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# ***Takara Holdings Inc. and Consolidated Subsidiaries***

*Consolidated Financial Statements for the  
Year Ended March 31, 2023 and  
Independent Auditor's Report*

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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, 2023, 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, 2023, 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 Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was 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 the matter.

| Validity of valuation of refund liabilities of Takara Shuzo Co., Ltd.   |  |
|---|--|
| Key Audit Matter Description  | How the Key Audit Matter Was Addressed in the Audit  |
| <p>As described in Note 2, "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES" and Note 3, "SIGNIFICANT ACCOUNTING ESTIMATES" to the consolidated financial statements, ¥5,718 million of the refund liabilities of Takara Shuzo Co., Ltd. (hereinafter referred to as "Takara Shuzo") were recorded as of March 31, 2023, which included the estimated sales promotion expenses related to the purchase of retail stores through wholesalers (hereinafter referred to as "retail purchase") of ¥4,163 million.</p> <p>Takara Shuzo calculates the estimated sales promotion expenses by multiplying the estimated unit price by the estimated quantity, and the estimated unit price is calculated considering past actual unit price, etc. In addition, the estimated quantity is calculated using retail purchase quantity data, which is obtained from wholesalers and incorporated into the relevant system. Takara Shuzo also estimates part of the retail purchase quantity for the year-end month by branch and product type.</p> <p>As obtaining actual retail purchase quantity during the year-end closing is practically difficult, Takara Shuzo estimates the unpaid sales promotion expenses as of the year end by estimating the retail purchase quantity using a certain estimation method that is developed based on the comparison between the retail purchase quantity data obtained during past year-end closing and the actual retail purchase quantity data finalized after year-end closing, in addition to the obtained data available during the year-end closing.</p> <p>The estimated unit price used for calculating estimated sales promotion expenses and the assumptions for the estimation method for the retail purchase quantity involves judgements made by management and there is a possibility that the estimated sales promotion expenses may be misstated.</p> <p>Based on our understanding above, the estimated sales promotion expenses included in refund liabilities involves significant management assumption that are highly affected by management judgment.</p> <p>Therefore, we identified the validity of valuation of refund liabilities of Takara Shuzo, including estimated sales promotion expenses at the end of the current year, as a key audit matter.</p> | <p>Our audit procedures related to the validity of valuation of refund liabilities of Takara Shuzo included the following, among others:</p> <ul style="list-style-type: none"> <li>• We evaluated the design and operating effectiveness of controls over the estimated sales promotion expenses related to retail purchase developed by Takara Shuzo.</li> <li>• Regarding the retail purchase quantity data used by Takara Shuzo, we evaluated the design and operating effectiveness of General IT controls and IT automated controls for relevant systems and evaluated the reliability of the data by matching them with invoices from wholesalers with the assistance of our IT specialists.</li> <li>• We evaluated the reasonableness of the estimation logic for each branch and product type to estimate retail purchase quantity data by comparing the estimated quantity for the current year-end month based on the estimation method with the actual purchase quantity obtained after the fiscal year end but prior to the audit report date. In addition, for the estimated quantity used for estimated sales promotion expenses for each quarter, we evaluated the accuracy of the estimation method by comparing it with the actual retail purchase quantity that was subsequently obtained.</li> <li>• For the amounts calculated based on the unit price and retail purchase quantity for estimated sales promotion expenses by each branch and product type, we tested whether the discrepancies were reasonable by comparing them with the expected amounts which we calculated based on the actual results of both current quarter and the past fiscal year.</li> <li>• We evaluated the accuracy of the estimated sales promotion expenses by comparing the amount recorded at the end of the current year with the actual subsequent payments and examining significant discrepancies and the appropriateness of such differences.</li> </ul> |



## **Other Information**

Other information comprises the information included in the Group's disclosure documents accompanying the audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We determined that no such information existed and therefore, we did not perform any work thereon.

## **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, 2023

## Takara Holdings Inc. and Consolidated Subsidiaries

### Consolidated Balance Sheet March 31, 2023

| ASSETS   | Millions of Yen  |                  | Thousands of<br>U.S. Dollars<br>(Note 1) | LIABILITIES AND EQUITY   | Millions of Yen  |                  | Thousands of<br>U.S. Dollars<br>(Note 1) |
|--|------------------|------------------|--|--|------------------|------------------|--|
|  | 2023             | 2022             | 2023                                     |  | 2023             | 2022             | 2023                                     |
| <b>CURRENT ASSETS:</b>   |                  |                  |  | <b>CURRENT LIABILITIES:</b>  |                  |                  |  |
| Cash and cash equivalents (Note 18)  | ¥ 91,785         | ¥ 75,729         | \$ 684,962                               | Short-term bank loans (Notes 6 and 18)   | ¥ 4,855          | ¥ 5,237          | \$ 36,231                                |
| Time deposits (Note 18)  | 5,494            | 5,894            | 41,000                                   | Current portion of long-term debt (Notes 6 and 18)   | 990              | 10,931           | 7,388                                    |
| Notes and accounts receivable (Notes 6, 10 and 18):                                    |                  |                  |  | Notes and accounts payable (Note 19):  |                  |                  |  |
| Trade  | 69,717           | 70,260           | 520,276                                  | Trade  | 21,775           | 20,973           | 162,500                                  |
| Other  | 3,278            | 3,222            | 24,462                                   | Construction and other   | 7,136            | 6,619            | 53,253                                   |
| Allowance for doubtful accounts  | (694)            | (449)            | (5,179)                                  | Liquor taxes payable (Note 7)  | 5,815            | 7,172            | 43,395                                   |
| Inventories (Notes 5, 6 and 7)   | 66,904           | 72,643           | 499,283                                  | Income taxes payable   | 2,220            | 6,602            | 16,567                                   |
| Prepaid expenses and other current assets (Note 19)                                    | 5,027            | 5,020            | 37,514                                   | Accrued expenses   | 9,750            | 8,752            | 72,761                                   |
|  |                  |                  |  | Other current liabilities (Notes 2, 3 and 10)  | 14,910           | 12,861           | 111,268                                  |
| Total current assets   | 241,513          | 232,323          | 1,802,335                                |  |                  |                  |  |
|  |                  |                  |  | Total current liabilities  | 67,454           | 79,151           | 503,388                                  |
| <b>PROPERTY, PLANT, AND EQUIPMENT (Notes 13 and 23):</b>                               |                  |                  |  | <b>LONG-TERM LIABILITIES:</b>  |                  |                  |  |
| Land   | 20,861           | 20,170           | 155,679                                  | Long-term debt (Notes 6 and 18)  | 35,186           | 35,248           | 262,582                                  |
| Buildings and structures   | 76,265           | 69,584           | 569,141                                  | Lease obligations (Notes 6 and 18)   | 4,452            | 3,005            | 33,223                                   |
| Machinery, equipment, and vehicles   | 90,919           | 88,453           | 678,500                                  | Liability for retirement benefits (Note 8)   | 8,925            | 8,944            | 66,604                                   |
| Tools, furniture and fixtures  | 21,312           | 19,443           | 159,044                                  | Deposits   | 5,087            | 5,089            | 37,962                                   |
| Right-of-use assets  | 7,183            | 4,603            | 53,604                                   | Deferred tax liabilities (Note 15)   | 4,855            | 3,969            | 36,231                                   |
| Lease assets   | 1,520            | 1,512            | 11,343                                   | Other long-term liabilities (Note 2)   | 17,892           | 2,472            | 133,522                                  |
| Construction in progress   | 3,662            | 1,782            | 27,328                                   |  |                  |                  |  |
| Total  | 221,726          | 205,550          | 1,654,671                                | Total long-term liabilities  | 76,401           | 58,730           | 570,156                                  |
| Accumulated depreciation   | (132,835)        | (125,803)        | (991,305)                                | <b>COMMITMENTS AND CONTINGENT LIABILITIES</b>  |                  |                  |  |
|  |                  |                  |  | (Notes 6 and 19)   |                  |                  |  |
| Net property, plant, and equipment   | 88,890           | 79,747           | 663,358                                  | <b>EQUITY (Notes 9 and 20):</b>  |                  |                  |  |
| <b>INVESTMENTS AND OTHER ASSETS:</b>   |                  |                  |  | Common stock, authorized, 870,000,000 shares;<br>issued, 199,699,743 shares in 2023 and 2022 | 13,226           | 13,226           | 98,701                                   |
| Investment securities (Notes 4 and 18)   | 28,833           | 27,432           | 215,171                                  | Capital surplus  | 1,994            | 2,499            | 14,880                                   |
| Investments in and advances to unconsolidated<br>subsidiaries and associated companies | 1,740            | 1,795            | 12,985                                   | Retained earnings  | 163,825          | 149,933          | 1,222,574                                |
| Goodwill (Notes 2, 3 and 23)   | 10,668           | 10,070           | 79,611                                   | Treasury stock, at cost, 1,995,612 shares in 2023 and<br>1,995,577 shares in 2022            | (1,682)          | (1,682)          | (12,552)                                 |
| Deferred tax assets (Note 15)  | 2,170            | 2,682            | 16,194                                   | Accumulated other comprehensive income:  |                  |                  |  |
| Other assets (Notes 2, 8 and 13)   | 25,357           | 8,387            | 189,231                                  | Unrealized gain (loss) on available-for-sale securities                                      | 12,974           | 12,216           | 96,820                                   |
| Total investments and other assets   | 68,770           | 50,367           | 513,208                                  | Deferred gain (loss) on derivatives under hedge<br>accounting (Note 19)                      | 286              | 412              | 2,134                                    |
|  |                  |                  |  | Foreign currency translation adjustments   | 13,686           | 4,330            | 102,134                                  |
|  |                  |                  |  | Defined retirement benefit plans   | (359)            | (515)            | (2,679)                                  |
|  |                  |                  |  | Total  | 203,951          | 180,420          | 1,522,022                                |
|  |                  |                  |  | Noncontrolling interests   | 51,366           | 44,135           | 383,328                                  |
|  |                  |                  |  | Total equity   | 255,318          | 224,555          | 1,905,358                                |
| <b>TOTAL</b>   | <b>¥ 399,174</b> | <b>¥ 362,438</b> | <b>\$ 2,978,910</b>                      | <b>TOTAL</b>   | <b>¥ 399,174</b> | <b>¥ 362,438</b> | <b>\$ 2,978,910</b>                      |

See notes to consolidated financial statements.

## Takara Holdings Inc. and Consolidated Subsidiaries

### Consolidated Statement of Income Year Ended March 31, 2023

|  | Millions of Yen |                 | Thousands of<br>U.S. Dollars<br>(Note 1) |
|--|-----------------|-----------------|--|
|  | <u>2023</u>     | <u>2022</u>     | <u>2023</u>                              |
| NET SALES (Notes 2, 10 and 23)   | ¥ 350,665       | ¥ 300,918       | \$ 2,616,902                             |
| COST OF SALES (Notes 7, 8, 16 and 23)                                    | <u>230,723</u>  | <u>187,376</u>  | <u>1,721,813</u>                         |
| Gross profit   | 119,941         | 113,541         | 895,082                                  |
| SELLING, GENERAL AND ADMINISTRATIVE<br>EXPENSES (Notes 8, 11, 17 and 23) | <u>81,996</u>   | <u>70,187</u>   | <u>611,910</u>                           |
| Operating income   | <u>37,945</u>   | <u>43,354</u>   | <u>283,171</u>                           |
| OTHER INCOME (EXPENSES):   |                 |                 |  |
| Interest and dividend income   | 1,066           | 767             | 7,955                                    |
| Rental income from investment property                                   | 176             | 157             | 1,313                                    |
| Interest expense   | (324)           | (330)           | (2,417)                                  |
| Foreign exchange loss  | (222)           | (807)           | (1,656)                                  |
| Gain on sales of non-current assets                                      | 264             | 88              | 1,970                                    |
| Gain on sales of investment securities                                   | 674             |                 | 5,029                                    |
| Insurance claim income (Note 12)   | 678             | 100             | 5,059                                    |
| National subsidies (Note 13)   | 63              | 4,470           | 470                                      |
| Loss on disposals of non-current assets                                  | (499)           | (407)           | (3,723)                                  |
| Loss on voluntary recall of products (Note 14)                           |                 | (1,190)         |  |
| Loss on tax purpose reduction entry of non-current<br>assets (Note 13)   | (63)            | (4,470)         | (470)                                    |
| Other, net   | <u>(67)</u>     | <u>(768)</u>    | <u>(500)</u>                             |
| Other income (expenses), net   | <u>1,746</u>    | <u>(2,392)</u>  | <u>13,029</u>                            |
| INCOME BEFORE INCOME TAXES   | <u>39,692</u>   | <u>40,961</u>   | <u>296,208</u>                           |
| INCOME TAXES (Note 15):  |                 |                 |  |
| Current  | 10,144          | 11,900          | 75,701                                   |
| Deferred   | <u>857</u>      | <u>(309)</u>    | <u>6,395</u>                             |
| Total income taxes   | <u>11,001</u>   | <u>11,590</u>   | <u>82,097</u>                            |
| NET INCOME   | 28,690          | 29,370          | 214,104                                  |
| NET INCOME ATTRIBUTABLE TO NONCONTROLLING<br>INTERESTS                   | <u>7,483</u>    | <u>8,601</u>    | <u>55,843</u>                            |
| NET INCOME ATTRIBUTABLE TO OWNERS<br>OF THE PARENT                       | <u>¥ 21,206</u> | <u>¥ 20,769</u> | <u>\$ 158,253</u>                        |
|  | <u>Yen</u>      |                 | <u>U.S. Dollars</u>                      |
| PER SHARE OF COMMON STOCK (Notes 2.q and 21):                            |                 |                 |  |
| Basic net income   | ¥107.26         | ¥105.05         | \$0.80                                   |
| Cash dividends applicable to the year                                    | 38.00           | 37.00           | 0.28                                     |

See notes to consolidated financial statements.

