Takara Holdings Inc. and Consolidated Subsidiaries

Consolidated Financial Statements for the Year Ended March 31, 2021 and Independent Auditor's Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Takara Holdings Inc.:

Opinion

We have audited the consolidated financial statements of Takara Holdings Inc. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2021, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of goodwill of Takara Shuzo International Group	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
As described in Note 21, "SEGMENT INFORMATION" to the consolidated financial statements, ¥3,992 million of goodwill (1.3% of total assets) was recorded as part of the Takara Shuzo International Group segment as of March 31, 2021. As described in Note 3, "SIGNIFICANT ACCOUNTING ESTIMATES," the goodwill was mainly recorded upon acquisitions of foreign companies engaging in Japanese food wholesale business such as FOODEX S.A.S. (France), Tazaki Foods Ltd. (UK) and Cominport Distribución S.L. (Spain) and the balance of goodwill as of March 31, 2021 included FOODEX S.A.S. of ¥1,383 million, Tazaki Foods Ltd. of ¥751 million and Cominport Distribución S.L. of ¥1,237 million. These consolidated subsidiaries operate Japanese food wholesale business in their respective overseas market. Recently, their business performance and financial results have deteriorated due to the spread of the Novel Coronavirus Disease (COVID-19). As a result, Takara Holdings Inc. (the "Company") is required to determine whether there are any impairment indicators in its asset groups, especially in goodwill, in accordance with accounting standards for impairment of long-lived assets; however, there is uncertainty surrounding the evaluation of the impact of COVID-19 on each subsidiary's business performance that requires subjective judgments by management. In addition, for the goodwill where impairment indicators have been identified, the Company estimates the undiscounted future cash flow based on business plan approved by the management of each subsidiary to determine whether to recognize an impairment loss on the goodwill.	In examining the valuation' of goodwill, we performed the following audit procedures, among others: ・ We evaluated the design and tested the operating effectiveness of internal controls over the identification of goodwill impairment indicators and assessment on whether to recognize impairment losses on goodwill or not. ・ We performed the following procedures, among others, over the Company's assessment on whether the impact of the spread of COVID-19 is to be identified as an impairment indicator in accordance with the accounting standards for impairment of long-lived assets. ① We evaluated management assumptions as to their outlook on the severity of the impact of the COVID-19 on the market related to Japanese food wholesale business as well as expected market trends post COVID-19 by inquiring with management and the responsible director of Japanese food wholesale business and reading the Board of Director minutes and related internal documents Furthermore, by analyzing actual financial results in the current year affected by COVID-19, we evaluated the reasonableness of the business plan of each subsidiary that factored in the effects of COVID-19. ② By comparing each subsidiary's actual operating cash flow results in the current year with the initial business plan developed at the acquisition of each subsidiary, we evaluated whether there were any significant discrepancies between actual and plan and their causal factors, especially if the actual results were significantly less than the planned results.

Valuation of goodwill of Takara Shuzo International Group	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
The business plan of each subsidiary, which is the basis for estimating undiscounted future cash flows, depends on management assumptions such as future growth rates in each market. These assumptions in general have high uncertainty in nature as they are long-term and are affected by changes in external factors such as market conditions. Due to COVID-19, the level of uncertainty and the degree of subjectivity of these management assumptions have increased even more. In addition, in case the fair values of investments in subsidiaries significantly declined due to decreases in the excess earning powers of the consolidated subsidiaries included in the Takara Shuzo International Group segment, and impairment losses of the investments in subsidiaries are recognizedon the stand-alone financial statements of Takara Shuzo International Co., Ltd., there is a possibility that impairment losses on some or all of the goodwill may have to be additionally recognized in the consolidated financial statements to reflect the decreases in the excess earning powers. In the examination process whether these excess earning powers are decreasing, it involves subjective judgment of the management. Given our understanding above, we find it involves important management assumptions that are highly affected by management judgment. Therefore, we determined the valuation of goodwill of Takara Shuzo International Group as a key audit matter.	・ The following procedures, among others, were performed to evaluate management's assessment on whether to recognize impairment losses on goodwill on which impairment indicators were identified. ① We compared estimated future cash flows with next year's budget and the three-year medium-term management plan which were approved by the Board of Directors to evaluate the consistency. ② For future cash flows after three-year period projected on the medium-term management plan, we evaluated the reasonableness of management assumptions. We evaluated anticipated operating income included in the management assumption based on market forecasts and other publicly available external data and performed a trend analysis based on past performance. ③ We evaluated whether the uncertainties related to key assumptions, which may impact future cash flows, were appropriately factored into the estimation of cash flows in future periods. ・ Based on the recognition of impairment losses related to investments in subsidiaries on the stand-alone financial statements of Takara Shuzo International Co., Ltd., we performed the following procedures to determine whether additional amortization of goodwill pertaining to the consolidated subsidiary was required. ① By performing the audit procedures above, we evaluated whether the fair value of investments in subsidiaries was accurately calculated. ② By recalculating the impaired book value of investments in subsidiaries, net assets of the consolidated subsidiary attributable to Takara Shuzo International Co., Ltd. and book value of goodwill unamortized, we evaluated whether the additional amortization of goodwill was accurately calculated.

<table>
<tr><td colspan="2">Valuation of goodwill of Takara Bio Group</td></tr>
<tr><th>Key Audit Matter Description</th><th>How the Key Audit Matter Was Addressed in the Audit</th></tr>
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As described in Note 21, "SEGMENT INFORMATION" to the consolidated financial statements, ¥6,149 million of goodwill (2.0% of total assets) was recorded as part of the Takara Bio Group segment as of March 31, 2021. It was recorded when Takara Bio USA, Inc. (current US consolidated subsidiary of Takara Bio Inc., a consolidated subsidiary of the Company) acquired all shares of Clontech Laboratories, Inc., Rubicon Genomics, Inc. and WaferGen Bio-systems, Inc.
The Company determined the reporting unit to which goodwill was allocated as Takara Bio USA, Inc. itself, and the Company performed goodwill impairment testing. Fair value of the reporting unit is determined primarily based on the discounted future cash flows. The estimate of the future cash flows involves management's significant assumptions such as future growth rates. Since such assumptions are affected by market growth and synergies between the Company's existing technologies and any acquired technologies, uncertainty exists in these estimates.
The goodwill impairment assessment could have a significant impact on the consolidated financial statements and the goodwill impairment assessment involves management's significant assumptions, which affected by future uncertainty.
Based on above, we determined the valuation of goodwill of Takara Bio Group as a key audit matter.
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With the assistance of our component auditor, we performed the following procedures to examine the Company's goodwill impairment assessment, among others:

We evaluated the design and tested the operating effectiveness of internal controls over management's process related to the assessment of the reasonableness of future growth rates, which are significant assumptions used by management to estimate the fair value.
We evaluated the accuracy of management's estimate by comparing the business plans, on which future cash flows are based, with the next fiscal year's forecast and the medium-term management plans 2022, which were approved by the management, and by subsequently comparing the management's historical forecasts to actual results.
We inquired of the management and understood the Company's business strategy including the assumptions for the management's estimates such as business synergies and market growth rates, which impact the possibility to achieve future business plans. Based on the understanding, we evaluated the reasonableness of the business plans by:
① Conducting a trend analysis based on past performance
② Comparing the business plans with market forecasts and available external data
We conducted a sensitivity analysis considering the external environment and rate of deviation between forecast and actual results in previous fiscal years for identified uncertainty in the business plans.
We understood and evaluated audit procedures and its conclusion performed by component auditor.

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Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC

June 29, 2021

Takara Holdings Inc. and Consolidated Subsidiaries

Consolidated Balance Sheet
March 31, 2021

ASSETS	Millions of Yen 2021	Millions of Yen 2020	Thousands of U.S. Dollars (Note 1) 2021
CURRENT ASSETS:			
Cash and cash equivalents (Note 16)	¥ 62,860	¥ 44,541	$ 566,306
Time deposits (Note 16)	4,523	5,558	40,747
Marketable securities (Notes 4 and 16)		4,518	
Notes and accounts receivable (Notes 7 and 16):			
Trade	61,954	61,017	558,144
Other	1,733	1,541	15,612
Allowance for doubtful accounts	(516)	(307)	(4,648)
Inventories (Notes 5, 7, and 8)	49,124	48,976	442,558
Prepaid expenses and other current assets	3,428	2,973	30,882
Total current assets	183,108	168,820	1,649,621
PROPERTY, PLANT, AND EQUIPMENT (Notes 6 and 21):			
Land	20,640	18,337	185,945
Buildings and structures	61,363	59,337	552,819
Machinery, equipment, and vehicles	86,657	86,331	780,693
Tools, furniture and fixtures	17,309	16,956	155,936
Right-of-use assets	4,514	4,306	40,666
Lease assets	1,680	1,833	15,135
Construction in progress	4,027	1,531	36,279
Total	196,192	188,634	1,767,495
Accumulated depreciation	(121,451)	(118,799)	(1,094,153)
Net property, plant, and equipment	74,740	69,835	673,333
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 16)	26,171	20,086	235,774
Investments in and advances to unconsolidated subsidiaries and associated companies	1,753	1,634	15,792
Goodwill (Notes 2, 3, 6, and 21)	10,142	11,750	91,369
Deferred tax assets (Note 13)	2,088	1,807	18,810
Other assets (Note 9)	8,913	9,947	80,297
Total investments and other assets	49,069	45,226	442,063
TOTAL	¥ 306,918	¥ 283,882	$ 2,765,027

