

TAKARA

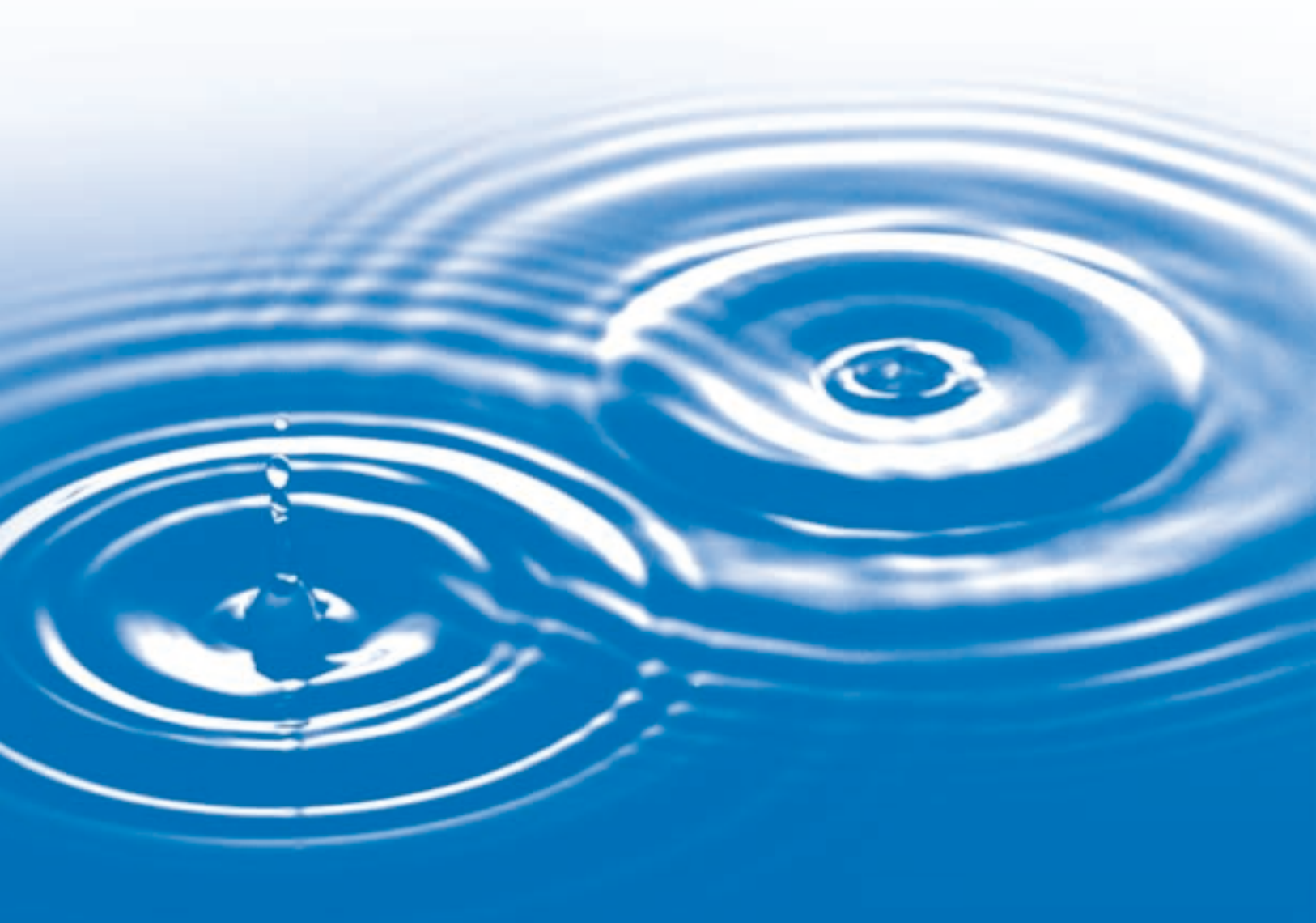
Strong Core, **Steady** Growth

Annual Report 2009
Year ended March 31, 2009



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



The Takara Group unlocks new potential in the culinary, lifestyle culture and life science fields through its fermentation technologies for traditional Japanese sake and its cutting-edge innovation in the biotechnologies. These initiatives have consistently created new value and contributed to well-being and prosperity in the community.

Takara Holdings Inc., the Group’s holding company, coordinates and oversees the operations of Group companies with the aim of maximizing rewards and results. Under its umbrella are the Takara Shuzo Group, which develops the alcoholic beverages and seasonings business; the Takara Bio Group, which develops the biomedical business; and Takara Healthcare Inc., which plays a key role in accelerating growth in the health foods business.

The Takara Group has been actively promoting evolution in five business areas—business results, business operations, management, corporate culture and human resources, and environmental and social responsibility—under Takara Evolution-100 (TE-100), the Group’s 10-year, long-term management concept enacted in 2000. The concept focuses on establishing the alcoholic beverages and seasonings business as a stable profit generator, further broadening the potential for growth through the biomedical and health foods businesses, and in turn increasing underlying corporate value.

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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. 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.

At a Glance

In fiscal 2009, ended March 31, 2009, the Takara Group posted net sales of ¥192,790 million, an increase of 0.5% compared with the previous fiscal year, while operating income rose 4.1% compared with the previous fiscal year, to ¥8,851 million. Group operations are divided into four business segments: Alcoholic Beverages and Seasonings, Biomedical, Transportation and Other. The Alcoholic Beverages and Seasonings segment accounted for 82.7% of net sales in the fiscal year, underpinning total operations of the Takara Group. Although the combined sales of the Biomedical, Transportation and Other segments accounted for only 17.3% of Takara Group net sales, the biomedical and health foods businesses are playing a crucial role as the drivers of future Group growth.

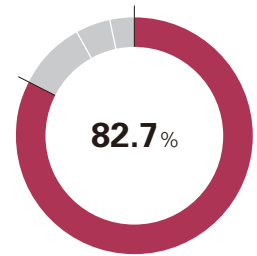
Main Products

Share of Net Sales

Alcoholic Beverages and Seasonings Segment



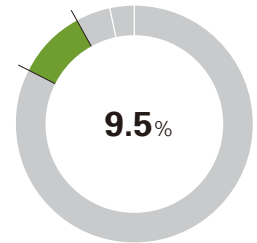
- Shochu
- Sake
- Light-alcohol refreshers
- *Hon Mirin* (a sake-based seasoning)
- Food seasonings
- Raw alcohol
- Others



Biomedical Segment



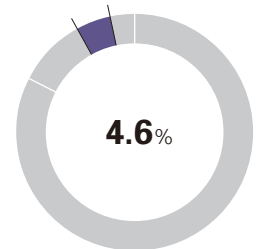
- Research reagents
- Scientific instruments
- Contract research services
- Gene transduction products
- Mushrooms
- AgriBio
- Others



Transportation Segment



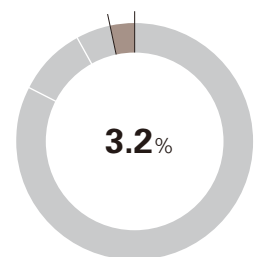
- Cargo forwarding
- Warehousing
- Distribution processing



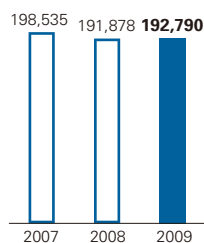
Other Segment



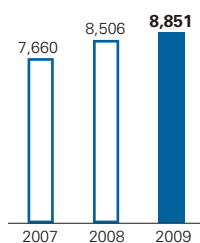
- Labels
- Posters
- Cardboard cases
- Sales promotion supplies
- Real estate leasing
- Health foods
- Others



Net Sales
(Millions of Yen)



Operating Income
(Millions of Yen)



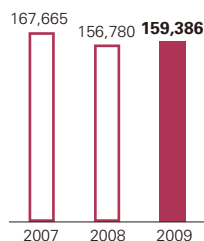
Results in Fiscal 2009

Net Sales **¥192,790** million (increased 0.5%)

Operating Income **¥8,851** million (increased 4.1%)

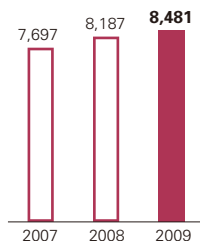
Net Sales

(Millions of Yen)



Operating Income

(Millions of Yen)



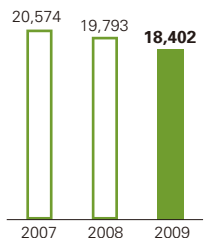
Summary

In fiscal 2009, the Alcoholic Beverages and Seasonings segment posted sales amounting to ¥159,386 million, a 1.7% increase compared with the previous fiscal year. This segment accounted for 82.7% of net sales.

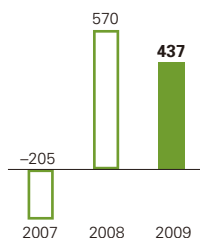
Sales of *Ikkomon*, a high-quality brand of sweet-potato-based shochu, continued to record robust growth, and there was a recovery in sales of large-sized bottles of *ko*-type shochu, which had temporarily fallen after delivery prices were raised in the previous period. *Takara Shochu High Ball*, a dry *chu-hi* product, and *Takara Can Chu-Hi Jika-Shibori*, a fruit juice-based brand of *chu-hi*, both posted sales growth.

Operating income for the segment increased 3.6% compared with the previous fiscal year, to ¥8,481 million. Although there was some impact on profits from rising raw material prices and the economic downturn from the fall of 2008 onward, the increase in operating income was achieved through a thorough cost reduction program and stringent profit management.

(Millions of Yen)



(Millions of Yen)

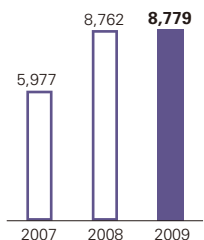


Sales in the Biomedical segment totaled ¥18,402 million in fiscal 2009, a decline of 7.0% compared with the previous fiscal year. This segment accounted for 9.5% of net sales.

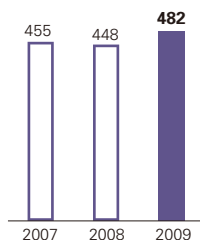
In AgriBio, sales of mushrooms increased. However, sales of mainstay research reagents declined, partly owing to the impact of a strengthened Japanese yen. Sales of scientific instruments decreased, reflecting the impact of lower orders for large-scale equipment, such as mass spectrometry systems. There was a decline in gene medicine-related patent licensing fee revenues and a decrease in revenues from contract research services. Consequently, overall sales for the segment fell.

Operating income for the Biomedical segment decreased 23.3% compared with the previous fiscal year, to ¥437 million. Although the transfer of production of Clontech Laboratories, Inc. products to China contributed to an improvement in the cost of sales ratio, the impact of a strengthened Japanese yen led to a significant decrease in sales and an accompanying decline in gross profit.

(Millions of Yen)



(Millions of Yen)



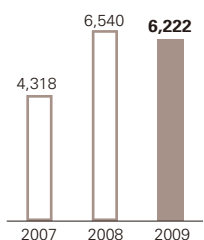
In fiscal 2009, the Transportation segment recorded sales of ¥8,779 million, an increase of 0.2% compared with fiscal 2008. This segment accounted for 4.6% of net sales.

In the first half of the fiscal year under review, the Transportation segment faced the impact of rising diesel prices, driven by the high price of crude oil, and intensifying price competition in the transportation industry. However, as the general logistics agent for Takara Shuzo Co., Ltd., the segment strove to bolster the efficiency of operations and focused on expanding sales to non-Group customers. Consequently, the segment achieved an increase in sales.

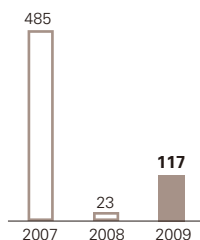
Operating income for the segment rose 7.6% compared with the previous fiscal year, to ¥482 million. Although an increase in fuel prices in the first half of the fiscal year increased the cost of sales ratio, this was offset by cost reduction initiatives that kept selling, general and administrative (SG&A) expenses in check.

*Operations in the Transportation segment are conducted by a subsidiary of Takara Shuzo Co., Ltd. Until the fiscal year ended March 31, 2007, this business was included in the Alcoholic Beverages and Foods segment (currently the Alcoholic Beverages and Seasonings segment). However, owing to an increase in the financial materiality of these operations, it became a separate business segment from the fiscal year ended March 31, 2008.

(Millions of Yen)



(Millions of Yen)



Sales in the Other segment decreased 4.9% compared with the previous fiscal year, to ¥6,222 million. This segment accounted for 3.2% of net sales.

Operations in this segment include health foods, printing and real estate leasing. Although a substantial increase in the number of mail-order customers was achieved in the health foods business by focusing on fucoidan products, overall segment sales declined owing to such factors as a large decrease in bulk and OEM sales.

Operating income in the Other segment increased 396.0% compared with the previous fiscal year, to ¥117 million. This was mainly attributable to a decrease in operating loss in the health foods business.

Strong Core

Solid and stable core business

Takara Shuzo Group



Shirashinken—a *honkaku* barley shochu

Takara Shuzo lies at the core of the Takara Group's earnings structure, and continues to develop and foster its lineup of unique brands capable of propelling sustained growth.