## Takara Holdings Inc. and Consolidated Subsidiaries

### Consolidated Statement of Comprehensive Income Year Ended March 31, 2023

|  | Millions of Yen |                 | Thousands of<br>U.S. Dollars<br>(Note 1) |
|--|-----------------|-----------------|--|
|  | <u>2023</u>     | <u>2022</u>     | <u>2023</u>                              |
| NET INCOME   | ¥ 28,690        | ¥ 29,370        | \$ 214,104                               |
| OTHER COMPREHENSIVE INCOME (LOSS) (Note 20):               |                 |                 |  |
| Unrealized gain (loss) on available-for-sale securities    | 757             | 845             | 5,649                                    |
| Deferred gain (loss) on derivatives under hedge accounting | (125)           | 219             | (932)                                    |
| Foreign currency translation adjustments                   | 11,855          | 9,189           | 88,470                                   |
| Defined retirement benefit plans                           | <u>100</u>      | <u>367</u>      | <u>746</u>                               |
| Total other comprehensive income (loss)                    | <u>12,588</u>   | <u>10,622</u>   | <u>93,940</u>                            |
| COMPREHENSIVE INCOME                                       | <u>¥ 41,278</u> | <u>¥ 39,992</u> | <u>\$ 308,044</u>                        |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:                |                 |                 |  |
| Owners of the parent                                       | ¥ 31,351        | ¥ 29,349        | \$ 233,962                               |
| Noncontrolling interests                                   | 9,927           | 10,643          | 74,082                                   |

See notes to consolidated financial statements.



**Takara Holdings Inc. and Consolidated Subsidiaries**
**Consolidated Statement of Changes in Equity  
Year Ended March 31, 2023**

|   | Thousands   |                  | Millions of Yen    |                      |                    |   |  |   |   |                     |                             |                     |  |
|---|---|------------------|--------------------|----------------------|--------------------|---|--|---|---|---------------------|-----------------------------|---------------------|--|
|   | Number of<br>Shares of<br>Common Stock<br>Outstanding | Common<br>Stock  | Capital<br>Surplus | Retained<br>Earnings | Treasury<br>Stock  | Accumulated Other Comprehensive Income                            |  |   |   |                     | Noncontrolling<br>Interests | Total<br>Equity     |  |
|   |   |                  |                    |                      |                    | Unrealized<br>Gain (Loss) on<br>Available-for-<br>Sale Securities | Deferred Gain<br>(Loss) on<br>Derivatives<br>under Hedge<br>Accounting | Foreign<br>Currency<br>Translation<br>Adjustments | Defined<br>Retirement<br>Benefit<br>Plans | Total               |                             |                     |  |
| BALANCE, APRIL 1, 2021                              | 197,704   | ¥ 13,226         | ¥ 2,292            | ¥ 135,184            | ¥ (1,682)          | ¥ 11,370  | ¥ 193  | ¥ (2,840)   | ¥ (859)                                   | ¥ 156,884           | ¥ 34,650                    | ¥ 191,535           |  |
| Cumulative effect of changes in accounting policies |   |                  |                    | (1,867)              |                    |   |  |   |   | (1,867)             |                             | (1,867)             |  |
| Restated balance                                    | 197,704   | 13,226           | 2,292              | 133,316              | (1,682)            | 11,370  | 193  | (2,840)   | (859)                                     | 155,016             | 34,650                      | 189,667             |  |
| Net income attributable to owners of the parent     |   |                  |                    | 20,769               |                    |   |  |   |   | 20,769              |                             | 20,769              |  |
| Cash dividends, ¥21.0 per share                     |   |                  |                    | (4,151)              |                    |   |  |   |   | (4,151)             |                             | (4,151)             |  |
| Purchase of treasury shares                         | (0)   |                  |                    |                      | (0)                |   |  |   |   | (0)                 |                             | (0)                 |  |
| Disposal of treasury shares                         | 0   |                  | 0                  |                      | 0                  |   |  |   |   | 0                   |                             | 0                   |  |
| Purchase of shares of consolidated subsidiaries     |   |                  | 206                |                      |                    |   |  |   |   | 206                 |                             | 206                 |  |
| Net change in the year                              |   |                  |                    |                      |                    | 845   | 219  | 7,171   | 343                                       | 8,580               | 9,484                       | 18,064              |  |
| BALANCE, MARCH 31, 2022                             | 197,704   | 13,226           | 2,499              | 149,933              | (1,682)            | 12,216  | 412  | 4,330   | (515)                                     | 180,420             | 44,135                      | 224,555             |  |
| Net income attributable to owners of the parent     |   |                  |                    | 21,206               |                    |   |  |   |   | 21,206              |                             | 21,206              |  |
| Cash dividends, ¥37.0 per share                     |   |                  |                    | (7,315)              |                    |   |  |   |   | (7,315)             |                             | (7,315)             |  |
| Purchase of treasury shares                         | (0)   |                  |                    |                      | (0)                |   |  |   |   | (0)                 |                             | (0)                 |  |
| Disposal of treasury shares                         | 0   |                  | 0                  |                      | 0                  |   |  |   |   | 0                   |                             | 0                   |  |
| Purchase of shares of consolidated subsidiaries     |   |                  | (505)              |                      |                    |   |  |   |   | (505)               |                             | (505)               |  |
| Net change in the year                              |   |                  |                    |                      |                    | 757   | (125)  | 9,355   | 156                                       | 10,144              | 7,231                       | 17,375              |  |
| BALANCE, MARCH 31, 2023                             | <u>197,704</u>  | <u>¥ 13,226</u>  | <u>¥ 1,994</u>     | <u>¥ 163,825</u>     | <u>¥ (1,682)</u>   | <u>¥ 12,974</u>   | <u>¥ 286</u>   | <u>¥ 13,686</u>                                   | <u>¥ (359)</u>                            | <u>¥ 203,951</u>    | <u>¥ 51,366</u>             | <u>¥ 255,318</u>    |  |
|   |   |                  |                    |                      |                    | Thousands of U.S. Dollars (Note 1)                                |  |   |   |                     |                             |                     |  |
|   |   |                  |                    |                      |                    | Accumulated Other Comprehensive Income                            |  |   |   |                     |                             |                     |  |
|   |   | Common<br>Stock  | Capital<br>Surplus | Retained<br>Earnings | Treasury<br>Stock  | Unrealized<br>Gain (Loss) on<br>Available-for-<br>Sale Securities | Deferred Gain<br>(Loss) on<br>Derivatives<br>under Hedge<br>Accounting | Foreign<br>Currency<br>Translation<br>Adjustments | Defined<br>Retirement<br>Benefit<br>Plans | Total               | Noncontrolling<br>Interests | Total<br>Equity     |  |
| BALANCE, MARCH 31, 2022                             |   | \$ 98,701        | \$ 18,649          | \$ 1,118,902         | \$ (12,552)        | \$ 91,164   | \$ 3,074   | \$ 32,313   | \$ (3,843)                                | \$ 1,346,417        | \$ 329,365                  | \$ 1,675,783        |  |
| Net income attributable to owners of the parent     |   |                  |                    | 158,253              |                    |   |  |   |   | 158,253             |                             | 158,253             |  |
| Cash dividends, \$0.27 per share                    |   |                  |                    | (54,589)             |                    |   |  |   |   | (54,589)            |                             | (54,589)            |  |
| Purchase of treasury shares                         |   |                  |                    |                      | (0)                |   |  |   |   | (0)                 |                             | (0)                 |  |
| Disposal of treasury shares                         |   |                  | 0                  |                      | 0                  |   |  |   |   | 0                   |                             | 0                   |  |
| Purchase of shares of consolidated subsidiaries     |   |                  | (3,768)            |                      |                    |   |  |   |   | (3,768)             |                             | (3,768)             |  |
| Net change in the year                              |   |                  |                    |                      |                    | 5,649   | (932)  | 69,813  | 1,164                                     | 75,701              | 53,962                      | 129,664             |  |
| BALANCE, MARCH 31, 2023                             |   | <u>\$ 98,701</u> | <u>\$ 14,880</u>   | <u>\$ 1,222,574</u>  | <u>\$ (12,552)</u> | <u>\$ 96,820</u>  | <u>\$ 2,134</u>  | <u>\$ 102,134</u>                                 | <u>\$ (2,679)</u>                         | <u>\$ 1,522,022</u> | <u>\$ 383,328</u>           | <u>\$ 1,905,358</u> |  |

See notes to consolidated financial statements.

## Takara Holdings Inc. and Consolidated Subsidiaries

### Consolidated Statement of Cash Flows Year Ended March 31, 2023

|  | Millions of Yen |             | Thousands of<br>U.S. Dollars<br>(Note 1) |
|--|-----------------|-------------|--|
|  | <u>2023</u>     | <u>2022</u> | <u>2023</u>                              |
| <b>OPERATING ACTIVITIES:</b>   |                 |             |  |
| Income before income taxes   | ¥ 39,692        | ¥ 40,961    | \$ 296,208                               |
| Adjustments for:   |                 |             |  |
| Income taxes paid  | (15,535)        | (10,253)    | (115,932)                                |
| Depreciation and amortization  | 10,295          | 9,589       | 76,828                                   |
| Impairment loss (Note 23)  |                 | 185         |  |
| Loss on sales and retirement of non-current assets   | 235             | 319         | 1,753                                    |
| Net gain on sales of investment securities   | (674)           |             | (5,029)                                  |
| Changes in assets and liabilities:   |                 |             |  |
| Decrease (increase) in trade receivables   | 2,634           | (7,109)     | 19,656                                   |
| Decrease (increase) in inventories   | 8,969           | (21,235)    | 66,932                                   |
| (Increase) decrease in interest and dividends receivable                                   | (12)            | 20          | (89)                                     |
| (Decrease) increase in trade payables  | (252)           | 3,920       | (1,880)                                  |
| (Decrease) increase in liquor taxes payable  | (1,358)         | 281         | (10,134)                                 |
| Increase (decrease) in accrued consumption taxes   | 2,104           | (1,890)     | 15,701                                   |
| (Decrease) increase in other current liabilities   | (1,261)         | 3,372       | (9,410)                                  |
| Decrease in interest payable   | (15)            | (3)         | (111)                                    |
| Decrease in provision for sales promotion expenses   |                 | (2,049)     |  |
| Subsidies received   |                 | 671         |  |
| Other, net   | 657             | (400)       | 4,902                                    |
| Total adjustments  | 5,785           | (24,584)    | 43,171                                   |
| Net cash provided by operating activities  | 45,478          | 16,376      | 339,388                                  |
| <b>INVESTING ACTIVITIES:</b>   |                 |             |  |
| Net decrease (increase) in time deposits   | 840             | (754)       | 6,268                                    |
| Purchases of property, plant, and equipment  | (10,618)        | (14,762)    | (79,238)                                 |
| Proceeds from sales of property, plant, and equipment                                      | 430             | 1,326       | 3,208                                    |
| Purchase of investment securities  | (517)           | (43)        | (3,858)                                  |
| Proceeds from sales of investment securities   | 793             |             | 5,917                                    |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 16) | (1,068)         |             | (7,970)                                  |
| Subsidies received   | 32              | 3,960       | 238                                      |
| Other, net   | (367)           | (125)       | (2,738)                                  |
| Net cash used in investing activities  | ¥(10,474)       | ¥(10,399)   | \$ (78,164)                              |

