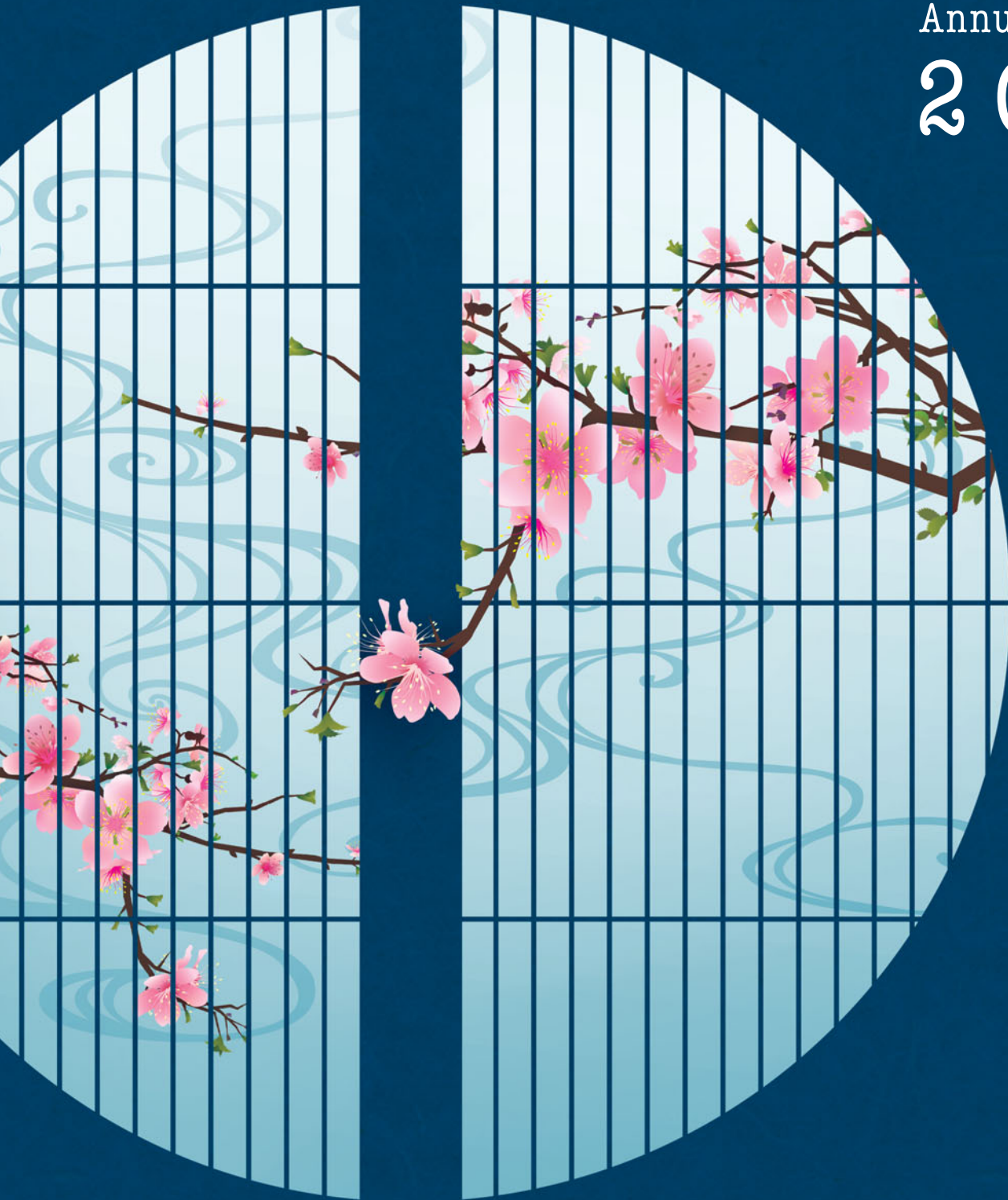




Annual Report

2015



TAKARA HOLDINGS INC.

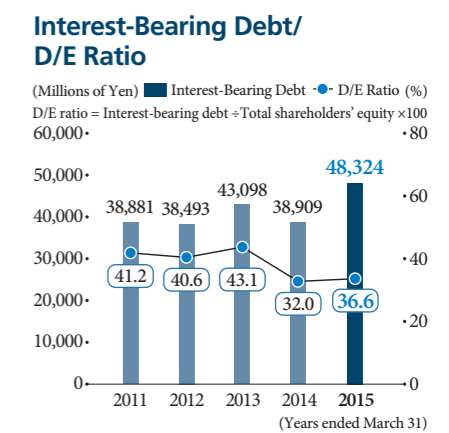
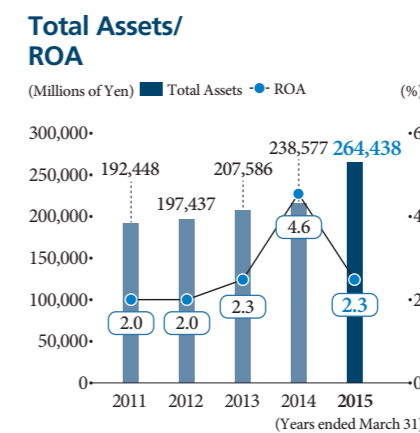
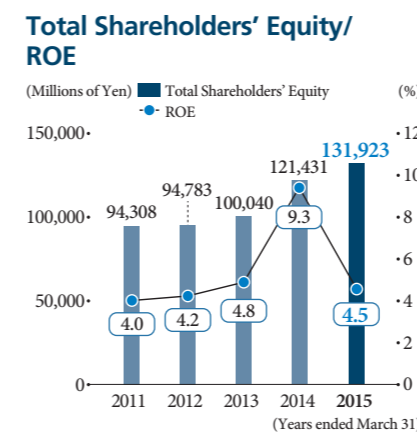
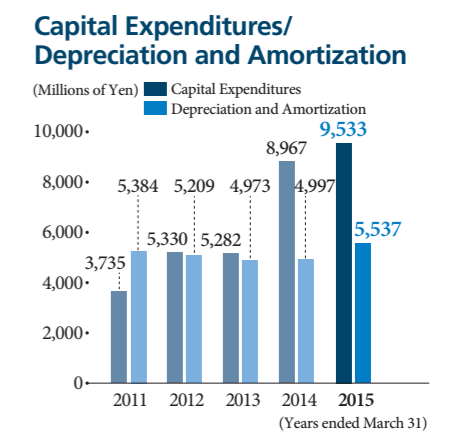
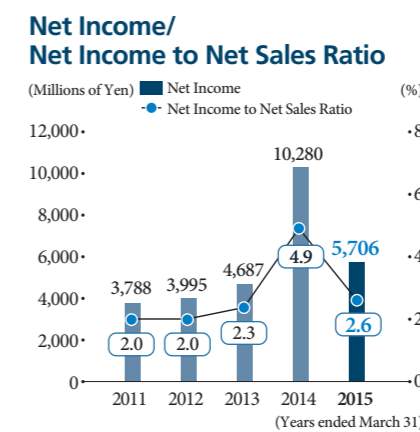
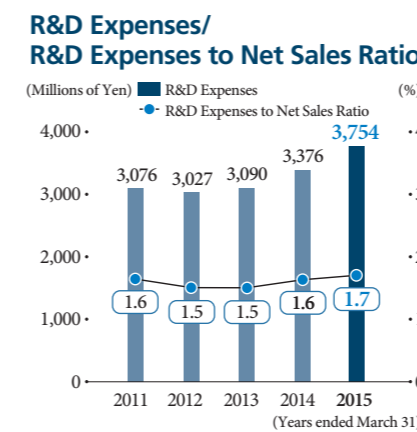
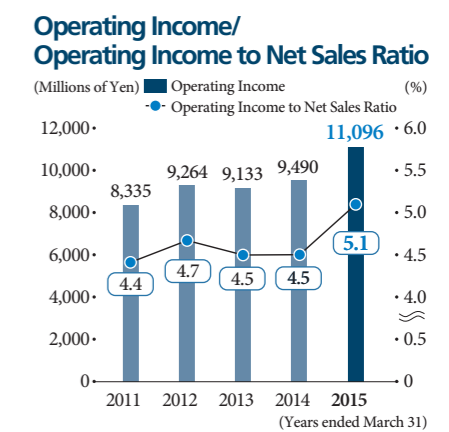
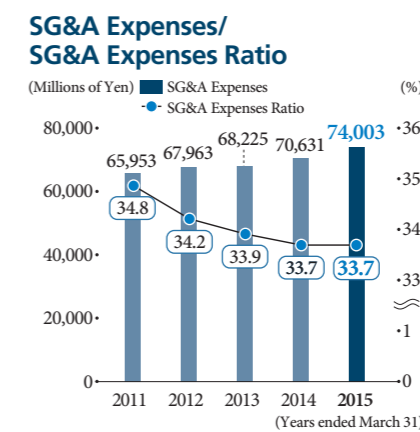
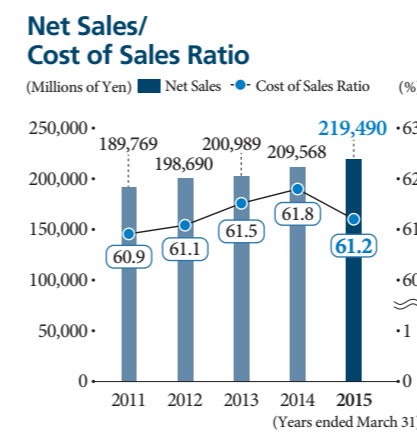
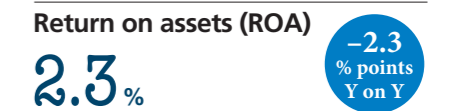
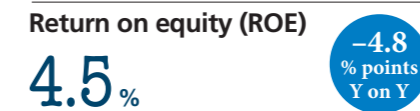
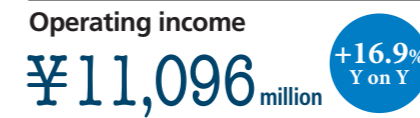
Contributing to the creation of a vital society and a healthy lifestyle through our fermentation technology and biotechnology in a way that achieves harmony with nature

