounts shown in these segment results are after the application of the standard, and no comparisons with the previous year are shown, except for operating income.

In shochu, overall sales declined slightly due to a decrease in sales of honkaku shochu, which was affected by the voluntary restriction of business activities by eating and drinking establishments. In sake, although sales for export increased with the recovery of overseas markets, overall sales decreased due to the impact of the voluntary restriction of business activities by eating and drinking establishments. In light-alcohol refresher, although sales of *Takara Shochu Highball* continued to increase, sales of lemon sours declined due to the impact of a voluntary recall of products. Consequently, sales of light-alcohol refreshers as a whole decreased slightly. In seasonings, overall sales rose due to the increase in sales of Hon-Mirin, cooking sake and other seasonings. In raw alcohol, etc., net sales declined.

As a result, net sales for the Takara Shuzo Group totaled ¥119,710 million, affected by the impact of a ¥29,000 million decrease due to application of the Accounting Standard for Revenue Recognition, etc. Cost of sales was ¥90,898 million, while gross profit was ¥28,811 million. As SG&A expenses were ¥24,676, also affected by the ¥29,000 million decrease, operating income decreased 15.2% year on year to ¥4,135 million.

[Takara Shuzo International Group]

The Takara Shuzo International Group engages in the Overseas Alcoholic Beverages Business, which entails exports from Japan and the manufacture and sale of alcoholic beverages in overseas locations, and the Japanese Food Wholesale Business in overseas markets, through which it sells Japanese food ingredients to Japanese food restaurants and retailers outside Japan. The impact of COVID-19, which was a factor in the decline in sales in the previous fiscal year, has gradually eased, due to the expansion of vaccines and other factors, although there are regional differences.

The segment's sales and other information are as follows:

Overseas Alcoholic Beverages Business

Sales of Blanton's, the premium single-barrel bourbon, remained brisk, while those of Tomatin Scotch whisky also grew. Sales of sake and other Japanese alcoholic beverages recovered from the previous fiscal year, when they were greatly affected by the COVID-19 crisis, and export from Japan also increased. As a result, net sales of the Overseas Alcoholic Beverages Business rose 39.2% year on year to ¥14,063 million.

Japanese Food Wholesale Business in overseas markets

Amid the COVID-19 crisis, the Japanese Food Wholesale Business in overseas markets engaged in efforts to bolster sales to retailers and also to expand online sales, and there was a sharp recovery in sales following the reopening of restaurant operations in major cities, leading to a net sales increase of 48.5% year on year to ¥89,728 million.

As a result, net sales for the Takara Shuzo International Group after the elimination of intersegment transactions rose 46.8% year on year to ¥102,186 million, bolstered by the effect of the weak yen. Cost of sales increased 43.0% year on year to ¥70,045 million, and gross profit rose 56.0% year on year to ¥32,140 million. SG&A expenses rose only 21.0% year on year to ¥23,667 million despite increases in personnel expenses and logistics expenses due to higher sales. Accordingly, the Takara Shuzo International Group saw operating income significantly increase 712.1% year on year to ¥8,472 million.

[Takara Bio Group]

The Takara Bio Group has promoted initiatives aimed at becoming a drug discovery company that continually creates new modalities by going ahead with the development of platform technology for biologics discovery through its core businesses of reagents/instruments and CDMO services. It proactively worked on stable supply of polymerase chain reaction (PCR)-related products for COVID-19, improvement of the manufacturing structure of products such as regenerative medical products, including vaccines, and other initiatives.

As the Takara Bio Group's core business, the Bioindustry business mainly provides products and services that support research and development activities in biotechnology-related fields as such activities become increasingly widespread. Furthermore, in the Gene Therapy business, with advances in biology and technology, there has been a rapid expansion in the field of medicine to develop new modalities (therapeutic means) such as genes and cells, in addition to small molecules and antibodies. Under these circumstances, the Takara Bio Group is working to maximize project value through the development of platform technology for biologics discovery necessary for the development of gene therapy and other regenerative medicine products and vaccines, the creation of new clinical projects, and the licensing of development projects to pharmaceutical companies.

Sales of reagents and CDMO increased year on year, despite a year-on-year decrease in sales of instruments and gene therapy. In particular, sales of reagents for general research use reached a record high due to the recovery from the COVID-19 crisis, and sales of polymerase chain reaction (PCR)-related reagents for COVID-19 also grew substantially.