(Continued)

## Takara Holdings Inc. and Consolidated Subsidiaries

### Consolidated Statement of Cash Flows Year Ended March 31, 2023

|   | Millions of Yen |                 | Thousands of<br>U.S. Dollars<br>(Note 1) |
|---|-----------------|-----------------|--|
|   | <u>2023</u>     | <u>2022</u>     | <u>2023</u>                              |
| <b>FINANCING ACTIVITIES:</b>  |                 |                 |  |
| Net (decrease) increase in short-term loans payable                                     | ¥ (435)         | ¥ 66            | \$ (3,246)                               |
| Repayment of long-term loans payable  | (363)           | (55)            | (2,708)                                  |
| Proceeds from issuance of bonds   |                 | 9,927           |  |
| Redemption of bonds   | (10,000)        |                 | (74,626)                                 |
| Cash dividends paid   | (7,305)         | (4,147)         | (54,514)                                 |
| Cash dividends paid to noncontrolling interests   | (1,579)         | (763)           | (11,783)                                 |
| Repayments of lease obligations   | (919)           | (710)           | (6,858)                                  |
| Purchase of shares of subsidiaries not resulting in<br>change in scope of consolidation | (1,551)         | (175)           | (11,574)                                 |
| Other, net  | (61)            | (8)             | (455)                                    |
| Net cash (used in) provided by financing<br>activities                                  | <u>(22,215)</u> | <u>4,133</u>    | <u>(165,783)</u>                         |
| <b>FOREIGN CURRENCY TRANSLATION ADJUSTMENTS<br/>ON CASH AND CASH EQUIVALENTS</b>        | 3,267           | 2,758           | 24,380                                   |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>  | 16,056          | 12,869          | 119,820                                  |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF<br/>YEAR</b>                                 | <u>75,729</u>   | <u>62,860</u>   | <u>565,141</u>                           |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>   | <u>¥ 91,785</u> | <u>¥ 75,729</u> | <u>\$ 684,962</u>                        |

See notes to consolidated financial statements.

(Concluded)

# Takara Holdings Inc. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements Year Ended March 31, 2023

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### 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 2022 consolidated financial statements to conform to the classifications used in the 2023 consolidated financial statements.

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 Note 21. 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 ¥134 to \$1, the approximate rate of exchange at March 31, 2023. 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 Note 21. 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, 2023 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 the remaining subsidiaries would not have a material effect on the accompanying consolidated financial statements.

An investment in an associated company in 2023 is accounted for by the equity method.

Investments in the unconsolidated subsidiaries 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 IFRS or generally accepted accounting principles in the United States of America ("U.S. GAAP") (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) recording 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. 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.
- d. 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 a 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.
- e. Inventories** – Inventories are mainly stated at the lower of cost, determined by the average method, or net selling value.
- f. 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 8 to 50 years for buildings and structures and from 4 to 15 years for machinery, equipment, and vehicles.
- g. 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 or asset group exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or asset group, or the net selling price at disposition.
- h. Goodwill** – The Group amortizes goodwill on a straight-line basis over a certain period not exceeding 20 years. Accounting for impairment of long-lived assets also applies to goodwill.

- i. 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 8.

The Group 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 amortized in profit or loss over 10 years, no longer than the expected average remaining service period of the employees.

- j. 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.

- k. 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, 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 on a straight-line basis.

*l. Recognition of Revenues and Expenses*

- (1) Takara Shuzo Co., Ltd. ("Takara Shuzo") and Takara Shuzo International Group

Takara Shuzo and Takara Shuzo International Group manufacture and sell alcohol beverages and seasonings and sell Japanese food ingredients to overseas Japanese restaurant etc. They recognize revenue based on the distribution of a promised good to a customer, which is when the customer obtains control of that good and the performance obligation is satisfied. In contrast, they recognize revenue based on the shipment of a promised good to a customer when it is a domestic transaction whose period from a shipment to a transfer of control of the good is a normal span.

In addition, an amount of revenue deducts consumption tax collected for a third party, rebate and sales promotion expenses from a consideration which is promised with a customer on a contract.

To estimate sales promotion expenses for retailers' purchase via wholesalers, the estimated quantity of the retailers' purchase is multiplied by the estimated unit prices that reflect historical actual unit prices.

- (2) Takara Bio Group

Contents of performance obligations and normal point in time of satisfaction of performance obligation, or that of recognition of revenue, relating to revenue from contracts with customers in main businesses of Takara Bio Group are described as below.

It manufactures and sells reagents and sells instruments. For sale of a good or a product to a domestic customer, it recognizes revenue mainly upon shipment of a promised good or product to a customer because it is a domestic transaction whose period from a shipment to a transfer of control of the good or the product is a normal span. For sale of a good or a product to an overseas customer, it recognizes revenue when the customer obtains control of the good or the product such as the time when a carrier received the good or the product, depending on trade conditions set mainly by Incoterms.

It operates short-term services mainly related to regenerative medicine products, genetic analysis and testing, and so on. It recognizes revenue of those transactions when the customer obtains control of the good or the product, such as the time of acceptance inspection, receipt or shipment, depending on contracts.

(3) Other segment

Domestic subsidiaries operate sales for imported wine and distribution business and so on. For sale of imported wine, they recognize revenue upon shipment of a promised good to a customer because it is a domestic transaction whose period from a shipment to a transfer of control of the good is a normal span.

On distribution business, they recognize revenue of freight distribution service based on the collection of goods because most of their services complete the distribution services within one day.

In addition, an amount of revenue deducts consumption tax collected for a third party from a consideration which is promised with a customer on a contract.

Because they receive the consideration within one year after a satisfaction of performance obligations, they do not recognize an adjustment of significant financing components.

**m. 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 group tax sharing system since the beginning of the fiscal year ended March 31, 2023, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

**n. 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.

**o. 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.

**p. 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.

- q. *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.

**r. *Changes in Accounting Policies***

Foreign consolidated subsidiaries that are under U.S. GAAP adopt ASC 842 (lease) from the beginning of the fiscal year ended March 31, 2023. Accordingly, a lessee is required to recognize assets and liabilities for all of lease transactions in principle.

In applying the accounting standard, the Group adopted an accepted transitional measure to recognize on the effective date the retrospective cumulative effect of the adoption up to the effective date of the accounting standard.

As a result, other assets in investment and other assets increased ¥16,531 million (\$123,365 thousand), other current liabilities in current liabilities increased ¥1,350 million (\$10,074 thousand) and other long-term liabilities in long-term liabilities increased ¥15,234 million (\$113,686 thousand) in the consolidated balance sheet at the end of the fiscal year ended March 31, 2023.

The effects on net income and per share information for the year ended March 31, 2023 were less significant.

**s. *New Accounting Pronouncements***

The Company and its domestic consolidated subsidiaries

The ASBJ issued ASBJ Statement No. 27 (revised 2022), "Accounting Standard for Current Income Taxes," ASBJ Statement No. 25 (revised 2022), "Accounting Standard for Presentation of Comprehensive Income" and ASBJ Guidance No. 28 (revised 2022), "Guidance on Accounting Standard for Tax Effect Accounting" on October 28, 2022.

In February 2018, the ASBJ released ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc. and completed the transfer of the practical guideline on tax effect accounting of Japanese Institute of Certified Public Accountants to the ASBJ. In the process of the deliberation, following issues remained to be reviewed after the release of the ASBJ Statement No. 28, etc., then reviewed and released;

- Classification of tax expenses (taxation on other comprehensive income)
- Tax effects on the sales of investments in subsidiaries or affiliated companies in accordance with the group tax sharing system.

The Company and its domestic consolidated subsidiaries will adopt ASBJ Statement No. 27 (revised 2022), etc. from the fiscal year ending on March 31, 2025.

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



### 3. SIGNIFICANT ACCOUNTING ESTIMATES

#### (1) Goodwill

In the years ended March 31, 2023 and 2022, the book value of goodwill was ¥10,668 million (\$79,611 thousand) and ¥10,070 million, respectively, and detailed information by business segment was as follows.

##### a. Takara Shuzo International Group

In the year ended March 31, 2023, the book value of goodwill was ¥3,993 million (\$29,798 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. 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 expects that significant impairment loss of goodwill is unlikely to be recognized unless the business climate from next fiscal year onward changes dramatically.

##### b. Takara Bio Group

In the year ended March 31, 2023, the book value of goodwill was ¥6,674 million (\$49,805 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 applied future growth rate fluctuates within a reasonable range.

#### (2) Refund Liability

In the years ended March 31, 2023 and 2022, the book value of refund liability was ¥5,728 million (\$42,746 thousand) and ¥6,328 million which was included in other current liabilities of current liabilities in the consolidated balance sheet, respectively.

The Group records as refund liability the expected amounts of rebate and sales promotion expenses to be paid after the end of the fiscal year. The amount of refund liability recorded by Takara Shuzo was ¥5,718 million (\$42,671 thousand), which included ¥4,163 million (\$31,067 thousand) of the estimated amounts of sales promotion expenses relating with retailers' purchases via wholesalers.

To estimate the amounts of sales promotion expenses related to retailers' purchases via wholesalers, the estimated unit price, taking into account past actual unit prices, etc. is multiplied by the estimated purchase quantity of retail stores, etc. Not all of the quantity the retailers purchased via wholesalers in the final month of a fiscal year can be obtained in the process of the settlement of accounts. Therefore, it is estimated by branch office or product category using purchase quantity data obtained in the process of the settlement of accounts. As a result, a discrepancy between the estimated amount and the actual charged amount for the quantity the retailers purchased via wholesalers in the final month of a fiscal year might affect gains or losses for the next fiscal year. The Group checks the amount of the discrepancies on a monthly basis and does not expect the discrepancies to be significant.

#### 4. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2023 and 2022, consist of the following:

|                              | Millions of Yen |                 | Thousands of<br>U.S. Dollars |
|------------------------------|-----------------|-----------------|------------------------------|
|                              | <u>2023</u>     | <u>2022</u>     | <u>2023</u>                  |
| Non-current:                 |                 |                 |                              |
| Investment equity securities | <u>¥ 28,833</u> | <u>¥ 27,432</u> | <u>\$ 215,171</u>            |
| Total                        | <u>¥ 28,833</u> | <u>¥ 27,432</u> | <u>\$ 215,171</u>            |

The costs and aggregate fair values of marketable and investment securities at March 31, 2023 and 2022, are as follows:

|                           | Millions of Yen |                             |                              | Fair Value |
|---------------------------|-----------------|-----------------------------|------------------------------|------------|
|                           | <u>Cost</u>     | <u>Unrealized<br/>Gains</u> | <u>Unrealized<br/>Losses</u> |            |
| <u>March 31, 2023</u>     |                 |                             |                              |            |
| Securities classified as: |                 |                             |                              |            |
| Available-for-sale:       |                 |                             |                              |            |
| Equity securities         | ¥8,057          | ¥18,709                     | ¥114                         | ¥26,653    |

|                           | Millions of Yen |                             |                              | Fair Value |
|---------------------------|-----------------|-----------------------------|------------------------------|------------|
|                           | <u>Cost</u>     | <u>Unrealized<br/>Gains</u> | <u>Unrealized<br/>Losses</u> |            |
| <u>March 31, 2022</u>     |                 |                             |                              |            |
| Securities classified as: |                 |                             |                              |            |
| Available-for-sale:       |                 |                             |                              |            |
| Equity securities         | ¥8,194          | ¥17,665                     | ¥100                         | ¥25,759    |

|                           | Thousands of U.S. Dollars |                             |                              | Fair Value |
|---------------------------|---------------------------|-----------------------------|------------------------------|------------|
|                           | <u>Cost</u>               | <u>Unrealized<br/>Gains</u> | <u>Unrealized<br/>Losses</u> |            |
| <u>March 31, 2023</u>     |                           |                             |                              |            |
| Securities classified as: |                           |                             |                              |            |
| Available-for-sale:       |                           |                             |                              |            |
| Equity securities         | \$60,126                  | \$139,619                   | \$850                        | \$198,902  |

The information for available-for-sale securities which were sold during the fiscal year ended March 31, 2023, is as follows:

|                       | Millions of Yen |                           |                            |
|-----------------------|-----------------|---------------------------|----------------------------|
|                       | <u>Proceeds</u> | <u>Realized<br/>Gains</u> | <u>Realized<br/>Losses</u> |
| <u>March 31, 2023</u> |                 |                           |                            |
| Available-for-sale:   |                 |                           |                            |
| Equity securities     | <u>¥ 795</u>    | <u>¥ 674</u>              | <u>¥</u>                   |
| Total                 | <u>¥ 795</u>    | <u>¥ 674</u>              | <u>¥</u>                   |

No available-for-sale securities were sold during the fiscal year ended March 31, 2022.

| <u>March 31, 2023</u> | <u>Thousands of U.S. Dollars</u> |                       |                        |
|-----------------------|----------------------------------|-----------------------|------------------------|
|                       | <u>Proceeds</u>                  | <u>Realized Gains</u> | <u>Realized Losses</u> |
| Available-for-sale:   |                                  |                       |                        |
| Equity securities     | <u>\$5,932</u>                   | <u>\$5,029</u>        | <u>\$</u>              |
| Total                 | <u>\$5,932</u>                   | <u>\$5,029</u>        | <u>\$</u>              |

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, 2023 and 2022, are ¥2,180 million (\$16,268 thousand) and ¥1,673 million, respectively) do not have fair value because their fair value cannot be reliably determined.