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Forward-Looking Statements

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



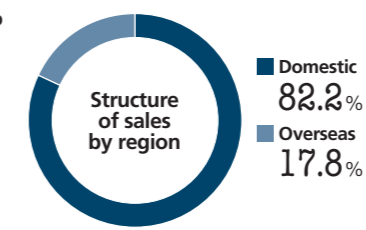
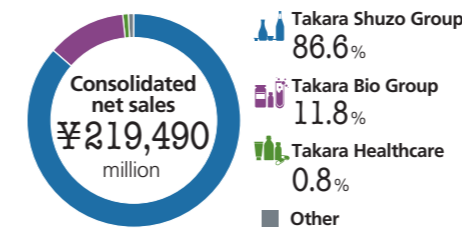
Building a Unique, Robust Business Portfolio with

As a pure holding company, Takara Holdings Inc. maximizes its business results by coordinating and controlling the management of all Group companies under its umbrella. These are the Takara Shuzo Group, which develops the Alcoholic Beverages and Seasonings Business; the Takara Bio Group, which advances the Biomedical Business; and Takara Healthcare, which accelerates growth in the Health Foods Business.

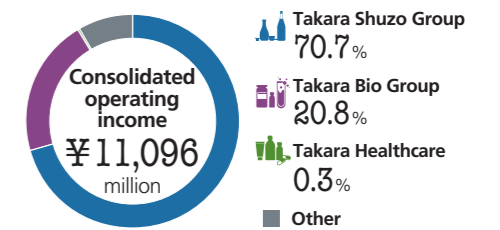
Based on this holding company structure, the Takara Group has built a unique, robust business portfolio. It combines a core business that generates stable earnings, the Alcoholic Beverages and Seasonings Business, with highly promising growth businesses, the Biomedical Business and the Health Foods Business.

a Stable Earnings Base and Growth Businesses

Structure of sales (Fiscal 2015)

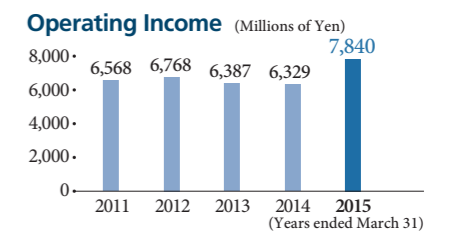
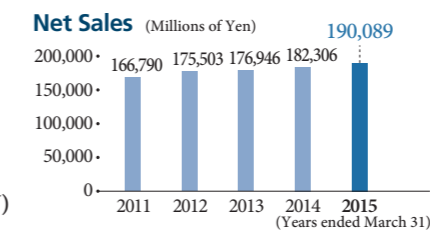


Structure of earnings (Fiscal 2015)



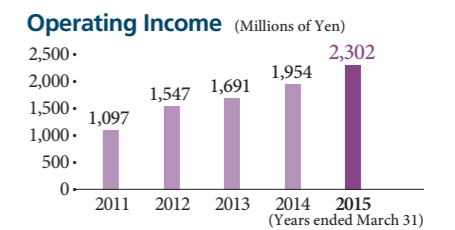
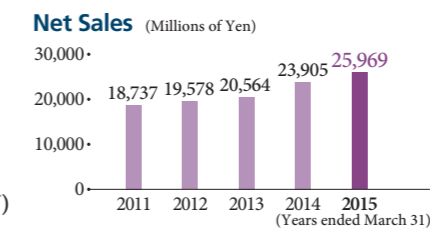
Net sales
¥190,089 million (+4.3% YoY)

Operating income
¥7,840 million (+23.9% YoY)



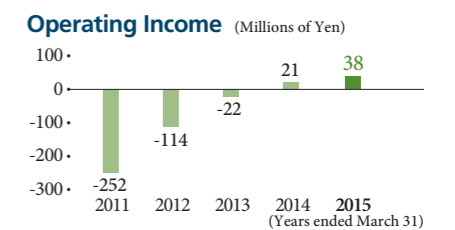
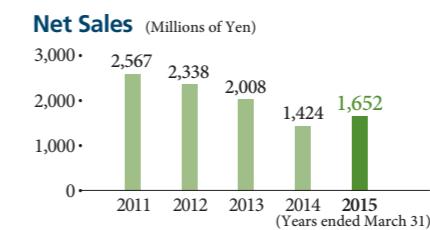
Net sales
¥25,969 million (+8.6% YoY)

Operating income
¥2,302 million (+17.8% YoY)



Net sales
¥1,652 million (+16.0% YoY)

Operating income
¥38 million (+77.9% YoY)



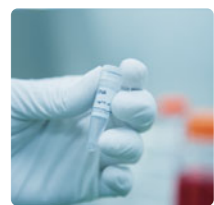
Takara Holdings Inc.

As a pure holding company, Takara Holdings Inc. aims to grow the business and increase the corporate value of all Group companies by strengthening the Group management base, developing a corporate culture and personnel and promoting social and environmental activities, among others.



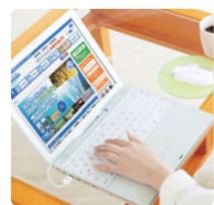
Takara Shuzo Group (Alcoholic Beverages and Seasonings Business)

The Takara Group's core business, the Takara Shuzo Group, manufactures shochu, sake, light-alcohol refreshers, seasonings, and raw alcohol, rolling out these products not only in Japan but also in markets worldwide. Moreover, the Takara Shuzo Group is working to build a business base for the Japanese Food Wholesale Business in overseas market that sells Japanese foods and seasonings to Japanese restaurants overseas.



Takara Bio Group (Biomedical Business)

The Takara Bio Group not only manufactures and sells reagents and instruments for biomedical researchers and provides contract research services, but it also develops health food ingredients and cultivates and sells mushrooms. Further, the Takara Bio Group is investing operating profits and working to commercialize technologies that play a key role in gene and cell therapies.



Takara Healthcare (Health Foods Business)

In the health foods market, which is expanding due to the increase in the elderly population and increasing health consciousness, Takara Healthcare develops safe and reliable health foods, utilizing the Takara Group's unique ingredients and technologies, and sells them directly to customers mainly through online stores.



Other subsidiaries

The Takara Group's Corporate History

- 1842 Founding (began manufacturing and selling sake)
- 1864 Began manufacturing shochu and mirin
- 1925 Established Takara Shuzo Co., Ltd.
- 1949 Listed stock on the exchange
- 1977 Launched *Takara Shochu Jun*
- 1979 Launched "restriction enzymes," the first Japanese made reagents for genetic engineering research (began Biomedical Business)
- 1982 Began local sake manufacturing in the United States
- 1984 Launched *Takara Can Chu-Hi*
- 2002 Restructured to a holding company structure



- 2004 Takara Bio Inc. stock listed on The Tokyo Stock Exchange Mothers
- 2006 Restructured Group business and established Takara Healthcare Inc.
- 2010 Acquired the shares of FOODEX S.A.S. (France) and entered the Japanese Food Wholesale Business in overseas markets
- 2011 Started the long-term management vision "Takara Group Vision 2020" Started the "Takara Group Medium-Term Management Plan FY2014"
- 2014 Started the "Takara Group Medium-Term Management Plan FY2017"

Takara Shuzo Group Takara Bio Group Takara Healthcare

Long-Term Management Vision —Takara Group Vision 2020—

Management Goal

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

Toward balanced business portfolio less susceptible to fluctuations in Japan and overseas



The Takara Group attained higher net sales and operating income on a consolidated basis year on year, achieving a positive start in the first year of the Medium-Term Management Plan.

Consolidated Business Results in Fiscal 2015

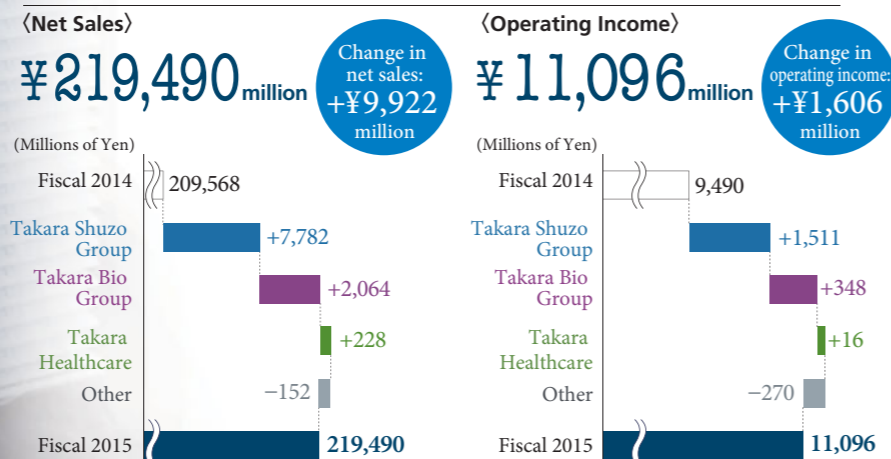
Set a new record high for net sales for the fourth consecutive year

In fiscal 2015, ended March 31, 2015, backed by the results of government economic policy and the Bank of Japan's monetary policy, the Japanese economy experienced a decline in the value of the yen and an increase in share prices as well as corporate earnings growth, primarily at export-oriented companies. Nevertheless, the effect did not extend to personal consumption, which was affected by the increase in the consumption tax rate. Moreover, overseas, while the U.S. economic recovery continued, growth in emerging economies slowed. Consequently, the outlook for the global economy remains uncertain.