As a result, net sales for the Takara Bio Group were up 46.9% year on year to ¥67,699 million. Cost of sales grew 30.1% year on year to ¥18,488 million due to improvement in the cost rate, leading to a gross

profit increase of 54.4% year on year to ¥49,211 million. SG&A expenses were up 13.3% year on year to ¥20,309 million due to increases in personnel expenses, research and development expenses and other expenses, and operating income was up 107.1% year on year to ¥28,902 million.

[Other]

The Other segment includes the real estate rental business, the transportation business, and the wine import and sale business. Net sales of the Other segment increased 5.1% year on year to ¥30,719 million. Cost of sales rose 4.2% year on year to ¥26,626 million, and gross profit increased 11.2% year on year to ¥4,093 million. SG&A expenses fell 0.3% year on year to ¥1,870 million, and operating income was up 23.2% year on year to ¥2,222 million.

Breakdown of sales results by product category

Segment	Previous Fiscal Year (From April 1, 2020 to March 31, 2021)	Fiscal Year under Review (From April 1, 2021 to March 31, 2022)	YoY Comparison
Product category	Amount (Millions of yen)	Amount (Millions of yen)	(%)
Takara Shuzo			
Shochu	48,631	37,935	(22.0)
Sake	17,706	12,803	(27.7)
Light-alcohol refreshers	47,154	37,677	(20.1)
Other alcoholic beverages	5,573	5,467	(1.9)
<i>Hon Mirin</i>	13,367	9,097	(31.9)
Other seasonings	10,441	8,560	(18.0)
Raw alcohol, etc.	9,663	8,168	(15.5)
Total	152,537	119,710	(21.5)
Takara Shuzo International Group			
Overseas Alcoholic Beverages Business	10,100	14,063	39.2
Japanese Food Wholesales Business in overseas markets	60,431	89,728	48.5
Other	57	62	8.9
Elimination of intra-Group transaction on consolidation	(999)	(1,668)	—
Total	69,589	102,186	46.8
Takara Bio Group			
Reagents	35,189	54,605	55.2
Instruments	1,726	1,518	(12.1)
CDMO	8,901	11,426	28.4
Gene therapy	268	148	(44.5)
Total	46,086	67,699	46.9
Reported segment total	268,213	289,596	8.0
Other	29,238	30,719	5.1
Segment total	297,451	320,315	7.7
Sales not allocated to business segments and intersegment transactions	(19,007)	(19,396)	—
Total	278,443	300,918	8.1

Notes: 1. Amounts include alcohol tax.

2. From the beginning of the fiscal year under review, ended March 31, 2022, the names of the product categories of Takara Bio Group have been changed from “Research reagents,” “Scientific instruments” and “Contract services” to “Reagents,” “Instruments” and “CDMO.”

(Reference) [Before applying the Accounting Standard for Revenue Recognition]**Breakdown of sales results by product category**

Segment	Previous Fiscal Year (From April 1, 2020 to March 31, 2021)	Fiscal Year under Review (From April 1, 2021 to March 31, 2022)	YoY Comparison
Product category	Amount (Millions of yen)	Amount (Millions of yen)	(%)
Takara Shuzo			
Shochu	48,631	47,521	(2.3)
Sake	17,706	16,160	(8.7)
Light-alcohol refreshers	47,154	46,439	(1.5)
Other alcoholic beverages	5,573	6,123	9.9
<i>Hon Mirin</i>	13,367	13,571	1.5
Other seasonings	10,441	10,712	2.6
Raw alcohol, etc.	9,663	8,181	(15.3)
Total	152,537	148,710	(2.5)
Takara Shuzo International Group			
Overseas Alcoholic Beverages Business	10,100	14,092	39.5
Japanese Food Wholesales Business in overseas markets	60,431	89,728	48.5
Other	57	62	8.9
Elimination of intra-Group transaction on consolidation	(999)	(1,668)	—
Total	69,589	102,214	46.9
Takara Bio Group			
Reagents	35,189	54,605	55.2
Instruments	1,726	1,518	(12.1)
CDMO	8,901	11,426	28.4
Gene therapy	268	148	(44.5)
Total	46,086	67,699	46.9
Reported segment total	268,213	318,625	18.8
Other	29,238	30,719	5.1
Segment total	297,451	349,344	17.4
Sales not allocated to business segments and intersegment transactions	(19,007)	(19,396)	—
Total	278,443	329,947	18.5

Note: For convenience of comparison, net sales for the fiscal year under review are the amounts to which the Accounting Standard for Revenue Recognition, etc. are not applied.