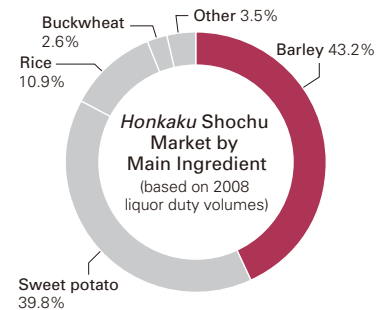
Aiming to scale even greater heights in the *honkaku* shochu market

Three years after Takara Shuzo launched *Ikkomon*—a 100% sweet-potato-based shochu—its sales began to increase rapidly, by which time the company had already begun working on the launch of its next *honkaku* shochu (*honkaku* refers to an authentic taste) challenge, *Shirashinken*. In August 2008, Takara Shuzo launched *Shirashinken*—a *honkaku* barley shochu—exclusively into the restaurant and bar distribution channel.



Ikkomon

Shochu distilled from barley accounts for over 40% of the entire *honkaku* shochu market. As the largest single category of *honkaku* shochu, it is generally seen as the main battleground in the *honkaku* shochu industry. The confidence and sophisticated know-how that we gained through the success of *Ikkomon* in the fast-growing market for *honkaku* shochu distilled from sweet potato bolstered the company's efforts to capture a strong position in its next chosen category of *honkaku* shochu.



An essential barley flavor and aroma born from unwavering dedication to quality

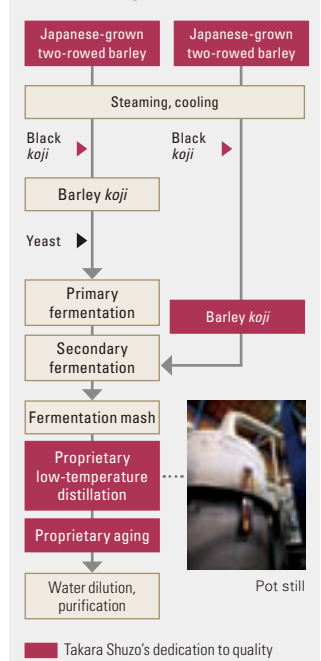
Ikkomon is derived from 100% sweet potato ingredients. When Takara Shuzo developed *Ikkomon*, it was committed to using only sweet potato and sweet potato *koji* (the malt used in the fermentation process). Thanks to the company's dedication to producing the finest sweet potato *koji* possible, *Ikkomon* boasts the sweet aroma that is unique to sweet potato and a sophisticated flavor. This dedication to *honkaku* shochu making was captured in the development of *Shirashinken*. Aiming to realize an essential barley flavor and aroma, Takara Shuzo spent four years and two months on the development of *Shirashinken*.

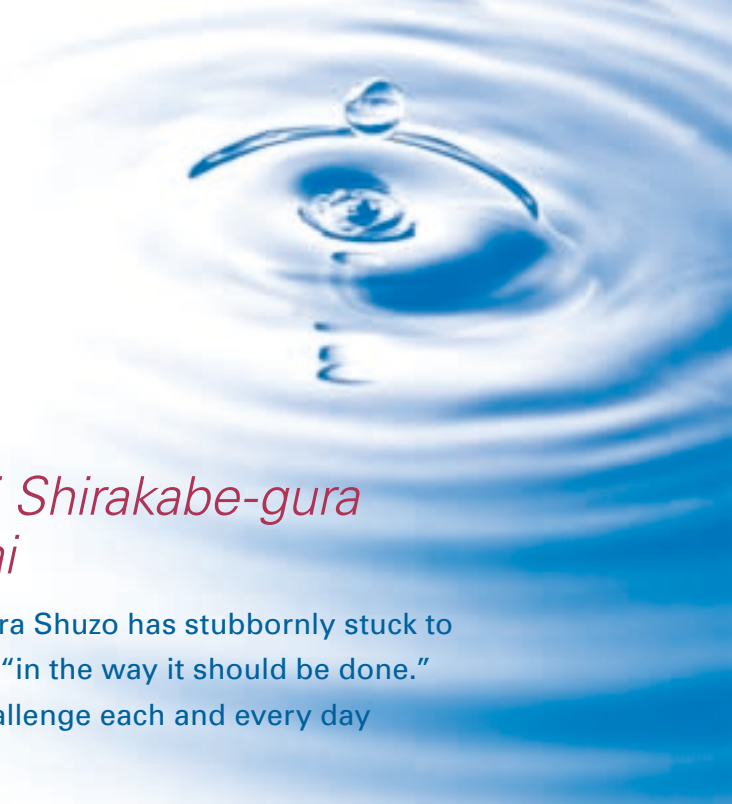
The ingredient chosen for *Shirashinken* was 100% Japanese-grown two-rowed barley, assuring the highest safety and reliability. Fermentation used an all-barley *koji* derived from black *koji*. Not only was the fermentation method chosen more time-consuming than more common methods, it yielded a lower amount of alcohol compared with conventional methods, adding to the luxuriousness of the finished product. Takara Shuzo spared no effort to draw out the deep barley flavor. Furthermore, by using black *koji*, the company achieved a full-bodied flavor with greater sweetness and depth.

Takara Shuzo's commitment to the highest quality was not limited to the ingredients and fermentation method. Distillation and aging techniques are also crucial to the success of the mash. There are two common distillation methods—vacuum distillation, which gives a light, clear flavor; and atmospheric distillation, which provides rich flavors derived from the ingredients but also offers a slightly burnt odor. For *Shirashinken*, the company developed a proprietary low-temperature distillation method, carried out at temperatures lower than conventional atmospheric distillation. Through this technique, the essential barley flavors are retained while keeping in check burnt odors and acidity from the barley. Takara Shuzo also uses proprietary aging methods to draw out the essential barley flavors present in the distilled shochu to the greatest extent possible.

In the local dialect of Oita Prefecture in southern Japan, "*shirashinken*" means "all-out effort." The name certainly embodies the resolve that went into making this fine shochu.

The Making of *Shirashinken*





Sho-Chiku-Bai Shirakabe-gura Kimoto Junmai

Since its founding, Takara Shuzo has stubbornly stuck to a vision of making sake “in the way it should be done.” It works to meet this challenge each and every day without compromise.

Sake making that begins with the making of the sake brewery

Since 1975, the Japanese sake market has been in decline, with increasing polarization between the premium-quality end of the market and low-cost products. To break out of this rut, in 1998, Takara Shuzo embarked on a major project to transform its sake brewing operations, centering on its production equipment.

The concept behind the transformation project called for the Nada Plant in Kobe, which had been used to manufacture sake since 1954, to be repositioned as a brewery dedicated to producing premium-quality sake. The scale of this project was unprecedented in the modern history of Japan’s sake industry. It meant starting with the building of a traditional *sakagura* brewery that could produce truly superb sake. The products of this *kura* would build a loyal customer base and be loved for generations to come. The company wanted to incorporate many of the traditional, handcrafted sake-making techniques that had been cultivated by brewmasters over many years. Facilities were designed and developed based on this key concept. In 2001, the plant was reborn as *Shirakabe-gura* Brewery, and it has gone on to produce an array of fine-quality, distinctive sake products.

In September 2008, 10 years after the start of the brewery transformation project, *Sho-Chiku-Bai Shirakabe-gura Kimoto Junmai* was launched onto the market. *Kimoto Junmai* is a sake brewed using the traditional *kimoto* technique, which has been used since Japan’s Edo Period (1603–1867). The *kimoto* brewing method aims to take full advantage of the action of microbes by providing an ideal environment for the yeast to propagate. Sake brewed under the *kimoto* fermentation method has a smooth, soft flavor yet still retains a firm core. This can be attributed to the natural creation of lactic acid, an essential ingredient of sake making.

Drinking sake made in this way conjures up images of the *sakagura* brewery in which it was made and the people who lovingly brewed it. *Sho-Chiku-Bai Shirakabe-gura Kimoto Junmai* was made with such an ideal in mind, brewed with a meticulous and sincere hand. *Shirakabe-gura* Brewery is dedicated to making distinctive sake—the type of sake that’s flavor is enjoyed and savored by customers, brewed by craftsman who also appreciate the flavor and aroma of well-crafted sake.



Exterior of *Shirakabe-gura* Brewery, fulfilling the image of a traditional sake brewery



Kimoto-based sake making (grinding the rice to make the fermentation mash)

Commitment to making trusted products

Takara Shuzo aims to be a company that contributes greatly to the active lifestyles of its customers. The Takara Group sees this contribution, through providing safe and reliable products, as its foremost responsibility as a good corporate citizen.

This philosophy is clearly articulated in the Group’s code of conduct, titled “Consumers’ vitality is my vitality.” Each employee makes this the basis of their approach to work, thereby promoting the provision of products primarily developed from the perspective of the consumer.

To provide safe and reliable products, building robust systems is absolutely essential. In 2000, Takara Shuzo obtained ISO 9002 (now ISO 9001) quality assurance certification at all its manufacturing facilities. From the

receipt of raw materials to final product shipment, only those products that pass rigorous quality testing proceed to the next stage in processing. Finished product inspection includes automated inspection equipment to test for foreign matter, visual inspection by trained personnel and sensory inspection. Products are also tested using the latest analytical equipment to ensure all products meet the highest standards of safety and quality.

With regard to raw materials procurement, the company selects only the most reputable suppliers, and all raw material shipments must be accompanied by a quality assurance certificate to confirm the goods meet safety requirements. Detailed information, including origin and production region, is managed in a comprehensive database.

Steady Growth

Steady development of a growth business

Takara Bio Group



Takara Bio is making steady progress toward commercialization of its proprietary gene medicine, combining both gene therapy and cell therapy. Takara Bio is also making advances in the field of human induced pluripotent stem (iPS) cells, a promising new area of future growth.

Gene medicine moving closer to practical application

The origins of the Takara Group's biomedical business extend back to 1967, when the Group commenced research in the field of fermentation engineering. In 1979, the Group entered the genetic engineering research field with the first-ever commercial sales of Japanese-made restriction enzymes for use in genetic engineering research. This marked the Group's strategic decision to switch from focusing on pharmaceutical development based on fermentation technology to the biomedical business centering on gene research. In 1995, through the development of the RetroNectin® Method, the Group entered the gene medicine market. Having reached the clinical trial stage with several therapeutic candidates, commercialization of these therapies is becoming closer to a reality.

In October 2008, *ex vivo* gene therapy clinical trials for relapsed leukemia patients got underway at the National Cancer Center Hospital in Tokyo, the first such trials of this type to be held in Japan. These trials involve the *ex vivo* transduction of HSV-TK genes into donor lymphocytes, which are then used in donor lymphocyte infusions for relapsed leukemia patients. This is a significant milestone for research conducted in Japan, and it is hoped that it will help lay the groundwork for the advancement of gene therapy and cell therapy in Japan.

In the area of cancer immunotherapy based on the RetroNectin® expansion-culture system—one of Takara Bio's core technologies—in April 2009 clinical research commenced at Kyoto Prefectural University of Medicine relating to digestive system cancer and lung cancer. Takara Bio and Kyoto Prefectural University of Medicine plan to jointly pursue clinical development of new, more effective types of cancer immunotherapy using RetroNectin® by combining it with hyperthermic immunotherapy and other therapies.

Takara Bio will continue to conduct clinical trials aimed at making progress in the development of high-quality therapies backed by scientifically proven safety and efficacy.



Cell and Gene Therapy Center



RetroNectin®

Special Feature: Strong Core, Steady Growth

Takara Bio's core technologies in gene medicine

The RetroNectin® Method, which was developed in 1995, contributes significantly to progress in today's gene therapy and cell therapy research as an internationally recognized standard technology for *ex vivo* gene therapy. The RetroNectin® Method is currently being used in more than 40 clinical research projects by public medical institutions throughout the world, and is licensed to four private-sector corporations outside Japan.

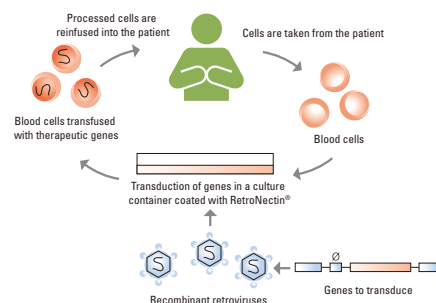
1. The RetroNectin® Method

RetroNectin® is the recombinant protein of modified human fibronectin. Its specific interaction with both target cells and virus vectors brings retroviruses and target cells into close contact on RetroNectin®, which is thought to enhance the efficiency of gene transduction. The RetroNectin® Method, which is a highly efficient method of gene transduction using a retrovirus vector, is being used by many medical institutions and private companies for clinical research of gene therapies, and is becoming the standard in *ex vivo* gene therapy.

2. The RetroNectin® expansion-culture system

The lymphocyte expansion-culture system can be used both in gene therapy and cell therapy. In the RetroNectin® expansion-culture system, human lymphocytes are expanded in culture in the presence of the RetroNectin® reagent in combination with interleukin-2 and anti-CD3 monoclonal antibodies. Cell groups including a high proportion of naive T cells that have a significant *in vivo* presence and strong antigen recognition are acquired.

Gene Therapy Protocol Using the RetroNectin® Method





Progress in regenerative medicine accelerated by the RetroNectin® Method

Potential applications for the RetroNectin® Method are also opening up in the field of regenerative medicine. It has been discovered that by using the RetroNectin® Method, a technology that provides high efficiency in gene transduction, human iPS cells can be produced with 10–30 times more efficiency than using conventional methods. Under conventional methods, the efficiency of iPS cell induction was so low, which posed a serious impediment to research.

In March 2009, Takara Bio translated this success into a new product when it began marketing a research reagent for the production of human iPS cells. The company simultaneously began offering a contracted service for producing retrovirus vectors using the newly marketed reagent. Takara Bio possesses a large number of products and technologies effective in the production of iPS cells, and plans to utilize these to support iPS cell-related research.