In this environment, Takara Group launched the second step of efforts toward achieving the Takara Group Vision 2020, our long-term management vision, in the form of Takara Group Medium-Term Management Plan FY2017. In the second step, we aim for "change toward a well-balanced business structure that can hold up well to business environment changes," improving domestic business profitability, expanding and growing overseas business, and stepping up growth in the Biomedical business.

With regard to consolidated financial results in fiscal 2015, the Takara Group's consolidated net sales increased 4.7% year on year to ¥219,490 million, achieving a record high for the fourth year in a row. On the profit front, operating income increased 16.9% year on year to ¥11,096 million and ordinary income also grew 19.4% year on year to ¥11,827 million. Due to the absence of the extraordinary income from the partial sale of Takara Bio Inc. stock recorded in the previous fiscal year (ended March 31, 2014), net income declined 44.5% year on year to ¥5,706 million. The first year of the Medium-Term Management Plan achieved a successful start.

Analysis of Changes in Consolidated Financial Results for Fiscal 2015



Toshio Kakimoto
President
Takara Holdings Inc.

Takara Shuzo Group

The Alcoholic Beverages Business saw a decline in sales of shochu and light-alcohol refreshers. However, for sake, the business enjoyed a considerable increase in sales of sparkling sake *Sho-Chiku-Bai Shirakabe-gura Mio*, for which the system to boost production has been established, and alcoholic beverages overall recorded sales roughly on a par with the previous fiscal year. Our Seasonings Business also recorded revenue in line with the previous fiscal year as sales of cooking sake and food seasoning remained firm although sales of mirin declined in reaction to the front-loaded demand ahead of the increase in the consumption tax rate. The Japanese Food Wholesale Business in overseas markets saw a great increase in revenue mainly attributable to the sales of TAZAKI FOODS LTD. in the U.K. and Cominport Distribución S.L. of Spain, which we welcomed into the Takara Shuzo Group as partners in the previous fiscal year, in addition to strong sales at FOODEX S.A.S. of France.

As a result, total net sales for the Takara Shuzo Group rose 4.3% year on year to ¥190,089 million, and operating income rose 23.9% year on year to ¥7,840 million.

Takara Bio Group

The Takara Bio Group's core operation Bioindustry Business witnessed increased revenue with strong sales growth in its mainstay research reagents, primarily overseas due in part to the weaker yen, in addition to increased sales for scientific instruments and contract research services. Moreover, the AgriBio Business also recorded increased revenue because of higher health food sales despite a decline in sales of mushroom related products. In the Gene Therapy Business, various clinical development projects made steady progress toward commercialization, including the oncolytic virus HF10.

As a result, the total net sales of the Takara Bio Group rose 8.6% year on year to ¥25,969 million, and operating income increased 17.8% year on year to ¥2,302 million, marking the fourth straight year of sales growth and sixth straight year of operating income growth.

Takara Healthcare

In Takara Healthcare's Health Food Business, sales of the Gagome kombu (kelp) *fucoïdan* series and the Peucedanum japonicum *isosamidin* series continued to grow strongly. In addition, sales of OEM-contracted cosmetics also experienced considerable growth.

As a result, the total net sales of Takara Healthcare rose 16.0% year on year to ¥1,652 million, and operating income increased 77.9% year on year to ¥38 million.

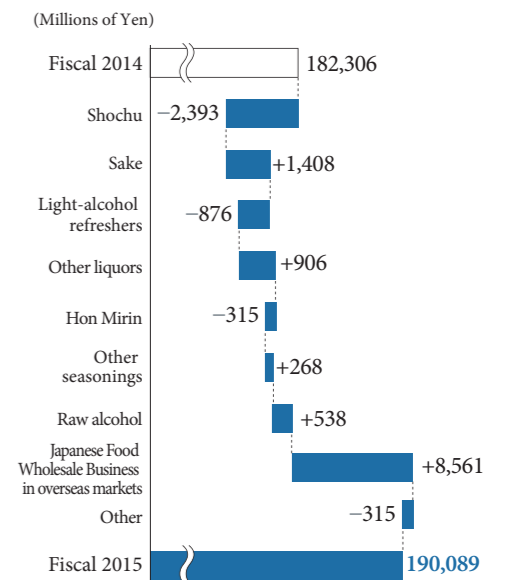
Shareholder Returns

Increased the ordinary dividend by ¥1 from the previous fiscal year based on strong business performance

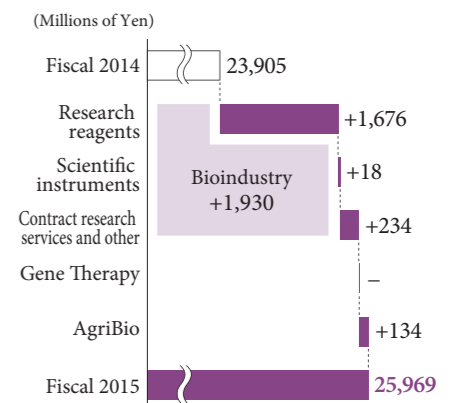
In the distribution of profit, the Group aims to maximize corporate value and income for shareholders by strengthening the business base of the entire Takara Group and achieving profit growth from a medium- to long-term perspective. The Group's policy on shareholder returns is to increase dividends in line with the level of consolidated operating income with a target deemed dividend payout ratio*1 signifying total dividends vs. operating income after taxes of approximately 30%. The Group also will proactively consider the possibility of implementing share buybacks designed to contribute to capital efficiency enhancement depending on conditions.

The ordinary dividend for fiscal 2015 was increased by ¥1 from the previous fiscal year to ¥10*2. The Group also intends to increase the dividend by ¥1 in fiscal 2016, ending March 31, 2016, to pay an ordinary dividend of ¥11 per share.

Analysis of Changes in Net Sales for Fiscal 2015 〈Takara Shuzo Group〉



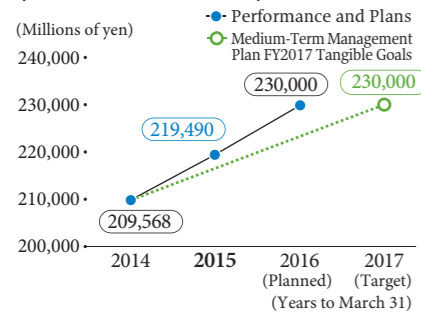
Analysis of Changes in Net Sales for Fiscal 2015 〈Takara Bio Group〉



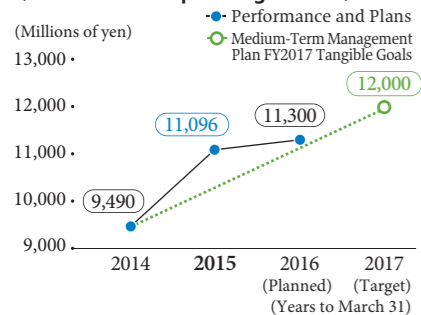
*1 Deemed dividend payout ratio:
Total dividends/Consolidated operating income
x (1 - statutory effective tax rate)

*2 In the dividend for the previous fiscal year, in addition to the ordinary dividend of ¥9 yen, the Group paid a special dividend of ¥2 yen to return to shareholders some of the extraordinary income accompanying the partial sale of Takara Bio stock.

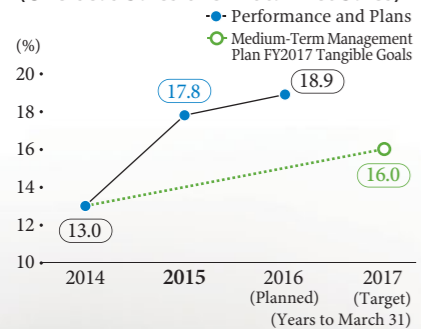
Comparison with Medium-Term Management Plan FY2017 Tangible Goals (Consolidated Net Sales)



(Consolidated Operating Income)



(Overseas Sales over Total Net Sales)



Progress of the Takara Group Medium-Term Management Plan FY2017

Steadily advancing strategies in each department aimed at achieving targets

We believe that the three year period of the Takara Group Medium-Term Management Plan FY2017 is critical for “building a well-balanced business structure that can hold up well to business environment changes,” which is the target of the Takara Group Vision 2020, our long-term vision.

The Medium-Term Management Plan has set tangible goals for fiscal 2017, which are consolidated net sales of at least ¥230 billion, consolidated operating income of at least ¥12 billion, and overseas sales accounting for at least 16% of net sales. By promoting the range of strategies already described, the Group achieved steady progress in the plan in fiscal 2015 with ¥219.4 billion in consolidated net sales, ¥11.0 billion in consolidated operating income, and overseas sales accounting for 17.8% of net sales. The percentage of overseas sales was partly attributable to the failure of the Domestic Alcoholic Beverages Business to meet projections and the weakening of the yen. However, we believe that a certain measure of success was achieved in the sense of change toward “a well-balanced business structure that will hold up well to business environment changes,” which is the goal.

