

TaKaRa Group Report

2020

Integrated Report

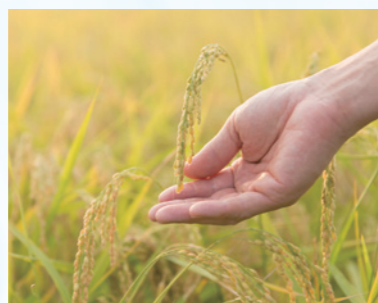
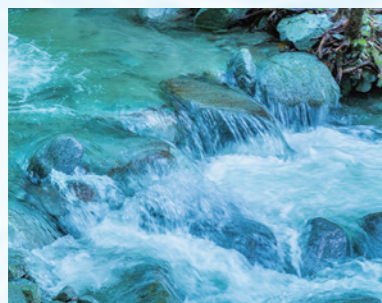


TAKARA HOLDINGS INC.



Corporate Philosophy

Contributing to the creation of a vital society and a healthy lifestyle through our fermentation technology and biotechnology in a way that achieves harmony with nature.



INDEX

About Takara Group

- 01 Corporate Philosophy INDEX
- 03 Featured Story 01
Connecting Producers and Consumers—*CRAFT Chu-Hi* for Limited Local Sales
- 05 Featured Story 02
Challenge against Novel Coronavirus Infections
- 07 Our History
Going Ahead of the Times—Takara Group's Challenges
- 09 Our Growth
Takara Group in the World
- 11 Takara Group's Snapshot
Financial Highlights
Non-Financial Highlights

Value Creation Story

- 13 Message from the President
Keep Challenging to Achieve Sustainable Growth and a Leap Forward
- 19 Our Value Creation Process
- 21 Long-Term Management Vision
TaKaRa Group Challenge for the 100th
- 23 Takara Group Medium-Term Management Plan FY2023
- 24 Our Identity (Essence of Takara)

- 25 Business Strategies: **Takara Shuzo**
- 27 Business Strategies: **Takara Shuzo International Group**
- 29 Business Strategies: **Takara Bio Group**
- 31 Business Strategies: Takara Shuzo's Uncompromised Technical Prowess
Takara Bio's R&D Facilities

Takara Group Sustainability Policy

- 33 Takara Group Sustainability Policy
- 35 Safety and Reliability
- 37 Health
- 38 Environment
- 41 Responsible Alcohol Producer
- 43 Human Resources
- 45 Well-Balanced Diet
- 46 Procurement
- 47 Human Rights
- 48 Community
- 49 Governance

Financial Strategy and Corporate Information

- 57 Management's Discussion and Analysis
- 61 Eleven-Year Consolidated Financial Summary
- 63 Consolidated Financial Statements
- 67 Major Consolidated Subsidiaries
- 68 Investor Information

Editorial Policy

The Takara Group Report is designed to provide our stakeholders with information on the initiatives we implement to improve the Group's corporate value. The current issue mainly focuses on the TaKaRa Group Challenge for the 100th (hereinafter, "TGC100"), a long-term management vision formulated in May 2020, the Takara Group Medium-Term Management Plan FY2023, which sets out our actions to achieve the Vision presented in TGC100, and the Takara Group Sustainability Policy.

Scope: Takara Group (on a consolidated basis; including some non-consolidated figures)

Period covered: Fiscal year ended March 31, 2020 (April 2019 to March 2020)

*The Report refers to some of the initiatives taken before 2019 and in or after April 2020.

Reference Guidelines

International Integrated Reporting Framework by the International Integrated Reporting Council (IIRC)
Guidance for Collaborative Value Creation by the Ministry of Economy, Trade and Industry

Forward-Looking Statements

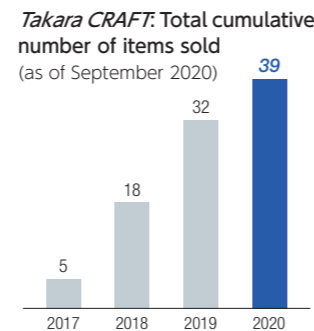
Statements in this report, other than those based on historical fact, concerning the current plans, prospects, strategies, and expectations of the Company and its Group companies represent forecasts of future results, or forward-looking statements. While such statements are based on the conclusions of management according to information available at the time of writing, they reflect many assumptions and opinions derived from information that includes major risks and uncertainties. Actual results may vary significantly from these forecasts due to various factors. Factors that could influence actual results include, but are not limited to, economic conditions, especially trends in consumer spending, as well as exchange rate fluctuations, changes in laws and government systems, pressure from competitors' prices and product strategies, declines in selling power of the Company's existing and new products, disruptions to production, violations of the Company's intellectual property rights, rapid advances in technology, and unfavorable verdicts in major litigation.

廣 CRAFT

Connecting Producers and Consumers — CRAFT Chu-Hi for Limited Local Sales

Consumer tastes have become increasingly diverse in recent years. In response to this trend, there have been growing movements to create local brands, attracting attention to local products that strongly feature the individual characteristics of producers and manufacturers. Using locally-grown ingredients such as popular local fruit in different parts of Japan, Takara Shuzo launched in September 2017 *Takara CRAFT*, a new brand of chu-hi for limited local sales, which is crafted using the *hitotema-zukuri* manufacturing method, whose characteristics are the application of careful attention and extra efforts and use of a rigorously-selected base alcohol, with the aim of creating an unforgettable taste making best of the distinctive qualities and characters of the ingredients.

By offering products that connect agricultural producers with consumers and are only available in specific regions using the precious gifts of the local natural environment through passionate product development, we will continue contributing to increasing demand for locally produced products and to developing the practice of local production for local consumption.



Shiga Prefecture: Shiga Adoberry

The growing of adoberries (a hypocoristic name for boysenberry named after the Adogawa region) began in 2003 when local producers found boysenberries in New Zealand while looking for local products ahead of the opening of a Michi-no-Eki (roadside rest area) facility. At the time, about ten agricultural producers started growing adoberries. Due to the timing of the rainy season in Japan and different climates in Japan and New Zealand, trials and errors ensued as different cultivation methods were put to the test. Upon discovering that adoberries would only last for a day as raw fruit and they had small seeds, it was decided to use their frozen juice for jam or cookies. Currently, ninety items using adoberries are certified as special products of the Adogawa region. Of these, *Takara CRAFT Shiga Adoberry* was launched in May 2020 after a fruit juice maker introduced us to adoberry producers in 2017. Despite initial concerns about its launch due to the COVID-19 pandemic, the product is currently sold at souvenir shops and well-known local supermarkets. Everyone involved is pleased to see that the product has raised the profile of adoberries. In order to nurture it into a product that is loved by the local residents instead of treating it as a one-off product, we will recommend it for the "benefit-your-locality" tax program in support of the local producers.



Tochigi Prefecture: Tochigi Yuzu

Motegimachi in Tochigi Prefecture was once a place of thriving leaf tobacco production. After the withdrawal of the Japan Tobacco and Salt Public Corporation (currently Japan Tobacco Inc.) in around 1975, idle land increased; and the residents began growing yuzu to revitalize the town. There were about 40 producers who mainly sold fresh yuzu. However, it was difficult to expand sales channels. After the 2012 launch of Motegi Tezukuri Kobo, a facility that would process local agricultural produce, efforts were made to produce processed products using yuzu. Motegi yuzu is characterized by its thick skin created by the significant daytime and nighttime temperature differences, strong aroma, and relative absence of bitterness. The producers are committed to squeeze each fruit by hand. Takara Shuzo began working with the agricultural procedures in Motegimachi for the development of *Chu-Hi Jikashibori Tochigi Motegi Blueberry* which was launched in 2016. *Tochigi Yuzu* was launched in September 2017 as the first product in the *Takara CRAFT* series. It is popular in local souvenir shops, restaurants and other outlets. The producers in Motegimachi are encouraged and buoyed by the fact that their produce is enjoyed as a special local product.



Tokyo: Ogasawara Shima Lemon and Ogasawara Passion Fruit

Located 1,000km south of Tokyo, the Ogasawara Islands enjoy robust fruit production taking advantage of their year-round mild climate. It was, however, difficult for local producers to connect with consumers because their means of transport were limited to a weekly shipping service and they were located far from the mainland.

Under this circumstance, Japan Juice Co., Ltd. approached us with a strong passion to produce special local products of the islands. A project was then launched to produce processed products that would raise an awareness among consumers about local produce of the Ogasawara Islands. Takara Shuzo began working on this project with *Chu-Hi Jikashibori Ogasawara Passion Fruit* launched in 2015, followed by *Takara CRAFT Ogasawara Shima Lemon* launched in 2018, and *Takara CRAFT Ogasawara Passion Fruit* launched in 2019. The distribution of these products in the wider metropolitan area has raised the profile of the fruits produced in the Ogasawara Islands and significantly increased the sales of the fruits. Although the producers had an uphill battle in distributing their processed products in the past, they can now grow fruits with a sense of security as all the fruits produced are used without being wasted.



Kanagawa Prefecture: Odawara Lemon

Born out of Hotoku Shihou K.K. in which local Hotoku Ninomiya Shrine invested, Odawara Kankitsu Club started its activities in 2010 to support agricultural households in the Kataura district of Odawara City. With subsequent investments by 14 local companies, Odawara Kankitsu Club began cultivating abandoned land as an agricultural production corporation, promoting the revitalization of the local area based on collaboration among agriculture, commerce, and industry, mainly through the planning and sales of processed products using lemons and other local produce.

Takara Shuzo was referred by a local supermarket, Yaomasa, in 2017, leading to the launch of *Takara CRAFT Odawara Lemon* in March 2018. Odawara is a gateway to the Hakone and Izu tourist spots and its processed products used to be sold mainly in the same region. However, to the delight of local agricultural producers, the distribution of *Odawara Lemon Chu-Hi* in the entire Kanagawa Prefecture including Yokohama and Kawasaki has raised the profile of Odawara lemon. We currently use eight tons of lemons to produce *Odawara Lemon*, which has grown to be a product comparable to Odawara's regional promotion cider. Enjoy *Odawara Lemon Chu-Hi* with *fried-kamaboko* (processed fish paste), which is currently popular in the area.



Featured Story

02

Challenge against Novel Coronavirus Infections

Takara Bio is currently working on business activities aimed to prevent the spread of novel coronavirus (COVID-19) infections, using technologies and know-how they have developed through their R&D activities on research reagents and gene therapy agents.



Center for Gene and Cell Processing, the main site for CDMO business (left); research wing of the main building (right)

Organizing and expanding the production and supply system of PCR test reagents

Amid the global COVID-19 pandemic, Takara Bio continues, just like in normal times, to supply research reagents to research institutions and pharmaceutical companies engaged in life science research worldwide. In addition, Takara Bio is making a company-wide effort to ensure that there is no delivery delay in its CDMO service in which the company develops and manufactures regenerative medical products. Most notably, Takara Bio is fulfilling its responsibility as one of a few domestic manufacturers of the COVID-19 PCR test kits that are gathering public attention, by developing highly practical products and securing sufficient amount of supply.

In the COVID-19 PCR test, specimens of examinees such as nasal pharynx swabs and saliva are checked to see if any COVID-19 gene (genetic information) exists. However, the COVID-19 gene included in the specimen of an infected person is in an exceedingly small amount; it is therefore impossible to detect it as it is. This is why we use a gene amplification technology called PCR. PCR is a technology that selectively and artificially amplifies a gene in a test tube. Using special devices and reagents, a gene can be amplified by a million times within one to two hours.

If there is any COVID-19 virus and gene in the specimen, it will be amplified; if not, nothing will be

amplified. Takara Bio sells reagents and devices used in PCR tests. Importantly, Takara Bio supplies reagent manufactures across the world with a large volume of ingredients used to manufacture test reagents. In addition, the company developed SARS-CoV-2 Direct Detection RT-qPCR Kit, a COVID-19 virus detection kit, using the technology it independently developed, and launched it in the market in May 2020. With respect to COVID-19 PCR tests, complexity in testing, long testing time, reliance on overseas products, and concerns about material procurement were identified as problems. This product has resolved all these issues. Takara Bio is now capable of supplying 20,000 kits a month (2 million reactions). In Japan, the product is widely used in tests requested by administrative authorities and those conducted by many institutions under the application of the public healthcare insurance system.

In addition to COVID-19, Takara Bio offers test kits for the PCR test of pathogenic microorganisms that concern the health of people such as norovirus, Escherichia coli O-157, and legionella, as well as test kits for domestic animals including African swine fever and bovine leukemia. The company is trying to apply PCR technology in the areas of medical care, health, and environment.

Cooperation on DNA vaccine development

Researchers all over the world are working on developing vaccines that will prevent the spread of COVID-19 infections. Takara Bio is participating in a development project of DNA vaccines led by Osaka University and AnGes, Inc., and is in charge of the construction and manufacturing of a DNA vaccine.

There are several types of vaccines. A type of vaccines created by attenuating or inactivating a virus or bacteria for inoculation is traditionally well known. What our group is developing is called DNA vaccine. This is a new type of vaccine for which DNA functions as a vaccine. What constitutes this type of vaccine is a substance called plasmid DNA vector*. It is a circular DNA carrying a gene that gives an order to create proteins (antigens) distinctive of COVID-19. Once injected, the DNA vaccine will create COVID-19 proteins (antigens) in the body based on the order from the gene. These proteins have no toxicity and will not cause infections. However, the body's immune system will recognize and memorize the proteins (antigens) as a foreign substance and create antibodies that are immunity substances which remove the virus. If the virus enters the body, these antibodies will recognize it as a foreign

substance (foreign enemy) using the proteins of the virus (antigens) as a marker, inactivate it, and remove it. This is how the immune system works.

Throughout the entire process, a DNA vaccine does not use any dangerous pathogenic virus and is created based on the genetic information of a virus. It is therefore considered safer with no pathogenicity, unlike traditional vaccines. In addition, it has a manufacturing advantage as it can be produced in a large volume within a short period.

Takara Bio focuses on CDMO business that supports the development and manufacturing of regenerative medical products. In the CDMO business, pharmaceutical companies and other customers commission Takara Bio to manufacture vectors used in gene therapy and gene transduction cells introduced to humans and to conduct quality testing related to them. In the manufacturing of COVID-19 vaccines, Takara Bio can utilize the technologies, know-how, and facilities it has built up through the past development of gene therapy drugs.

*Biological material that has the function of carrying genes

TOPICS

1

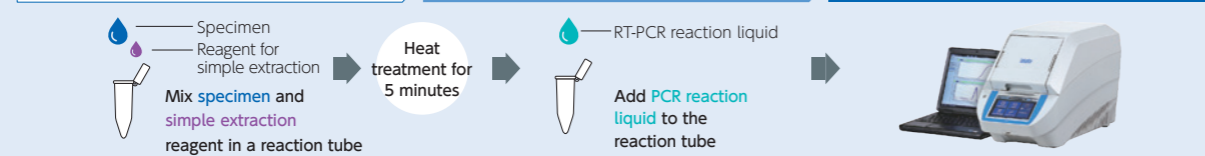
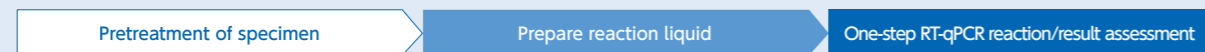
Newly launched speedy and simple PCR kit for detecting COVID-19

We launched a PCR test reagent (product name: SARS-CoV-2 Direct Detection RT-qPCR Kit) which enables speedy and simple testing of infections with COVID-19 with the reaction time of less than one hour, without requiring the pretreatment process where an RNA virus is refined from specimen. To meet the global COVID-19 PCR test demand, we have created a system to manufacture 20,000 kits a month (2 million reactions), contributing to the global fight against the COVID-19 infections.



PCR test reagent

Operation method



This kit	Pretreatment (approx. 10 min.)	RT-qPCR (approx. 50 min.)	Shorten the reaction time to less than one hour
Conventional method	Pretreatment/refining (approx. 1 hour)		RT-qPCR (1-2 hours)

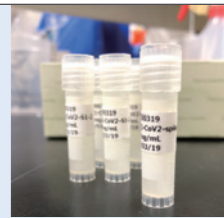
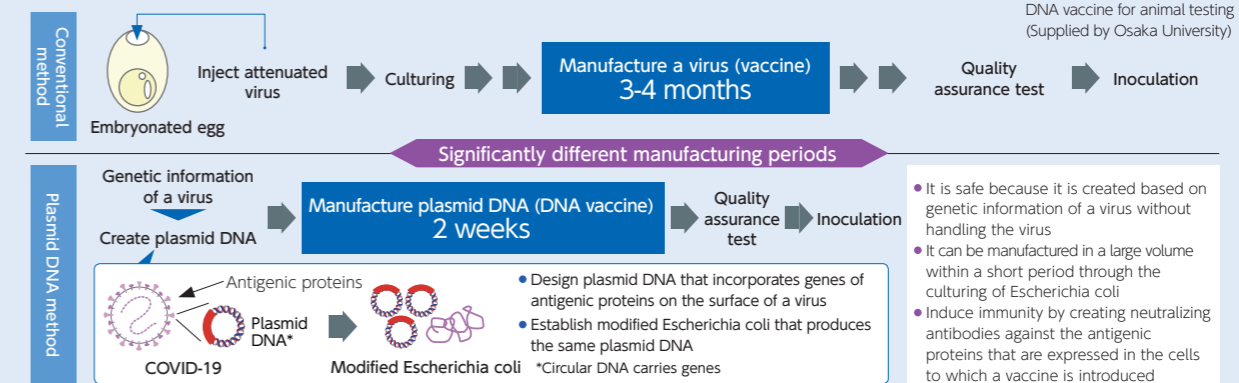
TOPICS

2

Manufacturing of COVID-19 Vaccine

Takara Bio participates in a development project of COVID-19 vaccines led by Osaka University and AnGes, Inc., using its experience in developing gene therapy drugs.

Comparison of the conventional method using embryonated egg cultures and plasmid DNA method in developing and manufacturing COVID-19 vaccines



DNA vaccine for animal testing (Supplied by Osaka University)

- It is safe because it is created based on genetic information of a virus without handling the virus
- It can be manufactured in a large volume within a short period through the culturing of Escherichia coli
- Induce immunity by creating neutralizing antibodies against the antigenic proteins that are expressed in the cells to which a vaccine is introduced

Our History

Going Ahead of the Times — Takara Group's Challenges

The Takara Group has its origin in sake making in Fushimi, Kyoto in 1842, and founded Takara Shuzo in 1925. Since then, we have adapted to changes including the turbulent periods during and after the Second World War, globalization, and the spread of IT, and repeatedly taken on various challenges to develop our business. We will continue taking on challenges to build a society brimming with smiles.



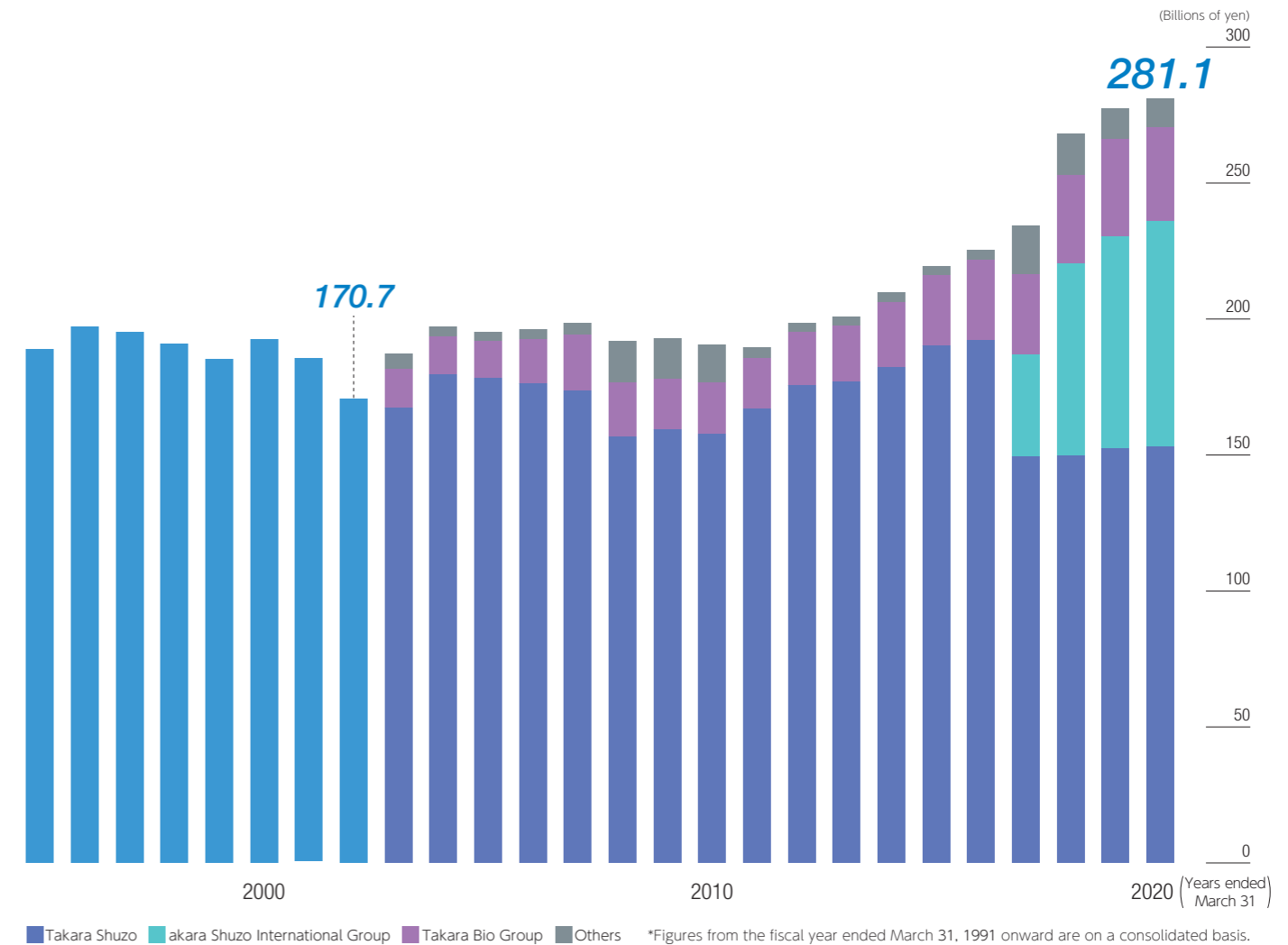
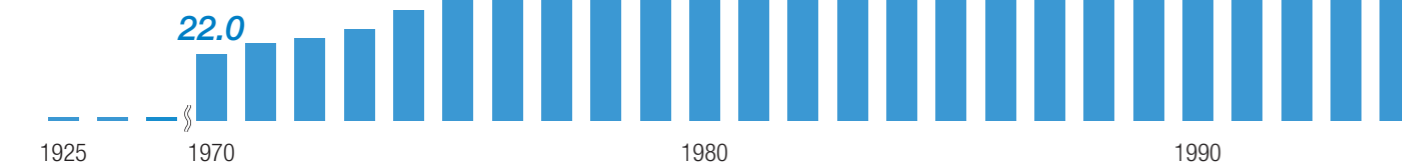
Sake making stock register



1897 Registered the "寶(Takara)" mark as a trademark for mirin

Founded in 1842 The Yomo family's fourth-generation Unosuke began sake making business in Takenakacho, Fushimi.

Net sales



1925 Founded TAKARA SHUZO CO., LTD.



1984 Launched *Takara Can Chu-Hi* as Japan's first canned chu-hi product



1988 Acquired the exclusive distribution right of PCR systems in Japan

1842 Began sake making business in Fushimi, Kyoto

1897 Registered the "寶(Takara)" mark as a trademark for mirin

1905 Founded Yomo GMK (predecessor of Takara Shuzo)

1946 Announced Three Points of Importance, Three Points of Care as the company motto

1957 Started the beer business

1977 Launched *Takara Shochu Jun* to reinvigorate shochu

1979 Commenced sales of the first domestically produced "restriction enzyme" as a reagent for genetic engineering research (launched the Biomedical Business)

1983 Founded Takara Sake USA Inc. to start manufacturing and selling *Sho Chiku Bai* produced in the U.S.

1997 Commenced global sales of gene therapy research reagent RetroNectin®

2001 Launched *Zenryo Imo Shochu Ikkomon*

2001 Completed *Shirakabegura* in Nada as a production base of high-quality sake



2010 Acquired shares of FOODEX S.A.S. (France) to enter the Japanese Food Wholesale Business in overseas market



2011 Launched *Sho Chiku Bai Shirakabegura Mio*, a sparkling sake



2020 Launched a COVID-19 PCR test kit

2002 Transitioned to a holding company system and founded TAKARA HOLDINGS INC.

2006 Launched *Takara Shochu Highball*

2008 Commenced Japan's first clinical trial for external gene therapy

2014 Completed the construction of the Center for Gene and Cell Processing

2016 Made Mutual Trading Co., Inc. (U.S.) into a consolidated subsidiary

2017 Launched *Takara CRAFT*, a chu-hi for limited local sales

2017 Established TAKARA SHUZO INTERNATIONAL CO., LTD.

2018 Takara Shuzo became No. 1 company in domestic sake sales

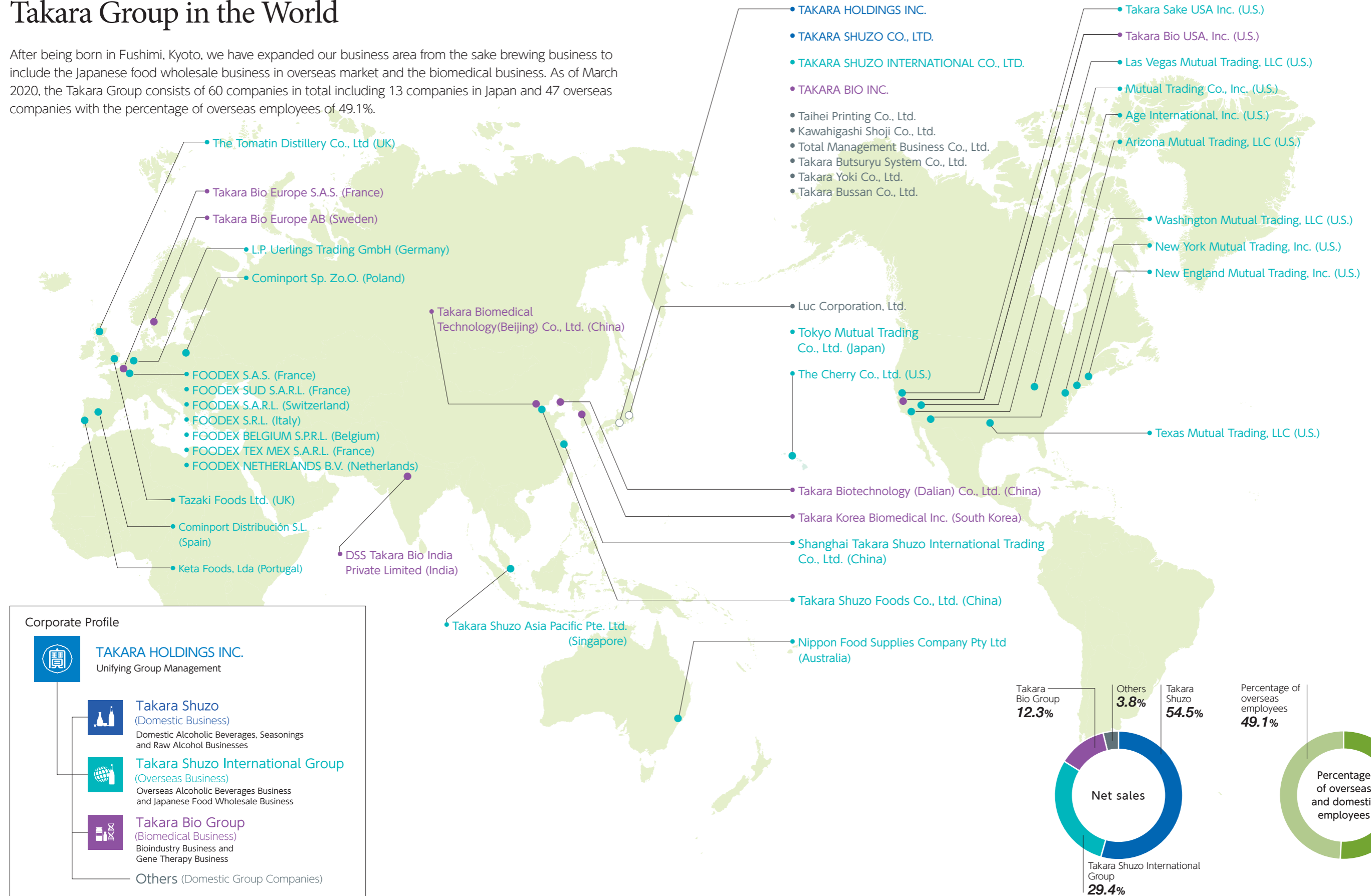
2020 Established TaKaRa Group Challenge for the 100th (long-term management vision) and Takara Group Sustainability Policy

■ Takara Shuzo ■ Takara Shuzo International Group ■ Takara Bio Group

Our Growth

Takara Group in the World

After being born in Fushimi, Kyoto, we have expanded our business area from the sake brewing business to include the Japanese food wholesale business in overseas market and the biomedical business. As of March 2020, the Takara Group consists of 60 companies in total including 13 companies in Japan and 47 overseas companies with the percentage of overseas employees of 49.1%.