(2) Overview of Financial Position for the Fiscal Year under Review

(Assets)

At the end of the fiscal year under review, current assets totaled ¥232,323 million, an increase of ¥49,215 million compared with that at the end of the previous fiscal year. This was primarily due to increases in merchandise and finished goods of ¥22,056 million, cash and deposits of ¥14,207 million, and notes and accounts receivable-trade of ¥7,781 million.

Noncurrent assets were ¥130,114 million, an increase of ¥6,304 million compared with that at the end of the previous fiscal year. This was primarily due to an increase of ¥5,006 million in property, plant and equipment resulting from interior finishing work of Takara Bio USA, Inc.'s new office building, and Takara Bio Inc.'s acquisition of manufacturing facilities.

As a result, total assets were ¥362,438 million, an increase of ¥55,519 million compared with that at the end of the previous fiscal year.

(Liabilities)

At the end of the fiscal year under review, current liabilities totaled ¥79,151 million, an increase of ¥22,882 million compared with that at the end of the previous fiscal year. This was primarily due to increases in current portion of bonds of ¥10,000 million and other under current liabilities of ¥7,687 million.

Noncurrent liabilities were ¥58,730 million, a decrease of ¥383 million compared with that at the end of the previous fiscal year.

As a result, total liabilities were ¥137,882 million, an increase of ¥22,499 million compared with that at the end of the previous fiscal year.

(Net Assets)

At the end of the fiscal year under review, total net assets were ¥224,555 million, an increase of ¥33,020 million compared with that at the end of the previous fiscal year. This was primarily due to increases in retained earnings of ¥14,749 million, noncontrolling interests of ¥9,484 million, and foreign currency translation adjustment of ¥7,171 million.

As a result, the equity ratio totaled 49.8%, compared with 51.1% at the end of the previous fiscal year.

(3) Overview of Cash Flows for the Fiscal Year under Review

Net cash provided by operating activities decreased ¥10,724 million year on year to ¥16,376 million primarily due to income before income taxes of ¥40,961 million, depreciation and amortization of ¥8,425 million, an increase in notes and accounts receivable-trade of ¥7,109 million, an increase in inventories of ¥21,235 million, an increase in notes and accounts payable-trade of ¥3,920 million, and income taxes paid of ¥10,253 million.

Net cash used in investing activities resulted in expenditure of ¥10,399 million, an increase in expenditure of ¥3,660 million compared with that of the previous fiscal year primarily due to payments into time deposits of ¥15,513 million, proceeds from withdrawal of time deposits of ¥14,758 million, purchase of property, plant and equipment and intangible assets of ¥14,762 million, and subsidies received of ¥3,960 million.

Net cash provided by financing activities totaled ¥4,133 million (an expenditure of ¥1,506 million in the previous fiscal year) primarily due to proceeds from issuance of bonds of ¥9,927 million and cash dividends paid of ¥4,147 million.

As a result, cash and cash equivalents at fiscal year-end, including effect of exchange rate change on cash and cash equivalents, stood at ¥75,729 million, up ¥12,869 million from the previous fiscal year-end.

(4) Future Outlook

Takara Shuzo International Group expects to increase profits in both the Overseas Alcoholic Beverages Business and Japanese Food Wholesale Business in overseas markets by further cultivating the eating and drinking establishment channel and developing sales channels such as retailers, against the backdrop of the spread of Japanese food overseas. Despite the impact of higher costs, Takara Shuzo also expects to see an increase in profit due to expanded sales of high value-added products, price revisions, and other measures, as well as thorough cost reductions.

On the other hand, the Takara Bio Group expects a decrease in profits due to lower demand for PCR-

related reagents for COVID-19 and its plans to increase personnel expenses, R&D expenses, and other expenses.