The impairment losses on marketable and investment securities recognized for the years ended March 31, 2023 and 2022, were as follows:

|                                  | <u>Millions of Yen</u> |             | <u>Thousands of U.S. Dollars</u> |
|----------------------------------|------------------------|-------------|----------------------------------|
|                                  | <u>2023</u>            | <u>2022</u> | <u>2023</u>                      |
| Marketable equity securities     | ¥28                    | ¥5          | \$208                            |
| Non-marketable equity securities | 1                      |             | 7                                |

## 5. INVENTORIES

Inventories at March 31, 2023 and 2022, are as follows:

|                                   | <u>Millions of Yen</u> |                | <u>Thousands of U.S. Dollars</u> |
|-----------------------------------|------------------------|----------------|----------------------------------|
|                                   | <u>2023</u>            | <u>2022</u>    | <u>2023</u>                      |
| Finished products and merchandise | ¥48,596                | ¥54,641        | \$362,656                        |
| Semifinished products             | 9,216                  | 8,531          | 68,776                           |
| Work in process                   | 1,718                  | 2,012          | 12,820                           |
| Raw materials and supplies        | <u>7,372</u>           | <u>7,458</u>   | <u>55,014</u>                    |
| Total                             | <u>¥66,904</u>         | <u>¥72,643</u> | <u>\$499,283</u>                 |

## 6. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans consisted principally of term loans with a weighted-average interest of 1.674% and 1.037% at March 31, 2023 and 2022, respectively.

The Company entered into the commitment line contract with a financial institution for flexibility of financing. The amounts of unused loan commitments were ¥10,000 million (\$74,626 thousand) and ¥10,000 million at March 31, 2023 and 2022, respectively.

Long-term debt at the beginning of the year at April 1, 2022 and the ending of the year at March 31, 2023 were as follows:

|   | <u>Millions of Yen</u> |                 | <u>Thousands of<br/>U.S. Dollars</u> |
|---|------------------------|-----------------|--------------------------------------|
|   | <u>2023</u>            | <u>2022</u>     | <u>2023</u>                          |
| Loan principally from banks, due within one year,<br>with a weighted-average interest rate 3.359%:                        |                        |                 |                                      |
| Collateralized  | ¥ 21                   | ¥ 18            | \$ 156                               |
| Unsecured   | 41                     | 241             | 305                                  |
| Loan principally from banks, due after one year and<br>serially to 2031, with a weighted-average<br>interest rate 0.354%: |                        |                 |                                      |
| Collateralized  | 54                     | 65              | 402                                  |
| Unsecured   | 15,132                 | 15,182          | 112,925                              |
| 1.162% unsecured bonds, due April 2022  |                        | 5,000           |                                      |
| 0.100% unsecured bonds, due April 2022  |                        | 5,000           |                                      |
| 0.220% unsecured bonds, due April 2024  | 5,000                  | 5,000           | 37,313                               |
| 0.100% unsecured bonds, due November 2026   | 5,000                  | 5,000           | 37,313                               |
| 0.315% unsecured bonds, due April 2027  | 5,000                  | 5,000           | 37,313                               |
| 0.270% unsecured bonds, due November 2031   | 5,000                  | 5,000           | 37,313                               |
| Lease obligations   | 5,379                  | 3,677           | 40,141                               |
| Total   | <u>40,629</u>          | <u>49,185</u>   | <u>303,201</u>                       |
| Less current portion  | <u>990</u>             | <u>10,931</u>   | <u>7,388</u>                         |
| Long-term debt, less current portion  | <u>¥ 39,639</u>        | <u>¥ 38,254</u> | <u>\$ 295,813</u>                    |

Annual maturities of long-term debt as of March 31, 2023, for the next five years and thereafter are as follows:

| <u>Year Ending March 31</u> | <u>Millions of<br/>Yen</u> | <u>Thousands of<br/>U.S. Dollars</u> |
|-----------------------------|----------------------------|--------------------------------------|
| 2024                        | ¥ 990                      | \$ 7,388                             |
| 2025                        | 10,940                     | 81,641                               |
| 2026                        | 5,679                      | 42,380                               |
| 2027                        | 5,588                      | 41,701                               |
| 2028                        | 5,506                      | 41,089                               |
| 2029 and thereafter         | <u>11,924</u>              | <u>88,985</u>                        |
| Total                       | <u>¥ 40,629</u>            | <u>\$ 303,201</u>                    |

At March 31, 2023, notes and accounts receivable of ¥387 million (\$2,888 thousand) and inventories of ¥844 million (\$6,298 thousand) were pledged as collateral for long-term debt (including current portion of long-term debt) of ¥75 million (\$559 thousand). In addition, loans from banks due within one year include interest-free loans of ¥6 million (\$44 thousand).

## 7. 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 distribution or after being taken outside the bonded area.



## 8. 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, 2023 and 2022, are as follows:

|                              | Millions of Yen |                 | Thousands of        |
|------------------------------|-----------------|-----------------|---------------------|
|                              | <u>2023</u>     | <u>2022</u>     | <u>U.S. Dollars</u> |
|                              |                 |                 | <u>2023</u>         |
| Balance at beginning of year | ¥ 15,320        | ¥ 15,617        | \$ 114,328          |
| Current service cost         | 897             | 930             | 6,694               |
| Interest cost                | 113             | 107             | 843                 |
| Actuarial gain               | (236)           | (177)           | (1,761)             |
| Benefit paid                 | (1,271)         | (1,299)         | (9,485)             |
| Others                       | <u>59</u>       | <u>142</u>      | <u>440</u>          |
| Balance at end of year       | <u>¥ 14,882</u> | <u>¥ 15,320</u> | <u>\$ 111,059</u>   |

- (2) The changes in plan assets for the years ended March 31, 2023 and 2022, are as follows:

|                                | Millions of Yen |                | Thousands of        |
|--------------------------------|-----------------|----------------|---------------------|
|                                | <u>2023</u>     | <u>2022</u>    | <u>U.S. Dollars</u> |
|                                |                 |                | <u>2023</u>         |
| Balance at beginning of year   | ¥ 7,282         | ¥ 7,237        | \$ 54,343           |
| Expected return on plan assets | 129             | 124            | 962                 |
| Actuarial (loss) gain          | (340)           | 42             | (2,537)             |
| Contribution from the employer | 356             | 314            | 2,656               |
| Benefits paid                  | (467)           | (554)          | (3,485)             |
| Others                         | <u>49</u>       | <u>118</u>     | <u>365</u>          |
| Balance at end of year         | <u>¥ 7,011</u>  | <u>¥ 7,282</u> | <u>\$ 52,320</u>    |

- (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, 2023 and 2022, are as follows:

|   | Millions of Yen |                | Thousands of        |
|---|-----------------|----------------|---------------------|
|   | <u>2023</u>     | <u>2022</u>    | <u>U.S. Dollars</u> |
|   |                 |                | <u>2023</u>         |
| Funded defined benefit obligation                     | ¥ 5,976         | ¥ 6,396        | \$ 44,597           |
| Plan assets   | <u>(7,011)</u>  | <u>(7,282)</u> | <u>(52,320)</u>     |
| Total   | (1,034)         | (886)          | (7,716)             |
| Unfunded defined benefit obligation                   | <u>8,905</u>    | <u>8,924</u>   | <u>66,455</u>       |
| Net liability arising from defined benefit obligation | <u>¥ 7,871</u>  | <u>¥ 8,037</u> | <u>\$ 58,738</u>    |

|   | Millions of Yen |         | Thousands of<br>U.S. Dollars |
|---|-----------------|---------|------------------------------|
|   | 2023            | 2022    | 2023                         |
| Liability for retirement benefits                     | ¥ 8,925         | ¥ 8,944 | \$ 66,604                    |
| Prepaid benefit cost                                  | (1,054)         | (907)   | (7,865)                      |
| Net liability arising from defined benefit obligation | ¥ 7,871         | ¥ 8,037 | \$ 58,738                    |

Prepaid benefit cost is included in other assets.

- (4) The components of net periodic benefit costs for the years ended March 31, 2023 and 2022, are as follows:

|                                    | Millions of Yen |         | Thousands of<br>U.S. Dollars |
|------------------------------------|-----------------|---------|------------------------------|
|                                    | 2023            | 2022    | 2023                         |
| Service cost                       | ¥ 897           | ¥ 930   | \$ 6,694                     |
| Interest cost                      | 113             | 107     | 843                          |
| Expected return on plan assets     | (129)           | (124)   | (962)                        |
| Recognized actuarial loss          | 235             | 285     | 1,753                        |
| Amortization of prior service cost | 2               | 2       | 14                           |
| Net periodic benefit costs         | ¥ 1,120         | ¥ 1,202 | \$ 8,358                     |

- (5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2023 and 2022, are as follows:

|                    | Millions of Yen |       | Thousands of<br>U.S. Dollars |
|--------------------|-----------------|-------|------------------------------|
|                    | 2023            | 2022  | 2023                         |
| Prior service cost | ¥ 2             | ¥ 0   | \$ 14                        |
| Actuarial gain     | 130             | 486   | 970                          |
| Total              | ¥ 132           | ¥ 487 | \$ 985                       |

- (6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2023 and 2022, are as follows:

|                                 | Millions of Yen |         | Thousands of<br>U.S. Dollars |
|---------------------------------|-----------------|---------|------------------------------|
|                                 | 2023            | 2022    | 2023                         |
| Unrecognized prior service cost | ¥ (14)          | ¥ (17)  | \$ (104)                     |
| Unrecognized actuarial loss     | (752)           | (882)   | (5,611)                      |
| Total                           | ¥ (767)         | ¥ (900) | \$ (5,723)                   |

(7) Plan assets as of March 31, 2023 and 2022

a. *Components of plan assets*

Plan assets as of March 31, 2023 and 2022, consisted of the following:

|                                      | <u>2023</u> | <u>2022</u> |
|--------------------------------------|-------------|-------------|
| Debt investments                     | 53%         | 49%         |
| General account of insurance company | 24          | 24          |
| Equity investments                   | 13          | 16          |
| Cash and cash in bank                | 1           | 3           |
| Others                               | <u>9</u>    | <u>8</u>    |
| Total                                | <u>100%</u> | <u>100%</u> |

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, 2023 and 2022, are set forth as follows:

|   | <u>2023</u> | <u>2022</u> |
|---|-------------|-------------|
| 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 2.6% | mainly 2.9% |

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 ¥544 million (\$4,059 thousand) and ¥308 million for the years ended March 31, 2023 and 2022, respectively.