Clinical development projects currently conducted by the Takara Bio Group

Gene Therapy	Target disease	Location	Partner Institution
HSV-TK gene therapy (donor lymphocyte gene transfer therapy) *Clinical trials	Relapsed leukemia	Japan	The National Cancer Center Hospital
HSV-TK gene therapy (haplo add-back)	High-risk hematological malignancies	Japan	The National Cancer Center Hospital
TCR gene therapy	Esophageal cancer	Japan	School of Medicine, Mie University
MazF gene therapy	AIDS	Japan	The Tsukuba Primate Research Center, National Institute of Biomedical Innovation

Cell Therapy	Target disease	Location	Partner Institution
Cancer immunity reconstruction therapy	Multiple myeloma, head and neck cancers, esophageal cancer, ovarian cancer	Japan	School of Medicine, Mie University
Cancer immunotherapy	Digestive system cancer, lung cancer	Japan	Kyoto Prefectural University of Medicine
Cancer immunotherapy	Renal cancer	China	Cancer Institute and Hospital, Chinese Academy of Medical Science
Cancer immunotherapy	Refractory cancer	China	Tianjin Cancer Institute & Hospital, Tianjin Medical University
Cancer immunotherapy	Hepatocellular cancer	China	Sun Yat-Sen University Cancer Center

Takara Healthcare Inc.

Takara Healthcare is stepping up its development and sales of health-oriented food products by taking advantage of Takara Bio’s technical strengths and taking the lead in promoting future growth in the health foods business.

For such food materials as kombu (kelp) “fucoidan,” agar (vegetable gelatin) “agaoligo,” Ashitaba (angelica herb) “chalcone,” mushroom “terpene,” herb (*Peucedanum japonicum*) and yam (*Dioscorea esculenta*) independently developed by the Takara Group, Takara Healthcare is marketing stable and safe health-oriented food products and contributing to the health and well-being of its customers. Although the business is small in scale at this point, the company is concentrating resources on mail-order sales as an important sales channel and working to further broaden the customer base as part of its initiatives to achieve earnings growth.



Fucoidan, the slimy consistency of Gagome kombu (kelp)

An Interview with the President



Hisashi Ohmiya
President, Takara Holdings Inc.

Q1. Please provide an overview of the operating environment and performance of the Takara Group in fiscal 2009, ended March 31, 2009.

“In a harsh operating environment, we achieved growth in net sales and our third successive increase in operating income.”

In fiscal 2009, on a consolidated basis, the Takara Group posted net sales of ¥192,790 million, an increase of 0.5% compared with the previous fiscal year. Although gross profit declined, primarily owing to the rise in raw material prices during the first half of the period, stringent profit management—including a reduction in selling, general and administrative (SG&A) expenses—contributed to our third successive increase in operating income, which rose 4.1%, to ¥8,851 million. Ordinary income declined 4.6%, to ¥8,701 million. Principal factors contributing to this drop included a decrease in equity in earnings of associated companies, which had increased significantly in the previous fiscal year owing to temporary factors, and negative foreign currency translation adjustments owing to a sharp rise in the strength of the Japanese yen. Net income increased 21.1%, to ¥5,639 million, marking our second consecutive increase. Although income was weighed down by a loss on write-down of investment securities owing to a fall in stock prices, income taxes decreased accompanying the disposal of property, plant and equipment that had previously been recognized as impaired assets. This disposal led to our posting of deferred tax assets.

In the Group's core Alcoholic Beverages and Seasonings segment, although we recorded an increase in sales—driven by such factors as (1) a recovery in sales of large-sized bottles of *ko*-type shochu, for which delivery prices were raised in the previous period, and (2) growth in sales of *Ikkomon* 100% sweet-potato-based shochu—adverse operating conditions became more pronounced as the economic recession became marked in the second half of the period, leading to a decline in demand for restaurant meals and a shift in demand toward low-priced products. Furthermore, a series of shocking food safety-related incidents in Japan during the period saw consumer attention focused even more strongly on safety and assurance issues.

In the Biomedical segment, the Takara Group's driver of future growth, owing to foreign exchange fluctuations, on a yen basis sales declined compared with the previous fiscal year. In addition, the economic downturn in the United States led to a fall in demand for research reagents, which also contributed to a decrease in sales. However, we are seeing further expansion of biomedical-related markets. At present, the biotechnology research support market is growing smoothly, and, in gene medicine, the number of clinical applications is increasing, which is steadily opening up the prospects for practical applications of regenerative medicine.

The Takara Group's Seventh Medium-Term Management Plan

Basic Policies Our basic policies are to forge consistently stable expansion in core businesses and to accelerate growth in new business fields now being nurtured to elevate corporate value by investing in growth and through return for shareholders.

Three-Year Plans for Core Businesses

Alcoholic Beverages and Seasonings

Plans call for generating stable profits on an ongoing basis, underpinned by solid cash flow. At the same time, in growth fields, we will clarify strategies for success in growth businesses and pinpoint the paths for creating future cash flow.

Biomedical

We aim to speed up the commercialization of genetic therapies and use these for further reinforcing our earnings framework, in turn increasing cash flow in the future.

Health Foods

We are positioning operations here as a key growth business for generating profits in the Takara Group and will focus resources on building solid earnings platforms.

Financial Strategies

We will maintain investment at normal levels in existing businesses, extend capital for investments geared toward growth and actively work to generate returns for investors.

Growth investments

Cumulative outlays exceeding

¥10 billion
over the three years

Total shareholder return

Generate aggregate returns of more than

¥10 billion
over the three years, doubling the previous plan's level

Shareholder return payout

Minimum of

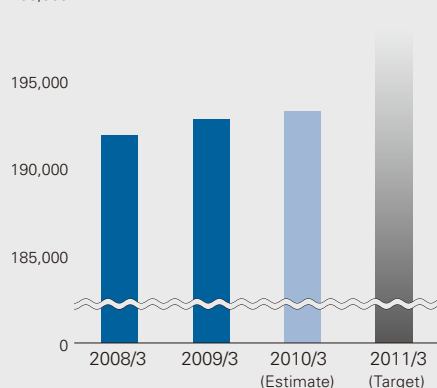
50%^{*1}

*1 Calculated as follows: Total shareholder return = $\frac{(\text{Total dividends} + \text{Amount of share buybacks})}{\text{Deemed consolidated net income}^{*2}} \geq 50\%$

*2 Deemed consolidated net income = (Consolidated ordinary income – Interest income and dividends + Interest payments) × (1 – Effective tax rate)

Tangible Goals (Takara Group)

(Millions of Yen)



The Group has set targets for net sales exceeding ¥200 billion and ordinary income surpassing ¥10 billion in fiscal 2011. In addition to its profit goals, the Group intends to improve its shareholders' equity ratio by controlling equity capital levels.

Takara Shuzo Group

The Group targets net sales surpassing **¥175.0 billion** and ordinary income exceeding **¥8.0 billion** in fiscal 2011.

Takara Bio Group

The Group plans net sales amounting to **¥19.0 billion** and ordinary income of **¥0.8 billion** in fiscal 2011.

Takara Healthcare

This company's strategic priority is to attract mail-order customers through products developed through technological expertise honed by Takara Bio.

*3 To reflect the prevailing operating environment, the Takara Bio group makes rolling updates of its medium-term management plans each year. In the latest plan announced in May 2009, the Takara Bio group set numerical targets for net sales of ¥20 billion and ordinary income of ¥1 billion for the fiscal year ending March 31, 2012, the final year of this medium-term management plan.

Q2. Fiscal 2009 was the initial year of the Seventh Medium-Term Management Plan. Please outline the progress made so far and how you evaluate this progress.

“Although each business was able to achieve a certain level of success in terms of both strategy and results, I believe there are still a number of issues to overcome in our growth strategy if we are to reach the financial goals set for the final year of the Seventh Medium-Term Management Plan.”



Under the Seventh Medium-Term Management Plan, we have set strategic goals for each business segment. In the Alcoholic Beverages and Seasonings segment, our focus is on maintaining and increasing earnings capabilities in the domestic alcoholic beverages business and on meeting challenges for making inroads in the domestic market and in overseas markets that are now expanding.

With regard to the first objective, maintaining and increasing earnings capabilities in the domestic alcoholic beverages business, although fiscal 2009 saw greater rises in raw material prices than anticipated, we implemented a range of cost reduction measures and grew sales while carefully managing profit margins. Thanks to these efforts, we recorded growth in sales and operating income for the fiscal year, an achievement I recognize as noteworthy.

Looking at specific products, as well as making steady progress in nurturing the *Ikkomon* brand of 100% sweet-potato-based shochu, in the category of *honkaku* shochu distilled from barley—which accounts for about 40% of the overall *honkaku* shochu market—we launched *Shirashinken* exclusively into the restaurant and bar distribution channel. *Shirashinken* is a superb *honkaku* barley shochu, which we spent over four years meticulously developing. We intend to build it into our second mainstay in the *honkaku* shochu market after *Ikkomon*, hence we are nurturing the *Shirashinken* brand very methodically. In the domestic sake market, which has been in decline for some time on a sales volume basis, we are endeavoring to revitalize the market through such initiatives as the launch of *Sho-Chiku-Bai Shirakabe-gura Kimoto Junmai*, which we have positioned as the new flagship product of the *Shirakabe-gura* series.

In addition to these business development initiatives, we are also focusing on reinforcing our quality assurance systems as a means of strengthening the trust placed in Takara Group products by our customers. For example, at each plant we have bolstered raw material and product analysis using mass spectrometry equipment. In the near future, we intend to introduce quality assurance standards on par with our domestic plants at our manufacturing facilities in Beijing and California.

For our second objective, on meeting challenges for making inroads in the domestic market and in overseas markets that are now expanding, owing to the impact of the economic downturn, we were unable to make sufficient investments for growth in certain businesses. As a result, in overseas operations and in our seasonings business for food processing, we were unable to achieve the targeted levels of growth.

In the Biomedical segment, we have set three main strategic objectives: business growth and stability in genetic engineering research; improving earnings in AgriBio; and pursuing R&D in gene medicine.

In the fiscal year under review, in gene medicine, *ex vivo* gene therapy clinical trials for relapsed leukemia patients got underway at the National Cancer Center Hospital in Tokyo, the first such trials of this type to be held in Japan. This is a major step on the way to commercialization of this therapy.

In genetic engineering research, we achieved an improvement in the gross profit margin, partly owing to the transfer of manufacturing operations for Clontech Laboratories products to Dalian, China. In AgriBio, we achieved a certain amount of success in building a stable business base, including steady growth in sales of mushrooms.

In the health-oriented food business, which is expected to become an important earnings mainstay for the Takara Group in the future, our core line of fucoidan products drove growth in the number of mail-order customers. However, we are still to overcome issues related to the pace of growth in this field.

As I have outlined, although we achieved a certain level of success in each business during the fiscal year under review, in my opinion we did not make sufficient progress toward the achievement of the financial goals set for the final year of the Seventh Medium-Term Management Plan—net sales of ¥200 billion and operating income of ¥10 billion in the fiscal year ending March 31, 2011.

Despite facing a severe operating environment, we maintained sound management, and, I believe, can point to a solid result for shareholder return as one important achievement.

Q3. Please provide your outlook for fiscal 2010, ending March 31, 2010, the second year of the Seventh Medium-Term Management Plan, and outline the measures you intend to implement during the year.

“Looking at long-term and short-term trends, in the Alcoholic Beverages and Seasonings segment, we will focus on nurturing and strengthening brands that appeal to customers based on quality attributes, and reinforcing sales of products tailored to mass-retail channels. In the Biomedical segment, we will aim for early commercialization of gene therapies and cell therapies, and further acceleration of clinical development.”



We are looking not only at the near-term situation—which is affected by the current economic recession—but focusing on both long-term and short-term trends. I believe that it is necessary for us to adopt a mindset and strategy to turn adversity into business opportunities.

Looking at the long-term business outlook for the Alcoholic Beverages and Seasonings segment, in the Japanese market we anticipate an environment characterized by intensifying competition and falling consumption as the population shrinks and ages and the birthrate declines. In response to such conditions, it is essential for us to spend time patiently nurturing and strengthening brands that appeal to customers based on quality attributes.

In the short term, the economic recession—triggered by the financial crisis—has driven consumers to become more budget conscious. Consequently, demand is increasing for low-priced products. In response to this demand scenario, we need to reinforce sales of products tailored to mass-merchandise channels in order to secure sufficient sales volumes while also carefully managing our profit margins.

Based on this analysis of market dynamics, in fiscal 2010, we are carrying out measures in the domestic alcoholic beverages business to further enhance profitability in both quality-oriented brands and standard products for the mass-market. This strategy is designed to foster strong brands that are highly competitive in both the short term and the long term.

We are also working to reinforce our business platform for expanding overseas operations. At present, although the U.S. economy is in recession, we believe there will be a recovery in the near future. Other key trends include increasing health consciousness, which is driving greater awareness of the health benefits of Japanese cuisine, while interest in sake is also on the rise. I believe that now—while the U.S. economy is weak—is our chance to prepare for future growth while focusing on long-term trends. The specific measures we are undertaking include (1) expanding sales volumes through West Coast supermarket chains, by taking advantage of local sake production at Takara Sake USA Inc. (California) and (2) using our New York branch office to accelerate direct sales to liquor store chains on the East Coast. These measures will aim to increase sales by opening up new marketing channels for sake in the United States. We will also strive to bolster exports from the United States to Canada and European markets.