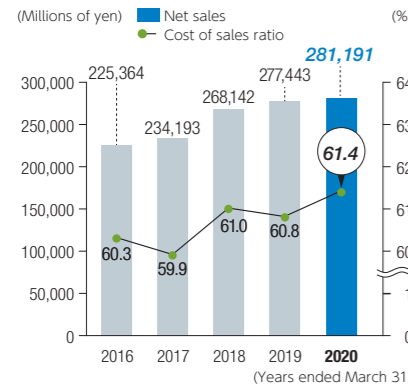


Takara Group's Snapshot

Financial Highlights

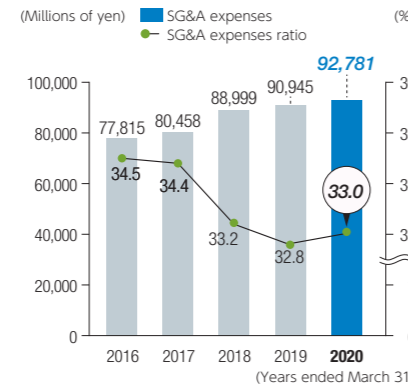
Net sales / Cost of sales ratio

¥281,191 million 61.4 %



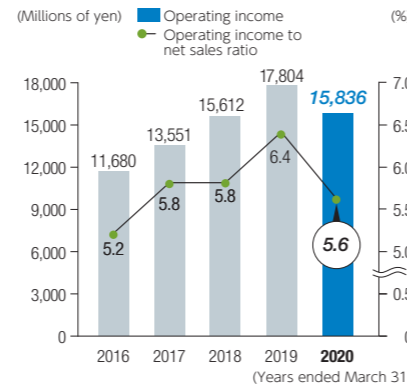
SG&A expenses / SG&A expenses ratio

¥92,781 million 33.0 %



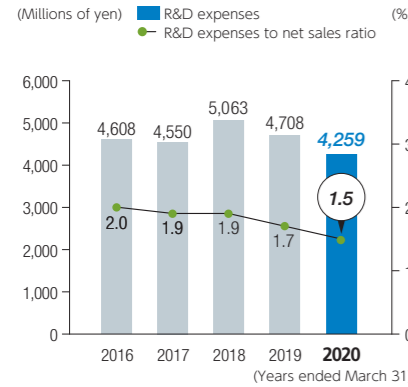
Operating income / Operating income to net sales ratio

¥15,836 million 5.6 %



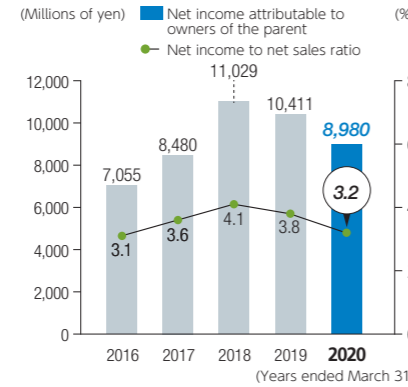
R&D expenses / R&D expenses to net sales ratio

¥4,259 million 1.5 %



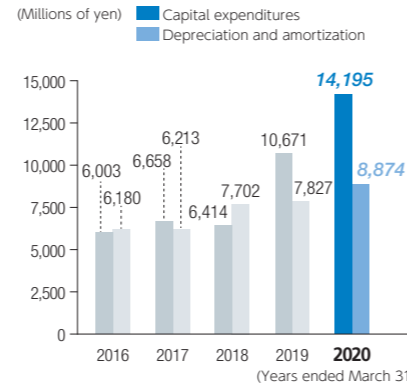
Net income attributable to owners of the parent / Net income to net sales ratio

¥8,980 million 3.2 %



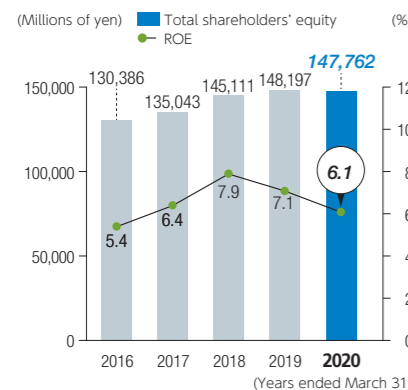
Capital expenditures / Depreciation and amortization

¥14,195 million ¥8,874 million



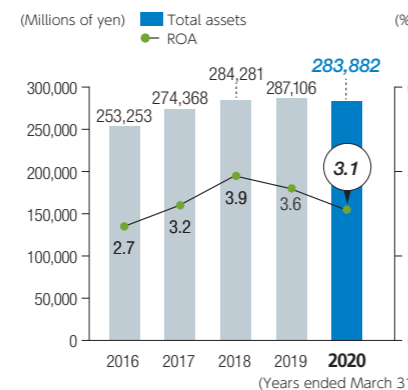
Total shareholders' equity / ROE

¥147,762 million 6.1 %



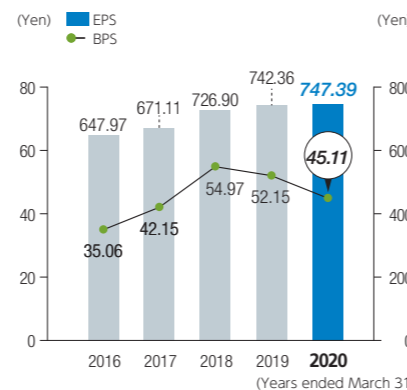
Total assets / ROA

¥283,882 million 3.1 %



EPS / BPS

¥45.11 ¥747.39

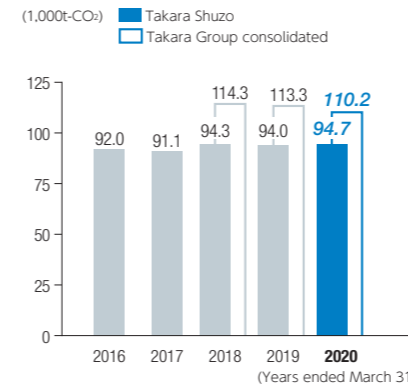


Note: The Company adopted Partial Amendments to Accounting Standard for Tax Effect Accounting from the fiscal year ended March 31, 2019, and some of the figures for the fiscal year ended March 31, 2018 have been restated.

Non-Financial Highlights

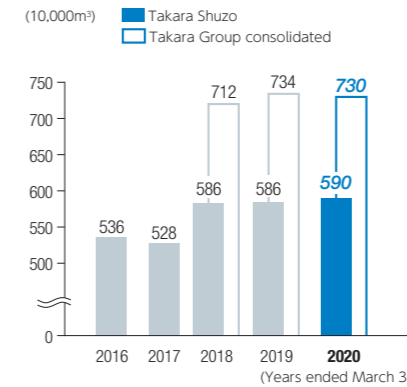
Production process CO₂ emissions

110,200 t-CO₂



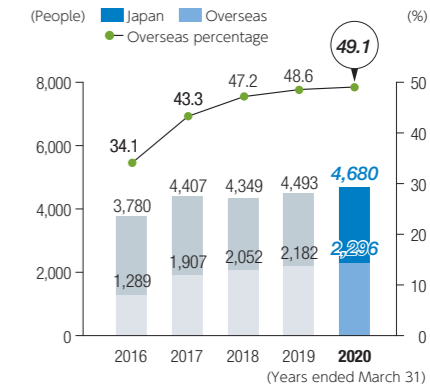
Volume of water used in production processes

7,300,000 m³



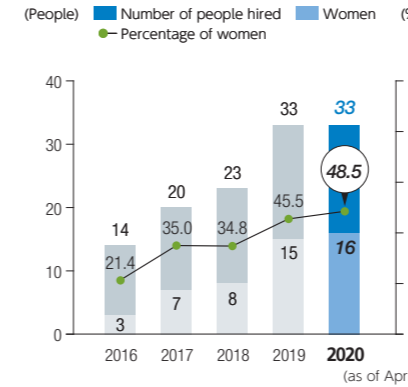
Percentage of overseas employees

49.1 %



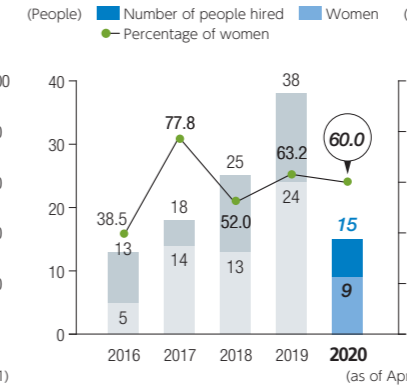
Percentage of women among college graduate new hires

48.5 %



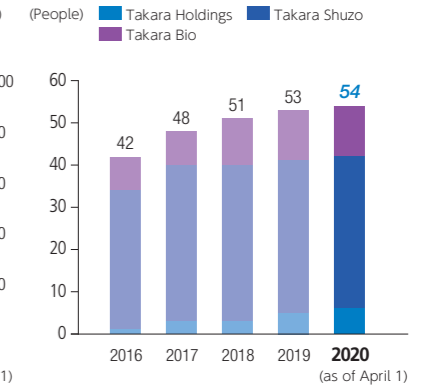
Percentage of women among college graduate new hires (Takara Bio)

60.0 %



Number of employees with disability

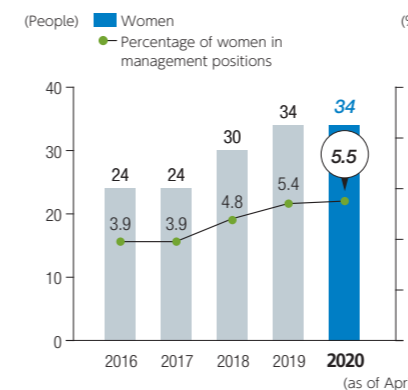
54



*All companies satisfy the statutory employment rate.

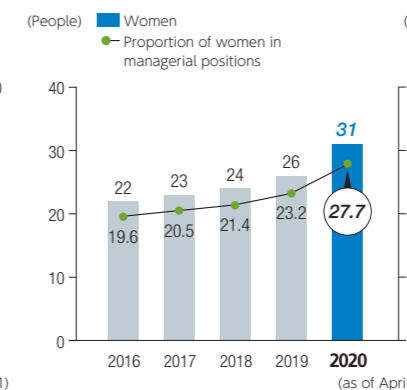
Percentage of women in management positions

5.5 %



Proportion of women in managerial positions (Takara Bio)

27.7 %



*Management position = assistant manager or above

*Managerial position = manager or above (including Acting Manager)

Message from the President



Mutsumi Kimura
Representative Director and President
TAKARA HOLDINGS INC.

Keep Challenging to Achieve Sustainable Growth and a Leap Forward

Takara Group's history spanning approximately 100 years is a history of challenges to create new values

Takara Holdings announced in May 2020 its long-term management vision, TaKaRa Group Challenge for the 100th (TGC100). TGC100 provides a guiding principle for the Group's business management for the six years toward 2025 (fiscal year ending March 31, 2026), which coincides with the 100th anniversary of the company's incorporation. Together with TGC100, we announced the three-year Takara Group Medium-Term Management Plan FY2023 (hereinafter, "MTMP2023") as a specific action plan of TGC100. [▶ Page 21-23](#)

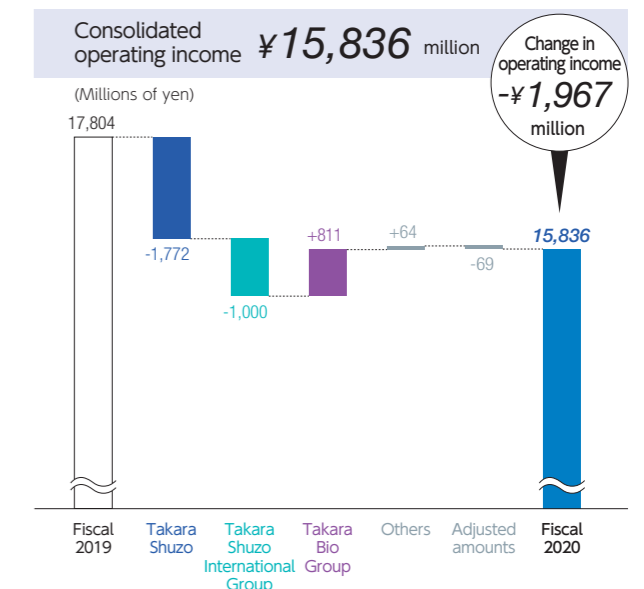
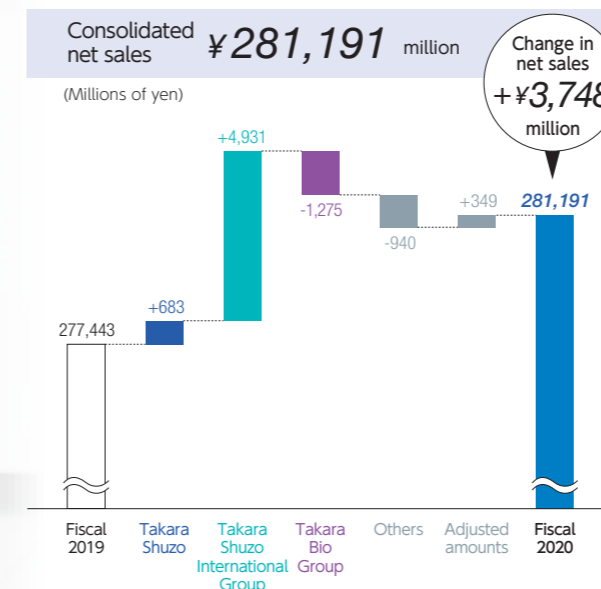
TGC100's title includes the word *Challenge* because our history spanning approximately 100 years was a history of challenges and we wish to continue this legacy. In 1912, before the foundation of Takara Shuzo, we began selling a new style of shochu, which became a prototype of the current *ko-type* shochu, and subsequently began producing it. We take pride in the fact that we have subsequently created new products and cultivated new markets at each important juncture of our times. For instance, we gave birth to a new genre of

light-alcohol refreshers in the alcoholic beverage market with the 1984 launch of *Takara Can Chu-Hi*, which became a hugely popular product.

On the other hand, as seen in the beer business in the 1950s, we also experienced a failure when we challenged to enter a mega market. The desire to recover from this failure, however, spurred us on to embark on the development of biomedical research reagents, which led to the Takara Bio Group's business today. While PCR tests for COVID-19 are widely known at present, it was 1988, more than 30 years ago, when our biomedical business began selling PCR systems for the first time in Japan under the exclusive distribution right. We have since continued supporting the foundation of biomedical research in Japan and the rest of the world.

Further, we began challenging ourselves to build a new growth foundation overseas: we entered the sake market in the U.S. in 1982 and started selling *Sho Chiku Bai* made in the U.S. in 1983. We now have a top market share in overseas sake markets. In addition, we acquired shares of FOODEX S.A.S., a

Breakdown of changes in consolidated financial results for fiscal 2020



Message from the President

French wholesaler of Japanese food, in 2010, paving ways to fully participate in the Japanese Food Wholesale Business in overseas markets. These challenges have grown to become today's Overseas Business of the Takara Shuzo International Group.

The Takara Group currently has three pillars of business: Domestic Business by Takara Shuzo, Overseas Business by the Takara Shuzo International

Group, and Biomedical Business by the Takara Bio Group. In each of these businesses, we have taken on challenges to create new values. TGC100 we have recently announced inherits the challenging spirit we have embraced for approximately 100 years and represents our ambition to challenge ourselves to achieve sustained growth toward the next era.

A balanced business structure consisting of the three businesses has enabled us to achieve targets set under a long-term management vision

The goal of the Takara Group Vision 2020, which is the long-term management vision we worked on until the fiscal year ended March 31, 2020, was to "grow businesses in markets in Japan and overseas in which the Group can leverage its strengths, establish a balanced business structure that is readily adaptable to changing conditions." We believe that we mostly achieved this goal.

Between the fiscal year ended March 31, 2011, the first year of the Takara Group Vision 2020, and the fiscal year ended March 31, 2020, our net sales increased considerably from ¥189.8 billion to ¥281.1 billion. Furthermore, operating income grew from ¥8.3 billion to ¥15.8 billion and the overseas sales ratio expanded from 7.8% to 36.3%. [▶ Page 22](#)

By business line, in the Domestic Business, we have become No.1 in the domestic market share on the back of the growing sales volume achieved through the launch and nurturing of new value products such as *Mio Sparkling Sake*, amid the contracting trend of the domestic sake market.

In the Overseas Business, we were able to dramatically expand our Japanese Food Wholesale Business in overseas markets by appropriately

taking advantage of the global popularity of Japanese food as a tailwind and established Takara Shuzo International to facilitate further growth.

In regard to the Biomedical Business, we expanded our CDMO (Contract Development & Manufacturing Organization for regenerative medical products, etc.) business with the operation of the Center for Gene and Cell Processing, while the Gene Therapy Business generated revenue.

As a result of the above, we have evolved into a group with a balanced business structure, as set out in our management goal, with the Domestic Business making up 26.4%, Overseas Business 22.3%, and Biomedical Business 39.6%, respectively, of operating income in the fiscal year ended March 31, 2020.

For the fiscal year ended March 31, 2020, the consolidated net sales of the Takara Group amounted to ¥281,191 million in, (up 1.4% year on year), again reporting record net sales as in the previous fiscal year. In terms of profits, we posted ¥15,836 million in operating income (down 11.1% year on year), ¥16,269 million in ordinary income (down 11.4% year on year), and ¥8,980 million in net income attributable to owners of the parent (down 13.7% year on year).



Sincerely addressing management challenges to improve the Group's corporate value

In recent years, the environment surrounding the Takara Group has been plagued by difficulties. These include Japan's aging and declining population and long-term contraction trend of the alcoholic beverage market due to the younger generation turning away from drinking, the rising food and resource prices caused by the global population increase, the higher personnel expenses due to the difficulty in securing human resources, and the persistently high level of logistics expenses. Overseas, tensions are rising over the straining of the Middle Eastern situation and trade issues including the U.S.-China trade conflicts. We therefore anticipate our business environment to be more difficult in the future.

Nonetheless, we expect a growth in the light-alcohol refreshers (RTD) beverage market in the Domestic Business and the worldwide medium- to long-term growth in the *washu* (Japanese alcoholic beverages) and Japanese food markets in the Overseas Business. In addition, we anticipate long-term growth in both overseas and domestic markets for the industries in which the Takara Bio Group operates such as peripheral industries of regenerative medicine and cell therapy and the biomedical industry. This will likely provide much more growth opportunities to the Group.

Based on this business environment, TGC100 advocates "Smiles in Life" as the Takara Group's Vision (where the Takara Group wants to be). This Vision represents our desire to deliver smiles to people through the provision of enriched dietary lifestyles including alcoholic beverages. It also expresses our wish to bring smiles to those suffering from health problems and their families by contributing to the healthy living of people through our Biomedical Business.

To achieve the Vision, we will further enhance our technical prowess, product competitiveness, and brand position, and deliver diverse value in the *washu* and Japanese food markets and in the life science industry. Through these efforts, we will strengthen the Takara Group's presence in Japan and overseas and aim to achieve our sustained growth and a leap forward.

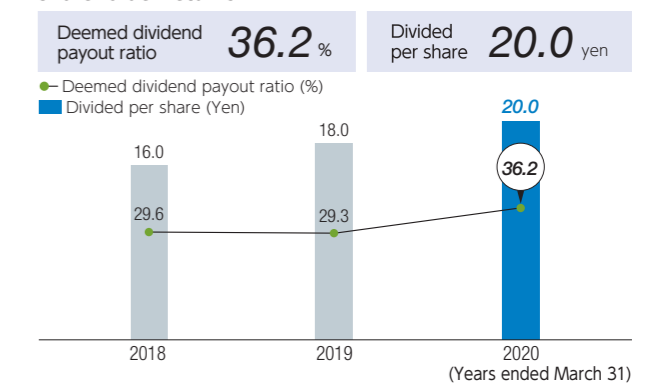
In TGC100, we have set tangible goals for the fiscal year ending March 31, 2026. On a consolidated basis, we aim to achieve net sales of ¥340 billion or above, operating income of ¥23 billion or above, 44% or greater overseas sales over total net sales, and an ROE of 8% or above.

In addition, in accordance with the basic policy of MTMP2023, which was announced together with TGC100, we will detect any signs of change in the business climate early on and allocate and invest the right management resources to the areas that need enhancement. Under this basic policy that takes into account TGC100, we will boost our earnings power based on the business structure that keeps creating diverse values and facilitate the reconstruction of global corporate functions. We thereby position the three years under MTMP2023 as a period to establish a solid foundation for achieving sustainable growth in Japan and overseas and increasing the Group's corporate value through these efforts.

The tangible goals we set under MTMP2023 for the fiscal year ending March 31, 2023 are to post on a consolidated basis ¥300 billion or above in net sales, ¥17.4 billion or above in operating income, 39% or greater overseas sales over total net sales, and an ROE of 7% or above.

With respect to shareholder returns, we have kept increasing dividend payments until the fiscal year ended March 31, 2020 based on the dividend policy of achieving the deemed dividend payout ratio* of 30%. From the fiscal year ending March 31, 2021, our approach of providing appropriate shareholder returns based on sustainable growth of profits will remain unchanged and we plan to make stable dividend payments with a payout ratio in the upper 30% mark. We will also flexibly implement the acquisition of treasury stocks. [▶ Page 23](#)

Shareholder returns



Promote transformation to value-added business management while further demonstrating the strengths of each business

For the strategy of each business under TGC100, we have set goals based on the achievements made and challenges identified under the Takara Group Vision

2020 mentioned above.

First, in the Domestic Business by Takara Shuzo, we will promote transformation to value-added

Message from the President

business management leveraging our position as the top manufacturer of Japanese traditional alcoholic beverages in Japan. By doing so, we will rebuild our business foundation for steady earnings growth and enhance our corporate image, thereby bolstering the foundation of our status as the No.1 global *washu* company (No. 1 in *washu* in Japan and overseas (exports and local production)).

As I said at the beginning, to develop high value-added products, I think it is important to keep taking on challenges to create values that other companies do not offer.

Furthermore, as our steady management of the Domestic Business has enabled us to build a foundation for the Overseas Business and the Biomedical Business, I think it is also important that our Domestic Business plays a role as a base to create new businesses in the future.

In the Overseas Business conducted by the Takara Shuzo International Group, we will accelerate the expansion of our *washu* sales across the globe and broaden our overseas network of Japanese food wholesalers, while achieving further synergies across the Group in Japan and abroad, and aim to become the No.1 global *washu* and Japanese food company in overseas markets (No. 1 in *washu* overseas (exports + local production) and No. 1 in the wholesale of Japanese food in overseas markets).

Especially in the Overseas Japanese Food

Wholesale Business, we have created a sales network of Japanese restaurants and other buyers in Europe, the U.S., and Oceania, despite being a latecomer in the market. Leveraging this strength, we will enhance our proposals for an enriched dietary lifestyle through *washu* and Japanese food.

We also aim to become the No. 1 global *washu* and Japanese food company (No. 1 in global *washu* + No. 1 in the wholesale of Japanese food in overseas markets) through the promotion of cooperation between the Domestic Business and the Overseas Business with a sense of oneness.

In addition, as a challenge for the Overseas Business during the current growing phase of the business, I believe it is important to enhance the defensive aspects including internal control of the organization, while being offensive in terms of sales promotion at the same time. Going forward, we aim to continue sustainable growth while balancing the two.

In the Biomedical Business by the Takara Bio Group, we will proceed with the development of bio-drug discovery platform technologies through the research reagents and scientific instruments businesses and the CDMO business in order to become a drug discovery company that keeps creating new modalities (treatments). In the medium- to long-term, we will focus on maximizing the value of each of the multiple drug discovery projects we are currently working on.

should focus in our sustainability efforts from among the social issues surrounding the Takara Group. These include *safety and reliability* and are selected based on their impact on the Group's business and stakeholder expectations. The Policy also presents our approach to each of these issues. Of those, *safety and reliability* are considered an issue that is of the highest importance for a company that engages in businesses in the areas of dietary lifestyles and healthcare.

In our long history, we have always been conscious of our involvement with society. For instance, we commenced "Come Back Salmon Campaign" in 1979 to support citizens' movement to return salmon to the river. This set a precedent for corporations' support for nature conservation activities.

We afterwards established the Takara Harmonist Fund, a charitable trust, in 1985. The Fund has since kept implementing activities aimed to protect Japan's natural environments and providing assistance for research and other efforts to protect the wildlife in these habitats.

In recent years, we have worked on the development of regional communities through the nurturing of community-based products such as *Takara CRAFT* chu-hi, which uses local ingredients

and is only available in specific regions of Japan.

We believe that what is most important in these activities is to continue them regardless of ups and downs of economic conditions. We plan to keep making contribution to society under the Takara Group Sustainability Policy amid the rapidly changing social environment that requires responses on a global scale.

In conjunction with the establishment of TGC100, the Takara Group defined the Group's Identity (Essence of Takara) together with the Policy. Owing to the growth of the Overseas Business and the Biomedical Business, our Group now hires diverse human resources worldwide. Taking this into account, we wish to communicate to our domestic and overseas employees our corporate philosophy, which is the Group's *raison d'être*, and the values we have cherished as a company in realizing our corporate philosophy throughout our history in the simplest possible manner. Going forward, based on this Identity, we plan to bring together the Takara Group employees' diverse talents, thereby boosting a sense of unity as a group and developing our corporate culture to achieve the Vision.

■ > Page 24

Step up efforts to create values for society by working on material issues (materiality)

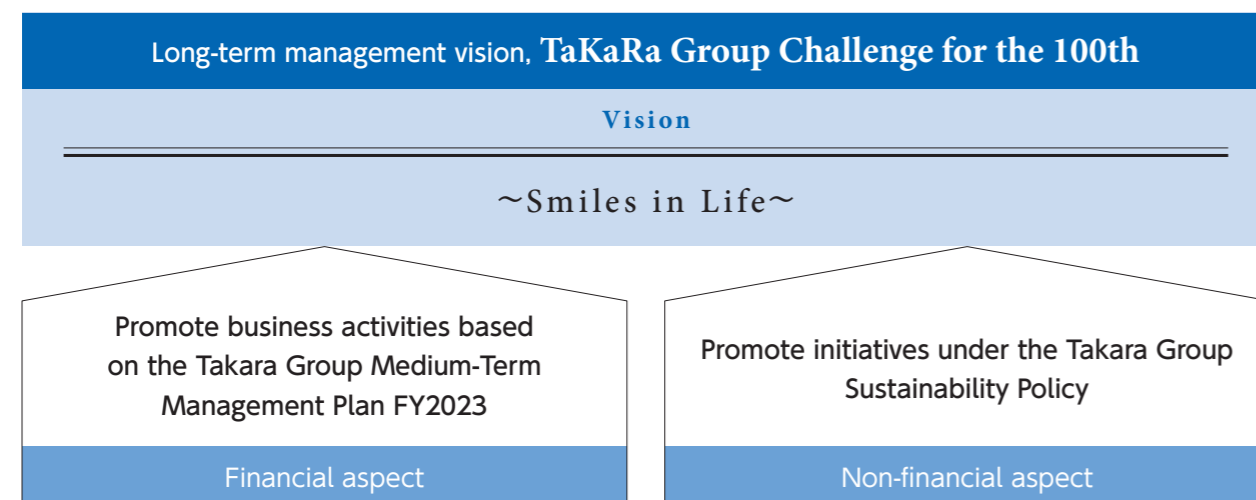
In conjunction with the launch of TGC100 and MTMP2023, we established the Takara Group Sustainability Policy to present the Group's approach to social and environmental issues.

We established the Policy with a belief that we

needed to step up efforts in resolving various social issues to continue creating social values through our business activities in the future. ■ > Page 33

The Takara Group Sustainability Policy has identified ten material issues (materiality) on which we

Relationship among the Vision, Medium-Term Management Plan, and Takara Group Sustainability Policy



Strive to improve corporate value in the era of new normal

Lastly, I will touch on the impact of COVID-19, which is the latest, greatest business risk we face.

In terms of industries related to the Takara Group's business, first and foremost, COVID-19 has had a grave impact on the food service industry. In terms of the Overseas Business in particular, impacts on net sales are inevitable because our main buyers are food service operators.

In the Biomedical Business, a temporary decline in R&D activities of global customers may affect our research support business such as the research reagent and scientific instruments businesses.

In contrast to these negative changes in the environment, the Domestic Business is experiencing an expansion in the home consumption market due to stay-at-home demand and a growth in new types of drinking activities such as online drinking parties. We endeavor to develop and propose attractive products to meet these diverse needs of our customers. In the Overseas Business, we will explore new sales opportunities, expanding our business to the retail market including takeaway and delivery food services, mail-order or online sales, and mass retailers. In addition, there has been a strong growth in the needs for PCR-related products and DNA vaccines in the Biomedical Business. We consider it our mission to meet these demands.

While responding to these changes, the Takara

Group will steadily implement TGC100 and MTMP2023 to achieve sustainable growth and improve our corporate value with a balanced business portfolio founded on our three core businesses, namely, the Domestic Business, the Overseas Business, and the Biomedical Business.

We will continue aiming to become a corporate group that is trusted by our stakeholders by creating values for society through our business activities, and contribute to the realization of a sustainable society. I would sincerely appreciate the continued unwavering support from all our stakeholders.



Our Value Creation Process

For the Takara Group, the preservation of rich natural environment is a major premise in continuing its business. As a corporate group engaged in food and healthcare businesses, the safety and reliability of its services is the most important theme. At the same time, we need to address a variety of social issues that include alcohol-related problems.

Under TGC100, our long-term management vision, we will fulfill our responsibilities as a company to create a sustainable society by creating social value through our business activities. And through this value creation process, we aim to help people connect with each other and lead healthy and fulfilling lives full of smiles.