As a result, regards the outlook for results for the following fiscal year, the year ending March 31, 2023, the Group is forecasting net sales of ¥301,000 million, operating income of ¥30,000 million, ordinary income of ¥30,400 million, and net income attributable to owners of the parent of ¥16,000 million. The details of the consolidated results forecasts and the results forecasts for each segment are described on pages 13/18-16/18 in “Supplement for the Consolidated Financial Statements.”

2. Basic Concept on Selection of Accounting Standards

The Takara Group has a policy to prepare the Consolidated Financial Statements in accordance with the Japanese GAAP for the time being, taking into consideration comparability of the Consolidated Financial Statements across periods and companies.

As regards the application of the International Financial Reporting Standards, the Takara Group will take appropriate actions, taking into account the situations in Japan and other countries.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Millions of Yen)

	As of Mar. 31, 2021	As of Mar. 31, 2022
Assets		
Current assets		
Cash and deposits	66,238	80,445
Notes and accounts receivable-trade	55,074	62,856
Electronically recorded monetary claims-operating	6,880	7,403
Securities	1,145	1,179
Merchandise and finished goods	41,115	63,172
Work in process	1,924	2,012
Raw materials and supplies	6,084	7,458
Other	5,161	8,243
Allowance for doubtful accounts	(516)	(449)
Total current assets	183,108	232,323
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	61,363	69,584
Accumulated depreciation	(35,403)	(36,902)
Buildings and structures, net	25,959	32,682
Machinery, equipment and vehicles	86,657	88,453
Accumulated depreciation	(71,247)	(73,447)
Machinery, equipment and vehicles, net	15,410	15,006
Land	20,640	20,170
Lease assets	1,680	1,512
Accumulated depreciation	(651)	(605)
Lease assets, net	1,029	907
Construction in progress	4,027	1,782
Other	21,823	24,046
Accumulated depreciation	(14,149)	(14,848)
Other, net	7,673	9,198
Total property, plant and equipment	74,740	79,747
Intangible assets		
Goodwill	10,142	10,070
Other	5,746	5,290
Total intangible assets	15,889	15,360
Investments and other assets		
Investment securities	27,924	29,228
Net defined benefit asset	894	907
Deferred tax assets	2,088	2,682
Other	2,341	2,253
Allowance for doubtful accounts	(69)	(64)
Total investments and other assets	33,180	35,006
Total noncurrent assets	123,810	130,114
Total assets	306,918	362,438

(Millions of Yen)

	As of Mar. 31, 2021	As of Mar. 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable-trade	16,481	20,973
Short-term loans payable	5,166	5,497
Current portion of bonds	—	10,000
Accrued alcohol tax	6,890	7,172
Accrued expenses	6,455	5,579
Income taxes payable	4,021	6,602
Provision for bonuses	2,727	3,161
Provision for sales promotion expenses	2,049	—
Other	12,476	20,164
Total current liabilities	56,269	79,151
Noncurrent liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	15,465	15,248
Lease obligations	3,122	3,005
Deferred tax liabilities	3,831	3,969
Net defined benefit liability	9,274	8,944
Other	7,419	7,562
Total noncurrent liabilities	59,113	58,730
Total liabilities	115,383	137,882
Net assets		
Shareholders' equity		
Capital stock	13,226	13,226
Capital surplus	2,292	2,499
Retained earnings	135,184	149,933
Treasury stock	(1,682)	(1,682)
Total shareholders' equity	149,020	163,976
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,370	12,216
Deferred gains or losses on hedges	193	412
Foreign currency translation adjustment	(2,840)	4,330
Remeasurements of defined benefit plans	(859)	(515)
Total accumulated other comprehensive income	7,863	16,443
Noncontrolling interests	34,650	44,135
Total net assets	191,535	224,555
Total liabilities and net assets	306,918	362,438

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

(Millions of Yen)

