



*TaKaRa Group Report*

**2019**

Integrated Report



**TAKARA HOLDINGS INC.**



## Our Philosophy and Business

# We will create new value to make people smile

### Corporate Philosophy

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

Bringing Japanese food culture to the world

We will spread Japanese food culture all over the world through *washu* and *washoku*.



Bringing the happiness of *washu* into the future

We will provide products backed with original and reliable technology.



Bringing Japanese food culture to the world

We will spread Japanese food culture all over the world through *washu* and *washoku*.



Bringing the bounty of the global environment to the next generation

We will contribute to the development of a sustainable society through diverse activities.

Bringing health to everyone

We will contribute to health with innovative biotechnology.



### Corporate Profile



#### Takara Holdings Inc.

Unifying Group Management

Aiming to grow the business and increase the corporate value of all Group companies



#### Takara Shuzo

(Domestic Business)

Domestic Alcoholic Beverages, Seasonings and Raw Alcohol Businesses



#### Takara Shuzo International Group

(Overseas Business)

Overseas Alcoholic Beverages Business and Japanese Food Wholesale



#### Takara Bio Group

(Biomedical Business)

Bioindustry Business and Gene Therapy Business



## Our History

# To make people smile, in the past and into the future

### Takara Shuzo (Domestic Business)

Domestic Alcoholic Beverages,  
Seasonings and Raw Alcohol Businesses

Providing products and  
services backed by our original  
and reliable technology



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



**1977** Launched *Takara Shochu  
Jun* to reinvigorate shochu



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



**2001** Launched *Zenryo Imo Shochu  
Ikkomon*, brewed with sweet  
potatoes (imo) and specially  
cultured imo koji mold



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



**2017** Launched *Takara CRAFT*,  
a regional chu-hi



### Takara Shuzo International Group (Overseas Business)

Overseas Alcoholic Beverages Business  
and Japanese Food Wholesale

Spreading Japanese food  
culture around the world  
through *washu* (Japanese  
alcoholic beverages) and  
*washoku* (Japanese cuisine)



**1951** Commenced exports of  
*Sho Chiku Bai* sake  
to the U.S.



**1983** Commenced Manufacture  
and sale of U.S.-produced  
*Sho Chiku Bai*



**1997** Opened the SAKA MUSEUM  
at Takara Sake USA Inc.



**2010** Acquired shares of French  
company FOODEX S.A..  
Entry into Japanese Food  
Wholesale Business  
in overseas markets



**2016** Made Mutual Trading Co., Inc.  
(U.S.) into a consolidated  
subsidiary. Expanded Japanese  
food wholesale network  
in the U.S.



**2017** Established Takara Shuzo  
International Co., Ltd.



### Takara Bio Group (Biomedical Business)

Bioindustry Business  
and Gene Therapy Business

Contributing to the health of  
humankind through the  
development of revolutionary  
biotechnologies such as gene  
therapy



**1979** Commenced sales of the first  
domestically produced "restriction  
enzymes" as reagents for genetic  
engineering research  
(began Biomedical Business)



**1988** Acquired exclusive Japan  
distribution rights in for PCR  
systems



**1997** Commenced global sales  
of gene therapy research  
reagent RetroNectin®



**2008** Launched Japan's first clinical  
trial for an external gene  
therapy medical product



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



**2019** Expanded research and  
manufacturing facilities with  
aim of promoting gene therapy  
projects and expanding and  
developing CDMO business



### Environmental and Social Contribution

Contributing to the development  
of a sustainable society  
through diverse activities



**1979** Commenced the "Come  
Back Salmon Campaign"



**1985** Established the Takara  
Harmonist Fund to support  
nature protection activities



**1989** Adopted Japan's first  
stay-on-tabs for canned  
beverages



**2004** Opened Takara Shuzo Farm  
School, which teaches about  
the importance of protecting  
the natural environment



**2012** Established Takara Shuzo  
Eco-School, for learning  
about the garbage problem



**2018** Published the Takara Group  
Report, an integrated report



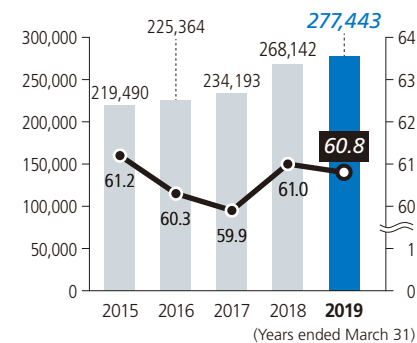


## Performance Highlights / INDEX

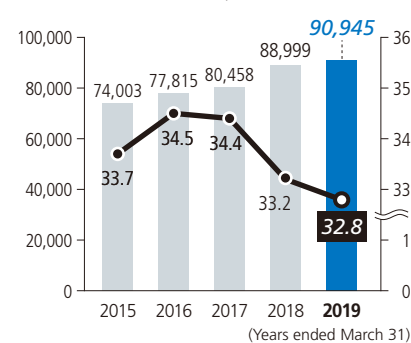
## Financial Highlights

Net sales /  
Cost of sales ratio

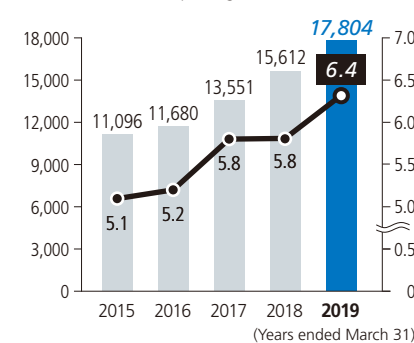
¥277,443 million 60.8%

(Millions of yen) ■ Net sales  
● Cost of sales ratio (%)SG&A expenses /  
SG&A expenses ratio

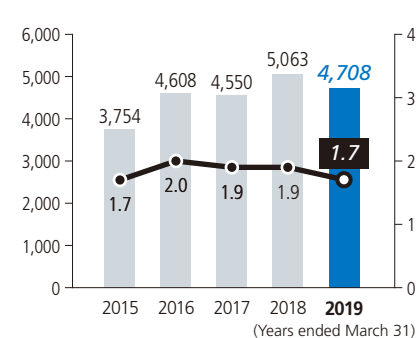
¥90,945 million 32.8%

(Millions of yen) ■ SG&A expenses  
● SG&A expenses ratio (%)Operating income /  
Operating income to net sales ratio

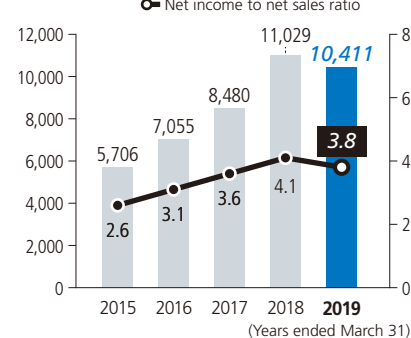
¥17,804 million 6.4%

(Millions of yen) ■ Operating income  
● Operating income to net sales ratio (%)R&D expenses /  
R&D expenses to net sales ratio

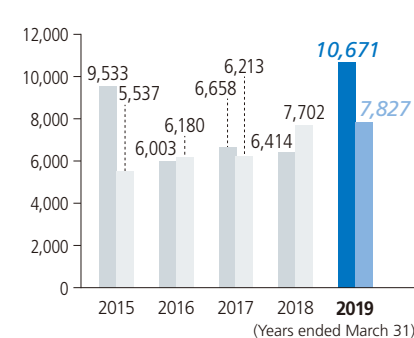
¥4,708 million 1.7%

(Millions of yen) ■ R&D expenses  
● R&D expenses to net sales ratio (%)Net income attributable to owners of the  
parent / Net income to net sales ratio

¥10,411 million 3.8%

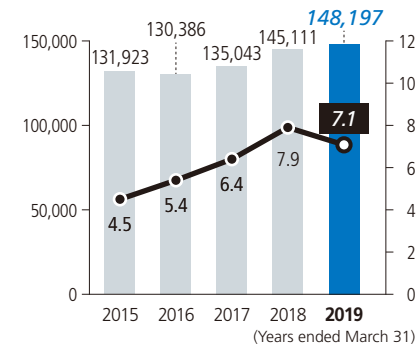
(Millions of yen) ■ Net income attributable to owners of the parent  
● Net income to net sales ratio (%)Capital expenditures /  
Depreciation and amortization

¥10,671 million ¥7,827 million

(Millions of yen) ■ Capital expenditures  
■ Depreciation and amortization

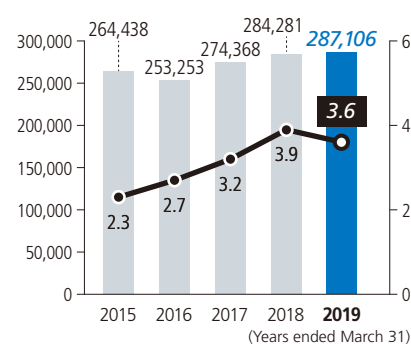
## Total shareholders' equity / ROE

¥148,197 million 7.1%

(Millions of yen) ■ Total shareholders' equity  
● ROE (%)

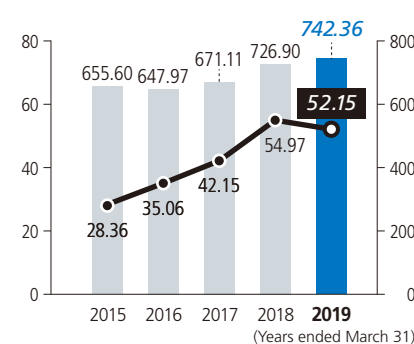
## Total assets / ROA

¥287,106 million 3.6%

(Millions of yen) ■ Total assets  
● ROA (%)

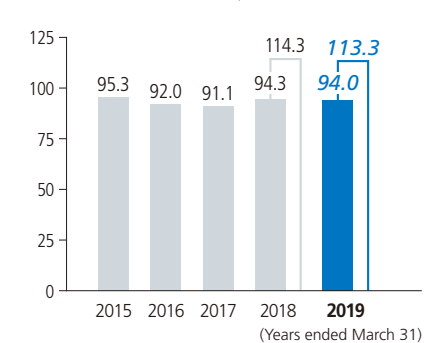
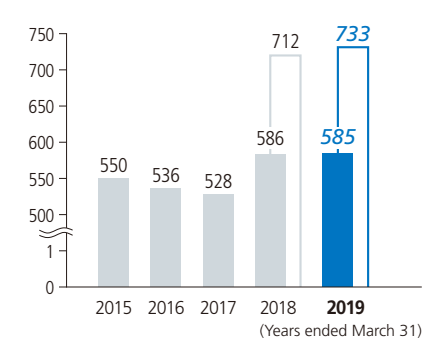
## EPS / BPS

¥52.15 ¥742.36

(Yen) ● EPS  
■ BPS

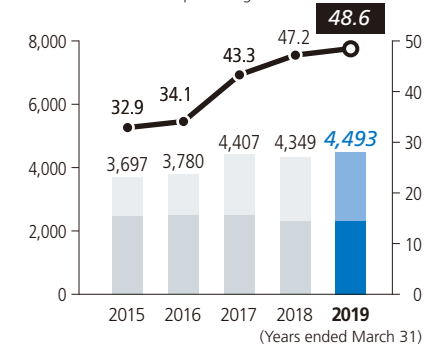
Note: The Company adopted Partial Amendments to Accounting Standard for Tax Effect Accounting, etc. from the fiscal year ended March 31, 2019, and some of the figures for the fiscal year ended March 31, 2018 have been restated.

## Non-Financial Highlights

Production process CO<sub>2</sub> emissions113.3 1,000t-CO<sub>2</sub>(1,000t-CO<sub>2</sub>) ■ Takara Shuzo  
■ Takara Group consolidatedProduction process Water  
consumption733 10,000m<sup>3</sup>(10,000m<sup>3</sup>) ■ Takara Shuzo  
■ Takara Group consolidated

## Percentage of overseas employees

48.6%

(People) ■ Japan  
■ Overseas  
● Overseas percentage (%)

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## Forward-Looking Statements

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



**SECTION-2** What the Takara Group is Aiming for  
**Message from the President**

# Aiming for Sustainable Growth and a Further Leap Forward



**Mutsumi Kimura**  
Representative Director and President  
Takara Holdings Inc.

**Progress of the Takara Group Medium-Term Management Plan FY2020**

**We are taking steady steps toward medium-to-long term growth.**

The Takara Group has been implementing the Medium-Term Management Plan FY2020, which runs from April 2017 until the year ending March 31, 2020 and is the last step towards achieving its ten-year long-term Takara Group Vision 2020 formulated in April 2011. Under the Medium-Term Management Plan FY2020, the Company is aiming to build up a great number of fields in which it can beat competitors and establish a balanced business foundation able to grow revenues significantly, no matter what environmental changes occur, by further increasing the overseas sales ratio together with having a full product line-up and many products with a competitive edge, both in Japan and overseas.

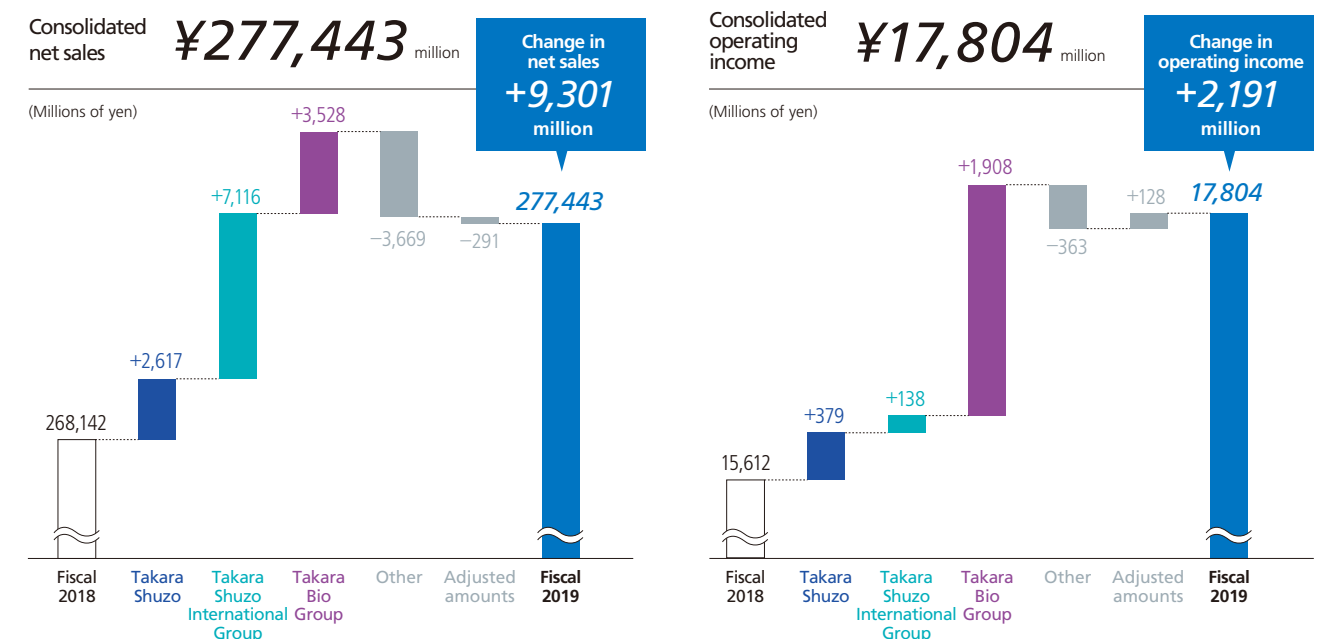
In fiscal 2019, the year ended March 31, 2019, the second year of the Medium-Term Management Plan FY2020, we steadily implemented measures in accordance with our business strategy in each business segment.

Takara Shuzo worked to expand sales and improve

profitability in order to establish a firm position as the a top manufacturer of Japanese traditional alcoholic beverages in the domestic alcoholic beverage and seasonings market and gained the top position in the industry for the first time for its 2018 domestic shipment volume of sake, the category where it puts most focus. This was the first change in the top position for 16 years, and Takara Shuzo has further consolidated its position as a top manufacturer of Japanese traditional alcoholic beverages by attaining the top market share for sake as well as for shochu and mirin. However, in reality the market overall is contracting, and, as Takara Shuzo gained the top position amid a year-on-year decline of sales in the sake category, it is not a cause for unqualified celebration, Next fiscal year, the year ending March 31, 2020, Takara Shuzo hopes to increase sales and gain even more market share by continually working on development of products differentiated by its technology.

Takara Shuzo International Group worked to expand the scale of its business and establish its base with the aim of becoming the leading company in the global Japanese alcoholic beverage and Japanese food markets backed by the expansion in overseas markets for Japanese food. Although the Overseas Alcoholic Beverages Business maintained strong

**Breakdown of changes in consolidated financial results for fiscal 2019**





## Message from the President

sales of whisky in the U.S. and the U.K., sales of sake were lackluster. The overseas sake market as a whole continued to expand, primarily through products exported from Japan, and the Takara Group urgently needs to work on strengthening exports from Japan in addition to our existing local production-based business model. Meanwhile, sales in the Japanese Food Wholesale Business in overseas markets continued to expand steadily, and although costs such as transportation and personnel expenses as well as upfront investment rose in conjunction with business expansion, profit growth absorbed these increases. Going forward, we will continue upfront investment, including expansion of logistics sites, and work on the construction of a food wholesale network with a sense of speed as a top priority.

The Takara Bio Group focused on implementing its strategies in each business division and strengthening the management foundation in order to enhance its standing as a global enterprise and regenerative medical product company. In the Bioindustry business, sales of the mainstay research reagents remained strong, primarily overseas, and the CDMO (Contract Development & Manufacturing Organization for regenerative medical products, etc.) business expanded dramatically. In the Gene Therapy business, the receipt of consideration and sales of investigational products accompanying the co-development and exclusive sales agreement with Otsuka Pharmaceutical Co., Ltd. made a major contribution to earnings. In addition, the realization of gene therapies that the company has been working on for years came a step closer, including the application for manufacturing and sales approval for C-REV, an oncolytic virus, for melanoma in Japan in March 2019.

In fiscal 2019, we also conducted a business portfolio review in order to further concentrate Group-wide management resources. Specifically, we transferred Takara Healthcare Inc., which was engaged in mail order sales of functional foods, and the functional food business of the Takara Bio Group to Shionogi Healthcare Co., Ltd., and the mushroom-related business of the Takara Bio Group to Yukiguni Maitake Co., Ltd. The Takara Group will

concentrate on three business segments; the Domestic Business, the Overseas Business, and the Biomedical Business, to further promote our growth strategy. I am confident that this decision, which we made at the time when the Gene Therapy business became profitable for the Takara Bio Group and started tracing a new growth trajectory, has clarified our direction, and will enable us to further accelerate growth.

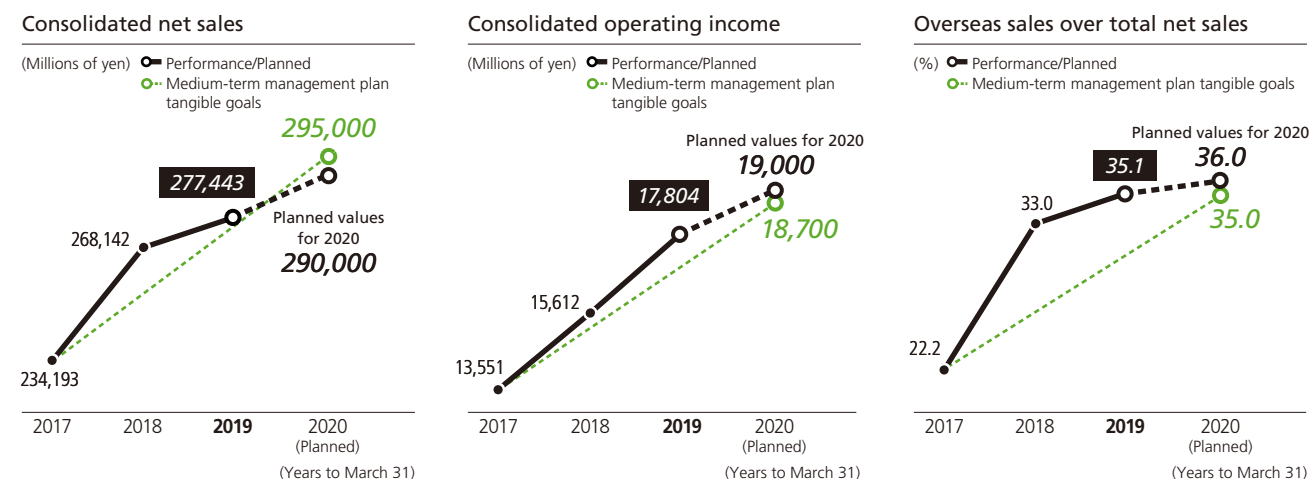
### Summary of Financial Results in Fiscal 2019 (Ended March 31, 2019)

### The three main segments recorded sales and profit growth, and we registered all-time high net sales and operating income.

In fiscal 2019, Takara Holdings achieved sales and profit growth in all three main business segments as profit at the Takara Bio Group (the Biomedical Business) increased due to such factors as the receipt of consideration accompanying the co-development and exclusive sales agreement related to gene therapy products mentioned above in addition to the continued strong performance of Takara Shuzo (the Domestic Business) and the Takara Shuzo International Group (the International Business).

As a result, the consolidated net sales of the Takara Group amounted to ¥277,443 million, up 3.5% year on year, and registered an all-time high again following the previous fiscal year. On the profit front, operating income increased 14.0% year on year to ¥17,804 million while ordinary income rose 14.1% year on year to ¥18,359 million, which were both all-time highs. On the other hand, net income attributable to owners of the parent decreased by 5.6% year on year to ¥10,411 million. This was due to such factors as a decrease in extraordinary income in reaction to the gain on sales of shares of subsidiaries and associates recorded in the previous fiscal year, damage caused by a typhoon in September 2018, and impairment loss in conjunction with the transfer of the AgriBio Business mentioned above which was recorded as extraordinary loss.