Business Environment

Domestic Business

Alcohol consumption in decline: younger people drinking less
The Liquor Tax Act revised
The seasonings market growing around take-out meals

Biomedical Business

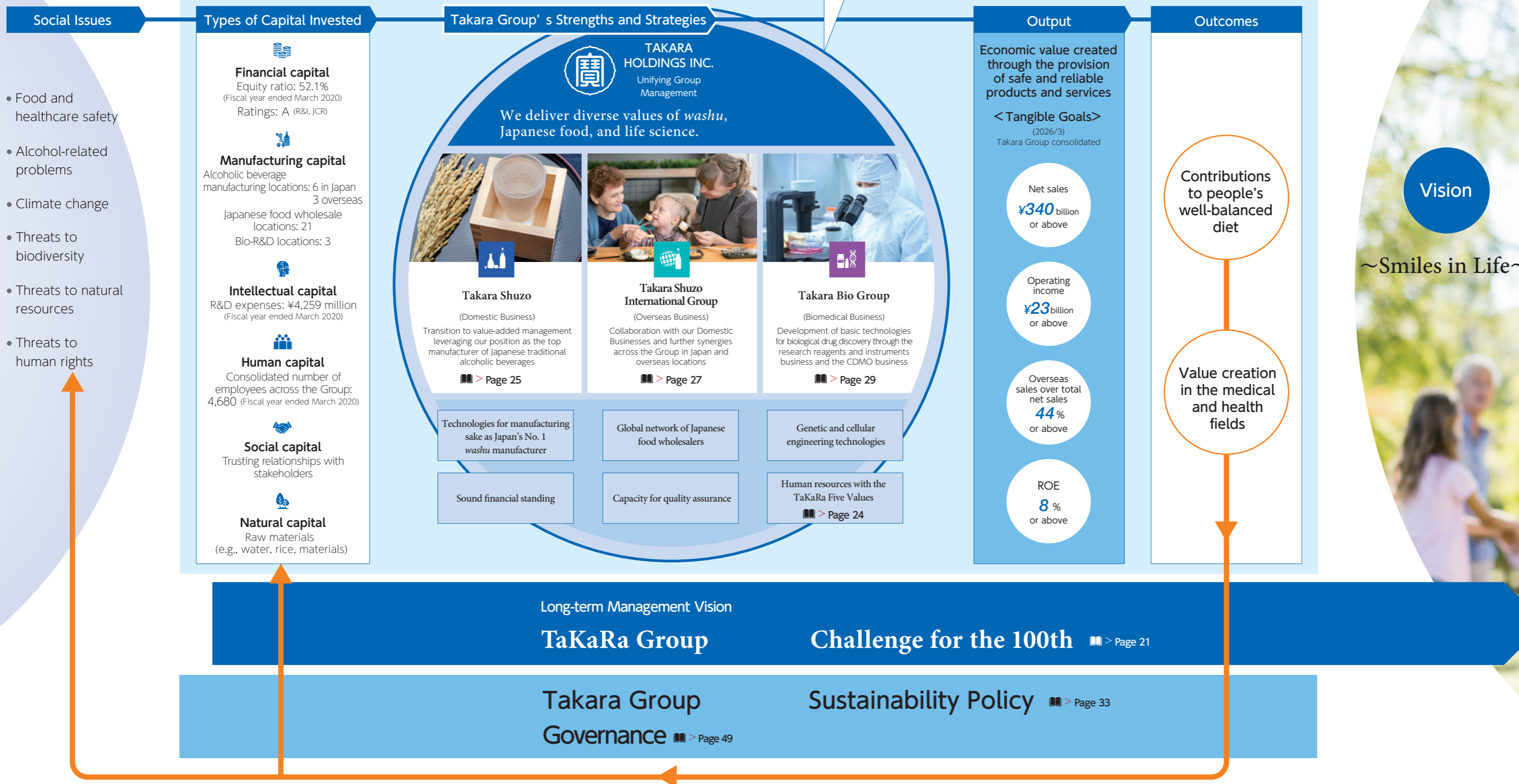
Industries related to regenerative and cellular medicine and the biomedical industry expanding markets

Overseas Business

The global Japanese food market expanding
Further growing demand for sake made in Japan

General trends

Soaring costs with no sign of decline
Businesses increasingly required to help address various social/environmental issues related to ESG or the SDGs



Long-term Management Vision TaKaRa Group Challenge for the 100th

The Takara Group has formulated the six-year long-term management vision "TaKaRa Group Challenge for the 100th" toward 2025 (the fiscal year ending March 31, 2026) that marks the Group's 100th anniversary.

Under the management vision, we uphold the slogan "Smiles in Life" as the Takara Group's Vision (where the Takara Group wants to be). This clearly represents our commitment to safely and reliably deliver diverse value in the *washu*, Japanese food, and life science categories by utilizing our technology to produce great-tasting products and revolutionary biotechnology.

To fulfill this commitment, we will further

reinforce our technical prowess, product competitiveness, and brand position so as to deliver diverse value to the *washu* and Japanese food markets and in the life science industry to establish a more prominent presence in Japan and the global market and ensure sustainable and accelerated growth.

Under this management policy, we have set tangible goals for the fiscal year ending March 31, 2026. We aim to achieve the consolidated net sales of ¥340 billion or above, the consolidated operating income of ¥23 billion or above, 44% or greater overseas sales over total net sales, and an ROE of 8% or above.

Vision

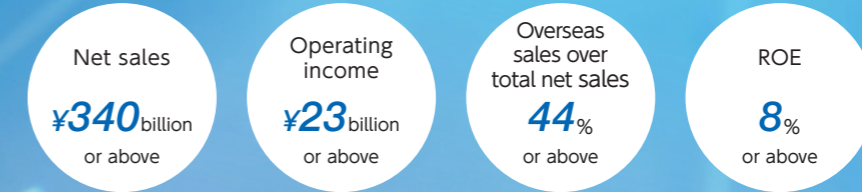
Smiles in Life

The Takara Group aspires to use its proprietary technology to produce great-tasting products and revolutionary biotechnology to safely and reliably deliver diverse value in the *washu* and Japanese food, and life science categories and help people connect with each other and lead healthy and fulfilling lives full of smiles.

Management Policy

We will further reinforce our technical prowess, product competitiveness, and brand position so as to deliver diverse value to the *washu* and Japanese food markets and in the life science industry to establish a more prominent presence in Japan and the global market and ensure sustainable and accelerated growth.

Takara Group's Consolidated Tangible Goals (fiscal year ending March 31, 2026)



Business Strategies

<p>Takara Shuzo</p> <p>Leverage its No.1 position in the <i>washu</i> market in Japan to switch to value-added business management, which will serve as a basis for achieving profitable growth, enhancing our corporate image, and continuing to be the No.1 global <i>washu</i> company^{(*)1}.</p>	<p>Takara Shuzo International Group</p> <p>Aim to become the No.1 <i>washu</i> and Japanese food company^{(*)2} abroad by bolstering the global sales of <i>washu</i>, expanding the global wholesaling network for Japanese food, and achieving further synergies across the Group in Japan and abroad.</p>	<p>Takara Bio Group</p> <p>Aim to become a drug-discovery company poised to create new therapeutic modalities^{(*)4} by developing basic technologies for biological drug discovery through the research reagent and equipment business and the CDMO business.</p>
<p>Common Goal of the Domestic Business and the Overseas Business</p> <p>Takara Shuzo and the Takara Shuzo International Group will work together with a sense of unity to achieve the common goal of becoming the No.1 global <i>washu</i> and Japanese food company^{(*)3}.</p>		
<p>Other (Domestic Group Companies)</p> <p>Fulfill the missions of each company clearly defined according to their positions and roles within the Takara Group and contribute to the Group's efforts to achieve better business performance and increase its corporate value.</p>		
<p>Management foundation (Takara Holdings' corporate departments)</p> <p>Lead the group management globally and enhance corporate functions to increase the Group's corporate value and its sense of unity, and improve the efficiency of corporate departments.</p>		

*1: No. 1 *washu* sales in Japan and overseas markets (exports + local production) combined
 *2: No. 1 *washu* sales in overseas markets (exports + local production) + No. 1 wholesale of Japanese food in overseas markets
 *3: No. 1 global *washu* sales + No. 1 wholesale of Japanese food in overseas markets *4: Treatments

Recap on Takara Group Vision 2020

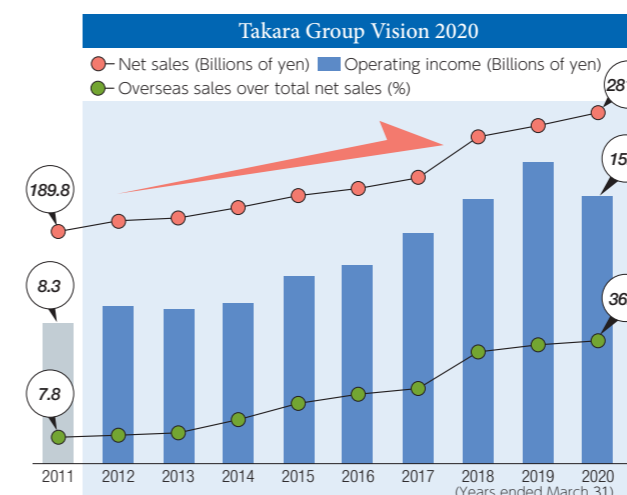
Takara Group Vision 2020 (April 2011 - March 2020)

Grow businesses in markets in Japan and overseas in which the Group can leverage its strengths, establish a balanced business structure that is readily adaptable to changing conditions

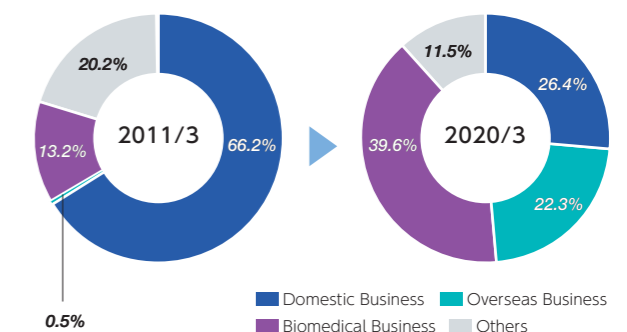
The Takara Group Vision 2020, which is our long-term management vision until the fiscal year ended March 31, 2020, set forth the business goal "Grow businesses in markets in Japan and overseas in which the Group can leverage its strengths, establish a balanced business structure that is readily adaptable to changing conditions."

We established the Group's management structure, developed and advanced differentiated products, and took actions to expand the Biomedical Business and the Overseas Business accordingly. Consequently, the Domestic Business achieved No.1 domestic market share

in the sales volume of sake products, resulting in an overall sales growth mainly led by light-alcohol refreshers amid the shrinking market. In the Overseas Business, we dramatically expanded our Japanese Food Wholesale Business in overseas markets thanks to the global popularity of Japanese food, and established Takara Shuzo International to facilitate further growth. In the Biomedical Business, we expanded our CDMO business with the operation of the Center for Gene and Cell Processing, while the Gene Therapy Business generated revenue.



Operating Incomes by Business for Fiscal Years Ended in March 2011 and 2020



*Some of the figures are reference values as the data is from the time before the establishment of Takara Shuzo International.

Takara Group Medium-Term Management Plan FY2023

As the first step of action plans for the new long-term management vision, "TaKaRa Group Challenge for the 100th," we have started implementing the three-year Takara Group Medium-Term Management Plan FY2023 that covers the years from fiscal 2021 to fiscal 2023 (the fiscal year ending March 31, 2023).

Basic Policy

Establish a solid basis for achieving sustainable growth of the Group's business in Japan and overseas and increasing its corporate value. This can be done by keeping an eye on early signs of changes in the business environment, allocating appropriate management resources to high-priority fields, and rebuilding business structures and global corporate functions capable of continually creating diverse value that will bolster profitability.

Takara Group's Consolidated Tangible Goals (fiscal year ending March 31, 2023)



Key Strategies of Each Business

Takara Shuzo	Takara Shuzo International Group	Takara Bio Group
<ul style="list-style-type: none"> (1) Evolve into a profit-generating company leveraging its strengths as the No. 1 <i>washu</i> company. (2) Understand customer needs and promote the development and nurturing of products highly conscious of generating profit (3) Improve brand value by continuing efficient nurturing measures that stimulate customer demand (4) Promote cost reduction from the viewpoint of total optimization centered on the equalization of operation rates (5) Strengthen quality control systems in manufacturing subcontractors and overseas group companies 	<ul style="list-style-type: none"> (1) Accelerate the global expansion of <i>washu</i>, centering on sake (2) Expand and improve overseas Japanese food wholesale networks and enhance product procurement abilities (3) Achieve synergies between the Japanese Food Wholesale Business in overseas markets and Overseas Alcoholic Beverage Business (4) Strengthen administrative aspects of overseas group companies 	<ul style="list-style-type: none"> (1) Sustainable growth of the research reagents and scientific instruments businesses and CDMO business (2) Accelerate drug discovery alliances and generate new clinical projects (3) Accelerate business development in the growing global markets
<p>Common Goal of the Domestic Business and the Overseas Business</p> <p>Promote collaboration between Takara Shuzo and the Takara Shuzo International Group and enhance the development of export products and information dissemination within and outside Japan in order to establish Takara's <i>washu</i>, centered on <i>Sho Chiku Bai</i>, as global brands.</p>		
<p>Other (Domestic Group Companies)</p> <ul style="list-style-type: none"> (1) Further enhance logistics, procurement, and other functions within the Group (2) Improve the profit level and generate cash in the external sales business to contribute to the Group 		
<p>Management foundation (Takara Holdings' corporate departments)</p> <ul style="list-style-type: none"> (1) Promptly comprehend the business performance of the Overseas Business and establish a global cash management foundation (2) Systematically recruit, develop, and assign human resources to realize global business growth (3) Strengthen quality audit systems within and outside Japan including the Japanese Food Wholesale Business in overseas markets (4) Enhance risk management and compliance in overseas Group companies (5) Disseminate the Group's common values, such as the Vision and Values in TGC100, throughout the Company (6) Strengthen corporate communication to improve corporate value (7) Continue examining an optimal corporate governance structure based on the Corporate Governance Code and changes in the stock market 		

Financial Policy

- Make growth investments with an awareness of improving investment efficiency based on the maintenance of a sound balance sheet and enhance profitability and efficiency to improve ROE
- Provide appropriate shareholder returns based on sustainable profit growth

<Shareholder Return Policy>

Continue stable dividend payments with a payout ratio in the upper 30% mark in line with sustainable profit growth.
In addition, flexibly implement the acquisition of treasury stocks.

<ROE Improvement Measures>

- Work on improving the working capital turnover ratio to increase cash flow from operating activities
- Sell cross shareholdings flexibly to generate funds
- Proactively make growth investments to improve profits

Our Identity (Essence of Takara)

The Takara Group has defined its "Identity" (Essence of Takara) in conjunction with the formulation of the long-term management vision "TaKaRa Group Challenge for the 100th."

Under the Corporate Philosophy, which is the Group's *raison d'être*, we redefined the values that all employees in the Group should cherish to realize the philosophy as the "Values (Group's common values), and organized them as the Takara Group's "Identity" (i.e., essence), together with the Vision (where the Takara Group wants to be) as set forth in TGC100.

Based on this "Identity," we will bring together the diverse talents of each and every employee in the Takara Group, and thereby foster its corporate culture to achieve the Vision while boosting a sense of unity as a corporate group without losing the essence of Takara.

Corporate Philosophy

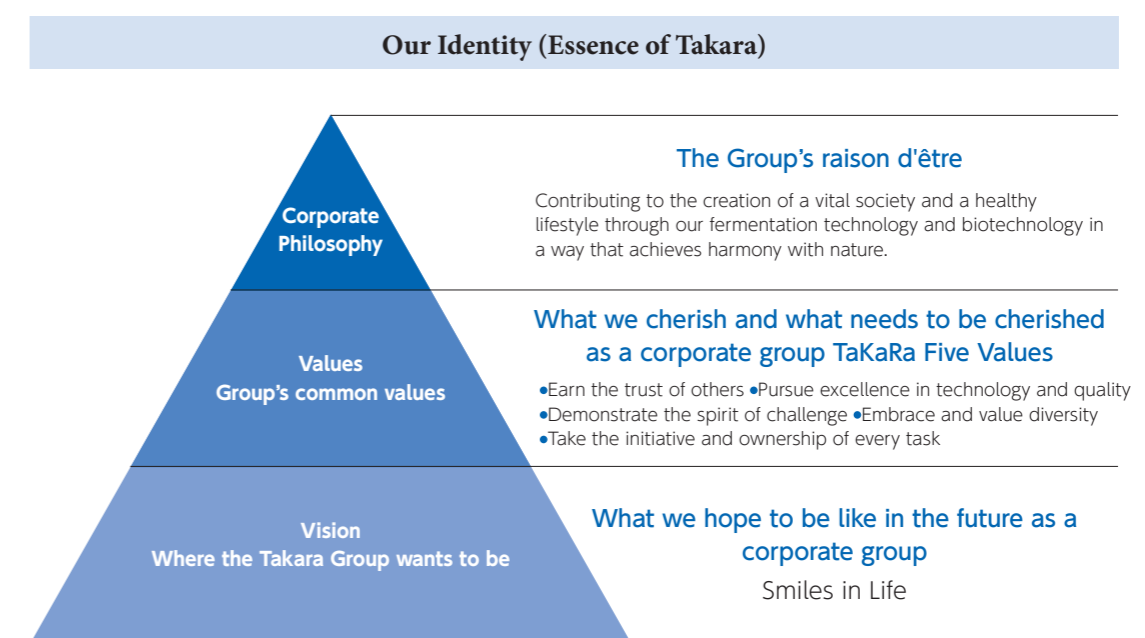
Contributing to the creation of a vital society and a healthy lifestyle through our fermentation technology and biotechnology in a way that achieves harmony with nature.

Values (Group's common values)

We have put them together as "TaKaRa Five Values" to make it easier to understand for our employees in Japan and overseas alike, based on the values, points of view, and spirit that have been handed down internally over the years as well as the change of the times and the trend of globalization.

Vision (where the Takara Group wants to be)

The Vision presents what the Takara Group aims to be like in the long term, taking into account various factors such as the Group's core competencies, core business domains, and the value the Takara Group strives to provide for society.



Business Strategies

Segment Information

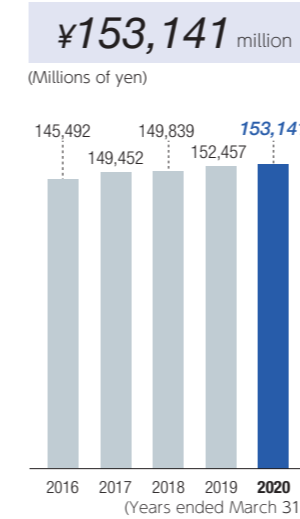
Takara Shuzo



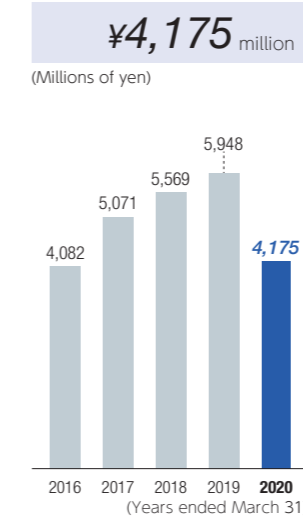
One of Japan's leading manufacturers of various types of *washu* (Japanese traditional alcoholic beverages and seasonings), including sake, shochu, and a Japanese seasoning called Hon-mirin, Takara Shuzo boasts a well-balanced product portfolio built upon its unique technological development capabilities and stable production system.



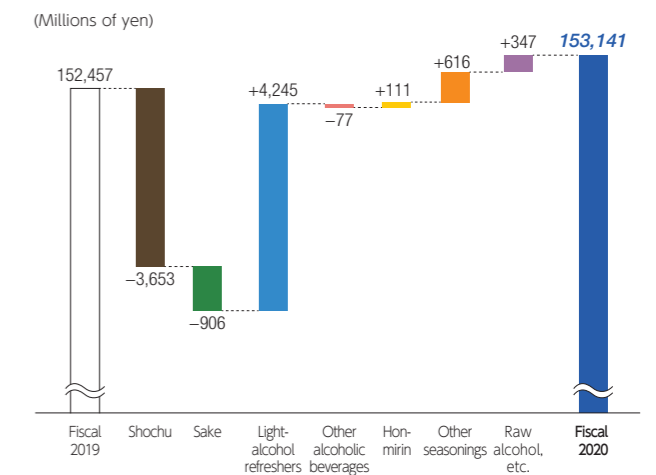
Net sales



Operating income



Analysis of changes in net sales for fiscal 2020



Growth of our light-alcohol refreshers and seasonings has led to sales growth

Business Overview

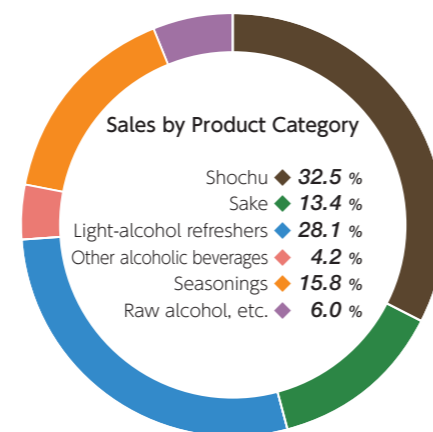
Against the backdrop of the declining birthrate and aging population in Japan, the total alcohol consumption in Japan has been on the decrease. Amid this condition, Takara Shuzo has continued to develop products differentiated by its own technologies and enhanced its product development system to meet diversifying consumer needs in a timely manner, focusing on gaining a greater competitive edge in each category.

In regard to the shochu category, we worked on expanding sales of *Kodawari no Lemon Sour Takara Shochu*, one of the *ko-type* shochu for consumption at home. We have also revamped *Zenryo Imo Shochu Ikkomon* in the honkaku shochu category to enhance its refreshing flavor.

As for the sake category, we kept working on increasing sales of *Sho Chiku Bai Ten* for consumption at home and *Sho Chiku Bai Gokai* for bars and restaurants, while launching *Sho Chiku Bai Shirakabegura Mio Ichika* as part of the product line of *Mio Sparkling Sake*.

As for the light-alcohol refresher category, we made utmost efforts to expand the sales of *Takara Shochu Highball*, the core brand of our dry flavored chu-hi. We also worked to expand the sales of *Takara Gokujo Lemon Sour*, an elaborately crafted product that offers the flavor of cask-aged shochu.

In the seasonings category, we have renewed packaging design of Hon-mirin and cooking sake in order to strengthen the emphasis of the culinary effects of "power of alcohol." As for seasonings for food processing, we developed and nurtured products based on user needs, along with high value-added products



differentiated by our proprietary technologies. As a result of these efforts, Takara Shuzo's net sales rose 0.4% year on year to ¥153,141 million. In terms of profit, operating income dropped 29.8% year on year to ¥4,175 million due to higher costs of raw materials, shipping, and sales promotion, among others.

Under the Medium-Term Management Plan FY 2020, we made efforts with the aim of establishing a firm position as the No. 1 *washu* manufacturer in the domestic sake and seasonings markets. We achieved the largest sales volume of sake in Japan, and the sales of our products centered on light-alcohol refreshers have continued to rise, despite the contracting trend of the domestic alcoholic beverage market.

Initiatives under the Takara Group Medium-Term Management Plan FY2021-2023

Takara Shuzo aims to evolve into a profit-generating company by shifting to the profit and profit margin-oriented strategies, carrying out strategies for each product category while leveraging our position as the No. 1 *washu* company, and making a company-wide effort to ensure cost reduction and improvement of efficiency.

As our key strategies, we aim to understand customer needs and promote the development and nurturing of products highly conscious of generating profit while improving brand value by continuing efficient nurturing measures that stimulate customer demand. We will also promote cost reduction from the viewpoint of total optimization centered on the equalization of operation rates.

In regard to strategies by category, we plan to

enhance our appeals to our customers on the quality of the Takara brand in the *ko-type* shochu category. As for the honkaku shochu category, we will focus on the range of products developed with our proprietary technologies centered on *Zenryo Imo Shochu Ikkomon*. As for the sake category, we will leverage our position as Japan's No. 1 sake manufacturer and our sales capabilities to engage in the nurturing of value-added products.

As for the light-alcohol refresher category, we intend to create multiple value-added brands, and focus on establishing our own position in the market and boosting the profitability of *Takara Shochu Highball*. In the seasonings category, we plan to develop products with great appeal and highly profitable products leveraging strength in quality and technologies.

Launching New Products to Expand the Sparkling Sake Market

In March 2020, we launched *Sho Chiku Bai Shirakabegura Mio Ichika Sparkling Sake* throughout Japan as a new product of the Mio brand. Made only from rice and malted rice, the *Ichika* products feature fruity aromas. We introduced two kinds of sake in the product line: "*Sparkling Sake Ichigo no Yona Kaori (Mio Ichika Sparkling Sake Strawberry)*" and "*Sparkling Sake Banana no Yona Kaori (Mio Ichika Sparkling Sake Banana)*." True to the product name "*Ichika* (one fruit)," they represent the concept of one-of-a-kind sparkling sake in the world, giving a rich aroma of a fruit.

The sparkling sake market has dramatically grown since Takara Shuzo launched *Mio Sparkling Sake* in 2011, and many customers are enjoying our products. We plan to further develop the *Mio* brand, including *Ichika*, so that our sparkling sake will be loved by even more customers.

From left:
 • *Sho Chiku Bai Shirakabegura Mio Ichika Sparkling Sake Ichigo no Yona Kaori*
 • *Sho Chiku Bai Shirakabegura Mio Ichika Sparkling Sake Banana no Yona Kaori*



Business Strategies

Segment Information

Takara Shuzo International Group



The Takara Shuzo International Group operates the Overseas Alcoholic Beverages Business, which entails exports of alcoholic beverages and seasonings 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.



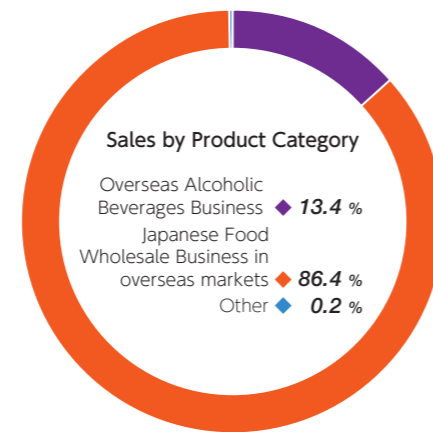
Our Alcoholic Beverages Business and Japanese Food Wholesale Business have grown owing to ever-expanding *washu* and Japanese food markets

Business Overview

In the Alcoholic Beverages Business, we have continued to enhance our product lines for locally manufactured products in the United States and China that leverage geographical advantages and also for high value-added exports from Japan in the sake category. As a result of these efforts, the sales of our sake exported from Japan to China grew, and whisky products, which are in high demand globally, also sold well across the world.

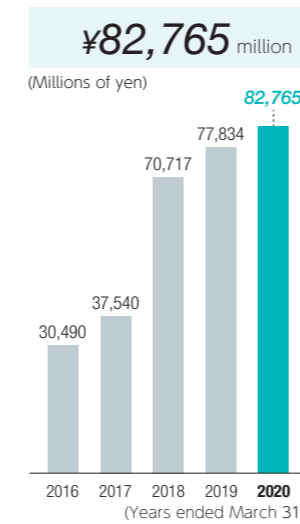
Our Japanese Food Wholesale Business in overseas markets also showed greater performance owing to the global expansion of the Japanese food market. We also continued to expand our sales and logistics bases. Mutual Trading Co., Inc. in North America and FOODEX S.A.S., Tazaki Foods Ltd., and Cominport Distribución S.L. in Europe, among others, successfully increased sales. In addition, Tokyo Mutual Trading Co., Ltd., a company that exports and sells foods, beverages, and other related products mainly to the U.S. market, joined the Group, which has enabled us to forge stronger relationships with suppliers and enhance our product development functions and product supply functions for the United States.

As a result, Takara Shuzo International Group's net sales rose 6.3% year on year to ¥82,765 million. In terms of profit, operating income dropped 22.1% year on year to ¥3,532 million due to foreign exchange fluctuations that pushed up the costs of purchases and higher personnel and transportation expenses, among others.

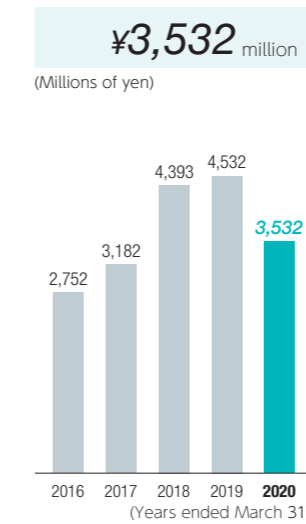


Under the Medium-Term Management Plan FY2020, we set the goal of solidifying our business foundation in order to become a leading company in the global *washu* and *washoku* market, and dramatically expanded our Japanese Food Wholesale Business in overseas markets through an aggressive investment bolstered by the global popularity of Japanese food. We also established Takara Shuzo International in July 2017. With these efforts, we have developed a system that allows for timely and appropriate decision-making and building and improving our business foundation that encompasses our overseas bases.

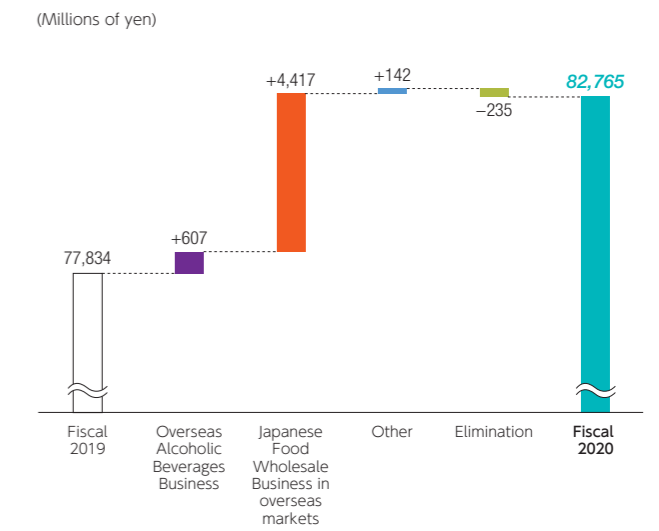
Net sales



Operating income



Analysis of changes in net sales for fiscal 2020



Initiatives under the Takara Group Medium-Term Management Plan FY2021-2023

Takara Shuzo International Group is committed to making steady progress to become a leading company in the global *washu* and Japanese food markets. To achieve this goal, we will enhance collaboration with the Group companies in Japan and overseas to solidify our position as the No.1 global *washu* company and strengthen our business foundation such as product procurement capabilities of the Japanese Food Wholesale Business in overseas markets.

As our key strategies, we plan to accelerate the global expansion of *washu*, centered on sake, and focus on the expansion and improvement of our overseas Japanese food wholesale networks and the enhancement of our product procurement capabilities. We will also work to boost the sales of *washu* by leveraging the network of wholesalers through synergies between the Japanese Food Wholesale Business in the

overseas markets and the Overseas Alcoholic Beverage Business, while working on strengthening of administrative aspects of overseas group companies.

In regard to action plans for each business, the Overseas Alcoholic Beverages Business will work on increasing exports of our sake products centered on *Mio Sparkling Sake* and premium sake, while developing and nurturing new products designed to meet local needs, including products exclusively for export. On the other hand, the Japanese Food Wholesale Business in overseas markets will expand the scale of business by broadening the network of wholesalers for new areas and enhance its product development and procurement functions in order to improve the competitiveness of the Japanese Food Wholesale Business in overseas markets as a whole.