LIABILITIES AND EQUITY	Millions of Yen 2021	Millions of Yen 2020	Thousands of U.S. Dollars (Note 1) 2021
CURRENT LIABILITIES:			
Short-term bank loans (Notes 7 and 16)	¥ 5,116	¥ 4,725	$ 46,090
Current portion of long-term debt (Notes 7 and 16)	670	5,751	6,036
Notes and accounts payable (Note 16):			
Trade	16,481	16,393	148,477
Construction and other	4,625	4,475	41,666
Liquor taxes payable (Notes 8 and 16)	6,890	7,690	62,072
Income taxes payable (Note 16)	4,021	1,886	36,225
Accrued expenses	9,193	8,050	82,819
Accrued sales promotion expenses	2,049	2,094	18,459
Other current liabilities	7,219	4,399	65,036
Total current liabilities	56,269	55,466	506,927
LONG-TERM LIABILITIES:			
Long-term debt (Notes 7 and 16)	35,466	25,449	319,513
Lease obligations (Notes 7 and 16)	3,122	3,538	28,126
Liability for retirement benefits (Note 9)	9,274	9,065	83,549
Deposits	5,136	5,363	46,270
Deferred tax liabilities (Note 11)	3,831	1,578	34,513
Other	2,283	2,092	20,567
Total long-term liabilities	59,113	47,086	532,549
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 7 and 17)			
EQUITY (Notes 10 and 18):			
Common stock, authorized, 870,000,000 shares; issued, 199,699,743 shares in 2021 and 199,699,743 shares in 2020	13,226	13,226	119,153
Capital surplus	2,292	2,454	20,648
Retained earnings	135,184	128,564	1,217,873
Treasury stock, at cost, 1,995,468 shares in 2021 and 1,995,163 shares in 2020	(1,682)	(1,682)	(15,153)
Accumulated other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities	11,370	7,125	102,432
Deferred gain (loss) on derivatives under hedge accounting (Note 17)	193	84	1,738
Foreign currency translation adjustments	(2,840)	(1,102)	(25,585)
Defined retirement benefit plans	(859)	(908)	(7,738)
Total	156,884	147,762	14,13,369
Noncontrolling interests	34,650	33,566	312,162
Total equity	191,535	181,329	1,725,540
TOTAL	¥ 306,918	¥ 283,882	$ 2,765,027

See notes to consolidated financial statements.

Takara Holdings Inc. and Consolidated Subsidiaries

Consolidated Statement of Income
Year Ended March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
NET SALES (Note 21)	¥ 278,443	¥ 281,191	$ 25,08,495
COST OF SALES (Notes 8, 9, and 21)	162,849	172,574	1,467,108
Gross profit	115,594	108,617	1,041,387
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 9, 11, and 21)	93,999	92,781	846,837
Operating income	21,595	15,836	194,549
OTHER INCOME (EXPENSES):			
Interest and dividend income	707	911	6,369
Rental income from investment property	137	122	1,234
Gain on sales of investment securities	2	1,130	18
Interest expense	(344)	(403)	(3,099)
National subsidies (Note 12)	517		4,657
Foreign exchange loss	(92)	(255)	(828)
Loss on abandonment of inventories	(127)	(43)	(1,144)
Loss on disposals of property, plant, and equipment	(295)	(319)	(2,657)
Impairment loss (Notes 6 and 21)	(432)	(880)	(3,891)
Loss on tax purpose reduction entry of non-current assets (Note 12)	(517)		(4,657)
Loss on business liquidation (Note 6)	(458)		(4,126)
Provision for environmental measures		(415)	
Other, net	(108)	(40)	(972)
Other income (expenses), net	(1,011)	(192)	(9,108)
INCOME BEFORE INCOME TAXES	20,583	15,643	185,432
INCOME TAXES (Note 13):			
Current	6,303	5,077	56,783
Deferred	23	(125)	207
Total income taxes	6,326	4,952	56,990
NET INCOME	14,256	10,691	128,432
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	3,682	1,710	33,171
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 10,574	¥ 8,980	$ 95,261

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.*s* and 19):			
Basic net income	¥53.48	¥45.11	$ 0.48
Cash dividends applicable to the year	21.00	20.00	0.18

See notes to consolidated financial statements.

Takara Holdings Inc. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
NET INCOME	¥14,256	¥10,691	$128,432
OTHER COMPREHENSIVE INCOME (LOSS) (Note 18):			
Unrealized gain (loss) on available-for-sale securities	4,245	(2,689)	38,243
Deferred gain (loss) on derivatives under hedge accounting	108	(30)	972
Foreign currency translation adjustments	(2,342)	(1,160)	(21,099)
Defined retirement benefit plans	51	(343)	459
Total other comprehensive income (loss)	2,063	(4,223)	18,585
COMPREHENSIVE INCOME	¥16,320	¥ 6,467	$147,027
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥13,238	¥5,046	$119,261
Noncontrolling interests	3,081	1,421	27,756

See notes to consolidated financial statements.

Takara Holdings Inc. and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31, 2021

	Thousands	Millions of Yen										
						Accumulated Other Comprehensive Income						
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, APRIL 1, 2019	199,630	¥13,226	¥ 2,417	¥124,788	¥(1,368)	¥ 9,814	¥114	¥ (196)	¥(599)	¥148,197	¥31,597	¥179,795
Cumulative effects of changes in accounting policies				75						75	48	123
Restated balance		13,226	2,417	124,863	(1,368)	9,814	114	(196)	(599)	148,272	31,645	179,918
Net income attributable to owners of the parent				8,980						8,980		8,980
Cash dividends, ¥18.0 per share				(3,593)						(3,593)		(3,593)
Purchase of treasury shares	(1,925)				(2,000)					(2,000)		(2,000)
Retirement of treasury shares			(1,686)		1,686							
Purchase of shares of consolidated subsidiary			36							36		36
Transfer to capital surplus from retained earnings			1,686	(1,686)								
Net change in the year						(2,689)	(30)	(905)	(308)	(3,934)	1,921	(2,013)
BALANCE, MARCH 31, 2020	197,704	13,226	2,454	128,564	(1,682)	7,125	84	(1,102)	(908)	147,762	33,566	181,329
Net income attributable to owners of the parent				10,574						10,574		10,574
Cash dividends, ¥20.0 per share				(3,954)						(3,954)		(3,954)
Purchase of treasury shares	(0)				(0)					(0)		(0)
Disposal of treasury shares	0		(0)		0					0		0
Purchase of shares of consolidated subsidiaries			(161)							(161)		(161)
Transfer to capital surplus from retained earnings			0	(0)								
Net change in the year						4,245	108	(1,738)	48	2,664	1,083	3,748
BALANCE, MARCH 31, 2021	197,704	¥13,226	¥ 2,292	¥135,184	¥(1,682)	¥11,370	¥193	¥(2,840)	¥(859)	¥156,884	¥34,650	¥191,535

	Thousands of U.S. Dollars (Note 1)										
					Accumulated Other Comprehensive Income						
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, MARCH 31, 2020	$119,153	$22,108	$1,158,234	$(15,153)	$ 64,189	$ 756	$ (9,927)	$(8,180)	$1,331,189	$302,396	$1,633,594
Net income attributable to owners of the parent			95,261						95,261		95,261
Cash dividends, $0.18 per share			(35,621)						(35,621)		(35,621)
Purchase of treasury shares				(0)					(0)		(0)
Disposal of treasury shares		(0)		0					0		0
Purchase of shares of consolidated subsidiaries		(1,450)							(1,450)		(1,450)
Transfer to capital surplus from retained earnings		0	(0)								
Net change in the year					38,243	972	(15,657)	432	24,000	9,756	33,765
BALANCE, MARCH 31, 2021	$119,153	$20,648	$1,217,873	$(15,153)	$102,432	$1,738	$(25,585)	$(7,738)	$1,413,369	$312,162	$1,725,540

See notes to consolidated financial statements.