### Comparison with the tangible goals in our Medium-Term Management Plan FY2020



## Overview of the Takara Group Medium-Term Management Plan FY2020 (Post-Tangible Goal Revisions, May 2018)

**Basic Policy** By further increasing the overseas sales ratio together with having a full product line-up and many products with a competitive edge both in Japan and overseas, we are aiming to build up a great number of fields in which we can beat competitors and establish a balanced business foundation able to grow revenues significantly no matter what environmental changes occur.

Tangible Goals	Net sales	Operating income	Overseas sales over total net sales
	<b>¥295</b> billion or above	<b>¥18.7</b> billion or above	<b>35</b> % or above

Business Strategies	Net sales	Operating income
<b>Takara Shuzo (Domestic Business)</b>	<b>¥160</b> billion or above	<b>¥6.2</b> billion or above

Expand sales in all categories, with sake as the core, improve the profit ratio and cement our position as a top manufacturer of traditional Japanese alcoholic beverages in the domestic alcoholic beverages and seasonings markets.

Net sales	Operating income
<b>¥83</b> billion or above	<b>¥52</b> billion or above

Dramatically expand our scope of business by enlarging our overseas Japanese food wholesaler network, together with developing our business foundation and strengthening our position with the goal of becoming a leading company in the global Japanese alcoholic beverages and foods market.

Net sales	Operating income
<b>¥385</b> billion or above	<b>¥60</b> billion or above

Promote strategies in our two business segments, namely, the Bioindustry and Gene Therapy businesses, and the business base that supports these efforts, enhance our standing as a global enterprise and regenerative medical product company, and achieve prodigious growth.

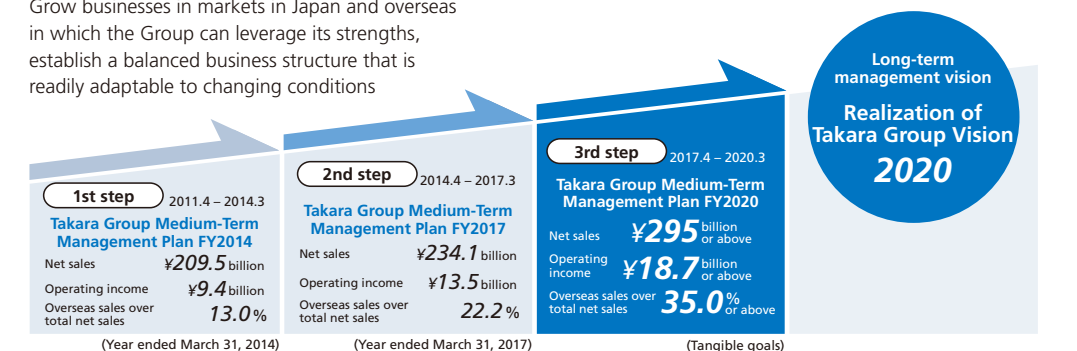
**Financial Policy** Maintain a strong balance sheet and make growth-oriented investments while also improving our ROE and achieving proper stock price levels by providing appropriate shareholder returns.

**Strengthening our Management Base** Strengthening management: Strengthening business management with a view to expanding our business globally  
Corporate culture and personnel: Developing the people that support the Group and improving the Group's human capital strategy

CSR: Developing systems consistent with the Corporate Governance Policy, conducting philanthropic and environmental activities, and releasing ESG-related information

### Long-term Management Vision Takara Group Vision 2020

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





## Message from the President

### Forecast for the Next Fiscal Year (ending March 31, 2020)

#### We will overcome the immediate challenges and work on growth-oriented investments for the future.

In fiscal 2020, the final year of the Takara Group Medium-Term Management Plan FY2020, Takara Shuzo will further cement its position as a top manufacturer of Japanese traditional alcoholic beverages by continuing to focus on developing products that are differentiated by its technology and further increasing market share. For sake, where it obtained the top market share in fiscal 2019, Takara Shuzo will maintain its full product line-up strategy and expand sales across the board, including focus products *Mio Sparkling Sake* and *Sho Chiku Bai Ten* for consumption at home, and the nurturing of new products in the premium sake category such as Junmai sake and Ginjo sake, which have become more popular recently. We will build a unique position in the light alcohol refresher (RTD) market, where growth is notable, through product development that draws on Takara Shuzo's strengths, which include cask-aged shochu.

At Takara Shuzo International Group, we will work to strengthen exports of sake from Japan. We will proceed with both the expansion of exports by strengthening the overseas roll out of leading domestic products particularly *Mio Sparkling Sake* and the development and nurturing of products exclusive to the international market such as Junmai sake as well as boosting sales of unpasteurized sake and chilled sake utilizing the advantage of position gained from local production in the U.S. and China. In the Japanese Food Wholesale Business in overseas markets, we will continue to focus on extending our network by entering sites in new areas in Europe and the U.S. and enhancing functions at existing sites.

At the Takara Bio Group, we will focus on further expanding the CDMO business, which is the growth engine of the Bioindustry business. We will also strive to steadily promote our projects in the Gene Therapy business, which include C-REV, the oncolytic virus for which we applied for domestic manufacturing and sales approval for melanoma in fiscal 2019 as well as CD19•CAR and NY-ESO-1•siTCR™, cancer immuno-gene therapies. At the same time, we will also promote the development of core technologies aimed at the early launch of new clinical development projects.

While focusing on the achievement of the targets for the current Medium-Term Management Plan, we will also continue our growth-oriented investments in each business aimed at further growth in the future. In Japan, we have been expanding our production lines for canned chu-hi products in response to the growing light alcohol refresher market with plans to go into operation in September 2019. Overseas, we are enhancing the logistics functions of the Japanese Food Wholesale Business in overseas markets with further business growth in mind. Moreover, in the Bioindustry business, we have been building new facilities for the CDMO business with full-scale operation planned for December 2019.

Based on these efforts, in the forecast for consolidated

financial results in fiscal 2020, the final year of the medium-term management plan, we project sales and profit growth in all three main business segments with an overseas sales ratio of 36%. We forecast net sales up 4.5% year on year to ¥290,000 million, operating income up 6.7% year on year to ¥19,000 million, ordinary income up 6.2% year on year to ¥19,500 million, and net income attributable to owners of the parent up 2.8% to ¥10,700 million.

Although net sales will not achieve the tangible goal in the medium-term management plan, mainly due to the impact from the transfer of business in fiscal 2019, we expect to exceed the goals for operating income and the overseas sales ratio.

### Capital Policy and Shareholder Returns

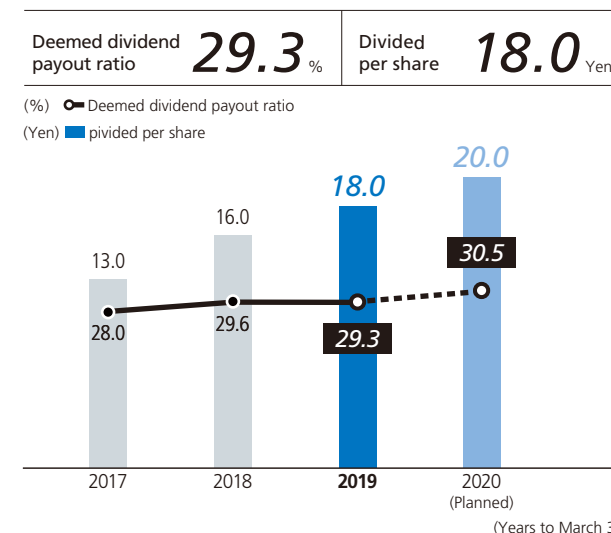
#### We will strive to enhance growth-oriented investments and shareholder returns.

Under the Takara Group Medium-Term Management Plan FY2020, the Group set out "Maintain a strong balance sheet and make growth-oriented investments while also improving our ROE and achieving proper stock price levels by providing appropriate shareholder returns" as our financial policy. As for the return of profits to shareholders, our policy is to pay dividends with a target deemed dividend payout ratio (ratio of total dividends to consolidated operating income less adjusted taxes)\* of 30%. Based on the policy, we paid a dividend of ¥18 per share in fiscal 2019, which is an increase of ¥2 from fiscal 2018.

We forecast that the dividend for fiscal 2020 will be ¥20 per share, which is an increase of ¥2 from fiscal 2019. Though ROE estimated based on the financial results forecasts for fiscal 2020 is expected to be around 7.1%, we will aim to improve ROE through the flexible implementation of measures such as acquiring treasury stock and selling cross shareholdings as circumstances permit.

\* Deemed dividend payout ratio = total dividends / (consolidated operating income × (1 – statutory effective tax rate))

#### Shareholder returns



### ESG

#### (Environment, Society, Governance) Initiatives

#### We will contribute to the development of a sustainable society by creating value through our business activities.

Through our activities, the Takara Group aims to contribute to the sustainable development of society by generating social value.

In terms of the environment (E), the preservation of a rich natural environment is a major premise for the survival of the Takara Group which engages in business activities which are based on the bounty of diverse natural resources such as grains, water, and microorganisms. Based on this belief, we have established the Takara Group Environmental Policy, and we promote initiatives aimed at harmony between preserving the global environment and our business activities.

In terms of society (S), we aim to contribute to the creation of a healthy and vibrant society through the provision of safe and reliable products and services as well as focusing on the development of human resources to be responsible for business growth into the future.

In terms of corporate governance (G), we have established the Takara Holdings Corporate Governance Policy in order to carry out transparent, fair, timely and resolute decision making, and we aim to build relationships of trust through active dialogue with stakeholders. In order to further increase the effectiveness of the Board of Directors, we increased the number of external directors by one based on the resolution of the 108th General Shareholders' Meeting held in June 2019. As a result, independent external directors now account for one-third of the Board of Directors.

Going forward, we will continue to work toward solving diverse social issues indicated by the SDGs (sustainable development goals) and other indicators, and promote appropriate information disclosure for ESG information.

### Message to Stakeholders

#### We will draw a new vision aimed at sustainable growth.

The Takara Group formulated the Takara Group Vision 2020, its long-term management vision, in April 2011 and has been working with the goals of "Grow businesses in markets in Japan and overseas in which the Group can leverage its strengths, establish a balanced business structure that is readily adaptable to changing conditions."

It has been eight years since the launch of this long-term management vision, and there have been significant changes to the Takara Group's business portfolio and the geographical portfolio in Japan and overseas. With regards to the business portfolio, if we look at the percentage of operating income for each business segment in fiscal 2019 for example, we came close to the balanced business structure that we are aiming for with

approximately 33% at Takara Shuzo, approximately 25% at the Takara Shuzo International Group, and approximately 31% at the Takara Bio Group. Moreover, with regards to the geographical portfolio in Japan and overseas, the overseas sales ratio for consolidated net sales was approximately 8% eight years ago when our long-term management vision was formulated, but was approximately 35% in fiscal 2019. In addition, about 2,200 of the approximately 4,500 people who work at the Takara Group are overseas employees, who now account for roughly half of our employees.

Amid such changes, the Takara Group provides training programs for Japanese and overseas employees to learn about the course taken by the Takara Group to date at the Takara Holdings Corporate History Museum, which we opened in March 2017. The history of the Takara Group is one of challenge in which we have overcome problems one by one as our predecessors responded in a flexible manner to new values, changes in the environment, and difficult situations. Learning about this history will foster a spirit of challenge that will enable all of our employees to respond to today's rapid changes in the business environment as well as fostering a sense of unity as a group, which tends to be diluted in an expanding organization, through training at the history museum so that we will be a corporate group that continues to create value.

At present, we are preparing to formulate a new long-term management vision and medium-term management plan.

We will share our vision for sustainable growth in the future and for the Takara Group to make a further leap forward with stakeholders and hope to achieve the goals we set.

I would like to ask all of our shareholders for your continued, generous support of the Takara Group.

M. Kimura

Representative Director  
and President  
Takara Holdings Inc.





## 1. Takara Shuzo

# New value into the future as a top manufacturer of Japanese traditional alcoholic beverages



## Top share of domestic sake market

Making customers smile—this is the concept behind product creation at Takara Shuzo. We have created diverse products to make people smile with their meals, at celebrations, and the places where they deepen their friendships.

*Sho Chiku Bai*, the sake brand that Takara Shuzo manufactures and sells, was launched in 1933. From the second half of the 1960s, it dramatically expanded its share in the special occasion and gift sake market as the sake for celebrations. The domestic sake market has declined from its 1973 peak, but *Sho Chiku Bai* has steadily expanded its share of sales through a stronger line-up that meets consumer needs. In 2011, Takara Shuzo launched *Mio Sparkling Sake*. *Mio*, which features 5% alcohol content and refreshing bubbles with a subtle sweetness and moderate acidity, steadily gained support among younger people with its delicious taste that updated the traditional image of sake.

Through this meticulous product strategy, Takara Shuzo gained its first top position in the industry for 2018 domestic shipment volume of sake, and cemented its position as a top manufacturer of Japanese alcoholic beverages by taking the top market share for sake as well as shochu and Hon-mirin.

## Toward further growth as a top manufacturer of Japanese traditional alcoholic beverages

Takara Shuzo established a sake information site (called Sakabanashi) in April 2018. As a top manufacturer of Japanese traditional alcoholic beverages, Takara Shuzo disseminates information widely not only about sake but also about sake cups and containers and sake culture and strives to raise awareness of the culture surrounding Japanese traditional alcoholic beverages. Moreover, in order to enhance the freshness of the *Mio* brand, which has become the driving force in expanding sake market

share, Takara Shuzo updated the brand designs. Takara Shuzo has continued to provide new value through the brand, including the launch of *Mio Frozen*, which is frozen for enjoyment of a crunchy texture, striving to stimulate the market, which is a challenge.



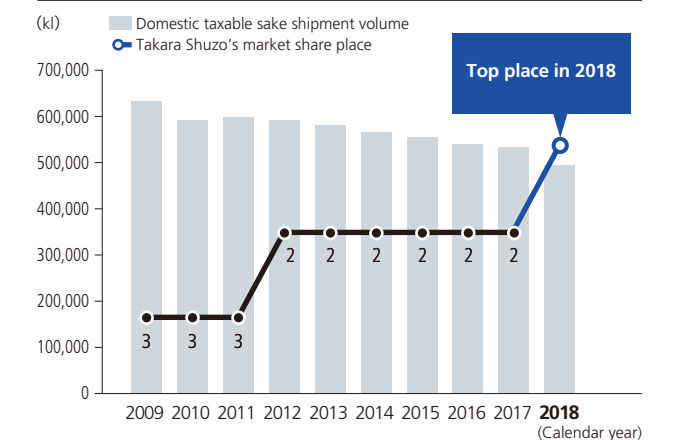
Mio Frozen

## Providing people with happiness through Japanese traditional alcoholic beverages

Takara Shuzo has always created products that provide people with happiness and smiles. This process has been one of challenge in responding to diversification in consumption and creating and proposing ways to enjoy alcoholic beverages. However, even though the ways of enjoying them change with the times, alcoholic beverages still make everyday life fun, rich, and full of flavor.

Takara Shuzo has protected Japanese alcoholic beverages, which are part of Japan's traditional culture, in the past and will continue to do so in the future. While doing so, we will further develop these beverages as we deliver products that make people smile and are loved.

### Domestic taxable sake shipment volume and Takara Shuzo's share of domestic sake shipment volume



(Source) Domestic taxable sake shipment volume: the National Tax Agency  
Takara Shuzo's share of domestic sake shipment volume: estimated by Takara Shuzo based on figures published for specialty liquor industry newspapers

## Column

### Creating new value in the expanding premium sake market

Amid a contraction in the domestic sake market, the shipment volumes of premium sake such as Junmai sake and Ginjo sake have been increasing year by year.

Takara Shuzo has developed a slim pack series of premium sake in an easy-to-use up 500 ml. size which can be chilled in the refrigerator, as a new proposal for enjoying premium sale every day to provide new value in an expanding market.



Sho Chiku Bai Junmai Daiginjo  
Sho Chiku Bai Daiginjo  
Sho Chiku Bai Yamada Nishiki  
(Tokubetsu Junmai)  
500 ml. slim pack series



## 2. Takara Shuzo International Group

Enthralling the world with  
made-in-Japan *Sho Chiku Bai*Growing overseas demand for  
made-in-Japan sake

With the growing global popularity of Japanese food, there has been a worldwide increase in the number of Japanese cuisine restaurants and demand for sake has also expanded in tandem with the spread of Japanese food.

In this environment, the need for made-in-Japan sake is rising. Total sake exports from Japan in 2018 were an all-time high of ¥22,200 million, and shipment volume was 2.1 times the level in 2008. This shows that the need for made-in-Japan sake has expanded dramatically, even when compared with the increase in the volume of sake produced locally overseas during the same period (1.4 times).

Enhancing product line-up and aiming  
for further expansion in demand

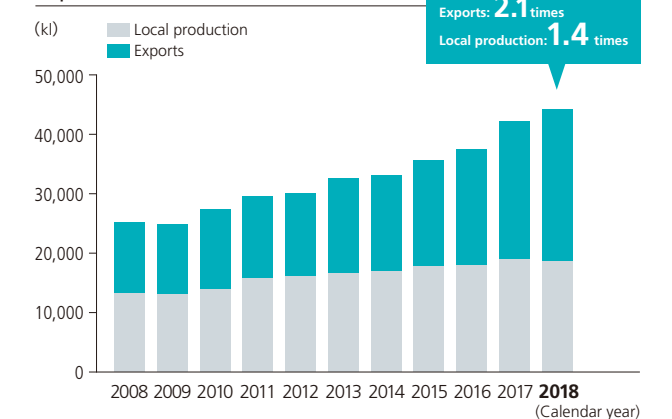
The Takara Group commenced its first overseas exports of sake in 1951. We also started production in the U.S. in 1982. We have been expanding production capacity continuously in response to the growing popularity of sake. Moreover, we started production in China as well in 1995, and we boast the top share of the global market in terms of sales volume of sake.

Thus far, the Takara Group has succeeded in providing fresh products at a reasonable price utilizing the advantage of position gained from producing sake locally overseas. However, needs are diversifying together with the growing popularity of sake, and overseas consumers are now also demanding high value-added products, such as made-in-Japan sake.

Takara Shuzo International will respond to this growing need for made-in-Japan sake by increasing exports of *Mio Sparkling Sake*, which is popular in Japan and overseas, and

Bringing *washu* and *washoku*  
to the world

The Takara Shuzo International Group has a mission to spread the culture of *washu* (traditional Japanese alcoholic beverages) and *washoku* (Japanese cuisine) around the world. To bring made-in-Japan sake, which is growing in popularity, to even more countries and regions, we will utilize the technical capabilities and product line-up of Takara Shuzo, a Takara Group company, as Japan's number one manufacturer of sake, the marketing capabilities of local subsidiaries, and a network of overseas Japanese food wholesalers that extends across the main regions of the world with the aim of being a leading company in *washu* and *washoku*.

Trends in local production and  
export volume for sake

## Column

## Sparkling Sake enjoyed around the world

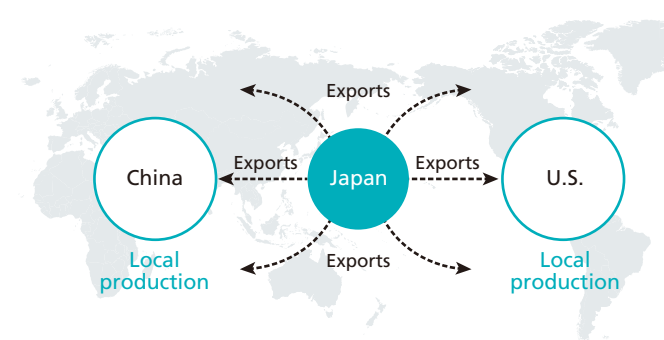
*Mio Sparkling Sake* went on sale in Japan in 2011 and has since become popular mainly among younger people. It was initially viewed as a "new sake," but sparkling sake has now been established as one genre of sake and was even served at the international summit held in Osaka in June 2019.

*Mio* is now exported to approximately 30 countries around the world, and overseas it is enjoyed even outside of Japanese cuisine restaurants being served at steakhouses and other settings rarely seen in Japan.



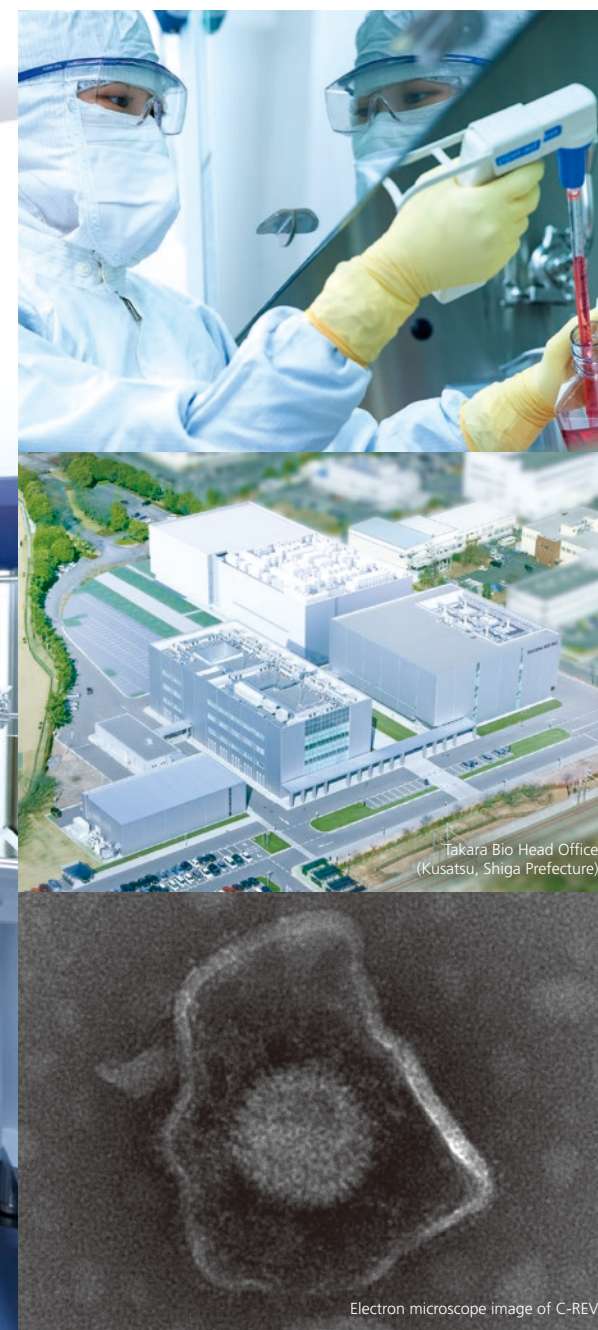
putting efforts into developing and nurturing specialized products exclusively for the international market.