Conversion of a Company Engaged in Export and Sales of Foods into a Consolidated Subsidiary for the Enhancement of the Group's Competitiveness

In March 2020, Tokyo Mutual Trading Co., Ltd. ("Tokyo Mutual Trading"), a company that exports and sells foods mainly to the U.S. market, joined the Group as a consolidated subsidiary.

In recent years, the Group has been focusing on business expansion in the United States, where the Japanese food market is large. In November 2016, Mutual Trading Co., Inc. ("Mutual Trading") operating in the United States became the Group's consolidated subsidiary. Subsequently, Mutual Trading has steadily increased sales owing to growing demand for Japanese food, and actively engages in its business operation. Tokyo Mutual Trading is the biggest supplier for Mutual Trading when procuring products from Japan.

With Tokyo Mutual Trading joining the Group, ties with suppliers in Japan have been further strengthened, enabling us to expand our product development functions and product supply functions for the U.S. In the future, we will promote inter-group procurement by leveraging Tokyo Mutual Trading as an export hub for all of the Group's Japanese food wholesalers operating across the globe, thereby enhancing the Group's competitiveness.

Business Strategies

Segment Information

Takara Bio Group

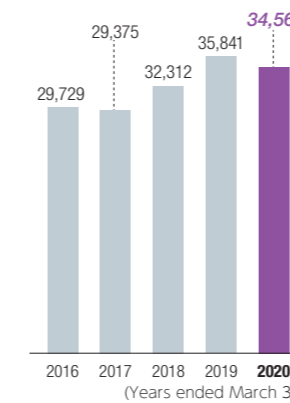


Takara Bio Group's corporate philosophy is "Contributing to the health of humankind through the development of revolutionary biotechnologies such as gene therapy." Takara Bio Group aims to become a drug-discovery company that continues to create new therapeutic modalities by developing basic technologies for biological drug discovery through the research reagent and equipment business and the CDMO business, which are core businesses.



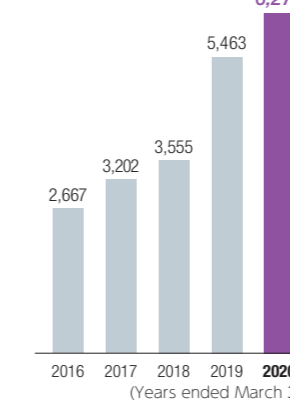
Net sales

¥34,565 million
(Millions of yen)

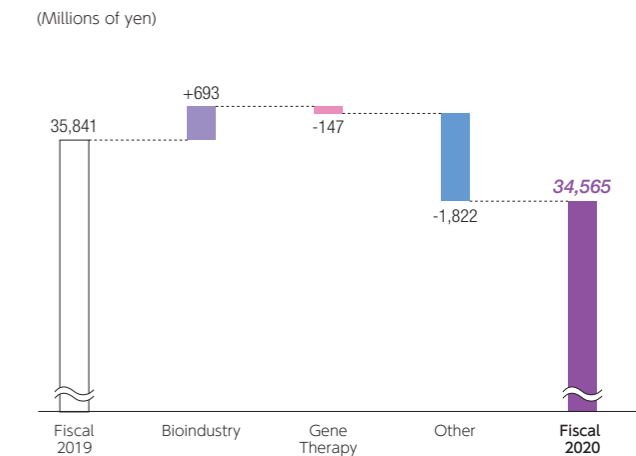


Operating income

¥6,274 million
(Millions of yen)



Analysis of changes in net sales for fiscal 2020



Research reagents and contract services have steadily grown; contract payments for gene therapy products have been received as income

Business Overview

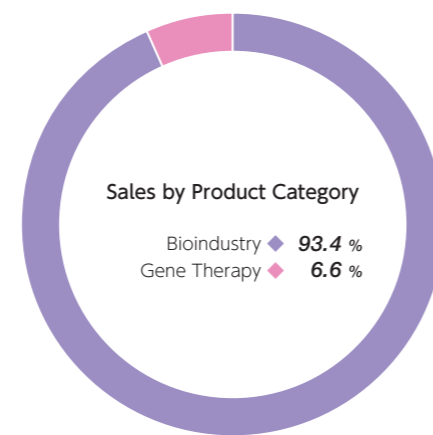
In the Bioindustry Business, which is defined as one of our core businesses, research and development (R&D) activities in the biotechnology-related fields have been increasingly expanded, and we focused on products and services designed to support these R&D activities. As a result, while the sales of our scientific instruments dropped year on year, the sales of our research reagents and contract services, which are the mainstay of our offerings, increased year on year.

In the Gene Therapy Business, the Takara Bio Group promoted the clinical development of gene therapy for cancer and other diseases utilizing the oncolytic virus Canerpaturev (C-REV); the RetroNectin® Method, a proprietary and highly-efficient gene transduction technology; the RetroNectin® expansion-culture system, a highly efficient lymphocyte propagation technology; and a genetically engineered T-cell therapy utilizing siTCR® technology among others. During the fiscal year ended March 31, 2020, the Gene Therapy Business recorded net sales that included 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 and investigational products based on the agreement.

Meanwhile, net sales decreased due to factors including the transfer of the AgriBio Business in the previous fiscal year.

In terms of profit, income increased due to changes in the product mix and a decrease in R&D expenses as part of SG&A expenses.

With these results, Takara Bio Group's net sales



dropped 3.6% year on year to ¥34,565 million, and operating income rose 14.8% year on year to ¥6,274 million. Operating income increased for the 11th consecutive fiscal year.

In 2019, the final year of the Medium-Term Management Plan FY2020, net sales underperformed the tangible goal initially announced in May 2017 (¥38,500 million in sales and ¥4,000 million in operating income) due to the transfer of the AgriBio Business and other factors. On the other hand, operating income significantly outperformed the initial goal thanks to the growth of research reagents for overseas customers, expansion of contract services (CDMO business), and payments received from pharmaceutical companies in the Gene Therapy Business.

Initiatives under the Takara Group Medium-Term Management Plan FY2021-2023

Takara Bio Group defines the three years covered by the MTMP for FY2019-2021 as the period during which it moves forward with the strategies for business growth and business foundation enhancement and actively invests in R&D in order to establish a solid foundation for growth.

As our key strategies, we will focus on sustainable growth of the research reagents and scientific instruments business and the CDMO business, acceleration of drug discovery alliances and generation of new clinical projects, and acceleration of business development in the growing global markets.

In regard to action plans for each business and project, the research reagents business will work to optimize R&D and manufacturing across the Group for greater efficiency in order to map out "glocal" sales strategies that reflect regional characteristics.

The scientific instruments business will enhance the

development of PCR products for viral testing targeted at industrial fields and systematize our instruments and reagents for exclusive use in order to develop high value-added products.

The CDMO business plans to expand contract services by leveraging the Center for Gene and Cell Processing II.

The drug discovery alliance business will work with affiliates to move forward with clinical development for NY-ESO-1·siTCR®, CD19-CAR, and C-REV in order to launch each project as soon as possible, while working to form new international alliances and out-licensing activities. As for new clinical development projects, we will proceed with the development of several new gene therapy projects, in addition to launching clinical trials for the CEA-GITR·CAR and CD19-JAK/STAT·CAR projects at the earliest possible time.

The Center for Gene and Cell Processing II Now in Full Operation



<Center for Gene and Cell Processing II>

The Center for Gene and Cell Processing II (hereinafter CGCP II), whose construction was underway in Kusatsu, Shiga, where our head office is located, came into full operation in January 2020. The CGCP II is an R&D and manufacturing facility for regenerative medical products.

We previously built the Center for Gene and Cell Processing in 2014, and has since been proceeding with the manufacturing of investigational products used in the CDMO business and clinical development projects for gene therapies. As it became necessary to make preparations in view of the growth in demand for the CDMO business and the launching of our own gene therapy projects, we had been proceeding with the construction of a new facility. The new CGCP's total floor space is more than twice as large as the first CGCP, and is capable of manufacturing products compliant with Good Manufacturing Practices (GMP) and Good Gene, Cellular, and Tissue-based Products Manufacturing Practice (GCTP), which are the manufacturing and quality management standards for pharmaceuticals and regenerative medical products.

With the operation of the new facility, we will further develop and enhance the CDMO business and our gene therapy projects and proceed with the development of technologies related to biological drug discovery, aiming to become a drug discovery company that keeps creating new modalities (treatments).

Business Strategies

Takara Shuzo's Uncompromised Technical Prowess



Barrel aged shochu produced at Kurokabegura Distillery in Takanabe town, Miyazaki prefecture

As the No. 1* *ko-type* shochu distiller, Takara Shuzo's products, including *Takara Shochu* with a history of more than 100 years, are endorsed by many fans. In the manufacturing of *ko-type* shochu, which is generally said to have no taste or smell, the key to being different from other products is the "barrel aged shochu."

Barrel aged shochu is a type of alcoholic beverages, which has been placed and matured inside a wooden cask, and its taste differs depending on the type of the cask and the aging period.

Our barrel aged shochu is produced at Kurokabegura Distillery in Takanabe town, Miyazaki prefecture. The distillery is located in a rich natural environment viewing the Hyuga-nada Sea to the east and Mt. Osuzu to the north.

Takara Shochu Jun, which was introduced in 1977, is a typical product that used barrel aged shochu. This product contains 13% carefully selected 11 varieties of barrel aged shochu, realizing its mellow and soft flavor. Takara Shuzo has launched a number of products blended with barrel aged shochu, including *Gokujo*

Takara Shochu and *Taru ga Kaoru Takara Shochu*.

Moreover, barrel aged shochu has been used not only in shochu but also in our light-alcohol refreshers (RTD). For example, *Takara Can Chu-Hi*, which was launched in 1984 as Japan's first canned chu-hi and attracted much attention, continues to be loved by many customers today as a premium chu-hi sumptuously using 11 varieties of barrel aged shochu. Barrel aged shochu is also used in the *Takara Gokujo Lemon Sour* series, which allows people to enjoy lemon sour that is gaining popularity in recent years, at home. The series has also been catching on as a canned chu-hi that is one notch above others.

In Japan, the alcoholic beverage market is expected to shrink over the long-term due to the aging and declining population and the younger generation's moving away from drinking. Nevertheless, we, as Japan's No. 1 *washu* manufacturer, will continue to create high value-added products with emphasis on taste.

*According to the INTAGE SRI survey (cumulative sales value for the period from April 2019 to March 2020)

About 85 varieties of barrel aged shochu in approximately 20,000 casks

Kurokabegura Distillery has about 85 types of barrel aged shochu differing in ingredients, brewing method, and storage method in about 20,000 casks. We blend these barrel aged shochu in the optimum ratio based on experience and technology developed over the years, giving distinctive aroma and flavor to the clean taste of *ko-type* shochu.

In order to achieve high quality blend, it is indispensable to check the color, aroma, and flavor by human's five senses (organoleptic inspections). The secret of the taste of *Takara Shochu* also lies in the blending technique that leverages the five senses of human inspectors in addition to its proprietary brewing and storage technologies.



Takara Bio's R&D Facilities

Research and development that supports cutting-edge life sciences

Takara Bio offers research agents, scientific instruments, and CDMO services, which support research and development in the cutting-edge life science field, and also engages in the development of gene therapies. There are three major research and development facilities in Japan, the U.S., and China.

In Japan, drug discovery for gene therapies, clinical trials, and development of menu for the CDMO service are conducted in the head office area in Kusatsu, Shiga prefecture. R&D systems are being put in place with the operation of the Center for Gene and Cell Processing II, a research base of the CDMO business, in January 2020.

In the U.S., Takara Bio USA, Inc. located in Mountain View, California, is carrying out the development of advanced life science research reagents for discovery, adaptation, and functional analysis of genes as well as

scientific instruments for analyzing ultratrace genes. This area is a global cluster of the life science industry and Takara Bio USA, Inc. is actively engaged in joint research activities with neighboring universities and research institutes.

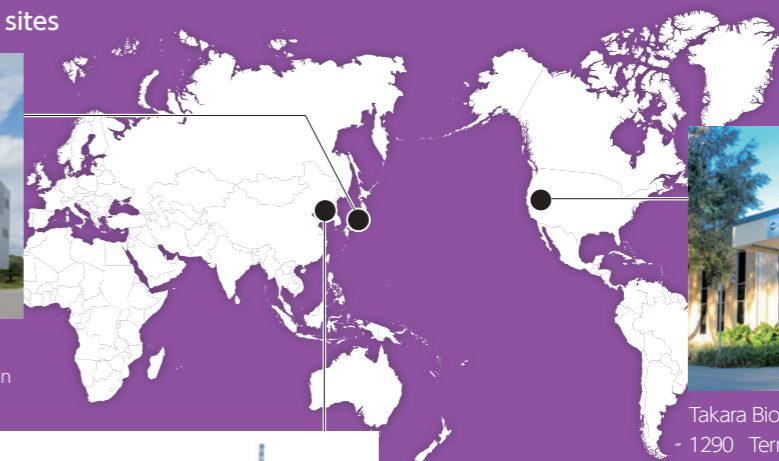
In China, Takara Biotechnology (Dalian) Co., Ltd. based in Dalian, Liaoning province, manufactures research agents and carries out research and development for the improvement of production technology as well as product development in conformity with the local needs.

Takara Bio has currently formulated the Medium-Term Management Plan FY2023 and is aiming to improve the efficiency of research and development through optimization of development themes at each development site in Japan, the U.S., and China.

Research and development sites



TAKARA BIO INC.
Nojihigashi 7-4-38, Kusatsu, Shiga, Japan



Takara Bio USA, Inc. (U.S.)
1290 Terra Bella Avenue, Mountain View, CA 94043, U.S.A.



Takara Biotechnology (Dalian) Co., Ltd. (China)
No.19 Dongbei 2nd Street, Development Zone, Dalian, China 116600

Capital investment at the U.S. subsidiary

Takara Bio USA, Inc., which develops research agents and scientific instruments for the Takara Bio Group and serves as the group's sales base in North America, will be relocated from Mountain View, California, to San Jose for the improvement and expansion of its facilities. San Jose is the center of Silicon Valley and a global cluster of the life science industry where a large number of universities and high-tech firms are engaged in advanced IT and biotechnology research. The city also serves as an important base for sales activities and information gathering. Going forward, we will develop facilities and equipment and are planning to start the operation in August 2021.

Takara Group Sustainability Policy

Basic Policy

Based on our corporate philosophy, which is "Contributing to the creation of a vital society and a healthy lifestyle through our fermentation technology and biotechnology in a way that achieves harmony with nature," the Takara Group has benefited society by unlocking new potential in the culinary, lifestyle, and life science fields through our fermentation technologies for traditional Japanese sake and our cutting-edge innovation in biotechnologies and by continuing to create new value.

The preservation of a rich natural environment is a major premise for the business continuity of the Takara Group, which engages in business activities on the basis of the bounty of diverse natural resources such as grains, water, and microorganisms. In addition, in handling business related to food and medicine, the Takara Group's most important theme is to deliver safe and reliable goods, products, and services. At the same time, we must also address various social issues, including those related to alcohol.

In recent years, the social environment surrounding the Group has undergone rapid change, and with the need for a global response to such diverse issues as climate change, biodiversity conservation, resource conservation, and respect for human rights, corporate entities face an increasing responsibility to create a sustainable society.

In our long-term management vision, "TaKaRa Group Challenge for the 100th," the Group has made a declaration that it will contribute to the realization

of healthy and fulfilling daily lives that are filled with connections between people and people's smiles. Recognizing that it is necessary to take greater initiatives to resolve various social issues if we are to continue to achieve the creation of social value through business activities into the future, we have now formulated the Takara Group Sustainability Policy in line with our long-term management vision.

The Takara Group Sustainability Policy takes up ten important issues (materiality), including "safety and reliability," from among the social issues surrounding the Group, and lays out initiative policies for each one, taking into account the expectations of stakeholders and the impact on the Group's business.

Going forward, we will further proceed with initiatives based on these policies and will also work on the establishment of long-term goals.

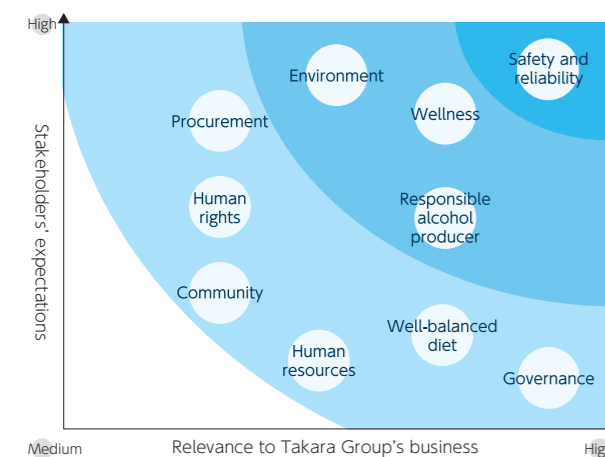
The Takara Group will contribute to the realization of a sustainable society by continuing to create social value through our business activities.

Establishment of Takara Group Sustainability Promotion Committee

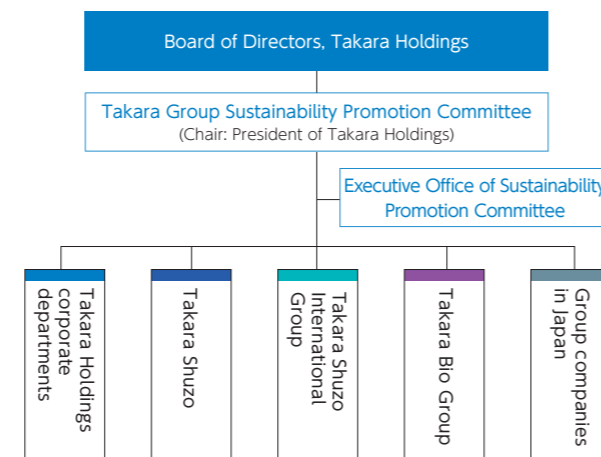
Takara Group established the Takara Group Sustainability Promotion Committee chaired by the Representative Director and President of Takara Holdings to promote initiatives under the Takara Group Sustainability Policy.

The committee will lead the promotion of initiatives under the Group's engagement in each materiality.

Materiality matrix



Composition of the committee



Materiality	Initiative themes	Related SDGs
Safety and reliability	<ul style="list-style-type: none"> Ensuring safe and reliable quality at Takara Shuzo Ensuring safe and reliable quality at Takara Bio Group 	P.35
Wellness	<ul style="list-style-type: none"> Support for the development of global life science research Application of genetic analysis technology to testing and diagnostics Initiatives for achieving gene therapies Supply of health-conscious products 	P.37
Environment	<ul style="list-style-type: none"> Response to climate change issues Limiting water usage Limiting waste generation Response to environmentally conscious product packages and packaging Preservation of ecosystems and biodiversity 	P.38
Responsible alcohol producer	<ul style="list-style-type: none"> Appropriate consumption of alcohol Implementation of responsible marketing Respect for global guidelines Participation in external initiatives 	P.41
Human resources	<ul style="list-style-type: none"> Fostering human resources Promoting the active involvement of diverse human resources Achieving a comfortable workplace environment and a work-life balance 	P.43
Well-balanced diet	<ul style="list-style-type: none"> Providing the richness of food to people throughout the world through JTAB (Japanese Traditional Alcoholic Beverages) and Japanese food Creating communication through sake and providing a social lubricant 	P.45
Procurement	<ul style="list-style-type: none"> Sustainable procurement Collaboration with suppliers 	P.46
Human rights	<ul style="list-style-type: none"> Respect for human rights Initiatives to identify risks to human rights 	P.47
Community	<ul style="list-style-type: none"> Education for children Contribution to the promotion of local communities and culture Promotion of local economies Support after large-scale disasters 	P.48
Governance	<ul style="list-style-type: none"> Promotion of corporate governance Promotion of compliance Reinforcement of the risk management structure 	P.49

Takara Group Sustainability Policy



Safety and reliability



As a company involved in food and medicine, the Takara Group believes that it is important that customers find us reliable. In order to continue to be a corporate group trusted by customers into the future, we have established, and are working on, the Takara Group Quality Policy.

Takara Group Quality Policy

Based on our corporate philosophy, which is "Contributing to the creation of a vital society and a healthy lifestyle through our fermentation technology and biotechnology in a way that achieves harmony with nature," we will bring safe and reliable products and services to customers throughout the world.

- 1 We will listen carefully to our customers and pursue quality that satisfies them.
- 2 We will work together as a group on quality assurance activities throughout the entire process until products are delivered to customers.
- 3 We will comply with the relevant laws, regulations and voluntary standards.
- 4 We will live up to the trust of our customers by making efforts to provide them with appropriate information that is easy to understand.

Ensuring safe and reliable quality at Takara Shuzo

Maintain food safety management system (FSSC22000 at all six domestic plants) as well as quality management system (ISO9001 at all six domestic plants).

At Takara Shuzo's six plants within Japan (Matsudo, Kusu, Fushimi, Shirakabegura, Kurokabegura, and Shimabara), we have received FSSC 22000 certification, an international standard regarding food safety management systems. Additionally, by applying the ISO 9001 quality management system certification acquired by these same six plants, we feel that full measures are in place for food safety and quality management.

Creating safe products at Takara Shuzo

Examine compliance with laws, regulations, and voluntary standards at the design stage

We check product safety, security, legality, and the suitability of descriptions using design review methods addressing all aspects of product designs at the early stages of product development, including quality standards, product safety, package and wrapping, and manufacturing processes. This allows us to create products after fully eliminating the possibility of unacceptable features at the design stage, and after confirming that product designs are as satisfactory as possible.

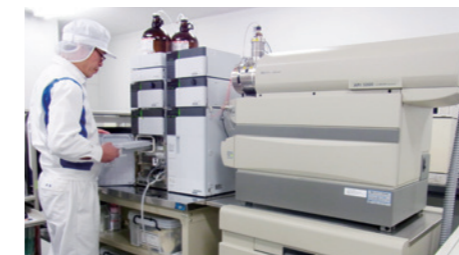
Stable procurement of raw materials whose safety has been confirmed

With regard to procuring raw materials, we strive to use only raw materials for which we can confirm the entire procurement route without exception, or raw materials that have warranties attesting to their quality, safety, and legality. For a portion of our imported raw materials and agricultural products, we pursue the measures above and also carry out analysis of residual pesticides/herbicides, heavy metals, etc., in order to confirm product safety. When analyzing raw materials, we use high-performance instruments at our Testing Center and major plants. These instruments have advanced features comparable to equipment at specialized analytic laboratories.

Furthermore, in order to address the risk of radioactivity, we only source domestic raw materials after confirming that they meet standards for radioactive substances. In combination, we also carry out parallel in-house inspections of domestic raw materials. Additionally, at production plants in the Kanto and Tohoku areas, we are continually monitoring the radioactive cesium levels of products as well as water used in manufacturing, ensuring that they meet standards.

Maintain manufacturing lines that ensure safe and reliable quality

Inside the buildings of our plants, the space is separated into clean zones of different levels. In work zones where the highest level of cleanliness is required, such as in filling rooms, we apply clean room specifications to avoid the mixing of any foreign substances. After filling, we carry out foreign substance and labeling/printing inspections using automated detectors, in addition to visual and organoleptic inspections carried out by human inspectors, while ingredient analysis and inspections are handled by state-of-the-art analytic instruments in order to ensure the safety and quality of products.



Ingredient analyses and inspections using analytic instruments

Pursue customer satisfaction (ISO10002)

The Customer Contact Office receives approximately 8,000 comments a year. These include inquiries regarding stores carrying our products, product expiration dates, and areas where ingredients were produced, in addition to a wide variety of feedback, complaints, etc. Takara Shuzo listens carefully to each of these comments, striving to deliver and improve products in order to further satisfy customers. On top of this, we have voiced a declaration of conformity to ISO 10002 (targeting management systems for handling customer requests and complaints) as we continually strive to improve these processes.

Ensuring safe and reliable quality at Takara Bio Group

Maintain quality management system (ISO9001, etc.)

In the Takara Bio Group, Takara Bio Inc., Takara Biotechnology (Dalian) Co., Ltd., DSS Takara Bio India Pvt. Ltd., and Takara Bio Europe S.A.S have obtained the ISO 9001 certification for quality management systems. On top of this, Takara Bio USA, Inc. and Takara Biotechnology (Dalian) Co., Ltd. have obtained the ISO 13485 certification for diagnostic agent quality management systems and engage in strict quality control.

Comply with various quality, manufacturing, and safety standards, including GMP/GCTP, and third-party certification systems

At Takara Bio, the Center for Gene and Cell Processing, which is engaged in the CDMO business that supports the development and manufacturing of regenerative medical products and in the manufacturing of investigational products used in clinical trials of in-house gene therapy projects, operates its business in accordance with GMP/GCTP (Good Manufacturing Practices and Good Gene, Cellular, and Tissue-based Products Manufacturing Practice). We have also acquired certifications and permits such as registration as a clinical testing laboratory, designation as a foreign cell processor, and business license as a manufacturer of regenerative medical products. In the gene analysis and inspection business, we have been taking measures such as acquiring certifications from third-parties such as a recognition from the College of American Pathologists: Laboratory Accreditation Program (CAP-LAP).



Research and development of gene therapy

Appropriately disclose product information

Takara Bio attaches and posts product descriptions on the website of the company and its products. It also conducts appropriate information disclosure and provision in accordance with rules, laws and regulations such as the disclosure of Certificates of Analysis (CoA) and safety data sheets for chemical substances (SDS), the indication of poisonous or deleterious substances in accordance with the Poisonous and Deleterious Substances Control Act, and the labeling of products that fall under living modified organism (LMO) based on the Act on the Conservation and Sustainable Use of Biological Diversity through Regulations on the Use of Living Modified Organisms (the Cartagena Act).

Takara Group Sustainability Policy



Wellness

As a company involved in food and medicine, the Takara Group aims to contribute to a healthy lifestyle. We will work to create a society where people can continue to enjoy a healthy lifestyle, including through the development of revolutionary biotechnologies such as gene therapy, the supply of related services, and the development of health-conscious products.

Support for the development of global life science research

Provide extensive support for the development of life science research and industry

Takara Bio uses genetic and cellular engineering technology to supply research reagents and other products to life science researchers throughout the world. Since it started selling "restriction enzymes," Japan's first domestically produced reagents for genetic engineering research in 1979, Takara Bio currently offers approximately 10,000 products. We offer a diverse array of products ranging from the application in the cutting edge life science field to the research reagents that are used on a daily basis. Going forward, we will continue to support the world's research institutions and the development of life science research.

Contribute to the life science community

Takara Bio supports life science communities by sponsoring various academic meetings and events related to life sciences and biotechnology, such as Takara Gene & Cell Academy (TGCA) Seminars for researchers conducting biotechnology research.

Application of genetic analysis technology to testing and diagnostics

Supply testing and diagnostic kits for viruses, etc.

Takara Bio is working to create a healthy society by offering various food and environmental testing and diagnosis kits, including those used to test food poisoning caused by viruses such as norovirus and animal and plant infections such as African swine fever, in addition to test kits for the COVID-19 infections.

Initiatives for achieving gene therapies

Gene therapy technology development and social implementation for cancer and other targets

Leveraging revolutionary biotechnologies, Takara Bio is advancing the development of leading edge technologies, such as gene therapies, to address unmet medical needs. In 2008, the company launched Japan's first clinical trial for external gene therapy and currently we are advancing multiple gene therapy projects through many rounds of trial and error.

Takara Bio will continue to steadily advance the clinical development of gene therapies and quickly commercialize our results in order to contribute to the healthy lifestyles of people around the world.

Supply of health-conscious products

Development and promoting the appeal of carbohydrate-free, purine-free, and salt-free products

Takara Shochu is the No. 1 *ko-type* shochu^{*1} that realized clean and mellow taste despite being carbohydrate free^{*2} and purine free^{*3} owing to our proprietary brewing technology and aged shochu blending technology developed over many years. *Takara Shochu Highball* is a dry flavored chu-hi containing 7% alcohol that pays tribute to the taste of the shochu highball originated from cheap saloons in Tokyo's colorful *shitamachi* (lower city) districts in the early 1950s. In addition to the strong satisfaction, its features of containing no purines, no added sweeteners, and no or low carbs have been endorsed by health-conscious customers.

Takara Ryori no Tame no Seishu Toshitsu Zero (no carbs), a cooking sake made with 100% Japanese rice, contains no carbs but has about 20% more^{*4} umami substance (succinic acid) with no salt. The product uses Takara Shuzo's proprietary *Umami Appu Kobo* (umami-boosting yeast) and makes dishes more delicious by giving an extra well-seasoned flavor and umami while eliminating raw odors.

In the current market of broadly-defined cooking liquor for home use (excluding substitute of sake for drinking), salt-added cooking liquors account for more than 60% of the market. However, the fact that there are cooking liquors containing salt has not been really recognized. Takara Shuzo is disseminating information by highlighting reduced salt content, including the fact that the cooking liquor it manufactures and sells does not contain salt and is also making an appeal to customers that there is a difference between cooking liquors and salt-added cooking liquors.

*1 INTAGE SRI (cumulative sales value for the period from April 2019 to March 2020)

*2 Labeled no carb when a product contains less than 0.5g of carbohydrates per 100ml in accordance with Japan's Food Labeling Standards.

*3 Labeled no purines when a product contains less than 0.5mg of purines per 100ml.

*4 Compared with Takara Shuzo's sake



Environment

The Takara Group Environmental Policy

The Takara Group positions the harmonization of its business activities with global environmental preservation as one of its key challenges, and contributes to building a sustainable society by establishing and continuously improving the environmental management system.

- 1 We comply with laws and regulations related to the environment, in addition to other requirements that we have agreed to.
- 2 In the course of the Takara Group's business activities, we place particular emphasis on the following items.
 - (1) We strive to prevent environmental pollution.
 - (2) We strive to promote energy and resource conservation, and try to use sustainable resources.
 - (3) We strive to reduce greenhouse gas emissions and mitigate climate change.
 - (4) We support and promote activities related to biodiversity and ecosystem protection and preservation.
 - (5) We strive for environmentally conscious product development, including promoting the 3Rs for containers and packaging.
- 3 We actively disclose information on our environmental initiatives and environmental performance, while striving to communicate with society.
- 4 While using education and awareness programs to convey this Environmental Policy to all members of the Takara Group, we also energetically support employees' participation in social contribution activities.