Moreover, there was significant progress in all of the four priority strategies for increasing earnings as the Group concentrated its efforts on expanding sake sales with a focus on *Mio* sparkling sake and building a Japanese food wholesale network in the U.S., Europe, and worldwide at the Takara Shuzo Group, expanding our CDMO business for bio-pharmaceuticals and conducting clinical development for gene and cell therapy at the Takara Bio Group.

Mio has not only increased its sales substantially with the establishment of the system to boost production, but is also rated highly for having driven the expansion of the new sparkling sake market. As a result of the popularity of *Mio*, there has been a succession of new entrants into the sparkling sake market, which has increased the size of the market as a whole. The steady cultivation of *Mio* in this growing market will pave the way to expansion for the sake market overall.

The Japanese Food Wholesale Business in overseas markets has also steadily promoted the strengthening of its sales network in Europe. In addition to sales growth at the three Japanese food wholesalers, there is also a positive response to synergies between the wholesalers such as the expansion of private brand Yutaka products handled by TAZAKI FOODS to FOODEX. Going forward, we will accelerate business development using the opportunities provided by the global expansion of the market for Japanese food by strengthening our partnership with Mutual Trading Co., Inc., an affiliate accounted for by the equity method, in North America and welcoming partners in the Asia and Oceania regions as well.

The Takara Bio Group launched full-scale operations of the Center for Gene and Cell Processing, the core center for the CDMO business, in October 2014. Sales have been growing steadily, as our early focus on this field pays off. As for the clinical development of gene and cell therapies, the number of clinical studies aimed at commercialization is steadily increasing.

Focus Fields and Performance Forecasts for Fiscal 2016

Aiming for maintaining sales and profit growth for the Group overall

Takara Shuzo Group

The biggest challenge for the Takara Shuzo Group is enhancing earning capability in the Domestic Alcoholic Beverage Business amidst a shrinking market for alcoholic beverages due to Japan’s declining and aging population. One of the focus strategies for fiscal 2016 will be stepping up the development of sparkling sake

Sho-Chiku-Bai Shirakabe-gura Mio. During fiscal 2015, we restricted promotions with supply unable to keep up. However, we will actively roll out advertising and promotions during fiscal 2016 as the system to boost production has been established. We expect that even light drinkers who rarely consume alcohol will definitely become fans if we get them to actually hold *Mio* in their hands and try it.

The other focus strategy in the Domestic Alcoholic Beverage Business is a concentration of efforts on new light-alcohol refresher products. In the light-alcohol refresher category, sales of *Takara Shochu High Ball*, which has a dry taste, have been increasing every year. However, the inability to launch products supported by consumers has been a problem in the volume Fruit Juice Chu-Hi market. In June 2015, we launched *Takara Fruit Juice Zero Sugar Chu-Hi Zero Jitate*

Takara Holdings Prepares Takara Group Medium-Term Management Plan FY2017

Basic Policy	To achieve the Takara Group Vision 2020, we will improve domestic business profitability and expand our overseas business, while at the same time building a well-balanced business structure that can hold up well to business environment changes by accelerating the growth of our Biomedical Business.		
FY2017 Tangible Goals	Net sales: At least ¥230 billion	Operating income: At least ¥12 billion	Overseas sales over total net sales: At least 16 %
Business Strategies	Takara Shuzo Group Improve domestic business profitability by developing and cultivating products differentiated through technology application, while proactively expanding our Japanese food wholesale network and achieving dramatic overseas business growth.	Takara Bio Group Strategically invest in the field of regenerative medicine and cell therapy and speed up Biomedical Business growth	Takara Healthcare Step up Health Foods Business growth through direct marketing
Priority Strategies	Priority strategies (1) Takara Shuzo Group Expanding sake sales with a focus on <i>Mio</i>	Priority strategies (2) Takara Shuzo Group Building a Japanese food wholesale network in the U.S., Europe, and worldwide	Priority strategies (3) Takara Bio Group Expanding our production development support services for bio-pharmaceuticals (CDMO business) and the like
		Priority strategies (4) Takara Bio Group Conducting clinical development for gene and cell therapy	
	Develop corporate culture/personnel	Strengthen group’s management base	Promote social and environmental activities
Financial Policy	Maintain a strong balance sheet with a focus on capital efficiency and engage in proactive investment into priority strategies to expand profits, while at the same time providing suitable returns to shareholders		

Position of the Takara Group Medium-Term Management Plan FY2017





Takara Fruit Juice Zero Sugar Chu-Hi Zero Jitate

as a promising new product. The *Zero Jitate* product uses fruit juice but also achieves zero sugar based on Takara Shuzo's unique technology as well as reducing purines to zero without using any added sweeteners, aromatics or colorings. Takara Shuzo will work to increase sales of light-alcohol refreshers centering on this world-first product to achieve five zeros (zero sugar, zero purines, zero sweeteners, zero aromatics, and zero colorings) while at the same time using the delicious flavor of fruit juice.

Meanwhile, in the Overseas Business, Takara Shuzo will continue to promote the expansion of both the Overseas Alcoholic Beverage Business and the Japanese Food Wholesale Business in overseas markets. In particular, we believe that expansion of the Japanese Food Wholesale Business in overseas markets in Europe is a pressing issue. Openings of Japanese restaurants in Europe have increased, and the number of restaurants has more than doubled in the past five years. Takara Shuzo's *Mio* was available at Expo Milano 2015, and the Japan Pavilion was apparently incredibly busy. We will expand and strengthen the business not missing this opportunity, which has raised the attention received by "*washoku*" (Japanese cuisine).

Through these initiatives, the Takara Shuzo Group is expected to record a 3.9% increase in net sales compared to fiscal 2015 to ¥197.5 billion. Operating income is projected to rise 8.4% to ¥8.5 billion.

Takara Bio Group

The Takara Bio Group will seek to expand its business backed by the enactment of new laws on regenerative medicine by the Japanese government.

In the Bioindustry Business, the Center for Gene and Cell Processing will be at the core center of contracting for the culture and processing of cells that had only been performed at medical institutions in the past. In addition, we will strive to expand the CDMO business, which involves development support and production contracting services for bio-pharmaceuticals.

In the Gene Therapy Business, Takara Bio is pursuing development with the aim of early commercialization that makes use of the oncolytic virus HF10 and a new system for siTRC gene therapy.

Meanwhile, we will aim to run an operating profit in the AgriBio Business by increasing health food sales through improved earnings in the mushroom business and collaboration with Takara Healthcare.

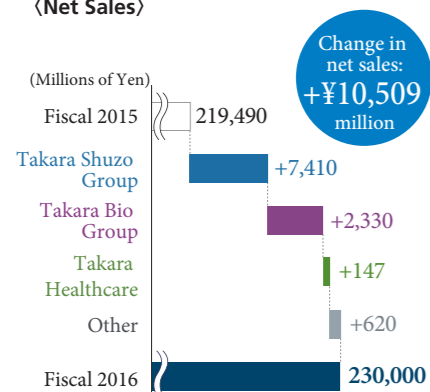
Through these initiatives, the Takara Bio Group is forecasting a 9.0% increase in net sales compared to fiscal 2015 to ¥28.3 billion and a 2.1% increase in operating income to ¥2.35 billion.

Takara Healthcare

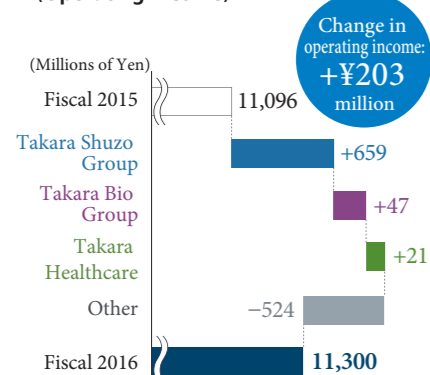
Amidst expectations of a revitalization of the health food market through the New Food Labeling Law commenced in April 2015, Takara Healthcare will continue to concentrate efforts on the Gagome kombu (kelp) *fucoïdan* series. In fiscal 2016, which will mark 30 years since research commenced, we will strongly emphasize the track record of this research. At the same time, we will also work on developing the *Peucedanum japonicum isosamidin* series. Takara Healthcare is forecasting an 8.9% increase in net sales compared to fiscal 2015 to ¥1.8 billion and a 56.9% increase in operating income to ¥60 million.

The above initiatives are expected to result in a 4.8% increase in the Group's consolidated net sales compared to fiscal 2015 to ¥230.0 billion, with operating income rising 1.8% to ¥11.3 billion. Net income attributable to owners of the parent is slated to rise 12.2% to ¥6.4 billion. We hope to continue steadily pushing forward with the second year of the Takara Group Medium-Term Management Plan FY2017.

Analysis of Changes in Consolidated Financial Results for Fiscal 2016 (planned) (Net Sales)



(Operating Income)



Message for Shareholders and Investors

Promoting further innovative transformation in all departments and among all employees

Achievement of the Medium-Term Management Plan FY2017 is essential for the realization of Takara Group Vision 2020, our long-term management vision. As each Group company steadily promotes business strategies aimed at the achievement of targets, Takara Holdings, the holding company, is utilizing and fostering human resources, the greatest management resource for any company, in addition to promoting reinforcements in the Group's management base from a variety of angles.