	FY2021 (Apr. 1, 2020 – Mar. 31, 2021)	FY2022 (Apr. 1, 2021 – Mar. 31, 2022)
Net sales	278,443	300,918
Cost of sales	162,849	187,376
Gross profit	115,594	113,541
Selling, general and administrative expenses	93,999	70,187
Operating income	21,595	43,354
Nonoperating income		
Interest income	179	176
Dividends income	528	590
Rental income from real estate	137	157
Other	466	568
Total nonoperating income	1,311	1,492
Nonoperating expenses		
Interest expenses	344	330
Foreign exchange losses	92	807
Other	539	477
Total nonoperating expenses	976	1,615
Ordinary income	21,929	43,230
Extraordinary income		
National subsidies	517	4,470
Other	11	188
Total extraordinary income	529	4,658
Extraordinary loss		
Loss on tax purpose reduction entry of non-current assets	517	4,470
Loss on voluntary product recall	—	1,190
Loss on liquidation of business	458	—
Other	899	1,267
Total extraordinary losses	1,875	6,928
Income before income taxes	20,583	40,961
Income taxes-current	6,303	11,900
Income taxes-deferred	23	(309)
Total income taxes	6,326	11,590
Net income	14,256	29,370
Net income attributable to the noncontrolling interest	3,682	8,601
Net income attributable to owners of the parent	10,574	20,769

(Consolidated Statements of Comprehensive Income)

(Millions of Yen)

	FY2021 (Apr. 1, 2020 – Mar. 31, 2021)	FY2022 (Apr. 1, 2021– Mar. 31, 2022)
Net income	14,256	29,370
Other comprehensive income		
Valuation difference on available-for-sale securities	4,245	845
Deferred gains or losses on hedges	108	219
Foreign currency translation adjustment	(2,342)	9,189
Remeasurements of defined benefit plans	51	367
Total other comprehensive income	2,063	10,622
Comprehensive income	16,320	39,992
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	13,238	29,349
Comprehensive income attributable to noncontrolling interest	3,081	10,643

(3) Consolidated Statements of Change in Net Assets
FY2021 (Apr. 1, 2020 – Mar. 31, 2021)

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	13,226	2,454	128,564	(1,682)	142,563
Changes of items during the period					
Dividends from surplus			(3,954)		(3,954)
Net income			10,574		10,574
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		(0)		0	0
Purchase of shares of consolidated subsidiaries		(161)			(161)
Transfer to capital surplus from retained earnings		0	(0)		—
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(161)	6,619	(0)	6,457
Balance at the end of current period	13,226	2,292	135,184	(1,682)	149,020

	Accumulated other comprehensive income					Noncontrolling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	7,125	84	(1,102)	(908)	5,199	33,566	181,329
Changes of items during the period							
Dividends from surplus							(3,954)
Net income							10,574
Purchase of treasury stock							(0)
Disposal of treasury stock							0
Purchase of shares of consolidated subsidiaries							(161)
Transfer to capital surplus from retained earnings							—
Net changes of items other than shareholders' equity	4,245	108	(1,738)	48	2,664	1,083	3,748
Total changes of items during the period	4,245	108	(1,738)	48	2,664	1,083	10,206
Balance at the end of current period	11,370	193	(2,840)	(859)	7,863	34,650	191,535

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	13,226	2,292	135,184	(1,682)	149,020
Cumulative effects of changes in accounting policies			(1,867)		(1,867)
Restated balance	13,226	2,292	133,316	(1,682)	147,152
Changes of items during the period					
Dividends from surplus			(4,151)		(4,151)
Net income			20,769		20,769
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		0		0	0
Purchase of shares of consolidated subsidiaries		206			206
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	206	16,617	(0)	16,823
Balance at the end of current period	13,226	2,499	149,933	(1,682)	163,976

	Accumulated other comprehensive income					Noncontrolling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	11,370	193	(2,840)	(859)	7,863	34,650	191,535
Cumulative effects of changes in accounting policies							(1,867)
Restated balance	11,370	193	(2,840)	(859)	7,863	34,650	189,667
Changes of items during the period							
Dividends from surplus							(4,151)
Net income							20,769
Purchase of treasury stock							(0)
Disposal of treasury stock							0
Purchase of shares of consolidated subsidiaries							206
Net changes of items other than shareholders' equity	845	219	7,171	343	8,580	9,484	18,064
Total changes of items during the period	845	219	7,171	343	8,580	9,484	34,888
Balance at the end of current period	12,216	412	4,330	(515)	16,443	44,135	224,555

(4) Consolidated Statements of Cash Flows

(Millions of Yen)