Takara Holdings Inc. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
OPERATING ACTIVITIES:			
Income before income taxes	¥ 20,583	¥ 15,643	$ 185,432
Adjustments for:			
Income taxes paid	(4,767)	(4,955)	(42,945)
Depreciation and amortization	9,298	8,874	83,765
Impairment loss (Notes 6 and 21)	432	880	3,891
Loss on business liquidation (Note 6)	458		4,126
Loss on sales and retirement of non-current assets	291	268	2,621
Changes in assets and liabilities:			
Increase in trade receivables	(1,162)	(1,291)	(10,468)
Increase in inventories	(691)	(3,159)	(6,225)
(Decrease) increase in interest and dividends receivable	(4)	6	(36)
Increase (decrease) in trade payables	40	(340)	360
Decrease in liquor taxes payable	(799)	(2,534)	(7,198)
Increase (decrease) in accrued consumption taxes	1,722	(994)	15,513
Increase (decrease) in other current liabilities	2,442	(595)	22,000
Decrease in interest payable	(20)	(1)	(180)
(Decrease) increase in provision for environmental measures	(412)	408	(3,711)
Subsidies received	181		1,630
Other, net	(492)	(465)	(4,432)
Total adjustments	6,517	(3,898)	58,711
Net cash provided by operating activities	27,100	11,744	244,144
INVESTING ACTIVITIES:			
Net increase in time deposits	1,090	3,779	9,819
Purchases of marketable securities and investment securities	(10)	(8,566)	(90)
Proceeds from sales and redemption of marketable securities	4,455	11,507	40,135
Purchases of property, plant, and equipment	(13,911)	(12,121)	(125,324)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 14)		350	
Subsidies received	1,900		17,117
Other, net	(263)	1,358	(2,450)
Net cash used in investing activities	(6,738)	(3,690)	(60,702)

(Continued)

Takara Holdings Inc. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
FINANCING ACTIVITIES:			
Proceeds from long-term loans payable	¥ 10,068	¥ 100	$ 90,702
Repayments of long-term loans payable	(60)	(5,160)	(540)
Redemption of bonds	(5,000)		(45,045)
Proceeds from issuance of commercial papers	5,000		45,045
Redemption of commercial papers	(5,000)		(45,045)
Cash dividends paid	(3,951)	(3,589)	(35,594)
Repayments of lease obligations	(689)	(641)	(6,207)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(1,761)		(15,864)
Other, net	(112)	(2,362)	(1,009)
Net cash used in financing activities	(1,506)	(11,653)	(13,567)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(536)	(439)	(4,828)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	18,319	(4,039)	165,036
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	44,541	48,580	401,270
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 62,860	¥ 44,541	$ 566,306

See notes to consolidated financial statements.

(Concluded)

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards ("IFRS").

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2020 consolidated financial statements to conform to the classifications used in 2021.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Takara Holdings Inc. (the "Company") is incorporated and operates. Japanese yen figures of less than a million yen are rounded down to the nearest million yen, except for per share data and the amounts in Notes 2.*s* and 19. 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 ¥111 to $1, the approximate rate of exchange at March 31, 2021. U.S. dollar figures of less than a thousand dollars are rounded down to the nearest thousand dollars, except for per share data and the amounts in Notes 2.*s* and 19. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation – The consolidated financial statements for the year ended March 31, 2021 include the accounts of the Company and its 59 consolidated subsidiaries (together, the "Group"). Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated. Consolidation of remaining subsidiary would not have a material effect on the accompanying consolidated financial statements.

An investment in an associated company in 2021 and 2020 is accounted for by the equity method.

Investments in the unconsolidated subsidiary and remaining associated company are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

Foreign subsidiaries of the Company have a fiscal year ending December 31. The accounts of those subsidiaries are included in the Company's consolidated financial statements based on the subsidiaries' fiscal year. Necessary adjustments have been made for significant events that occurred during the period between their fiscal year ends and March 31.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

b. ***Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements*** – Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification–"FASB ASC") tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant, and equipment and investment properties and incorporation of the cost model of accounting; and (e) recoding a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

c. ***Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method*** – ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments," requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method, unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant, and equipment and investment properties and incorporation of the cost model of accounting; and (e) recoding a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

d. ***Cash Equivalents*** – Cash equivalents are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value. Cash equivalents include time deposits, certificates of deposit, trust fund investments, commercial paper, and trust beneficiary rights, all of which mature or become due within three months of the date of acquisition.

e. ***Marketable and Investment Securities*** – Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) held-to-maturity debt securities, for which there is the positive intent and ability to hold to maturity, are reported at amortized cost and (2) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

f. ***Inventories*** – Inventories are mainly stated at the lower of cost, determined by the average method, or net selling value.

g. ***Property, Plant, and Equipment*** – Property, plant, and equipment are stated at cost. Depreciation is computed principally by the declining-balance method at rates based on the estimated useful lives of the assets. The range of useful lives is principally from 3 to 50 years for buildings and structures and from 4 to 15 years for machinery, equipment, and vehicles.

h. ***Long-Lived Assets*** – The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset, or the net selling price at disposition.

i. ***Goodwill*** – The Company and its domestic and overseas consolidated subsidiaries amortize goodwill on a pro rata basis over a certain period not exceeding 20 years. Accounting for impairment of long-lived assets also applies to goodwill.

j. ***Retirement and Pension Plans*** – Each of the employee retirement benefit programs of the Company and certain consolidated subsidiaries consists of an unfunded lump-sum severance payment plan, a defined benefit corporate pension plan, and a defined contribution pension plan as described in Note 9.

The Company accounts for liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within accumulated other comprehensive income, after adjusting for tax effects, and are recognized in profit or loss over 10 years, no longer than the expected average remaining service period of the employees.

k. ***Allowance for Doubtful Accounts*** – The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

l. ***Accrued Sales Promotion Expenses*** – Accrued sales promotion expenses are stated at amounts considered to be appropriate based on the purchased quantities of finished products by retail stores, identified by Takara Shuzo Co., Ltd. ("Takara Shuzo"), multiplied by the past year actual unit cost of the relevant sales promotion expenses.

m. ***Leases*** – Finance lease transactions are capitalized by recognizing lease assets and lease obligations in the balance sheet.

Lease assets related to finance lease transactions without title transfer are depreciated on a straight-line basis over the leased periods, which are their useful lives, and with no residual value.

Lease assets related to finance lease transactions with title transfer are depreciated on a depreciation method identical to the one for the own asset.

Right-of-use assets are depreciated with on a straight-line basis.

n. ***Income Taxes*** – The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax rates to the temporary differences.

The Group files a tax return under the consolidated corporate-tax system, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

For the transition to the group tax sharing system, which has been established by the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 8 of 2020), and the items under the non-consolidated taxation system that have been reviewed in conjunction with the transition to the group tax sharing system, the provisions of paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28 of February 16, 2018) are not applied, as permitted by paragraph 3 of the "Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No. 39 of March 31, 2020). As a result, the amounts of deferred tax assets and deferred tax liabilities are based on the provisions of the tax laws before the amendment.

o. Foreign Currency Transactions – All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

p. Foreign Currency Financial Statements – The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. The resulting translation differences, less those attributable to noncontrolling interests, are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rate.

q. Derivative Financial Instruments – The Group uses derivative financial instruments, such as foreign currency forward contracts and foreign currency options, as a means of hedging exposure to foreign currency exchange rate risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income, and (2) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign currency forward contracts are utilized to hedge payments of royalties and foreign currency import transactions. Payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

Foreign currency options are utilized to hedge foreign currency exposures in the procurement of raw materials from overseas suppliers. These options, which qualify for hedge accounting, are measured at fair value at the balance sheet date and the unrealized gains or losses are deferred until maturity as another liability or asset.

r. Per Share Information – Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

s. Adoption of Accounting Standard for Disclosure of Accounting Estimates

The "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) has been applied to the consolidated financial statements for the fiscal year ended March 31, 2021, and notes to significant accounting estimates have been included in the consolidated financial statements. However, the notes do not include details of the previous consolidated fiscal year in accordance with the transitional treatment set forth in the provisions to Accounting Standard No. 11.

t. New Accounting Pronouncements

(1) The Company and its domestic subsidiaries

1) Accounting Standard for Revenue Recognition

The ASBJ issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," on March 31, 2020 and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition," on March 26, 2021 and ASBJ Guidance No. 19, "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" on March 31, 2020. The core principle of the standard and guidances is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should recognize revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The accounting standard and guidance are effective for annual periods beginning on or after April 1, 2021.

The Company expects to apply the accounting standard and guidance for annual periods beginning on April 1, 2021. As a result, the Company expects decreases in retained earnings at the beginning of the next fiscal year of ¥1,867 million ($16,819 thousand) and increases in deferred tax assets of ¥839 million ($7,558 thousand) including offset amount of deferred tax assets and deferred tax liabilities of ¥676 million ($6,090 thousand) due to application of the consolidated corporate-tax system and other current liabilities of ¥2,706 million ($24,378 thousand).

In addition, sales for the fiscal year ending March 2022 are expected to decrease by about ¥30 billion ($270 million), and selling, general and administrative expenses are expected to decrease by the same amount. This change will have no impact on operating income, income before income taxes and net income.

2) Accounting Standard for Fair Value Measurement

On July 4, 2020, the ASBJ issued ASBJ Statement No. 30, "Accounting Standard for Fair Value Measurement" and ASBJ Guidance No. 31, "Implementation Guidance on Accounting Standard for Fair Value Measurement" and revised ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories" and ASBJ Statement No. 10, "Accounting Standard for Financial Instruments." On March 31, 2021, the ASBJ revised ASBJ Guidance No. 19, "Implementation Guidance on Disclosures about Fair Value of Financial Instruments."

Based on the situation that the International Accounting Standards Board ("IASB") and FASB have made detailed guidance with almost the same contents about fair value measurement (IFRS 13 in IASB, Topic 820 in FASB), ASBJ took efforts to ensure that Japanese standards are consistent with international accounting standards, and issued ASBJ Statement No. 30, "Accounting Standard for Fair Value Measurement," about its guidance and disclosure regarding the fair value of financial instruments.