Due to the expansion of the overseas business, compliance on a global scale has become increasingly important, and there is a need for all Group employees to strive to comply with laws and regulations and internal rules. In addition to strengthening Group-wide risk management and safety and quality management including food defense and other areas, we will also promote compliance with Japan's Corporate Governance Code, which came into operation this year. Moreover, in order to fulfill our responsibilities to diverse stakeholders, we will continue to engage in social contribution, environmental conservation and other CSR activities.

Financially, the Takara Group will maintain a sound financial position and, keeping capital efficiency in mind, engage in aggressive investments in important strategic fields whose profit margin is large and growth is expected. At the same time, we will increase ROE through appropriate shareholder returns.

Amidst expectations of further acceleration in the shrinking of the domestic market with the progressive aging and decline of the population in Japanese society, we cannot achieve sustained growth without establishing a well-balanced business structure that can adjust to business environment changes. Therefore, I continuously say that we ourselves must change everything that we have done in the past. Without change, there is no sustained growth.

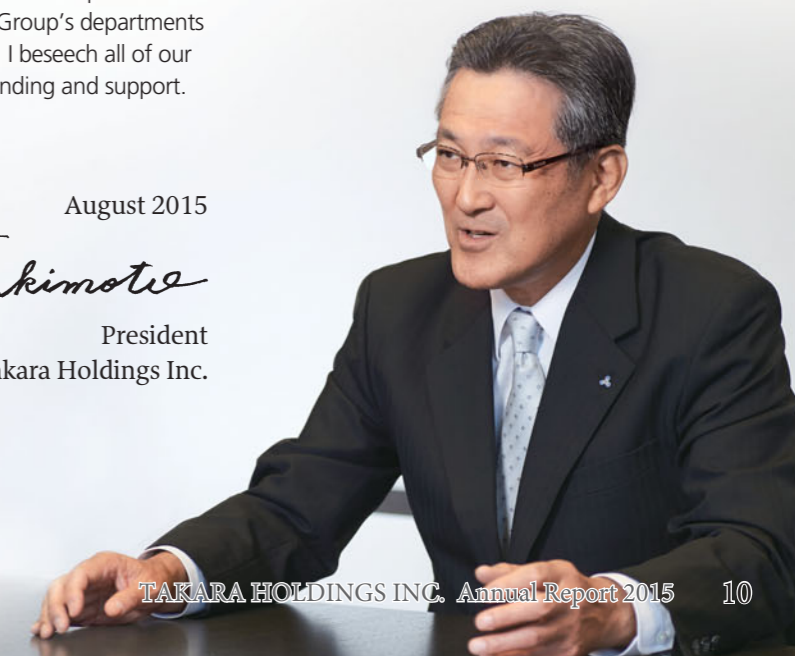
I have heard it said that to make changes a person must change his consciousness, but I believe that it is more important to change our actions than our consciousness. Indicating the path and the method for change at the level of action will enable all employees to act in the same direction. Therefore, we have formulated and pursued detailed strategies for each department under the Medium-Term Management Plan FY2017. If we change our action, our consciousness will also change. If our consciousness changes, we will then be able to accomplish even greater changes.

The Takara Group will aim for sustained growth and enhanced corporate value through the implementation of these initiatives in each of the Group's departments and by each employee, steadily building up results one by one. I beseech all of our valued shareholders and investors for their continued understanding and support.

August 2015

T. Kakimoto

President
Takara Holdings Inc.



Aiming to Expand Sake Business with Strengths in Product Development Capabilities and Ability to Cultivate New and Existing Products

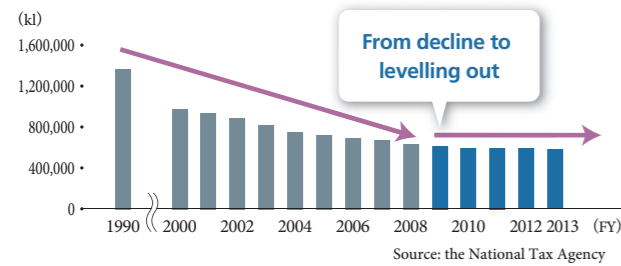
Gaining strong endorsement from sake fans with *Sho-Chiku-Bai*, the sake for celebrations

Since launching sake brewing operations in Fushimi, Kyoto in 1842, we have been providing society with high quality, fine-tasting sake for over 170 years. As the sake for celebrations, the *Sho-Chiku-Bai* brand is favored by many customers in the special occasion and gift sake market while *Sho-Chiku-Bai Ten* and other brands have gained strong endorsement in the market comprising customers who wish to enjoy sake informally with their evening meal as well.

In 2001, we established the *Sho-Chiku-Bai Shirakabe-gura* brewery in Higashinada-ku, Kobe. *Shirakabe-gura* brewery combines leading edge facilities that recreate traditional, artisan-inspired brewing techniques and sake brewing done by hand and has been a Gold Prize winner at the Annual Japan Sake Awards for 12 years in a row now. The brewery has launched high quality sake such as *Sho-Chiku-Bai Shirakabe-gura Kimoto Junmai* and others.

While sake consumption in Japan had long continued to decline, this trend has finally been halted in recent years, and the market is gradually changing with the advent of new product types,

Changes in Domestic Sake Consumption

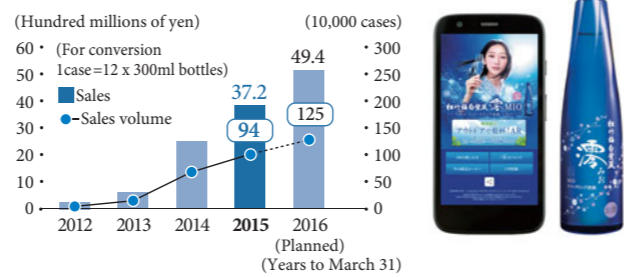


such as sparkling sake and low-sugar sake, and the growing popularity of sake outside Japan. In response to such changes in the market, we have been working various angles to expand the sake business, including new approaches to creating products and development of new users.

Mio, a product of tradition and innovative technology, leading new product category

Our sparkling sake *Sho-Chiku-Bai Shirakabe-gura Mio*, launched in 2011 is also a product of the sophisticated technological strengths of *Shirakabe-gura*. *Mio* is a sparkling sake that has a faint sweetness and moderate acidity produced from rice which goes down easily with refreshing bubbles and 5% alcohol content. It has also gained acceptance among light drinkers who have never had sake, and this year we augmented production facilities and delivered 940,000 cases, 1.5 times the number in the previous fiscal year. *Mio* is leading the market expansion in the new sparkling sake product category.

Transition of *Mio* Sales Volume



Creating a buzz by disseminating various kinds of information (photograph shows *Mio* app augmented reality (AR) planned)



Shirakabe-gura



Sho-Chiku-Bai sake produced at *Shirakabe-gura* brewery has been a Gold Prize winner at the Annual Japan Sake Awards for 12 years in a row.

Providing new low-sugar products to meet expanding market

The popularity of sugar-reduced products is growing increasingly due to rising consciousness about health, and there is also believed to be considerable potential needs in the sake category. Our *Sho-Chiku-Bai Ten* with 70% reduced sugar launched in 2014 is aimed at this promising market.

Sho-Chiku-Bai Ten with 70% reduced sugar cuts down on sugar significantly while achieving the distinctive clean, dry flavor of *Sho-Chiku-Bai Ten*. As the perfect sake for customers who are concerned about sugar to enjoy sake informally with their evening meal, sales have been rising steadily since it was launched.



Sho-Chiku-Bai Ten with 70% reduced sugar

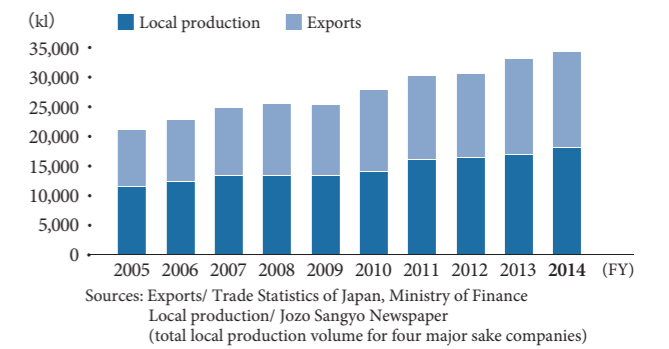
Further expanding *Sho-Chiku-Bai*, the foremost brand of sake, outside of Japan

We have expanded Takara branded products, including *Sho-Chiku-Bai* sake, worldwide. In 1982, we launched local production of sake in the U.S. Apart from supplying products

throughout the U.S. and Europe, we also launched local production in China in 1995. *Sho-Chiku-Bai* has become the foremost brand in the sake category not only in the U.S. and China, but also in many parts of Europe.

The volume of exports and overseas production of sake is increasing every year backed by a worldwide increase in the popularity of *washoku* (Japanese cuisine). With this tailwind, we will spread Japanese food culture throughout the world through the further reinforcement and expansion of the *Sho-Chiku-Bai* brand going forward. Our goal is to become the foremost Japanese alcoholic beverages brand, primarily sake, in the Japanese and overseas markets with our strengths in technological capabilities that combine tradition and innovation, unique product development capabilities and ability to cultivate new and existing products.

Trends in the Size of the Overseas Sake Market



Overseas Sake Production Locations



China



U.S.