In the domestic seasonings business for food processing, which we have targeted as a domestic growth market, we are expanding our product lineup by focusing on both functionality and cost performance based on a high level of seasoning effect from the use of a small quantity of seasoning. We are aiming to win new large-scale customers and increase the range of products purchased by existing customers for both sake-based seasonings and other food seasonings.

Based on the measures I have outlined, in fiscal 2010, we forecast sales by the Takara Shuzo Group to increase 0.5%, to ¥170,200 million. Owing to an anticipated increase in demand for low-priced products in fiscal 2010, we plan to bolster sales promotion expenditure. However, we are also planning cost saving measures amounting to over ¥1.4 billion, and are targeting operating income at a level similar to fiscal 2009.

For the Biomedical segment, in genetic engineering research we will work to further reinforce our technology platform and earnings base through the acceleration of new product development and by strengthening price competitiveness. In AgriBio, we are aiming to bolster earnings capabilities through the expansion of sales of health food and enhancement of production technologies for Hatakeshimeji and Honshimeji mushrooms. While solidifying our business platform in these two fields, in gene medicine—positioned as a long-term growth field—we are working toward the early commercialization of gene therapies and cell therapies, as well as further acceleration of clinical development.

Based on these strategies, for the Takara Bio Group we forecast sales to decrease slightly compared with fiscal 2009, mainly owing to the effects of a strengthened Japanese yen, which pushes down overseas sales when measured on a yen basis. However, through cost reductions and other cost savings we expect the Takara Bio Group to post an increase in operating income.

At Takara Healthcare, which pursues businesses in the health-oriented food products sphere, we are carrying out a concentrated advertising and promotion campaign for *Takara Fucoidan Supplement 50* to win new customers. In addition, through an advertising campaign focusing on the research achievements of

Takara Bio, we are striving to cultivate brands related to Ashitaba (angelica herb) products. These programs are designed to promote accelerated growth in these businesses.

For the Takara Group, on a consolidated basis, in fiscal 2010 we forecast net sales to increase 0.2%, to ¥193,200 million, and operating income to grow 0.6%, to ¥8.9 billion. Hence, we are aiming to achieve operating income growth for a fourth consecutive term. Ordinary income is forecast to increase 3.4%, to ¥9.0 billion. For net income, which received a boost from tax accounting effects in fiscal 2009, in fiscal 2010 we anticipate an 11.3% decline, to ¥5.0 billion.

Q4. Fiscal 2011 marks the final year of Takara Evolution-100 (TE-100), the Takara Group's 10-year, long-term management concept. How do you evaluate the Group's level of success in achieving the goals announced at the start of this process?

“We have moved to a holding company structure and strengthened the stability of the Alcoholic Beverages and Seasonings segment as our core business. In the Biomedical segment, although we have successfully negotiated the initial steps toward a major expansion, we must aim for further growth from the platform we have built.”

Under the TE-100 concept, which we launched in 2000, we have focused on a long-term vision of establishing the Alcoholic Beverages and Seasonings segment as a stable profit platform and powering the next stage of growth with the Biomedical segment. In 2002, we reorganized the Alcoholic Beverages and Seasonings segment and Biomedical segment as separate operating companies as a means of accelerating the realization of the TE-100 concept.

Looking back on how the two business segments have evolved since then, the Takara Shuzo Group, which comprises the Alcoholic Beverages and Seasonings segment, has continually worked to nurture enduring brands and open up new marketing channels. As a result, the Takara Shuzo Group possesses a number of strong brands and has built a flexible marketing system across a broad array of sales channels. This solid business base has enabled the Takara Shuzo Group to remain profitable even in an economic downturn, posting operating income growth consecutively in the three most recent fiscal years. In my opinion, we should evaluate this performance highly, because it has strengthened the stability of the Alcoholic Beverages and Seasonings segment as the Takara Group's core business.

The Takara Bio Group, which comprises the Biomedical segment, achieved its initial public offering (IPO) in December 2004 and has reinforced its business base through the acquisition of U.S.-based research reagent manufacturer Clontech Laboratories, Inc. In fiscal 2009, Takara Bio posted its second successive operating income. I believe these achievements show that the Biomedical segment has successfully negotiated the initial steps toward a major expansion as envisaged in the long-term TE-100 concept.

The next stage is the commercialization of gene therapies and cell therapies. To fully realize the aims of the long-term concept, we must press on for further progress in clinical development.

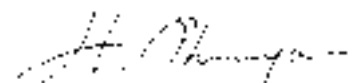
Q5. Finally, please summarize your policies regarding shareholder return.

“Cash dividends applicable to fiscal 2009 were ¥8.50 per share, unchanged from the previous fiscal year. In addition, by carrying out share buybacks, we will endeavor to realize the shareholder return goals specified in the Seventh Medium-Term Management Plan.”

The Takara Group appropriates profits in accordance with a medium-to-long-term perspective. By strengthening the entire Group's business foundations and realizing earnings growth, we aim to maximize corporate value and shareholder profits. Specifically, our shareholder return policy aims to maintain a shareholder payout ratio of at least 50%, through a combination of dividends and share buybacks.

Cash dividends applicable to fiscal 2009 were ¥8.50 per share, unchanged from the previous fiscal year. As a result, total shareholder return amounted to ¥3,977 million, comprising total dividend payments of ¥1,810 million and share buybacks totaling ¥2,167 million. Consequently, the shareholder payout ratio was 79%. This result is a robust start toward the goal specified in the Seventh Medium-Term Management Plan of a cumulative shareholder return over three years totaling at least ¥10 billion. It also comfortably exceeds our target shareholder return payout of at least 50%.

As we work to reach our Seventh Medium-Term Management Plan target, the entire Group is committed to enhancing corporate value. In these endeavors, we look forward to ongoing shareholder support.

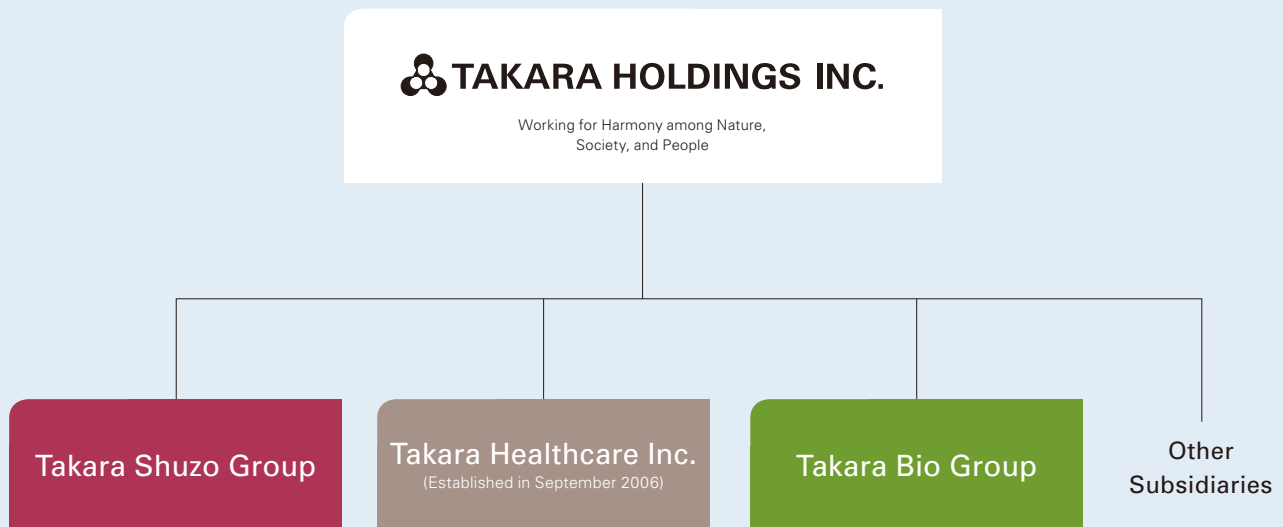


Hisashi Ohmiya, President
July 2009

Business Outline

The Takara Group is pursuing a growth strategy based on the alcoholic beverages and seasonings business creating a stable earnings foundation and the biomedical business and health foods business driving growth going forward.

The Takara Group comprises the Takara Shuzo Group in the alcoholic beverages and seasonings business; the Takara Bio Group in the Biomedical business; and Takara Healthcare Inc., which is responsible for powering growth in the health foods business.



Group Topics (during the fiscal year ended March 31, 2009)

■ Takara Shuzo Group
Launched *Shirashinken*,
a *honkaku* barley shochu,
exclusively in the restaurant
and bar distribution channel



In August 2008, the Takara Shuzo Group launched sales of *Shirashinken*, a *honkaku* barley shochu featuring a true barley aroma and flavor.

■ Takara Healthcare Inc.
Launched sales of *Takara Fucoidan Capsules*



In February 2009, Takara Healthcare Inc. began sales of *Takara Fucoidan Capsules* containing 100mg of kombu (kelp) "fucoidan" per capsule.

■ Takara Bio Group
Commenced gene therapy
clinical trials for relapsed leukemia patients at the National Cancer Center Hospital in Tokyo



In October 2009, the Takara Bio Group began HSV-TK gene therapy clinical trials for relapsed leukemia patients. These are the first such trials of this type to be held in Japan and are being conducted jointly with the National Cancer Center.

Takara Shuzo Group

The history of the Takara Group's core alcoholic beverages and seasonings business goes back to 1842. For more than 160 years, it has been our mission to provide dependable products that are in tune with the changing times and diversifying customer tastes and values, and are backed by our ingenuity and proven technologies.

Takara Shuzo's products span a broad range of categories, including shochu, sake, light-alcohol refreshers, wine, whisky, Chinese alcoholic beverages, seasonings and raw alcohol. It operates not only in Japan but also globally through subsidiaries in the United States, China and Scotland (UK).



Wooden sign from our beginnings in the Showa Era

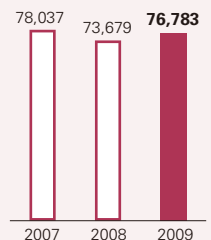
■ Shochu

Utilizing an extensive range of proprietary distillation and aging technologies that it has developed over many years, Takara Shuzo has helped foster the shochu market by pioneering new market segments and by striving to offer shochu products that meet the changing needs of customers. In the *ko*-type shochu category, the company has maintained the leading market share thanks to its lineup of high-quality brands. These include *Takara Shochu Jun*, a long-selling shochu that has been marketed for over 30 years, and *Takara Shochu*, the top shochu brand in Japan in terms of popularity thanks to its consistent quality and traditional appeal. Based on the company's unique technologies, Takara Shuzo is also building a strong position in the *honkaku* shochu market by launching and

nurturing a range of shochu products that offers superior quality, which are distilled from various ingredients. For example, *Ikkomon* is a 100% sweet-potato-based shochu, and *Shirashinken* is a *honkaku* barley shochu that accentuates a rich barley flavor.



Net Sales (Millions of Yen)



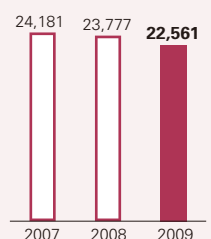
■ Sake

The *Sho-Chiku-Bai* brand has built a strong position as a leading brand in the special occasion and gift sake market segment, with growth bolstered by its high-quality image as the "sake for celebrations." In the soft-pack market, *Sho-Chiku-Bai Ten* has gained popularity among a large number of customers for its rich, clear flavor that is created by a two-step yeast fermentation process. We manufacture *Sho-Chiku-Bai Shirakabe-gura Kimoto Junmai* and other premium sake centering on the *Shirakabe-gura* Brewery located in Kobe, Hyogo Prefecture. Such products are manufactured through combining state-of-the-art facilities for recreating traditional, artisan-inspired brewing techniques and sake brewing done by hand. In the

Company's unrelenting quest for delicious, high-quality sake, we will remain faithful to the best ingredients and brewing methods as we strive to offer distinctive, superior-quality products to satisfy customers.



Net Sales (Millions of Yen)



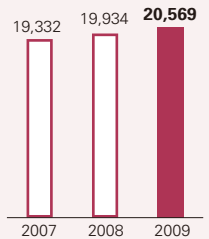
■ Light-Alcohol Refreshers

Takara Can Chu-Hi, Japan's first canned *chu-hi* product, made its remarkable debut in 1984. Since then, it has led the canned *chu-hi* market as an era-defining product. *Takara Can Chu-Hi* has won strong customer support thanks to superior product quality that is achieved by carefully selecting shochu, fruit juice and water and then processing these using our proven technologies. The company continues to develop and foster a broad lineup of quality products to meet diverse customer tastes. These include *Takara Can Chu-Hi Jika-Shibori*, which captures delicious fruit flavors by using cloudy, not-

from-concentrate fruit juices; *Takara Shochu High Ball*, which provides the distinctively dry *chu-hi* flavor that has long been popular in neighborhood bars in downtown Tokyo; and *Oishii Chu-Hi*, which features 50% fruit juice content and no added sugars.



Net Sales (Millions of Yen)



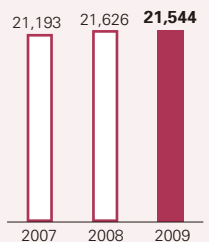
■ Seasonings

Takara Shuzo produces a broad array of sake-based seasonings that enhance mealtimes based on the motto of "delicious food through the products derived from traditional sake brewing techniques." *Takara Hon Mirin* has played an integral role in the evolution and development of Japan's food culture as the leading brand of *hon mirin*. *Ryori-no-Tame-no Seishu* softens cooking odors and brings out rich flavors in dishes. For the growing home-meal replacement market, Takara Shuzo offers a lineup of seasoning products aimed at commercial customers, including our *Kyo Takara* brand. These sake-based seasonings and soup stocks are tailored to the needs of ready-prepared meal manufacturers and food processors.