We will also promote initiatives that take advantage of the strengths possessed by our sites in Japan and overseas, including our aim to create and acquire new users through the development of products in collaboration with overseas Group companies.





## Taking on the challenge of spreading gene therapy, a new treatment method



### Challenges facing commercialization

However, gene therapy differs from conventional medicines in many aspects including manufacture, distribution, and drug prices, and it will be necessary to deal with many challenges for widespread commercialization in society. For example, in terms of drug prices, the manufacture of these therapies is often tailored for each individual patient, raising concerns about high manufacturing costs and treatment expenses.

### To promote new treatments

Takara Bio has been implementing clinical development in gene therapy since conducting its first clinical trial of gene therapy in Japan as an in-house development project in 2008. At present, Takara Bio is conducting clinical testing in Japan and overseas for C-REV, an oncolytic virus, and gene therapies NY-ESO-1-siTCR™ and CD19-CAR. Moreover, Takara Bio also engages in the CDMO business, which supports the development and manufacture of regenerative medicine products carried out by pharmaceutical companies, universities and biomedicine venture companies, utilizing its extensive prior experience in clinical development.

We will strive to make gene therapy more accessible and contribute to people's healthy lives through our aim to commercialize gene therapy based on in-house development in addition to supporting the promotion of regenerative medicine products, including gene therapy.

### Column

#### A ray of hope for cancer treatment

Until now, cancer treatment has mainly consisted of surgery, chemotherapy, and radiotherapy. However, immunotherapy has been receiving attention recently as a fourth method of treatment. Though it is well known that the immune cells in our bodies recognize bacteria and viruses that enter from outside the body as foreign and eliminate them, our immune cells also possess a similar characteristic that recognizes cancer cells occurring in the body as foreign and tries to eliminate them. A method of treatment that uses the power of genes to help immune cells recognize and attack cancer cells more efficiently to treat cancer when it occurs is called cancer immunotherapy.

Such treatments already been commercialized in developed countries such as Japan, the U.S., and Europe, and the dramatic therapeutic outcomes, which include a higher than 80% success rate for some blood cancers, have been in the spotlight. There is now intense development competition among pharmaceutical companies and biomedicine venture companies to apply immunotherapy to a wider range of cancers, including solid tumors.

### Rising expectations of gene therapy

Gene therapy is receiving attention as a new method of treatment for conditions such as cancer and genetic diseases. One factor is rapid technological innovation in terms of safety and efficacy, and the pace has been quickening as gene therapies start to be actually approved in Japan and overseas. In Japan too, laws and regulations have been put in place to encourage the commercialization of gene therapy and regenerative medicine.

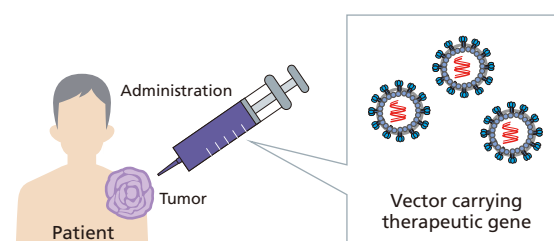
Gene therapy involves treatment using the power of the genes that regulate our biological responses. Genes with a therapeutic use are administered (inoculated) directly into the body (*in vivo* gene therapy) or cells into which genes have been transduced are produced outside the body and then administered into the body (*ex vivo* gene therapy). In the case of cancer, genes that issue instructions to find and destroy cancer are used as therapeutic genes. Moreover, in the case of

congenital genetic abnormalities, the abnormal genes are replaced with healthy ones to compensate for lost functions.

As a result, we can now treat previously untreatable diseases with gene therapy, response rates have increased dramatically, and there are mounting expectations of excellent therapeutic outcomes.

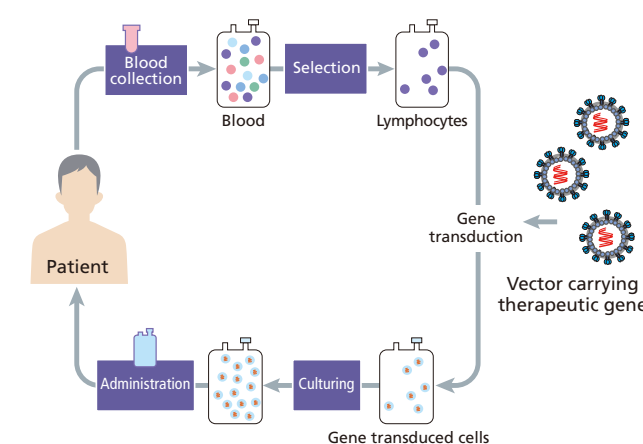
#### *In vivo* gene therapy

Therapy which involves the direct administration of the therapeutic gene into the body (affected part) using a vector, etc.



#### *Ex vivo* gene therapy

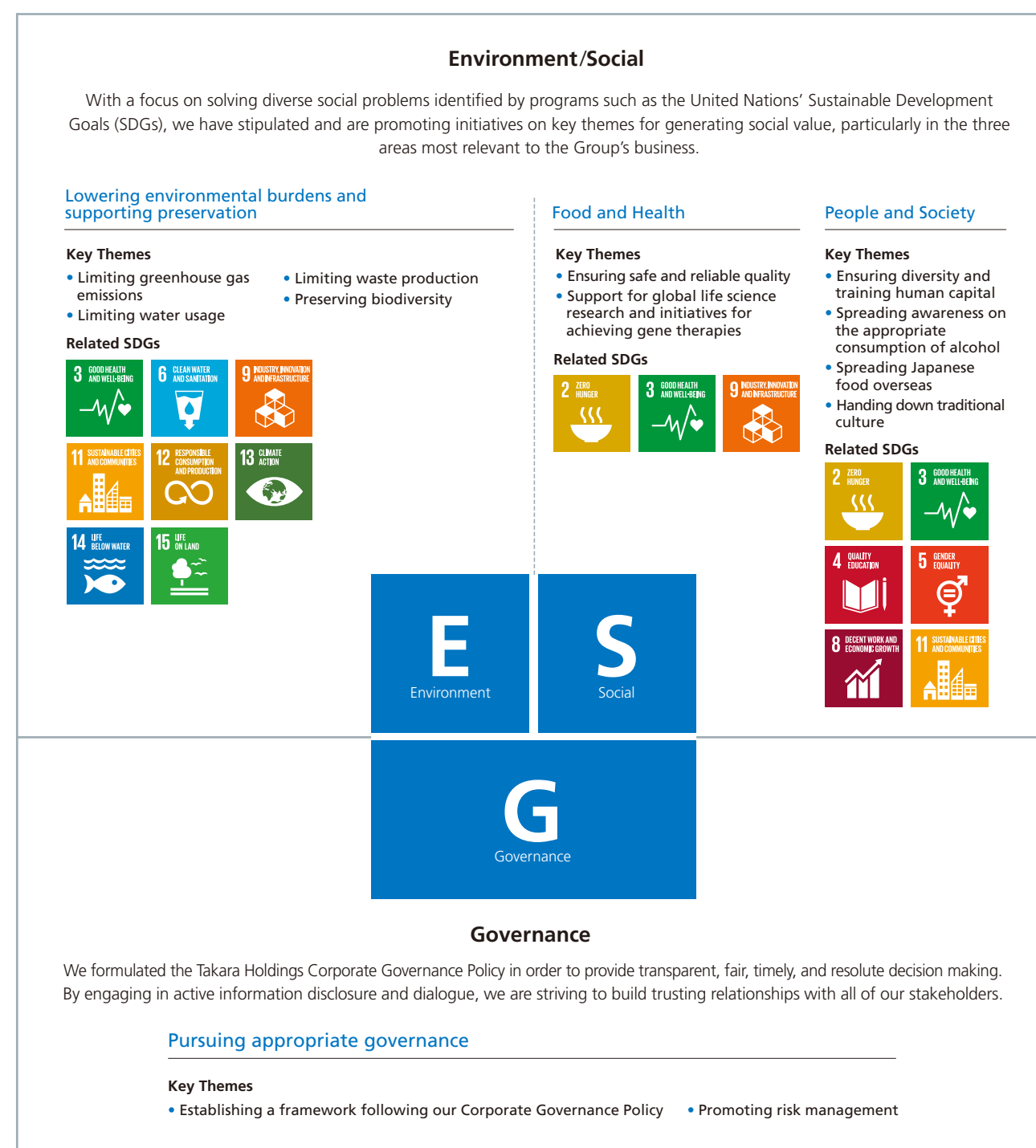
Therapy which involves transduction of the therapeutic gene into cells outside of the body and administration of those cells to the patient





## Key Themes

# Engaging in ESG, aim toward sustainable growth for the Group and create social value



## About SDGs

The Sustainable Development Goals (SDGs) are 17 goals and 169 targets agreed upon by countries around the world in order to create a sustainable society and solve global issues. The SDGs carry forward their predecessors, the Millennium Development Goals (MDGs), and were adopted by the United Nations in September 2015. The goals constitute a vision encompassing issues that countries must tackle, such as climate change, biodiversity, energy, and the like, in order to create a sustainable society.

## Environment

## E Environment

### Lowering environmental burdens and supporting preservation

#### The Takara Group Environmental Policy

Since the Takara Group sees harmonizing our business activities with global environmental preservation as one of our key challenges, we have established an environmental management system. We are continually striving to improve this system and contribute to building a sustainable society.

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

## Limiting Greenhouse Gas Emissions

Climate change, resulting from global warming, is a critical social problem that the entire world needs to cooperate in acting against. Furthermore, since climate change has the potential to become a risk to the continuity of our Group's business, we are striving to limit the greenhouse gas emissions that accompany our activities.

Reducing CO<sub>2</sub> from production processes

The Takara Group's total CO<sub>2</sub> emissions in production processes for the fiscal year ended March 31, 2019 was 113,300 t-CO<sub>2</sub>, a 0.9% year-on-year reduction.

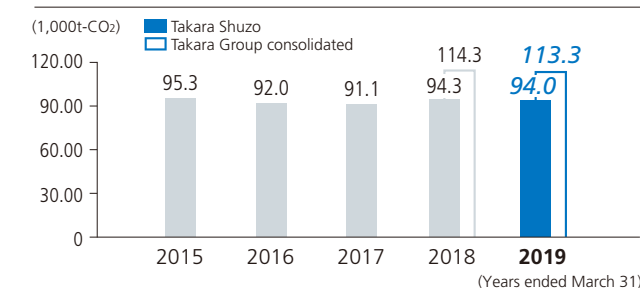
Additionally, CO<sub>2</sub> emissions for Takara Shuzo's production processes, which comprise more than 80% of the entire Group's CO<sub>2</sub> emissions, were 94,000 t-CO<sub>2</sub> for the same period, a slight reduction (0.3%) year on year. The main reasons for this were on-going efforts that included upgrading to high-efficiency gas boilers, installing LED lighting, and other energy-saving equipment, in addition to optimizing distillation conditions in alcohol refining processes.

#### <Examples of initiatives to reduce CO<sub>2</sub> emissions from production processes>

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



Micro gas turbine co-generation system

CO<sub>2</sub> emissions from production processes (total emissions)

<Scope of calculations>

Takara Shuzo Co., Ltd., Takara Sake USA Inc., Takara Shuzo Foods Co., Ltd. (China), The Tomatin Distillery Co. Ltd., Takara Bio Inc., Mizuho Nourin Co., Ltd.,\* Kinoko Center Kin Inc.,\* Takara Biotechnology (Dalian) Co., Ltd.

\* Results up to February 2019



## Environment

### ■ Reducing CO<sub>2</sub> from transportation processes

At Takara Shuzo, we are promoting high-efficiency transportation, energy-saving vehicle operations, modal shifts,\* improving loading efficiency for products shipped by truck, and other measures to reduce CO<sub>2</sub> emissions during product transportation.

While we reduced the intensity of emissions from transportation for the fiscal year ended March 31, 2019, there was a large effect from the unit increase in sales volume and overall CO<sub>2</sub> increased 3.0% year on year.

\* Transitioning from trucks to freight shipping with a lower environmental impact (rail and marine transportation).

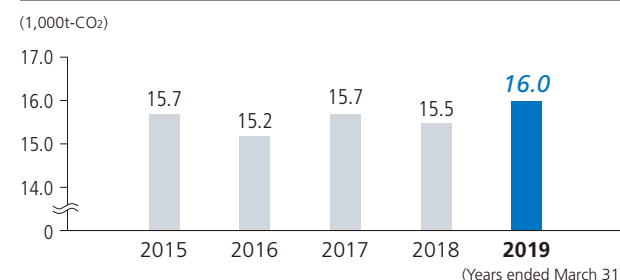


Alcohol transportation by specialized tankers

#### <Examples of initiatives to reduce CO<sub>2</sub> emissions from logistics>

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

#### CO<sub>2</sub> emissions from Takara Shuzo logistics (total emissions)



### Limiting Water Usage

For the Takara Group, water is of course a raw ingredient for alcoholic beverages and seasonings, while it is also an indispensable resource for cleaning our manufacturing equipment and containers, and for keeping our products cool. The sustainable use of water resources is a crucial theme in the continuity of our Group's business. Focusing on each of our production bases, we are striving to reuse water, conserve water, and reduce the volume of water used.

#### ■ Limiting water usage

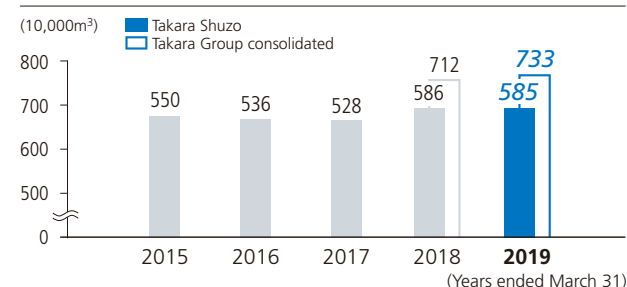
The Takara Group's total water usage in production processes for the fiscal year ended March 31, 2019 was 7.33 million m<sup>3</sup>,

a 2.9% year-on-year increase. The primary cause of the increase was a rise in production at Takara Sake USA Inc. and The Tomatin Distillery Co., Ltd. At the same time, Takara Shuzo's water usage, which comprises approximately 80% of the entire Group's usage, remained nearly flat year on year, at 5.85 million m<sup>3</sup>.

#### <Examples of initiatives to reduce water usage in production processes>

- Reducing cleaning water by improving methods for cleaning/rinsing production equipment
- Reusing cooling water and container cleaning water from product manufacturing
- Reducing cooling water by improving methods for alcohol distillation

#### Volume of water used in production processes



<Scope of calculations>

Takara Shuzo Co., Ltd., Takara Sake USA Inc., Takara Shuzo Foods Co., Ltd. (China), The Tomatin Distillery Co. Ltd., Takara Bio Inc., Mizuho Nourin Co., Ltd.,\* Kinoko Center Kin Inc.,\* Takara Biotechnology (Dalian) Co., Ltd.

\* Results up to February 2019

### Limiting Waste Production

In recent years, there have been vociferous statements noting the importance of resource conservation and recycling, including the problem of food waste. In the Takara Group, we recognize that the creation and continuation of a recycling-oriented, sustainable society is a critical issue. While striving to reduce waste generated in our business activities, we are advancing our own initiatives to address the problem of used containers.

#### ■ Reducing plant waste volume

In Takara Shuzo plants, waste products generated include by-products such as shochu lees and the like, as well as wastewater treatment sludge, and shipping materials for raw ingredients, containers, etc. As a result, we are working to repurpose food-based by-products (such as shochu lees) into feed and fertilizer, while also striving to reduce the

volume of waste our plants generate.

The volume of waste products produced by Takara Shuzo decreased 16.8% year on year, to 4,377 tons, for the fiscal year ended March 31, 2019. The primary reason was a decrease, related to equipment capacity in the previous year, in shochu lees incinerated (rather than recycled).

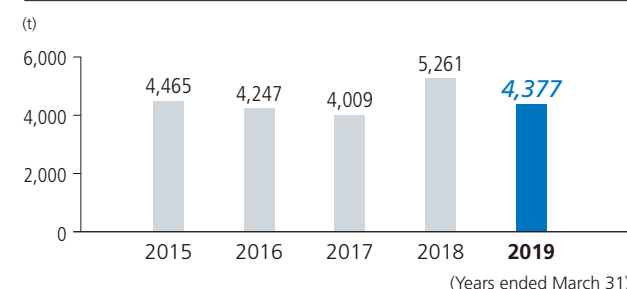
#### <Examples of initiatives for reducing waste products>

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



Equipment for converting shochu lees into feed

#### Takara Shuzo waste product volume



### ■ Initiatives for handling the issue of used containers

In Japan, approximately 60% of standard household garbage (based on volume) is containers and packaging. In order to address this problem, Takara Shuzo is promoting materials procurement and product development emphasizing the 3Rs (reduce, reuse, recycle).

Furthermore, an independent initiative of Takara Shuzo is the effort to sell shochu by weight. Shochu is put into specialized tanks at our plants, then sent directly to retail stores, where customers bring plastic PET bottles, etc. from home and fill the exact amount they need from the specialized tanks when making a purchase. Since this allows customers to buy only the volume they need without purchasing a container, it translates to resource conservation and less garbage. From 1998, when these efforts started, to the end of March 2019, we have been able to conserve the equivalent of approximately 9.3 million 2.7-liter PET bottles.

### Preserving Biodiversity

Since the Takara Group's business involves a variety of activities that benefit from the bounty of nature, the continuity of these activities is undeniably predicated upon

preserving our rich natural environment and biodiversity.

In the Takara Group, we are striving to protect biodiversity and other natural assets for future generations by providing assistance through a public trust fund and offering environmental education programs for children.

### ■ Assistance for activities and research protecting ecosystems and biodiversity

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

In fiscal 2019, 11 recipients were chosen from many applicants across Japan. These included groups engaged in activities and research for environmental preservation, such as the group dedicated to protecting the Mt. Ono everes lacturnus (a species of butterfly). Since the first round of the program, a cumulative total of 169,868,000 yen has been granted to 355 recipients.

### ■ The Takara Shuzo Farm School for educating children

In order to teach the importance of protecting the natural environment and its biodiversity (environmental education) to the children who will lead our future generations, while also conveying gratitude for the bounty of nature (dietary education), Takara Shuzo offers a Farm School.

Elementary school children and their families are invited to four classes approximately half a year, from May to December, at a field in Sonobe-cho, Nantan city, Kyoto and at a cooking school in Kyoto city. In the classes, participants get to experience farming rice, observing nature, and cooking food. By having students prepare dishes using Hon mirin in the cooking classes, we give them a chance to feel an affinity for Takara Shuzo products.



Harvesting rice at the Takara Shuzo Farm School



Children learning to cook with Hon mirin



## Social



### Ensuring Safe and Reliable Quality

In handling business related to food and medicine, the Takara Group delivers a host of safe products and services, while emphasizing reliability for our customers. In order to continue being a corporate Group trusted by customers into the future, we are striving for appropriate management based on a food safety and quality management system.

#### Food safety and quality management system

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

In the Takara Bio Group, Takara Bio Inc., Takara Biotechnology (Dalian) Co., Ltd., DSS Takara Bio India Pvt. Ltd., and Takara Bio Europe S.A.S have obtained the ISO 9001 certification for quality management systems. On top of this, Takara Bio USA, Inc. and Takara Biotechnology (Dalian) Co., Ltd. have obtained the ISO 13485 certification for diagnostic agent quality management systems and engage in strict quality control. Furthermore, at Takara Bio Inc., we are carrying out stringent quality control and have received certification and permission from third-parties, such as registration as a clinical testing laboratory, recognition from the College of American Pathologists: Laboratory Accreditation Program (CAP-LAP), and designation as a foreign cell processor.

\* FSSC (Food Safety System Certification) 22000: a scheme that integrates ISO 22000 (which incorporates HACCP ideas on hygiene management methods for ensuring food safety) and ISO/TS 22002-1 (a prerequisite program that stipulates specific requirements for general hygiene control, such as equipment structure, layout, cleaning, and disinfection) while also including additional requirements related to employee hygiene management.

#### Creating safe products for Takara Shuzo product planning

##### Product planning

During product planning, we collect information through our daily operations, while also carrying out consumer surveys and group interviews. We deliver products with originality by pinpointing customers' unexpressed needs and preferences

related to flavor, safety, and reliability, while also confirming the market feasibility of our proprietary technologies.

##### Design reviews

We check product safety, security, legality, and the suitability of descriptions using design review methods addressing all aspects of product designs at the early stages of product development, including quality standards, product safety, package and wrapping, and manufacturing processes.

This allows us to create products after fully eliminating the possibility of unacceptable features at the design stage, and after confirming that product designs are as satisfactory as possible.

##### Raw material procurement

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

Furthermore, in order to address the risk of radioactivity, we only source domestic raw materials after confirming that they meet standards for radioactive substances. In combination, we also carry out parallel in-house inspections of domestic raw materials.

Additionally, at production plants in the Kanto and Tohoku areas, we are continually monitoring the radioactive cesium levels of products as well as water used in manufacturing, ensuring that they meet standards.



##### Manufacturing

Inside the buildings of our plants, the space is separated into clean zones of different levels. In work zones where the highest level of cleanliness is required, such as in filling rooms, we apply clean room specifications to avoid the mixing of any foreign substances.

After filling, we carry out foreign substance and labeling/printing inspections using automated detectors, in addition to visual and organoleptic inspections carried out by human inspectors, while ingredient analysis is handled by state-of-the-art analytic instruments in order to ensure the safety and quality of products.