Response to climate change issues

Reduce CO₂ emissions from production process

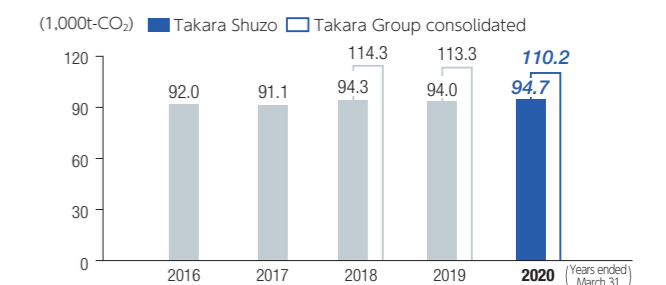
The Takara Group's total CO₂ emissions in production processes for the fiscal year ended March 31, 2020 was 110,200 t-CO₂, a 2.7% year-on-year reduction. This is because Mizuho Nourin Co., Ltd. and Kinoko Center Kin Inc. were excluded from the Group. Other than these two companies, Takara Group made efforts to reduce CO₂ emissions, as The Tomatin Distillery Co., Ltd. in the U.K. increased the ratio of use of biomass boilers and Takara Bio started operation of a co-generation system in January 2020. Nevertheless, total emissions were roughly unchanged from the previous year, as the completion of a new building (CGCPII) of Takara Bio in August 2019 led to an increase in electricity and gas usage.

Total CO₂ emissions for Takara Shuzo's production processes, which comprise more than 80% of the entire Group's CO₂ emissions, were 94,700 t-CO₂ for the same period, a slight increase (0.8%) year on year. While the Group's energy efficiency has improved with upgrade and introduction of energy-saving facilities, including effective utilization of exhaust heat from boilers, cooling of compressors through introduction of heat pumps, upgrade to high efficiency freezers, upgrade to high efficiency gas boilers, and upgrade to energy-saving compressors, the total emissions slightly increased year on year due to an increase in production volume. In fiscal 2020, the Group aims to reduce CO₂ emissions by 0.8% (800 t-CO₂) compared with FY2019 with upgrade to and introduction of energy-saving facilities such as upgrade to high efficiency chillers (full-year impact) and heat insulating works of pasteurizers.

Examples of initiatives to reduce CO₂ emissions from production processes

- Installing high-efficiency gas boilers, installing LED lighting, and other energy-saving equipment
- Optimizing distillation conditions in alcohol refining processes
- Promoting the use of co-generation (combined heat and power) systems

CO₂ emissions from production processes (total emissions)



<Scope of calculations>

Takara Shuzo Co., Ltd., Takara Sake USA Inc., Takara Shuzo Foods Co., Ltd. (China), The Tomatin Distillery Co. Ltd., Takara Bio Inc., Takara Biotechnology (Dalian) Co., Ltd.

*Results included Mizuho Nourin Co., Ltd. and Kinoko Center Kin Inc. till February 2019.

Takara Group Sustainability Policy

Environment

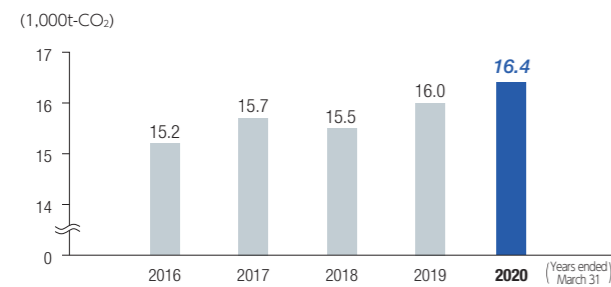
Reduce CO₂ emissions from transportation processes

At Takara Shuzo, we are promoting high-efficiency transportation, energy-saving vehicle operations, modal shifts, improving loading efficiency for products shipped by truck, and other measures to reduce CO₂ emissions during product transportation. While there was some positive impact from an improvement in loading efficiency for truck shipments and the reduced shipping between the east and west bases following the opening of a new production line for light alcohol refreshers at the Matsudo Plant, there was a large effect from the unit increase in sales volume, and overall CO₂ emissions from transportation processes in the fiscal year ended March 31, 2020, increased 2.4% year on year.

Examples of initiatives to reduce CO₂ emissions from transportation processes

- Modal shifts to ferries, rail cars, etc.
- Production closer to the area of consumption in order to reduce shipping between east and west bases
- Developing high-capacity cargo trucks with our transportation subsidiaries

CO₂ emissions from Takara Shuzo logistics (total emissions)

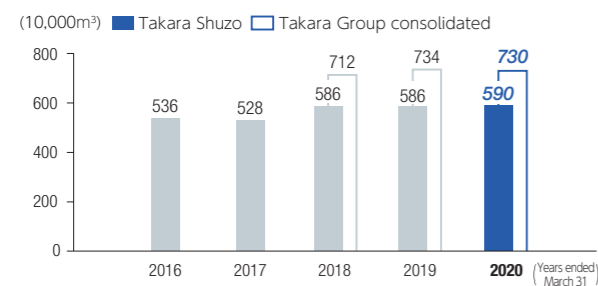


Limiting Water Usage

Limiting water usage in production processes

The Takara Group's total water usage in production processes for the fiscal year ended March 31, 2020, was 7.30 million m³, a 0.6% year-on-year decline. At the same time, Takara Shuzo's total water usage, which comprises approximately 80% of the entire Group's usage, increased slightly year on year to 5.90 million m³, up 0.8%, as sales volume increased.

Volume of water used in production processes



<Scope of calculations>

Takara Shuzo Co., Ltd., Takara Sake USA Inc., Takara Shuzo Foods Co., Ltd. (China), The Tomatin Distillery Co. Ltd., Takara Bio Inc., Takara Biotechnology (Dalian) Co., Ltd.

*Results included Mizuho Nourin Co., Ltd. and Kinoko Center Kin Inc. till February 2019.

Limiting Waste Generation

Reduce plant waste volume and promote recycling

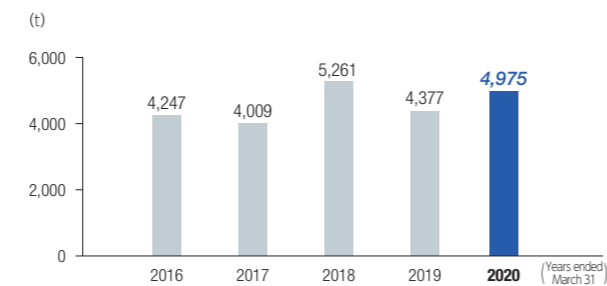
In Takara Shuzo plants, waste products generated include by-products such as shochu lees and the like, as well as wastewater treatment sludge, and shipping materials for raw ingredients, containers, etc. For this reason, we are striving to reduce the volume of waste generated in our plants by making efforts to effectively utilize the waste, such as repurposing food-based by-products (such as shochu lees) into feed and fertilizer.

The volume of waste generated by Takara Shuzo increased 13.7% year on year to 4,975 tons for the fiscal year ended March 31, 2020. This was primarily due to increases in wastewater treatment sludge and shochu lees resulting from increased production volume.

<Examples of initiatives for reducing waste products>

- Installing equipment for converting shochu lees into feed
- Reducing wastewater treatment sludge

Takara Shuzo waste product volume



Response to environmentally conscious product packages and packaging

In Japan, approximately 60% of general household garbage (based on volume) are containers and packaging. In order to address this problem, Takara Shuzo is promoting materials procurement and product development emphasizing the 3Rs (reduce, reuse, recycle). Furthermore, as an independent initiative, Takara Shuzo is selling shochu by weight. Shochu is put into specialized tanks at our plants, then sent directly to retail stores, where customers bring plastic PET bottles, etc. from home and fill the exact amount they need from the specialized tanks when making a purchase.

Since this allows customers to buy only the volume they need without purchasing a container, it translates to resource conservation and less garbage.

From 1998, when these efforts started, to the end of March 2020, we have been able to conserve the equivalent of approximately 9.53 million 2.7-liter PET bottles.

Develop environmentally conscious products

Takara Shuzo has prepared "Guidelines for Environmentally Conscious Product Development" and "Manual for Environmentally Conscious Product Development," and is continuously promoting product development emphasizing the 3Rs (reduce, reuse, recycle) for containers, by establishing environmental goals of ISO14001 in materials procurement and product development. In fiscal 2019, Takara Shuzo made improvement efforts such as changing the delivery format of mirin from bag-in-box (BIB) to containers and changing the mode of transportation from container shipping to lorry delivery to reduce the number of deliveries.

At Takara Bio, we are proceeding with efforts to use environmentally conscious product packages and simplify packaging without compromising on quality, such as promoting pouch packaging of research reagents.

Implement environmental education for children

Takara Shuzo Eco-School

From 2012 onwards, Takara Shuzo has been implementing environmental education for primary school children from third through sixth grade and their families, where they have fun learning about the current situation of the garbage problem and how to reduce waste while experiencing recycling, etc. In fiscal 2019, this event was held in five cities, namely, Kyoto, Kobe, Koto ward in Tokyo, Nagoya, and Fujisawa, participated by about 300 parents and children.

*The event was cancelled in fiscal 2020 to prevent the spread of the novel coronavirus infections.



Eco-School

Preservation of ecosystems and biodiversity

Takara Holdings established the Takara Harmonist Fund in 1985, and ever since has carried out annual activities for protecting Japan's forests, grasslands, and aquatic environments, in addition to offering assistance for research and other efforts toward safeguarding the wildlife in these habitats. The selection of recipients of assistance is carried out by a steering committee comprised of experts specialized in the natural sciences.

In fiscal 2020, 13 recipients were chosen from many applicants across Japan. These included groups engaged in activities and research related to environmental preservation based on a variety of research themes such as "Exploring the exclusive distribution of surf fish." During 35 years of the program, a cumulative total of 179,798,000 yen has been granted to 379 recipients.



Assistance to environmental preservation activities (photo: *Tanakia lanceolata*)

Implement environmental education for children

Takara Shuzo Farm School

In order to teach the importance of protecting the natural environment and its biodiversity (environmental education) to the children who will lead our future generations, while also conveying gratitude for the bounty of nature (dietary education), Takara Shuzo offers a Farm School. Elementary school children and their families are invited to four classes approximately half a year, from May to December, at a field in Sonobe-cho, Nantan city, Kyoto and at a cooking school in Kyoto city. In the classes, participants get to experience farming rice, observing nature, and cooking food. By having students prepare dishes using Hon-mirin in the cooking classes, we give them a chance to feel an affinity for Takara Shuzo products.

*The event was cancelled in fiscal 2020 to prevent the spread of the novel coronavirus infections.



Farm School

Takara Group Sustainability Policy



Responsible Alcohol Producer

Alcohol has played an important role as a communication tool for facilitating human relationships since ancient times. However, since it also causes so-called alcohol-related issues, including the consumption of alcohol by those under the age of 20 and drunk driving, there are both advantages and disadvantages to alcoholic beverages. The Takara Group believes that tackling alcohol-related issues head-on is an important responsibility as a company that manufactures and sells alcoholic beverages, and we have therefore established, and are working on, the Basic Policy on Responsible Drinking.

Basic Policy on Responsible Drinking

As a company engaged in the manufacture and sale of alcoholic beverages, we believe that it is an important responsibility of the Takara Group to address alcohol-related issues, and we will work together with society through various activities to develop a healthy alcohol culture.

- ◆ All employees of the Takara Group will act in a responsible manner to spread awareness about the appropriate consumption of alcohol.
- ◆ We will endeavor to resolve issues such as alcoholism and other heavy drinking, the consumption of alcohol by those under the age of 20, alcohol consumption by pregnant women, and drunk driving through educational efforts using our website and pamphlets as well as by placing cautionary statements on our product packages and advertisements.
- ◆ We will work on alcohol-related issues with various stakeholders including industry associations and NPOs.
- ◆ When engaged in the manufacture and sale of alcoholic beverages and their advertising activities, we will comply with related laws and regulations, voluntary industry standards, the Takara Group Compliance Action Guidelines, and internal regulations.
- ◆ We will promote awareness programs for employees.

Spreading awareness on the appropriate consumption of alcohol

Educational efforts using our website and pamphlets
In 1986, Takara Shuzo published "Say No Book," a pamphlet that provided accurate information on alcohol and an easy-to-understand description of appropriate drinking practices. In 2009, we updated the publication and published "Maintaining a Positive Relationship with Alcohol," a booklet explaining the attributes of alcohol and calling for appropriate drinking practices. We distribute this booklet to various organizations and at a range of events. It is also available on Takara Shuzo's website (only available in Japanese).



The "Maintaining a Positive Relationship with Alcohol" booklet

Awareness programs for employees

The Takara Group Compliance Action Guidelines stipulates provisions, among others, that the Group's employees must refrain from excessive drinking and strive to observe appropriate drinking practices. In addition, we address various themes related to alcohol-related problems and provide education to employees each year.

Implementation of responsible marketing

Implement responsible advertising

Takara Shuzo adheres to industry standards requiring that we shall: (1) Not use expressions enticing underage drinking, (2) Not use expressions encouraging excessive drinking or drinking that violates socially accepted common sense, (3) Clearly display labels warning about preventing underage drinking, drunk driving, drinking while pregnant or nursing, and excessive intake of alcoholic beverages, (4) Restrict the broadcast times of commercials (no broadcasts from 5:00 AM until 6:00 PM), and (5) Voluntarily refrain from broadcasting during programs with higher viewership among underage viewers.

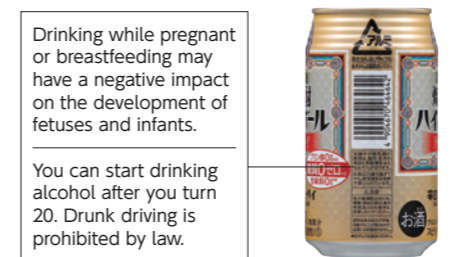
Similarly, for print advertisements other than TV commercials (such as newspapers and magazines), we clearly display warning messages in places easily noticeable by readers to the effect that underage drinking is prohibited.

Conscientious product labeling

As part of efforts to prevent underage drinking and drunk driving, since 1995, Takara Shuzo started to display the message that "underage drinking and drunk driving are prohibited by law" on its product packages. Takara Shuzo currently displays the messages, "You can start drinking alcohol after you turn 20" and "Drunk driving is prohibited by law."

In addition, to prevent drinking while pregnant or nursing, since 2004, Takara Shuzo began displaying warnings about the risk of drinking for expectant or nursing mothers on product packages and in newspaper and magazine advertisements.

In order to prevent consumers from accidentally drinking alcohol by mistaking it as a soft drink, we have implemented initiatives such as becoming the first in the industry to put a symbol indicating "alcoholic beverage" on light-alcohol refreshers. Currently, for canned beverages and those containing 300ml or less, we print this symbol on all products containing less than 10% alcohol by volume. In compliance with the "Voluntary Standards on the Display of Specific Items Concerning Low Alcoholic Liqueurs" established by the Japan Spirits & Liqueurs Makers Association, we also use designs that enable consumers to instantly recognize alcoholic beverages.



Example warning label



Example of the "Alcoholic Beverage" symbol

Age certification system when accessing website

In 2019, Takara Shuzo introduced an age certification system for access to web pages related to alcoholic beverages on its website to prevent underage drinking.



Age certification system

Respect for global guidelines

Respecting WHO's global strategy on alcohol

The World Health Organization (WHO) adopted the global strategy to reduce harmful use of alcohol at the World Health Assembly held in May 2010. Subsequently in 2013, the WHO announced the Global Action Plan 2013-2020, setting a 10% reduction target for the harmful use of alcohol.

In response to the WHO's initiatives, the Basic Act on Measures against Alcohol-related Health Harm came into force in Japan in 2014. Based on this Act, the Japanese government developed the Basic Plan for the Promotion of Measures against Alcohol-related Health Harm in 2016, presenting specific measures to be taken. Takara Shuzo respects the WHO's global strategy on alcohol, complies with the Basic Plan for the Promotion of Measures against Alcohol-related Health Harm based on this strategy, and voluntarily and proactively implements measures to solve alcohol-related problems.

Participation in external initiatives

Participation in dissemination and awareness raising programs on appropriate drinking practices by the Health and Medicine of Alcohol Association

The Health and Medicine of Alcohol Association was established in 1980 under the joint responsibility of the Ministry of Health, Labour and Welfare and the Ministry of Finance to spread and educate people about appropriate drinking practices and to prevent underage drinking. The Association conducts activities such as publishing magazines and journals, preparing posters, and holding seminars. As a representative of alcoholic beverage industry groups, we participate in the Association's activities as a planning member and publish a magazine on alcohol-related problems four times a year.

Participation in reviews of alcoholic beverage advertisements conducted by the Advertising Review Board of Alcoholic Beverages

The Advertising Review Board of Alcoholic Beverages was established in 2007 by the Liaison Council on Drinking, which consisted of nine groups in the Central Liaison Council of Alcoholic Beverage Industry. The Board was established as an organization commissioned with the deliberation on the status of compliance with the voluntary standards concerning alcoholic beverage advertising and labeling (hereinafter, the "Voluntary Standards") formulated by the Liaison Council on Drinking and with the reporting on the results of the deliberation, in order to ensure objectivity and a higher level of effectiveness. The Board reviews alcoholic beverage advertisements on TV and in newspapers and magazines twice a year and reports the results of its review to the Liaison Council on Drinking. As a representative of alcoholic beverage industry groups, we participate in the Board as a working-level member and review alcoholic beverage advertisements, including whether the Voluntary Standards have been complied with.

Takara Group Sustainability Policy



Human Resources

In the Takara Group, we take the perspective that people are indispensable assets and our employees are "human resources." While we believe that a company is an organization comprising all of its individual employees and that the collective power of "human resources" is the source of a company's growth and development, we also believe that the evolution of corporate culture and "human resources" is indispensable for the further increase in corporate value and the achievement of business continuity. We aim to create "a workplace that is full of vitality and positivity, and a corporate culture that nurtures people" from the perspective of respect for human beings, and within that to foster "human resources that achieve a balanced combination of working adult, member of society, and individual human being."

Fostering human resources

Implement measures to foster human resources who will be responsible for the next generation

Takara Holdings and Takara Shuzo have prepared an action plan to create a pleasant workplace where their employees can fulfill both their work and parenting responsibilities, pursuant to the Act on Advancement of Measures to Support Raising Next-Generation Children, which came into effect in April 2005.

The action plan covers three years starting April 2020 and is available on the websites of Takara Holdings and Takara Shuzo.

Foster human resources who will achieve global business growth (global human resources)

With the aim of fostering human resources capable of playing active roles overseas, Takara Holdings, Takara Shuzo, and Takara Shuzo International provide support for employees to visit language learning schools or take English lessons online as we strive to help employees acquire the language skills required for business. Furthermore, in supporting the self-development of our employees, we allow them to take multiple language-related courses through correspondence education programs. We also allow new hires to take the TOEIC® tests and provide an English language learning program for our prospective employees before they join us, working to foster a corporate

culture to actively promote our global business expansion.

Foster human resources using Takara Holdings Corporate History Museum, our training facility

In March 2017, we opened the Takara Holdings Corporate History Museum, a training facility for Group employees inside and outside Japan, in Takenaka-cho, Fushimi-ku, Kyoto, which is where the company was established, as one of our 90th anniversary projects. The business territory of the Takara Group, which originated in the sake brewing business in 1842, has now expanded to include the Biomedical Business and the Japanese Food Wholesale Business in overseas markets. In terms of geographical regions, we have also actively extended our business activities in Europe, the U.S., Asia, and Oceania, resulting in diverse human resources. We utilize this facility for our Corporate History Museum Observational Training Program for all Takara Group employees in order to unite the Group as a whole and instill a mindset that is willing to take on challenges. At the same time, it facilitates our efforts to foster a culture for promoting improvement in corporate value as we train the human resources that will support the Group into the future.

Promoting the active involvement of diverse human resources

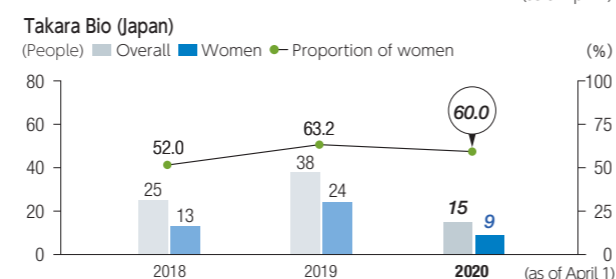
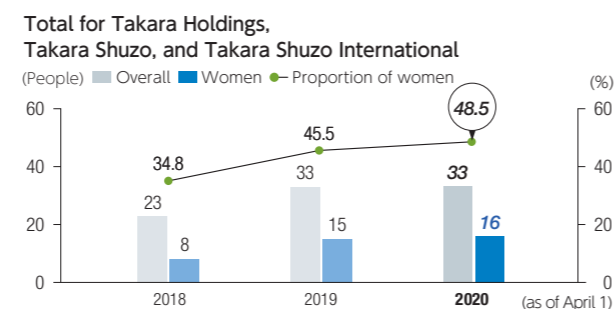
Promoting the active involvement of female employees

Takara Holdings, Takara Shuzo, and Takara Shuzo International have prepared an action plan to further promote the career advancement of female employees pursuant to the Act on the Promotion of Female Participation and Career Advancement in the Workplace, which came into effect in April 2016.

The action plan covers three years starting April 2020 and is available on the websites of Takara Holdings and Takara Shuzo.

At Takara Bio, 60.0% (9 out of 15) of new graduate hires in Japan as of April 2020 were women, resulting in

Proportion of women among college graduate new hires



female employees accounting for 41.7% of the total employees. Furthermore, Takara Bio is striving to achieve the target of promoting ten or more female employees to a managerial position or boosting the ratio of female managers to at least 25% (in proportion to the total number of managers as of the end of March 31, 2016) by the end of March 2022. The company had 14 female managers as of April 1, 2020, bringing the ratio of female managers to 27.7%.

Promote the active involvement of senior human resources

Takara Holdings, Takara Shuzo, Takara Shuzo International, and Takara Bio set the retirement age of their employees at 60. However, there is a re-employment system in place, allowing those who wish to work to remain employed until they turn 65. During the three years from FY2017 to FY2019, the ratio of employees who wished to be re-employed after reaching their retirement age was 83% in Takara Holdings, Takara Shuzo, and Takara Shuzo International combined and 100% in Takara Bio.

Promote the hiring of people with disabilities

When hiring people with disabilities, we ensure that our workplaces are conducive to allowing these individuals to exercise their talents. Approaches to doing so include understanding the individual's work skills, establishing and developing a range of work tasks suited to the person's circumstances, and improving the workplace environment. Additionally, people with disabilities participate in professional work alongside able bodied employees as we strive to create an environment in which they will feel a sense of purpose in their job.

As of April 1, 2020, there were six employees with disabilities working at Takara Holdings (in comparison to the statutory required number of four), 36 at Takara Shuzo (against the statutory required number of 30), and 12 at Takara Bio (against the statutory required number of 12).

Achieving a comfortable workplace environment and a work-life balance

Ensure workplace safety and sanitation

The Takara Group strives to organize its workplace environment in compliance with laws and regulations concerning safety and health. In the event any disaster occurs in connection with our business, we will minimize the accident and take recurrence prevention measures, while implementing the required procedures such as filing reports and notices.

Furthermore, as part of our mental health support for employees, our Group companies engage an external institution to conduct stress checks every year to help employees recognize any stress they are going through. The employees who have been diagnosed as having an increased level of stress will meet an industrial physician if they wish to do so. Through this and other initiatives, we endeavor to prevent mental health problems among our employees.

Comply with labor-related laws and regulations

The Takara Group strives to maintain a pleasant

workplace in compliance with labor-related laws and regulations. We strictly request managers to manage work hours of their staff members pursuant to the Labor Standards Act and do not allow them to force their staff members to perform excessively demanding duties, to accept overtime work, or to engage in any other types of unreasonable work practices. We also constantly remind them that they need to always pay attention to the physical and mental health of their subordinates.

Prevent long working hours

In the Takara Group, supervisors thoroughly manage the status of employees' overtime working hours. In addition, the person in charge of managing overtime working hours in each workplace and the Personnel Division also confirm the status of overtime working hours in the middle of each month. We also prohibit employees from working more than 60 hours a month in excess of their stipulated work hours, in principle. In addition, we have put in place a set of general rules to ban coming to work before 7 a.m., working overtime after 9 p.m., and working on Sundays. Under the Article 36 Agreement, we limit the maximum extended working hours to 75 hours per month. We also ensure that the total hours of overtime work and work on holidays in excess of 40 hours a week do not exceed 80 hours a month.

Promote diverse working styles

Workstyle reforms cover various aspects. They include adjusting long work hours, promoting the active involvement of women in workplaces, supporting the employment of senior workers, balancing one's career and responsibilities as a parent or caregiver, and flexible workstyles. We are addressing each of these issues.

To help employees fulfil work and family responsibilities, Takara Holdings, Takara Shuzo, and Takara Shuzo International offer work arrangements that surpass what is legally required. For instance, in support of employees who are raising children, we offer an option of working shorter hours until their child starts primary school (while the legal requirement is to offer shorter work hours until the child turns three years old). To support caregivers, we offer a caregiver's leave for a total period of one year (93 days under law).

In addition, we introduced a work-from-home system in December 2019. The system was initially available only for employees with parenting and care giving responsibilities but was expanded to all employees starting from the fiscal year 2020, with exceptions of certain job categories such as technicians or engineers in factories.

Takara Bio is reviewing its work arrangements in combination with its efforts to improve productivity. As an effort to support its employees in fulfilling work and family responsibilities, the company offers shorter work hours until their children complete the fourth grade in primary school (until three years old under law). The company also allows its employees who are working shorter hours to raise children to use the flextime system. In addition, it extended lunch break by 15 minutes to 60 minutes starting from the fiscal year 2019, reducing the stipulated daily work hours by 15 minutes to seven and half hours.

Takara Group Sustainability Policy



Well-Balanced Diet

The Takara Group will increase the value and appeal of *washu* and Japanese food, and will bring rich diet filled with connections between people throughout the world by leveraging our position as a top manufacturer of *washu*, and our Japanese food wholesaling network overseas.

Providing the richness of food to people throughout the world through *washu* and Japanese food

Hold food and beverage tasting events

Wishing to enable more people to experience the attractiveness of lemon sour, which became popular among young people, we became a special sponsor of the Lemon Sour Festival, Japan's first large-scale drinking and eating event dedicated to lemon sour launched in 2017. At the venue, ten types of shochu, five types of lemon, and two types of soda are used to create a total of 100 types of lemon sour, from which visitors can choose according to their taste. The event gives visitors opportunities to drink lemon sour in various ways depending on their taste and to try to find out the best combination of original lemon sour with the food provided by the exhibiting stores.

*The event at the venue was cancelled in fiscal 2020 to prevent the spread of the novel coronavirus infections.

Market development through innovative products

We are selling new innovative products such as *Sho Chiku Bai Shirakabegura Mio Sparkling Sake*, which created a new genre of sparkling sake, *Mio Ichika*, which offers strawberry- and banana-like aroma, and *Mio Frozen*, a slushy sake made to be enjoyed frozen. In addition, we are developing products that are suitable for budding drinkers and those that are approachable by women and seniors.

Spread the appeal and value of *washu* overseas

Due to its healthy image, Japanese food is increasingly gaining recognition and popularity overseas. Through our Japanese Food Wholesale Business in overseas markets,

the Takara Shuzo International Group is supplying local Japanese restaurants, supermarkets, and retailers with a variety of Japanese food ingredients such as rice, laver, soy sauce, vinegar, and complementary products, which are essential for Japanese food.

Tazaki Foods Ltd., which is operating its business in the U.K., is a local pioneer in the Japanese Food Wholesale Business and its Yutaka brand is carried in many retail stores. It has also cemented its position as a supplier of Japanese food to restaurants and bars. Leveraging the wide recognition of the Yutaka brand, we are striving to actively disseminate information through Tazaki Foods by having booths at food exhibitions held in areas across the U.K., while also using YouTube, Facebook, and similar platforms.

Additionally, in response to the growing demand for sake products, we offer training for staff at Japanese food restaurants on how to serve sake. Using our ties with breweries, we have also started early efforts to communicate sake's distinct features and the stories behind its brewing.

On the back of the growing global Japanese food markets which are expected to continue further expanding, in addition to Japanese food, we are communicating the attraction of traditional Japanese alcoholic beverages such as sake and shochu to the world to spread Japan's food culture overseas.

Creating communication through sake and providing a social lubricant

Disseminate information about the enjoyment of sake and sake culture

We use our "*Sakabanashi*," a website dedicated to make sake more enjoyable and various social network services to disseminate a wide range of information on sake, from how to enjoy it in everyday life to its cultural and historical aspects, to teach people about the sake culture.



Sakabanashi website (<https://sakabanashi.takarashuzo.co.jp/>) (In Japanese)



Procurement

In order to continuously provide customers with safe and reliable products and services, it is essential for us to continue sustainable transactions with suppliers who are our business partners. The Takara Group aims to realize sustainable procurement by ensuring the safety and quality of raw materials and more, and by also considering the social responsibility of the entire supply chain, including consideration for the environment and human rights as well as compliance with laws and social ethics based on the Takara Group Procurement Policy.

Sustainable procurement

Promote raw material procurement considering environmental and social issues

For its product labeling and packaging cardboards, Takara Shuzo promotes the use of paper with forest protection certification (e.g., FSC, PEFC). In addition, we use biomass feedstock for soft packaging materials and printing on them, making bottles and cans lighter, and abolishing labels and stickers to reduce the consumption of packaging materials.



Ryori no Tame no Seishu using certified paper

Collaboration with suppliers

Formulate guidelines for sustainable procurement, and request compliance by suppliers

We are collecting information to develop procurement guidelines for our suppliers. In addition, based on the guidelines, we will add requirements to the supplier selection standard used at the time of auditing.