Focusing Efforts on Market Expansion as Europe's Largest Japanese Food Wholesale Group

Japanese cuisine drawing global attention

"Washoku" (Japanese cuisine) is now popular worldwide. In North America and Europe, *sushi* has already entered everyday life so far that it is stocked in regular supermarkets. Japanese food, which combines delicious flavors with healthy eating, is becoming a familiar presence all around the world.

Over the past five years, the number of Japanese cuisine restaurants outside Japan has risen sharply and approximately doubled. There has also been an increase in the number of restaurants that specialize in *yakitori*, *ramen*, and *udon* noodles, not only restaurants that primarily serve *sushi* and *tempura*. In 2013, "washoku" was recognized as an intangible cultural heritage by UNESCO, and the popularization of



Sushi on sale at a regular French supermarket

Japanese food outside of Japan is expected to increase in future with further expansion in related markets.

Expanding the Japanese Food Wholesale Business in European countries

The Takara Shuzo Group has been promoting the expansion of the Japanese Food Wholesale Business in overseas markets amidst the global "washoku" boom. In local markets overseas, this business procures Japanese foodstuffs such as rice, *sushi* toppings and seaweed, and seasonings from Japan and around the world to supply to customers that include Japanese cuisine restaurants. Takara Shuzo entered the business through the acquisition of shares in FOODEX S.A.S., France's largest Japanese food wholesaler, in fiscal 2011. We added TAZAKI FOODS LTD. of the U.K. and Cominport Distribución S.L. of Spain to the Group in fiscal 2014, and today we form Europe's largest Japanese food wholesale group. We also strengthened our partnerships in North America with subscription to the third party allocation of new shares from Mutual Trading Co., Inc. in fiscal 2013.

These wholesalers function as information conduits by promptly delivering information on a range of products and services to customers in addition to collecting and analyzing the needs of users and informing suppliers about them. They are steadily improving their performance by tailoring their product ranges and proposals to the characteristics of the market in each country.

Pursuing Group synergies to establish a presence

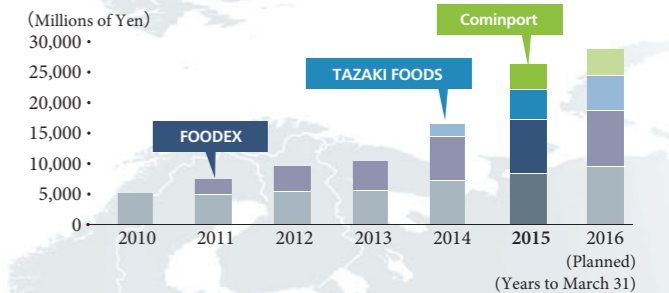
The market for Japanese cuisine has expanded in Europe in recent years, mainly in urban areas such as Paris and London. However, the size of the European market is still a fraction of the largest overseas market in North America. Conversely, it is a market with extremely high potential.

With increasing diversification and sophistication of needs forecast in the future, we will primarily target restaurants and bars while also reinforcing expansion into the retail market, which includes ready-made meals such as take-outs and delicatessens, and grocery stores, including supermarkets. Each wholesaler will make efforts to expand sales areas, reinforce delivery functions and enhance product range. At the same time, we will encourage each company to share business expertise and customer information and pursue Group synergies

in optimum cross-area procurement and supply structures through common purchasing, effective sales promotion through information sharing, and co-development of products to build a solid position into the future.

We will also seek out possibilities for collaboration with new partners in regions outside of Europe and the U.S. with the aim of increasing our global presence so that wherever there is "washoku," there is also Takara.

Takara Shuzo Group Overseas Sales



Japanese Food Wholesale Network in Europe



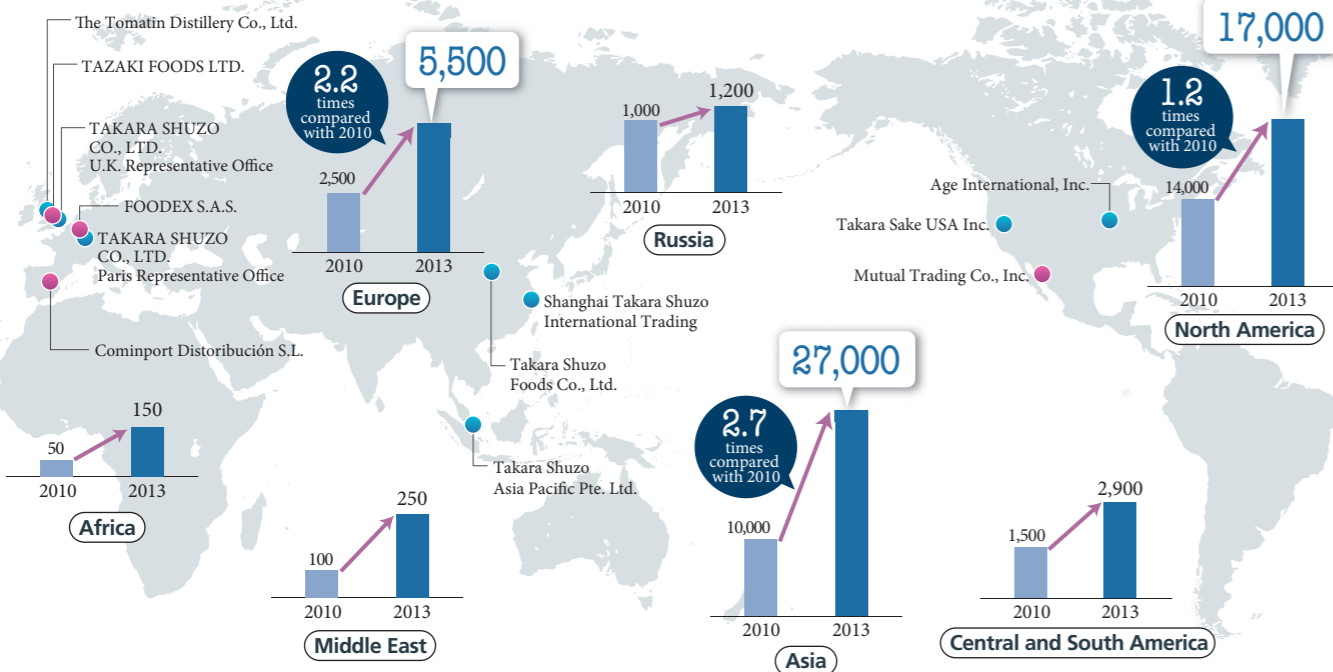
Cominport Distribución S.L. (Spain)



Overseas Locations of the Takara Shuzo Group and the Number of Japanese Cuisine Restaurants Worldwide

Source: Ministry of Agriculture, Forestry and Fisheries

● Overseas Alcoholic Beverage Business ● Japanese Food Wholesale Business in overseas markets



Europe



Strengthening the CDMO Business with Research and Development Based on the Center for Gene and Cell Processing

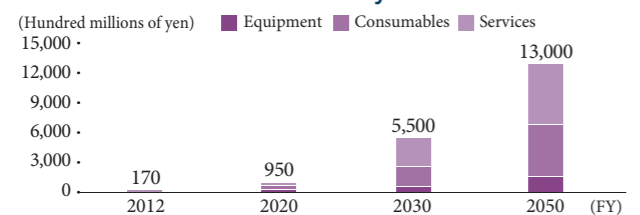
Regenerative medicine and cell therapy market energized with governmental support

In recent years, research and development in the regenerative medicine and cell therapy field has continued to make rapid progress, and there are expectations around commercialization in the form of new treatments for cancer, heart disease, brain diseases and other conditions. The Japanese government has also been providing active support for commercialization and industrialization with the promotion of regenerative medicine-related legislation and other measures.

The Act on the Safety of Regenerative Medicine was enacted in November 2014, allowing the contracting of cell culture and processing, previously the sole domain of medical institutions. The manufactured and processed products market in the domestic regenerative medicine market is estimated to increase to ¥2.5 trillion in 2050 with the related industries market for culture media and reagent, equipment, contracted services and other areas also forecasted to expand to ¥1.3 trillion.

In order to respond to the needs of this new market, Takara Bio is stepping up its expansion into Contract Development & Manufacture Organization (CDMO) Business for bio-pharmaceuticals and regenerative medicine products, which includes cell processing. We aim

Forecast Size of Japanese Market for Regenerative Medicine Products Related Industry



Note: Report on Commercialization and Industrialization of Regenerative Medicine, Ministry of Economy, Trade and Industry, edited by Takara Bio

to leverage the technologies and expertise garnered through clinical development of gene therapy and cell therapy to expand our business.

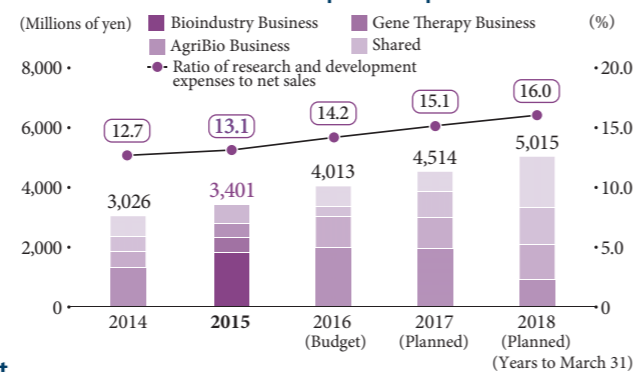
Aiming for business expansion to meet diverse needs in the regenerative medicine and cell therapy field

In 2014, Takara Bio established the Center for Gene and Cell Processing, our new facility for GCTP/GMP production, in Kusatsu, Shiga Prefecture.