## 9. 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.

## 10. REVENUE RECOGNITION

### (1) Disaggregation of Revenue

Revenues from contracts with customers on a disaggregated basis for the years ended March 31, 2023 and 2022, were as follows:

|  | Millions of Yen    |                                  |                  |                  |                 |                  |
|--|--------------------|----------------------------------|------------------|------------------|-----------------|------------------|
|  | 2023               |                                  |                  |                  |                 |                  |
|  | Reportable Segment |                                  |                  |                  |                 |                  |
|  | Takara Shuzo       | Takara Shuzo International Group | Takara Bio Group | Total            | Other           | Total            |
| Products and services:                 |                    |                                  |                  |                  |                 |                  |
| Alcohol Overseas                       | ¥ 122,116          | ¥ 15,905                         |                  | ¥ 138,021        | ¥ 5,298         | ¥ 143,320        |
| Japanese food wholesales               |                    | 121,351                          |                  | 121,351          |                 | 121,351          |
| Bio                                    |                    |                                  | ¥ 78,139         | 78,139           |                 | 78,139           |
| Other                                  |                    |                                  |                  |                  | 7,245           | 7,245            |
| Revenues from contracts with customers | 122,116            | 137,256                          | 78,139           | 337,512          | 12,543          | 350,056          |
| Other revenue                          |                    |                                  |                  |                  | 609             | 609              |
| <b>Total</b>                           | <b>¥ 122,116</b>   | <b>¥ 137,256</b>                 | <b>¥ 78,139</b>  | <b>¥ 337,512</b> | <b>¥ 13,152</b> | <b>¥ 350,665</b> |
|  |                    |                                  |                  |                  |                 |                  |
|  | Millions of Yen    |                                  |                  |                  |                 |                  |
|  | 2022               |                                  |                  |                  |                 |                  |
|  | Reportable Segment |                                  |                  |                  |                 |                  |
|  | Takara Shuzo       | Takara Shuzo International Group | Takara Bio Group | Total            | Other           | Total            |
| Products and services:                 |                    |                                  |                  |                  |                 |                  |
| Alcohol Overseas                       | ¥ 118,889          | ¥ 12,194                         |                  | ¥ 131,084        | ¥ 4,542         | ¥ 135,626        |
| Japanese food wholesales               |                    | 89,725                           |                  | 89,725           |                 | 89,725           |
| Bio                                    |                    |                                  | ¥ 67,699         | 67,699           |                 | 67,699           |
| Other                                  |                    |                                  |                  |                  | 7,261           | 7,261            |
| Revenues from contracts with customers | 118,889            | 101,920                          | 67,699           | 288,510          | 11,803          | 300,313          |
| Other revenue                          |                    |                                  |                  |                  | 605             | 605              |
| <b>Total</b>                           | <b>¥ 118,889</b>   | <b>¥ 101,920</b>                 | <b>¥ 67,699</b>  | <b>¥ 288,510</b> | <b>¥ 12,408</b> | <b>¥ 300,918</b> |

| Thousands of U.S. Dollars              |                   |   |                        |                     |                  |                     |
|--|-------------------|---|------------------------|---------------------|------------------|---------------------|
| 2023                                   |                   |   |                        |                     |                  |                     |
| Reportable Segment                     |                   |   |                        |                     |                  |                     |
|  | Takara<br>Shuzo   | Takara<br>Shuzo<br>International<br>Group | Takara<br>Bio<br>Group | Total               | Other            | Total               |
| Products and services:                 |                   |   |                        |                     |                  |                     |
| Alcohol                                | \$ 911,313        | \$ 118,694                                |                        | \$ 1,030,007        | \$ 39,537        | \$ 1,069,552        |
| Overseas                               |                   |   |                        |                     |                  |                     |
| Japanese food wholesales               |                   | 905,604                                   |                        | 905,604             |                  | 905,604             |
| Bio                                    |                   |   | \$ 583,126             | 583,126             |                  | 583,126             |
| Other                                  |                   |   |                        |                     | 54,067           | 54,067              |
| Revenues from contracts with customers | 911,313           | 1,024,298                                 | 583,126                | 2,518,746           | 93,604           | 2,612,358           |
| Other revenue                          |                   |   |                        |                     | 4,544            | 4,544               |
| Total                                  | <u>\$ 911,313</u> | <u>\$ 1,024,298</u>                       | <u>\$ 583,126</u>      | <u>\$ 2,518,746</u> | <u>\$ 98,149</u> | <u>\$ 2,616,902</u> |

"Other" represents operating segments that are not included in the reportable segments. Its "Revenues from contracts with customers" represent sales for imported wine and revenue of freight distribution services. "Other revenue" represents revenue of real-estate rental according to ASBJ Statement No. 13, "Accounting Standard for Lease Transactions."

**(2) Basic Information to Understand Revenues from Contracts with Customers**

See Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, I. Recognition of Revenues and Expenses.

**(3) Relationship between a satisfaction of performance obligations under a contract with a customer and cash flows arising from the contract, and expected revenue to be recognized in the next fiscal year according to remaining contracts with customers at the end of this fiscal year**

a. Contract balances

The Company and its subsidiaries do not have significant contract assets and contract liabilities, and do not recognize significant changes. In the current fiscal year, there were no significant revenue recognized from performance obligation satisfied, or partly satisfied from past fiscal periods.

In the consolidated balance sheet, contract assets and contract liabilities are included in notes and accounts receivable and other current liabilities, respectively, because they are not material.

b. Transaction prices allocated to residual performance obligation

The Company and its subsidiaries adopt a practical disclosing method of a note of transaction prices allocated to residual performance obligation, which permits the omission of the contract amount whose initially anticipated contract term is less than one year.

As of March 31, 2023, the amount of unsatisfied, or partially unsatisfied performance obligations was ¥770 million (\$5,746 thousand). The performance obligations were based on contract services and approximately 70% of them were due to be recognized as revenue within one year since March 31, 2023, while the remaining approximately 30% were at a later period.

As of March 31, 2022, the amount of unsatisfied, or partially unsatisfied performance obligations was ¥1,926 million. The performance obligations were based on contract services and approximately 80% of them were due to be recognized as revenue within one year since March 31, 2022, while the remaining approximately 20% were at a later period.

#### 11. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses charged to income were ¥8,949 million (\$66,783 thousand) and ¥6,484 million for the years ended March 31, 2023 and 2022, respectively.

#### 12. INSURANCE CLAIM INCOME

Takara Bio Group, one of the Group's three reporting segments, recorded the loss of quality degradation of its merchandise due to bad weather during transportation from overseas during the fiscal year ended March 31, 2022. Therefore, Takara Bio Group received the corresponding insurance claim income and recorded it in other income during the fiscal year ended March 31, 2023.

#### 13. 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."

The amounts of tax purpose reduction entry related to national subsidies deducting from acquisition prices of non-current assets as of March 31, 2023 and 2022, are as follows:

|                                    | Millions of Yen |         | Thousands of<br>U.S. Dollars |
|------------------------------------|-----------------|---------|------------------------------|
|                                    | 2023            | 2022    | 2023                         |
| Property, plant, and equipment:    |                 |         |                              |
| Buildings and structures           | ¥ 1,337         | ¥ 1,337 | \$ 9,977                     |
| Machinery, equipment, and vehicles | 3,305           | 3,242   | 24,664                       |
| Tools, furniture and fixtures      | 524             | 524     | 3,910                        |
| Investments and other assets:      |                 |         |                              |
| Other assets                       | 1               | 1       | 7                            |
| Total                              | ¥5,168          | ¥5,105  | \$ 38,567                    |

#### 14. LOSS ON VOLUNTARY RECALL OF PRODUCTS

Takara Shuzo, one of the Group's three reporting segments, voluntarily recalled its product during the fiscal year ended March 31, 2022. Accordingly, the product disposal cost and other expenses to recall the products were recorded in other expenses.

#### 15. 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, 2023 and 2022. 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, 2023 and 2022, are as follows:

|  | Millions of Yen  |                  | Thousands of<br>U.S. Dollars |
|--|------------------|------------------|------------------------------|
|  | <u>2023</u>      | <u>2022</u>      | <u>2023</u>                  |
| Deferred tax assets:   |                  |                  |                              |
| Inventories  | ¥ 700            | ¥ 769            | \$ 5,223                     |
| Accrued bonuses  | 778              | 740              | 5,805                        |
| Estimated refund liability   | 1,290            | 1,494            | 9,626                        |
| Enterprise tax payable   | 206              | 397              | 1,537                        |
| Tax loss carryforwards   | 1,220            | 1,211            | 9,104                        |
| Unrealized profit on sale of inventories                           | 899              | 698              | 6,708                        |
| Retirement benefits  | 2,293            | 2,285            | 17,111                       |
| Marketable and investment securities                               | 398              | 399              | 2,970                        |
| Depreciation   | 427              | 465              | 3,186                        |
| Impairment losses  | 102              | 305              | 761                          |
| Defined retirement benefit plans                                   | 243              | 187              | 1,813                        |
| R&D expenses   | 565              | 100              | 4,216                        |
| Other  | 1,875            | 1,832            | 13,992                       |
| Subtotal   | <u>11,001</u>    | <u>10,888</u>    | <u>82,097</u>                |
| Less valuation allowance for tax loss<br>carryforwards             | (963)            | (792)            | (7,186)                      |
| Less valuation allowance for temporary<br>differences              | (941)            | (949)            | (7,022)                      |
| Total valuation allowance  | <u>(1,904)</u>   | <u>(1,741)</u>   | <u>(14,208)</u>              |
| Total  | <u>¥ 9,096</u>   | <u>¥ 9,146</u>   | <u>\$ 67,880</u>             |
| Deferred tax liabilities:  |                  |                  |                              |
| Unrealized gain on available-for-sale securities                   | ¥ (5,620)        | ¥ (5,346)        | \$ (41,940)                  |
| Deferred gain on fixed assets                                      | (489)            | (503)            | (3,649)                      |
| Deferred gain on fixed assets inherited by a<br>corporate division | (169)            | (177)            | (1,261)                      |
| Basis difference of acquired intangible assets                     | (841)            | (738)            | (6,276)                      |
| Basis difference of acquired land                                  | (163)            | (142)            | (1,216)                      |
| Retained earnings of subsidiaries                                  | (1,376)          | (1,199)          | (10,268)                     |
| Depreciation of foreign subsidiaries                               | (2,734)          | (1,920)          | (20,402)                     |
| Other  | (386)            | (406)            | (2,880)                      |
| Total  | <u>¥(11,782)</u> | <u>¥(10,433)</u> | <u>\$ (87,925)</u>           |
| Net deferred tax liabilities                                       | <u>¥ (2,685)</u> | <u>¥ (1,287)</u> | <u>\$ (20,037)</u>           |

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, 2023 and 2022, is as follows:

|   | <u>2023</u>  | <u>2022</u>  |
|---|--------------|--------------|
| Normal effective statutory tax rate in Japan                                      | 31.0%        | 31.0%        |
| Expenses not deductible for income tax purposes                                   | 0.5          | 0.3          |
| Change in valuation allowance   | 0.3          | (0.2)        |
| Withholding taxes in foreign countries  | 0.8          | 0.9          |
| Amortization of goodwill  | 0.7          | 0.6          |
| Adjustment of book value of shares in affiliates resulting from dividends-in-kind |              | (0.6)        |
| Undistributed earnings of foreign consolidated subsidiaries                       | 0.4          | 0.4          |
| Effect of tax rate difference of consolidated subsidiaries                        | (2.9)        | (2.6)        |
| Tax credit for R&D expenses   | (3.4)        | (1.9)        |
| Other, net  | <u>0.3</u>   | <u>0.4</u>   |
| Actual effective tax rate   | <u>27.7%</u> | <u>28.3%</u> |

The Company and some domestic consolidated subsidiaries file a tax return under the group tax sharing system since the beginning of the fiscal year ended March 31, 2023.

Also, accounting and disclosure of corporate tax and local corporate tax as well as relating tax effects are in accordance with "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (Act No. 42 of 2021).

The Group had tax loss carryforwards aggregating approximately ¥1,220 million (\$9,104 thousand) and ¥1,211 million as of March 31, 2023 and 2022, respectively, which are available to be offset against taxable income of such consolidated subsidiaries. These tax loss carryforwards will expire if not utilized as shown below:

|  | Millions of Yen   |                                       |  |  |  |                  |         |
|--|-------------------|---------------------------------------|--|--|--|------------------|---------|
|  | 1 Year or<br>Less | After<br>1 Year<br>through<br>2 Years | After<br>2 Years<br>through<br>3 Years | After<br>3 Years<br>through<br>4 Years | After<br>4 Years<br>through<br>5 Years | After<br>5 Years |         |
| <u>March 31, 2023</u>                                      |                   |                                       |  |  |  |                  |         |
| Deferred tax assets relating to tax loss carryforwards     |                   |                                       |  | ¥ 227                                  | ¥ 8                                    | ¥ 984            | ¥ 1,220 |
| Less valuation allowances for tax loss carryforwards       |                   |                                       |  | (227)                                  | (8)                                    | (727)            | (963)   |
| Net deferred tax assets relating to tax loss carryforwards |                   |                                       |  |  |  | 256              | 256     |

|  |  | Millions of Yen            |                                       |  |  |  |                  |         |
|--|--|----------------------------|---------------------------------------|--|--|--|------------------|---------|
|  |  | After<br>1 Year or<br>Less | After<br>1 Year<br>through<br>2 Years | After<br>2 Years<br>through<br>3 Years | After<br>3 Years<br>through<br>4 Years | After<br>4 Years<br>through<br>5 Years | After<br>5 Years | Total   |
| <u>March 31, 2022</u>                                      |  |                            |                                       |  |  |  |                  |         |
| Deferred tax assets relating to tax loss carryforwards     |  |                            |                                       |  |  | ¥ 227                                  | ¥ 984            | ¥ 1,211 |
| Less valuation allowances for tax loss carryforwards       |  |                            |                                       |  |  | (227)                                  | (564)            | (792)   |
| Net deferred tax assets relating to tax loss carryforwards |  |                            |                                       |  |  |  | 419              | 419     |

|  |  | Thousands of U.S. Dollars  |                                       |  |  |  |                  |          |
|--|--|----------------------------|---------------------------------------|--|--|--|------------------|----------|
|  |  | After<br>1 Year or<br>Less | After<br>1 Year<br>through<br>2 Years | After<br>2 Years<br>through<br>3 Years | After<br>3 Years<br>through<br>4 Years | After<br>4 Years<br>through<br>5 Years | After<br>5 Years | Total    |
| <u>March 31, 2023</u>                                      |  |                            |                                       |  |  |  |                  |          |
| Deferred tax assets relating to tax loss carryforwards     |  |                            |                                       |  | \$ 1,694                               | \$ 59                                  | \$ 7,343         | \$ 9,104 |
| Less valuation allowances for tax loss carryforwards       |  |                            |                                       |  | (1,694)                                | (59)                                   | (5,425)          | (7,186)  |
| Net deferred tax assets relating to tax loss carryforwards |  |                            |                                       |  |  |  | 1,910            | 1,910    |

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.