We also work with commercial customers in such areas as food analysis, alcohol-related cooking research and recipe development to find solutions to a diverse range of issues. We will continue to strive to meet the needs of all customers while supporting the creation of new value in the area of food preparation.



Net Sales (Millions of Yen)



Overseas Activities

With the rise in popularity of Japanese cuisine around the world, our products, including *Sho-Chiku-Bai sake*, are now sold in more than 40 countries across Europe, the United States and Asia. Our global network comprises four main companies: Takara Sake USA Inc. produces and sells sake, *hon mirin* and other products for the U.S. and European markets; Age International Inc., of the United States, handles the Blanton's label of bourbon whiskeys; the Tomatin Distillery Co., Ltd., of Scotland, distills and sells Scotch whisky; and Chinese subsidiary Takara Shuzo Foods Co., Ltd. produces and sells sake, *hon mirin* and shochu. This network works to develop complementary strengths and an effective global marketing chain as we aggressively pursue our international business strategy.



Takara Sake USA Inc.

Takara Bio Group

The mission of the Takara Group's biotechnology business is to contribute to the health of mankind by developing revolutionary biomedical technologies such as gene therapy. The gene medicines that spring from our biotechnology research are intended to protect the health and lives of human beings. To make this a reality, the Takara Bio Group is growing the Genetic engineering research segment that is the basis for both its technology and earnings. It is also fostering the AgriBio segment as a second source of steady income and working to commercialize gene therapies and cell therapies by investing resources in the Gene medicine segment.



■ Genetic Engineering Research

The Genetic engineering research segment manufactures and sells research reagents and scientific instruments used by biotechnology researchers around the world as well as provides contract research services to these researchers.

In the area of research reagents and scientific instruments, Takara Bio has acquired exclusive worldwide rights to the PCR method, which is widely used as a gene amplification method. It is continuing to develop and supply products worldwide that meet market needs, such as PCR enzymes that provide a high fidelity along with superior elongation and reliability as well as reverse transcriptases with superior elongation. In September 2005, Takara Bio acquired U.S.-based research reagent manufacturer Clontech Laboratories, Inc., thereby greatly expanding and enhancing its lineup of research reagents. Further, by transferring the production of Clontech's products from the United States to China, Takara Bio is seeing the benefits in increased profitability due to an improvement in the cost of sales ratio.

Takara Bio's extensive lineup of research reagents is manufactured by Takara Biotechnology (Dalian) Co., Ltd. By marketing these products not only in Japan but globally through the Takara Bio Group's international network of subsidiaries, the group is striving to build a solid position in the global marketplace.

In the contract research services business, focusing on the Dragon Genomics Center, the Takara Bio Group provides comprehensive contract research services, handling not only genome sequencing analysis but also high-speed sequence analysis using next-generation technologies and gene expression analysis using DNA chips. The Takara Bio Group plans to continue rolling out new services in the future as it rapidly responds to fast-evolving technological advancement in the biomedical research field.

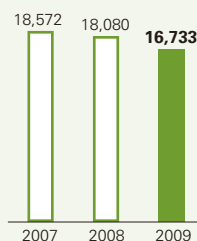


Research reagents



Real-time PCR

Net Sales (Millions of Yen)



■ AgriBio

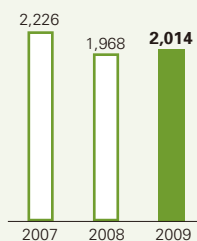
Takara Bio reexamines traditional Japanese food ingredients from a biotechnology perspective, analyzes their functionality and brings them to customers as health-oriented food products. It is also developing a business that takes advantage of technologies for the large-scale production of mushrooms that we have perfected over many years.

In the health food business, Takara Bio has been researching the bioactive properties of kombu (kelp)

"fucoidan," agar (vegetable gelatin) "agaoligo," Ashitaba (angelica herb) "chalcone," mushroom "terpene," herb (*Peucedanum japonicum*) and yam (*Dioscorea esculenta*), and has been developing and producing health foods incorporating these active ingredients. These products are marketed through Takara Healthcare Inc.

In the mushroom business, Takara Bio was the first in the world to achieve success in the development of large-scale production technology for Bunashimeji mushrooms,

Net Sales (Millions of Yen)



which are now widely available at most supermarkets. At present, Takara Bio licenses the cultivation and large-scale production technology for Bunashimeji mushrooms to entities including JA ZEN-NOH (National Federation of Agricultural Cooperative Associations) Nagano and

Yukiguni Maitake Co., Ltd. The Takara Bio Group is also involved in the production and sale of Hatakeshimeji and Honshimeji mushrooms. Finally, Takara Bio is working to develop new cultivation methods for high-value-added mushrooms using the Matsutake mushroom genome.



Honshimeji mushrooms

■ Gene Medicine

Takara Bio is developing and aims to commercialize the core technologies that are essential to gene medicine (gene therapy and cell therapy), by using the technologies developed in the Genetic engineering research segment.

One of Takara Bio's core technologies for gene medicine is an efficient retroviral transduction method—the RetroNectin® Method—that was developed in collaboration with Indiana University in the United States. Takara Bio holds exclusive rights for worldwide applications of this powerful technology, which is used in *ex vivo* gene therapy to enable efficient transduction of genes into hematopoietic stem cells and other blood cells. Before the advent of the RetroNectin® Method, this process was considered difficult. Our RetroNectin® Method is used by various public medical institutions conducting clinical research in gene therapy as well as in several privately funded

clinical trials. We hope to encourage the acceptance of this technology and boost earnings by actively working toward licensing out the method in countries worldwide.

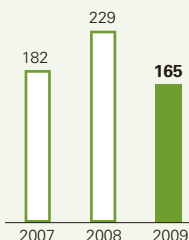
In gene therapy, as a proprietary project, Takara Bio has entered into a joint clinical trials agreement with the National Cancer Center of Japan and has commenced clinical trials for *ex vivo* gene therapy for relapsed leukemia at the National Cancer Center Hospital in Tokyo.

These are the first such trials of this type to be held in Japan. In cell therapy, Takara Bio is moving ahead on the clinical development of cancer immunotherapy using the RetroNectin® expansion-culture system that is the company's second core technology and is also developing a business providing support services for this cancer cell immunotherapy.



RetroNectin®

Net Sales (Millions of Yen)



Takara Healthcare Inc.

Takara Healthcare will take advantage of the Takara Group's unique ingredients and technologies to provide its customers with safe and reliable health foods through direct marketing channels, thereby helping people to live healthy and active lives. After Takara Bio has conducted R&D on ingredients and collected research data, the two companies will jointly conduct product development. Takara Bio will then supply the products to Takara Healthcare, which will handle marketing activities and mail-order sales. By taking advantage of synergies between the two companies, the Takara Group aims to accelerate the growth of the health foods business.



The web site for Internet mail-order customers



Takara Fucoidan Supplement 50



Ashitaba (angelica herb) Chalcone



Kuugaimo

Corporate Governance

The Takara Group works to fulfill its social responsibility as a good corporate citizen and to gain the confidence of all of its stakeholders based on the concept of “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.”

In turn, the Group believes that it can persistently increase corporate value. Recognizing these aims, the Group is renewing its initiatives to bolster corporate governance practices as one of its leading priorities.

■ Underlying Corporate Governance Basic Concept

The Group is focusing on increasing corporate value through four principal means:

1. Accelerating growth by delegating authority and providing autonomy to each Group company, thereby enabling them to increase their own corporate value;
2. Maintaining a business climate for the disclosure of reports on individual Group companies and the free exchange of ideas about management policies and business strategies through regularly scheduled meetings and other activities, thereby further increasing corporate value of the Group as a whole;
3. Complying with rules and ordinances, maintaining ethical principles and promoting a sound corporate governance system for the Group in order to fulfill its overall corporate social responsibilities; and
4. Disclosing accurate information consistently and in an open and timely manner as well as maintaining an internal network for disclosure to increase business transparency.

■ The Audit Environment

As of June 26, 2009, the Company’s Board of Directors was composed of nine directors (including one external director), and the number of corporate auditors totaled five, including three external corporate auditors. The corporate auditors analyze the Board’s executive actions through participation in important meetings attended by the directors and other personnel as well as through analysis of operations, financial assets and key documents. Moreover, corporate auditors regularly exchange opinions concerning auditing plans, auditing policies and auditing practices and conditions with auditing personnel; receive explanations of the auditing system from auditing personnel; and monitor auditing and financial conditions through on-site inventory and other methods of observation in conjunction with auditing personnel. The Audit Division, which is responsible for conducting internal audits, works to maintain the appropriateness of executives’ duties by deciding on policies necessary for enacting internal audits. In addition, the Audit Division exchanges opinions with corporate auditors on auditing plans, important items for auditing and other matters. Internal audit reports on findings may be submitted to the president and corporate auditors at any time.

■ Activities with Important Repercussions for Corporate Governance

Policies concerning our publicly traded subsidiary Takara Bio Inc.

Takara Holdings Inc. is a parent company of Takara Bio Inc., holding 70.9% of the voting rights of Takara Bio (Tokyo Stock Exchange Mothers; Securities code number: 4974) as of March 31, 2009. 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.

Takara Holdings is a pure holding company comprising 34 subsidiaries and six 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

The holding company establishes and maintains official rules and regulations for overseeing Group companies from its vantage point as the manager of consolidated activities, however, its goal is to facilitate independence and autonomy among Group companies in order to maximize the corporate value of the overall Group. Takara Bio abides by these rules and regulations 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.

In addition, the holding company holds meetings for formulating Group strategies and biotechnology-related policies and other purposes, and representative directors, officers and executives of Takara Bio attend these meetings. These meetings are held to debate policies for the Group as a whole and disseminate information between Group companies, and to ensure that the autonomy and independence of Takara Bio are not impinged upon.

Policies concerning the large-scale acquisition of Company shares and other assets (for preventing takeovers)

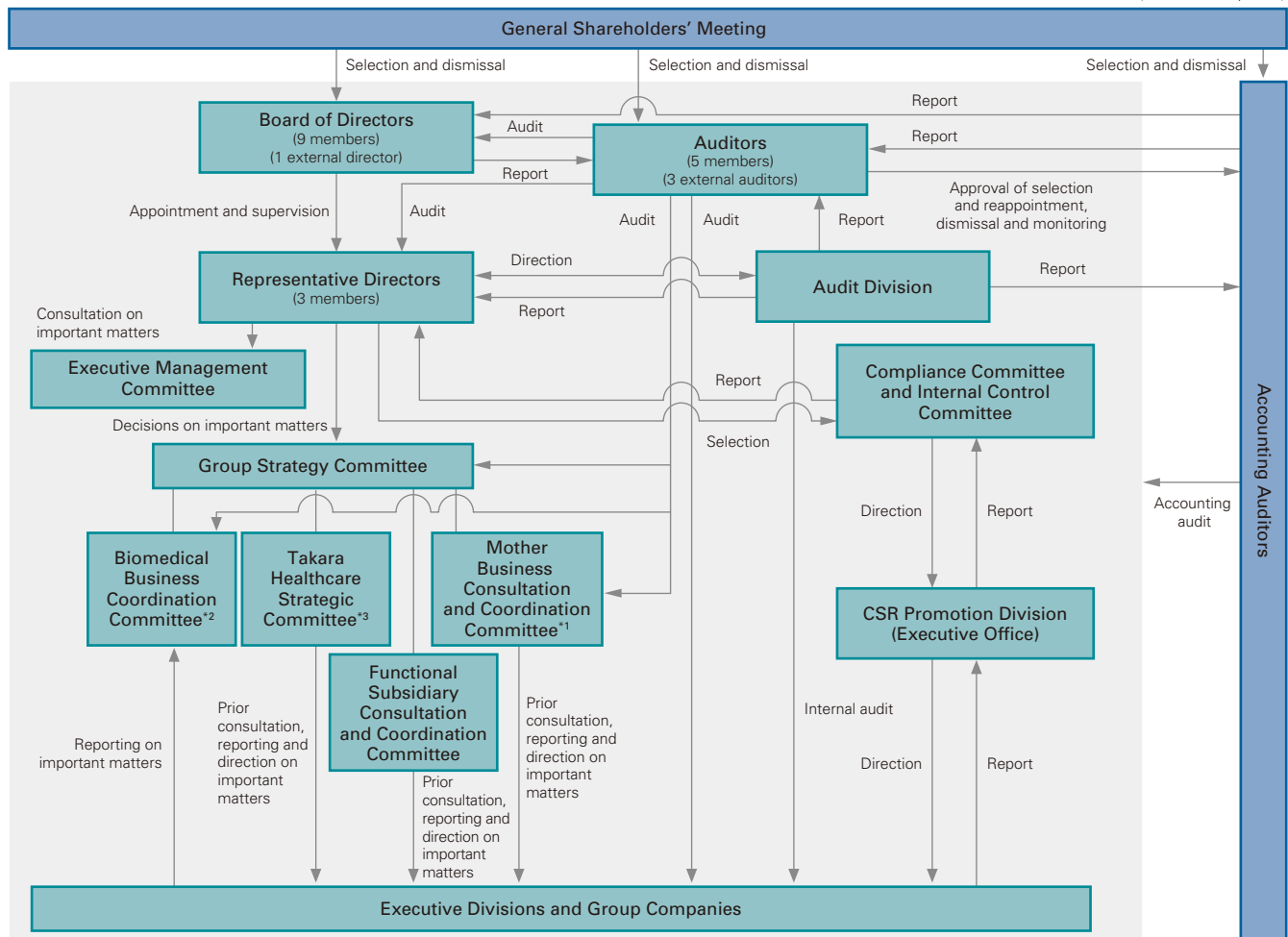
At the Board of Directors’ meeting held on May 15, 2006, the holding company enacted policies concerning the large-scale acquisition of Company shares and other assets (for the prevention of takeovers) with the aim of maintaining and increasing corporate value and promoting the common interests of shareholders.