In addition to the manufacture of investigational drugs for our own clinical development projects, the center, commenced operation in October 2014, is also actively involved in contract services. We are expanding our contract services, which include cell culture and processing, production of vectors for transducing genes into cells, safety and quality testing and other services, as a key partner for pharmaceutical companies, medical institutions, and research organization.

In August 2015, we intend to relocate our gene analysis site to a new facility adjacent to the center. Going forward, our aim is to become a leading company in regenerative medicine and cell therapy by offering one-stop service.

Research and Development Expenses/ Ratio of Research and Development Expenses to Net Sales



Schedule for Clinical Development of Gene Therapy Project

	Target disease	Phase	Review and application system in Japan	Commercialization
Oncolytic Virus	Melanoma, etc.	Phase I (Japan)* Completion in FY2016	• Orphan drug system • SAKIGAKE designation system • Time-limited conditional approval system	FY2019
		Phase II (United States) Completion in FY2017	—	
Engineered T cell Therapy	Esophageal cancer, etc.	Phase I (Japan)* (investigator-initiated trials) Completion in FY2016	• Time-limited conditional approval system	FY2022
	Synovial sarcoma, etc.	Phase I (Japan)* (investigator-initiated trials) Completion in FY2017	• Orphan drug system • Time-limited conditional approval system	
	Hematological cancer	Clinical trial commencement under preparation (Japan) Scheduled to commence in FY2016	• Orphan drug system • Time-limited conditional approval system	
	HIV infection	Phase I (United States) Completion in FY2016	—	FY2023

* clinical trial as regenerative medicine products

2F

Viral Vector Production Aseptic Filling

The center produces a range of viral vectors for use in clinical research into gene therapy and cell therapy with its involvement spanning vector construction through to mass production. A number of production labs have been installed to facilitate the simultaneous production of viral vectors.



The center carries out aseptic filling for its range of vectors and proteins in high-grade cleanliness (less than 100 particles per 1 ft³). It can fill approximately 3,000 aseptic containers per day.



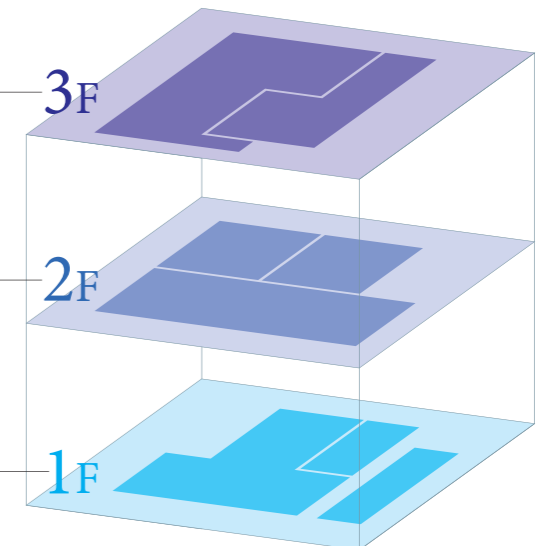
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Cell Processing and Quality Testing

Cell products used in gene therapy and cell therapy are produced in multiple independent cell preparation rooms. The center also performs safety and quality testing on cell products, including viral clearance and bacterial endotoxins test.



Center for Gene and Cell Processing



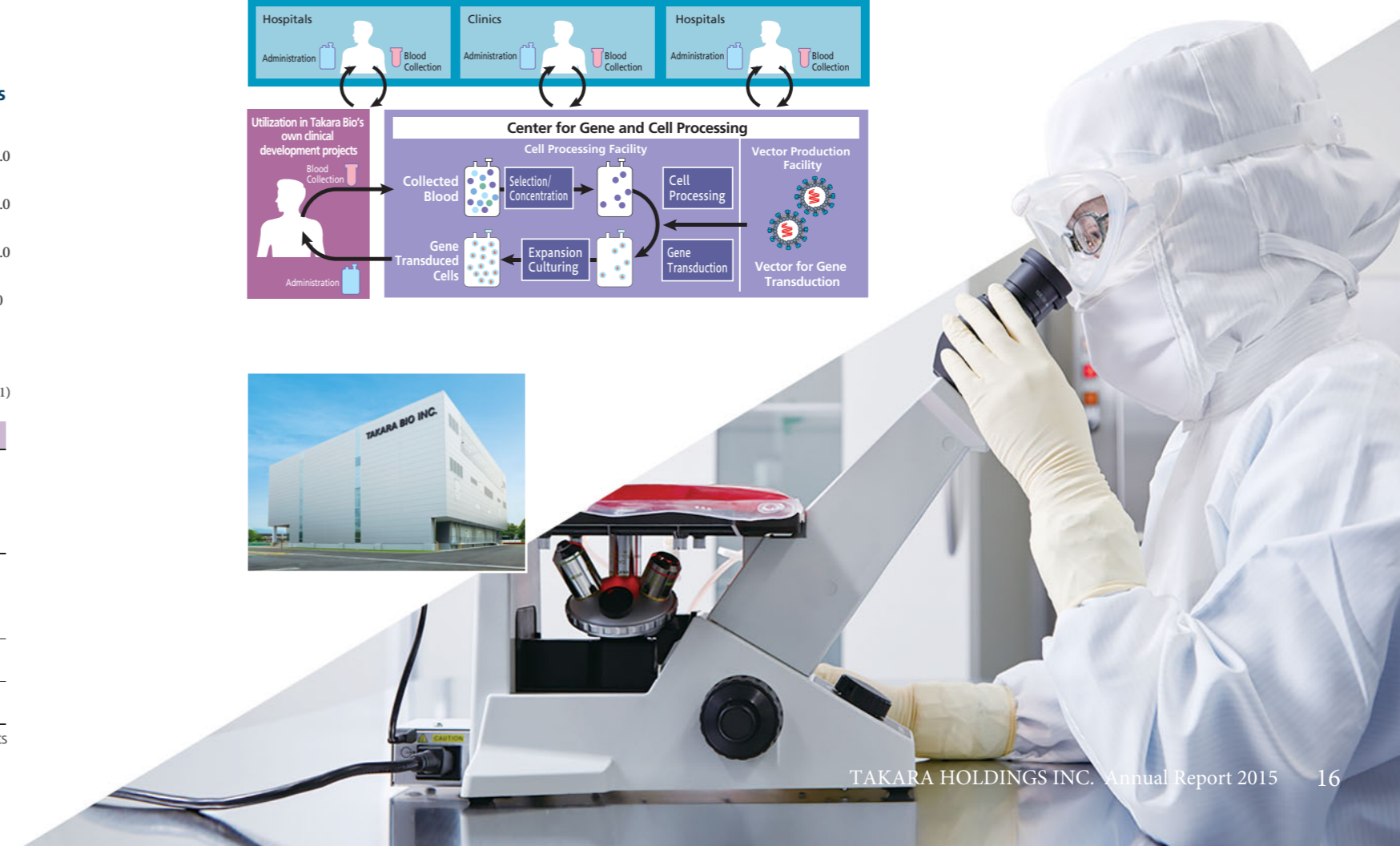
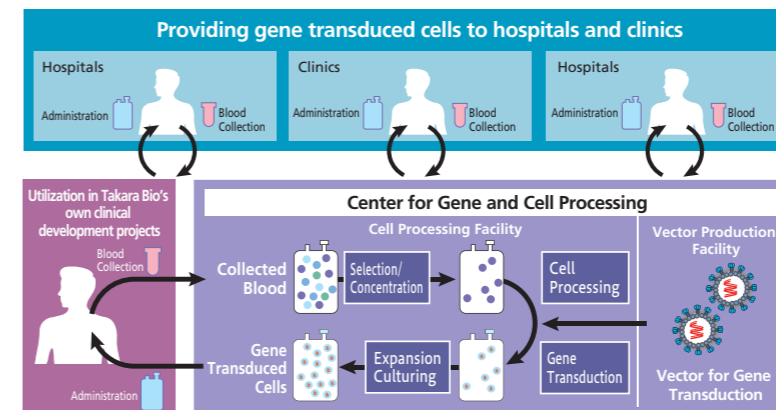
1F

Cell Bank and Storage Plasmid Vector and Protein Production

Frozen cells for research and clinical applications are stored in ultra-low temperature freezers and liquid nitrogen tanks which are controlled with 24-hour temperature monitoring.



Roles of the Center for Gene and Cell Processing





Takara Shuzo Group

(Alcoholic Beverages and Seasonings Business)

Net sales **¥190,089 million** (+4.3% YoY)
Operating income **¥7,840 million** (+23.9% YoY)

The history of the Takara Group's core Alcoholic Beverages and Seasonings Business goes back to 1842. For 170 years, it has been our mission to provide reliable products that are in tune with the changing times and diversifying customer tastes and values and are backed by our ingenuity and proven technologies. Its current lineup spans a broad range of product categories, including shochu, sake, light-alcohol refreshers and seasonings as well as wine, whisky, Chinese alcoholic beverages, and raw alcohol. We are rolling out these products not only in Japan but also in markets worldwide. Moreover, the Takara Shuzo Group is focusing on building a business base overseas to sell its Japanese foodstuffs and seasonings, among others, to Japanese restaurants.

Business Results in Fiscal 2015

- Net sales rose 4.3% year on year to ¥190,089 million. Although sales of shochu and light-alcohol refreshers declined, sales rose due to an increase in sake sales and significant sales growth in the Japanese Food Wholesale Business in overseas markets.
- On the profit front, in addition to an increase in gross profit accompanying the rise in sales, the cost ratio improved. Therefore operating income increased 23.9% to ¥7,840 million despite a rise in personnel expenses and transportation expenses in SG&A expenses.