	FY2021 (Apr. 1, 2020 – Mar. 31, 2021)	FY2022 (Apr. 1, 2021 – Mar. 31, 2022)
Net cash provided by (used in) operating activities		
Income before income taxes	20,583	40,961
Depreciation and amortization	8,068	8,425
Impairment loss	432	185
Loss on liquidation of business	458	—
Amortization of goodwill	865	875
Increase (decrease) in provision for sales promotion expenses	(44)	(2,049)
Interest and dividends income	(707)	(767)
Interest expenses	344	330
Loss (gain) on sales and retirement of non-current assets	291	319
Decrease (increase) in notes and accounts receivable-trade	(1,162)	(7,109)
Decrease (increase) in inventories	(691)	(21,235)
Increase (decrease) in notes and accounts payable-trade	40	3,920
Increase (decrease) in liquor taxes payable	(799)	281
Increase (decrease) in accrued consumption taxes	1,722	(1,890)
Increase (decrease) in other current liabilities	2,442	3,372
Other, net	(496)	(112)
Subtotal	31,347	25,506
Interest and dividends income received	703	787
Interest expenses paid	(364)	(334)
Income taxes paid	(4,767)	(10,253)
Subsidies received	181	671
Net cash provided by (used in) operating activities	27,100	16,376
Net cash provided by (used in) investing activities		
Payments into time deposits	(4,316)	(15,513)
Proceeds from withdrawal of time deposits	5,407	14,758
Proceeds from sales and redemption of securities	4,455	—
Purchase of property, plant and equipment and intangible assets	(13,911)	(14,762)
Proceeds from sale of property, plant and equipment and intangible assets	28	1,326
Subsidies received	1,900	3,960
Other, net	(302)	(169)
Net cash provided by (used in) investing activities	(6,738)	(10,399)
Net cash provided by (used in) financing activities		
Proceeds from long-term borrowings	10,068	5
Proceeds from issuance of bonds	—	9,927
Redemption of bonds	(5,000)	—
Proceeds from issuance of commercial papers	5,000	—
Redemption of commercial papers	(5,000)	—
Cash dividends paid	(3,951)	(4,147)
Dividends paid to noncontrolling interests	(397)	(763)
Repayments of lease obligations	(689)	(710)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(1,761)	(175)
Other, net	224	(2)
Net cash provided by (used in) financing activities	(1,506)	4,133
Effect of exchange rate change on cash and cash equivalents	(536)	2,758
Net increase (decrease) in cash and cash equivalents	18,319	12,869
Cash and cash equivalents at beginning of period	44,541	62,860
Cash and cash equivalents at end of period	62,860	75,729

(5) Notes to Consolidated Financial Statements
(Notes on Premise of Going Concern)

No items to report.

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020, hereinafter referred to as the “Accounting Standard for Revenue Recognition”), etc. from the beginning of the fiscal year under review and recognized revenue when control of promised goods or services is transferred to customers in an amount that is expected to be received in exchange for those goods or services. As a result, part of consideration paid to customers, which was previously treated as SG&A expenses, is deducted from net sales. In addition, an amount that is expected to be paid to customers after the balance sheet date, which was previously presented as part of “accrued expenses” and as “provision for sales promotion expenses” under “current liabilities,” is included in “other” under “current liabilities” as refund liabilities.

With regard to the application of the Accounting Standard for Revenue Recognition, etc., in accordance with the transitional treatment stipulated in the provisions of Paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of retrospectively applying the new accounting policy prior to the beginning of the fiscal year under review was added to or deducted from retained earnings at the beginning of the fiscal year under review, and a new accounting policy was applied from the beginning balance of the fiscal year under review.

As a result, in the fiscal year under review, net sales and SG&A expenses each decreased by ¥29,028 million. There was no impact on operating income, ordinary income, or income before income taxes. In addition, retained earnings at the beginning of the fiscal year under review decreased by ¥1,867 million, and refund liabilities included in “other” under current liabilities as of March 31, 2022 were ¥6,328 million.

The impact on per share information is described in “3. Consolidated Financial Statements and Primary Notes (5) Notes to Consolidated Financial Statements (Per Share Information).

(Application of Accounting Standard for Fair Value Measurement)

The Company adopted the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019, hereinafter referred to as the “Accounting Standard for Fair Value Measurement”), etc. from the beginning of the fiscal year under review, and decided to apply new accounting policies prescribed in the Accounting Standard for Fair Value Measurement in the future, in accordance with the transitional treatment as stipulated in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the “Accounting Standards for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019).