Takara Group Procurement Policy

- 1 **Ensuring safety and quality**
In accordance with the Takara Group Quality Policy, we will promote activities aimed at ensuring a high level of safety and quality.
- 2 **Consideration for the environment**
Based on the Takara Group Environmental Policy, we will engage in activities with consideration for the global environment.
- 3 **Consideration for human rights**
In accordance with the Takara Group Human Rights Policy, we will engage in activities with consideration for human rights.
- 4 **Compliance with laws and social ethics**
In accordance with the Takara Group Compliance Action Guidelines, we will comply with laws and social ethics. We will not request entertainment or gifts from suppliers, nor will we be the recipient of entertainment that exceeds the boundaries of common sense.
- 5 **Equitable and fair transactions**
We will treat all suppliers with common sense and honesty and conduct equitable and fair transactions. When selecting suppliers, we will make our decisions after equitable and fair comparisons and evaluations, based on quality, price, delivery date, technical capabilities, supply capacity and other conditions.
- 6 **Maintaining information security**
We will appropriately manage confidential information and personal information obtained during procurement activities.
- 7 **Expectations of suppliers**
With regard to the above, we expect the same considerations from our suppliers, and will endeavor to promote initiatives throughout the entire supply chain.

Takara Group Sustainability Policy



Human Rights

The Takara Group has formulated the Takara Group Human Rights Policy to respect the human rights of all stakeholders and is promoting various initiatives, including education and training.

The Takara Group Human Rights Policy

Recognizing that the Takara Group may potentially affect the human rights of various stakeholders, including business partners, customers, and local communities, in addition to our employees, through our business activities, we respect human rights as set out in the United Nations' International Bill of Human Rights and the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work.

This Policy applies to all officers and employees of the Takara Group. We also request business partners to support and comply with this Policy.

- ◆ We will comply with the laws and regulations of each and every country in which we conduct business activities.
- ◆ We will respect the diversity, personality, and individuality of all stakeholders and will not allow any irrational discrimination on the grounds of birth, nationality, race, ethnicity, creed, religion, gender, age, disability, sexual orientation, gender identity, employment status, hobbies, educational background, etc.
- ◆ We support the right to freedom of association and the right to collective bargaining. Illegal child labor and forced labor are not permitted in domestic and overseas working environments.
- ◆ We will establish and operate whistleblowing contacts within the Company and at an external third party organization for reporting violations of laws, regulations, and internal regulations including this Policy. In addition, we will prohibit any disadvantageous treatment of whistleblowers on the basis of such whistleblowing.
- ◆ We will extensively convey our Human Rights Policy to our employees, and provide ongoing education and training.

Respect for human rights

Conduct human rights education at new employee training and rank-specific training sessions

Internally, we incorporate a program designed to further the understanding of human rights in introduction programs for new hires and induction programs for new managers, compliance training, and so on, to provide education within the Group.

Understanding and respect for multiple cultures (multinational cultures)

In addition to dealing with this topic in the study of human rights at training programs for new hires and programs designed for different job levels, the Takara Group Compliance Action Guidelines stipulate that employees must understand social conditions of each country and local community and give sufficient consideration to their culture, customs, and religion, to instill the understanding of and respect for different cultures throughout the Group.

Recruitment activities without discrimination

In our hiring practices, we adhere to the Act on Securing, Etc. of Equal Opportunity and Treatment between Men and Women in Employment. To ensure thorough consideration for human rights, we provide our employees involved in hiring with education on human rights using manuals and other materials.

Initiatives to prevent harassment

To prevent sexual harassment, power harassment, and other forms of harassment concerning pregnancy, childbirth, child rearing, and care giving, we have established a consultation and complaint office at each workplace, in addition to an Ombudsman Committee.

Protect personal information and privacy

To protect the rights and interests of individuals, we consider it our social responsibility to appropriately handle and protect personal information in every situation in which we conduct corporate activities. Based on this belief, we comply with laws concerning personal information and other relevant laws and ordinances, clarify our Basic Policy on the Protection of Personal Information, and strive to continue enhancing our structure for the protection of personal information.

Initiatives to identify risks to human rights

Establish a structure to identify and evaluate risks to human rights

We will collect information to identify human rights risks of the Group (human rights due diligence) and investigate human rights risks of the entire value chain in which we are involved. We will then create a structure to identify and evaluate human rights risks of the entire Group.



Community

The Takara Group will contribute to the development of local communities by seeking communication with local communities, recognizing their needs and issues, and undertaking initiatives to resolve them.

The needs and issues of local communities are diverse and are likely to change with the times. These range from global issues such as climate change, to local issues such as garbage, the education of children who will be responsible for the next generation, promotion of the economy and culture, and large-scale disaster support.

As a good corporate citizen, we strive to understand what challenges our local communities are facing and what they require through communication with stakeholders. We will then consider what we can do for the needs and challenges we have identified and take actions to contribute to the development of local communities.

Education for children

Hold events for the purpose of environmental education and food education, and conduct on-site classes at local elementary schools

Takara Bio: Visiting lectures at elementary schools

Takara Bio began offering visiting lectures at elementary schools in Kusatsu City, Shiga Prefecture since 2018, as part of the Period for Integrated Studies curriculum prescribed in the curriculum guidelines developed by the Ministry of Education, Culture, Sports, Science and Technology. To help students deepen their understanding of biotechnology, we provided an easy-to-understand description of the activities we engaged in, using our research into cancer treatment drugs as an example, and showed a video of our employees working in a laboratory. The aim of this program is to help children take initiative in learning and thinking about their lives through cross-discipline, comprehensive, and investigative learning, instead of learning with textbooks only.

Takara Shuzo Farm School
Takara Shuzo Eco-School

*Please refer to a page on Environment for the details of Farm School and Eco-School. > Page 40

Contribution to the promotion of local communities and culture

Participate in local cleaning activities and support local communities

The Takara Group actively participates in and cooperates with various activities. These include participation in cleaning activities as volunteers throughout Japan and sponsorships at local events.

Hold amateur Go tournaments

The Takara Shuzo Cup—Class-Ranked Champions' Go Tournament, co-hosted by Takara Shuzo and the Nihon Ki-in (a public interest incorporated foundation), is the largest amateur go tournament in Japan, open to adult participants at least 20 years of age. In addition to the match, the tournament features tasting of Takara Shuzo's alcohol products, quiz rally, and instructions by professional go players.

For the 12th tournament in the fiscal year 2019, regional preliminaries were held at 13 sites across Japan in addition to the national tournament. A total of 10,545 people participated in the event. Through this tournament, Takara Shuzo is broadening the range of go enthusiasts, while contributing to spreading *go*, one of the traditional Japanese cultures.

*The tournament was cancelled in fiscal 2020 to prevent the spread of the novel coronavirus infections.

Promotion of local economies

Continually foster community-based products

We sell *Takara CRAFT* chu-hi, which is available only in specific areas and is made using the *hitotema-zukuri* manufacturing method. This manufacturing method is characterized by the application of careful attention and extra efforts to bring out the distinctive qualities and characters of the local ingredients using a rigorously-selected base alcohol. We also sell *Sho Chiku Bai CRAFT*, which is a sake brewed using locally produced rice and our proprietary technologies, in limited areas. We will continue developing and nurturing products that are loved by local residents and have their roots in their local communities using rigorously-selected ingredients that are unique to each locality.

Support after large-scale disasters

Provide donations, water supply, and volunteer activities

In the event of large-scale disasters, we provide relief supplies and monetary donations to support the affected areas. In addition, our employees participate in relief activities as volunteers.

Takara Group Sustainability Policy



Governance



The Takara Holdings Corporate Governance Policy <Basic Policy>

The Company has formulated "TaKaRa Group Challenge for the 100th," our long-term management vision ending in the fiscal year ending March 31, 2026, which is the 100th anniversary of the Group's foundation. The Challenge sets forth "Where the Takara Group wants to be (Vision)*" as well as management strategies and business strategies in order to achieve this Vision.

that ensures a transparent, fair, speedy and resolute decision making. At the same time, we also believe that to continue to be a trusted corporate group, we need a structure that respects the positions of stakeholders, including shareholders, customers, employees, creditors, and local communities, and enables us to make efforts in appropriate communication.

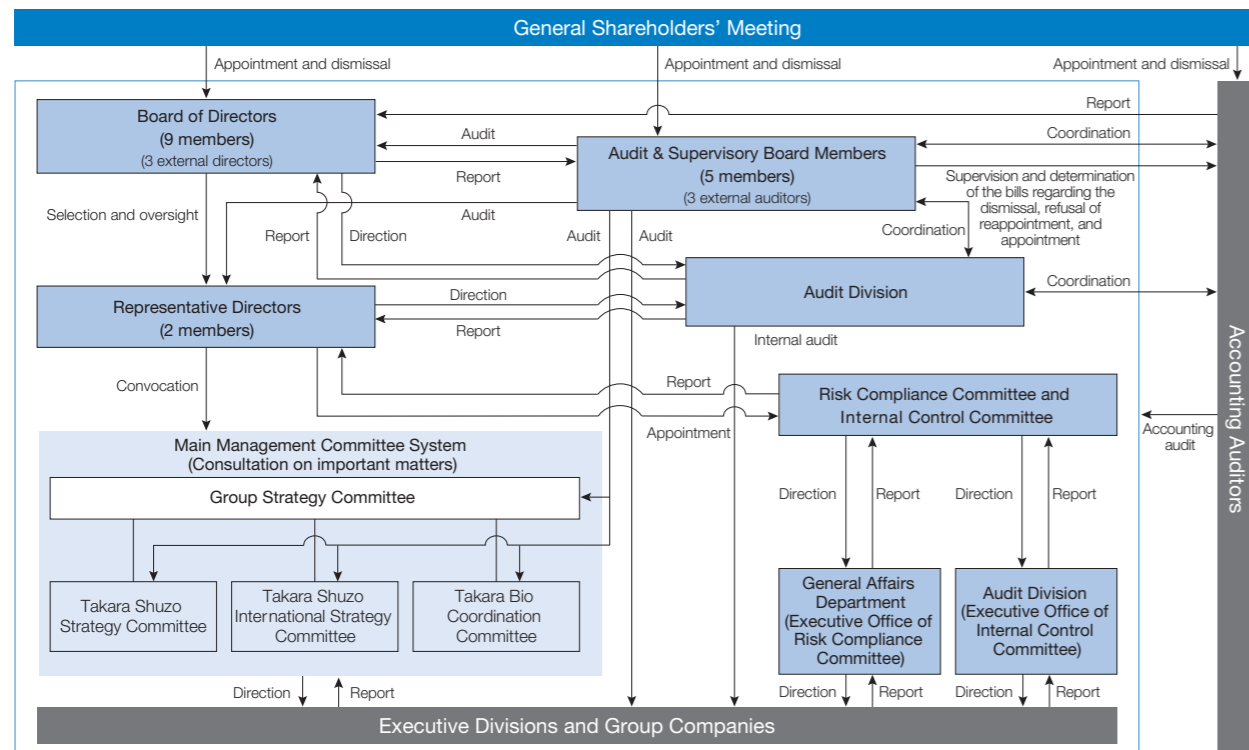
We believe that achieving this Vision will lead to the sustainable growth of the Group and an increase in corporate value over the medium- to long-term, and that what is required to effectively and efficiently realize this Vision is a corporate governance structure

The Company aims for sustainable growth and an increase in corporate value over the medium- to long-term by establishing a corporate governance structure based on the above policy, and will make efforts in accordance with the specific policies set forth in the Takara Holdings Corporate Governance Policy.

* "Where the Takara Group wants to be (Vision)"
[Smiles in Life]

The Takara Group aspires to use its proprietary technology to produce great-tasting products and revolutionary biotechnology to safely and reliably deliver diverse value in the *washu*, Japanese food, and life science categories and help people connect with each other and lead healthy and fulfilling lives full of smiles.

Corporate Governance Structure (As of June 26, 2020)



Note: The role of the Takara Bio Coordination Committee is to report on the business activities of Takara Bio Inc. The committee does not inhibit Takara Bio's autonomy, and its prior approval is not required for the decisions of Takara Bio's Board of Directors.

Promotion of corporate governance

Establish an optimum corporate governance structure

As a holding company that manages a corporate group, Takara Holdings has decided that the following framework will be most appropriate for the Takara Group to ensure highly effective supervision and audits of corporate management. Hence, we have adopted a system of a Company with an Audit & Supervisory Board as our corporate governance structure.

- ◆ The Board of Directors makes important management decisions and supervises the execution of operations. The Board consists of executive directors with high level of expertise and experience related to our businesses and multiple independent external directors with a wealth of experience and a broad view who are capable of offering advice and suggestions from the perspectives of all stakeholders including shareholders.
- ◆ Audit & Supervisory Board Members with the knowledge of finance, accounting, and legal affairs, including independent external Audit & Supervisory Board Members with a wealth of experience and a broad view, comprise the Audit & Supervisory Board. Each Audit & Supervisory Board Member effectively exercises their function and authority to audit the execution of operations by directors.

With these frameworks in place, external directors and Audit & Supervisory Board Members with a wealth of experience and a broad view monitor, supervise, and offer advice on Directors' business management and performance of duty according to their roles and functions from their independent and objective standpoint, thereby providing highly effective supervision.

directors, regardless of age, gender, and nationality, among others, by taking into account the candidates' skills, knowledge, experience, and specialization. This way we ensure the diversity necessary for the Board of Directors as a whole. Currently, three of our nine Directors are external directors, two of whom are women.

The term of office for our Directors is one year in order to respond promptly to changes in the management environment and to ensure the clarity of Directors' management responsibilities.

Audit & Supervisory Board Members and Audit & Supervisory Board

Takara Holdings appoints individuals with the knowledge of finance, accounting, and legal affairs as Audit & Supervisory Board Members in order to ensure functions necessary to perform the roles and responsibilities of the Audit & Supervisory Board Members and Audit & Supervisory Board. As of June 26, 2020, three of our five Audit & Supervisory Board Members are external Audit & Supervisory Board Members, one of whom is a woman. Furthermore, three of the five Audit & Supervisory Board Members have extensive knowledge about finance and accounting.

Appointment of independent officers

Takara Holdings has established criteria for independent officers, which are more rigorous than those specified by the Tokyo Stock Exchange, and it designates all of the external officers who are deemed to be independent by meeting these criteria as independent officers. Currently, a total of four officers are designated as independent officers. They are External Directors Toshihiko Yoshida, Masako Tomotsune, and Tomoko Kawakami, and External Audit & Supervisory Board Member Kumiko Kitai.

Directors and Board of Directors

From among those who meet certain criteria, persons who are deemed to be best suited from the viewpoint of mutually complementing the execution of operations and enhancing supervisory functions are appointed as

Officer compensation

Compensation for directors and Audit & Supervisory Board Members is determined based on the Rules for Compensation of Officers approved by the Board of Directors

Reasons for Appointment as Independent Officers and Attendance at the Board of Directors' Meetings and Audit & Supervisory Board Meetings (fiscal year ended March 31, 2020)

Position	Name	Reasons for Appointment	Attendance at Board of Directors' Meetings	Attendance at Audit & Supervisory Board Meetings
External Director	Toshihiko Yoshida	Toshihiko Yoshida served in key positions, including at the National Tax Agency JAPAN, and the Company has determined that his broad knowledge and extensive experience and track record concerning tax affairs will be useful in the further enhancement of its management structure.	13 out of 13 meetings	—
External Director	Masako Tomotsune	As an attorney, Masako Tomotsune possesses broad knowledge as well as extensive experience and a track record related to corporate law and other matters. The Company has determined that these qualifications will be useful in the further enhancement of its management structure.	13 out of 13 meetings	—
External Director	Tomoko Kawakami	Tomoko Kawakami has been involved over many years in the academic field of economics at Waseda University and elsewhere, in addition to research activities related to marketing and other fields. The Company has determined that her broad knowledge, extensive experience, and track record in these areas will be useful in the further enhancement of its management structure.	10 out of 10 meetings (after the appointment as External Director)	—
External Audit & Supervisory Board Member	Kumiko Kitai	After joining the Ministry of Labour, Kumiko Kitai served as Vice-Governor of Shizuoka Prefecture followed by a series of key positions in the Ministry of Health, Labour and Welfare, and the Company has determined that her broad knowledge and her experience and track record due to her extensive career to date will be useful in the further enhancement of its audit structure.	13 out of 13 meetings	15 out of 15 meetings

Takara Group Sustainability Policy

Governance

within the range of the amount for each approved by the general shareholders' meeting. Compensation for directors is determined, with authorization by the Board of Directors, after deliberation by the President and other representative directors, while compensation for Audit & Supervisory Board Members is determined by deliberation by the Audit & Supervisory Board Members. Revisions to the Rules for Compensation of Officers relating to directors are based on resolutions by the Board of Directors, while revisions relating to Audit & Supervisory Board Members are subject to consultation with the Audit & Supervisory Board Members.

Compensation for executive directors consists of a fixed amount of compensation in accord with the director's title and role, plus performance-linked compensation, while compensation for external directors

and Audit & Supervisory Board Members consists of a fixed amount of compensation only.

Performance-linked compensation for each executive director is determined in accordance with the performance evaluation score for the previous fiscal year for each director, and the performance-linked compensation for the previous fiscal year, with final determinations made by the President in consultation with other representative directors.

Performance evaluation scores for the previous fiscal year are calculated with consolidated operating income as the primary assessment indicator. The reason for this is that consolidated operating income is positioned as the most strongly emphasized management indicator.

Compensation for Directors and Audit & Supervisory Board Members (Fiscal year ended March 31, 2020)

Officer category	Fixed amount of compensation		Amount of performance-linked compensation		Total (Millions of yen)
	Number of eligible officers	Total amount (Millions of yen)	Number of eligible officers	Total amount (Millions of yen)	
Directors	10	118	7	89	207
(External Directors)	(3)	(20)	(—)	(—)	(20)
Audit & Supervisory Board Members	5	89	—	—	89
(External Audit & Supervisory Board Members)	(3)	(48)	(—)	(—)	(48)
Total (External Officers)	15	207	7	89	296
	(6)	(68)	(—)	(—)	(68)

Notes: 1. The amount of compensation and other benefits for directors does not include the employee salary component for Directors serving concurrently as employees.

2. With regard to the maximum amount of compensation for directors, the 108th General Shareholders' Meeting held on June 27, 2019 approved the fixed annual compensation of up to ¥136 million (up to ¥30 million for external directors). As for performance-linked compensation (for directors who are not external directors), the 104th General Shareholders' Meeting held on June 26, 2015 approved an annual amount that is equivalent to up to 1% of consolidated operating income for the previous fiscal year (however, these amounts do not include the employee salary component for Directors serving concurrently as employees). Furthermore, the 106th General Shareholders' Meeting held on June 29, 2017 approved an annual amount of up to ¥120 million as compensation for Audit & Supervisory Board Members.

3. At end of the fiscal year under review, the number of directors was nine (including three external directors) and the number of Audit & Supervisory Board Members was five (including three external Audit & Supervisory Board Members). The reason for the discrepancy with the above-noted number of directors is that it includes one director who retired at the adjournment of the 108th General Shareholders' Meeting held on June 27, 2019.

Consider optimum corporate governance

As a holding company, Takara Holdings has established the "Rules and Regulations for Overseeing Group Companies" that specify matters necessary to manage the Group companies. We require these companies to regularly report on their business activities while ensuring that they maintain their uniqueness and autonomy, and to discuss material matters with us before making any decisions or report decisions to us as soon as they are made. This way we support their appropriate risk-taking while supervising their execution of operations.

We have meeting bodies in place as described below in order to ensure that operational decisions are made and information is delivered properly and promptly.

- ◆ The Group Strategy Committee meets at least six times a year as a rule to discuss material matters related to the overall management of the Takara Group, review each Group company's performance, and report updates on activities.

- ◆ The Takara Shuzo Strategy Committee and the Takara Shuzo International Strategy Committee each meet once a month as a rule to hold preliminary discussions on material matters, including the matters to be resolved at the Boards of Directors of Takara Shuzo Co., Ltd. and Takara Shuzo International Co., Ltd., report on these matters, and provide updates on relevant activities.
- ◆ The Takara Bio Coordination Committee meets once a month as a rule to make an ex post facto report on material matters including the matters resolved at the Board of Directors of Takara Bio Inc., which is a listed subsidiary of Takara Holdings, as well as updates on relevant activities.
- ◆ Each of the other subsidiaries holds the Strategy Committee and the Consultation and Coordination Committee four times a year as a rule to hold preliminary discussions on material matters, including the matters to be resolved at the Board of Directors of each of these subsidiaries, report on these matters, and provide updates on relevant activities.

About Our Listed Subsidiary Takara Bio Inc.

As of June 26, 2020, Takara Holdings is the parent company of Takara Bio Inc. (Tokyo Stock Exchange First Section; Securities code number: 4974, hereinafter referred to as "Takara Bio"), holding 60.9% of the voting rights of Takara Bio.

On April 1, 2002, Takara Bio was spun off from the parent company as a wholly owned subsidiary to take over Takara Holdings' biomedical business unit. Subsequently, the ratio of voting rights held by Takara Holdings was reduced to its current level through third party capital increase by Takara Bio, public subscriptions, the issuance of bonds with stock acquisition rights, and other corporate actions.

Today, the Takara Group consists of Takara Holdings that is a holding company, 60 subsidiaries, and two affiliates. Takara Bio is positioned as the subsidiary specializing in life science to promote the Biomedical Business for the Group. Takara Bio is not a competitor of the Takara Group's any other segment, and has only limited dealings with Takara Holdings.

Takara Bio is a growing enterprise of great promise in the Takara Group. We believe that having Takara Bio in our business portfolio is extremely important for maximizing the Group's corporate value in the future.

We also believe that Takara Bio needs to have its own means of financing in order to further accelerate the growth of our Biomedical Business. Moreover, to hire and train talented employees and further advance

the management of Takara Bio, it is vital to maintain Takara Bio as a listed subsidiary.

The Takara Bio Corporate Governance Policy specifies that one-third or more of directors at Takara Bio (three out of nine at present) must be independent external directors with no vested interest in Takara Bio or Takara Holdings. Hence, we believe that we have the system in place for protecting the rights of Takara Bio's general shareholders and ensuring independent decision-making. Furthermore, three of the five Audit & Supervisory Board Members at Takara Bio are independent external Audit & Supervisory Board Members.

Takara Holdings has established the Rules and Regulations for Overseeing Group Companies from the viewpoint of consolidated business administration. The objective of these Rules and Regulations is to ensure that our Group companies maintain their uniqueness and autonomy while the corporate value of the overall Group is maximized. We apply the said Rules and Regulations to Takara Bio and receive reports on matters resolved at Takara Bio's Board of Directors and other actions, while we do not require Takara Bio to request a prior approval from us on the matters to be resolved by its Board of Directors. Hence, Takara Bio runs its business independently.

Group Compliance Action Guidelines <Basic Policy>

With the aim of realizing our corporate philosophy, which is "Contributing to the creation of a vital society and a healthy lifestyle through our fermentation technology and biotechnology in a way that achieves harmony with nature," the Takara Group will always conduct trustworthy and fair corporate activities in accordance with our code of conduct, "what makes consumers full of life makes me full of life."

- (1) We will comply with laws and regulations in Japan and overseas, fully recognize social ethics, and act with common sense and responsibility as a member of society.
- (2) We will work to lower environmental burdens, and

contribute to the development of life science that values the dignity of life.

- (3) We will conduct sustainable business activities that are widely useful to society by pursuing profit through fair competition rather than pursuing profit in a manner contrary to these Action Guidelines.
- (4) We will comply with employment regulations, and will not engage in any unfair or dishonest practices in violation of employment regulations.
- (5) We will always draw a line between public and private matters, and will not pursue personal gain by using corporate assets, information, business authority, or position.

Promotion of compliance

Reinforce the compliance promotion structure

The Takara Group has established the Risk Compliance Committee chaired by the President of Takara Holdings in order to ensure trustworthy and fair corporate activities and is undertaking a

reinforcement of the Group-wide risk management and compliance promotion structure. Our goal is to fulfill the corporate social responsibility of the entire Takara Group and increase the Group's corporate value by ensuring each Group company's proper compliance and taking risk management measures in

Takara Group Sustainability Policy

Governance

accordance with the Takara Group Compliance Action Guidelines.

Implement compliance education

In order to enhance employees' compliance awareness, the Takara Group issues compliance newsletters that deal with compliance-related subjects familiar to its employees and offers an e-learning course every month. We also provide annual training for each job level, including compliance seminars for top management led by guest specialists, training sessions for new managers, and new employee training, along with annual group training for risk compliance leaders who promote workplace compliance education. The group training is designed to advance the leaders' understanding of their role and of the key and relevant compliance-related subjects. Furthermore, based on these subjects that the group training deals with, the compliance leaders provide on-the-job training at their offices as part of our company-wide compliance education.

Appropriately operate the whistleblowing system

We have two helplines in place inside and outside the Company (i.e., third-party organizations), as contacts for whistleblowers in the event that they have noticed any legal infringements or unfair practices. We operate these helplines in accordance with Japan's Whistleblower Protection Act and the Helpline Rules in order to ensure that whistleblowers do not receive disadvantageous treatment due to the reports they have made. The Company gives full consideration to maintaining confidentiality when investigating reports and takes appropriate action based on confirmed facts.

Our Group companies in overseas locations also have their local whistleblowing hotlines and have established and operate processes that allow their local employees to directly contact the helpline in Japan for reporting and consultation through a third-party organization.

Reinforcement of the risk management structure

Promote risk management (normal risk management)

The Takara Group strives to prevent the materialization of risks and to mitigate risks by thoroughly checking each workplace for any potential risks and taking preventive measures according to the findings. We also confirm the effectiveness of these measures against risks annually and review these measures if necessary. We repeat these activities every year and report the results to the Risk Compliance Committee.

Promote crisis management (emergency risk management)

We have a Business Continuity Plan (BCP) in place based on the scenario of a large-scale earthquake. Specifically, in addition to taking such steps as ensuring electric power at our production sites through the introduction of private electricity generating equipment, enhancing the reliability of information dissemination, and preparing backup offices in case the regular offices are devastated, we ensure the effectiveness of our BCP by conducting emergency drills according to the plan.

Moreover, in the event of situations with a possibility of endangering life and limb or those that could seriously impact on corporate confidence or assets, we establish an Emergency Response Headquarters while cooperating with each department to take prompt and targeted action.

We will continue to improve the BCP, taking account of possible disasters other than large-scale earthquakes, including epidemics.

Areas of Activities for Risk Management and Compliance Promotion



The Takara Group has defined "compliance" and "risk management" as the areas of activities for Takara's risk management and compliance promotion, and further classified risk management into "risk management" for preventing risks surrounding companies and "crisis management" that sets forth actions to take in an emergency.

Messages from External Directors



Toshihiko Yoshida
External Director
(Appointed June 29, 2016)

We adapt to changes in the business environment to sustainably grow and increase our corporate value.

In response to the heightened interest in the SDGs in recent years, the Takara Group Sustainability Policy was formulated this year.

The Takara Group engages in the alcoholic beverages and food businesses as well as the biomedical business, and under the Sustainability Policy, ensuring of safe and reliable product quality and consideration for health are positioned as high-priority issues.

These issues are social issues to be tackled to achieve a sustainable society. At the same time, they also constitute the foundation to grow business and secure profit in conducting corporate management, and there are legal and social restrictions specific to each business. If these restrictions and regulations are not complied with, business activities would be significantly affected. Therefore, a high level of compliance and appropriate risk management are required at all times.

Since I became Takara's external director, I have always tried to express necessary opinions from this perspective. Going forward, I will always remind myself of this perspective, appropriately respond to various changes in the business environment, including the recent coronavirus pandemic, and continue to fulfill my role as an external director so that the Takara Group can achieve its sustainable growth and increase its medium- and long-term corporate value.

We are committed to further improving the Takara Group Sustainability Policy, enhancing our compliance, and establishing stronger corporate governance.

This fiscal year, the Takara Group announced the long-term management vision "TaKaRa Group Challenge for the 100th" and the Takara Group Medium-Term Management Plan FY2023. With "Smiles in Life" as its vision, the Group is committed to further enhancing its technical prowess, product competitiveness, and brand position, and evolving to develop profit-making corporate structure and facilitating collaboration between the Domestic and Overseas Businesses. In addition, with the formulation of the Takara Group Sustainability Policy, the Group will contribute to the realization of a sustainable society by resolving social issues including protection of the natural environment, offering safe and reliable products, and helping solve problems related to alcohol. In regard to its response to the novel coronavirus, the Takara Group provides rubbing alcohol and PCR test kits, cooperates in vaccine development, analyzes the genome of the coronavirus, and makes other wide-ranging efforts to ensure its employees' safety and business continuity. I provided various advice as an external director during the process of developing the Sustainability Policy. I will continue to provide my advice to help make further improvements, and I will also continue to work on the enhancement of compliance and corporate governance as well as the promotion of women in the workplace, thereby contributing to raising medium- and long-term corporate value.



Masako Tomotsune
External Director
(Appointed June 28, 2018)

We plan to launch the Takara brand across the globe and aim to achieve highly sustainable business management.

I am Tomoko Kawakami. I became an external director of Takara Holdings last year, and I am a professor at the Graduate School of Business and Finance at Waseda University (Waseda Business School). Since my appointment, Takara Holdings has provided me with opportunities to attend workshops for external officers, tours around business offices, meetings to exchange opinions with the President, and other occasions that enabled me to deepen my understanding of the Company's operation. The establishment of the Takara Group Sustainability Policy is a Group's major achievement in the context of recent trends where business management that aims to achieve a balance between sociality and economic efficiency is garnering much attention as symbolized by ESG investing and the SDGs. In the process of developing the Sustainability Policy, we interacted with corporate managers of other companies on a daily basis, and I made suggestions as a researcher in the field.

I will continue to express my opinions from a professional point of views in order to spread the Takara brand across the globe and increase its fans all over the world. I am determined to contribute to the further growth of the Takara Group, focusing on what is best for various stakeholders and considering an optimum balance between the world's trends and its tradition.