From the perspective of improving the comparability of financial statements between companies in different countries by using a uniformed calculation method, ASBJ's basic policy for developing accounting standards for fair value measurement is to incorporate the basic principles of IFRS 13, and add alternative treatment for individual items to the extent that does not lose the comparability of financial statements considering the practices that have been conducted in Japan so far.

The Company expects to apply the accounting standard and guidance for annual periods beginning on April 1, 2021, and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

(2) Foreign subsidiaries

The FASB issued Accounting Standards Update ("ASU") No. 2016-02 into the FASB's Accounting Standards Codification. These accounting standards require lessees to recognize a right-of-use asset and a lease liability in the statement of financial position.

Foreign consolidated subsidiaries adopting accounting principles generally accepted in U.S. ("U.S. GAAP") will adopt ASU No. 2016-02 for annual periods ending on March 31, 2023.

The Company is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

u. Additional Information

- Impact of the Novel Coronavirus Disease ("COVID-19")

The Company assumes that the impact of COVID-19 on the operations of the Company will continue during 2021 on the whole based on available information at the time preparing these consolidated financial statements though the situation may be different from region to region. Upon performing the impairment testing of the goodwill and assessing the recoverability of deferred tax assets in the consolidated financial statements based on the assumptions described above, the Company concluded that there was no indicator of impairment of goodwill and there is no need to recognize additional valuation allowance for the recoverability of deferred tax assets.

Furthermore, any changes to the above assumptions may affect the consolidated financial position and consolidated financial performance of the Company since the impact of COVID-19 are highly uncertain.

3. SIGNIFICANT ACCOUNTING ESTIMATES

- **Goodwill**

In the year ended March 31, 2021, the book value of goodwill was ¥10,142 million ($91,369 thousand), and detailed information by business segment was as follows.

(1) Takara Shuzo International Group

In the year ended March 31, 2021, the book value of goodwill was ¥3,992 million ($35,963 thousand). This was primarily recognized in connection with the acquisitions of the shares of the companies operating Japanese Food Wholesale business in overseas such as FOODEX S.A.S., Tazaki Foods Ltd., and Cominport Distribución S.L. The amount of goodwill recorded at the end of this fiscal year was ¥1,383 million ($12,459 thousand), ¥751 million ($6,765 thousand), and ¥1,237 million ($11,144 thousand), respectively. In order to determine whether an indicator of impairment of goodwill exists, the Company mainly groups assets by grouping each operating company as one asset group. All asset groups with goodwill showed no indicator of goodwill impairment at the end of this fiscal year due to stable positive gains from operating activities. The Company expect that significant impairment loss is unlikely to be recognized unless the business climate from next fiscal year onward changes dramatically.

(2) Takara Bio Group

In the year ended March 31, 2021, the book value of goodwill was ¥6,149 million ($55,396 thousand). This was recognized when Takara Bio USA, Inc. acquired all the shares of Clontech Laboratories, Inc., Rubicon Genomics, Inc., and WaferGen Bio-systems, Inc. In order to determine whether an indicator of impairment of goodwill exists, the Company defines Takara Bio USA, Inc. as a reporting unit including goodwill. The recoverable amount of the reporting unit is calculated based on fair value. The fair value was calculated by discounting the estimated future cash flows, and assumptions such as future growth rates are applied in the estimation of such cash flows. The Company expects that significant impairment loss is unlikely to be recognized since the recoverable amount is sufficiently higher than the book value at the end of this fiscal year, even if the future growth rate applied fluctuates within a reasonable range.

4. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2021 and 2020, consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Current:			
Debt securities	¥	¥2,262	$
Other		2,256	
Total	¥	¥4,518	$
Non-current:			
Investment equity securities	¥26,171	¥20,086	$235,774
Total	¥26,171	¥20,086	$235,774

The costs and aggregate fair values of marketable and investment securities at March 31, 2021 and 2020, are as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2021				
Securities classified as:				
Available-for-sale:				
Equity securities	¥8,155	¥16,370	¥26	¥24,499
Debt securities				
Others	1,145			1,145
Held-to-maturity				

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2020				
Securities classified as:				
Available-for-sale:				
Equity securities	¥8,215	¥10,316	¥116	¥18,414
Debt securities	262		0	262
Others	2,256			2,256
Held-to-maturity	2,000			2,000

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2021				
Securities classified as:				
Available-for-sale:				
Equity securities	$73,468	$147,477	$234	$220,711
Debt securities				
Others	10,315			10,315
Held-to-maturity				

The information for available-for-sale securities which were sold during the years ended March 31, 2021 and 2020, is as follows:

	Millions of Yen		
March 31, 2021	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥9	¥2	¥7
Total	¥9	¥2	¥7

	Millions of Yen		
March 31, 2020	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥1,639	¥1,130	¥2
Total	¥1,639	¥1,130	¥2

March 31, 2021	Thousands of U.S. Dollars Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	$81	$18	$63
Total	$81	$18	$63

Investments in equity instruments that do not have a quoted market price in an active market (for which the totals included in the consolidated balance sheets at March 31, 2021 and 2020, are ¥1,671 million ($15,054 thousand) and ¥1,671 million, respectively) do not have fair values because their fair value cannot be reliably determined.

The impairment losses on marketable and investment securities recognized for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Marketable equity securities	¥55	¥242	$495
Non-marketable equity securities		17	

5. INVENTORIES

Inventories at March 31, 2021 and 2020, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Finished products and merchandise	¥32,652	¥33,846	$294,162
Semifinished products	8,463	8,448	76,243
Work in process	1,924	1,801	17,333
Raw materials and supplies	6,084	4,879	54,810
Total	¥49,124	¥48,976	$442,558

6. LONG-LIVED ASSETS

(1) Impairment losses

The Group reviewed its long-lived assets for impairment and, as a result, recognized impairment losses for the following long-lived assets for the years ended March 31, 2021 and 2020.

Year Ended March 31, 2021

Location	Description	Type	Impairment Loss Millions of Yen
Nippon Food Supplies Company Pty Ltd Sydney, Australia	Other	Goodwill	¥432
	Total		¥432

Location	Description	Type	Impairment Loss Thousands of U.S. Dollars
Nippon Food Supplies Company Pty Ltd Sydney, Australia	Other	Goodwill	$3,891
	Total		$3,891

1) Background of the recognition of impairment loss

During the current fiscal year, the business results of Nippon Food Supplies Company Pty Ltd, a consolidated subsidiary, remained under the planned results projected at the time of the acquisition of the shares of the company and profitability declined. As a result, the shares of the company were written down following the decline in their actual value, in the settlement of accounts of Takara Shuzo International Co., Ltd. ("Takara Shuzo International"), which is a wholly owned subsidiary of the Company, on a non-consolidated basis. The entire amount of goodwill was amortized and posted as an impairment loss, pursuant to Paragraph 32 of the "Practical Guidelines for Capital Consolidation Procedure in Consolidated Financial Statements (Report No. 7 of the Accounting System Committee, February 16, 2018)" in the fiscal year ended March 31, 2021.

Year Ended March 31, 2020

		Impairment Loss Millions of Yen					
Location	Description	Buildings and Structures	Machinery, Equipment, and Vehicles	Others	Land	Intangible Assets	Total
Takara Bio Inc.							
Yokkaichi-shi, Mie	Idle property	¥272	¥ 0	¥1	¥387	¥0	¥662
Kusatsu-shi, Shiga	Idle property	186	28	3			218
	Total	¥458	¥28	¥5	¥387	¥0	¥880

1) Background of the recognition of impairment loss

In the fiscal year ended March 31, 2020, Takara Bio Inc. ("Bio") recognized an impairment loss on idle assets that were not likely to be used in the future as of March 31, 2020.

2) Calculation method of recoverable amount

In the fiscal year ended March 31, 2020, regarding the idle property (Yokkaichi), the recoverable amount of the idle property was measured at net selling price, which was based on the appraisal value of the real estate. As for the idle property (Kusatsu), recoverable amounts were measured based on value in use, which was considered to be zero because future cash flows are not expected.

(2) Loss on business liquidation

Loss on business liquidation was posted in line with the liquidation of the next-generation sequencing library manufacturing equipment-related business in the Takara Bio Group. Major components of the loss are impairment loss of ¥360 million ($3,243 thousand) and loss on valuation of inventories of ¥97 million ($873 thousand). The details of impairment loss are as described below.

Year Ended March 31, 2021

		Impairment Loss			
		Millions of Yen			
Location	Description	Machinery, Equipment and Vehicles	Property, Plant and Equipment (Other)	Intangible Assets (Other)	Total
(Takara Bio USA, Inc. etc.) Mountain View, USA, etc.	Assets to be disposed of	¥3	¥3	¥353	¥360
	Total	¥3	¥3	¥353	¥360

		Impairment Loss			
		Thousands of U.S. Dollars			
Location	Description	Machinery, Equipment and Vehicles	Property, Plant and Equipment (Other)	Intangible Assets (Other)	Total
(Takara Bio USA, Inc. etc.) Mountain View, USA, etc.	Assets to be disposed of	$27	$27	$3,180	$3,243
	Total	$27	$27	$3,180	$3,243

1) Background of the recognition of impairment loss

In line with the liquidation of a related business, the book value is reduced to the recoverable amount, and the reduced amount is included in "loss on business liquidation," which is posted under other expenses.

2) Calculation method of recoverable amount

The recoverable amount is calculated by using value in use based on future cash flows.

7. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans consisted principally of term loans with a weighted-average interest of 0.515% and 0.686% at March 31, 2021 and 2020, respectively.

The Company entered into the commitment line contract with a financial institution for flexibility of financing. The amounts of unused loan commitments were ¥20,000 million ($180,180 thousand) and ¥10,000 million at March 31, 2021 and 2020.

Long-term debt at the beginning of the year at April 1, 2020 and the ending of the year at March 31, 2021 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Loan principally from banks, due within one year, with a weighted-average interest rate 3.336%:			
Collateralized	¥ 29	¥ 44	$ 261
Unsecured	20	17	180
Loan principally from banks, due after one year and serially to 2030, with a weighted-average interest rate 0.381%:			
Collateralized	75	110	675
Unsecured	15,390	5,337	138,648
1.561% unsecured bonds, due May 2020		5,000	
1.162% unsecured bonds, due April 2022	5,000	5,000	45,045
0.100% unsecured bonds, due April 2022	5,000	5,000	45,045
0.220% unsecured bonds, due April 2024	5,000	5,000	45,045
0.315% unsecured bonds, due April 2027	5,000	5,000	45,045
Lease obligations	3,743	4,227	33,720
Total	39,258	34,738	353,675
Less current portion	670	5,751	6,036
Long-term debt, less current portion	¥ 38,588	¥ 28,987	$ 347,639

Annual maturities of long-term debt as of March 31, 2021, for the next five years and thereafter are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2022	¥ 670	$ 6,036
2023	10,787	97,180
2024	496	4,468
2025	10,482	94,432
2026	5,299	47,738
2027 and thereafter	11,521	103,792
Total	¥ 39,255	$ 353,646

At March 31, 2021, notes and accounts receivable of ¥1,507 million ($13,576 thousand) and inventories of ¥2,565 million ($23,108 thousand) were pledged as collateral for long-term debt (including current portion of long-term debt) of ¥104 million ($936 thousand). In addition, loans from banks due within one year and due after one year include interest-free loans of ¥417 million ($3,756 thousand) and ¥66 million ($594 thousand), respectively.

8. LIQUOR TAXES PAYABLE

Liquor taxes are calculated at various rates according to the quantities of categorized beverages containing more than 1% of alcohol when delivered from manufacturing lots or taken outside of the bonded area. Liquor taxes are included in the cost of sales and inventories. Liquor taxes payable are to be paid by the end of the second month following the delivery or after being taken outside the bonded area.

9. RETIREMENT AND PENSION PLANS

The Company and certain consolidated subsidiaries provide lump-sum payment plans, a defined benefit corporate pension plan, and a defined contribution pension plan.

Certain consolidated subsidiaries have enrolled in the Smaller Enterprise Retirement Allowance Mutual Aid System.

Certain consolidated subsidiaries account for part of the defined benefit obligations and benefit costs for retirement lump-sum payment using the simplified method.

(1) The changes in the defined benefit obligation for the years ended March 31, 2021 and 2020, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Balance at beginning of year	¥15,330	¥14,759	$138,108
Current service cost	923	845	8,315
Interest cost	111	115	1,000
Actuarial loss	189	343	1,702
Benefit paid	(918)	(842)	(8,270)
Increase from inclusion of subsidiaries in consolidation		90	
Others	(19)	20	(171)
Balance at end of year	¥15,617	¥15,330	$140,693

(2) The changes in plan assets for the years ended March 31, 2021 and 2020, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Balance at beginning of year	¥6,917	¥6,878	$62,315
Expected return on plan assets	141	125	1,270
Actuarial gain (loss)	261	(100)	2,351
Contribution from the employer	307	312	2,765
Benefits paid	(368)	(318)	(3,315)
Others	(23)	20	(207)
Balance at end of year	¥7,237	¥6,917	$65,198

(3) The reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2021 and 2020, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Funded defined benefit obligation	¥ 6,624	¥ 6,419	$ 59,675
Plan assets	(7,237)	(6,917)	(65,198)
Total	(612)	(498)	(5,513)
Unfunded defined benefit obligation	8,992	8,911	81,009
Net liability arising from defined benefit obligation	¥ 8,379	¥ 8,413	$ 75,486

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Liability for retirement benefits	¥9,274	¥9,065	$83,549
Prepaid benefit cost	(894)	(651)	(8,054)
Net liability arising from defined benefit obligation	¥8,379	¥8,413	$75,486

Prepaid benefit cost is included in other assets.

(4) The components of net periodic benefit costs for the years ended March 31, 2021 and 2020, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Service cost	¥ 923	¥ 844	$ 8,315
Interest cost	111	115	1,000
Expected return on plan assets	(141)	(125)	(1,270)
Recognized actuarial losses	306	234	2,756
Amortization of prior service cost	(281)	(282)	(2,531)
Net periodic benefit costs	¥ 917	¥ 787	$ 8,261

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2021 and 2020, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Prior service cost	¥(281)	¥(282)	$(2,531)
Actuarial (loss) gain	377	(211)	3,396
Total	¥ 96	¥(493)	$ 864

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2021 and 2020, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Unrecognized prior service cost	¥ (17)	¥ 263	$ (153)
Unrecognized actuarial loss	(1,369)	(1,747)	(12,333)
Total	¥(1,387)	¥(1,483)	$(12,495)

(7) Plan assets as of March 31, 2021 and 2020

a. Components of plan assets

Plan assets as of March 31, 2021 and 2020, consisted of the following:

	2021	2020
Debt investments	50%	49%
General account of insurance company	25	26
Equity investments	16	12
Cash and cash in bank	2	1
Others	7	12
Total	100%	100%

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended March 31, 2021 and 2020, are set forth as follows:

	2021	2020
Discount rate	mainly 0.7%	mainly 0.7%
Expected rate of return on plan assets	mainly 2.0%	mainly 2.0%
Expected rate of future salary increase	mainly 2.9%	mainly 3.8%

The Company uses the compensation increase index determined in accordance with the Company's human resources and wage policy as the expected rate of future salary increase.

(9) Defined contribution plan

The amount of contribution required for the defined contribution plan paid by the subsidiaries was ¥300 million ($2,702 thousand) and ¥322 million for the years ended March 31, 2021 and 2020, respectively.

10. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company does not meet all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors, if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

11. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses charged to income were ¥5,914 million ($53,279 thousand) and ¥4,259 million for the years ended March 31, 2021 and 2020, respectively.

12. NATIONAL SUBSIDIES AND LOSS ON TAX PURPOSE REDUCTION ENTRY OF NON-CURRENT ASSETS

The amount of subsidies received is included in other income as "National subsidies," and the amount of tax purpose reduction entry of non-current assets related to such subsidies is included in other expenses as "Loss on tax purpose reduction entry of non-current assets."

13. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 31% for the years ended March 31, 2021 and 2020. Overseas consolidated subsidiaries are subject to income taxes of the countries in which they operate.

The tax effects of the significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities at March 31, 2021 and 2020, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Deferred tax assets:			
Inventories	¥ 543	¥ 329	$ 4,891
Accrued bonuses	709	675	6,387
Accrued sales promotion expenses	635	649	5,720
Enterprise tax payable	264	181	2,378
Tax loss carryforwards	1,206	1,098	10,864
Unrealized profit on sale of inventories	812	507	7,315
Retirement benefits	2,239	2,140	20,171
Marketable and investment securities	399	419	3,594
Depreciation	381	347	3,432
Impairment losses	306	452	2,756
Defined retirement benefit plans	395	440	3,558
Other	1,644	1,501	14,810
Subtotal	9,537	8,744	85,918
Less valuation allowance for tax loss carryforwards	(663)	(631)	(5,972)
Less valuation allowance for temporary differences	(1,131)	(1,092)	(10,189)
Total valuation allowance	(1,795)	(1,723)	(16,171)
Total	¥ 7,742	¥ 7,020	$ 69,747
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥(4,970)	¥(3,070)	$(44,774)
Deferred gain on fixed assets	(516)	(532)	(4,648)
Deferred gain on fixed assets inherited by a corporate division	(185)	(194)	(1,666)
Basis difference of acquired intangible assets	(826)	(1,116)	(7,441)
Basis difference of acquired land	(351)	(371)	(3,162)
Retained earnings of subsidiaries	(1,043)	(624)	(9,396)
Depreciation of foreign subsidiaries	(1,211)	(693)	(10,909)
Other	(381)	(187)	(3,432)
Total	¥(9,485)	¥(6,791)	$(85,450)
Net deferred tax assets (liabilities)	¥(1,742)	¥ 229	$(15,693)

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2021 and 2020, is as follows:

	2021	2020
Normal effective statutory tax rate in Japan	31.0%	31.0%
Expenses not deductible for income tax purposes	0.7	1.4
Change in valuation allowance	0.5	1.5
Withholding taxes in foreign countries	0.8	0.9
Amortization of goodwill	1.3	1.4
Impairment loss of goodwill	0.6	
Undistributed earnings of foreign consolidated subsidiaries	2.0	0.7
Effect of tax rate difference of consolidated subsidiaries	(2.6)	(3.2)
Tax credit for R&D expenses	(3.0)	(2.5)
Other, net	(0.6)	0.5
Actual effective tax rate	30.7%	31.7%

The Company and certain consolidated subsidiaries had tax loss carryforwards aggregating approximately ¥1,206 million ($10,864 thousand) and ¥1,098 million as of March 31, 2021 and 2020, respectively, which are available to be offset against taxable income of such consolidated subsidiaries. These tax loss carryforwards, if not utilized, will expire as follows:

	Millions of Yen						
March 31, 2021	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
Deferred tax assets relating to tax loss carryforwards		¥ 1		¥ 0	¥ 2	¥1,202	¥1,206
Less valuation allowances for tax loss carryforwards		(1)		(0)	(2)	(659)	(663)
Net deferred tax assets relating to tax loss carryforwards						543	543

	Thousands of U.S. Dollars						
March 31, 2021	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
Deferred tax assets relating to tax loss carryforwards		$ 9		$ 0	$ 20	$ 10,828	$ 10,864
Less valuation allowances for tax loss carryforwards		(9)		(0)	(20)	(5,936)	(5,972)
Net deferred tax assets relating to tax loss carryforwards						4,891	4,891

Net deferred tax assets relating to tax loss carryforwards mainly consist of tax carryforwards arising from acquisitions of subsidiaries in the United States in 2017.