##### Transportation

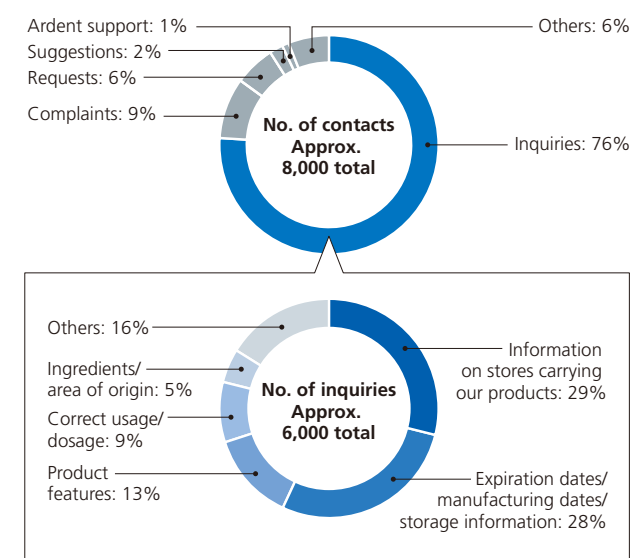
Manufactured products are sent to two domestic transportation centers (one in the east and one in the west), with further shipments taking place from there. At the transportation centers, product information, such as the production line and manufacturing date, is managed with bar codes affixed to each pallet. We have established a framework allowing us to quickly confirm product quality information by managing the production history of items.

#### Pursuing customer satisfaction

The Customer Contact Office receives approximately 8,000 comments a year. These include inquiries regarding stores carrying our products, product expiration dates, and areas where ingredients were produced, in addition to a wide variety of feedback, complaints, etc.

Takara Shuzo listens carefully to each of these comments, striving to deliver and improve products in order to further satisfy customers. On top of this, we have voiced a declaration of conformity to ISO 10002 (targeting management systems for handling customer requests and complaints) as we continually strive to improve these processes.

##### Breakdown of comments and inquiries



### Support for Global Life Science Research and Initiatives for Achieving Gene Therapies

At Takara Bio, based on our corporate philosophy of "contributing to the health of humankind through the development of revolutionary biotechnologies such as gene

therapy," we strive to augment the healthy lifestyles of all people around the world.

#### Broad-based support for the development of life science research

Takara Bio uses genetic and cellular engineering technology to supply research reagents and other products to life science researchers throughout the world.

The Takara Group's Biomedical Business began in 1979 when we started selling "restriction enzymes" that were the first domestically produced reagents for genetic engineering research. We later developed new products and made acquisitions to strengthen our product lineup and grow to our current scale of approximately 7,000 products. We have accumulated, and are marketing worldwide, a diverse array of research reagents used daily in applications from cutting edge life sciences to industrial fields.

Going forward, we will continue supporting the world's research institutions and the development of life science research.

#### Gene therapy technology development and commercialization for cancer and other targets

Leveraging revolutionary biotechnologies, Takara Bio is advancing the development of leading edge technologies, such as gene therapies, to address unmet medical needs.

In 2008, Takara Bio launched Japan's first clinical trial for external gene therapy, after which, we have been advancing multiple gene therapy projects through many rounds of trial and error.

Currently, we are proceeding with a clinical trial for the oncolytic virus Canerpatrev (C-REV) targeting melanoma and pancreatic cancer and, in March, 2019, we submitted a manufacture and sales approval application for C-REV as a regenerative medicine-related product for melanoma. This is our first step in translating many years of R&D into commercial therapeutic products.

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



Research being carried out at Takara Bio



## Social

## S Social People and Society

### Ensuring Diversity and Fostering Human Resources

In the Takara Group, we take the perspective that people are indispensable assets and our employees are “human resources.” We strive to establish an environment in which diverse human resources can engage in work in a healthy fashion. At the same time, we are committed to fostering human resources by using the Takara Holdings Corporate History Museum (an employee training facility) as we work to maintain and strengthen human resources that are essential for long-term business growth.

#### ■ Utilizing the Takara Holdings Corporate History Museum training facility

In March 2017, we opened the Takara Holdings Corporate History Museum, a training facility for Group employees inside and outside Japan, in Takenaka-cho, Fushimi-ku, Kyoto, which is where the company was established, as one of our 90th anniversary projects.



Takara Holdings Corporate History Museum



Observational Training Program in progress

The business territory of the Takara Group, which originated in the sake brewing business in 1842, has now expanded into the Biomedical Business and the Japanese Food Wholesale Business in overseas markets while in terms of geographical regions we have also actively extended our business activities in Europe, the U.S., Asia, and Oceania in addition to diversifying our human resources.

We utilize this facility for our Corporate History Museum Observational Training Program for all Takara Group

employees in order to unite the Group as a whole and instill a mindset that is willing to take on challenges. At the same time, it facilitates our efforts to foster a culture for promoting improvement in corporate value as we train the human resources that will support the Group into the future.

#### ■ Fostering globally-minded human resources

With the aim of fostering human resources capable of playing active roles overseas, Takara Holdings, Takara Shuzo, and Takara Shuzo International provide support for employees to visit language learning schools or take English lessons online as we strive to help employees acquire the language skills required for business.

Furthermore, in supporting the self-development of our employees, we also recognize multiple attendance for language-related courses through correspondence education programs. We also provide TOEIC® testing for new hires and for our prospective employees (during the preliminary offer of employment period), we provide an English language learning program before they join the Company as we work to cultivate the in-house culture required to actively expand a global business.

#### ■ Promoting the active involvement of female employees

At the Takara Group, we see the further promotion of female employees as a key issue, so we have formulated and are implementing action plans for achieving this objective.

Given that the ratio of female employees at Takara Holdings, Takara Shuzo, and Takara Shuzo International is approximately 10% of the total number of employees, we announced a target in our business plan through March 2020 to boost the ratio of newly hired (college graduate) female employees in office and technical positions to 30% or above for these three companies as a whole. We showcase success stories by presenting interviews with female employees on our website, while also actively promoting female employees at our Company publicity events. These and other initiatives help give applicants a more concrete image of the women who work in the Takara Group. In the year ending March 31, 2020, 45.5% (15 out of 33) of college graduate new hires were women.

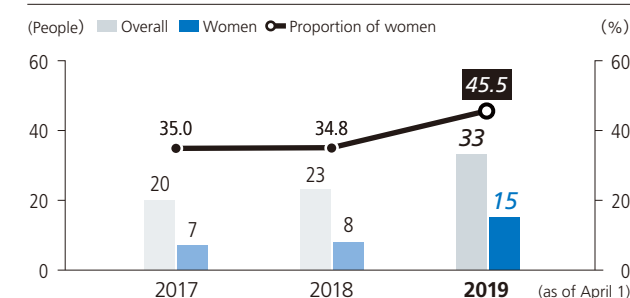
Additionally, as another pillar of promoting the active participation of women, we are striving to hire or place 18 or more women in management positions or as assistant managers during the period from April 1, 2016 to March 31, 2020. We also carry out career advancement training aiming to give female employees stronger career awareness, while fostering their skills. This training helps women

understand the environment affecting female workers and encourages them to be aware of the roles they can fulfill. It also instills a mindset for exercising leadership that leverages each female employee's unique strengths. These initiatives help develop the skills women need to expand their professional activity. In the years and months through April 1, 2019, we met the target, placing 22 women in manager or assistant manager positions.

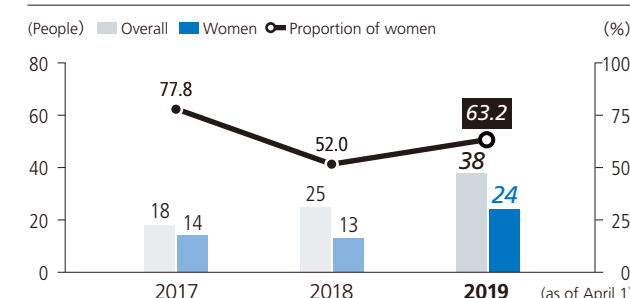
At Takara Bio, 63.2% (24 out of 38) of new hires in Japan graduating from college in March 2020 were women and the ratio of female employees overall is 41.6%. Furthermore, we are striving to reach our stated targets of hiring or placing 10 or more female managers, or boosting the ratio of female managers overall to approximately 25% or higher by the year ending March 31, 2022 versus the end of March 31, 2016. We placed 7 female managers in the period up to April 1, 2019, bringing the ratio of female managers overall to 23.2%.

#### Proportion of women among college graduate new hires

Total for Takara Holdings, Takara Shuzo, and Takara Shuzo International



#### Takara Bio (Japan)



#### ■ Creating workplaces that are free of inequality and conscious of human rights

The Takara Group respects employees' human rights and aims to ensure workplaces free of inequality and conducive to energetic, engaging pursuits. In our Compliance Code of Conduct as well, we have stipulated our commitment to respect employee diversity, character, and individuality, and to take a stance against all forms of irrational discrimination based on birth, nationality, personal rights, ethnic identity, faith,

religion, gender, age, various disabilities, interests, educational background, and the like, while also refraining from illegal child labor and forced labor inside and outside Japan.

Moreover, as part of our education on human rights, we are striving to add programs that deepen understanding of human rights during new employee training, manager training, and compliance training. In our hiring practices as well, we adhere to the Act on Securing, Etc. of Equal Opportunity and Treatment between Men and Women in Employment. In order to ensure thorough awareness of human rights, we carry out human rights promotion and education using manuals and other materials for employees involved in hiring. Furthermore, in order to prevent sexual harassment, power harassment, and other forms of harassment concerning pregnancy, childbirth, child rearing, and nursing care, we established consultation/complaint offices at each work place, in addition to an Ombudsman Committee.

#### ■ Creating workplaces open to employees with disabilities

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

As of April 1, 2019, there are currently 5 employees with disabilities working at Takara Holdings, 36 at Takara Shuzo, and 12 at Takara Bio, which meets the statutory requirement in each case.

Note: The legally mandated rate is 2.2% (from April 1, 2018)

#### ■ Ensuring robust mental health through exams by an external organization

As one aspect of employee mental health support, we hold annual Stress Checks administered by an outside organization at each Group company, with the objective of encouraging preventative approaches to mental health issues and urging awareness of each employee's stress level. If an employee who has been diagnosed with high stress wishes to do so, a visit is held with an industrial physician. Should occupational measures be deemed necessary, the physician's recommendations are followed and initiatives to prevent mental health imbalances are carried out.



## Social

## Spreading Awareness on the Appropriate Consumption of Alcohol

For the Takara Group, which manufactures and sells alcoholic beverages in Japan and other areas around the world, measures to combat social problems from drinking alcohol is a serious issue. At Takara Shuzo, we have striven to communicate information to prevent excessive drinking, underage drinking, alcohol consumption by pregnant women, and drunk driving, since we started our Stop Underage Drinking campaign in 1984. Furthermore, we make thorough efforts to avoid advertising, labeling, and marketing that could entice people to drink inappropriately.

## ■ Educational efforts using our website and pamphlets

In 1986, Takara Shuzo published a “Say No Book” that provided accurate information about alcohol and gave easy-to-understand details on drinking.

Then, in 2009, we updated the publication as a “Maintaining a Positive Relationship with Alcohol” booklet calling for the appropriate consumption of alcohol. We provide this pamphlet at a variety of events and other gatherings, while also making its content available on the Takara Shuzo website (information only available in Japanese).



The “Maintaining a Positive Relationship with Alcohol” booklet

## ■ Conscientious advertising

With regard to our televised alcoholic beverage commercials, we adhere to industry standards requiring that we: (1) Do not use expressions enticing underage drinking, (2) Do not use expressions encouraging excessive drinking or drinking that violates socially accepted common sense, (3) Clearly display labels warning about preventing underage drinking, drunk driving, drinking while pregnant or nursing, and

excessive intake of alcoholic beverages, (4) Restricting the broadcast times of commercials (no broadcasts from 5:00 AM until 6:00 PM), and (5) Voluntarily refraining from broadcasting during programs with higher viewership among underage viewers.

Similarly, for print advertisements other than TV commercials (such as newspapers, magazines, etc.), we include easily noticed messages placed prominently on the ad and informing readers, for example, that underage drinking is prohibited.

## ■ Conscientious product labeling

In order to prevent drinking while pregnant or nursing, since 2004, we have added warnings to that effect on package labels and in newspaper and magazine ads. On top of this, as an initiative to prevent underage drinking and drunk driving, since 1995, we have labeled product packages with the phrase: “The consumption of alcoholic beverages is forbidden for persons under the age of 20 (minors).”

With regard to preventing the unintended consumption of light-alcohol refreshers (under the impression that they are soft drinks), we have promoted initiatives such as being the first in the industry to put a symbol reading “alcoholic beverage” on light-alcohol refreshers. Currently, for canned alcoholic beverages and those 300 ml or less, we print this symbol on all products that are less than 10% alcohol by volume. Also, when distributing sample products, we only do so when we can confirm that the recipients are not underage and are not driving.



Example warning label

Example of the “Alcoholic Beverage” symbol

## Spreading Japanese Food Overseas

As health consciousness rises around the world, and with the registration of washoku as a UNESCO Intangible Cultural Heritage, the demand for Japanese food is increasing overseas as well. By spreading Japanese food, the Takara Group will continue to provide healthy and sumptuous diets for people in all parts of the world.

## ■ Spreading Japanese food through the Japanese Food Wholesale Business in overseas markets

The number of Japanese food restaurants overseas has grown approximately five-fold in the past 10 years. Through our Japanese Food Wholesale Business in overseas markets, the Takara Shuzo International Group is supporting local restaurants and retailers by providing a variety of Japanese food ingredients (such as rice, laver, soy sauce, vinegar, etc.) and complementary products.

With the global market for Japanese foods growing larger in a trend that is expected to continue, we are letting the world know about the great taste of traditional Japanese alcoholic beverages such as sake and shochu, in addition to Japanese food.

## ■ Disseminating information on washoku culture

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

Additionally, in response to the growing demand for sake



PR for the Yutaka brand at an exhibition in the U.K.

products, we carry out training for staff at Japanese food restaurants covering how to serve sake. Using our ties with breweries, we have also started early efforts to communicate sake’s distinct features and the stories behind its brewing.

## Handing Down Traditional Culture

The sake, shochu, and mirin products manufactured and sold by Takara Shuzo have evolved over a lengthy period alongside traditional Japanese culture. Because of this, the Takara Group cherishes traditional culture through social contribution and other activities and strives to hand down this culture over the long term.

## ■ Hosting the Takara Shuzo Cup—Class-Ranked Champions’ Go Tournament

The Takara Shuzo Cup—Class-Ranked Champions’ Go Tournament, co-hosted by Takara Shuzo and the Nihon Ki-in (a public interest incorporated foundation), is the largest amateur go tournament in Japan, open to adult participants at least 20 years of age. The tournament not only includes match play, but also has tasting sessions for Takara Shuzo products, a quiz contest, and go instruction from professional players. These provide an opportunity to deepen understanding of the Takara Shuzo Group and build affinity for our products.

Ahead of the 11th tournament, regional preliminaries were held in fiscal 2019 at 13 sites across Japan, with 10,155 participants (the largest total to date), including those at the all-Japan finals. Through the Takara Shuzo Cup, we are broadening the range of go enthusiasts, while contributing to spreading go as a part of traditional Japanese culture.



A scene during the Takara Shuzo Cup



## Corporate Governance



## Establishing a Framework Following Our Corporate Governance Policy

## Basic policy on corporate governance

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

Under the ten-year long-term management vision Takara Group Vision 2020 announced in April 2011, we aim to expand not only the domestic business but also our overseas business based on our uniquely robust business portfolio that consists of the promising growth areas of Biomedical and Health Foods Businesses\*<sup>1</sup> in addition to the foundation businesses of Alcoholic Beverages and Seasonings while at the same time building a well-balanced business structure that can hold up well to business environment changes. Under the three-year Takara Group Medium-Term Management Plan FY2020, the concrete

action plan for our long-term vision, we have set a basic policy of further increasing overseas sales ratio together with having a full product line-up and many products with a competitive edge both in Japan and overseas with the aim of building up a great number of fields in which we can beat competitors and establish a balanced business foundation able to grow revenues significantly no matter what environmental changes occur. Based on this policy, we are announcing a policy of aiming to improve ROE through performance targets such as net sales, operating income, and overseas sales ratio, as well as through investment in growth and appropriate shareholder returns. Specifically, we will pay dividends based on operating income with a target of 30% for the deemed dividend payout ratio\*<sup>2</sup> together with implementing acquisitions of treasury stock and sales of cross shareholdings in a flexible manner as circumstances permit.

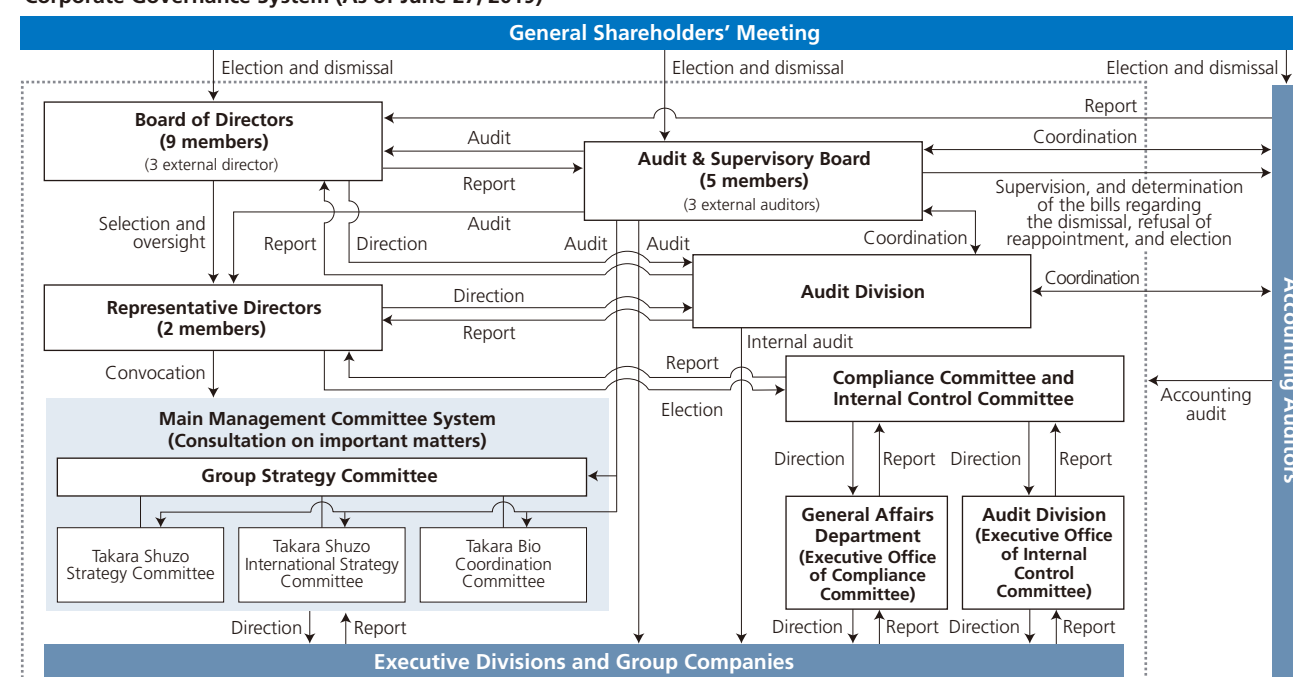
The steady implementation of the long-term vision and the Medium-Term Management Plan and the achievement of continuous growth and an increase in corporate value over the medium-to long-term requires a corporate governance structure that provides transparent, fair, timely, and resolute decision making based on the perspective of stakeholders, including shareholders, customers, employees, creditors, and local communities, and the Group is making efforts in accordance with the specific policies set forth in the Takara Holdings Corporate Governance Policy.\*<sup>3</sup>

\*<sup>1</sup> We transferred our functional food business to Shionogi Healthcare Co., Ltd. on January 1, 2019.

\*<sup>2</sup> Deemed dividend payout ratio = Total dividends / (Consolidated operating income x (1 – statutory effective tax rate))

\*<sup>3</sup> See Corporate Governance on the Takara Holdings website. [https://ir.takara.co.jp/en/Management\\_index/CorporateGovernance.html](https://ir.takara.co.jp/en/Management_index/CorporateGovernance.html)

## Corporate Governance System (As of June 27, 2019)



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

## Corporate governance structure

The Company has adopted the Audit & Supervisory Board system of corporate governance from the perspective of strengthening supervisory functions. Under this structure, directors with a high level of expert knowledge and extensive experience in each business carry out management decision-making and oversee operations in order to perform auditing and supervision of business execution at each operating subsidiary through the formulation and implementation of management strategy while highly independent external directors and external Audit & Supervisory Board members with broad knowledge based on the perspective of all stakeholders, including shareholders, are involved in the audit and supervision of business execution, thereby carrying out highly effective supervision of directors.

In addition, Takara Holdings has formulated the “Rules and Regulations for Overseeing Group Companies,” and, as the holding company, while maintaining independence and autonomy among Group companies, requires each company to deliberate and consult in advance on important management matters through a management committee system which includes the Group Strategy Committee, adopting a structure that provides supervision of business execution while supporting appropriate risk taking.

## Directors and Board of Directors

The Company's Board of Directors is composed of nine directors, including three external directors. Following the resolution at the 105th General Shareholders' Meeting held on June, 2016, the Company adopted a system of electing a number of external directors for the purpose of sustained growth and improving corporate value over the

medium-to long-term.

Moreover, the term of office for directors is one year in order to respond promptly to the management environment and to clarify the management responsibility of the directors.

## Audit &amp; Supervisory Board members and Audit &amp; Supervisory Board

The Company's Audit & Supervisory Board is composed of five Audit & Supervisory Board members, including three external Audit & Supervisory Board members. The Company's Audit & Supervisory Board members and Audit & Supervisory Board make appropriate decisions from an independent and objective standpoint with regard to the performance of their roles and responsibilities.

Furthermore, the Audit & Supervisory Board members do not only appropriately implement accounting and operational auditing through participation at the Board of Directors' meetings and various important management committees and forums for the exchange of views with the management team and internal auditing departments, but also make a variety of recommendations to the management team when they deem it necessary.