Tomoko Kawakami
External Director
(Appointed June 27, 2019)

Board of Directors and Audit & Supervisory Board Members (As of June 26, 2020)

Board of Directors



Hisashi Omiya (77)
Representative Director and Chairman

Apr. 1968 Joins the Company
Apr. 1974 General Manager of New Business Development Division
May 1974 Director
Jun. 1982 Managing Director
Jun. 1988 Senior Managing Director
Jul. 1989 Chief Officer of Bio Business Division
Apr. 1990 Chief Officer of East-District Alcoholic Beverages Business Division
Jun. 1991 Executive Vice President
Apr. 1993 Chief Officer of Alcoholic Beverages Business Division
Jun. 1993 President
Apr. 2002 President, TAKARA SHUZO CO., LTD. Chairman, TAKARA BIO INC. (incumbent)
Jun. 2012 Chairman, TAKARA HOLDINGS INC. (incumbent) Chairman, TAKARA SHUZO CO., LTD. (incumbent)
Jul. 2017 Chairman, TAKARA SHUZO INTERNATIONAL CO., LTD. (incumbent)



Mutsumi Kimura (57)
Representative Director and President

Apr. 1985 Joins the Company
Apr. 2002 Director, TAKARA BIO INC.
Jun. 2004 Managing Director, TAKARA BIO INC.
Jun. 2007 Senior Managing Director, TAKARA BIO INC.
Jun. 2009 Executive Vice President, TAKARA BIO INC.
Jun. 2014 Director Senior Managing Director, TAKARA SHUZO CO., LTD.
Jun. 2016 Executive Vice President
Jun. 2017 Director, TAKARA SHUZO CO., LTD. (incumbent)
Jul. 2017 President, TAKARA SHUZO INTERNATIONAL CO., LTD.
Jun. 2018 President (incumbent)
Apr. 2020 Director, TAKARA SHUZO INTERNATIONAL CO., LTD. (incumbent)



Koichi Nakao (58)
Director

Apr. 1985 Joins the Company
Apr. 2002 Director, Takara Bio Inc.
Jun. 2003 Managing Director, TAKARA BIO INC.
Jun. 2004 Senior Managing Director, TAKARA BIO INC.
Jun. 2007 Executive Vice President, TAKARA BIO INC.
May 2009 President, TAKARA BIO INC. (incumbent) President, Takara Bio USA Holdings Inc. (incumbent)
Jun. 2009 Director (incumbent)



Toshihiko Yoshida (65)
External Director

Jul. 2014 Director, Takamatsu Regional Taxation Bureau, National Tax Agency
Jul. 2015 Retired from National Tax Agency
Aug. 2015 Tax accountant, Toshihiko Yoshida Certified Tax Accountant Office (incumbent)
Jun. 2016 External Director (incumbent) Director, TAKARA SHUZO CO., LTD.



Masako Tomotsune (48)
External Director

Oct. 2002 Joins Tanabe & Partners
Apr. 2010 Self-Defense Forces Personnel Ethics Board Member
Apr. 2013 Partner at Tanabe & Partners (incumbent)
Jun. 2018 External Director (incumbent)
Jun. 2020 Outside Director (Audit & Supervisory Committee Member), The Kodensha Co., Ltd. (incumbent)



Tomoko Kawakami (55)
External Director

Apr. 2009 Professor, Faculty of Business and Commerce, Kansai University
Apr. 2015 Professor, Waseda Business School (Graduate School of Business and Finance) (incumbent)
Jun. 2019 External Director (incumbent)
Dec. 2019 Examiner of Certified Public Accountant Examination (incumbent)



Kenji Murata (60)
Director

Apr. 1983 Joins the Company
Apr. 2005 General Manager of Supply Chain Management Dept., TAKARA SHUZO CO., LTD.
Jun. 2010 Director, Chief Officer of Production Technology & Supply Division, TAKARA SHUZO CO., LTD.
Jun. 2014 Managing Director, Chief Officer of Seasoning & Alcohol Business Division, TAKARA SHUZO CO., LTD.
Jun. 2016 Director (incumbent) Executive Vice President, TAKARA SHUZO CO., LTD.
Jun. 2017 President, TAKARA SHUZO CO., LTD. (incumbent)



Hideo Takahashi (58)
Director
(Personnel, General Affairs, Environment & Public Relations, Quality Assurance)

Apr. 1985 Joins the Company
Apr. 2012 General Manager of Personnel Division
Jun. 2017 Executive Officer, General Manager of Personnel Division
Jun. 2018 Director (incumbent) Audit & Supervisory Board Member, TAKARA SHUZO CO., LTD. (incumbent)
Jun. 2020 Audit & Supervisory Board Member, TAKARA SHUZO INTERNATIONAL CO., LTD. (incumbent)



Keisuke Mori (57)
Director
(Business Management, Financial & Investor Relations, Accounting, Business Support & IT Promotion)

Apr. 1985 Joins the Company
Apr. 2008 General Manager of Administrative Innovation Division
Apr. 2011 Concurrent General Manager of Corporate Planning Division
Apr. 2012 General Manager of Business Management Division
Jun. 2017 Executive Officer, General Manager of Business Management Division
Jul. 2017 Audit & Supervisory Board Member, TAKARA SHUZO INTERNATIONAL CO., LTD. (incumbent)
Jun. 2018 Director (incumbent)
Jun. 2020 Audit & Supervisory Board Member, TAKARA SHUZO CO., LTD. (incumbent)

Audit & Supervisory Board Members

Yuzo Watanabe (64)
Standing Audit & Supervisory Board Member

Apr. 1978 Joins the Company
Jun. 2003 General Manager of Technology Division, TAKARA SHUZO CO., LTD.
Apr. 2007 Manager of Kurokabegura Distillery, TAKARA SHUZO CO., LTD.
Apr. 2009 Executive Officer, Manager of Kurokabegura Distillery, TAKARA SHUZO CO., LTD.
Apr. 2011 Executive Officer, Manager of Matsudo Plant, TAKARA SHUZO CO., LTD.
Apr. 2013 Executive Officer, General Manager of Quality Assurance Dept., TAKARA SHUZO CO., LTD.
Jun. 2015 Standing Audit & Supervisory Board Member (incumbent) Audit & Supervisory Board Member, TAKARA SHUZO CO., LTD.

Toshihito Yamanaka (59)
Standing Audit & Supervisory Board Member
(External Audit & Supervisory Board Member)

Apr. 2012 General Manager of Branch Banking Division III, Mizuho Bank, Ltd.
Apr. 2013 Deputy Director-General of Group Human Resources Division, Mizuho Bank, Ltd.
Jun. 2013 Retirement from Mizuho Bank, Ltd. Standing Audit & Supervisory Board Member (incumbent) Audit & Supervisory Board Member, TAKARA SHUZO CO., LTD.

Tomoyuki Mieda (64)
Standing Audit & Supervisory Board Member
(External Audit & Supervisory Board Member)

Jun. 2011 Auditor, The Norinchukin Bank
Jun. 2013 Retires as Auditor, The Norinchukin Bank Audit & Supervisory Board Member Standing Audit & Supervisory Board Member, TAKARA SHUZO CO., LTD.
Jun. 2017 Standing Audit & Supervisory Board Member (incumbent)

Teruaki Mitsui (58)
Standing Audit & Supervisory Board Member

Apr. 1985 Joins the Company
Apr. 2015 General Manager of Accounting & Shared Services Dept.
Jun. 2017 Executive Officer, General Manager of Accounting & Shared Services Dept. Audit & Supervisory Board Member, TAKARA SHUZO CO., LTD.
Apr. 2020 Executive Officer, General Manager of Accounting Dept.
Jun. 2020 Standing Audit & Supervisory Board Member (incumbent)

Kumiko Kitai (67)
Audit & Supervisory Board Member
(External Audit & Supervisory Board Member)

Aug. 2005 Director-General, The Equal Employment, Children and Families Bureau, Ministry of Health, Labour and Welfare
Aug. 2007 Retirement from Ministry of Health, Labour and Welfare Senior Managing Director, Japan Industrial Safety & Health Association
May 2011 Retires as Senior Managing Director, Japan Industrial Safety & Health Association
Jun. 2011 Audit & Supervisory Board Member (incumbent) Audit & Supervisory Board Member, TAKARA SHUZO CO., LTD.
Jul. 2014 Attorney-at-law, Kachidoki Law Office (incumbent)
Jun. 2016 Independent Auditor, Osaki Electric Co., Ltd. (incumbent)
Oct. 2019 Chairperson, Tokyo Metropolitan Public Safety Commission (incumbent)

Management's Discussion and Analysis

◆ Overview of Management Results

In the fiscal year under review, ended March 31, 2020, although the Japanese economy maintained a moderate recovery, personal spending remained weak due to the prolonged effect of the consumption tax hike implemented in October 2019. Overseas, the global economic outlook remained uncertain due to such factors as the recent spread of the COVID-19, in addition to the developments in the trade issues between the U.S. and China and the increasing uncertainties in the Middle East.

Under these economic circumstances, under the Takara Group Medium-Term Management Plan FY2020, which is the last step towards achieving its long-term Takara Group Vision 2020, the Company is aiming to build up a great number of fields in which it can beat competitors and establish a balanced business foundation able to grow revenues significantly, no matter what environmental changes occur, by further increasing the overseas sales ratio together with having a full product line-up and many products with a competitive edge, both in Japan and overseas.

◆ Net sales

In the fiscal year under review, net sales of Takara Group rose 1.4% year on year to ¥281,191 million, while gross profit fell 0.1% to ¥108,617 million. Operating income decreased 11.1% year on year to ¥15,836 million, and ordinary income fell 11.4% year on year to ¥16,269 million. Net income attributable to owners of the parent declined 13.7% year on year to ¥8,980 million.

As for the impact of COVID-19 on the business results, the Takara Shuzo International Group was not affected, as the closing date of the subsidiaries outside Japan is December 31. The impact at the Takara Bio Group was negligible. The impact at Takara Shuzo was limited as a result of an increase in demand for home-use products, which offset some decline in sales mainly to restaurants.

Results by business segment were as follows.

Takara Shuzo

The challenging business environment is expected to continue as the trend of decrease in total consumption of alcoholic beverages persists due to the impact of the decline and aging of the population in Japan among other factors.

In this environment, Takara Shuzo continued to develop products differentiated by its technology in addition to strengthening its product development system in order to respond to diversifying consumer needs in a timely and prompt manner and focusing efforts on increasing competitiveness in the alcoholic beverage and seasoning categories by expanding its product range. Takara Shuzo also worked on improving its profit ratio by increasing the sales ratio of high value added products while striving to strengthen safety assurance and quality control systems for raw materials in order to supply safe and secure products as a food manufacturer.

Net sales for Takara Shuzo rose 0.4% year on year to ¥153,141 million. Cost of sales increased by 1.5% year on year to ¥92,822 million due to an increase in the price of raw materials, and gross profit declined 1.1% year on year to ¥60,318 million. SG&A expenses were up by 2.0% year on year to ¥56,142 million due to increases in transportation and promotion expenses and other expenses. Accordingly, Takara Shuzo recorded a 29.8% decline in operating income year on year to ¥4,175 million.

The breakdown of this segment's net sales by product category is as follows.

- Alcoholic beverages ¥119,645 million (down 0.3% year on year)
- Seasonings ¥24,311 million (up 3.1% year on year)
- Raw alcohol ¥9,183 million (up 3.9% year on year)

Takara Shuzo International Group

The Takara Shuzo International Group expanded 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. With global market for Japanese foods growing larger in a trend that is expected to continue, the Takara Shuzo International Group worked on business activities with the aim of establishing itself as a leading company in the global Japanese alcoholic beverages and food markets by letting the world know about the great taste of traditional

Japanese alcoholic beverages such as sake and shochu in addition to Japanese food.

In addition, Tokyo Mutual Trading Co., Ltd., a company that exports and sells foods, beverages, and other related products mainly to the U.S. market, joined the Group, which has enabled us to forge stronger relationships with suppliers and enhance our functions for product development and product supply to the U.S.

As a result, net sales for the Takara Shuzo International Group rose 6.3% year on year to ¥82,765 million. Cost of sales increased 7.4% year on year to ¥58,882 million due mainly to an increase in procurement costs from exchange rate fluctuations in the Japanese Food Wholesale Business in overseas markets, and gross profit rose 3.8% year on year to ¥23,883 million. SG&A expenses were up 10.1% year on year to ¥20,351 million due mainly to increases in personnel expenses and logistics expenses. Accordingly, the Takara Shuzo International Group recorded operating income of ¥3,532 million, down 22.1% year on year.

The breakdown of this segment's net sales by product and service category is as follows.

- Overseas Alcoholic Beverages Business ¥11,365 million (up 5.6% year on year)
- Japanese Food Wholesale Business in overseas markets ¥73,371 million (up 6.4% year on year)

Takara Bio Group

The Takara Bio Group promoted initiatives to enhance its standing as a global enterprise and regenerative medical product company and achieve prodigious growth.

As a result, net sales for the Takara Bio Group fell 3.6% year on year to ¥34,565 million. Cost of sales fell 11.2% year on year to ¥13,459 million, and gross profit rose 2.0% year on year to ¥21,105 million. SG&A expenses were down 2.6% year on year to ¥14,830 million due to decreases in research and development expenses, and operating income rose 14.8% year on year to ¥6,274 million.

The breakdown of this segment's net sales by product and service category is as follows.

- Bioindustry ¥32,269 million (up 2.2% year on year)
- Gene Therapy ¥2,295 million (down 6.0% year on year)

Other

The Other segment includes the real estate leasing business and the distribution business of Group companies in Japan. Net sales of the Other segment declined 2.9% year on year to ¥31,801 million as Takara Healthcare Inc. was excluded from the scope of consolidation during the previous fiscal year as a result of the sale of all shares in that company. Cost of sales declined 0.4% year on year to ¥27,733 million, while gross profit fell 16.8% year on year to ¥4,067 million. SG&A expenses decreased by 30.2% year on year to ¥2,049 million. As a result, operating income rose 3.3% year on year to ¥2,018 million.

◆ Financial position (Assets)

At the end of the fiscal year under review, current assets totaled ¥168,820 million, a decrease of ¥6,191 million compared with that at the end of the previous fiscal year. This was primarily due to decreases in cash and deposits of ¥2,150 million and securities of ¥8,736 million, as well as increases in notes and accounts receivable - trade of ¥1,777 million and merchandise and finished goods of ¥1,695 million. Noncurrent assets were ¥115,061 million, an increase of ¥2,966 million compared with that at the end of the previous fiscal year. This was primarily due to an increase in property, plant and equipment of ¥9,258 million resulting from an increase in buildings and structures, as well as a decrease in intangible assets of ¥1,214 million resulting from a decrease in goodwill and a decrease in investment securities of ¥4,422 million.

As a result, total assets were ¥283,882 million, a decrease of ¥3,224 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 ¥55,466 million, a decrease of ¥2,355 million compared with that at the end of the previous fiscal year. This was primarily due to decreases in short-term loans payable of ¥5,173 million and accrued alcohol tax of ¥2,534 million, and an increase in current portion of bonds of ¥5,000 million due to transfer from noncurrent liabilities. Noncurrent liabilities were ¥47,086 million, a decrease of ¥2,402 million compared

with that at the end of the previous fiscal year. This was primarily due to decreases in bonds of ¥5,000 million and deferred tax liabilities of ¥1,328 million, and an increase in lease obligations of ¥3,181 million. As a result, total liabilities were ¥102,553 million, a decrease of ¥4,758 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 ¥181,329 million, an increase of ¥1,534 million compared with that at the end of the previous fiscal year. This was primarily due to an increase in retained earnings of ¥3,776 million and a decrease in valuation difference on available-for-sale securities of ¥2,689 million. As a result, equity ratio totaled 52.1%, compared with 51.6% at the end of the previous fiscal year.

◆ Cash flows

Net cash provided by operating activities decreased ¥1,763 million year on year to ¥11,744 million primarily due to profit before income taxes of ¥15,643 million, depreciation and amortization of ¥7,626 million, increase in notes and accounts payable-trade of ¥1,291 million, increase in inventories of ¥3,159 million, decrease in accrued alcohol tax of ¥2,534 million, and income taxes paid of ¥4,955 million.

Net cash used in investing activities resulted in expenditure of ¥3,690 million, a decrease in expenditure of ¥5,522 million compared with that of the previous fiscal year primarily due to payments into time deposits of ¥6,785 million, proceeds from the withdrawal of time deposits of ¥10,564 million, purchase of securities of ¥8,478 million, proceeds from sales and redemption of securities of ¥11,507 million, purchase of property, plant and equipment and intangible assets of ¥12,121 million, and proceeds from sales of investment securities of ¥1,636 million.

Net cash used in financing activities resulted in expenditure of ¥11,653 million, an increase of ¥7,410 million compared with that of the previous fiscal year primarily due to repayments of long-term loans payable of ¥5,160 million, purchase of treasury stock of ¥2,000 million, and Annual dividends paid of ¥3,589 million.

As a result, cash and cash equivalents at fiscal year-end, including the effect of exchange rate change on cash and cash equivalents, stood at ¥44,541 million, down ¥4,039 million from the previous fiscal year-end.

◆ Business Risks

The following are major potential risks to which the Takara Group (the Group and its affiliated companies) is exposed in its business and other activities. In addition, conditions that may not become a risk are also described from the viewpoint of positive information disclosure to investors. Upon identification of the possibility of such risks, the Group will make its best efforts to avoid such an occurrence or take countermeasures against such an occurrence.

Descriptions related to the possible occurrence of events in the future are based on the Group's judgments as of March 31, 2019. Please note that the following descriptions do not cover all of the risk factors concerning investment decisions.

(1) Risks concerning consumer preferences and demand fluctuations

The majority of Takara Shuzo's sales are generated within Japan, and its market is highly vulnerable to changes in the tastes of consumers. Takara Shuzo therefore strives to develop both original products that meet the ever-changing tastes of consumers and unique products that differentiate the Company from competitors. However, changes in consumer trends have been accelerating recently. For this reason, if the Takara Shuzo fails to offer attractive products that satisfy the tastes of consumers and reflect market trends, business growth and profitability will suffer and may adversely affect the Takara Shuzo's business performance and financial position. Furthermore, in Japan, population decline, the low birthrate and the rapidly aging population have become advanced. If these factors result in a decline in liquor demand, the Company's business performance may be adversely affected.

(2) Risks concerning market competition

(i) Takara Shuzo

The recent deregulation in alcoholic beverage retail licensing has drastically changed the liquor distribution structure and

prompted competing companies to reduce prices and pursue new product strategies, which has intensified competition in the marketplace. In such a competitive business environment, Takara Shuzo is striving to address the challenges by developing and cultivating high value-added products, strengthening its brand power, carrying out sales activities that reflect the changes in distribution channels, and cutting costs. However, if competition increases to a level that cannot be countered by these measures and strategies, the Company's business performance and financial position may be adversely affected.

(ii) Takara Shuzo International Group

In the Overseas Alcoholic Beverages Business, the whisky market has many stalwart manufacturers around the world, while fierce competition with a large number of rival export companies producing overseas or manufacturing in Japan is also present in the Japanese alcoholic beverages market, including sake products. Furthermore, in the Japanese Food Wholesale Business in overseas market, while the size of the overseas market for Japanese food and alcoholic beverages is expanding, competition is also intensifying due to low barriers to entry. The Takara Shuzo International Group is striving to address challenges by developing and cultivating appealing products, while strengthening our brand power. At the same time, we are devoting effort to manufacturing and marketing activities to respond to changes in distribution. However, if we are not able to maintain competitive strength surpassing our rivals, the Group's business performance and financial position may be adversely affected.

(iii) Takara Bio Group

The Takara Bio Group holds a unique industrial position with a certain financial foundation, solid presence in the Asian market, and a broad lineup of proprietary technologies. However, we are also aware that we are in competition with numerous companies not only in Japan but also overseas.

Manufacturing and sales of research reagents and scientific instruments, unlike medical devices, do not require permits and approvals. Therefore, the lack of barriers such as patents makes it relatively easy to enter these markets and there are a large number of competing companies.

In the gene therapy field, technological advances are fueling the development of therapeutic agents with a high level of safety and track records of efficacy, which is leading to approval for manufacturing and marketing overseas. With expectations for a materially large market, many players in this field, including major U.S. and European pharmaceutical manufacturers, start-up companies, and others, have launched initiatives to research and develop gene therapies.

In this environment, the Takara Bio Group is working independently and partnering with external bodies, such as universities, to develop technologies and products. At the same time, if other companies are quicker than the Takara Bio Group in similar product or technology fields, it may adversely affect the product development and business performance of the Group. Taking such risks into account, the Takara Bio Group will strive to dominate the market and differentiate itself from competitors, by protecting the technologies and products developed by the Takara Bio Group as intellectual properties to the extent possible, and maintain cost competitiveness by promoting cost reductions and strengthening its manufacturing structure.

(3) Risks concerning dependence on particular plants for manufacturing

(i) Takara Shuzo

Most of Takara Shuzo's alcoholic beverage products are manufactured at the Fushimi Plant (Fushimi Ward, Kyoto City) and the Matsudo Plant (Matsudo City, Chiba Prefecture), both operated by Takara Shuzo Co., Ltd. Furthermore, Takara Shuzo is expanding the production lines at these two plants. Therefore, in the event of a major earthquake or any other occurrence that prevents operations in either of these areas, it may threaten to seriously affect the manufacture and supply of products, which may adversely affect Takara Shuzo's business performance and financial position. In addition, ethyl alcohol, a major raw material used by Takara Shuzo, is classified by the Fire Service Law as a hazardous material, Class 4 (inflammable liquid, possessing a serious risk of starting and spreading a fire, which, once started, is hard to extinguish).

(ii) Takara Shuzo International Group

In the Overseas Alcoholic Beverages Business, Takara Shuzo

Management's Discussion and Analysis

International Group is manufacturing and supplying whisky through The Tomatin Distillery Co. Ltd (Scotland, UK) and sake products, mirin, and other items through Takara Sake USA Inc. (California, USA) and Takara Shuzo Foods Co., Ltd. (Beijing, China). Therefore, in the event of a major earthquake or any other occurrence that prevents operations in these areas, it may threaten to seriously affect the manufacture and supply of products, which may adversely affect the Group's business performance and financial position.

(iii) Takara Bio Group

Most of the Takara Bio Group's mainstay reagents used for research are manufactured by Chinese subsidiary Takara Biotechnology (Dalian) Co., Ltd., and any changes in the revenue trend of the said subsidiary or other factors such as suspension of its business for any reason may adversely affect the Takara Bio Group's business strategies and performance. Taking such risks into account, we will establish a multipolar manufacturing and research structure on a global scale while considering the balance between improving efficiency and reducing risks.

(4) Risks concerning fluctuations of raw material prices

Takara Shuzo's procurement of raw materials could be indirectly affected by the climatic and economic conditions of supplier countries and regions. Ethanol for shochu and other products comes mainly from South America and Asia, and rice for sake and other products is procured in Japan; therefore, the prices of these raw materials are influenced by weather conditions in these areas and the market for the raw material. Any hike in the procurement cost of raw materials will cause an increase in our production cost. If this increase cannot be added to the sales price due to, for example, market conditions, this in turn may adversely affect the Group's business performance and financial position.

(5) Risks concerning Japan's legal regulations

(i) Takara Shuzo

The Alcoholic Beverages Business of Takara Shuzo is subject to regulations specified under the Liquor Tax Law that governs licenses for the manufacturing and/or selling of alcoholic beverages and liquor taxes in Japan. In accordance with the Liquor Tax Law, Takara Shuzo has obtained, in addition to the license as a seller, the license for manufacturing each type of product and for operating each manufacturing plant from the relevant taxation offices. In future business operations, Takara Shuzo will continue to be regulated by the Liquor Tax Law, and consequently any change to the liquor tax rates may affect selling prices and sales trends.

(ii) Takara Shuzo International Group

In the various countries where it is expanding its business, the Takara Shuzo International Group is subject to various government regulations, including export restrictions, tariff duties, and other types of import/export regulations, due to the need for permission to undertake business or investment, for national security reasons, or for other reasons. The Takara Shuzo International Group is also subject to legislation governing trade, monopolies, patents, consumers, taxation, foreign currency exchange, transportation, and environmental and recycling issues. If the Group is unable to observe any of these legislative regulations, its activities may be restricted and an increase in costs may occur.

(iii) Takara Bio Group

In advancing research and development, the Takara Bio Group is subject to, and has a policy committed to observing, the Act on Prevention of Radiation Hazards due to Radioisotopes, etc., as well as the Act on the Conservation and Sustainable Use of Biological Diversity through Regulations on the Use of Living Modified Organisms (abbreviated hereafter as the "Cartagena Act"). Additionally, when manufacturing, marketing, and trading research reagents and the like, the Takara Bio Group must adhere to the Poisonous and Deleterious Substances Control Act, the Quarantine Act, and related laws and regulations. At the same time, since these are not pharmaceutical products or regenerative medical products covered by The Law on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices (hereafter abbreviated to the "Pharmaceutical Affairs Law"), the Group is not subject to or restricted by the above laws. Nevertheless, if these types of regulations were strengthened, or if new regulations were adopted, accompanying the expansion, etc. of the research support industry, the Takara

Bio Group's business strategies and performance may be adversely affected.

Also, the gene therapy products under development by the Takara Bio Group are subject to the Pharmaceutical Affairs Law, the Law on Securing Safety of Regenerative Medicine, etc., the Cartagena Protocol, and related laws and regulations. The purpose of these laws and regulations is to secure the quality, efficacy, and safety of pharmaceutical products, regenerative medical products, quasi-pharmaceutical products, special cell processing products, cosmetics, and medical devices. It is necessary to receive approval or permission from presiding government agencies in order to engage in commercial activities. If individual projects being advanced in research and development of the Takara Bio Group fail to receive the necessary approval, it may adversely affect the Group's business strategies.

In addition to the above, as a Group that handles food products, we engage in operational management that includes business facility maintenance, equipment and container packaging, and other manufacturing processes and marketing activities under the Food Sanitation Act. While the Group adheres to the Food Sanitation Act and makes all effort to attend to managing food hygiene, there are some food safety issues that are unavoidable, including hygiene issues and intentional acts of interference. If a problem of this nature were to arise, the Group may suffer an impact to its business.

Additionally, where the marketing of certain products is concerned, we are utilizing online sales over the Internet. In these cases, we must adhere to labeling and other regulations covered by the Act on Specified Commercial Transactions.

(6) Risks concerning social attitudes toward drinking

It has been said that drinking alcoholic beverages in moderation generally relieves weariness, increases appetite, eases stress, and works as a social lubricant. On the other hand, many problems in habitual drinking have been pointed out, such as intoxication, organ damage due to chronic drinking, alcohol use disorder, under-age drinking, and damage to the fetus owing to drinking by pregnant women, characteristics of which are not seen in any other beverages or foods. Recognizing these problems, Takara Shuzo and the Takara Shuzo International Group, as organizations producing and selling alcoholic beverages, are carrying out various activities to spread the idea of "controlled, moderate drinking" from the viewpoint of meeting their social responsibilities by helping to maintain and improve people's health. Nonetheless, if these alcohol attributable problems become more serious within society, production and sales activities may be further regulated or otherwise affected, and the business performance and financial position of the Group may be affected.

(7) Risks concerning R&D activities

The biotechnology-related industry covers a wide range of fields including the regenerative medical product field such as gene therapy, the research support field directly targeting research departments at universities, public research institutes, and private businesses as well as inspection companies aimed at basic research and drug discovery, and other fields, such as environment, energy, food, and information. In this situation, the Takara Bio Group believes that R&D activities covering a wide range of scope are extremely important to maintain the Group's competitive edge. However, there is no guarantee that the R&D activities will progress as planned. In particular, due to a long period of time required for clinical development in the gene therapy field, any delay in R&D activities may adversely affect the Takara Bio Group's business strategies and performance. Moreover, the business environment surrounding the biotechnology industry is rapidly changing and the Takara Bio Group's business environment may be significantly affected by new technological innovation and new entrants. Therefore, there is no guarantee that the ongoing R&D activities will always bear expected fruits and there is a possibility of not being able to achieve expected revenues.

(8) Risks concerning intellectual property rights

In biotechnology-related industries, where the success of business depends solely on the success of R&D activities, the Takara Bio Group regards securing intellectual property rights, including patents, as extremely important, and it protects technologies developed in-house with patents to prevent

competitors from imitating them. The Takara Bio Group will continue placing the highest priority on applying for and obtaining patents in its R&D activities. All applications are not always registered, however, and when a registered patent is made invalid for any reason, or expires, the Takara Bio Group's business performance or financial position may be affected.

Also, in future business operations, the Takara Bio Group is willing to acquire or buy licenses for necessary patent rights held by third parties, but this strategy may be prohibitively expensive. Further, if some patent right held by a third party becomes necessary and the Takara Bio Group is not able to acquire the license, it may affect the Group's business strategy and performance.

(9) Risks concerning impairment losses of investment securities

The Group owns marketable securities. If their market values fall drastically, the difference between the acquisition cost and market price is booked as a loss for the fiscal year. Such a loss may adversely affect the Group's business performance and financial position.

(10) Risks concerning impairment losses of fixed assets

The Group owns fixed assets. If the Group determines that an impairment loss should be recognized on any fixed assets or asset group specified by the accounting standard for impairment of fixed assets, the book value of the asset or asset group in question is lowered to the recoverable price, and the difference is booked as a loss for the fiscal year. Such a loss may adversely affect the Group's business performance and financial position.

(11) Risks concerning retirement benefit liabilities

The Group calculates the cost of its employees' retirement benefits and pension liabilities based on such preconditions as the discount rate used in actuarial calculations and the expected rate of return on pension assets. If the actual results are different from the preconditions or the preconditions have changed or if the yield on the investment in pension assets management worsens, it may adversely affect the Group's business performance and financial position.

(12) Risks concerning business and capital alliances

The Group promotes business and capital alliances with other companies, primarily outside Japan, as part of its growth strategy. However, if the business, management, and financial position of alliance partners and investments deteriorate due to the impact of changes in the business environment surrounding the alliance partners and investments and other factors, the Group's business performance and financial position may be adversely affected.

Moreover, if there is a large amount of amortization of goodwill accompanying an investment, or if the need arises to record a large amount of impairment losses due to the poor performance of an investment or other factors, the Group's business performance and financial position may be adversely affected.

(13) Risks concerning overseas operations

The Group's operations include the manufacture and sale of products in North America, Europe, China, as well as other regions of Asia, and Australia. If any of these countries or regions experiences a drastic change in the condition of their economies, politics, and/or societies, or suffers damage from a natural disaster, such as a major earthquake, the demand for the Group's products could deteriorate and/or production facilities might have to suspend production, or if there are adverse effects from international tax issues, such as the transfer price tax system. Such an occurrence could adversely affect the Group's business performance and financial position.