The Company determined that the deferred tax assets are recoverable considering the prospects for future taxable income, and does not recognize valuation allowances.

	Millions of Yen						
March 31, 2020	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
Deferred tax assets relating to tax loss carryforwards			¥ 1		¥ 0	¥1,096	¥1,098
Less valuation allowances for tax loss carryforwards			(1)		(0)	(629)	(631)
Net deferred tax assets relating to tax loss carryforwards						467	467

Net deferred tax assets relating to tax loss carryforwards mainly consist of tax carryforwards arising from acquisitions of subsidiaries in the United States in 2017.

The Company determined that the deferred tax assets are recoverable considering the prospects for future taxable income, and does not recognize valuation allowances.

14. SUPPLEMENTAL CASH FLOW INFORMATION

The breakdown of assets and liabilities of newly consolidated subsidiary as the result of the acquisition of shares for the year ended March 31, 2020.

Tokyo Mutual Trading Co., Ltd.

Takara Shuzo International acquired shares of Tokyo Mutual Trading. As a result, Tokyo Mutual Trading became a consolidated subsidiary during the year ended March 31, 2020.

The breakdown of assets and liabilities at the beginning of consolidation of Tokyo Mutual Trading as a result of the acquisition of shares and reconciliation between cash paid for the shares of Tokyo Mutual Trading and payment for the acquisition, net of cash and cash equivalents acquired, are as follows:

	Millions of Yen
	2020
Current assets	¥ 2,100
Fixed assets	523
Goodwill	403
Current liabilities	(641)
Long-term liabilities	(174)
Noncontrolling interests	(886)
Cash paid for shares	1,326
Cash and cash equivalents	(1,676)
Purchases of shares of subsidiaries resulting in change in scope of consolidation	¥ 350

15. OPERATING LEASES

The Group leases certain buildings, machinery, computer equipment, and other assets.

Total rental expenses for the years ended March 31, 2021 and 2020, were ¥3,665 million ($33,018 thousand) and ¥3,268 million, respectively.

Obligations under operating leases as of March 31, 2021 and 2020, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Due within one year	¥ 1,439	¥ 1,629	$ 12,963
Due after one year	17,437	19,044	157,090
Total	¥ 18,876	¥ 20,673	$ 170,054

16. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Group Policy for Financial Instruments

The Group invests in low-risk financial assets if it holds cash surpluses. The Group uses financial instruments, mainly bank loans and bonds, based on its capital financing plan. Derivatives are not used for speculative or trading purposes, but to avoid the risks described below.

Nature and Extent of Risks Arising from Financial Instruments and Risk Management for Financial Instruments

Credit risk and market risk

Although receivables, such as notes and trade accounts, are exposed to customer credit risk, the Group manages due dates and account balances for every customer to identify doubtful receivables in the early stages and to mitigate default risk.

Although marketable securities, mainly certificates of deposit and held-to-maturity securities, are exposed to the credit risks of the bond issuers, the credit risk is kept extremely low by limiting funding to short maturities and high credit rating bonds. Although investment securities, mainly stocks, are exposed to the risk of market price fluctuations, the Group reviews the fair values quarterly if investment securities have market prices, and monitors the financial condition of issuers regularly if they do not have market prices.

Payment terms of payables, such as notes and trade accounts, are less than three months. Although payables in foreign currencies, such as raw materials and merchandise, are exposed to the market risk of fluctuation in foreign currency exchange rates, those risks are hedged by using currency options and forward foreign currency contracts.

Bank loans and bonds are utilized for financing of business transactions and capital investments. Payment terms of bank loans and bonds are a maximum of eight years after the balance sheet date.

Derivative transactions entered into by the Group have been made in accordance with the internal policies of the Finance Department, which regulates authorization, purpose, credit limit amount, evaluation of counterparties, and reporting procedures. Derivative transactions mainly include forward foreign currency contracts and currency options for the purpose of hedging against the market risk of fluctuation in foreign currency exchange rates of transactions in foreign currencies. Although derivative transactions are exposed to the market risk of fluctuation in foreign currency exchange rates, these transactions are made only for the purpose of mitigating the risks of assets, liabilities, and transactions that become hedged items. As the Group established a limit on contract amounts, the Group also believes that the effect of market risks on its business administration is not significant. As the Group manages its exposure to credit risk by limiting its funding to high credit rating banking facilities, the Group recognizes that the exposure to credit risk is extremely low.

Information regarding the valuation method of hedged items and hedging instruments related to hedge accounting, hedge policies, and hedge effectiveness is included in Note 2.*q*.

Liquidity risk management

In the Group, the Finance Department develops and updates a cash management plan pursuant to reporting by each department, and manages its liquidity risk by maintaining adequate volumes of liquid assets. In addition, consolidated subsidiaries also manage their liquidity risks in the same manner.

Supplementary explanation on matters related to fair values of financial instruments

Fair values of financial instruments are based on market prices in active markets or other rational valuation techniques if market prices do not exist. Fair values of financial instruments fluctuate as a result of adopting different preconditions because the calculation of fair values includes fluctuation factors. With respect to the contract amounts related to derivative transactions in Note 17, the amounts do not reflect the market risks related to derivative transactions.

Concentration of Credit Risk

As of March 31, 2021, 17% of total receivables are from one major customer.

Fair Value of Financial Instruments

	Millions of Yen		
March 31, 2021	Carrying Value	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 62,860	¥ 62,860	
Time deposits	4,523	4,523	
Notes and accounts receivable (Trade and associated companies)	61,447	61,447	
Marketable securities and investment securities	24,499	24,499	
Total	¥153,330	¥153,330	
Notes and accounts payable	¥21,107	¥21,107	
Short-term bank loans	5,116	5,116	
Current portion of long-term debt	670	673	¥ 2
Liquor taxes payable	6,890	6,890	
Income taxes payable	4,021	4,021	
Long-term debt	35,465	35,594	128
Lease obligations	3,122	3,116	(5)
Total	¥76,394	¥76,520	¥126
Derivatives	¥ 228	¥ 228	

	Millions of Yen		
March 31, 2020	Carrying Value	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 44,541	¥ 44,541	
Time deposits	5,558	5,558	
Notes and accounts receivable (Trade and associated companies)	60,724	60,724	
Marketable securities and investment securities	22,933	22,933	
Total	¥133,757	¥133,757	
Notes and accounts payable	¥20,869	¥20,869	
Short-term bank loans	4,725	4,725	
Current portion of long-term debt	5,751	5,767	¥ 15
Liquor taxes payable	7,690	7,690	
Income taxes payable	1,886	1,886	
Long-term debt	25,448	25,722	273
Lease obligations	3,538	3,538	
Total	¥69,910	¥70,200	¥289
Derivatives	¥ 118	¥ 118	

March 31, 2021	Thousands of U.S. Dollars Carrying Value	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 566,306	$ 566,306	
Time deposits	40,747	40,747	
Notes and accounts receivable (Trade and associated companies)	553,576	553,576	
Marketable securities and investment securities	220,711	220,711	
Total	$ 1,381,351	$ 1,381,351	
Notes and accounts payable	$ 190,153	$ 190,153	
Short-term bank loans	46,090	46,090	
Current portion of long-term debt	6,036	6,063	$ 18
Liquor taxes payable	62,072	62,072	
Income taxes payable	36,225	36,225	
Long-term debt	319,504	320,666	1,153
Lease obligations	28,126	28,072	(45)
Total	$ 688,234	$ 689,369	$ 1,135
Derivatives	$ 2,054	$ 2,054	

Cash and cash equivalents

The carrying value of cash and cash equivalents approximates fair value because of their short maturities.

Time deposits

The carrying value of time deposits approximates fair value because of their short maturities.

Notes and accounts receivable (Trade and associated companies)

The carrying value of notes and accounts receivable approximates fair value because of their short maturities. The allowance for doubtful accounts has been deducted from the total amount of notes and accounts receivable by ¥507 million ($4,568 thousand) and ¥293 million in 2021 and 2020, respectively.