## 16. SUPPLEMENTAL CASH FLOW INFORMATION

### ***The breakdown of assets and liabilities of newly consolidated subsidiaries as the result of the acquisitions of shares for the year ended March 31, 2023***

Cominport Distribución S.L., which is wholly owned subsidiary of the Company, acquired share of Amador y Aranda S.L. (Spain). Also, Mutual Trading Co., Inc., which is a subsidiary of the Company, acquired share of Karolina, Inc. (the United States). As the result, Amador y Aranda S.L. and Karolina, Inc. became consolidated subsidiaries during the year ended March 31, 2023.

The breakdown of assets and liabilities at the beginning of consolidation of Amador y Aranda S.L. and Karolina, Inc. as the result of the acquisitions of shares and reconciliation between cash paid for shares and purchases of shares of subsidiaries, net of cash and cash equivalents acquired, is as follows:

|  | Millions of<br>Yen | Thousands of<br>U.S. Dollars |
|--|--------------------|------------------------------|
|  | <u>2023</u>        | <u>2023</u>                  |
| Current assets   | ¥ 683              | \$ 5,097                     |
| Fixed assets   | 669                | 4,992                        |
| Goodwill   | 385                | 2,873                        |
| Current liabilities  | (320)              | (2,388)                      |
| Long-term liabilities  | (217)              | (1,619)                      |
| Cash paid for shares   | <u>1,201</u>       | <u>8,962</u>                 |
| Accounts payable to be paid for shares   | (7)                | (52)                         |
| Cash and cash equivalents  | <u>(125)</u>       | <u>(932)</u>                 |
| <br>   |                    |                              |
| Purchases of shares of subsidiaries resulting in change<br>in scope of consolidation | <u>¥1,068</u>      | <u>\$ 7,970</u>              |

## 17. OPERATING LEASES

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

Total rental expenses for the years ended March 31, 2023 and 2022, were ¥4,255 million (\$31,753 thousand) and ¥3,874 million, respectively.

Obligations under non-cancelable operating leases as of March 31, 2023 and 2022, were as follows:

|                     | Millions of Yen |                | Thousands of<br>U.S. Dollars |
|---------------------|-----------------|----------------|------------------------------|
|                     | <u>2023</u>     | <u>2022</u>    | <u>2023</u>                  |
| Due within one year | ¥ 394           | ¥ 1,480        | \$ 2,940                     |
| Due after one year  | <u>1,459</u>    | <u>18,314</u>  | <u>10,888</u>                |
| <br>                |                 |                |                              |
| Total               | <u>¥1,854</u>   | <u>¥19,794</u> | <u>\$ 13,835</u>             |

Foreign consolidated subsidiaries under U.S. GAAP adopt ASC 842 (lease) from the beginning of the fiscal year ended March 31, 2023. Accordingly, the amounts for the fiscal year ended March 31, 2023 do not include accrued lease payments related to the subsidiaries.

## 18. 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 are not ones that do not 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, bonds, and lease obligations are a maximum of seven, eight, and seventeen years after the balance sheet date, respectively.

Derivative transactions entered into by the Group have been made in accordance with the internal policies of the Finance Department, which regulates 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.p.

#### Liquidity risk management

The Company's Finance Department develops and updates a cash management plan for each department, and manages its liquidity risk by maintaining adequate volumes of liquid assets. In addition, its 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 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 19, the amounts do not reflect the market risks related to derivative transactions.

## Fair Value of Financial Instruments

|  | Millions of Yen           |                   |                      |
|--|---------------------------|-------------------|----------------------|
|  | Carrying Value            | Fair Value        | Unrealized Gain/Loss |
| <u>March 31, 2023</u>                      |                           |                   |                      |
| Investment securities                      | <u>¥ 26,653</u>           | <u>¥ 26,653</u>   | <u>¥</u>             |
| Total                                      | <u>¥ 26,653</u>           | <u>¥ 26,653</u>   | <u>¥</u>             |
| Long-term debt (including current portion) | ¥ 35,250                  | ¥ 35,023          | ¥ (226)              |
| Lease obligations (long-term liabilities)  | <u>4,452</u>              | <u>4,405</u>      | <u>(47)</u>          |
| Total                                      | <u>¥ 39,702</u>           | <u>¥ 39,429</u>   | <u>¥ (273)</u>       |
| Derivatives                                | <u>¥ 451</u>              | <u>¥ 451</u>      | <u>¥</u>             |
|  |                           |                   |                      |
|  | Millions of Yen           |                   |                      |
|  | Carrying Value            | Fair Value        | Unrealized Gain/Loss |
| <u>March 31, 2022</u>                      |                           |                   |                      |
| Investment securities                      | <u>¥ 25,759</u>           | <u>¥ 25,759</u>   | <u>¥</u>             |
| Total                                      | <u>¥ 25,759</u>           | <u>¥ 25,759</u>   | <u>¥</u>             |
| Long-term debt (including current portion) | ¥ 45,507                  | ¥ 45,389          | ¥ (117)              |
| Lease obligations (long-term liabilities)  | <u>3,005</u>              | <u>2,977</u>      | <u>(27)</u>          |
| Total                                      | <u>¥ 48,513</u>           | <u>¥ 48,367</u>   | <u>¥ (145)</u>       |
| Derivatives                                | <u>¥ 526</u>              | <u>¥ 526</u>      | <u>¥</u>             |
|  |                           |                   |                      |
|  | Thousands of U.S. Dollars |                   |                      |
|  | Carrying Value            | Fair Value        | Unrealized Gain/Loss |
| <u>March 31, 2023</u>                      |                           |                   |                      |
| Investment securities                      | <u>\$ 198,902</u>         | <u>\$ 198,902</u> | <u>\$</u>            |
| Total                                      | <u>\$ 198,902</u>         | <u>\$ 198,902</u> | <u>\$</u>            |
| Long-term debt (including current portion) | \$ 263,059                | \$ 261,365        | \$(1,686)            |
| Lease obligations (long-term liabilities)  | <u>33,223</u>             | <u>32,873</u>     | <u>(350)</u>         |
| Total                                      | <u>\$ 296,283</u>         | <u>\$ 294,246</u> | <u>\$(2,037)</u>     |
| Derivatives                                | <u>\$ 3,365</u>           | <u>\$ 3,365</u>   | <u>\$</u>            |

### Notes:

- The description of cash in hand is omitted. The description of cash in bank, notes and accounts receivable, marketable securities (only trust beneficiary rights and certificates of deposit), notes and accounts payable, short-term loans, liquor taxes payable, and income taxes payable are also omitted as their carrying values approximate fair value because of their short maturities.
- Investments in equity instruments that do not have a quoted market price in an active market (the totals included in the consolidated balance sheets at March 31, 2023 and 2022 are ¥3,920 million (\$29,253 thousand) and ¥3,468 million, respectively) are not included in investment securities.

## Maturity Analysis for Financial Assets and Securities with Contractual Maturities

|   | Millions of Yen         |                                       | Thousands of U.S. Dollars |                                       |
|---|-------------------------|---------------------------------------|---------------------------|---------------------------------------|
|   | 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 |
| <u>March 31, 2023</u>   |                         |                                       |                           |                                       |
| Cash and cash equivalents   | ¥ 91,785                | ¥                                     | \$ 684,962                | \$                                    |
| Time deposits   | 5,494                   |                                       | 41,000                    |                                       |
| Notes and accounts receivable<br>(Trade and associated companies) | <u>69,717</u>           | <u>          </u>                     | <u>520,276</u>            | <u>          </u>                     |
| Total   | <u>¥ 166,997</u>        | <u>¥</u>                              | <u>\$ 1,246,246</u>       | <u>\$</u>                             |

|   | Millions of Yen         |                                       |
|---|-------------------------|---------------------------------------|
|   | Due in One Year or Less | Due after One Year through Five Years |
| <u>March 31, 2022</u>   |                         |                                       |
| Cash and cash equivalents   | ¥ 75,729                | ¥                                     |
| Time deposits   | 5,894                   |                                       |
| Notes and accounts receivable<br>(Trade and associated companies) | <u>70,260</u>           | <u>          </u>                     |
| Total   | <u>¥ 151,885</u>        | <u>¥</u>                              |

## Financial Instruments Categorized by Fair Value Hierarchy

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used in making fair value measurements:

Level 1: Fair values measured by using quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Fair values measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly

Level 3: Fair values measured by using unobservable inputs for the assets or liabilities

If multiple inputs are used that have a significant impact on the measurement of fair value, fair value is categorized at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.



(1) The financial assets and liabilities measured at the fair values in the consolidated balance sheet

| <u>March 31, 2023</u>                 | Millions of Yen           |                 |                |                   |
|---------------------------------------|---------------------------|-----------------|----------------|-------------------|
|                                       | <u>Level 1</u>            | <u>Level 2</u>  | <u>Level 3</u> | <u>Total</u>      |
| Marketable and investment securities: |                           |                 |                |                   |
| Available-for-sale securities:        |                           |                 |                |                   |
| Equity securities                     | ¥ 26,653                  |                 | ¥              | ¥ 26,653          |
| Derivative transactions:              |                           |                 |                |                   |
| Foreign currency forward contracts    |                           | ¥ 467           |                | 467               |
| Total assets                          | <u>¥ 26,653</u>           | <u>¥ 467</u>    | <u>¥</u>       | <u>¥ 27,120</u>   |
| Derivative transactions:              |                           |                 |                |                   |
| Foreign currency forward contracts    | ¥                         | ¥ 16            | ¥              | ¥ 16              |
| Total liabilities                     | <u>¥</u>                  | <u>¥ 16</u>     | <u>¥</u>       | <u>¥ 16</u>       |
|                                       | Millions of Yen           |                 |                |                   |
| <u>March 31, 2022</u>                 | <u>Level 1</u>            | <u>Level 2</u>  | <u>Level 3</u> | <u>Total</u>      |
| Marketable and investment securities: |                           |                 |                |                   |
| Available-for-sale securities:        |                           |                 |                |                   |
| Equity securities                     | ¥ 25,759                  |                 | ¥              | ¥ 25,759          |
| Derivative transactions:              |                           |                 |                |                   |
| Foreign currency forward contracts    |                           | ¥ 650           |                | 650               |
| Total assets                          | <u>¥ 25,759</u>           | <u>¥ 650</u>    | <u>¥</u>       | <u>¥ 26,410</u>   |
| Derivative transactions:              |                           |                 |                |                   |
| Foreign currency forward contracts    | ¥                         | ¥ 124           | ¥              | ¥ 124             |
| Total liabilities                     | <u>¥</u>                  | <u>¥ 124</u>    | <u>¥</u>       | <u>¥ 124</u>      |
|                                       | Thousands of U.S. Dollars |                 |                |                   |
| <u>March 31, 2023</u>                 | <u>Level 1</u>            | <u>Level 2</u>  | <u>Level 3</u> | <u>Total</u>      |
| Marketable and investment securities: |                           |                 |                |                   |
| Available-for-sale securities:        |                           |                 |                |                   |
| Equity securities                     | \$ 198,902                |                 | \$             | \$ 198,902        |
| Derivative transactions:              |                           |                 |                |                   |
| Foreign currency forward contracts    |                           | \$ 3,485        |                | 3,485             |
| Total assets                          | <u>\$ 198,902</u>         | <u>\$ 3,485</u> | <u>\$</u>      | <u>\$ 202,388</u> |
| Derivative transactions:              |                           |                 |                |                   |
| Foreign currency forward contracts    | \$                        | \$ 119          | \$             | \$ 119            |
| Total liabilities                     | <u>\$</u>                 | <u>\$ 119</u>   | <u>\$</u>      | <u>\$ 119</u>     |