(Segment Information)

1. Overview of Reported Segments

Reporting segments are the segments of the Takara Group for which financial information can be obtained. The Board of Directors, the top organization for decision making on Group management, examines such information to determine the allocation of management resources and evaluate the business performance on a regular basis.

The Group consists of the corporate groups centered on the operating companies Takara Shuzo Co., Ltd., Takara Shuzo International Co., Ltd. and Takara Bio Inc.; other businesses; and the Company, which manages the whole group as the holding company. All operating companies develop comprehensive business strategies, covering both domestic and overseas operations, for the goods, products and services that they offer, and work to expand their business operations. Accordingly, the Group has defined three reported segments based on the content of goods, products and services, while taking into consideration the scope of managerial responsibility and the capacity to evaluate business performance. These three reported segments are Takara Shuzo, the Takara Shuzo International Group, and the Takara Bio Group.

Takara Shuzo primarily engages in the manufacture and sale of alcoholic beverages and seasonings in Japan. The Takara Shuzo International Group engages in the export of alcoholic beverages from Japan, the manufacture and sale of alcoholic beverages at overseas locations, and the Japanese Food Wholesale Business in overseas markets. The Takara Bio Group engages in

development of basic technologies for bio drug discovery through the business of reagents and instruments as well as CDMO services.

2. Calculation method for net sales, income or loss, assets, and other items of each reported segment
The accounting treatment of reported business segments is generally the same as that explained in “Basis of Presentation of Consolidated Financial Statements.”

The figures for the income of reported segments are based on operating income. Intersegment income is based on the prevailing market price.

As described in “Changes in Accounting Policies,” the Company adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the fiscal year under review, and changed the accounting method for revenue recognition. Accordingly, the measurement method of income or loss by business segment has also been changed.

As a result of these changes, compared with the amounts calculated by the conventional accounting method, net sales of Takara Shuzo decreased by ¥29,000 million in the fiscal year under review, while net sales of the Takara Shuzo International Group decreased by ¥28 million.

3. Net sales, Income (Loss), Assets and Other items by Reported Segment
Previous Fiscal Year (From April 1, 2020, to March 31, 2021)

(Millions of yen)

	Reported Segment				Other (Note: 1)	Total	Adjustment (Note: 2)	Amount recognized in consolidated financial statements (Note: 3)
	Takara Shuzo	Takara Shuzo International Group	Takara Bio Group	Subtotal				
Net sales								
External customers	151,972	69,348	46,086	267,407	11,036	278,443	0	278,443
Intersegment	564	240	0	805	18,202	19,007	(19,007)	—
Total	152,537	69,589	46,086	268,213	29,238	297,451	(19,007)	278,443
Segment income (loss)	4,879	1,043	13,952	19,875	1,803	21,679	(84)	21,595
Segment assets	90,221	74,373	89,750	254,344	19,932	274,277	32,641	306,918
Other items								
Depreciation and amortization	2,848	1,430	3,220	7,498	233	7,732	336	8,068
Amortization of goodwill	—	379	486	865	—	865	—	865
Investment in equity- method affiliates	—	—	—	—	—	—	1,727	1,727
Increase in total fixed assets, property, plant and equipment and intangible assets	1,430	2,802	8,897	13,130	334	13,464	310	13,775

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

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 ¥69 million and loss of the Company not allocated to business segments of ¥(153) million.
 - (3) Segment assets include assets of the Company not allocated to business segments of ¥62,585 million and other adjustment (principally intersegment eliminations) of ¥(29,944) million. Assets attributed to the Company include surplus funds and long-term investment assets.
 - (4) Depreciation and amortization primarily comprises depreciation and amortization recognized by the Company.
 - (5) Investment in equity-method affiliates comprises investments in equity-method affiliates not allocated to business segments.
 - (6) Increase in total fixed assets, property, plant and equipment and intangible assets is the increase recorded by the Company.
3. Segment income (loss) has been adjusted to the operating income of consolidated financial statements.