Marketable securities and investment securities

Marketable securities are bonds, trust beneficiary rights, and certificates of deposit. The fair value of bonds is measured at the quoted price obtained from the financial institution. The carrying value of trust beneficiary rights and certificates of deposit approximates fair value due to their short maturities. Investment securities are mainly stocks and are measured at the market price. Information regarding the classification of securities is included in Note 4.

Notes and accounts payable

The carrying value of notes and accounts payable approximates fair value because of their short maturities.

Liquor taxes payable

The carrying value of liquor taxes payable approximates fair value because of their short maturities.

Income taxes payable

The carrying value of income taxes payable approximates fair value because of their short maturities.

Short-term bank loans

The carrying value of short-term bank loans approximates fair value because of their short maturities. Moreover, the fair value of the current portion of long-term bank loans is determined by discounting the cash flows related to the total of principal and interest at a reasonably estimated rate according to the remaining period.

Long-term debt

Bonds payable is included in long-term debt. The fair value of the current portion of long-term bonds and bonds is determined by discounting the cash flows related to the total of principal and interest at the rate in which the remaining period to maturity and credit risk is reflected.

The fair value of other long-term debt is determined by discounting the cash flows related to the total of principal and interest at a reasonably estimated rate according to the remaining period.

Derivatives

Fair value information for derivatives is included in Note 17.

Investments in equity instruments that do not have a quoted market price in an active market and securities without contractual maturities (the totals included in the consolidated balance sheets at March 31, 2021 and 2020 are ¥3,425 million ($30,855 thousand) and ¥3,305 million, respectively) do not have fair values because their fair value cannot be reliably determined. Moreover, deposits from customers do not have fair values because their fair value cannot be reliably determined.

Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Millions of Yen		Thousands of U.S. Dollars	
March 31, 2021	Due in One Year or Less	Due after One Year through Five Years	Due in One Year or Less	Due after One Year through Five Years
Cash and cash equivalents	¥ 62,860	¥	$ 566,306	$
Notes and accounts receivable				
(Trade and associated companies)	61,447		553,576	
Held-to-maturity securities:				
Others				
Available-for-sale securities with contractual maturities:				
(1) Government bonds and municipal bonds				
(2) Others	1,145		10,315	
Total	¥ 125,453	¥	$ 1,130,207	$

March 31, 2020	Millions of Yen Due in One Year or Less	 Due after One Year through Five Years
Cash and cash equivalents	¥ 44,541	¥
Notes and accounts receivable		
(Trade and associated companies)	60,724	
Held-to-maturity securities:		
Others	2,000	
Available-for-sale securities with contractual maturities:		
(1) Government bonds and municipal bonds	262	
(2) Others	2,256	
Total	¥109,784	¥

17. DERIVATIVES

The Group enters into foreign currency forward contracts and foreign currency option agreements to hedge foreign currency exchange rate risk associated with certain liabilities denominated in foreign currencies.

All derivative transactions are entered into to hedge foreign currency exposures incorporated within the Group's business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with the Group's policies, which regulate the authorization, purposes, credit limit amounts, evaluation of the counterparties, and reporting procedures.

Derivative Transactions to Which Hedge Accounting Is Not Applied

March 31, 2021	Millions of Yen Contract Amount	 Contract Amount Due after One Year	 Fair Value	 Unrealized Gain/Loss
Foreign currency forward contracts:				
Buying U.S. dollar	¥ 595	¥	¥(16)	¥(16)
Buying Chinese yuan	410		9	9
Buying Japanese yen	394		(7)	(7)
Buying Euro	108		(0)	(0)
Selling Euro	515		(3)	(3)
Selling Chinese yuan	1,075		(30)	(30)
Non-deliverable forward contracts:				
Selling Korean won	89		(1)	(1)
Total	¥3,189	¥	¥(51)	¥(51)

March 31, 2020	Millions of Yen Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Buying U.S. dollar	¥ 328	¥	¥ (0)	¥ (0)
Buying GB pound	0		0	0
Buying Chinese yuan	156		(4)	(4)
Buying Japanese yen	246		(5)	(5)
Buying Euro	61		(0)	(0)
Selling Euro	156		1	1
Selling Chinese yuan	278		5	5
Non-deliverable forward contracts:				
Selling Korean won	29		0	0
Total	¥1,257	¥	¥ (4)	¥ (4)

March 31, 2021	Thousands of U.S. Dollars Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Buying U.S. dollar	$ 5,360	$	$ (144)	$ (144)
Buying Chinese yuan	3,693		81	81
Buying Japanese yen	3,549		(63)	(63)
Buying Euro	972		(0)	(0)
Selling Euro	4,639		(27)	(27)
Selling Chinese yuan	9,684		(270)	(270)
Non-deliverable forward contracts:				
Selling Korean won	801		(9)	(9)
Total	$ 28,729	$	$ (459)	$ (459)

Derivative Transactions to Which Hedge Accounting Is Applied

a. Foreign exchange derivatives

March 31, 2021	Millions of Yen Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency options:				
Buying call option U.S. dollar	Accounts payable	¥ 4,925	¥3,192	¥189
Selling put option U.S. dollar	Accounts payable	4,925	3,192	90
Foreign currency forward contracts:				
Buying U.S. dollar	Accounts payable	1,103		39
Total		¥10,954	¥6,385	¥320

March 31, 2020	Hedged Item	Millions of Yen Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency options:				
Buying call option U.S. dollar	Accounts payable	¥3,485	¥2,022	¥128
Selling put option U.S. dollar	Accounts payable	3,485	2,022	(5)
Foreign currency forward contracts:				
Buying U.S. dollar	Accounts payable	883		15
Total		¥7,856	¥4,045	¥137

March 31, 2021	Hedged Item	Thousands of U.S. Dollars Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency options:				
Buying call option U.S. dollar	Accounts payable	$44,369	$28,756	$1,702
Selling put option U.S. dollar	Accounts payable	44,369	28,756	810
Foreign currency forward contracts:				
Buying U.S. dollar	Accounts payable	9,936		351
Total		$98,684	$57,522	$2,882

18. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income for the years ended March 31, 2021 and 2020, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Unrealized gain or loss on available-for-sale securities:			
Gain (loss) arising during the year	¥ 6,084	¥(2,926)	$ 54,810
Reclassification adjustments to profit or loss	60	(890)	540
Amount before income tax effect	6,145	(3,817)	55,360
Income tax effect	(1,899)	1,127	(17,108)
Total	¥ 4,245	¥(2,689)	$ 38,243
Deferred gain or loss on derivatives under hedge accounting:			
Gain (loss) arising during the year	¥ 157	¥ (43)	$ 1,414
Amount before income tax effect	157	(43)	1,414
Income tax effect	(49)	13	(441)
Total	¥ 108	¥ (30)	$ 972
Foreign currency translation adjustments:			
Adjustments arising during the year	¥(2,342)	¥(1,160)	$(21,099)
Total	¥(2,342)	¥(1,160)	$(21,099)
Defined retirement benefit plans:			
Adjustments arising during the year	¥ 72	¥ (446)	$ 648
Reclassification adjustments to profit or loss	24	(47)	216
Amount before income tax effect	96	(493)	864
Income tax effect	(44)	150	(396)
Total	¥ 51	¥ (343)	$ 459
Total other comprehensive income (loss)	¥ 2,063	¥(4,223)	$ 18,585

19. NET INCOME PER SHARE

Basic net income per share ("EPS") for the years ended March 31, 2021 and 2020 is as follows:

	Millions of Yen	Thousands of Shares	Yen	Dollars
	Net Income	Weighted-Average Shares	EPS	
For the year ended March 31, 2021:				
Basic EPS				
Net income available to common shareholders	¥10,574	197,704	¥53.48	$0.48
For the year ended March 31, 2020:				
Basic EPS				
Net income available to common shareholders	¥8,980	199,062	¥45.11	

Diluted net income per share for both the years ended March 31, 2021 and 2020 is not disclosed because there were no dilutive shares during these two fiscal years.

20. SUBSEQUENT EVENTS

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2021 was approved at the Company's shareholders' meeting held on June 29, 2021.

	Millions of Yen	Thousands of U.S. Dollars
	2021	2021
Year-end cash dividends, ¥21 ($0.18) per share	¥4,151	$37,396

Significant Loss Due to Product Recall

For a certain canned CHU-HI product manufactured and sold by Takara Shuzo, a consolidated subsidiary, an incident of aluminum flak protruding from the outer circumference of the upper part of the can and a customer having a finger injury was reported. Consequently, on May 21, 2021, the Company announced a voluntary product recall for 117 items which were manufactured from June 1, 2020 to May 14, 2021 at the company's Kusu Plant (Yokkaichi City, Mie Prefecture) in order to prevent the same kind of incident from happening again. The Company estimated the loss due to the product recall to be approximately ¥1,600 million ($14,414 thousand) which includes the product disposal cost and other expenses to recall the products. Such cost will be recognized as other expenses for the year ending March 31, 2022. The estimated amount may change in the future.

21. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Disclosures about Segment of an Enterprise and Related Information" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Disclosures about Segment of an Enterprise and Related Information," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and for which such information is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of Reportable Segments

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

Accordingly, the Group has defined three reporting segments based on the types of goods, products, and services, while taking into consideration the scope of managerial responsibility and the capacity to evaluate business performance. These three reporting segments are Takara Shuzo, the Takara Shuzo International Group, and the Takara Bio Group.