- (2) The financial assets and liabilities not measured at the fair values in the consolidated balance sheet

| <u>March 31, 2023</u>                         | Millions of Yen |                |                |              |
|---|-----------------|----------------|----------------|--------------|
|   | <u>Level 1</u>  | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Long-term debt<br>(including current portion) | ¥               | ¥ 35,023       | ¥              | ¥ 35,023     |
| Lease obligations                             |                 | 4,405          |                | 4,405        |
| Total liabilities                             | ¥               | ¥ 39,429       | ¥              | ¥ 39,429     |

| <u>March 31, 2022</u>                         | Millions of Yen |                |                |              |
|---|-----------------|----------------|----------------|--------------|
|   | <u>Level 1</u>  | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Long-term debt<br>(including current portion) | ¥               | ¥ 45,389       | ¥              | ¥ 45,389     |
| Lease obligations                             |                 | 2,977          |                | 2,977        |
| Total liabilities                             | ¥               | ¥ 48,367       | ¥              | ¥ 48,367     |

| <u>March 31, 2023</u>                         | Thousands of U.S. Dollars |                |                |              |
|---|---------------------------|----------------|----------------|--------------|
|   | <u>Level 1</u>            | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Long-term debt<br>(including current portion) | \$                        | \$ 261,365     | \$             | \$ 261,365   |
| Lease obligations                             |                           | 32,873         |                | 32,873       |
| Total liabilities                             | \$                        | \$ 294,246     | \$             | \$ 294,246   |

The following is a description of valuation methodologies and inputs used for measurement of the fair value of assets and liabilities:

#### Marketable and Investment Securities

The fair values of listed equity securities are measured at the quoted market prices. Since listed equity securities are traded in active markets, the fair values of listed equity securities are categorized as Level 1.

#### Derivatives

The fair values of foreign currency forward contracts are measured by using prices submitted by financial institutions and are categorized as Level 2.

#### Long-term debt (including current portion) and Lease obligations

The fair values of these liabilities are measured by using discounted present value techniques considering assumptions including expected future cash flows and discount rates taking into account maturity and credit risk and are categorized as Level 2.

## 19. 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.

As 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***

|                                     | Millions of Yen |                                    |             |                      |
|-------------------------------------|-----------------|------------------------------------|-------------|----------------------|
|                                     | Contract Amount | Contract Amount Due after One Year | Fair Value  | Unrealized Gain/Loss |
| <u>March 31, 2023</u>               |                 |                                    |             |                      |
| Foreign currency options:           |                 |                                    |             |                      |
| Buying call option U.S. dollar      | ¥ 145           | ¥                                  | ¥ 0         | ¥ 0                  |
| Selling put option U.S. dollar      | 145             |                                    | (0)         | (0)                  |
| Foreign currency forward contracts: |                 |                                    |             |                      |
| Buying U.S. dollar                  | ¥1,225          | ¥                                  | ¥(11)       | ¥(11)                |
| Buying Chinese yuan                 | 675             |                                    | (0)         | (0)                  |
| Buying Japanese yen                 | 862             |                                    | 55          | 55                   |
| Buying Euro                         | 120             |                                    | 1           | 1                    |
| Selling Chinese yuan                | 1,285           |                                    | (6)         | (6)                  |
| Selling Euro                        | 141             |                                    | (2)         | (2)                  |
|                                     | <u>¥4,601</u>   | <u>¥</u>                           | <u>¥ 35</u> | <u>¥ 35</u>          |

|                                     | Millions of Yen |                                    |              |                      |
|-------------------------------------|-----------------|------------------------------------|--------------|----------------------|
|                                     | Contract Amount | Contract Amount Due after One Year | Fair Value   | Unrealized Gain/Loss |
| <u>March 31, 2022</u>               |                 |                                    |              |                      |
| Foreign currency forward contracts: |                 |                                    |              |                      |
| Buying U.S. dollar                  | ¥ 590           | ¥                                  | ¥ 7          | ¥ 7                  |
| Buying Chinese yuan                 | 451             |                                    | 26           | 26                   |
| Buying Japanese yen                 | 1,458           |                                    | 10           | 10                   |
| Buying Euro                         | 80              |                                    | (0)          | (0)                  |
| Selling U.S. dollar                 | 664             |                                    | (61)         | (61)                 |
| Selling Chinese yuan                | 1,822           |                                    | (48)         | (48)                 |
| Selling Euro                        | 65              |                                    | (2)          | (2)                  |
| Non-deliverable forward contracts:  |                 |                                    |              |                      |
| Selling Korean won                  | 39              |                                    | (1)          | (1)                  |
|                                     | <u>¥5,174</u>   | <u>¥</u>                           | <u>¥(71)</u> | <u>¥(71)</u>         |

|                                     | Thousands of U.S. Dollars |   |               |                         |
|-------------------------------------|---------------------------|---|---------------|-------------------------|
|                                     | Contract<br>Amount        | Contract<br>Amount<br>Due after<br>One Year | Fair Value    | Unrealized<br>Gain/Loss |
| <u>March 31, 2023</u>               |                           |   |               |                         |
| Foreign currency options:           |                           |   |               |                         |
| Buying call option U.S. dollar      | \$ 1,082                  | \$  | \$ 0          | \$ 0                    |
| Selling put option U.S. dollar      | 1,082                     |   | (0)           | (0)                     |
| Foreign currency forward contracts: |                           |   |               |                         |
| Buying U.S. dollar                  | \$ 9,141                  | \$  | \$ (82)       | \$ (82)                 |
| Buying Chinese yuan                 | 5,037                     |   | (0)           | (0)                     |
| Buying Japanese yen                 | 6,432                     |   | 410           | 410                     |
| Buying Euro                         | 895                       |   | 7             | 7                       |
| Selling Chinese yuan                | 9,589                     |   | (44)          | (44)                    |
| Selling Euro                        | <u>1,052</u>              |   | <u>(14)</u>   | <u>(14)</u>             |
| Total                               | <u>\$ 34,335</u>          | <u>\$</u>                                   | <u>\$ 261</u> | <u>\$ 261</u>           |

***Derivative Transactions to Which Hedge Accounting Is Applied***

Foreign exchange derivatives

|                                     | Millions of Yen  |                    |   |               |
|-------------------------------------|------------------|--------------------|---|---------------|
|                                     | Hedged<br>Item   | Contract<br>Amount | Contract<br>Amount<br>Due after<br>One Year | Fair<br>Value |
| <u>March 31, 2023</u>               |                  |                    |   |               |
| Foreign currency options:           |                  |                    |   |               |
| Buying call option U.S. dollar      | Accounts payable | ¥2,389             | ¥199  | ¥327          |
| Selling put option U.S. dollar      | Accounts payable | 2,389              | 199   | 74            |
| Foreign currency forward contracts: |                  |                    |   |               |
| Buying U.S. dollar                  | Accounts payable | 1,608              |   | 85            |
| Buying Japanese yen                 | Accounts payable | 49                 |   | 1             |
| Buying Euro                         | Advance payment  | 191                |   | 4             |
| Total                               |                  | <u>¥6,628</u>      | <u>¥398</u>                                 | <u>¥493</u>   |

| Millions of Yen                     |                        |                            |   |                       |
|-------------------------------------|------------------------|----------------------------|---|-----------------------|
| <u>March 31, 2022</u>               | <u>Hedged<br/>Item</u> | <u>Contract<br/>Amount</u> | <u>Contract<br/>Amount<br/>Due after<br/>One Year</u> | <u>Fair<br/>Value</u> |
| Foreign currency options:           |                        |                            |   |                       |
| Buying call option U.S. dollar      | Accounts payable       | ¥ 5,425                    | ¥2,642  | ¥460                  |
| Selling put option U.S. dollar      | Accounts payable       | 5,425                      | 2,642   | 139                   |
| Foreign currency forward contracts: |                        |                            |   |                       |
| Buying U.S. dollar                  | Accounts payable       | 1,210                      |   | 60                    |
| Buying Japanese yen                 | Accounts payable       | 60                         |   | (0)                   |
| Buying Euro                         | Advance payment        | 367                        |   | 0                     |
| Total                               |                        | <u>¥ 12,489</u>            | <u>¥5,285</u>   | <u>¥ 659</u>          |

| Thousands of U.S. Dollars           |                        |                            |   |                       |
|-------------------------------------|------------------------|----------------------------|---|-----------------------|
| <u>March 31, 2023</u>               | <u>Hedged<br/>Item</u> | <u>Contract<br/>Amount</u> | <u>Contract<br/>Amount<br/>Due after<br/>One Year</u> | <u>Fair<br/>Value</u> |
| Foreign currency options:           |                        |                            |   |                       |
| Buying call option U.S. dollar      | Accounts payable       | \$ 17,828                  | \$ 1,485  | \$2,440               |
| Selling put option U.S. dollar      | Accounts payable       | 17,828                     | 1,485   | 552                   |
| Foreign currency forward contracts: |                        |                            |   |                       |
| Buying U.S. dollar                  | Accounts payable       | 12,000                     |   | 634                   |
| Buying Japanese yen                 | Accounts payable       | 365                        |   | 7                     |
| Buying Euro                         | Advance payment        | 1,425                      |   | 29                    |
| Total                               |                        | <u>\$ 49,462</u>           | <u>\$ 2,970</u>                                       | <u>\$ 3,679</u>       |

## 20. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income for the years ended March 31, 2023 and 2022, are as follows:

|  | Millions of Yen   |                 | Thousands of<br>U.S. Dollars |
|--|-------------------|-----------------|------------------------------|
|  | <u>2023</u>       | <u>2022</u>     | <u>2023</u>                  |
| Unrealized gain or loss on available-for-sale securities:    |                   |                 |                              |
| Gain (loss) arising during the year                          | ¥ 1,678           | ¥ 1,217         | \$ 12,522                    |
| Reclassification adjustments to profit or loss               | <u>(647)</u>      | <u>5</u>        | <u>(4,828)</u>               |
| Amount before income tax effect                              | 1,031             | 1,222           | 7,694                        |
| Income tax effect  | <u>(273)</u>      | <u>(376)</u>    | <u>(2,037)</u>               |
| Total  | <u>¥ 757</u>      | <u>¥ 845</u>    | <u>\$ 5,649</u>              |
| Deferred gain or loss on derivatives under hedge accounting: |                   |                 |                              |
| Gain (loss) arising during the year                          | ¥ (181)           | ¥ 317           | \$ (1,350)                   |
| Reclassification adjustments to profit or loss               | <u>(181)</u>      | <u>317</u>      | <u>(1,350)</u>               |
| Amount before income tax effect                              | 56                | (98)            | 417                          |
| Income tax effect  | <u>56</u>         | <u>(98)</u>     | <u>417</u>                   |
| Total  | <u>¥ (125)</u>    | <u>¥ 219</u>    | <u>\$ (932)</u>              |
| Foreign currency translation adjustments:                    |                   |                 |                              |
| Adjustments arising during the year                          | ¥ 11,855          | ¥ 9,169         | \$ 88,470                    |
| Reclassification adjustments to profit or loss               | <u>          </u> | <u>20</u>       | <u>          </u>            |
| Total  | <u>¥ 11,855</u>   | <u>¥ 9,189</u>  | <u>\$ 88,470</u>             |
| Defined retirement benefit plans:                            |                   |                 |                              |
| Adjustments arising during the year                          | ¥ (106)           | ¥ 198           | \$ (791)                     |
| Reclassification adjustments to profit or loss               | <u>238</u>        | <u>288</u>      | <u>1,776</u>                 |
| Amount before income tax effect                              | 132               | 487             | 985                          |
| Income tax effect  | <u>(32)</u>       | <u>(120)</u>    | <u>(238)</u>                 |
| Total  | <u>¥ 100</u>      | <u>¥ 367</u>    | <u>\$ 746</u>                |
| Total other comprehensive income (loss)                      | <u>¥ 12,588</u>   | <u>¥ 10,622</u> | <u>\$ 93,940</u>             |

## 21. NET INCOME PER SHARE

Basic net income per share ("EPS") for the years ended March 31, 2023 and 2022 is as follows:

|   | Millions of<br>Yen    | Thousands<br>of Shares                  | Yen             | Dollars        |
|---|-----------------------|---|-----------------|----------------|
|   | <u>Net<br/>Income</u> | <u>Weighted-<br/>Average<br/>Shares</u> | <u>EPS</u>      |                |
| <u>For the year ended March 31, 2023:</u>   |                       |   |                 |                |
| Basic EPS                                   |                       |   |                 |                |
| Net income available to common shareholders | <u>¥ 21,206</u>       | <u>197,704</u>                          | <u>¥ 107.26</u> | <u>\$ 0.80</u> |
| <u>For the year ended March 31, 2022:</u>   |                       |   |                 |                |
| Basic EPS                                   |                       |   |                 |                |
| Net income available to common shareholders | <u>¥ 20,769</u>       | <u>197,704</u>                          | <u>¥ 105.05</u> |                |

Diluted net income per share for both the years ended March 31, 2023 and 2022 is not disclosed because there were no dilutive shares during these two fiscal years.