Fiscal Year under Review (From April 1, 2021, to March 31, 2022)

(Millions of yen)

	Reported Segment				Other (Note: 1)	Total	Adjustment (Note: 2)	Amount recognized in consolidated financial statements (Note: 3)
	Takara Shuzo	Takara Shuzo International Group	Takara Bio Group	Subtotal				
Net sales								
External customers	118,889	101,920	67,699	288,510	12,408	300,918	—	300,918
Intersegment	820	265	0	1,086	18,310	19,396	(19,396)	—
Total	119,710	102,186	67,699	289,596	30,719	320,315	(19,396)	300,918
Segment income (loss)	4,135	8,472	28,902	41,510	2,222	43,733	(379)	43,354
Segment assets	90,442	89,836	115,712	295,991	19,836	315,827	46,610	362,438
Other items								
Depreciation and amortization	2,590	1,675	3,554	7,820	238	8,059	366	8,425
Amortization of goodwill	—	374	500	875	—	875	—	875
Investment in equity- method affiliates	—	—	—	—	—	—	1,769	1,769
Increase in total fixed assets, property, plant and equipment and intangible assets	1,785	844	13,180	15,810	208	16,018	194	16,213

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) Segment income (loss) comprises intersegment eliminations of ¥34 million and loss of the Company not allocated to business segments of ¥(413) million.

(2) Segment assets include assets of the Company not allocated to business segments of ¥75,059 million and other adjustment (principally intersegment eliminations) of ¥(28,449) million. Assets attributed to the Company include surplus funds and long-term investment assets.

(3) Depreciation and amortization primarily comprises depreciation and amortization recognized by the Company.

(4) Investment in equity-method affiliates comprises investments in equity-method affiliates not allocated to business segments.

(5) Increase in total fixed assets, property, plant and equipment and intangible assets is the increase recorded by the Company.

3. Segment income (loss) has been adjusted to the operating income of consolidated financial statements.

(Revenue Recognition)

Information on breakdown of revenue from contracts with customers
 Period under Review (From April 1, 2021, to March 31, 2022)

(Millions of yen)

	Reported Segment				Other (Note)	Total
	Takara Shuzo	Takara Shuzo International Group	Takara Bio Group	Subtotal		
Alcoholic Beverages Business	118,889	12,194	—	131,084	4,542	135,626
Japanese Food Wholesales Business in overseas markets	—	89,725	—	89,725	—	89,725
Bio	—	—	67,699	67,699	—	67,699
Other	—	—	—	—	7,261	7,261
Revenue earned from contracts with customers	118,889	101,920	67,699	288,510	11,803	300,313
Other revenue	—	—	—	—	605	605
Net sales to external customers	118,889	101,920	67,699	288,510	12,408	300,918

Note: Other includes business segments that are not part of reported segments, revenue from the import and sale of wine and from freight delivery services is included in “Revenue earned from contracts with customers,” and revenue from real estate rental is included in “Other revenue” based on ASBJ Statement No. 13 “Accounting Standard for Lease Transactions.”

(Per Share Information)

	Previous Fiscal Year (From April 1, 2020, to March 31, 2021)	Fiscal Year under Review (From April 1, 2021, to March 31, 2022)
Net assets per share	¥793.53	¥912.58
Profit per share	¥53.48	¥105.05

Notes 1. Fully diluted profit per share is not presented since there were no potential shares.

2. The basis of calculation of net assets per share is as follows.

	Previous Fiscal Year (As of March 31, 2021)	Fiscal Year under Review (As of March 31, 2022)
Total net assets (¥ million)	191,535	224,555
Amount deducted from total net assets (¥ million)	34,650	44,135
(of which minority interests) (¥ million)	(34,650)	(44,135)
Net assets at term-end related to shares of common stock (¥ million)	156,884	180,420
Shares of common stock at term-end used to calculate net assets per share (1,000 shares)	197,704	197,704

3. The basis of calculation of net income per share and fully diluted net income per share is as follows.

	Previous Fiscal Year (From April 1, 2020, to March 31, 2021)	Fiscal Year under Review (From April 1, 2021, to March 31, 2022)
Net income attributable to owners of the parent (¥ million)	10,574	20,769
Amount not belonging to common shareholders (¥ million)	—	—
Net income related to shares of common stock (¥ million)	10,574	20,769
Average number of shares outstanding during the term (1,000 shares)	197,704	197,704

4. As described in “Changes in Accounting Policies,” the Company adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc., and followed the transitional treatment stipulated in the proviso to Paragraph 84 of the Accounting Standard for Revenue Recognition. As a result, net assets per share for the fiscal year under review decreased by ¥9.45. There is no impact on profit per share.

(Significant Subsequent Events)

No items to report.