However, believing that policies better reflecting the opinion of shareholders are needed for optimizing common shareholder interests, the Board of Directors revised its policies for preventing takeovers. The Board determined at its meeting held on May 15, 2007 that in the future it would introduce measures for preventing takeovers at its general shareholders’ meeting after conferring with shareholders, and that decisions regarding actions in this regard would be made at general shareholders’ meetings as a rule. For details, see our web site: <http://www.takara.co.jp/> (Japanese language only); official company accounts; and the Management’s Discussion and Analysis section of the annual report.

At the 96th General Shareholders’ Meeting held on June 28, 2007, measures for preventing takeovers were introduced and approved.

Corporate Governance System

(As of June 26, 2009)



*1 Consultation and coordination committee for the “mother” business segment (alcoholic beverages and seasonings)
 *2 Coordination committee for the biomedical business *3 Strategic committee for the health foods business

Board of Directors and Auditors

As of June 26, 2009



Hisashi Ohmiya

President, Takara Holdings Inc.
President, Takara Shuzo Co., Ltd.
Chairman, Takara Bio Inc.



Tadashi Ohmiya

Vice President, Takara Holdings Inc.
(Corporate Planning, Finance, Accounting,
Investor Relations, Corporate Social Responsibility
and Environment & Public Relations)
Vice President, Takara Shuzo Co., Ltd.



Isao Goto

Vice President, Takara Holdings Inc.
(General Affairs & Personnel, and
Administrative Innovation)
Vice President, Takara Shuzo Co., Ltd.



Koichi Nakao

President & CEO, Takara Bio Inc.
Director, Takara Holdings Inc.

Takara Holdings Inc.

Director	Masaharu Yano	Corporate Planning and Corporate Social Responsibility; Director, Takara Shuzo Co., Ltd.
Director	Shuichiro Matsuzaki	Accounting, Finance and Investor Relations; Managing Director, Takara Shuzo Co., Ltd.
Director	Takao Okane	General Affairs & Personnel, Environment & Public Relations and Administrative Innovation; Director, Takara Shuzo Co., Ltd.
Director	Daisuke Nakao	Senior Managing Director, Takara Shuzo Co., Ltd.
External Director	Takehiko Ueta	Director, Takara Shuzo Co., Ltd.
Standing Auditor	Tomio Kamada	
Standing Auditor (External auditor)	Kunihiro Handa	
Corporate Auditor	Hideo Tomomura	
Corporate Auditor (External auditor)	Yoshie Ohta	
Corporate Auditor (External auditor)	Kozo Kagawa	

Environmental and Social Responsibility

To continue contributing to customers, society and the planet in accordance with the key words “healthy” and “active,” we are striving to become a “green ink enterprise” that cares about both society and the environment.

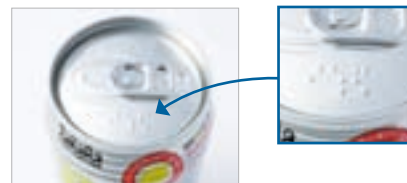
The Takara Group relies on clean water, agricultural products and other manifestations of nature’s bounty to pursue its business activities. Since the richness of the natural world is a crucial component that enables us to thrive and succeed, respecting the environment and environmental responsibility have long been important management philosophies for us. As such, we actively work to help preserve the environment and alleviate environmental impact.

■ For Healthy and Active Customers

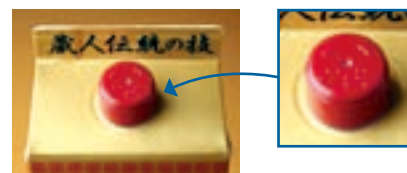
Takara Shuzo has attained ISO9001 certification for quality management systems at all of its plants. The plants use only raw materials that are guaranteed as being compliant with quality, safety and legal standards, and the safety of all products delivered to customers is assured. From product planning to design, procurement, production and shipment, quality and safety are our most paramount priorities.

In 1995, *Takara Can Chu-Hi* became the first series of can products in Japan to clearly provide alcoholic beverage labeling in order to prevent mistaken consumption. In 2002, similar labeling was applied for the first time to the caps of alcoholic beverages sold in paper packaging in Japan.

In addition, recognizing that promoting responsible drinking is an important responsibility of producers and marketers of alcoholic beverages, we were among the earliest enterprises to address this issue. Under our “Say No Campaign” initiated in 1985, we used the “good day, good drinking, and good manners” slogan to promote the message that it is important to consumer alcoholic beverages in moderation. Since 1995, our alcoholic beverage products have carried warning messages on their labels to help prevent both drinking by minors and driving while under the influence of alcohol.



Braille on can top



Braille on bottle top

■ For an Active Society

Takara Holdings established the Takara Harmonist Fund in 1985. This public trust fund has promoted environmental preservation for forests and watersheds each year since its founding and has provided funding for research and other activities in the community to protect the natural habitat.

In April 2004, Takara Shuzo began operating the Takara Rice and Sake School (relaunched as the Takara Farm School in 2008), which provides opportunities to learn about nature’s bounty and ecology by observing the cultivation of rice and the natural world around rice farms. Furthermore, we enthusiastically lend our hand to volunteer activities in Japan and to the activities of non-profit organizations (NPOs). Takara Sake USA Inc.—Takara Shuzo’s U.S. affiliate based in San Francisco, California—participates in and contributes to a broad range of activities by local environmental protection groups.



Takara Farm school



Breaking ground with *Sho-Chiku-Bai* label sake cask for Hakone Garden charity event



Takara Harmonist Fund

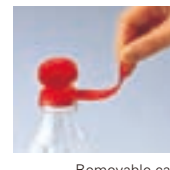
■ For a Healthy Planet

Takara Shuzo understands, as an enterprise which has an impact on the environment as part of its business activities, it has a serious social responsibility to society to alleviate the burden on the global environment and preserve nature. We have been publicly disclosing “green accounts” that detail our efforts and achievements in reducing environmental impact since 1998. These accounting reports outline the environmental impact and environmental concerns in a number of areas, select and pinpoint important community activities and disclose easy-to-understand eco-indexes as a way to measure and account for overall improvement.

We sell products by the weight of their content, using returnable bottles that can be refilled, developing eco-PET bottles and other products that are easily sorted for recycling and cooperating with customers in promoting a 4R packaging system (entailing refuse, reduce, reuse and recycle principles in support of environment-friendly practices).



Green Ink Corporate Report 2008



Removable cap



Selling shochu by weight

For further details, see Takara Shuzo’s Society and Environment web page: <http://www.takarashuzo.co.jp/environment/> (Japanese language only).

Six-Year Financial Summary

Takara Holdings Inc. and Consolidated Subsidiaries
Years ended March 31

	Millions of Yen						Thousands of U.S. Dollars
	2009	2008	2007	2006	2005	2004	2009
For the Years Ended March 31:							
Sales to customers	¥192,790	¥191,878	¥198,535	¥196,119	¥195,359	¥196,897	\$1,967,244
Alcoholic Beverages and Seasonings segment	159,386	156,780	167,665	—	—	—	1,626,387
Biomedical segment	18,402	19,793	20,574	—	—	—	187,775
Transportation segment	8,779	8,762	5,977	—	—	—	89,581
Other segment	6,222	6,540	4,318	—	—	—	63,489
(Former) Alcoholic Beverages and Foods segment	—	—	173,642	176,107	178,068	179,675	—
(Former) Biomedical segment	—	—	20,574	16,490	13,671	13,560	—
(Former) Other segment	—	—	4,318	3,520	3,618	3,661	—
Cost of sales	118,849	117,864	122,325	120,132	119,114	119,023	1,212,744
Gross profit	73,941	74,014	76,210	75,986	76,244	77,874	754,500
SG&A expenses	65,090	65,507	68,550	70,062	68,841	68,514	664,183
Operating income	8,851	8,506	7,660	5,924	7,402	9,360	90,316
Income before income taxes and minority interests	8,193	8,321	7,660	7,876	6,813	10,453	83,602
Net income	5,639	4,658	4,208	5,320	2,614	5,668	57,540
Depreciation and amortization	5,992	6,384	6,692	6,755	6,393	6,427	61,142
Capital expenditures	3,616	3,852	3,617	5,633	6,511	5,243	36,897
R&D expenses	3,343	3,643	3,593	3,574	3,353	3,127	34,112
As of March 31:							
Total assets	¥190,792	¥207,843	¥213,393	¥212,466	¥190,773	¥189,416	\$1,946,857
Interest-bearing debt	39,092	43,717	39,083	39,330	40,347	41,560	398,897
Total equity	105,316	113,273	115,570	—	—	—	1,074,653
Total shareholders' equity	93,093	99,969	102,507	101,839	89,478	88,006	949,928
Per Share of Common Stock (Yen and U.S. Dollars):							
Net income	¥26.32	¥21.53	¥19.44	¥24.39	¥11.74	¥25.93	\$0.26
Cash dividends	8.50	8.50	7.50	9.00	7.50	7.50	0.08
Ratios (%):							
Return on assets (ROA)	2.8%	2.2%	2.0%	2.6%	1.4%	3.1%	
Return on equity (ROE)	5.8	4.6	4.1	5.6	2.9	6.8	
Equity ratio	48.8	48.1	48.0	47.9	46.9	46.5	

Notes: 1. Japanese yen figures are rounded down to the nearest million yen. Per share data information is rounded to the nearest yen, and ratios to the first decimal place.

2. 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 ¥98 to U.S.\$1, the approximate rate of exchange at March 31, 2009.

3. Effective April 1, 2007, the Group changed its industry segmentation from Alcoholic Beverages and Foods, Biomedical and Other to Alcoholic Beverages and Seasonings, Biomedical, Transportation and Other, because the sales amount of transportation business, which was previously included in the Alcoholic Beverages and Foods segment, has increased. The accounts of Nagasaki Transport Co., Ltd., which was newly consolidated from the year ended March 31, 2007, were included for the 12-month period for the year ended March 31, 2008. In addition, effective April 1, 2007, the Group changed the name of the Alcoholic Beverages and Foods segment to the Alcoholic Beverages and Seasonings segment due to the withdrawal from the non-alcoholic beverages business.

4. Effective fiscal 2007, the Company applied the Accounting Standard for Presentation of Net Assets in the Balance Sheet and the Implementation Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet. As a result, starting from fiscal 2007 the sum of Total shareholders' equity and Minority interests is listed as Total equity.

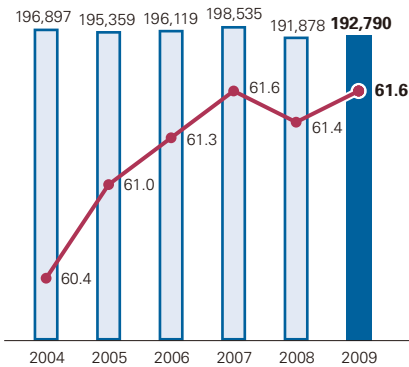
5. The amount listed in Total shareholders' equity at March 31, 2007 is calculated by subtracting Minority interests and Stock acquisition rights from Total equity. Please note that the balance sheets of fiscal 2006 and before list Total shareholders' equity.