Takara Shuzo primarily engages in the manufacture and sale of seasonings and alcoholic beverages in Japan. The Takara Shuzo International Group engages in the export of alcoholic beverages from Japan, the manufacture and sale of alcoholic beverages at overseas locations, and the Japanese food wholesale business in overseas markets. The Takara Bio Group engages in the manufacture and sale of products such as research reagents and scientific instruments, as well as contract research services and research and development of gene and cell therapies.

(2) Methods of Measurement for the Amounts of Sales, Profit (Loss), Assets, and Other Items for Each Reportable Segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES."

The figures for the income of reporting segments are based on operating income. Intersegment sales or transfers is based on prevailing market prices.

(3) Information about sales, profit, assets, and other items are as follows.

	Millions of Yen						
	2021						
	Reportable Segment						
	Takara Shuzo	Takara Shuzo International Group	Takara Bio Group	Total	Other	Reconciliation	Consolidated
Sales:							
Sales to external customers	¥151,972	¥69,348	¥46,086	¥267,407	¥11,036	¥ 0	¥278,443
Intersegment sales or transfers	564	240	0	805	18,202	(19,007)	
Total	152,537	69,589	46,086	268,213	29,238	(19,007)	278,443
Segment profit	4,879	1,043	13,952	19,875	1,803	(84)	21,595
Segment assets	90,221	74,373	89,750	254,344	19.932	32,641	306,918
Other:							
Depreciation	2,848	1,430	3,220	7,498	233	336	8,068
Amortization of goodwill		379	486	865			865
Investment in equity method affiliate						1,727	1,727
Increase in property, plant, and equipment and intangible assets	1,430	2,802	8,897	13,130	334	310	13,775

	Millions of Yen						
	2020						
	Reportable Segment						
	Takara Shuzo	Takara Shuzo International Group	Takara Bio Group	Total	Other	Reconciliation	Consolidated
Sales:							
Sales to external customers	¥152,496	¥82,456	¥34,563	¥269,516	¥11,670	¥ 5	¥281,191
Intersegment sales or transfers	644	309	1	955	20,131	(21,087)	
Total	153,141	82,765	34,565	270,472	31,801	(21,082)	281,191
Segment profit	4,175	3,532	6,274	13,982	2,018	(164)	15,836
Segment assets	93,083	75,183	75,009	243,276	19,577	21,028	283,882
Other:							
Depreciation	2,736	1,434	2,921	7,093	216	317	7,626
Amortization of goodwill		350	496	847			847
Investment in equity method affiliate						1,608	1,608
Increase in property, plant, and equipment and intangible assets	5,520	2,696	5,365	13,582	219	393	14,195

	Thousands of U.S. Dollars						
	2021						
	Reportable Segment						
	Takara Shuzo	Takara Shuzo International Group	Takara Bio Group	Total	Other	Reconciliation	Consolidated
Sales:							
Sales to external customers	$ 1,369,117	$ 624,756	$ 415,189	$ 2,409,072	$ 99,423	$ 0	$ 2,508,495
Intersegment sales or transfers	5,081	2,162	0	7,252	163,981	(171,234)	
Total	1,374,207	626,927	415,189	2,416,333	263,405	(171,234)	2,508,495
Segment profit	43,954	9,396	125,693	179,054	16,243	(756)	194,549
Segment assets	812,801	670,027	808,588	2,291,387	179,567	294,063	2,765,027
Other:							
Depreciation	25,657	12,882	29,009	67,549	2,099	3,027	72,684
Amortization of goodwill		3,414	4,378	7,792			7,792
Investment in equity method affiliate						15,558	15,558
Increase in property, plant, and equipment and intangible assets	12,882	25,243	80,153	118,288	3,009	2,792	124,099

Notes:

1. "Other" represents operating segments that are not included in the reportable segments, and mainly consists of real-estate lease and logistics businesses of domestic subsidiaries.

2. Details of "Reconciliation" are as follows.

   (1) Sales to external customers consist of revenue from the system consulting and maintenance business, etc., recognized by the Company.

   (2) Segment profit includes eliminations of intersegment transactions of ¥69 million ($621 thousand) and ¥57 million, and income of the Company not allocated to operating segments of ¥(153) million ($(1,378) thousand) and ¥(222) million as of March 31, 2021 and 2020, respectively.

   (3) Segment assets include assets of the Company not allocated to operating segments of ¥62,585 million ($563,828 thousand) and ¥51,819 million, and other adjustment (principally eliminations of intersegment transactions) of ¥(29,944) million ($(269,765) thousand) and ¥(30,791) million as of March 31, 2021 and 2020, respectively. Assets attributed to the Company include surplus funds and long-term investment assets.

   (4) Depreciation is the amount of depreciation recognized by the Company.

   (5) Investment in equity method affiliate is the cost of investment in an affiliate company not allocated to operating segments.

   (6) In the fiscal year ended March 31, 2021, increase in property, plant, and equipment and intangible assets comprises investments of the Company not allocated to business segments of ¥310 million ($2,792 thousand).

   In the fiscal year ended March 31, 2020, increase in property, plant, and equipment and intangible assets comprises investments of the Company not allocated to business segments of ¥493 million and intersegments elimination of ¥(99) million.

3. Segment profit has been reconciled with the operating income in the consolidated statement of income.

(4) Information about products and services

	Millions of Yen				
	2021				
	Domestic and Overseas Alcoholic Beverages	Japanese Food Wholesale Business in Overseas Markets	Bio	Other	Total
Sales to external customers	¥160,893	¥60,425	¥46,086	¥11,038	¥278,443

	Millions of Yen				
	2020				
	Domestic and Overseas Alcoholic Beverages	Japanese Food Wholesale Business in Overseas Markets	Bio	Other	Total
Sales to external customers	¥161,713	¥73,235	¥34,563	¥11,678	¥281,191

	Thousands of U.S. Dollars				
	2021				
	Domestic and Overseas Alcoholic Beverages	Japanese Food Wholesale Business in Overseas Markets	Bio	Other	Total
Sales to external customers	$1,449,486	$544,369	$415,189	$99,441	$2,508,495

(5) Information about geographical areas

(a) Sales

Millions of Yen			
2021			
Japan	USA	Other	Total
¥183,545	¥42,643	¥52,254	¥278,443

Millions of Yen			
2020			
Japan	USA	Other	Total
¥179,059	¥52,491	¥49,640	¥281,191

Thousands of U.S. Dollars			
2021			
Japan	USA	Other	Total
$1,653,558	$384,171	$470,756	$2,508,495

Note: Sales are classified by country or region based on the location of customers.

(b) Property, plant, and equipment

Millions of Yen			
2021			
Japan	USA	Other	Total
¥52,470	¥15,211	¥7,059	¥74,740

Millions of Yen			
2020			
Japan	USA	Other	Total
¥53,600	¥8,879	¥7,356	¥69,835

Thousands of U.S. Dollars			
2021			
Japan	USA	Other	Total
$472,702	$137,036	$63,594	$673,333

(6) Information about major customers

Name of Customers	2021 Millions of Yen Sales	Related Segment Name
KOKUBU GROUP CORP.	¥35,067	Takara Shuzo

Name of Customers	2020 Millions of Yen Sales	Related Segment Name
KOKUBU GROUP CORP.	¥34,502	Takara Shuzo

Name of Customers	2021 Thousands of U.S. Dollars Sales	Related Segment Name
KOKUBU GROUP CORP.	$315,918	Takara Shuzo

(7) Information about impairment losses

	Millions of Yen					
	2021					
	Takara Shuzo	Takara Shuzo International Group	Takara Bio Group	Other	Elimination/ Corporate	Total
Impairment losses of assets	¥	¥432	¥360	¥	¥	¥793

	Millions of Yen					
	2020					
	Takara Shuzo	Takara Shuzo International Group	Takara Bio Group	Other	Elimination/ Corporate	Total
Impairment losses of assets	¥	¥	¥880	¥	¥	¥880

	Thousands of U.S. Dollars					
	2021					
	Takara Shuzo	Takara Shuzo International Group	Takara Bio Group	Other	Elimination/ Corporate	Total
Impairment losses of assets	$	$3,891	$3,243	$	$	$7,144

(8) Information about amortization of goodwill

	Millions of Yen					
	2021					
	Takara Shuzo	Takara Shuzo International Group	Takara Bio Group	Other	Elimination/ Corporate	Total
Amortization of goodwill	¥	¥ 379	¥ 486	¥	¥	¥ 865
Goodwill at March 31, 2021		3,992	6,149			10,142

	Millions of Yen					
	2020					
	Takara Shuzo	Takara Shuzo International Group	Takara Bio Group	Other	Elimination/ Corporate	Total
Amortization of goodwill	¥	¥ 350	¥ 496	¥	¥	¥ 847
Goodwill at March 31, 2020		4,743	7,006			11,750

	Thousands of U.S. Dollars					
	2021					
	Takara Shuzo	Takara Shuzo International Group	Takara Bio Group	Other	Elimination/ Corporate	Total
Amortization of goodwill	$	$ 3,414	$ 4,378	$	$	$ 7,792
Goodwill at March 31, 2021		35,963	55,396			91,369

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