## Election of independent officers

The Company has determined that four of the six external officers, external directors Toshihiko Yoshida, Masako Tomotsune and Tomoko Kawakami and external Audit & Supervisory Board member Kumiko Kitai, are independent with no risk of conflict of interest with general shareholders based on the “Independence Standards for Outside Officers”\*<sup>4</sup> stipulated by the Company, and so has designated them as independent officers.

\*<sup>4</sup> Set out in Takara Holdings Corporate Governance Policy.

## Reasons for Election as Independent Officer and Attendance at Board of Directors' Meeting and Audit &amp; Supervisory Board Meetings (Fiscal year ended March 31, 2019)

Name	Reasons for Election	Attendance at Board of Directors' Meetings	Attendance at Audit & Supervisory Board Meetings
Toshihiko Yoshida (External Director)	Toshihiko Yoshida served in key positions, including at the National Tax Agency JAPAN, and the Company has determined that his broad knowledge and extensive experience and track record concerning tax affairs will be useful in the further enhancement of its management structure.	11 out of 14 meetings	—
Masako Tomotsune (External Director)	As an attorney, Masako Tomotsune possesses broad knowledge as well as extensive experience and a track record related to corporate law and other matters. The Company has determined that these qualifications will be useful in the further enhancement of its management structure.	9 out of 9 meetings (after the appointment as External Director)	—
Kumiko Kitai (External Audit & Supervisory Board Member)	After joining the Ministry of Labour, Kumiko Kitai served as Vice-Governor of Shizuoka Prefecture followed by a series of key positions in the Ministry of Health, Labour and Welfare, and the Company has determined that her broad knowledge and her experience and track record due to her extensive career to date will be useful in the further enhancement of its audit structure.	14 out of 14 meetings	14 out of 14 meetings
Tomoko Kawakami (External Director) Appointed June 2016	Tomoko Kawakami has been involved over many years in the academic field of economics at Waseda University and elsewhere, in addition to research activities related to marketing and other fields. The Company has determined that her broad knowledge, extensive experience, and track record in these areas will be useful in the further enhancement of its management structure.	—	—



Corporate Governance

Officer compensation

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

Compensation for internal directors consists of a fixed amount of compensation in accord with the director’s title and role, plus performance-linked compensation, while compensation for external directors and Audit & Supervisory Board members consists of a fixed amount of compensation only.

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

Performance evaluation scores for the previous fiscal

Compensation for directors and Audit & Supervisory Board members (Fiscal year ended March 31, 2019)

Officer category	Fixed amount of compensation		Amount of performance-linked compensation		Total (Millions of yen)
	Number of eligible officers	Total amount (Millions of yen)	Number of eligible officers	Total amount (Millions of yen)	
Director (External Directors)	12 (3)	113 (13)	9 (–)	93 (–)	206 (13)
Audit & Supervisory Board Member (External Audit & Supervisory Board Members)	6 (3)	87 (47)	– (–)	– (–)	87 (47)
Total (External Officers)	18 (6)	200 (61)	9 (–)	93 (–)	294 (61)

Notes:  
1. Amount of compensation for directors does not include the employee salary component for Directors serving concurrently as employees.  
2. With regard to the ceiling on the amount of compensation for directors, the 106th General Shareholders’ Meeting held on June 29, 2017 approved up to ¥136 million per annum (includes up to ¥20 million for external directors. Also, along with the increase in the number of external directors, at the 108th General Shareholders Meeting held on June 27, 2019, this was revised to “up to ¥30 million for external directors”), and with regard to the amount of performance-linked compensation (for directors other than external directors), the 104th General Shareholders’ Meeting held on June 26, 2015 approved an amount equivalent to up to 1% of consolidated operating income for the previous fiscal year (however, these amounts do not include the employee salary component for directors serving concurrently as employees). In addition, at the 106th General Shareholders’ Meeting held on June 29, 2017, an annual amount of up to ¥120 million was approved with regard to the ceiling on compensation for Audit & Supervisory Board members.  
3. At end of the fiscal year under review, the number of directors was nine (including two external directors) and the number of Audit & Supervisory Board members was five (including three external Audit & Supervisory Board members). The reason for the discrepancy with the above-noted numbers of directors and Audit & Supervisory Board members is that they include three directors (one of whom was an external director) and one Audit & Supervisory Board member who retired at the adjournment of the 107th General Shareholders’ Meeting held on June 28, 2018.

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

Policies concerning our publicly traded subsidiary Takara Bio Inc.

Takara Holdings Inc. is the parent company of Takara Bio Inc., holding 60.9% of the voting rights of Takara Bio (Tokyo Stock Exchange First Section; Securities code number: 4974) as of June 27, 2019. The relationship between the Company and Takara Bio is outlined below.

1) Listed subsidiary Takara Bio

On April 1, 2002, Takara Bio was spun off from the parent company as a wholly owned subsidiary. Subsequently, the parent company’s share of voting rights was reduced to its current level through third party capital increases, public subscriptions, the issue of bonds with warrants, and other corporate actions.

As of June 27, 2019, Takara Holdings is a holding company comprising 60 subsidiaries and two affiliates. Takara Bio is positioned as the subsidiary specializing in biotechnology and promoting biotechnology-related businesses for the Group.

2) Holding company management of Group companies

Takara Bio abides by the “Rules and Regulations for Overseeing Group Companies” and receives reports on decisions and other actions of the board of directors, but is not required to seek the approval of the board before enacting policies and operates independently of the holding company.

Further, although Takara Bio’s representative directors, and other board members and executive officers, are requested to attend meetings of the Group Strategy Committee, Takara Bio Coordination Committee, and other committees of the Company as circumstances require, the objective of this attendance is to discuss overall Group policies and facilitate reporting among Group companies, and does not inhibit the autonomy or independence of Takara Bio.

Promoting Risk Management

Compliance

The Takara Group has established a Compliance Committee chaired by the president in order to ensure trustworthy and fair corporate activities and is undertaking a reinforcement of the group-wide compliance promotion structure. Our goal is fulfilling the corporate social responsibility of the entire

Takara Group and increasing the Group’s corporate value by way of each Group company complying appropriately with laws and social ethics and responding to crisis management based on the Takara Group Compliance Action Guidelines.

The helplines that the Company has established as whistleblowing contacts in the event that legal infringements and unfair practices are discovered provide two points of contact inside the Company (General Affairs Department) and outside the Company (a third party organization). In accordance with Japan’s Whistleblower Protection Act and the Helpline Rules, the helplines are run so as to ensure that whistleblowers do not receive disadvantageous treatment due to making a report. The Company gives full consideration to maintaining confidentiality when investigating reports and takes appropriate action based on confirmed facts.

Risk management

The Takara Group strives to prevent the materialization of risk and to mitigate risk while prioritizing risks by

comprehensively investigating workplaces to identify risk on an every-day basis. Such activities are repeatedly carried out each year, and the results from the activities are reported to the Compliance Committee.

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

Meanwhile, we have formulated a Business Continuity Plan (BCP) based on the scenario of a large-scale earthquake. Specifically, in addition to taking such steps as ensuring electric power at our production sites through the introduction of private electricity generating equipment, enhancing the reliability of information dissemination, and preparing back up offices for an emergency, we are making sure of the plan’s effectiveness by running drills based on the plan.

Going forward, we will continue striving to improve the BCP, including considering disasters other than largescale earthquakes.

Message

Messages from External Directors



Toshihiko Yoshida  
External Director  
(Appointed June 29, 2016)

While working to solve social issues, I will strive to boost corporate value.

Toward achieving its long-term management vision, the Takara Group is following its Medium-Term Management Plan 2020 and endeavoring to meet the performance targets for the final year of that plan, ending March 31, 2020. Each business segment has been clearly defined and is actively pursuing business activities while responding to various environmental changes. As a result, performance has been trending favorably. The Group has set key themes deeply connected to business in three areas: food and health, the environment, and people and society. While striving to solve social issues indicated in the SDGs and elsewhere, business is being pursued in an approach that incorporates an ESG perspective under appropriate internal control and corporate governance frameworks. This is being effected through efforts such as a thorough commitment to compliance that includes affiliated subsidiaries inside and outside Japan. While giving consideration to the importance of these initiatives, I will fulfill my role as external director to help the Takara Group achieve sustainable growth and increased medium- and long-term corporate value.



Masako Tomotsune  
External Director  
(Appointed June 28, 2018)

I will continually endeavor to enhance compliance and strengthen corporate governance.

Since my appointment, I have utilized my experience as an attorney and paid particular attention to enhancing compliance and strengthening governance. At the same time, leveraging my perspective as a female director, I have actively offered advice emphasizing corporate activities and sustainable growth in order to promote the active participation of women inside the Company, achieve work-life balance, and benefit the young generation that will carry our future. Although Takara has a long history, it is important not to defer entirely to tradition and instead to substantially grow the Biomedical Business and Overseas Business segments, while courageously reassessing business composition from a medium- to long-term perspective. Additionally, we are energetically working on initiatives to achieve the SDGs, including stipulating the Takara Group Environmental Policy and continuing, since 1989, to address the issue of used containers. Going forward, I will continue working to enhance compliance, including outside Japan, improve corporate value over the medium- to long-term through stronger governance, and be of service to stakeholders.



Tomoko Kawakami  
External Director  
(Appointed June 27, 2019)

I will communicate my opinions from the viewpoint of an economist in order to strengthen compliance.

Greetings. I am Tomoko Kawakami, newly appointed to this position. As a current professor at Waseda University’s Graduate School of Business and Finance, one of my courses is Marketing and New Market Creation. Looking back on the history of Takara, two key words come to mind: challenge and unity. The market environment inside and outside Japan is constantly changing and diversifying, including a low birthrate, an aging population, and on-going globalization. Against this background, I expect the Group to build up a track record of bold challenges, increase Group unity, and further cement its position as a company able to excel both economically and socially. From my specialized perspective as an economist who has analyzed cases in myriad industries, I will continue offering input whenever needed in order to strengthen compliance, while also contributing to stakeholders and to further development for the Group. I look forward to working with everyone.



## Corporate Governance

## Board of Directors and Audit &amp; Supervisory Board Members (As of June 27, 2019)

## Board of Directors

**Hisashi Omiya** (76)

Representative Director and Chairman

Apr. 1968 Joins the Company  
 Apr. 1974 General Manager of New Business Development Division  
 May 1974 Director  
 Jun. 1982 Managing Director  
 Jun. 1988 Senior Managing Director  
 Jul. 1989 Chief Officer of Bio Business Division  
 Apr. 1990 Chief Officer of East-District Alcoholic Beverages Business Division  
 Jun. 1991 Executive Vice President  
 Apr. 1993 Chief Officer of Alcoholic Beverages Business Division  
 Jun. 1993 President  
 Apr. 2002 President, Takara Shuzo Co., Ltd.  
 Chairman, Takara Bio Inc. (incumbent)  
 Jun. 2012 Chairman, Takara Holdings Inc. (incumbent)  
 Chairman, Takara Shuzo Co., Ltd. (incumbent)  
 Jun. 2017 Chairman, Takara Shuzo International Co., Ltd. (incumbent)

**Mutsumi Kimura** (56)

Representative Director and President

Apr. 1985 Joins the Company  
 Apr. 2002 Director, Takara Bio Inc.  
 Jun. 2004 Managing Director, Takara Bio Inc.  
 Jun. 2007 Senior Managing Director, Takara Bio Inc.  
 Jun. 2009 Executive Vice President, Takara Bio Inc.  
 Jun. 2014 Director  
 Senior Managing Director, Takara Shuzo Co., Ltd.  
 Jun. 2016 Executive Vice President  
 Jun. 2017 Director, Takara Shuzo Co., Ltd. (incumbent)  
 Jul. 2017 President, Takara Shuzo International Co., Ltd. (incumbent)  
 Jun. 2018 President (incumbent)

**Koichi Nakao** (57)

Director

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

**Toshihiko Yoshida** (64)

External Director

Jul. 2014 Director, Takamatsu Regional Taxation Bureau, National Tax Agency  
 Jul. 2015 Retired from National Tax Agency  
 Aug. 2015 Tax accountant, Toshihiko Yoshida Certified Tax Accountant Office (incumbent)  
 Jun. 2016 External Director (incumbent)  
 Director, Takara Shuzo Co., Ltd.

**Masako Tomotsune** (47)

External Director

Oct. 2002 Joins Tanabe & Partners  
 Apr. 2010 Self-Defense Forces Personnel Ethics Board Member (incumbent)  
 Apr. 2013 Partner at Tanabe & Partners (incumbent)  
 Jun. 2018 External Director (incumbent)

**Tomoko Kawakami** (54)

External Director

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

**Kenji Murata** (59)

Director

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

**Hideo Takahashi** (57)Director  
(Personnel, General Affairs, Environment & Public Relations, Quality Assurance)

Apr. 1985 Joins the Company  
 Apr. 2012 General Manager of Personnel Division  
 Jun. 2017 Executive Officer, General Manager of Personnel Division  
 Jun. 2018 Director (incumbent)  
 Audit & Supervisory Board Member, Takara Shuzo Co., Ltd. (incumbent)

**Keisuke Mori** (56)Director  
(Business Management, Investor Relations, Accounting & Shared Services, Business Support & IT Promotion)

Apr. 1985 Joins the Company  
 Apr. 2008 General Manager of Administrative Innovation Division  
 Apr. 2011 Concurrent General Manager of Corporate Planning Division  
 Apr. 2012 General Manager of Business Management Division  
 Jun. 2017 Executive Officer, General Manager of Business Management Division  
 Jul. 2017 Audit & Supervisory Board Member, Takara Shuzo International Co., Ltd. (incumbent)  
 Jun. 2018 Director (incumbent)

## Audit &amp; Supervisory Board Members

**Yuzo Watanabe** (63)

Standing Audit &amp; Supervisory Board Member

Apr. 1978 Joins the Company  
 Jun. 2003 General Manager of Technology Division, Takara Shuzo Co., Ltd.  
 Apr. 2007 Manager of Kurokabe-gura Distillery, Takara Shuzo Co., Ltd.  
 Apr. 2009 Executive Officer, Manager of Kurokabe-gura Distillery, Takara Shuzo Co., Ltd.  
 Apr. 2011 Executive Officer, Manager of Matsudo Factory, Takara Shuzo Co., Ltd.  
 Apr. 2013 Executive Officer, General Manager of Quality Assurance Dept.  
 Jun. 2015 Standing Audit & Supervisory Board Member (incumbent)  
 Audit & Supervisory Board Member, Takara Shuzo Co., Ltd.

**Toshihito Yamanaka** (58)Standing Audit & Supervisory Board Member  
(External Audit & Supervisory Board Member)

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

**Tomoyuki Mieda** (63)Standing Audit & Supervisory Board Member  
(External Audit & Supervisory Board Member)

Jun. 2011 Auditor, The Norinchukin Bank  
 Jun. 2013 Retires as Auditor, The Norinchukin Bank Audit & Supervisory Board Member  
 Standing Audit & Supervisory Board Member, Takara Shuzo Co., Ltd.  
 Jun. 2017 Standing Audit & Supervisory Board Member (incumbent)

**Minoru Washino** (64)

Standing Audit &amp; Supervisory Board Member

Apr. 1978 Joins the Company  
 Apr. 2003 General Manager of Regal Group  
 Apr. 2012 General Manager of General Affairs Division  
 Jun. 2014 Director  
 Director, Takara Shuzo Co., Ltd.  
 Jun. 2017 Managing Director  
 Jun. 2018 Standing Audit & Supervisory Board Member (incumbent)

**Kumiko Kitai** (66)Audit & Supervisory Board Member  
(External Audit & Supervisory Board Member)

Aug. 2005 Director-General, The Equal Employment, Children and Families Bureau, Ministry of Health, Labour and Welfare  
 Aug. 2007 Retirement from Ministry of Health, Labour and Welfare  
 Senior Managing Director, Japan Industrial Safety & Health Association  
 May 2011 Retires as Senior Managing Director, Japan Industrial Safety & Health Association  
 Jun. 2011 Audit & Supervisory Board Member (incumbent)  
 Audit & Supervisory Board Member, Takara Shuzo Co., Ltd.  
 Jul. 2014 Attorney-at-law, Kachidoki Law Office (incumbent)





### Shochu

Proprietary brewing and storage technologies garnered over many years have enabled Takara Shuzo to contribute to the development of the shochu market through the pursuit of shochu products that satisfy changing consumer preferences and continually creating markets for shochu.

For *ko-type* shochu, Takara Shuzo has built the largest share of the market based on brands of unique quality and flavor, including the traditional and reassuring No.1 *ko-type* shochu brand Takara Shochu. This brand includes products such as *Gokujō Takara Shochu*, mixed with 3% of cask-aged shochu for a distinctively clean, mellow taste and aroma, *Takara Shochu Jun*, which continues to be an enduring seller more than 40 years after its launch, and *Kodawari no Lemon Sour Takara Shochu*, which leads in popularity among lemon sours. Moreover, in the honkaku shochu market, Takara Shuzo has launched and nurtured a range of unique shochu products for the discerning palate, such as *Ikkomon*, which stresses its 100% sweet-potato-base and *Shirashinken barley shochu*, which accentuates the rich flavor of barley.



### Sake

As the sake for celebrations, Sho Chiku Bai has become the foremost brand in the special occasion and gift sake market.

Also, Takara Shuzo produces such quality sake as the new concept *sparkling sake Sho Chiku Bai Shirakabegura Mio* and *Mio (DRY)*, and *Sho Chiku Bai Shirakabegura Kimoto Junmai* at a specially built facility. Completed in 2001, the *Shirakabegura* Brewery combines leading-edge facilities that recreate traditional, artisan-inspired brewing techniques and sake brewing done by hand in order to comprehensively pursue what is truly authentic sake. Also, *Sho Chiku Bai Ten*, which is full bodied with a clean and dry feel from a unique two-stage brewing process utilizing two different strains of yeast is garnering praise as a daily evening drink. In the restaurant and bar market, *Sho Chiku Bai Gokai* enjoys broad support.

Going forward, we will continue to be particular about workmanship and ingredients and propose products that precisely match the broad needs of customers, from high quality sake to daily evening drinks.



### Light-Alcohol Refreshers

Products that present a unique world view, such as *Takara Can Chu-Hi*, which has been loved since making its powerful debut in 1984 as Japan's first canned chu-hi product, and *Takara Shochu High Ball*, with its distinctively dry flavor that remains a favorite in neighborhood downtown bars, are supported by many customers.

Also, we have a broad lineup of products in line with the preferences of customers, such as our *Takara Taru ga Kaoru Shochu Highball* and *Gokujō Lemon Sour*, which use our unique cask-aged shochu as the base alcohol, and *Takara CRAFT*, etc. which are regionally limited and use local ingredients.

As the top manufacturer of *ko-type* shochu, we will continue to develop and nurture products that make the most of shochu's deliciousness and deliver new value.



### Seasonings

Aiming to provide delicious food through products derived from traditional sake brewing techniques, Takara Shuzo offers a wide range of alcohol-based seasonings that render dishes more delicious and enrich meal times. These seasonings include Takara Hon Mirin, which as a leading brand has continually evolved in tandem with Japanese cuisine, and *Ryori-no-Tame-no-Seishu*, a cooking sake without added salt.

In the food-processing market, for ready-prepared meals and processed food products Takara Shuzo offers a lineup of alcohol-based seasonings and soup stocks. Also, the company will continue to provide customers with solutions to diverse issues through food analysis, cooking research, and recipe development.

## Business Overview

### Growth in sales and profit from the growth of light-alcohol refreshers

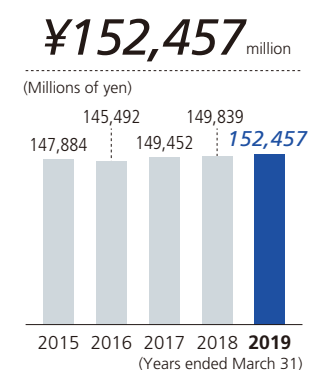
With regard to shochu products, we strove to revitalize the *Takara Shochu* brand by highlighting the appeal of cask-aged shochu, which is our strength, while also dedicating effort to growing sales in related products as the popularity of lemon sour has been rising in recent years. However, sales dipped with the impact of market contraction. Sake products, one of our priority categories, saw a decline in sales under the impact of market conditions. However, specific name brands such as *Sho Chiku Bai Ten*, *Sho Chiku Bai Gokai*, and *Mio sparkling sake*, as well as ginjoshu and junmaishu, ranked number one in domestic units shipped for the 2018 calendar year, thanks to a product strategy aiming for zero shortcomings. As for light-alcohol refreshers, *Takara Shochu High Ball* continued its growth and new products, such as

*Takara Gokujō Lemon Sour* and *Takara CRAFT*, performed well, leading to significantly increased sales. For seasonings, stronger efforts to highlight the appeal of cooking with Hon mirin, as well as to expand sales of cooking sake, food seasonings, and other products, led to results basically on par with the previous fiscal year, while raw alcohol and other products saw increases sales.

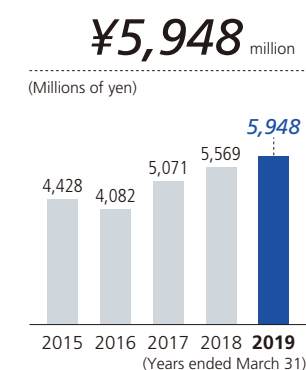
On the profit front, although SG&A expenses rose due to increases in transportation and sales promotion expenses, gross profit more than compensated, thanks to the rise in net sales, and we saw a boost in profit.

With these results, Takara Shuzo's net sales rose 1.7% year on year, to ¥152,457 million, and operating income rose 6.8% year on year, to ¥5,948 million.