(14) Risks concerning fluctuations in exchange rates

Local currency-denominated items, including sales, expenses, and asset and liability accounts are translated into Japanese yen for the purpose of the preparation of the consolidated financial statements. These items may be affected by the exchange rate at translation.

The Group enters into foreign currency forward contracts and exchange rate hedging to minimize the adverse effects caused by short-term fluctuations in exchange rates. In the

medium-to long-term, however, the Group may fail to accurately carry out procurement and sales activities as planned due to fluctuations in exchange rates. Therefore, fluctuations in exchange rates may adversely affect the Group's business performance and financial position.

(15) Risks concerning product liability

All of the products developed and manufactured by the Group are exposed to the risk of product liability compensation. If any defect is found during the manufacturing, selling, or clinical testing process, or any health impairment is caused by an alcoholic beverage, food, drug, medical instrument, regenerative medical products, or investigational drugs for clinical trial materials in particular, the Group may be subject to a product liability claim. Despite possessing product liability insurance, it is uncertain whether or not the insurance will cover the full amount of the final compensation. A defect that results in large-scale recalls or product liability compensation not only causes a huge financial cost but also affects the Group's reputation, business performance, and financial position.

(16) Risks concerning information control

The Group retains personal information about numerous individuals through, among other activities, sales promotion campaigns and mail-order sales. The Group takes every precaution to prevent the leakage of such information by establishing an information control system, appointing personnel in charge of information security, conducting ongoing staff training, and taking other related measures. However, the risk remains that some unexpected incidents could lead to the loss, leakage, or falsification of personal and/or other internal information. In such cases, the Group could lose its credibility among the general public, which may adversely affect the Group's business.

(17) Risks concerning lawsuits

The Group strives to observe all the laws and regulations relevant to its business operations by enhancing its compliance measures. However, as the Group conducts its business both within and outside Japan, there remains a risk of a third party filing a suit over such issues as the Product Liability Law, intellectual property rights, or a claim for compensation for an invention irrespective of whether or not the Group or its employees have violated any law. If a court case were to be brought against the Group, or if the court decision were to go against the Group, the Group's business performance and financial position may be adversely affected.

(18) Risks concerning natural disasters

The business activities of the Group may be obstructed by physical and human damage resulting from natural disasters such as storms, earthquakes, lightning, and floods, accidents such as fire, and the global pandemic of infectious diseases. Taking into account such risks, the Group strives to conduct inspections and training and improve contact system and business continuity plan (BCP) in order to minimize the spread of damage in the event of disaster.

(19) Prolongation of the spread of the novel coronavirus infection

The Group has factored in the impact of the novel coronavirus infection for the fiscal year ending March 31, 2021. If the situation further prolongs, it could have a major impact mainly in the Japanese Food Wholesale Business in overseas markets, whose core customers are in the restaurant industry. Taking into account such risks, the Group has prepared to secure sufficient cash on hand. Furthermore, there is a possibility that employees cannot go to the office in some regions. Taking into account such risks, the Group has established a work-from-home system.

The Company's Risk Compliance Committee chaired by the President of the Company is responsible for overall risk control of the Group. Under the supervision of the committee, each division in charge is engaged in activities to prevent and mitigate risks surrounding the Group concerning law and social ethics, product safety and quality, and health and safety, among others.

Eleven-Year Consolidated Financial Summary

(Fiscal year ended March 31, 2020)

	Millions of yen*2				Millions of yen*2				Thousands of *3 U.S. dollars			
	2020/3	2019/3	2018/3	2017/3	2016/3	2015/3	2014/3	2013/3	2012/3	2011/3	2010/3	2020/3
For the Years Ended March 31												
Net sales*1	¥281,191	¥277,443	¥268,142	¥234,193	¥225,364	¥219,490	¥209,568	¥200,989	¥198,690	¥189,769	¥190,525	\$2,579,733
Takara Shuzo	153,141	152,457	149,839	149,452	145,492	147,884	149,633					1,404,963
Takara Shuzo International Group	82,765	77,834	70,717	37,540	30,490	26,233	16,481					759,311
Takara Bio Group	34,565	35,841	32,312	29,375	29,729	25,969	23,905					317,110
Others (domestic Group companies)	31,801	32,742	36,412	39,017	41,050	42,980	43,123					291,752
Adjusted amounts	(21,082)	(21,431)	(21,140)	(21,193)	(21,398)	(23,577)	(23,575)					(193,412)
Cost of sales	172,574	168,694	163,529	140,182	135,868	134,390	129,447	123,630	121,462	115,480	115,805	1,583,247
Gross profit	108,617	108,749	104,612	94,010	89,495	85,099	80,121	77,359	77,228	74,289	74,719	996,486
Selling, general and administrative (SG&A) expenses	92,781	90,945	88,999	80,458	77,815	74,003	70,631	68,225	67,963	65,953	66,146	851,201
Operating income (loss)*1	15,836	17,804	15,612	13,551	11,680	11,096	9,490	9,133	9,264	8,335	8,572	145,284
Takara Shuzo	4,175	5,948	5,569	5,071	4,082	4,428	4,513					38,302
Takara Shuzo International Group	3,532	4,532	4,393	3,182	2,752	2,270	907					32,403
Takara Bio Group	6,274	5,463	3,555	3,202	2,667	2,302	1,954					57,559
Others (domestic Group companies)	2,018	1,954	2,318	2,167	2,058	1,654	1,581					18,513
Adjusted amounts	(164)	(95)	(224)	(72)	120	440	533					(1,504)
Income before income taxes	15,643	17,658	18,903	14,520	12,548	11,453	18,642	9,256	8,590	7,505	8,208	143,513
Net income attributable to owners of the parent	8,980	10,411	11,029	8,480	7,055	5,706	10,280	4,687	3,995	3,788	4,677	82,385
Depreciation and amortization	8,874	7,827	7,702	6,213	6,180	5,537	4,997	4,973	5,209	5,384	5,652	81,412
Capital expenditures	14,195	10,671	6,414	6,658	6,003	9,533	8,967	5,282	5,330	3,735	3,645	130,229
Research and development (R&D) expenses	4,259	4,708	5,063	4,550	4,608	3,754	3,376	3,090	3,027	3,076	3,665	39,073
Cash flows provided by (used in) operating activities	11,744	13,508	16,265	12,826	10,373	9,545	7,233	7,967	9,013	9,462	10,452	107,743
Net cash provided by (used in) investing activities	(3,690)	(9,213)	(19,916)	16,200	(10,864)	(10,253)	(12,254)	(3,672)	(4,779)	(11,323)	(7,350)	(33,853)
Cash flows provided by (used in) financing activities	(11,653)	(4,243)	(5,570)	(2,828)	(9,482)	6,819	2,562	1,229	(3,265)	(3,199)	(3,219)	(106,908)
Free cash flow	8,054	4,295	(3,650)	29,026	(490)	(708)	(5,021)	4,295	4,233	(1,861)	3,102	73,889
As of March 31												
Total assets	¥283,882	¥287,106	¥287,059	¥274,368	¥253,253	¥264,438	¥238,577	¥207,586	¥197,437	¥192,448	¥195,495	\$2,604,422
Interest-bearing debt	47,474	47,427	47,982	47,852	42,837	48,324	38,909	43,098	38,493	38,881	39,162	435,541
Total net assets	181,329	179,795	176,217	165,920	156,148	158,404	146,422	114,318	107,659	106,895	109,206	1,663,568
Total shareholders' equity	147,762	148,197	145,111	135,043	130,386	131,923	121,431	100,040	94,783	94,308	96,666	1,355,614
Per Share of Common Stock (Yen and U.S. dollars):												(U.S. dollars)
Basic net income	¥ 45.11	¥ 52.15	¥ 54.97	¥ 42.15	¥ 35.06	¥ 28.36	¥ 50.83	¥ 23.01	¥ 19.32	¥ 18.21	¥ 22.20	\$ 0.41
Total equity	747.39	742.36	726.90	671.11	647.97	655.60	603.44	493.14	461.41	454.21	459.92	6.85
Annual dividends	20.00	18.00	16.00	13.00	12.00	10.00	11.00	9.00	9.00	8.50	8.50	0.18
Ratios (%):												
Return on assets (ROA)	3.2%	3.6%	3.9%	3.2%	2.7%	2.3%	4.6%	2.3%	2.0%	2.0%	2.4%	—
Return on equity (ROE)	6.1	7.1	7.9	6.4	5.4	4.5	9.3	4.8	4.2	4.0	4.9	—
Equity ratio	52.1	51.6	51.0	49.2	51.5	49.9	50.9	48.2	48.0	49.0	49.4	—
D/E ratio	31.2	32.0	33.1	35.4	32.9	36.6	32.0	43.1	40.6	41.2	40.5	—
Dividend payout ratio	44.3	34.5	29.1	30.8	34.2	35.3	21.6	39.1	46.6	46.7	38.3	—
Deemed dividend payout ratio*4	36.2	29.3	29.6	28.0	30.9	28.3	37.6	32.2	33.9	35.9	35.4	—

*1 Starting in the year ended March 31, 2018, we reorganized our business segments. Net sales and operating income (loss) for the years ended March 31, 2014 to 2017 have been calculated based on business segments restructured after the change.

*2 Japanese yen amounts are rounded down to the nearest million yen. Per share information is rounded to the nearest yen, and ratios to the first decimal place.

*3 The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥109 to U.S. \$1, the approximate rate of exchange at March 31, 2020.

*4 Deemed dividend payout ratio = Total dividends / (Consolidated operating income x (1 - statutory effective tax rate))

Consolidated Financial Statements

Consolidated Balance Sheet

TAKARA HOLDINGS INC. and consolidated subsidiaries
Year ended March 31, 2020

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
ASSETS			
CURRENT ASSETS:			
Cash and deposits	¥ 47,265	¥ 49,415	\$ 433,623
Notes and accounts receivable	54,670	52,892	501,559
Electronically recorded monetary claims-operating	6,347	6,887	58,229
Marketable securities	7,352	16,089	67,449
Merchandise and finished goods	42,295	40,600	388,027
Work in process	1,801	1,341	16,522
Raw materials and supplies	4,879	4,093	44,761
Other	4,515	4,006	41,422
Allowance for doubtful accounts	(307)	(315)	(2,816)
Total current assets	168,820	175,011	1,548,807
NONCURRENT ASSETS:			
Property, plant and equipment			
Buildings and structures	59,337	52,808	544,376
Accumulated depreciation	(35,189)	(34,101)	(322,834)
Buildings and structures, net	24,148	18,706	221,541
Machinery, equipment and vehicles	86,331	80,774	792,027
Accumulated depreciation	(69,661)	(68,515)	(639,091)
Machinery, equipment and vehicles, net	16,670	12,259	152,935
Land	18,337	18,559	168,229
Lease assets	1,833	1,025	16,816
Accumulated depreciation	(586)	(511)	(5,376)
Lease assets, net	1,247	514	11,440
Construction in progress	1,531	6,105	14,045
Other	21,262	15,706	195,064
Accumulated depreciation	(13,362)	(11,274)	(122,587)
Other, net	7,900	4,432	72,477
Total property, plant and equipment	69,835	60,576	640,688
INTANGIBLE ASSETS:			
Goodwill	11,750	12,400	107,798
Other	6,950	7,514	63,761
Total intangible assets	18,700	19,914	171,559
INVESTMENTS AND OTHER ASSETS:			
Investment securities	21,720	26,143	199,266
Net defined benefit asset	651	877	5,972
Deferred tax assets	1,807	1,648	16,577
Other	2,414	2,995	22,146
Allowance for doubtful accounts	(69)	(60)	(633)
Total investments and other assets	26,525	31,603	243,348
Total non-current assets	115,061	112,094	1,055,605
TOTAL	¥ 283,882	¥ 287,106	\$ 2,604,422

* The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥109 to U.S. \$1, the approximate rate of exchange at March 31, 2020.

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
LIABILITIES			
CURRENT LIABILITIES:			
Notes and accounts payable	¥ 16,440	¥ 16,374	\$ 150,825
Short-term bank loans	4,787	9,960	43,917
Current portion of bonds payable	5,000	—	45,871
Liquor taxes payable	7,690	10,224	70,550
Accrued expenses	5,511	5,809	50,559
Income taxes payable	1,886	1,879	17,302
Provision for bonuses	2,513	2,579	23,055
Accrued sales promotion expenses	2,094	1,921	19,211
Other	9,543	9,072	87,550
Total current liabilities	55,466	57,822	508,862
NONCURRENT LIABILITIES			
Bonds payable	20,000	25,000	183,486
Long-term loans payable	5,448	5,415	49,981
Lease obligations	3,538	357	32,458
Deferred tax liabilities	1,578	2,907	14,477
Liability for retirement benefits	9,065	8,757	83,165
Deposits	5,363	5,337	49,201
Other	2,092	1,713	19,192
Total non-current liabilities	47,086	49,489	431,981
Total liabilities	102,553	107,311	940,853
NET ASSETS			
SHAREHOLDERS' EQUITY:			
Capital stock	13,226	13,226	121,339
Capital surplus	2,454	2,417	22,513
Retained earnings	128,564	124,788	1,179,486
Treasury stock	(1,682)	(1,368)	(15,431)
Total shareholders' equity	142,563	139,064	1,307,917
ACCUMULATED OTHER COMPREHENSIVE INCOME:			
Unrealized gain on available-for-sale securities	7,125	9,814	65,366
Deferred gain on derivatives under hedge accounting	84	114	770
Foreign currency translation adjustments	(1,102)	(196)	(10,110)
Defined retirement benefit plans	(908)	(599)	(8,330)
Total accumulated other comprehensive income	5,199	9,133	47,697
Noncontrolling interests	33,566	31,597	307,944
Total net assets	181,329	179,795	1,663,568
TOTAL	¥ 283,882	¥ 287,106	\$ 2,604,422

Consolidated Financial Statements

Consolidated Statement of Income

TAKARA HOLDINGS INC. and consolidated subsidiaries
Year ended March 31, 2020

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
NET SALES	¥ 281,191	¥ 277,443	\$ 2,579,733
COST OF SALES	172,574	168,694	1,583,247
Gross profit	108,617	108,749	996,486
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	92,781	90,945	851,201
Operating income	15,836	17,804	145,284
NONOPERATING INCOME:			
Interest income	309	234	2,834
Dividend income	601	565	5,513
Other	547	660	5,018
Total nonoperating income	1,458	1,461	13,376
NONOPERATING EXPENSES:			
Interest expenses	403	387	3,697
Foreign exchange losses	255	122	2,339
Other	366	396	3,357
Total nonoperating expenses	1,025	905	9,403
ORDINARY INCOME	16,269	18,359	149,256
EXTRAORDINARY INCOME:			
Gain on sales of investment securities	1,130	21	10,366
Gain on sales of businesses	—	291	—
Other	342	383	3,137
Total extraordinary income	1,473	696	13,513
EXTRAORDINARY LOSSES:			
Loss on disposals of property, plant and equipment	319	318	2,926
Impairment loss	880	696	8,073
Loss on valuation of investment securities	260	32	2,385
Provision for environmental measures	415	—	3,807
Other	223	350	2,045
Total extraordinary losses	2,099	1,397	19,256
INCOME BEFORE INCOME TAXES	15,643	17,658	143,513
INCOME TAXES-CURRENT	5,077	5,443	46,577
INCOME TAXES-DEFERRED	(125)	(132)	(1,146)
TOTAL INCOME TAXES	4,952	5,310	45,431
NET INCOME	10,691	12,347	98,082
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	1,710	1,936	15,688
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 8,980	¥ 10,411	\$ 82,385

Consolidated Statement of Cash Flows

TAKARA HOLDINGS INC. and consolidated subsidiaries
Year ended March 31, 2020

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
OPERATING ACTIVITIES:			
Income before income taxes	¥ 15,643	¥ 17,658	\$ 143,513
Depreciation and amortization	7,626	6,490	69,963
Impairment loss	880	696	8,073
Amortization of goodwill	847	865	7,770
Increase (decrease) in provision for environmental measures	408	(2)	3,743
Interest and dividend receivable	(911)	(800)	(8,357)
Interest expenses	403	387	3,697
Loss (gain) on sales and retirement of non-current assets	268	27	2,458
Loss (gain) on sales of investment securities	(1,128)	(21)	(10,348)
Loss (gain) on sale of businesses	—	(291)	—
Loss (gain) on valuation of investment securities	260	32	2,385
Decrease (increase) in trade receivables	(1,291)	(2,900)	(11,844)
Decrease (increase) in inventories	(3,159)	(5,060)	(28,981)
Increase (decrease) in trade payables	(340)	324	(3,119)
Increase (decrease) in liquor taxes payable	(2,534)	946	(23,247)
Increase (decrease) in accrued consumption taxes	(994)	244	(9,119)
Increase (decrease) in other current liabilities	(595)	868	(5,458)
Other, net	802	241	7,357
Subtotal	16,188	19,708	148,513
Interest and dividends income received	917	782	8,412
Interest expenses paid	(405)	(396)	(3,715)
Income taxes paid	(4,955)	(6,586)	(45,458)
Net cash provided by operating activities	11,744	13,508	107,743
INVESTING ACTIVITIES:			
Payments into time deposits	(6,785)	(15,310)	(62,247)
Proceeds from withdrawal of time deposits	10,564	14,846	96,917
Purchase of securities	(8,478)	(11,467)	(77,779)
Proceeds from sales and redemption of marketable securities	11,507	12,528	105,568
Purchase of property, plant and equipment and intangible assets	(12,121)	(10,671)	(111,201)
Proceeds from sales of investment securities	1,636	33	15,009
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	350	—	3,211
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(53)	—
Proceeds from sale of businesses	—	1,067	—
Other, net	(365)	(187)	(3,348)
Net cash used in investing activities	(3,690)	(9,213)	(33,853)
FINANCING ACTIVITIES:			
Repayment of long-term loans payable	(5,160)	(304)	(47,339)
Purchase of treasury shares	(2,000)	(0)	(18,348)
Dividends paid	(3,589)	(3,191)	(32,926)
Repayments of lease obligations	(641)	(219)	(5,880)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(203)	—
Other, net	(262)	(323)	(2,403)
Net cash used in financing activities	(11,653)	(4,243)	(106,908)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(439)	(812)	(4,027)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,039)	(760)	(37,055)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	48,580	49,341	445,688
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 44,541	¥ 48,580	\$ 408,633

Major Consolidated Subsidiaries

(As of March 31, 2020)

Note: Percentage of equity owned in parentheses indicates percentage of indirectly owned equity.

Name	Address	Issued capital	Percentage of equity owned	Line of business
Takara Shuzo (Domestic Business)				
TAKARA SHUZO CO., LTD.	20 Naginataboko-cho, Shijo-dori Karasuma Higashi-iru, Shimogyo-ku, Kyoto 600-8688, Japan	¥1,000 million	100.0%	Manufacture and sale of alcoholic beverages, seasonings, and raw alcohol
Takara Shuzo International Group (Overseas Business)				
TAKARA SHUZO INTERNATIONAL CO., LTD.	20 Naginataboko-cho, Shijo-dori Karasuma Higashi-iru, Shimogyo-ku, Kyoto 600-8688, Japan	¥10 million	100.0%	Management of group companies, export and sale, etc. of alcoholic beverages and seasonings
Tokyo Mutual Trading Co., Ltd. (Japan)	4-26-4, Taito, Taito-ku, Tokyo 110-0016, Japan	¥60 million	(51.0%)	Export, import, and sale of foods, alcoholic beverages, sundries, etc.
Takara Sake USA Inc.	708 Addison St., Berkeley, CA 94710, U.S.A.	US\$7,000 thousand	(100.0%)	Manufacture, sale, export, and import and sale of alcoholic beverages
Age International, Inc.	229 W.Main St., Frankfort, KY 40602, U.S.A.	US\$250 thousand	(100.0%)	Sale of bourbon whiskey
Mutual Trading Co., Inc.	431 Crocker St. Los Angeles CA 90013, U.S.A.	US\$2,703 thousand	(67.1%)	Import and wholesale of alcoholic beverages, foods, seasonings, etc.
The Tomatin Distillery Co. Ltd	Tomatin, Inverness-shire, IV13 7YT Scotland, U.K.	£3,297 thousand	(80.6%)	Manufacture and sale of Scotch whisky
Tazaki Foods Ltd	12 Innova Way, Enfield, Middlesex EN3 7FL, U.K.	£357 thousand	(100.0%)	Import and wholesale of alcoholic beverages, foods, seasonings, etc.
FOODEX S.A.S.	4, impasse des Carrières 75016 Paris, France	€250 thousand	(100.0%)	Import and wholesale of alcoholic beverages, foods, seasonings, etc.
Cominport Distribucion S.L.	Avenida Marconi nave 1 - P.A.E. Neysa Sur - 28021, Madrid, Spain	€143 thousand	(100.0%)	Import and wholesale of alcoholic beverages, foods, seasonings, etc.
Keta Foods, Lda	Quinta do Olival das Minas, Quinta do Duque No.26, 2625-573 Vialonga, Portugal	€15 thousand	(100.0%)	Import and wholesale of alcoholic beverages, foods, seasonings, etc.
Nippon Food Supplies Company Pty Ltd	Unit 8/697 Gardeners Rd, Alexandria NSW 2015, Australia	A\$17 million	(51.0%)	Import and wholesale of alcoholic beverages, foods, seasonings, etc.
Takara Shuzo Foods Co., Ltd.	No.31 Nanyuan West St. Fengtai District Beijing, China 100076	RMB130,000 thousand	(62.0%)	Manufacture, sale, export, and import and sale of alcoholic beverages
Shanghai Takara Shuzo International Trading Co., Ltd.	Room 303, Building 2, No.505, Zhong Shan Nan Road, Shanghai, China 200010	RMB4,896 thousand	(100.0%)	Export, and import and sale of alcoholic beverages and foods
Takara Shuzo Asia Pacific Pte. Ltd.	81 Anson Rd., Suite 8.08, Singapore 079908	S\$500 thousand*	(100.0%)	Market development and sales promotion for Takara Shuzo products

* Singapore dollars

Takara Bio Group (Biomedical Business)

TAKARA BIO INC.	Nojihigashi 7-4-38, Kusatsu, Shiga 520-0058, Japan	¥14,965 million	60.9%	Production and sale of research reagents, scientific instruments and others, related contract services, and commercialization of gene therapy
Takara Bio USA, Inc.	1290 Terra Bella Avenue, Mountain View, CA 94043, U.S.A.	US\$83 thousand	(100.0%)	Development, production, and sale of research reagents and scientific instruments
Takara Bio Europe S.A.S.	34 rue de la Croix de Fer 78100 Saint-Germain-en-Laye, France	€891 thousand	(100.0%)	Sale of research reagents and scientific instruments
Takara Bio Europe AB	Arvid Wallgrens Backe 20, 41346, Göteborg, Sweden	SEK2,222 thousand*	(100.0%)	Production and sale of research reagents, and related contract services
DSS Takara Bio India Private Limited	A-5 Mohan Co-op Industrial Estate, Mathura Road, New Delhi, 110044, India	Rs.110 million	(51.0%)	Production and sale of research reagents
Takara Biotechnology (Dalian) Co., Ltd.	No.19 Dongbei 2nd Street, Development Zone, Dalian, China 116600	¥2,350 million	(100.0%)	Development, production, and sale within the Group of research reagents, and related contract services
Takara Biomedical Technology (Beijing) Co., Ltd.	Life Science Park, 22 KeXueYuan Road Changping District, Beijing, China 102206	¥1,330 million	(100.0%)	Sale of research reagents and scientific instruments
Takara Korea Biomedical Inc.	601, New T Castle, 108, Gasan Digital 2-ro, Geumcheon-gu, Seoul 08506, Korea.	₩3,860 million	(100.0%)	Sale of research reagents and scientific instruments

* Swedish Krona

Others (Domestic Group Companies)

Taihei Printing Co., Ltd.	1 Butai-cho, Fushimi-ku, Kyoto 612-8338, Japan	¥90 million	100.0%	Printing
Kawahigashi Shoji Co., Ltd.	20 Naginataboko-cho, Shijo-dori Karasuma Higashi-iru, Shimogyo-ku, Kyoto 600-8008, Japan	¥30 million	100.0%	Real estate leasing
Total Management Business Co., Ltd.	20 Naginataboko-cho, Shijo-dori Karasuma Higashi-iru, Shimogyo-ku, Kyoto 600-8008, Japan	¥20 million	100.0%	Marketing research, sales promotion planning, and temporary staffing service
Takara Butsuryu System Co., Ltd.	55-13 Osumihama, Kyotanabe, Kyoto 610-0343, Japan	¥50 million	100.0%	Transportation, warehousing, automobile service, non-life insurance agent, travel agent, etc.
Takara Yoki Co., Ltd.	20 Naginataboko-cho, Shijo-dori Karasuma Higashi-iru, Shimogyo-ku, Kyoto 600-8008, Japan	¥30 million	100.0%	Wholesale of glass bottles
Takara Bussan Co., Ltd.	5-487 Shinmachi Fushimi-ku, Kyoto 612-8081, Japan	¥10 million	100.0%	Sale of foods and feed
Luc Corporation, Ltd.	2-12, 3-chome, Akasaka, Minato-ku, Tokyo 107-0052, Japan	¥80 million	100.0%	Import and sale of wine

Investor Information

(As of March 31, 2020)

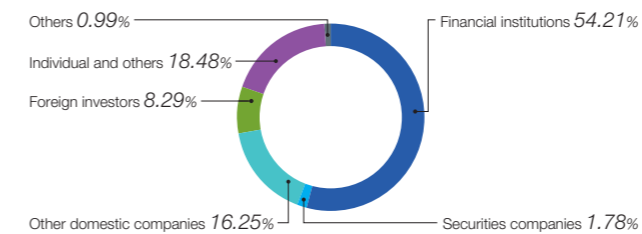
Trade Name	TAKARA HOLDINGS INC.	Established	September 6, 1925
Business	Holding company	Issued Capital	¥13,226 million
Head Office	20 Naginataboko-cho, Shijo-dori Karasuma Higashi-iru, Shimogyo-ku, Kyoto 600-8688, Japan	Company Representative	Mutsumi Kimura, President
Telephone	+81-75-241-5130	Website	www.takara.co.jp/english

Stock and Investor Information

Common Stock	870,000,000 shares
Authorized and Outstanding	199,699,743 shares
Number of Shareholders	39,736
Stock Listings (Common Stock)	Tokyo
Securities Code Number	2531
Shareholder Registry Administrator	Mizuho Trust & Banking Co., Ltd. 2-1, Yaesu 1-chome, Chuo-ku, Tokyo
Inquiries to Shareholder Registry Administrator	Mizuho Trust & Banking Co., Ltd. Stock Agency Transfer Department 8-4, Izumi 2-chome, Suginami-ku, Tokyo 168-8507, Japan Telephone: 0120-288-324 (toll free, within Japan only)
Annual Meeting of Shareholders	The annual meeting of shareholders of the Company is normally held in June each year in Kyoto, Japan. In addition, the Company may hold a special meeting of shareholders whenever necessary by giving at least two weeks, advance notice to shareholders.

Independent Auditor Deloitte Touche Tohmatsu LLC

Distribution of ownership among shareholders



Principal shareholders

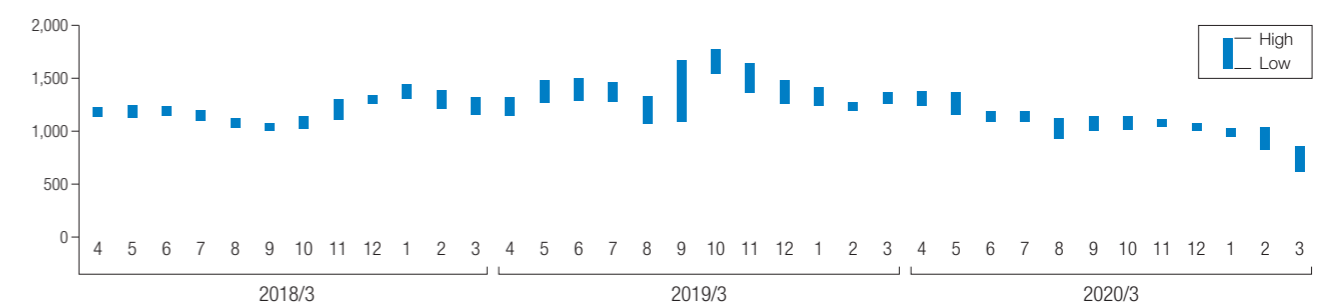
Name	Number of shares held (Thousand shares)	Percentage of shares held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	27,641	13.98
Japan Trustee Services Bank, Ltd. (Trust Account)	18,385	9.30
Mizuho Bank, Ltd.	9,738	4.93
The Norinchukin Bank	9,500	4.81
Meiji Yasuda Life Insurance Company	5,370	2.72
Bank of Kyoto, Ltd.	5,000	2.53
KOKUBU GROUP CORP.	3,489	1.77
JP MORGAN CHASE BANK 385151	3,155	1.60
Takara Group Employees' Shareholding Association	3,146	1.59
Japan Trustee Services Bank, Ltd. (Trust Account 5)	3,058	1.55

Notes: (1) Number of shares is rounded down to the nearest thousand.
(2) The ratio of shareholders was calculated excluding 1,995 thousand shares of treasury stock.

Bond ratings

Rating institution	Long-term rating	Short-term rating
Rating and Investment Information, Inc. (R&I)	A/Stable	a-1
Japan Credit Rating Agency, Ltd. (JCR)	A/Stable	J-1

Stock Price Range on the Tokyo Stock Exchange (Yen)



TAKARA HOLDINGS INC.

20 Naginataboko-cho, Shijo-dori
Karasuma Higashi-iru, Shimogyo-ku,
Kyoto 600-8688, Japan
Telephone: +81-75-241-5130

www.takara.co.jp/english



The method of printing this integrated report was chosen to reduce its environmental impact. It is printed by offset printing using vegetable oil ink without the use of water and produced with paper using raw materials from appropriately managed FSC[®] certified forests and recycled resources.

A portion of the printing costs for this printing paper is donated to the "Japanese Red Cross Society."

Printed in Japan