## 22. SUBSEQUENT EVENTS

### *Appropriations of Retained Earnings*

The following appropriation of retained earnings at March 31, 2023 was approved at the Company's shareholders' meeting held on June 29, 2023.

|   | Millions of<br>Yen | Thousands of<br>U.S. Dollars |
|---|--------------------|------------------------------|
|   | <u>2023</u>        | <u>2023</u>                  |
| Year-end cash dividends, ¥38 (\$0.28) per share | ¥7,512             | \$56,059                     |

## 23. 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           |                                  |                  |              |           |                |              |
|--|--|---------------------------|----------------------------------|------------------|--------------|-----------|----------------|--------------|
|  |  | 2023                      |                                  |                  |              |           |                |              |
|  |  | Reportable Segment        |                                  |                  |              |           |                |              |
|  |  | Takara Shuzo              | Takara Shuzo International Group | Takara Bio Group | Total        | Other     | Reconciliation | Consolidated |
| Sales:   |  |                           |                                  |                  |              |           |                |              |
| Sales to external customers                                      |  | ¥ 122,116                 | ¥ 137,256                        | ¥ 78,139         | ¥ 337,512    | ¥ 13,152  |                | ¥ 350,665    |
| Intersegment sales or transfers                                  |  | 805                       | 226                              | 2                | 1,035        | 17,797    | ¥ (18,832)     |              |
| Total  |  | 122,921                   | 137,483                          | 78,142           | 338,547      | 30,950    | (18,832)       | 350,665      |
| Segment profit   |  | 4,890                     | 10,821                           | 20,541           | 36,252       | 2,293     | (601)          | 37,945       |
| Segment assets   |  | 89,979                    | 121,348                          | 129,202          | 340,530      | 18,849    | 39,794         | 399,174      |
| Other:   |  |                           |                                  |                  |              |           |                |              |
| Depreciation   |  | 2,467                     | 2,043                            | 4,050            | 8,561        | 230       | 326            | 9,118        |
| Amortization of goodwill   |  |                           | 399                              | 599              | 998          |           |                | 998          |
| Investment in equity method affiliate                            |  |                           |                                  |                  |              |           | 1,715          | 1,715        |
| Increase in property, plant, and equipment and intangible assets |  | 2,763                     | 4,704                            | 6,516            | 13,985       | 100       | 79             | 14,165       |
|  |  | Millions of Yen           |                                  |                  |              |           |                |              |
|  |  | 2022                      |                                  |                  |              |           |                |              |
|  |  | Reportable Segment        |                                  |                  |              |           |                |              |
|  |  | Takara Shuzo              | Takara Shuzo International Group | Takara Bio Group | Total        | Other     | Reconciliation | Consolidated |
| Sales:   |  |                           |                                  |                  |              |           |                |              |
| Sales to external customers                                      |  | ¥ 118,889                 | ¥ 101,920                        | ¥ 67,699         | ¥ 288,510    | ¥ 12,408  |                | ¥ 300,918    |
| Intersegment sales or transfers                                  |  | 820                       | 265                              | 0                | 1,086        | 18,310    | ¥ (19,396)     |              |
| Total  |  | 119,710                   | 102,186                          | 67,699           | 289,596      | 30,719    | (19,396)       | 300,918      |
| Segment profit   |  | 4,135                     | 8,472                            | 28,902           | 41,510       | 2,222     | (379)          | 43,354       |
| Segment assets   |  | 90,442                    | 89,836                           | 115,712          | 295,991      | 19,836    | 46,610         | 362,438      |
| Other:   |  |                           |                                  |                  |              |           |                |              |
| Depreciation   |  | 2,590                     | 1,675                            | 3,554            | 7,820        | 238       | 366            | 8,425        |
| Amortization of goodwill   |  |                           | 374                              | 500              | 875          |           |                | 875          |
| Investment in equity method affiliate                            |  |                           |                                  |                  |              |           | 1,769          | 1,769        |
| Increase in property, plant, and equipment and intangible assets |  | 1,785                     | 844                              | 13,180           | 15,810       | 208       | 194            | 16,213       |
|  |  | Thousands of U.S. Dollars |                                  |                  |              |           |                |              |
|  |  | 2023                      |                                  |                  |              |           |                |              |
|  |  | Reportable Segment        |                                  |                  |              |           |                |              |
|  |  | Takara Shuzo              | Takara Shuzo International Group | Takara Bio Group | Total        | Other     | Reconciliation | Consolidated |
| Sales:   |  |                           |                                  |                  |              |           |                |              |
| Sales to external customers                                      |  | \$ 911,313                | \$ 1,024,298                     | \$ 583,126       | \$ 2,518,746 | \$ 98,149 |                | \$ 2,616,902 |
| Intersegment sales or transfers                                  |  | 6,007                     | 1,686                            | 14               | 7,723        | 132,813   | \$ (140,537)   |              |
| Total  |  | 917,320                   | 1,025,992                        | 583,149          | 2,526,470    | 230,970   | (140,537)      | 2,616,902    |
| Segment profit   |  | 36,492                    | 80,753                           | 153,291          | 270,537      | 17,111    | (4,485)        | 283,171      |
| Segment assets   |  | 671,485                   | 905,582                          | 964,194          | 2,541,268    | 140,664   | 296,970        | 2,978,910    |
| Other:   |  |                           |                                  |                  |              |           |                |              |
| Depreciation   |  | 18,410                    | 15,246                           | 30,223           | 63,888       | 1,716     | 2,432          | 68,044       |
| Amortization of goodwill   |  |                           | 2,977                            | 4,470            | 7,447        |           |                | 7,447        |
| Investment in equity method affiliate                            |  |                           |                                  |                  |              |           | 12,798         | 12,798       |
| Increase in property, plant, and equipment and intangible assets |  | 20,619                    | 35,104                           | 48,626           | 104,365      | 746       | 589            | 105,708      |

Notes:

1. "Other" represents operating segments that are not included in the reportable segments, and mainly consists of real-estate lease, logistics businesses and sales for imported wine.
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 ¥57 million (\$425 thousand) and ¥34 million, and expenses of the Company not allocated to operating segments of ¥(658) million (\$4,910 thousand) and ¥(413) million as of March 31, 2023 and 2022, respectively.
  - (3) Segment assets include assets of the Company not allocated to operating segments of ¥64,793 million (\$483,529 thousand) and ¥75,059 million, and other adjustment (principally eliminations of intersegment transactions) of ¥(24,999) million (\$186,559 thousand) and ¥(28,449) million as of March 31, 2023 and 2022, respectively. Assets attributed to the Company include surplus funds and long-term investment assets.
  - (4) Depreciation is mainly 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) Increase in property, plant, and equipment and intangible assets comprises investments of the Company not allocated to business segments.
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                           |  |         |        |          |
|-----------------------------|---|--|---------|--------|----------|
|                             | 2023                                      |  |         |        |          |
|                             | Domestic and Overseas Alcoholic Beverages | Japanese Food Wholesale Business in Overseas Markets | Bio     | Other  | Total    |
| Sales to external customers | ¥143,320                                  | ¥121,351   | ¥78,139 | ¥7,854 | ¥350,665 |
|                             | Millions of Yen                           |  |         |        |          |
|                             | 2022                                      |  |         |        |          |
|                             | Domestic and Overseas Alcoholic Beverages | Japanese Food Wholesale Business in Overseas Markets | Bio     | Other  | Total    |
| Sales to external customers | ¥135,626                                  | ¥89,725  | ¥67,699 | ¥7,866 | ¥300,918 |

|                             | Thousands of U.S. Dollars                 |  |           |          |             |
|-----------------------------|---|--|-----------|----------|-------------|
|                             | 2023                                      |  |           |          |             |
|                             | Domestic and Overseas Alcoholic Beverages | Japanese Food Wholesale Business in Overseas Markets | Bio       | Other    | Total       |
| Sales to external customers | \$1,069,552                               | \$905,604  | \$583,126 | \$58,611 | \$2,616,902 |

(5) Information about geographical areas

(a) Sales

| Millions of Yen           |           |           |             |
|---------------------------|-----------|-----------|-------------|
| 2023                      |           |           |             |
| Japan                     | USA       | Other     | Total       |
| ¥181,289                  | ¥86,907   | ¥82,467   | ¥350,665    |
| Millions of Yen           |           |           |             |
| 2022                      |           |           |             |
| Japan                     | USA       | Other     | Total       |
| ¥165,528                  | ¥62,662   | ¥72,727   | ¥300,918    |
| Thousands of U.S. Dollars |           |           |             |
| 2023                      |           |           |             |
| Japan                     | USA       | Other     | Total       |
| \$1,352,902               | \$648,559 | \$615,425 | \$2,616,902 |

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

(b) Property, plant, and equipment

| Millions of Yen           |           |          |           |
|---------------------------|-----------|----------|-----------|
| 2023                      |           |          |           |
| Japan                     | USA       | Other    | Total     |
| ¥56,079                   | ¥22,843   | ¥9,967   | ¥88,890   |
| Millions of Yen           |           |          |           |
| 2022                      |           |          |           |
| Japan                     | USA       | Other    | Total     |
| ¥53,213                   | ¥19,117   | ¥7,416   | ¥79,747   |
| Thousands of U.S. Dollars |           |          |           |
| 2023                      |           |          |           |
| Japan                     | USA       | Other    | Total     |
| \$418,500                 | \$170,470 | \$74,380 | \$663,358 |

(6) Information about major customers

No external customers for whom the Group's sales amount to more than 10% of net sales of the consolidated statement of income for the fiscal years ended March 31, 2023 and 2022.

(7) Information about impairment losses

No impairment losses of assets for the fiscal year ended March, 2023.

|                             | Millions of Yen |                                  |                  |       |                       | Total |
|-----------------------------|-----------------|----------------------------------|------------------|-------|-----------------------|-------|
|                             | 2022            |                                  |                  |       |                       |       |
|                             | Takara Shuzo    | Takara Shuzo International Group | Takara Bio Group | Other | Elimination/Corporate |       |
| Impairment losses of assets | ¥               | ¥17                              | ¥168             | ¥     | ¥                     | ¥185  |

(8) Information about amortization of goodwill

|                            | Millions of Yen |                                  |                  |       |                       | Total  |
|----------------------------|-----------------|----------------------------------|------------------|-------|-----------------------|--------|
|                            | 2023            |                                  |                  |       |                       |        |
|                            | Takara Shuzo    | Takara Shuzo International Group | Takara Bio Group | Other | Elimination/Corporate |        |
| Amortization of goodwill   | ¥               | ¥ 399                            | ¥ 599            | ¥     | ¥                     | ¥ 998  |
| Goodwill at March 31, 2023 |                 | 3,993                            | 6,674            |       |                       | 10,668 |

|                            | Millions of Yen |                                  |                  |       |                       | Total  |
|----------------------------|-----------------|----------------------------------|------------------|-------|-----------------------|--------|
|                            | 2022            |                                  |                  |       |                       |        |
|                            | Takara Shuzo    | Takara Shuzo International Group | Takara Bio Group | Other | Elimination/Corporate |        |
| Amortization of goodwill   | ¥               | ¥ 374                            | ¥ 500            | ¥     | ¥                     | ¥ 875  |
| Goodwill at March 31, 2022 |                 | 3,760                            | 6,309            |       |                       | 10,070 |

|                            | Thousands of U.S. Dollars |                                  |                  |       |                       | Total    |
|----------------------------|---------------------------|----------------------------------|------------------|-------|-----------------------|----------|
|                            | 2023                      |                                  |                  |       |                       |          |
|                            | Takara Shuzo              | Takara Shuzo International Group | Takara Bio Group | Other | Elimination/Corporate |          |
| Amortization of goodwill   | \$                        | \$ 2,977                         | \$ 4,470         | \$    | \$                    | \$ 7,447 |
| Goodwill at March 31, 2023 |                           | 29,798                           | 49,805           |       |                       | 79,611   |

\* \* \* \* \*