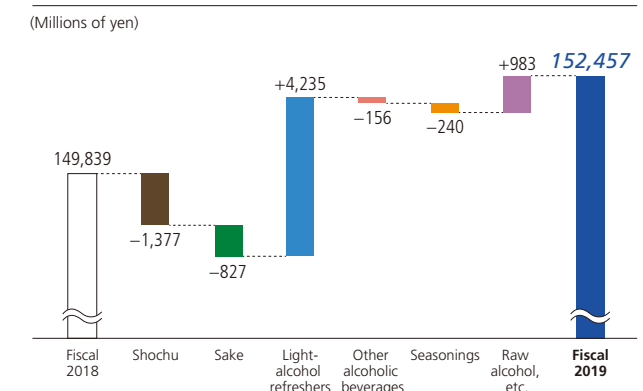
#### Net sales



#### Operating income



#### Analysis of changes in net sales for fiscal 2019



### Takara Can Chu-Hi, Japan's first canned Chu-Hi, marks its 35th anniversary

*Takara Can Chu-Hi*, Japan's first canned chu-hi, which Takara Shuzo debuted on January 1984, marked its 35th anniversary.

*Takara Can Chu-Hi* is a long-selling product made with cask-aged shochu and crystal clear, carbon filtered water from the Takara Shuzo Kurokabegura Distillery (Miyazaki prefecture). In the highly competitive chu-hi market, it is still loved by legions of customers as a premium chu-hi with a dry flavor.

On this 35th anniversary, we launched a limited edition can design that harks back to the logo from its original debut. We also offered limited numbers of the original plum flavor so that today's lineup matches the same four flavors from 35 years ago.

To this, we have added a "Takara Can Chu-Hi Community" website that allows a free, online forum for fans to discuss the best ways to drink and pair side dishes with *Takara Can Chu-Hi*.



Bringing back the *Takara Can Chu-Hi* original can design





### Overseas Alcoholic Beverages Business

In addition to exporting Takara Shuzo products such as the sake *Sho Chiku Bai* and *Takara Hon Mirin*, the business operates based on four companies, which are Takara Sake USA Inc., which manufactures and sells sake and mirin for in Europe and the entire U.S.; Takara Shuzo Foods Co., Ltd., which manufactures and sells sake, Hon Mirin, and shochu in China; Age International, Inc., which handles Blanton's Bourbon whiskey; and the Tomatin Distillery Co., Ltd., which manufactures and sells Scotch whisky.



### Japanese Food Wholesale Business in overseas markets

Providing Japanese foods such as rice, nori, and soy sauce, and also related products such as food preparation equipment and containers, to Japanese restaurants and retail stores around the world. FOODEX S.A.S. (France), Tazaki Foods Ltd. (U.K.), Cominport Distribución S.L. (Spain), and Keta Foods, Lda (Portugal) in Europe, Mutual Trading Co., Inc. in North America, and Nippon Food Supplies Company Pty Ltd. in Australia have each been aggressively extending their respective businesses aiming at the expanding Japanese food market.

### Overseas network of Takara Shuzo International Group



### Business Overview

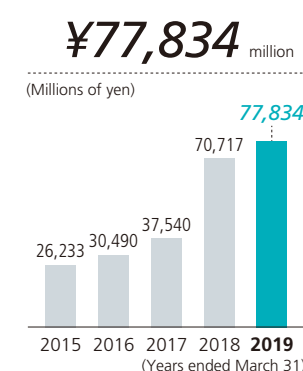
### Japanese food wholesale business in overseas markets had favorable performance with growth in sales and profit

In the Overseas Alcoholic Beverages Business, sales dipped at Takara Sake USA, which manufactures and sells mainly sake products in the U.S., while sales increased at Age International, Inc. (also in the U.S.), on higher whiskey sales. In the Overseas Japanese Food Wholesale Business, the spreading popularity of Japanese food was a tailwind and we saw increased sales from favorable performance at Mutual Trading Co., Ltd., in the U.S., and at our wholesale companies in Europe and Australia.

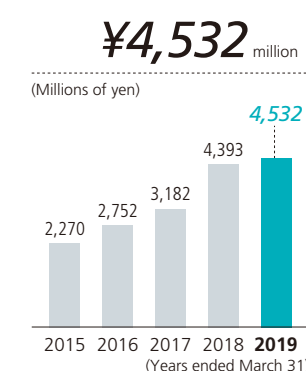
In terms of profit, we saw an overall increase, despite the purchase price of rice increasing, mainly in the U.S., and expenses rising, such as each region's transportation, personnel, and other expenses, including investments for the future accompanying business expansion.

With these results, Takara Shuzo International's net sales rose 10.1% year on year, to ¥77,834 million, and operating income rose 3.2% year on year, to ¥4,532 million.

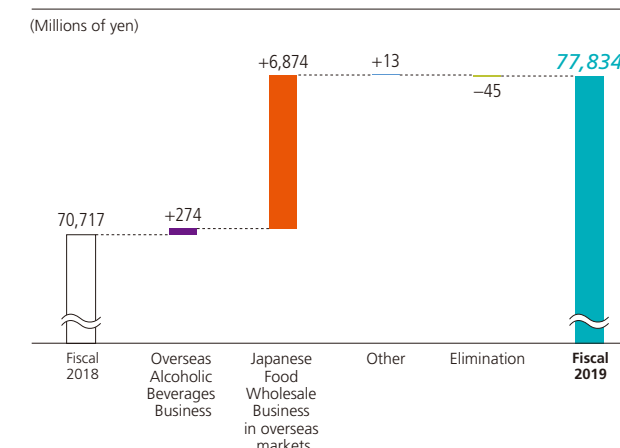
#### Net sales



#### Operating income



#### Analysis of changes in net sales for fiscal 2019



### Blanton's Gold Edition takes the gold medal in the bourbon category at IWSC 2018

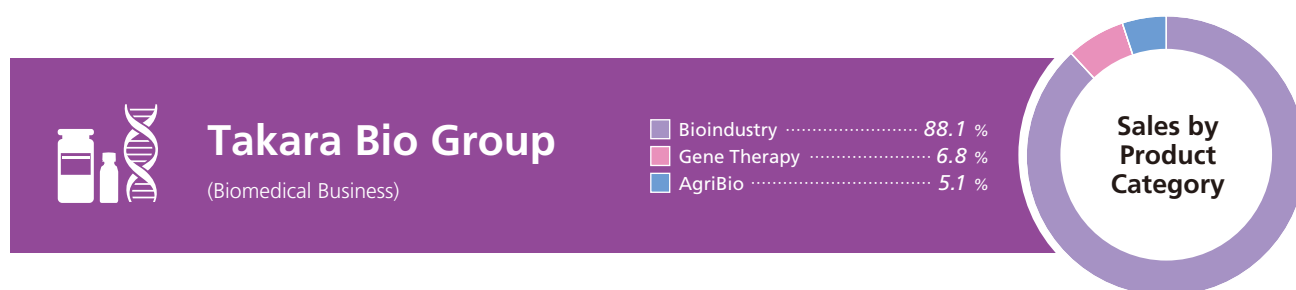
Blanton's Gold Edition bourbon whiskey, sold to a global audience by Age International, Inc. (a Takara Shuzo International group company), won the gold medal award, the top prize in the bourbon category, at the 2018 International Wine and Spirits Competition (IWSC). Established in England in 1969, the IWSC is renowned as the most historic and prestigious alcoholic beverage competition in the world.

In the same competition, Blanton's Straight from the Barrel Bourbon Whiskey won the silver medal ("outstanding award"\*) and Blanton's Original Single Barrel Bourbon also won a silver medal.

\* A distinction awarded to highly praised candidates in each award category.







### Bioindustry Business

This business supports life science research worldwide, in both the research support field and the CDMO business. The Group reflects market needs by developing and supplying research reagents and scientific instruments such as highly functional PCR enzymes and real-time PCR systems used for gene amplification, in addition to stem cell-related products. In the CDMO business, we deliver a broad range of services and, as the best partner for the development of regenerative medical products, provide powerful support for developing leading-edge medicines such as gene and cell therapies.



### Gene Therapy Business

This business implements clinical development of gene therapies, primarily targeting cancer. It is aiming for the early commercialization of oncolytic virus C-REV targeting malignant melanoma and pancreatic cancer, NY-ESO-1•siTCR™ gene therapy targeting synovial sarcoma, and CD19-CAR gene therapy targeting acute lymphocytic leukemia.

#### Development Status of Gene Therapy Projects (as of June 2019)

Projects			Target disease	Region	Status
Oncolytic Virus	C-REV Nonproprietary name: Canerpaturev Trade name: EPLICANA®		Melanoma	Japan	Applied for marketing approval <sup>*1</sup>
			Pancreatic cancer	Japan	Phase I in progress <sup>*1</sup>
			All indications	Korea	Under review <sup>*2</sup>
			Melanoma	U.S.	Phase II investigator initiated trial in progress
Engineered T Cell Therapy	CAR	CD19	Acute lymphocytic leukemia	Japan	Phase I/II in progress <sup>*1</sup>
			Expand indications	Japan	Under review <sup>*1</sup>
	siTCR™	NY-ESO-1	Synovial sarcoma	Japan	Phase I/II trials: in progress <sup>*1</sup>
			Expand indications	Japan	Under review <sup>*1</sup>
			Solid cancer	Canada	Phase Ib investigator-led trials: in progress

<sup>\*1</sup> In collaboration with Otsuka Pharmaceutical Co., Ltd.

<sup>\*2</sup> In collaboration with Dong-A ST Co., Ltd.

### Business Overview

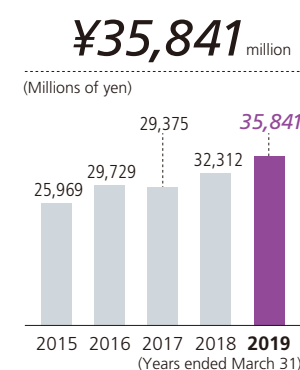
#### Significant growth in sales and profit from recording contract payments related to gene therapy projects

In the Bioindustry Business, although scientific instruments saw a slight contraction, our mainstay research reagents and contract research services grew and posted stronger sales. In the Gene Therapy Business, we saw significantly higher sales from recording contract payments from co-development and exclusive sales agreements in Japan, as well as sales of investigational products related to these contracts, for our NY-ESO-1•siTCR™ and the CD19•CAR gene therapies. In the AgriBio Business, all projects related to functional food products were transferred to Shionogi Healthcare Co., Ltd.

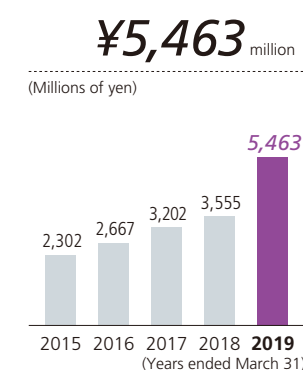
in January 2019, while the mushroom-related business was transferred to Yukiguni Maitake Co., Ltd. in March 2019, which marked the end of our AgriBio Business.

On the profit front, we receive payments in the above-mentioned Gene Therapy Business, which among other factors, led to significantly higher profit year on year. With these results, Takara Bio Group's net sales rose 10.9% year on year, to ¥35,841 million, and operating income rose 53.7% year on year, to ¥5,463 million.

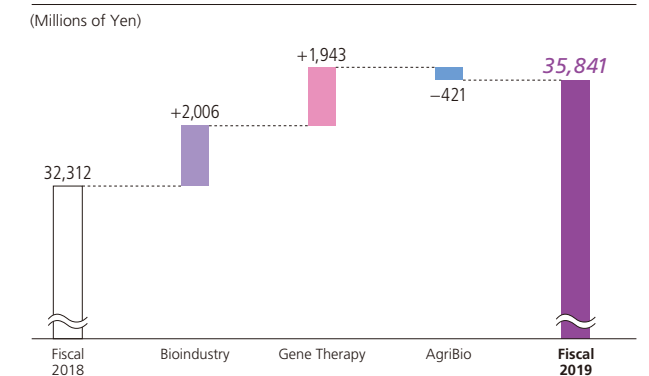
#### Net sales



#### Operating income



#### Analysis of changes in net sales for fiscal 2019



#### Manufacture and sales approval application submitted for the oncolytic virus canerpaturev (C-REV)

In March 2019, Takara Bio applied for approval to manufacture and sell the oncolytic virus<sup>\*3</sup> C-REV (nonproprietary name: canerpaturev) as a regenerative medicine-related product indicated for unresectable, metastatic melanoma. <sup>\*4</sup> With Takara Bio taking the lead in development of this indication, the application was based on clinical trial results in which ipilimumab<sup>\*5</sup> was jointly administered and targets patients for whom existing treatments are ineffective, or who have had a relapse of melanoma. In December 2016, Takara Bio signed a contract with Otsuka Pharmaceutical Co., Ltd. for exclusive marketing rights to C-REV inside Japan. After approval of this application, Takara Bio will handle manufacturing, while Otsuka Pharmaceutical will handle sales of the product.

<sup>\*3</sup> A virus that preferentially replicates in cancer cells, while basically not replicating at all in healthy cells. This replication destroys cancer cells.

<sup>\*4</sup> An extremely virulent type of skin cancer. Also called malignant melanoma.

<sup>\*5</sup> Although cytotoxic T cells can attack cancer cells, an inhibitory mechanism interrupts this destruction in order to prevent the attack of healthy cells. Ipilimumab (an immune checkpoint inhibitor) turns off this inhibitory mechanism and strengthens antitumor activity.

#### Participating in the AMED gene & cell therapy R&D project

Takara Bio participated in the "Research and Development of Core Technologies for Gene and Cell Therapy" project carried out by the Japanese Agency for Medical Research and Development (AMED), which is a national research and development agency. This project aims to create a nationwide framework for developing technology related to advanced, mass production and improved safety of viral vectors, which are essential in leading-edge gene and cell therapies. Along with participating in this project, we opened an R&D facility inside Takara Bio's Kusatsu site. This facility will be the hub for technology development for the project. Since the objective of the facility is to integrate the technologies of companies and academic institutions participating in the project, Takara Bio is leasing out part of the facility (approx. 1,000 m<sup>2</sup> of floor space on the ground floor of a 2-story, steel-frame building).



## 1. Eleven-Year Consolidated Financial Summary

	Millions of yen*2				Millions of yen*2							Thousands of U.S. dollars*3
	2019/3	2018/3	2017/3	2016/3	2015/3	2014/3	2013/3	2012/3	2011/3	2010/3	2009/3	2019/3
<b>For the Years Ended March 31</b>												
<b>Net sales</b> *1	<b>¥ 277,443</b>	¥ 268,142	¥ 234,193	¥ 225,364	¥ 219,490	¥ 209,568	¥ 200,989	¥ 198,690	¥ 189,769	¥ 190,525	¥ 192,790	<b>\$ 2,499,486</b>
Takara Shuzo	152,457	149,839	149,452	145,492	147,884	149,633						1,373,486
Takara Shuzo International Group	77,834	70,717	37,540	30,490	26,233	16,481						701,207
Takara Bio Group	35,841	32,312	29,375	29,729	25,969	23,905						322,892
Other (domestic Group companies)	32,742	36,412	39,017	41,050	42,980	43,123						294,973
Adjusted amounts	(21,431)	(21,140)	(21,193)	(21,398)	(23,577)	(23,575)						(193,072)
<b>Cost of sales</b>	<b>168,694</b>	163,529	140,182	135,868	134,390	129,447	123,630	121,462	115,480	115,805	118,849	<b>1,519,766</b>
<b>Gross profit</b>	<b>108,749</b>	104,612	94,010	89,495	85,099	80,121	77,359	77,228	74,289	74,719	73,941	<b>979,721</b>
<b>Selling, general and administrative (SG&amp;A) expenses</b>	<b>90,945</b>	88,999	80,458	77,815	74,003	70,631	68,225	67,963	65,953	66,146	65,090	<b>819,324</b>
<b>Operating income (loss)</b> *1	<b>17,804</b>	15,612	13,551	11,680	11,096	9,490	9,133	9,264	8,335	8,572	8,851	<b>160,396</b>
Takara Shuzo	5,948	5,569	5,071	4,082	4,428	4,513						53,586
Takara Shuzo International Group	4,532	4,393	3,182	2,752	2,270	907						40,829
Takara Bio Group	5,463	3,555	3,202	2,667	2,302	1,954						49,216
Other (domestic Group companies)	1,954	2,318	2,167	2,058	1,654	1,581						17,604
Adjusted amounts	(95)	(224)	(72)	120	440	533						(856)
<b>Income before income taxes and minority interests</b>	<b>17,658</b>	18,903	14,520	12,548	11,453	18,642	9,256	8,590	7,505	8,208	8,193	<b>159,081</b>
<b>Net income attributable to owners of the parent</b>	<b>10,411</b>	11,029	8,480	7,055	5,706	10,280	4,687	3,995	3,788	4,677	5,639	<b>93,793</b>
<b>Depreciation and amortization</b>	<b>7,827</b>	7,702	6,213	6,180	5,537	4,997	4,973	5,209	5,384	5,652	5,992	<b>70,514</b>
<b>Capital expenditures</b>	<b>10,671</b>	6,414	6,658	6,003	9,533	8,967	5,282	5,330	3,735	3,645	3,616	<b>96,135</b>
<b>Research and development (R&amp;D) expenses</b>	<b>4,708</b>	5,063	4,550	4,608	3,754	3,376	3,090	3,027	3,076	3,665	3,343	<b>42,414</b>
<b>Cash flows provided by operating activities</b>	<b>13,508</b>	16,265	12,826	10,373	9,545	7,233	7,967	9,013	9,462	10,452	8,954	<b>121,694</b>
<b>Cash flows provided by (used in) investing activities</b>	<b>(9,213)</b>	(19,916)	16,200	(10,864)	(10,253)	(12,254)	(3,672)	(4,779)	(11,323)	(7,350)	(7,769)	<b>(83,000)</b>
<b>Cash flows provided by (used in) financing activities</b>	<b>(4,243)</b>	(5,570)	(2,828)	(9,482)	6,819	2,562	1,229	(3,265)	(3,199)	(3,219)	(9,294)	<b>(38,225)</b>
<b>Free cash flow</b>	<b>4,295</b>	(3,650)	29,026	(490)	(708)	(5,021)	4,295	4,233	(1,861)	3,102	1,184	<b>38,694</b>
<b>As of March 31</b>												
<b>Total Assets</b>	<b>¥ 287,106</b>	¥ 287,059	¥ 274,368	¥ 253,253	¥ 264,438	¥ 238,577	¥ 207,586	¥ 197,437	¥ 192,448	¥ 195,495	¥ 190,792	<b>\$ 2,586,541</b>
<b>Interest-bearing Debt</b>	<b>47,427</b>	47,982	47,852	42,837	48,324	38,909	43,098	38,493	38,881	39,162	39,092	<b>427,270</b>
<b>Total equity</b>	<b>179,795</b>	176,217	165,920	156,148	158,404	146,422	114,318	107,659	106,895	109,206	105,316	<b>1,619,775</b>
<b>Total shareholders' equity</b>	<b>148,197</b>	145,111	135,043	130,386	131,923	121,431	100,040	94,783	94,308	96,666	93,093	<b>1,335,108</b>
<b>Per Share of Common Stock (Yen and U.S. dollars):</b>												
<b>Basic net income</b>	<b>¥ 52.15</b>	¥ 54.97	¥ 42.15	¥ 35.06	¥ 28.36	¥ 50.83	¥ 23.01	¥ 19.32	¥ 18.21	¥ 22.20	¥ 26.32	<b>(U.S. dollars) \$ 0.47</b>
<b>Total equity</b>	<b>742.36</b>	726.90	671.11	647.97	655.60	603.44	493.14	461.41	454.21	459.92	437.42	<b>6.69</b>
<b>Cash dividends</b>	<b>18.00</b>	16.00	13.00	12.00	10.00	11.00	9.00	9.00	8.50	8.50	8.50	<b>0.16</b>
<b>Ratios (%):</b>												
<b>Return on assets (ROA)</b>	<b>3.6%</b>	3.9%	3.2%	2.7%	2.3%	4.6%	2.3%	2.0%	2.0%	2.4%	2.8%	<b>—</b>
<b>Return on equity (ROE)</b>	<b>7.1</b>	7.9	6.4	5.4	4.5	9.3	4.8	4.2	4.0	4.9	5.8	<b>—</b>
<b>Equity ratio</b>	<b>51.6</b>	51.0	49.2	51.5	49.9	50.9	48.2	48.0	49.0	49.4	48.8	<b>—</b>
<b>D/E ratio</b>	<b>32.0</b>	33.1	35.4	32.9	36.6	32.0	43.1	40.6	41.2	40.5	42.0	<b>—</b>
<b>Dividend payout ratio</b>	<b>34.5</b>	29.1	30.8	34.2	35.3	21.6	39.1	46.6	46.7	38.3	32.3	<b>—</b>
<b>Deemed dividend payout ratio</b> *4	<b>29.3</b>	29.6	28.0	30.9	28.3	37.6	32.2	33.9	35.9	35.4	34.7	<b>—</b>

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

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

\*3 The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥111 to U.S. \$1, the approximate rate of exchange at March 31, 2019.

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



2. Management’s Discussion and Analysis

Overview of Management Results

In the fiscal year under review, ended March 31, 2019, although personal spending was weak, the Japanese economy overall maintained a moderate recovery backed by improvements in corporate earnings and the hiring environment. While a similarly moderate recovery also continued overseas, the global economic outlook remained uncertain, due in part to such factors as the standstill observed in economic recovery in China and the developments in the trade issues between the U.S. and China.

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

Net sales

In the fiscal year under review, ended March 31, 2019, net sales were up 3.5% year on year to ¥277,443 million, while gross profit also gained, rising 4.0% year on year to ¥108,749 million. In terms of SG&A expenses, despite increases incurred in transportation and personnel expenses, operating income increased 14.0% year on year to ¥17,804 million. As for non-operating income and expenses, since non-operating income increased from gains in interest income, dividend income, and other factors, and non-operating expenses decreased from interest paid and other factors, ordinary income rose 14.1% year on year to ¥18,359 million. Where extraordinary income/loss was concerned, the Company recorded lower extraordinary income due to not having the recorded gain from the sale of shares of subsidiaries and associates with the sale of shares of TAKARA CHOU UN Co., Ltd., which had been a consolidated subsidiary in the previous fiscal year, and despite having a gain on sales of fixed assets and transfer of business, while an extraordinary loss was recorded from impairment and disasters, all of which led to net income attributable to owners of the parent decreasing 5.6% year on year to ¥10,411 million.

Additionally, the overseas sales ratio came to 35%.

Results by business segment were as follows.