Fact Sheet

Net Sales Cost of Sales Ratio

(Millions of Yen / %)

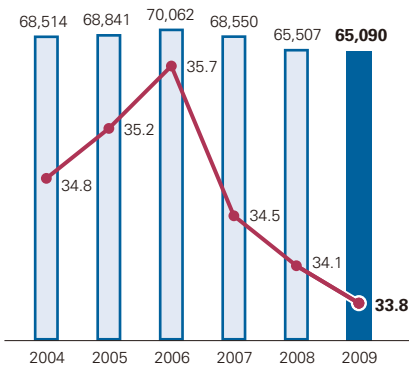
■ Net sales
● Cost of sales ratio



SG&A Expenses SG&A Ratio

(Millions of Yen / %)

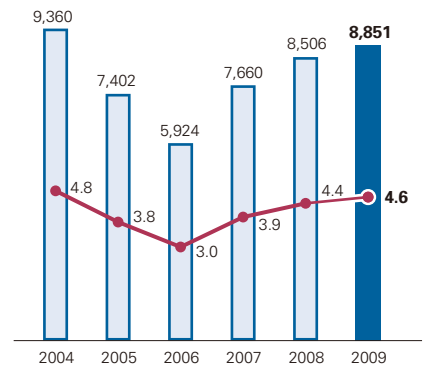
■ SG&A expenses
● SG&A ratio



Operating Income Operating Income to Sales Ratio

(Millions of Yen / %)

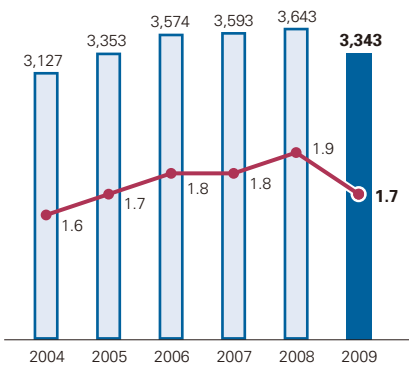
■ Operating income
● Operating income to sales ratio



R&D Expenses R&D Expenses to Net Sales Ratio

(Millions of Yen / %)

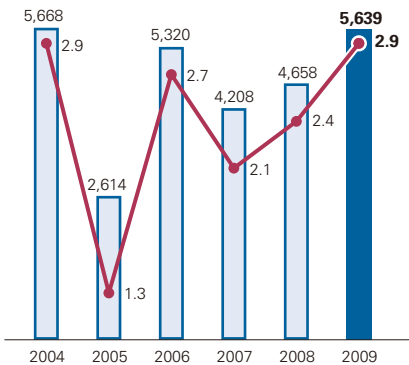
■ R&D expenses
● R&D expenses to net sales ratio



Net Income Net Income to Net Sales Ratio

(Millions of Yen / %)

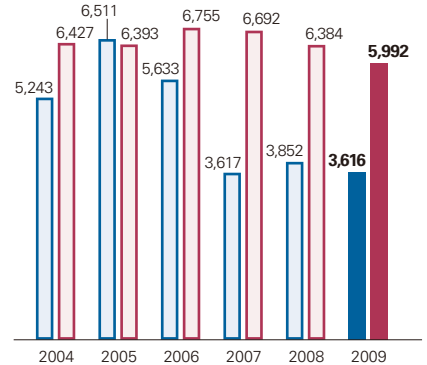
■ Net income
● Net income to net sales ratio



Capital Expenditures Depreciation and Amortization

(Millions of Yen)

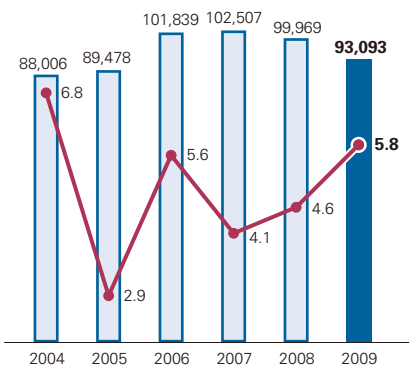
■ Capital expenditures
● Depreciation and amortization



Total Shareholders' Equity ROE

(Millions of Yen / %)

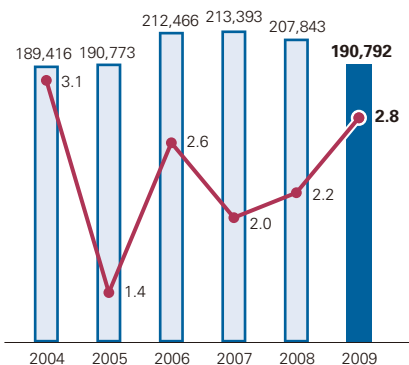
■ Total shareholders' equity
● ROE



Total Assets ROA

(Millions of Yen / %)

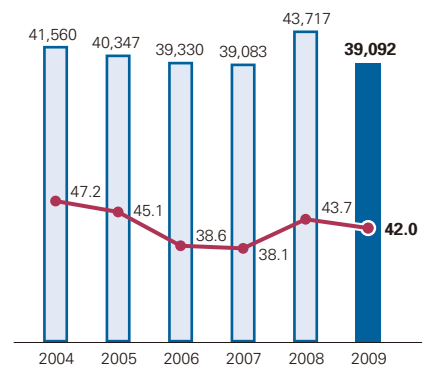
■ Total assets
● ROA



Interest-Bearing Debt D/E Ratio

(Millions of Yen / %)

■ Interest-bearing debt
● D/E ratio



D/E Ratio = Interest-Bearing Debt / Total Shareholders' Equity x 100

Major Consolidated Subsidiaries

As of March 31, 2009

Name	Address	Issued Capital	Percentage of Equity Owned	Line of Business
TAKARA SHUZO CO., LTD.	20 Naginataboko-cho, Shijo-dori Karasuma Higishi-iru, Shimogyo-ku, Kyoto 600-8688, Japan TEL 075-241-5110	¥1,000 million	100.0%	Manufacture and sale of alcoholic beverages, seasonings and raw alcohol
Subsidiaries of Takara Shuzo Co., Ltd.				
Takara Butsuryu System Co., Ltd.	55-13 Osumihama, Kyotanabe, Kyoto 610-0343, Japan TEL 0774-68-1720	¥50 million	(100.0%)	Transportation, warehousing, automobile service, non-life insurance agent, travel agent, etc.
TB Co., Ltd.	55-13 Osumihama, Kyotanabe, Kyoto 610-0343, Japan TEL 0774-65-3840	¥10 million	(100.0%)	Transportation, warehousing
Nagasaki Transport Co., Ltd.	1-16 Onoue-machi, Nagasaki 850-8688, Japan TEL 095-823-0161	¥250 million	(100.0%)	Transportation, customs broker, warehousing, etc.
Komaki-zyouzou Co., Ltd.	12 Tokiyoshi, Satsuma-cho, Satsuma-gun, Kagoshima 895-1816, Japan TEL 0996-53-0001	¥16 million	(50.0%)	Manufacture and sale of shochu
Luc Corporation, Ltd.	2-39, 5-chome, Akasaka, Minato-ku, Tokyo 107-0052, Japan TEL 03-3586-7501	¥80 million	(100.0%)	Import and sale of wine
Takara Bussan Co., Ltd.	9, Butai-cho, Fushimi-ku, Kyoto 612-8338, Japan TEL 075-601-6267	¥10 million	(100.0%)	Sale of feed
Takara Yoki Co., Ltd.	609 Takenaka-cho, Fushimi-ku, Kyoto 612-8061, Japan TEL 075-605-4540	¥30 million	(100.0%)	Wholesale of glass bottles
Total Management Business Co., Ltd.	609 Takenaka-cho, Fushimi-ku, Kyoto 612-8061, Japan TEL 075-623-2660	¥20 million	(100.0%)	Advertising agency, marketing research, sales promotion planning, temporary staffing service and restaurant management
USA Takara Holding Company	708 Addison St., Berkeley, CA 94710, U.S.A. TEL 510-540-8250	US\$4,094 thousand	(100.0%)	Holding company
Takara Sake USA Inc.	708 Addison St., Berkeley, CA 94710, U.S.A. TEL 510-540-8250	US\$3,000 thousand	(90.0%)	Manufacture and sale of alcoholic beverages
AADC Holding Company, Inc.	229 W. Main St., Frankfort, KY 40602, U.S.A. TEL 502-223-9874	US\$30	(100.0%)	Holding company
Age International, Inc.	229 W. Main St., Frankfort, KY 40602, U.S.A. TEL 502-223-9874	US\$250 thousand	(100.0%)	Sale of bourbon whisky
The Tomatin Distillery Co., Ltd.	Tomatin, Inverness-shire, IV13 7YT, Scotland, U.K. TEL 1808-511-234	STG£3,297 thousand	(80.6%)	Manufacture and sale of Scotch whisky
J&W Hardie Ltd.	Tomatin, Inverness-shire, IV13 7YT, Scotland, U.K. TEL 1808-511-234	STG£250 thousand	(100.0%)	Manufacture and sale of Scotch whisky
Takara Shuzo Foods Co., Ltd.	506 Room, Huatengbeitang Commercial Tallbuilding NO.37 Nanmofang Road, Chaoyang District Beijing, China 100022 TEL 010-5190-0975	RMB130,000 thousand	(62.0%)	Manufacture and sale of alcoholic beverages, seasonings and raw alcohol, import and sale of Takara Shuzo Group's products
LB FOOD SYSTEM CO., LTD.	18/F, Yue Hai Building No.472, Huan Shi Dong Road, Guangzhou, China 510075 TEL 020-8761-1100	RMB4,800 thousand	(51.0%)	Operation of Japanese restaurants in Guangzhou
Shanghai Takara Shuzo International Trading Co., Ltd.	Room 19J, Li Du Xin Gui, No.831 Xin zha Road, Shanghai, China 200041 TEL 021-6218-1383	RMB4,896 thousand	(100.0%)	Import and sale of Takara Shuzo Group's products, and export of quality Chinese products
TAKARA BIO INC.	Seta 3-4-1, Otsu, Shiga 520-2193, Japan TEL 077-543-7200	¥9,040 million	70.9%	Manufacture and sale of research reagents and scientific instruments, contracted research on gene examination for medical purposes and commercialization of gene therapy and cell therapy
Subsidiaries of Takara Bio Inc.				
Mizuho Nourin Co., Ltd.	38 Mitsueda, Hoidani, Kyotamba-cho, Funai-gun, Kyoto 622-0313, Japan	¥10 million	(49.0%)	Cultivation and sale of mushrooms, cultivation technology training
Takara Bio Farming Center Inc.	4217 Nagayoshi, Osaki-cho, Soh-gun, Kagoshima 899-7306, Japan	¥3 million	(48.3%)	Manufacture, processing and sale of agricultural and forest products
KINOKO CENTER KIN INC.	9006 Aza-Kin, Kin-cho, Kunigami-gun, Okinawa 904-1201, Japan	¥5 million	(49.0%)	Cultivation and sale of mushrooms
Takara Biotechnology (Dalian) Co., Ltd.	No.19 Dongbei 2nd Street, Development Zone, Dalian, China 116600	¥2,350 million	(100.0%)	Manufacture and sale of research reagents, and reagents-related technology service
Takara Bio Europe S.A.S.	2, avenue du president Kennedy, 78100 St Germain en Laye, France	EUR600 thousand	(100.0%)	Sale of research reagents
Takara Korea Biomedical, Inc.	Lotte New T Castle 601, 429-1, Gasan-dong, Gumchun-gu, Seoul, 153-803, Korea	W3,860 million	(100.0%)	Sale of research reagents, scientific instruments, contracted research and gene examination
Takara Biomedical Technology (Beijing) Co., Ltd.	Life Science Park, 22 KeXue Yuan Road, Changping District, Beijing, China 102206	¥800 million	(100.0%)	Research and development of biopharmaceuticals, manufacture and sale of research reagents and scientific instruments
Takara Bio USA Holding Inc.	1290 Terra Bella Avenue, Mountain View, CA 94043, U.S.A.	US\$70,857 thousand	(100.0%)	Holding company
Clontech Laboratories, Inc.	1290 Terra Bella Avenue, Mountain View, CA 94043, U.S.A.	US\$83 thousand	(100.0%)	Research and development, manufacture and sale of research reagents, contracted research
Subsidiaries of Takara Holdings Inc.				
Takara Healthcare Inc.	609 Takenaka-cho, Fushimi-ku, Kyoto 612-8061, Japan TEL 075-623-2317	¥90 million	100.0%	Manufacture and sale of health foods
Taihei Printing Co., Ltd.	55 Kakegoshi-cho, Nishi-shichijo, Shimogyo-ku, Kyoto 600-8881, Japan TEL 075-313-7141	¥90 million	100.0%	Printing
Takara Network System Co., Ltd.	20 Naginatahoko-cho, Shijo-dori Karasuma Higishi-iru, Shimogyo-ku, Kyoto 600-8688, Japan TEL 075-241-5139	¥30 million	100.0%	Development, operation and maintenance of information systems
Kawahigashi Shoji Co., Ltd.	9 Butai-cho, Fushimi-ku, Kyoto 612-8338, Japan TEL 075-601-5211	¥30 million	100.0%	Sale of alcoholic beverages and real estate rental

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

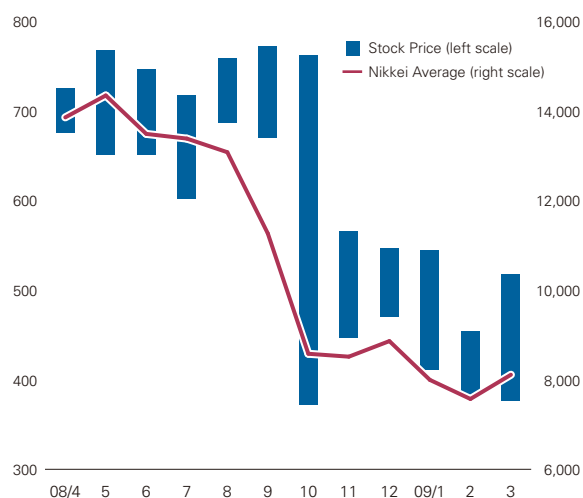
Corporate Data

As of March 31, 2009

Takara Holdings Inc.

Trade Name	Takara Holdings Inc.
Head Office	20 Naginataboko-cho, Shijo-dori Karasuma Higashi-iru, Shimogyo-ku, Kyoto 600-8688, Japan
Telephone	075-241-5130
Established	September 6, 1925
Issued Capital	¥13,226 million
Company Representative	Hisashi Ohmiya, President
URL	http://www.takara.co.jp/english

Stock Price Range on the Tokyo Stock Exchange (Yen)



Investor Information

Common Stock	
Authorized	870,000,000 shares
Issued and Outstanding	217,699,743 shares
Number of Shareholders	32,449
Stock Listings (Common Stock)	Tokyo, Osaka
Securities Code Number	2531
Transfer Agent and Registrar	Mizuho Trust & Banking Co., Ltd. 2-1, Yaesu 1-chome, Chuo-ku, Tokyo
Inquires to Transfer Agent and Registrar	Mizuho Trust & Banking Co., Ltd. Stock Agency Transfer Department 8-4, Izumi 2-chome, Suginami-ku, Tokyo 168-8507, Japan Telephone: 0120-288-324 (toll free, within Japan only)

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

Principal Shareholders

Name	Number of Shares Held (thousands)	Percentage of Shares Held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	12,336	5.67
Japan Trustee Services Bank, Ltd. (Trust Account)	10,690	4.91
Mizuho Corporate Bank, Ltd.	9,738	4.47
Japan Trustee Services Bank, Ltd. (Trust Account 4G)	9,520	4.37
The Norinchukin Bank	9,500	4.36
Meiji Yasuda Life Insurance Company	6,318	2.90
Bank of Kyoto, Ltd.	5,000	2.30
KOKUBU & CO., LTD.	3,489	1.60
Mitsubishi Corporation	3,000	1.38
JPMorgan Securities Japan Co., Ltd.	2,822	1.30

Notes: (1) Any amount that is less than 1,000 shares is disregarded.