(Takara Shuzo)

The challenging business environment is expected to continue as the trend of decrease in total consumption of alcoholic beverages persists due to the impact of the decline and aging of the population in Japan among other factors. In this environment, Takara Shuzo continued to develop products differentiated by its technology in addition to strengthening its product development system in order to respond to diversifying consumer needs in a timely and prompt manner and focusing efforts on increasing competitiveness in the alcoholic beverage and seasoning categories by expanding its product range. Takara Shuzo also worked on improving its profit ratio by increasing the sales ratio of high value added products while striving to strengthen safety assurance and quality control systems for raw materials in order to supply safe and secure products as a food manufacturer.

Net sales for the Takara Shuzo Group rose 1.7% year on year to ¥152,457 million. Cost of sales increased by 2.0% year on year to ¥91,441 million. Consequently, gross profit rose 1.4% year on year to ¥61,015 million. SG&A expenses were up by 0.9% year on year to ¥55,067 million, due to increases in transportation and promotion expenses and other expenses. Accordingly, the Takara Shuzo Group recorded operating income up 6.8% year on year to ¥5,948 million.

The breakdown of the segment’s net sales by product category is as follows.

- Shochu  
¥53,382 million (decreased 2.5%)
- Sake  
¥21,394 million (decreased 3.7%)
- Light-alcohol refreshers  
¥38,777 million (increased 12.3%)
- Other liquors  
¥6,482 million (decreased 2.4%)
- Hon Mirin alcohol-based seasonings  
¥13,869 million (decreased 1.4%)
- Other seasonings  
¥9,714 million (decreased 0.5%)
- Raw alcohol  
¥8,836 million (increased 12.5%)

(Takara Shuzo International Group)

The Takara Shuzo International Group expanded the Overseas Alcoholic Beverages Business, which entails exports from Japan and the manufacture and sale of alcoholic beverages in overseas locations, and the Japanese Food Wholesale Business in overseas markets, through which it sells Japanese food ingredients to Japanese food restaurants and retailers outside Japan. With global market for Japanese foods growing larger in a trend that is expected to continue, the Takara Shuzo International Group worked on business activities with the aim of establishing itself as a leading company in the global Japanese alcoholic beverages and food markets by letting the world know about the great taste of traditional Japanese alcoholic beverages such as sake and shochu in addition to Japanese food.

Sales in the Japanese Food Wholesale Business in overseas markets, which includes Mutual Trading Co., Inc. (U.S.) and FOODEX S.A.S. (France), remained strong, and sales of whisky and other products also increased in the Overseas Alcoholic Beverages Business. As a result, net sales for the Takara Shuzo International Group rose 10.1% year on year to ¥77,834 million. Cost of sales increased 10.0% year on year to ¥54,823 million, and gross profit increased 10.2% year on year to ¥23,010 million. SG&A expenses were up 12.1% year on year to ¥18,478 million due mainly to increases in personnel expenses and transportation expenses. Accordingly, the Takara Shuzo International Group recorded operating income up 3.2% year on year to ¥4,532 million.

(Takara Bio Group)

The Takara Bio Group promoted efforts to implement the strategies of its three business segments: the Bioindustry business, the Gene Therapy business, and the AgriBio business and strengthen the business base to support these efforts with the aim of enhancing its standing as a global enterprise and regenerative medical products company and to achieve prodigious growth.

As a result, net sales for Takara Bio Group rose 10.9% year on year to ¥35,841 million. Cost of sales increased 11.0% year on year to ¥15,155 million and gross profit increased 10.9% year on year

to ¥20,685 million. SG&A expenses were up 0.8% year on year to ¥15,221 million due to increases in personnel and other expenses, while operating income rose 53.7% year on year to ¥5,463 million. Note that this segment’s businesses related to functional food products were transferred to Shionogi Healthcare Co., Ltd. in an absorption-type demerger effective January 1, 2019, while the mushroom-related business was transferred to Yukiguni Maitake Co., Ltd. effective March 1, 2019. With these changes, we have closed Takara’s AgriBio Business.

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

- Bioindustry  
¥31,575 million (increased 6.8%)
- Gene Therapy  
¥2,443 million (increased 488.6%)
- AgriBio  
¥1,822 million (decreased 18.8%)

(Other)

The Other segment includes the Company’s real estate leasing business and the distribution business of Group companies in Japan. Net sales of the Other segment declined 10.1% year on year to ¥32,742 million as TAKARA CHOU UN Co., Ltd. was sold and excluded from the scope of consolidation during the previous fiscal year. Cost of sales declined by 9.1% year on year to ¥27,851 million. Consequently, gross profit decreased by 15.3% year on year to ¥4,891 million. SG&A expenses fell by 15.1% year on year to ¥2,936 million. As a result, operating income decreased by 15.7% year on year to ¥1,954 million.

Financial position

(Assets)

At the end of the fiscal year under review, current assets totaled ¥175,011 million, a decrease of ¥3,943 million compared with that at the end of the previous fiscal year. This was primarily due to an increase in cash and deposits of ¥1,661 million, an increase of ¥1,693 million in notes and accounts receivable–trade, an increase of ¥2,620 million in merchandise and finished goods, and a decrease of ¥3,632 million in securities. Noncurrent assets were ¥112,094 million, a decrease of ¥1,119 million compared with that at the end of the previous fiscal year. This was primarily because of a decrease in intangible assets of ¥2,355 million, including a decrease in goodwill, a decrease in investment securities of ¥2,464 million, and an increase in property, plant and equipment of ¥3,091 million due to an increase in construction in progress. As a result, total assets were ¥287,106 million, an increase of ¥2,824 million compared with that at the end of the previous fiscal year.

(Liabilities)

At the end of the fiscal year under review, current liabilities totaled ¥57,822 million, an increase of ¥5,110 million compared with that at the end of the previous fiscal year. This was mainly due to an increase in short-term loans payable of ¥4,739 million due to transfer from noncurrent liabilities. Noncurrent liabilities were ¥49,489 million, a decrease of ¥5,862 million compared with that at the end of the previous fiscal year. This was primarily due to a decrease in long-term loans payable of ¥5,204 million. As a result, total liabilities were ¥107,311 million, a decrease of ¥752 million compared with that at the end of the previous fiscal year.

(Net assets)

At the end of the fiscal year under review, total net assets were ¥179,795 million, an increase of ¥3,577 million compared with that at the end of the previous fiscal year. This was primarily due to a ¥7,217 million increase in retained earnings due to ¥10,411 million in net income attributable to owners of the parent and ¥3,194 million in dividend of surplus, a decrease of ¥1,705 million in valuation difference on available-for-sale securities, and a decrease of ¥2,841 million in foreign currency translation adjustment. As a result, equity ratio totaled 51.6%, compared with 51.0% at the end of the previous fiscal year.

Cash flows

Net cash provided by operating activities decreased ¥2,757 million year on year to ¥13,508 million primarily due to profit before income taxes of ¥17,658 million, depreciation and amortization of ¥6,490 million, increase in notes and accounts payable–trade of ¥2,900 million, increase in inventories of ¥5,060 million, and income taxes paid of ¥6,586 million.

Net cash used in investing activities resulted in expenditure of ¥9,213 million, a decrease in expenditure of ¥10,703 million compared with that of the previous fiscal year primarily due to payments into time deposits of ¥15,310 million, proceeds from the withdrawal of time deposits of ¥14,846 million, purchase of securities of ¥11,467 million, proceeds from sales and redemption of securities of ¥12,528 million, and purchase of property, plant and equipment and intangible assets of ¥10,671 million.

Net cash used in financing activities resulted in expenditure of ¥4,243 million, a decrease of ¥1,327 million compared with that of the previous fiscal year primarily due to cash dividend paid of ¥3,191 million.

As a result, cash and cash equivalents at fiscal year-end, including the effect of exchange rate change on cash and cash equivalents, stood at ¥48,580 million, down ¥760 million from the previous fiscal year-end.



## 2. Management's Discussion and Analysis

### Objective Indicators, etc. for Judging Achievement of Management Strategies and Targets

The Group is striving to “grow business in markets in Japan and overseas in which the Group can leverage its strengths and establish a balanced business structure that is readily adaptable to changing conditions,” which is a goal announced in the Takara Group Vision 2020, our 10-year long-term management vision started in April 2011. We are pursuing the Takara Group Medium-Term Management Plan FY2020 (the “Medium-Term Management Plan”) as the last step towards achieving this goal. The basic policies of the Takara Group Medium-Term Management Plan FY2020, as well as performance targets for the final year of the plan (the year ending March 31, 2020) and business strategies for achieving those targets are as follows.

#### Basic policy

By further increasing the overseas sales ratio together with having a full product line-up and many products with a competitive edge both in Japan and overseas, the Group is aiming to build up a great number of fields in which it can beat competitors and establish a balanced business foundation able to grow revenues significantly no matter what environmental changes occur.

#### Tangible goals (fiscal year ending March 31, 2020)

Takara Group consolidated basis

- Net sales: At least ¥290.0 billion  
(target announced May 11, 2018: at least ¥295.0 billion)
- Operating income: At least ¥19.0 billion  
(target announced May 11, 2018: at least ¥18.7 billion)
- Overseas sales ratio: At least 36%  
(target announced May 11, 2018: at least 35%)

#### Business strategies

##### <Takara Shuzo>

Expand sales in all categories, with sake and light-alcohol refreshers as the core, by using technology to develop differentiated products while expanding our product lineup, and at the same time improve our profit ratio and further cement our position as a top manufacturer of traditional Japanese alcoholic beverages in the domestic alcoholic beverages and seasonings markets.

##### <Takara Shuzo International Group>

Dramatically expand our scope of business by achieving an overwhelming number one market share in the overseas sake products business and enlarging our overseas Japanese food wholesaler network, while also proceeding to build our business foundation and strengthening our position with the goal of becoming a leading company in the global Japanese alcoholic beverages and foods market.

##### <Takara Bio Group>

While focusing management resources on the Bioindustry business and Gene Therapy business, strengthen the business base to support these efforts and aim for prodigious growth as we enhance our standing as a global enterprise and regenerative medical products company.

#### Financial policy

Maintain a strong balance sheet and make growth-oriented investments while also improving our ROE and achieving proper stock price levels by providing appropriate shareholder returns.

Numerical goals are projections based on available information and certain assumptions judged as logical at the end of the fiscal year under review and therefore do not constitute a guarantee of achievement.

### Analysis and Considerations Concerning Business Performance, etc. from Management's Viewpoint

#### a. Factors with significant influence on business performance

In Takara Shuzo's domestic business, there is a declining trend in total consumption of alcoholic beverages due to the declining and aging population, while competition among manufacturers in the domestic alcoholic beverages industry is intensifying and creating a severe business environment.

In this business, we are continuing to dedicate effort in each category (sake, shochu, and seasonings) to use technology to develop differentiated products and further grow our market share, through which we will cement a strong number one position in Japanese alcoholic beverages and, as the top manufacturer of these products, revitalize the domestic Japanese alcoholic beverages market. Additionally, in the RTD market, we will build a unique position as the canned chu-hi pioneer by fostering our brand and actively introducing new products leveraging our cask-aged shochu and other strengths.

In the Takara Shuzo International Group's overseas business, while interest is growing globally in Japanese alcoholic beverages and food, and the market is expected to further expand in the future, competition with other companies is intensifying. In this business, where the Overseas Alcoholic Beverages Business is concerned, we will focus on sake products and roll out products leveraging a geographical advantage (local production) in the U.S. and China, while working to strengthen exports by developing and fostering dedicated overseas products. In the Overseas Japanese Food Wholesale Business, we will devote effort to enhancing existing bases and creating new bases in untapped areas in order to further expand our wholesale network, increase net sales, and hold down costs through gains in transportation efficiency.

In the Takara Bio Group's Biomedical Business, risk factors include lagging growth in R&D budgets due to each government's changing policy trends, while, in the CDMO Business, it is plausible to predict intensifying competition accompanying a larger number of companies entering the market. In this business area, we would like to respond to challenges by strengthening our R&D capabilities in order to continue launching new products and services that meet customer needs.

#### b. Capital resources and liquidity

In the Group's Medium-Term Management Plan, we announced the financial policy of “maintaining a strong balance sheet and making growth-oriented investments while also improving our ROE and achieving proper stock price levels by providing appropriate

shareholder returns.”

While aggressively taking cash flows from operating activities, as well as retained earnings, and investing them in growth areas for each business segment, we are making appropriate returns to shareholders through stock buybacks and dividends. At the same time, we are striving to maintain a proper balance between capital and debt, emphasizing both financial stability and capital efficiency, by securing diverse means of procuring funds and by utilizing financial liabilities.

##### (a) Capital liquidity

The Group's main demand for short-term operating funds is raw materials and product purchasing costs, in addition to manufacturing and sales costs, administrative costs, and research and development (R&D) expenses. We cover this demand by procuring funds through cash flows from operating activities, as well as short-term loans, mainly from financial institutions, and commercial paper.

We have been rated for 10,000 million yen in issuance from Rating and Investment Information, Inc. (R&I) and the Japan Credit Rating Agency, Ltd. (JCR), with a commercial paper rating of a-1, J-1 from these companies, though we did not issue debt during the fiscal year under review. Additionally, we have a 10,000 million-yen commitment line, for the purpose of dynamic fund procurement and supplementing liquidity, though we did not borrow from this line during the fiscal year under review.

Our balance of cash and cash equivalents at fiscal year-end stood at ¥48,580 million. Though down ¥760 million from the previous year-end, we see this as maintaining sufficient liquidity on hand.

While utilizing our creditworthiness, we procure external capital in one block, and lend necessary funds to our main consolidated subsidiaries (except the Takara Bio Group). At the same time, we are striving to improve capital efficiency and minimize financial expenses, by for example, having some of our consolidated subsidiaries adopt a cash management system (CMS), concentrating their surplus capital with us and letting us carry out integrated management of that capital.

##### (b) Capital resources

The Group's main investment expenses are plant and equipment investments, such as production equipment, research equipment, and product warehouses, in addition to investments in intangible assets, such as M&A, etc. We cover this through cash flows from operating activities, as well as long-term loans, mainly from financial institutions, and through the issuance of corporate bonds.

We have been rated for 20,000 million yen in straight bond issuance from Rating and Investment Information, Inc. (R&I) and the Japan Credit Rating Agency, Ltd. (JCR), with a long-term debt rating of A (single A flat).

For the fiscal year under review, cash flows from investing activities totaled ¥9,213 million, with the main portion of this being ¥10,671 million expended for the purchase of property, plant and equipment, and intangible assets.

For the coming fiscal year, we project net cash used in investment activities to total ¥15,920 million, with ¥15,670 million expended for the purchase of property, plant and equipment, and intangible assets. The main expenditures of this total are expected to be our consolidated subsidiary Takara Bio Co., Ltd.'s spending on equipment and facilities for researching and manufacturing regenerative medicine-related products and we plan to cover the full amount with their liquidity on hand and cash flows from operating activities.

Similarly, we plan to cover other plant and equipment investments, such as improvements and expansions for alcoholic beverage production facilities at Takara Shuzo, with our liquidity on hand and cash flows from operating activities.

##### (c) Capital procurement

No particularly notable capital procurement was carried out in the fiscal year under review.

The balance of corporate bonds at the end of the fiscal year under review was ¥25,000 million, with short-term debt at ¥9,960 million and long-term debt at ¥5,415 million.

## Business Risks

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

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

### <1> Risks concerning consumer preferences and demand fluctuations

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

### <2> Risks concerning market competition

#### (1) Takara Shuzo

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



## 2. Management's Discussion and Analysis

### (2) Takara Shuzo International Group

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

### (3) Takara Bio Group

In the Bioindustry Business, there are no requirements for permission or approval to manufacture and market research reagents and scientific instruments, unlike medical devices. The lack of patent or similar barriers means that it is relatively easy to enter the market and there is a large number of competing companies. In the Gene Therapy Business, technological advances are fueling the development of therapeutic agents with a high level of safety and track records of efficacy, which is leading to approval for manufacturing and marketing overseas. With expectations for a materially large market, many players, including major U.S. and European pharmaceutical manufacturers, start-up companies, and others, have launched initiatives to research and develop gene therapies.

Within this environment, the Takara Bio Group is working independently and partnering with external bodies, such as universities, to develop technologies and products, turn them into intellectual property (to the extent possible), and work to exclusively own markets, or differentiate itself. However, such development strategies are not guaranteed to succeed. If other companies are quicker than Takara Bio Group in similar product or technology fields, it may adversely affect the product development and business performance of the Group.

### <3> Risks concerning dependence on particular plants for manufacturing

#### (1) Takara Shuzo

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

### (2) Takara Shuzo International Group

In the Overseas Alcoholic Beverages Business, Takara Shuzo International Group is manufacturing and supplying whisky through The Tomatin Distillery Co. Ltd (Scotland, UK) and sake products, mirin, and other

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

### (3) Takara Bio Group

In the Takara Bio Group, nearly all production of the Bioindustry Business mainstay reagents used for research is handled by Chinese subsidiary Takara Biotechnology (Dalian) Co., Ltd. By concentrating the Takara Bio Group's production bases, we have been able to create highly price-competitive products. Given the scale of this Group, we do not think it would be advantageous to diversify production bases; however, changes in Takara Biotechnology (Dalian)'s revenues or interrupted business for any variety of reasons may adversely affect the Group's strategies and business performance.

### <4> Risks concerning fluctuations of raw material prices

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

### <5> Risks concerning Japan's legal regulations

#### (1) Takara Shuzo

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

### (2) Takara Shuzo International Group

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

### (3) Takara Bio Group

In advancing research and development in the Bioindustry Business, the Takara Bio Group is subject to, and has a policy committed to observing, Act on Prevention of Radiation Hazards due to

Radioisotopes, etc., as well as the Act on the Conservation and Sustainable Use of Biological Diversity through Regulations on the Use of Living Modified Organisms (abbreviated hereafter as "The Cartagena Law"). Additionally, when manufacturing, marketing, and trading research reagents and the like, the Takara Bio Group must adhere to the Poisonous and Deleterious Substances Control Act, the Quarantine Act, and related laws and regulations. At the same time, since these are not pharmaceutical products or regenerative medical products covered by The Law on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices (hereafter abbreviated to the "Pharmaceutical Affairs Law"), the Group is not subject to or restricted by the above laws. Nevertheless, if these types of regulations were strengthened, or if new regulations were adopted, accompanying the expansion, etc. of the research support industry, the Group's business strategies and performance may be adversely affected. Also, the gene therapy products that the Takara Bio Group is striving to develop are subject to the Pharmaceutical Affairs Law, the Law on Securing Safety of Regenerative Medicine, etc., the Cartagena Protocol, and related laws and regulations, which the Group has a policy to observe. The purpose of these laws and regulations is to secure the efficacy and safety of pharmaceutical products, regenerative medical products, quasi-pharmaceutical products, special cell processing products, cosmetics, and medical devices. It is necessary to receive approval and permission from presiding government agencies in order to engage in commercial activities. If individual projects being advanced in research and development of the Takara Bio Group's Gene Therapy Business fail to receive the necessary approval, it may adversely affect the Group's business strategies.

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

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

### <6> Risks concerning social attitudes toward drinking

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

### <7> Risks concerning R&D activities

The Takara Bio has been conducting a wide range of R&D activities in fields covering a broad range of biotechnology-related industries. The Takara Bio Group considers these R&D activities extremely important in order to keep the Group's competitive edge. The Group therefore aggressively invests in R&D. However, there is no guarantee that the R&D activities will advance as planned, and because clinical development in the Group's Gene Therapy Business takes a very long time, it is also not guaranteed that any R&D activities will bear fruit in a timely manner. A delay in R&D activities may adversely affect the business plans, business performance, and financial position of the Takara Bio Group's Biomedical Business. Furthermore, there is no guarantee that the R&D activities currently in progress will produce their expected results. Such a failure could adversely affect the Group's business performance and financial position.

### <8> Risks concerning intellectual property rights

In biotechnology-related industries, where the success of business depends solely on the success of R&D activities, the Group regards securing intellectual property rights, including patents, as extremely important, and it protects technologies developed in-house with patents to prevent competitors from imitating them. The Group will continue placing the highest priority on applying for patents in its R&D activities. All applications are not always registered, however, and when a registered patent is made invalid for any reason, or expires, the Group's business strategies or operational results may suffer an impact.

In addition, the Group is always mindful that, in biotechnology related industries with continuous cutthroat competition in R&D, its patented technology may be superseded at any time by a competitor exercising technological capabilities that exceed those used in the Group's R&D ventures. The Group is also willing to acquire or buy licenses for promising patent rights held by third parties, but this strategy may be prohibitively expensive or alternatively there is a possibility that the Group may not be able to acquire licenses for necessary patent rights.

### <9> Risks concerning impairment losses of investment securities

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

### <10> Risks concerning impairment losses of fixed assets

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

### <11> Risks concerning retirement benefit liabilities

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



## 2. Management's Discussion and Analysis

### <12> Risks concerning business and capital alliances

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

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

### <13> Risks concerning overseas operations

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

### <14> Risks concerning fluctuations in exchange rates

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

The Group enters into foreign currency forward contracts and exchange rate hedging to minimize the adverse effects caused by short-term fluctuations in exchange rates. In the medium-to long-term, however, the Group may fail to accurately carry out procurement and sales activities as planned due to fluctuations in exchange rates. Therefore, fluctuations in exchange rates may adversely affect the Group's business performance and financial position.

### <15> Risks concerning product liability

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

### <16> Risks concerning information control

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

other internal information. In such cases, the Group could lose its credibility among the general public, which may adversely affect the Group's business.

### <17> Risks concerning lawsuits

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

## 3. Consolidated Financial Statements

### Consolidated Balance Sheet

Takara Holdings Inc. and consolidated subsidiaries  
Year ended March 31, 2019

The accompanying consolidated financial statements conform with the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and accounting principles generally accepted in Japan as fair and appropriate.

	Millions of yen		Thousands of U.S. dollars*
	2019	2018	2019
<b>ASSETS</b>			
CURRENT ASSETS:			
Cash and cash equivalents .....	¥ 48,580	¥ 49,341	\$ 437,657
Time deposits .....	9,350	9,445	84,234
Marketable securities .....	7,574	8,690	68,234
Notes and accounts receivable:			
Trade .....	59,780	57,889	538,558
Other .....	704	574	6,342
Allowance for doubtful accounts .....	(315)	(329)	(2,837)
Inventories .....	46,035	42,909	542,063
Prepaid expenses and other current assets .....	3,301	2,547	29,738
Total current assets .....	175,011	171,067	1,576,675
PROPERTY, PLANT AND EQUIPMENT:			
Land .....	18,559	18,821	167,198
Buildings and structures .....	52,808	53,842	475,747
Machinery, equipment and vehicles .....	80,774	83,143	727,693
Tools, furniture and fixtures .....	15,706	15,462	141,495
Lease assets .....	1,025	1,050	9,234
Construction in progress .....	6,105	1,064	55,000
Total .....	174,979	173,384	1,576,387
Accumulated depreciation .....	(114,402)	(115,898)	(1,030,648)
Net property, plant and equipment .....	60,576	57,485	545,729
INVESTMENTS AND OTHER ASSETS:			
Investment securities .....	24,590	27,091	221,531
Investments in and advances to unconsolidated subsidiaries and associated companies .....	1,552	1,516	13,981
Goodwill .....	12,400	13,765	111,711
Deferred tax assets .....	1,648	1,290	14,846
Other assets .....	11,325	12,064	102,027
Total investments and other assets .....	51,517	55,728	464,117
TOTAL .....	¥ 287,106	¥ 284,281	\$ 2,586,540

\* The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥111 to U.S. \$1, the approximate rate of exchange at March 31, 2019.



## 3. Consolidated Financial Statements

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
<b>LIABILITIES AND EQUITY</b>			
CURRENT LIABILITIES:			
Short-term bank loans	¥ 4,797	¥ 4,919	\$ 43,216
Current portion of long-term debt	5,303	466	47,774
Notes and accounts payable:			
Trade	16,257	16,512	146,459
Construction and other	4,337	4,084	39,072
Liquor taxes payable	10,224	9,278	92,108
Income taxes payable	1,879	3,126	16,927
Accrued expenses	8,432	7,992	75,963
Accrued sales promotion expenses	1,921	1,853	17,306
Other current liabilities	4,668	4,477	42,054
Total current liabilities	57,822	52,712	520,918
LONG-TERM LIABILITIES:			
Long-term debt	30,773	36,064	277,234
Liability for retirement benefits	8,757	8,759	78,891
Deposits	5,337	5,312	48,081
Deferred tax liabilities	2,907	3,515	26,189
Other	1,713	1,700	15,432
Total long-term liabilities	49,489	55,352	445,846
COMMITMENTS AND CONTINGENT LIABILITIES			
EQUITY:			
Common stock, authorized, 870,000,000 shares; issued, 201,699,743 shares in 2019 and 2018	13,226	13,226	119,153
Capital surplus	2,417	2,219	21,774
Retained earnings	124,788	117,571	1,124,216
Treasury stock, at cost, 2,069,706 shares in 2019 and 2,069,224 shares in 2018	(1,368)	(1,367)	(12,324)
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities	9,814	11,520	88,414
Deferred gain (loss) on derivatives under hedge accounting	114	(120)	1,027
Foreign currency translation adjustments	(196)	2,645	(1,765)
Defined retirement benefit plans	(599)	(583)	(5,396)
Total	148,197	145,111	1,335,108
Noncontrolling interests	31,597	31,106	284,657
Total equity	179,795	176,217	1,619,774
<b>TOTAL</b>	<b>¥ 287,106</b>	<b>¥ 284,281</b>	<b>\$ 2,586,540</b>

## Consolidated Statement of Income

Takara Holdings Inc. and consolidated subsidiaries  
Year ended March 31, 2019

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
NET SALES	¥ 277,443	¥ 268,142	\$ 2,499,486
COST OF SALES	168,694	163,529	1,519,765
Gross profit	108,749	104,612	979,720
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	90,945	88,999	819,324
Operating income	17,804	15,612	160,396
OTHER INCOME (EXPENSES):			
Interest and dividend income	800	700	7,207
Gain on sales of shares of subsidiaries and associates		3,312	
Gain on sales of property, plant, and equipment	290	15	2,612
Gain on transfer of business	291		2,621
Insurance claim income	85		765
Interest expense	(387)	(568)	(3,486)
Bond issuance cost		(112)	
Foreign exchange loss	(122)	(25)	(1,099)
Impairment loss	(696)	(446)	(6,270)
Loss on disposals of property, plant and equipment	(318)	(222)	(2,864)
Loss on disaster	(246)		(2,216)
Other, net	157	637	1,414
Other income, net	(145)	3,291	(1,306)
INCOME BEFORE INCOME TAXES	17,658	18,903	159,081
INCOME TAXES:			
Current	5,443	6,859	49,036
Deferred	(132)	(484)	(1,189)
Total income taxes	5,310	6,374	47,837
NET INCOME	12,347	12,528	111,234
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	1,936	1,499	17,441
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 10,411	¥ 11,029	\$ 93,792
PER SHARE OF COMMON STOCK:	Yen		U.S. dollars
Basic net income	¥ 52.15	¥ 54.97	\$ 0.46
Cash dividends applicable to the year	18.00	16.00	0.16



## 3. Consolidated Financial Statements

## Consolidated Statement of Comprehensive Income

Takara Holdings Inc. and consolidated subsidiaries  
Year ended March 31, 2019

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
NET INCOME	<b>¥ 12,347</b>	¥ 12,528	<b>\$ 111,234</b>
OTHER COMPREHENSIVE INCOME (LOSS):			
Unrealized (loss) gain on available-for-sale securities	<b>(1,705)</b>	1,936	<b>(15,360)</b>
Deferred gain (loss) on derivatives under hedge accounting	<b>228</b>	(115)	<b>2,054</b>
Foreign currency translation adjustments	<b>(3,646)</b>	1,262	<b>(32,846)</b>
Defined retirement benefit plans	<b>25</b>	93	<b>225</b>
Total other comprehensive (loss) gain	<b>(5,098)</b>	3,177	<b>(45,927)</b>
COMPREHENSIVE INCOME	<b>¥ 7,249</b>	¥ 15,706	<b>\$ 65,306</b>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	<b>¥ 6,083</b>	¥ 14,114	<b>\$ 54,801</b>
Noncontrolling interests	<b>1,166</b>	1,591	<b>10,504</b>

## Consolidated Statement of Changes in Equity

Takara Holdings Inc. and consolidated subsidiaries  
Year ended March 31, 2019

	Thousands		Millions of yen									
	Number of shares of common stock outstanding	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income						
						Unrealized (loss) gain on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Non-controlling interests	Total equity
BALANCE, APRIL 1, 2017	201,224	¥13,226	¥1,650	¥119,729	¥(9,939)	¥9,583	¥0	¥1,426	¥(634)	¥135,043	¥30,877	¥165,920
Net income attributable to owners of the parent				11,029						11,029		11,029
Cash dividends, ¥13.0 per share				(2,615)						(2,615)		(2,615)
Purchase of treasury shares	(1,594)				(2,001)					(2,001)		(2,001)
Disposal of treasury shares	0		0		0					0		0
Retirement of treasury shares			(10,572)		10,572							
Purchase of shares of consolidated subsidiary			570							570		570
Transfer to capital surplus from retained earnings			10,572	(10,572)								
Net change in the year						1,936	(121)	1,218	51	3,085	228	3,314
BALANCE, MARCH 31, 2018	199,631	13,226	2,219	117,571	(1,367)	11,520	(120)	2,645	(583)	145,111	31,106	176,217
Net income attributable to owners of the parent				10,411						10,411		10,411
Cash dividends, ¥16.0 per share				(3,194)						(3,194)		(3,194)
Purchase of treasury shares	(1)				(0)					(0)		(0)
Disposal of treasury shares	0		0		0					0		0
Purchase of shares of consolidated subsidiary			197							197		197
Net change in the year						(1,705)	235	(2,841)	(16)	(4,328)	491	(3,836)
BALANCE, MARCH 31, 2019	199,630	¥13,226	¥2,417	¥124,788	¥(1,368)	¥9,814	¥ 114	¥(196)	¥(599)	¥148,197	¥31,597	¥179,795

	Thousands of U.S. dollars										
	Accumulated other comprehensive income										
	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized (loss) gain on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Non-controlling interests	Total equity
BALANCE, MARCH 31, 2018	\$119,153	\$19,990	\$1,059,198	\$(12,315)	\$103,783	\$(1,081)	\$23,828	\$(5,252)	\$1,307,306	\$280,234	\$1,587,540
Net income attributable to owners of the parent			93,792						93,792		93,792
Cash dividends, \$0.14 per share			(28,774)						(28,774)		(28,774)
Purchase of treasury shares				(0)					(0)		(0)
Disposal of treasury shares		0		0					0		0
Purchase of shares of consolidated subsidiary		1,774							1,774		1,774
Net change in the year					(15,360)	2,117	(25,594)	(144)	(38,990)	4,423	(34,558)
BALANCE, MARCH 31, 2019	\$119,153	\$21,774	\$1,124,216	\$(12,324)	\$88,414	\$1,027	\$(1,765)	\$(5,396)	\$1,335,108	\$284,657	\$1,619,774

## Consolidated Statement of Cash Flows

Takara Holdings Inc. and consolidated subsidiaries  
Year ended March 31, 2019

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
OPERATING ACTIVITIES:			
Income before income taxes	<b>¥ 17,658</b>	¥ 18,903	<b>\$ 159,081</b>
Adjustments for:			
Income taxes paid	<b>(6,586)</b>	(6,017)	<b>(59,333)</b>
Depreciation and amortization	<b>7,827</b>	7,702	<b>70,513</b>
Impairment loss	<b>696</b>	446	<b>6,270</b>
Gain on transfer of business	<b>(291)</b>		<b>(2,621)</b>
Gain on sales of shares of subsidiaries and associates		(3,312)	
Changes in assets and liabilities:			
Increase in trade receivables	<b>(2,900)</b>	(240)	<b>(26,126)</b>
Increase in inventories	<b>(5,060)</b>	(2,520)	<b>(45,585)</b>
(Increase) decrease in interest and dividends receivable	<b>(17)</b>	19	<b>(153)</b>
Increase (decrease) in trade payables	<b>324</b>	(10)	<b>2,918</b>
Increase in liquor taxes payable	<b>946</b>	1,685	<b>8,522</b>
Increase (decrease) in other current liabilities	<b>866</b>	(699)	<b>7,801</b>
(Decrease) increase in interest payable	<b>(8)</b>	8	<b>(72)</b>
Other, net	<b>52</b>	301	<b>468</b>
Total adjustments	<b>(4,149)</b>	(2,638)	<b>(37,378)</b>
Net cash provided by operating activities	<b>13,508</b>	16,265	<b>121,693</b>
INVESTING ACTIVITIES:			
Net increase in time deposits	<b>(463)</b>	(1,833)	<b>(4,171)</b>
Purchases of marketable securities and investment securities	<b>(11,577)</b>	(12,783)	<b>(104,297)</b>
Proceeds from sales and redemption of marketable securities	<b>12,528</b>	8,736	<b>112,864</b>
Purchases of property, plant, and equipment	<b>(10,671)</b>	(6,601)	<b>(96,135)</b>
Purchase of shares of subsidiaries resulting in change in scope of consolidation	<b>(53)</b>	(12,396)	<b>(477)</b>
Proceeds from transfer of businesses	<b>1,067</b>		<b>9,612</b>
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation		4,150	
Other, net	<b>(43)</b>	811	<b>(387)</b>
Net cash used in investing activities	<b>(9,213)</b>	(19,916)	<b>(83,000)</b>
FINANCING ACTIVITIES:			
Repayment of long-term loans payable	<b>(304)</b>	(858)	<b>(2,738)</b>
Proceeds from issuance of bonds		14,887	
Redemption of bonds		(10,547)	
Cash dividends paid	<b>(3,191)</b>	(2,614)	<b>(28,747)</b>
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	<b>(203)</b>	(585)	<b>(1,828)</b>
Other, net	<b>(543)</b>	(5,851)	<b>(4,891)</b>
Net cash used in financing activities	<b>(4,243)</b>	(5,570)	<b>(38,225)</b>
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	<b>(812)</b>	(202)	<b>(7,315)</b>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<b>(760)</b>	(9,423)	<b>(6,846)</b>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<b>49,341</b>	58,765	<b>444,513</b>
CASH AND CASH EQUIVALENTS, END OF YEAR	<b>¥ 48,580</b>	¥ 49,341	<b>\$ 437,657</b>

4. Major Consolidated Subsidiaries (As of March 31, 2019)

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

Name	Address	Issued capital	Percentage of equity owned	Line of business
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Takara Shuzo (Domestic Business)

TAKARA SHUZO CO., LTD.	20 Naginataboko-cho, Shijo-dori Karasuma Higashi-iru, Shimogyo-ku, Kyoto 600-8688, Japan	¥1,000 million	100.0%	Manufacture and sale of alcoholic beverages, seasonings, and raw alcohol
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Takara Shuzo International Group (Overseas Business)

TAKARA SHUZO INTERNATIONAL CO., LTD.	20 Naginataboko-cho, Shijo-dori Karasuma Higashi-iru, Shimogyo-ku, Kyoto 600-8688, Japan	¥10 million	100.0%	Management of group companies, export and sale, etc. of alcoholic beverages and seasonings
Takara Sake USA Inc.	708 Addison St., Berkeley, CA 94710, U.S.A.	US\$7,000 thousand	(100.0%)	Manufacture, sale, export, and import and sale of alcoholic beverages
Age International, Inc.	229 W.Main St., Frankfort, KY 40602, U.S.A.	US\$250 thousand	(100.0%)	Sale of bourbon whiskey
Mutual Trading Co., Inc.	431Crockett St. Los Angeles CA 90013, U.S.A.	US\$2,703 thousand	(67.1%)	Import and wholesale of alcoholic beverages, foods, seasonings, etc.
The Tomatin Distillery Co., Ltd	Tomatin, Inverness-shire, IV13 7YT Scotland, U.K.	£3,297 thousand	(80.6%)	Manufacture and sale of Scotch whisky
Tazaki Foods Ltd	12 Innova Way, Enfield, Middlesex EN3 7FL, U.K.	£357 thousand	(100.0%)	Import and wholesale of alcoholic beverages, foods, seasonings, etc.
FOODEX S.A.S.	4, impasse des Carrières 75016 Paris, France	€250 thousand	(100.0%)	Import and wholesale of alcoholic beverages, foods, seasonings, etc.
Cominport Distribución S.L.	Avenida Marconi nave 1 - P.A.E. Neysa Sur - 28021, Madrid, Spain	€143 thousand	(100.0%)	Import and wholesale of alcoholic beverages, foods, seasonings, etc.
Keta Foods, Lda	Quinta do Olival das Minas, Quinta do Duque No.26, 2625-573 Vialonga, Portugal	€15 thousand	(100.0%)	Import and wholesale of alcoholic beverages, foods, seasonings, etc.
Nippon Food Supplies Company Pty Ltd	Unit 8/697 Gardeners Rd, Alexandria NSW 2015, Australia	A\$17 million	(51.0%)	Import and wholesale of alcoholic beverages, foods, seasonings, etc.
Takara Shuzo Foods Co., Ltd.	No.31 Nanyuan West St. Fengtai District Beijing, China 100076	RMB130,000 thousand	(62.0%)	Manufacture, sale, export, and import and sale of alcoholic beverages
Shanghai Takara Shuzo International Trading Co., Ltd.	Room 307, Building 2, No.505, Zhong Shan Nan Road, Shanghai, China 200010	RMB4,896 thousand	(100.0%)	Export, and import and sale of alcoholic beverages and foods
Takara Shuzo Asia Pacific Pte. Ltd.	Level 8, Suite 8. 08, M Hotel, 81 Anson Road Singapore 079908	S\$500 thousand*	(100.0%)	Market development and sales promotion for Takara Shuzo products

\* Singapore dollars

Takara Bio Group (Biomedical Business)

TAKARA BIO INC.	Nojihigashi 7-4-38, Kusatsu, Shiga 520-0058, Japan	¥14,965 million	60.9%	Production and sale of research reagents, scientific instruments and others, related contract services, and commercialization of gene therapy
Takara Bio USA, Inc.	1290 Terra Bella Avenue, Mountain View, CA 94043, U.S.A.	US\$83 thousand	(100.0%)	Development and sale of research reagents and scientific instruments
Takara Bio Europe S.A.S.	2, avenue du President Kennedy, 78100 St Germain en Laye, France	€891 thousand	(100.0%)	Sale of research reagents and scientific instruments
Takara Bio Europe AB	Arvid Wallgrens Backe 20, 41346, Göteborg, Sweden	SEK2,222 thousand*	(100.0%)	Production and sale of research reagents, and related contract services
DSS Takara Bio India Pvt. Ltd.	A-5 Mohan Co-op Industrial Estate, Mathura Road, New Delhi, 110044, India	Rs.110 million	(51.0%)	Production and sale of research reagents
Takara Biotechnology (Dalian) Co., Ltd.	No.19 Dongbei 2nd Street, Development Zone, Dalian, China 116600	¥2,350 million	(100.0%)	Development, production and sale of research reagents, and related contract services
Takara Biomedical Technology (Beijing) Co., Ltd.	Life Science Park, 22 KeXueYuan Road Changping District, Beijing, China 102206	¥1,330 million	(100.0%)	Sale of research reagents and scientific instruments
Takara Korea Biomedical Inc.	Lotte New T Castle 601, 429-1, Gasan-dong, Gumchun-gu, Seoul, 153-803, Korea	₩3,860 million	(100.0%)	Sale of research reagents and scientific instruments

\* Swedish Krona

Others (Domestic Group Companies)

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

5. Investor Information (As of March 31, 2019)

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

Stock and Investor Information

Common Stock

Authorized

870,000,000 shares

Issued and Outstanding

201,699,743 shares

Number of Shareholders

25,334

Stock Listings (Common Stock)

Tokyo

Securities Code Number

2531

Shareholder Registry Administrator

Mizuho Trust & Banking Co., Ltd.

2-1, Yaesu 1-chome, Chuo-ku, Tokyo

Inquiries to Shareholder Registry Administrator

Mizuho Trust & Banking Co., Ltd.

Stock Agency Transfer Department

8-4, Izumi 2-chome, Suginami-ku, Tokyo 168-8507, Japan

Telephone: 0120-288-324

(toll free, within Japan only)

Principal shareholders

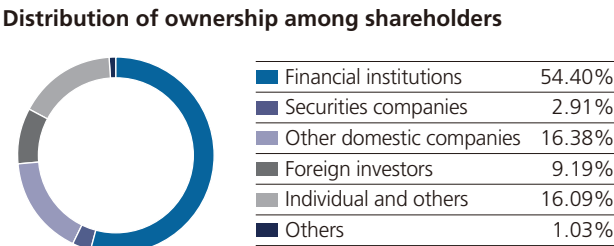
Name	Number of shares held (Thousands)	Percentage of shares held Name (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	28,065	14.06
Japan Trustee Services Bank, Ltd. (Trust Account)	19,395	9.72
Mizuho Bank, Ltd.	9,738	4.88
The Norinchukin Bank	9,500	4.76
Meiji Yasuda Life Insurance Company	5,370	2.69
Bank of Kyoto, Ltd.	5,000	2.50
KOKUBU GROUP CORP.	3,489	1.75
Takara Group Employees' Shareholding Association	3,067	1.54
Trust & Custody Services Bank, Ltd. (Security Investment Trust Account)	3,049	1.53
Japan Alcohol Trading Co., Ltd.	3,000	1.50

Notes: (1) Number of shares is rounded down to the nearest thousand.

(2) The ratio of shareholders was calculated excluding 2,069 thousand shares of treasury stock.

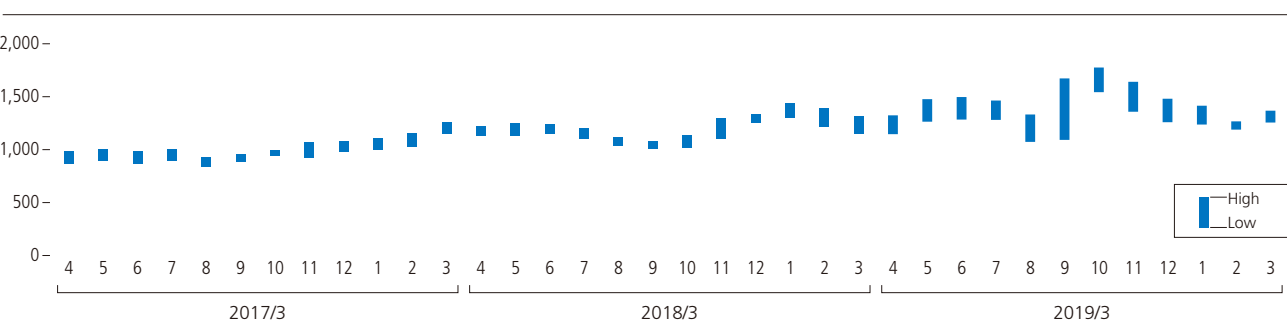
Distribution of ownership among shareholders

Annual Meeting of Shareholders	The annual meeting of shareholders of the Company is normally held in June each year in Kyoto, Japan. In addition, the Company may hold a special meeting of shareholders whenever necessary by giving at least two weeks, advance notice to shareholders.
Independent Auditor	Deloitte Touche Tohmatsu LLC



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

Stock Price Range on the Tokyo Stock Exchange (Yen)





## About the Cover

The origin of the word “Takara” goes back to the Japanese phrase “from the field” also read as “ta-kara”. Using rice, which is at the root of the Takara Group’s business, to depict a karesansui, which is a traditional Japanese dry landscape garden, expresses our corporate philosophy that values harmony with nature.

# TAKARA HOLDINGS INC.

20 Naginataboko-cho, Shijo-dori Karasuma Higashi-iru,  
Shimogyo-ku, Kyoto 600-8688, Japan  
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[www.takara.co.jp/english](http://www.takara.co.jp/english)



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Printed in Japan