(2) In addition to the shareholdings listed above, the Company held treasury stock totaling 4,704,906 shares (equivalent to 2.16% of voting rights).

Takara Shuzo Co., Ltd.

Trade Name	Takara Shuzo Co., Ltd.
Head Office	20 Naginataboko-cho, Shijo-dori Karasuma Higashi-iru, Shimogyo-ku, Kyoto 600-8688, Japan
Telephone	075-241-5110
Established	April 1, 2002
Issued Capital	¥1,000 million
Common Stock Issued and Outstanding	20,000 shares
Major Shareholder	Takara Holdings Inc. (100% equity owned)
Company Representative	Hisashi Ohmiya, President
URL	http://www.takarashuzo.co.jp/english

Takara Bio Inc.

Trade Name	Takara Bio Inc.
Head Office	3-4-1, Seta, Otsu-shi, Shiga 520-2193, Japan
Telephone	077-543-7212
Established	April 1, 2002
Issued Capital	¥9,040 million
Common Stock Issued and Outstanding	282,009 shares
Stock Listing (Common Stock)	Tokyo Stock Exchange, Mothers board
Securities Code Number	4974
Major Shareholder	Takara Holdings Inc. (70.9% equity owned)
Company Representative	Koichi Nakao, President & CEO
URL	http://www.takara-bio.com

Takara Healthcare Inc.

Trade Name	Takara Healthcare Inc.
Head Office	609 Takenaka-cho, Fushimi-ku, Kyoto 612-8061, Japan
Telephone	075-623-2317
Established	September 7, 2006
Issued Capital	¥90 million

Common Stock Issued and Outstanding	3,600 shares
Major Shareholder	Takara Holdings Inc. (100% equity owned)
Company Representative	Tetsuya Kamon, President
URL	http://www.takara-healthcare.co.jp (Japanese language only)

Takara Group Business Chronicles

As of April 1, 2009

- 1925** Takara Shuzo Co., Ltd. is established.
- 1949** Takara Shuzo is listed on the Tokyo Stock Exchange.
- 2000** The long-term management concept Takara Evolution-100 (TE-100) is launched.
- 2002** Holding company Takara Holdings Inc. is established.
- 2004** Takara Bio Inc. is listed on the Tokyo Stock Exchange Mothers board.
- 2006** The Group's businesses are reorganized, and Takara Healthcare Inc. is established.
- 2008** The Takara Group's Seventh Medium-Term Management Plan is implemented.

Alcoholic Beverages and Seasonings

- 1842** Commencing sake brewing business.
- 1916** Beginning manufacturing shochu and *hon mirin* using new production methods.
- 1933** Sho-Chiku-Bai Shuzo Co., Ltd. is established and begins manufacture and sale of *Sho-Chiku-Bai* brand sake.
- 1957** Entering the beer market. (*Takara Beer* is launched.)
- 1967** Withdrawal from the beer market.
- 1970** *Ajishirube* fermented seasoning is launched.
- 1972** Beginning imported sales of Chinese spirits.
- 1977** *Takara Shochu Jun* is launched.
- 1979** The "Come Back Salmon Campaign" is launched.
- 1983** Takara Sake USA Inc. is established.
- 1984** *Takara Can Chu-Hi* is launched.
- 1986** *Takara Barbican* non-alcoholic beer is launched.
- 1988** *Takara Shochu Jun Legend* is launched.
- 1993** *Surioroshi Ringo* apple juice is launched. *Calcium Parlor* is approved as a food for specified health uses.
- 1994** Two new can *chu-hi* products, *Surioroshi Ringo* and *Ara Shibori Orenji*, are launched as part of *Takara Can Chu-Hi Deluxe* series.
- 1995** Beijing Takara Foods Co., Ltd. (currently Takara Shuzo Foods Co., Ltd.), a joint venture company, is established.
- FY1999 Sep. 98** Green Ink Accounting Report (currently Green Ink Corporate Report) is issued.
- Oct. 98** Entering wine business, and begins importing and marketing of Californian wines.
- FY2000 Mar. 00** *Densho Kenju Bainiku Ekisu Iri Noshuku Inryo* is launched. *Tokusen Takara Yuki Hon Mirin*, which acquired international certification from the Organic Crop Improvement Association (OCIA), is launched.



Takara Shochu Jun



Takara Sake USA Inc.



Takara Can Chu-Hi

- FY2001 Mar. 01** Shares in Luc Corporation, Ltd. are acquired. *Shochu ZIPANG* is launched.
- FY2002 Sep. 01** *Ikkomon* (a 100% pure sweet potato shochu), *Kurokame* (a *honkaku* sweet potato shochu produced using black malted rice) and *Gankutsuo* (a *honkaku* jar-aged rice shochu stored in traditional shochu caves) are launched. *Shirakabe-gura* Brewery is completed at the Nada Plant as the center of Takara's premium sake business.
- Oct. 01**
- FY2003 Apr. 02** Takara Shuzo Co., Ltd. is established through restructuring and establishment of the holding company. *Ryu-kyu Awamori Omotohomura* is launched. *Iki* barley shochu *Otaha* is launched. Production network is revamped.
- Dec. 02**
- Mar. 03**
- FY2004 Aug. 03** *Takara Hon Mirin Junmai* is launched.
- Sep. 03** *Sho-Chiku-Bai Ten* is launched.
- Mar. 04** Takara Shuzo gains approval to label *Fiber Parlor* as a food for specified health uses.
- FY2005 Aug. 04** *Takara Yuki Hon Ryoriseishu* is launched.
- Sep. 04** *Towari*, a 100% buckwheat shochu, is launched. *Wakamurasaki-No-Kimi*, a *shiso* (perilla) shochu, is launched. *Sho-Chiku-Bai Namareishu Kurokaji Yondan Karakuchi* is launched. *Hizou No Tobira* long-aged shochu is launched.
- Feb. 05**
- Mar. 05**
- FY2006 Aug. 05** *Takara Kyo Mirin*, using *honkaku* rice shochu, is launched. *Sho-Chiku-Bai Shirakabe-gura Yamahai Daiginjo* and *Yamahai Tokubetsu Junmai*, both stored in jars in an ice room for three years, are launched.
- Sep. 05**



Sho-Chiku-Bai Ten

Biomedical

- 1970** The Central Research Institute is completed in Otsu. Method for large-scale cultivation of Bunashimeji mushrooms is developed.
- 1979** Sale of first domestically produced restriction enzymes, research reagents for genetic engineering research starts.
- 1988** Exclusive rights to sell gene amplification equipment using the PCR method in Japan are obtained.
- 1993** Takara Biotechnology (Dalian) Co., Ltd. is established in China. The exclusive worldwide rights to PCR method are obtained.
- 1995** The RetroNectin® Method, a highly efficient gene transduction method, is developed. Takara Korea Biomedical Inc. is established in Korea.
- FY1997 Apr. 96** Takara Agri Co., Ltd. is established. (Takara Bio acquires Takara Agri in August 2003.)
- FY1998 May 97** Sale of RetroNectin® reagents used in gene therapy begins worldwide.
- Dec. 97** Gene therapy clinical research using the RetroNectin® Method begins at Indiana University in the United States.
- FY1999 Aug. 98** Sale of DNA chip manufacturing instruments and analyzers begins.
- FY2000 Sep. 99** Sale of DNA chip begins.



Bunashimeji mushrooms



RetroNectin® reagent



DNA chip

- FY2001 Jul. 00** High-throughput genome sequence center Dragon Genomics Co., Ltd. is established. (Takara Bio acquires Dragon Genomics in October 2002.)
- Sep. 00** ICAN™ method, an isothermal gene-amplification method, is launched.
- FY2002 Mar. 02** Efficient protein expression system using the cold-shock vector method is developed.
- FY2003 Apr. 02** Takara Bio Inc. is established through restructuring and establishment of the holding company.
- Feb. 03** Takara Bio acquires exclusive rights in Asia from MolMed S.p.A. for gene therapies, including suicide gene and vaccine therapies for cancer.
- FY2004 May 03** Takara Bio licenses its RetroNectin® Method for gene therapy technology to VIRxSYS Corporation, of the U.S. Takara Bio issues shares to third parties.
- Oct. 03** Takara Biomedical Technology (Beijing) Co., Ltd. is established in China.
- Jan. 04**
- FY2005 Nov. 04** *Nomu Kanten Calorie-Off* is launched.
- Dec. 04** Takara Bio succeeds in sequencing Matsutake mushroom genome by using whole-shotgun sequencing method.
- Mar. 05** A lecture series is donated to Mie University School of Medicine as part of a collaborative venture with the School of Medicine to promote the clinical development of T-cell receptor gene therapy targeting refractory cancers.



Nomu Kanten Calorie-Off



Health Foods

- Sep. 05** *Kurokabe-gura Honkaku* barley shochu *Juku* is launched. Bottled *Takara Chu-Hi* is launched. *Shirakabe-gura Kasutori Shochu Hinomoto* is launched.
- Oct. 05** *Kyo Takara Hon Mirin N* is launched. *Kyo Takara* established as a B-to-B brand for sale of sake-based seasonings to restaurants and food manufacturers.
- Mar. 06** *Takara Shochu High Ball* is launched. *Shochu JAPAN* is launched. *Beni Ikko* and *Kuro Ikko*, both 100% pure sweet potato shochus, are launched.

- FY2007**
May 06 *Wasanbon* plum wine and plum wine made with sweet potato shochu are launched. Nagasaki Transport Co., Ltd. is converted into a subsidiary. *Shiso Komachi*, a *shiso* (perilla) shochu, is launched. *Takara Oishii Chu-Hi* is launched.

- Sep. 06** Takara Shuzo announces the end of sales of soft drink products.
Oct. 06 East Japan Cooking Laboratory begins operations.
Mar. 07 *Takara Can Chu-Hi Jika Shibori* is launched. *Takara Beauty Sparkling* is launched.

- FY2008**
Sep. 07 *Ikkomon Ishigura Kame Chozo*, a 100% pure sweet potato shochu, is launched. *Meiren Nyanchu* plum shokoshu and *Shinren Nyanchu* with apricots are launched. Label design for *Takara Shochu Jun* is redesigned. *Sho-Chiku-Bai Junmai Zeitaku Shibori* is launched.

- Feb. 08**
FY2009
Aug. 08 *Honkaku* barley shochu *Shirashinken* is launched.
Sep. 08 *Sho-Chiku-Bai Shirakabe-gura Kimoto Junmai* sake is launched.



Kyo Takara established as a B-to-B brand



Honkaku barley shochu *Shirashinken*

Sho-Chiku-Bai Shirakabe-gura Kimoto Junmai

- FY2007**
Sep. 06 Takara Healthcare Inc. is established.
FY2008
Aug. 07 *Takara Fucoidan Supplement 50* is launched.
Sep. 07 *Kuugaimo* is launched.
Jan. 08 Capital alliance formed with AMS Life Science Co., Ltd.
FY2009
Jun. 08 *Ashitaba Chalcone* is launched.
Feb. 09 *Takara Fucoidan Capsules* is launched.
Mar. 09 *Nomu Kanten Zero Sugar* is launched.



Takara Fucoidan Supplement 50

- FY2006**
May 05 Takara Bio reaches an agreement with the National Cancer Center of Japan on joint research into clinical trials of gene therapies to treat leukemia.

- Sep. 05** Clontech Laboratories, Inc. is acquired from Becton, Dickinson and Company, of the U.S.
Mar. 06 Real-time PCR system is launched.

- FY2007**
Jul. 06 Exclusive license for a patent concerning the detection of refractory leukemia granted to InVivoScribe Technologies, LLC in the United States.

- Business collaboration agreement in the mushroom business is concluded with Yukiguni Maitake Co., Ltd. Sales function of health food business is transferred to Takara Healthcare Inc.

- Sep. 06** Clontech's fluorescent protein series is launched.
FY2008
Aug. 07 Clinical trials on HSV-TK gene therapy are confirmed as compatible for gene therapy for leukemia by the Ministry of Health, Labour and Welfare.
Oct. 07

- Jan. 08** MolMed S.p.A., a co-development partner of Takara Bio in gene therapy, obtained regulatory approval to start a Phase III clinical trial in Italy.

- Mar. 08** Takara Bio and Mie University School of Medicine begin clinical research in "cancer immunity reconstruction therapy" using the RetroNectin® expansion-culture system for treating esophageal cancer, head and neck cancers and other cancers.

- FY2009**
Oct. 08 Takara Bio commences HSV-TK gene therapy clinical trials for relapsed leukemia patients at the National Cancer Center Hospital in Japan. Iseikai Medical Corporation in Kyoto commenced cancer cell immunotherapy based on technical support from Takara Bio. Takara Bio confirmed that it is possible to confer resistance to a multi-drug-resistant HIV clinical isolate in cells transduced with the MazF ribonuclease genes.

- Mar. 09** Takara Bio commences sales of Human iPS Cell Generation™ Vector Sets.



Clontech Laboratories, Inc.



Cell processing room at the Mie University School of Medicine

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