■ Shochu	33.4%
■ Sake	13.1%
■ Light-alcohol refreshers	13.6%
■ Seasonings	12.4%
■ Japanese Food Wholesale Business in overseas markets	9.3%
■ Other	18.2%



Overseas Business Expansion

In recent years, Japanese food has been globalizing as a delicious and healthy cuisine due to rising awareness about health. In step with this trend, the Takara Shuzo Group is engaged in two mainstay businesses, the Overseas Alcoholic Beverages Business, which entails the local manufacture and sales of Takara Shuzo products including *Sho-Chiku-Bai* sake and *Takara Hon Mirin*, as well as the Japanese Food Wholesale Business in overseas markets through which it sells Japanese foodstuffs to Japanese restaurants and retail stores overseas.

The Overseas Alcoholic Beverages Business is a proactive operation consisting mainly of four companies, namely Takara Sake USA Inc., which manufactures and sells sake and mirin for the entire United States and Europe, Takara Shuzo Foods Co., Ltd., a maker and distributor of sake, hon mirin and shochu in China, Age International Inc., which handles Blanton's *Bourbon whisky*, and The Tomatin Distillery Co., Ltd., which manufactures and sells Scotch whisky.

Further, in the Japanese Food Wholesale Business in overseas markets, along with welcoming France's FOODEX S.A.S., the U.K.'s TAZAKI FOODS LTD. and Spain's Cominport Distoribución S.L. into the Group, we strengthened our alliance with long-time partner Mutual Trading Co., Inc. of the U.S., among other initiatives to expand and increase business in our global Japanese food wholesale network.

As well as expanding the Overseas Alcoholic Beverages Business and the Japanese Food Wholesale Business in overseas markets, the Group will strive to unleash their synergies and spread Japanese food culture worldwide, while developing new sales channels in overseas markets.



Business Outline by Product Category

Shochu

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

For *ko*-type shochu, Takara Shuzo has built the largest share of the market based on brands of unique quality and flavor, including the traditional and reassuring No. 1 *ko*-type shochu brand *Takara Shochu*. This brand includes the premium *Takara Shochu Gokujo Takara Shochu* blended with 3% barrel aged sake as well as *Takara Shochu Jun*, which continues to be an enduring seller more than 30 years after its launch. Moreover, in the honkaku shochu market, Takara Shuzo has launched and nurtured a range of unique shochu products for the discerning palate, particularly *Ikkomon*, which stresses its 100% sweet-potato-base and *Shirashinken* barley shochu, which accentuates the rich flavor of barley, as well as original products that use unique technology like *Yokaichi*, which is tailored for those who wish to enjoy shochu casually with their evening meal.



Sake

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

Also, Takara Shuzo produces such quality sake as the new-concept sparkling sake *Sho-Chiku-Bai Shirakabe-gura Mio* and *Sho-Chiku-Bai Shirakabe-gura Kimoto Junmai* at a specially built facility. Completed in 2001, the *Shirakabe-gura* Brewery combines leading-edge facilities that recreate traditional, artisan-inspired brewing techniques and sake brewing done by hand in order to comprehensively pursue what is truly authentic sake. In 2011, we launched *Sho-Chiku-Bai Ten*, which has a clean and dry feel from a two-stage brewing process utilizing two different strains of



yeast, in a new pouch-pack container. We satisfy diverse customer needs. In the restaurant and bar market, *Sho-Chiku-Bai Gokai* enjoys strong customer endorsement. Going forward, we will continue to propose new products with a commitment to the workmanship and ingredients involved in *Sho-Chiku-Bai*.

Light-Alcohol Refreshers

Many people love the unique taste of products backed by our proven technology such as *Takara Shochu High Ball*, with its distinctively dry flavor that remains a favorite in the neighborhood bars of downtown Tokyo, and *Takara Can Chu-Hi*, Japan's first canned chu-hi product that has been on the market for over 30 years since making its powerful debut in 1984.

We will continue to develop and nurture products that deliver delicious new flavors to customers such as *Takara Fruit Juice Zero Sugar Chu-Hi Zero Jitate*, which is a world first using fruit juice to achieve five zeros (zero sugar, zero purines, zero sweeteners, zero aromatics, and zero coloring) and the gelee Liqueur *Carina*.



Seasonings

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

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



Launch of Kuro Yokaichi Imo and Kuro Yokaichi Mugi and Aka Yokaichi Imo in a New 720ml Plastic Bottle

In recent years, plastic bottles, which are lighter and easier to carry than glass bottles, have become increasingly popular in the wine category in Japan. In January 2015, Takara Shuzo launched a 720ml plastic bottle for its Honkaku Shochu *Yokaichi* brand.

With the quality feel of the design that shines through even when set out on the table causing a buzz in the honkaku Shochu market, we will continue striving to further develop the *Yokaichi* brand.



Launch of New 180ml Pocket Pouch for Sho-Chiku-Bai Josen and Karakuchi

In February 2015, Takara Shuzo launched a new 180ml Pocket Pouch for *Sho-Chiku-Bai Josen* and *Sho-Chiku-Bai Karakuchi*.

The container uses a pouch pack with a spout. The alcoholic beverages can be readily enjoyed in a variety of settings because it is possible to drink directly from the container, which is easy to carry and dispose of. *Sho-Chiku-Bai Josen* has a smooth pleasant flavor while *Sho-Chiku-Bai Karakuchi* is characterized by a clean fresh taste. We will continue striving to further develop the *Sho-Chiku-Bai* brand by proposing new value for sake.



Launch of a Series of New Takara Shochu High Ball Products

Since we launched *Takara Shochu High Ball* in 2006, its satisfying 7% alcohol content and low-sugar have been popular, and sales volume has increased for nine years in a row.

In 2014, we launched *Ramune Wari* and *Umeboshi Wari*, as new product line-ups featuring nostalgic flavors. In addition, we also debuted a range of limited edition products in succession that drew on seasonal flavors, including *Kabosu Wari* and *Yuzu Wari*, and sales for fiscal 2015 amounted to more than ¥12.0 billion.



Launch of Gohan Takitate Jozu (Grain Defining), a New Malted Rice Seasoning to Improve the Texture of Rice Limited to the Food Processing Market

Couldn't the delicious texture of just cooked rice be maintained over time? Takara Shuzo has developed the Malted Rice Seasoning *Gohan Takitate Jozu* (Grain Defining) to meet the needs of processed food manufacturers and restaurants. The powdered malted rice seasoning utilizes the power of enzymes derived from rice malt and wheat drawing on our expertise garnered through brewing technology. Adding it to rice before cooking gives the rice a springy texture.

Amidst the expected future expansion in the ready-made meals market due to the aging of Japanese society, the social advancement of women and the increase in single person households, we will aim for further expansion of the Seasonings Business for the Food Processing Market through product development backed by fermentation and brewing technologies and product lineups that meet the needs of users.

Blanton's Gold Won the Bourbon Trophy, the Highest Award in the Bourbon Category, at The International Wine & Spirit Competition 2014

Blanton's Gold Edition Bourbon Whiskey, which Takara Shuzo imports and sells, won the Bourbon Trophy, the highest award in the bourbon category, at The International Wine & Spirit Competition 2014*, Europe's biggest wine, spirit and liqueur competition.

Blanton's Straight from the Barrel Bourbon Whiskey received a Gold Medal (Outstanding) and Blanton's Original Single Barrel Bourbon Whiskey received a Silver Medal.

* Established in 1969 in the U.K., The International Wine & Spirit Competition is the world's oldest and most influential alcoholic beverage competition which aims to improve the quality of wines, spirits and liqueurs. Nearly 5,000 alcoholic beverages from approximately 90 countries worldwide have been entered in 2014, which marks the 45th competition.



Takara Bio Group

(Biomedical Business)

Net sales
¥25,969 million
(+8.6% YoY)

Operating income
¥2,302 million
(+17.8% YoY)

The mission of the Takara Group's Biomedical Business is to contribute to the health of humankind by developing revolutionary biomedical technologies such as cell medicine and gene therapy. The Takara Bio Group's role is to make this reality—is generating stable earnings from the Bioindustry Business, which forms the core of both its technology and earnings base in addition to striving to develop the AgriBio Business as a secondary income business. We are working to achieve the early commercialization of gene therapies by investing the management resources from these two businesses in the Gene Therapy Business.

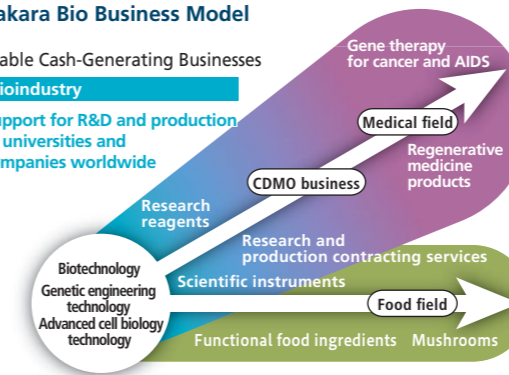


Note: From the fiscal year under review, some functions of the Gene Therapy Business were transferred and merged into the Bioindustry Business. As a result, there are no posted net sales in the businesses at the current time.

Takara Bio Business Model

Stable Cash-Generating Businesses

Bioindustry
Support for R&D and production at universities and companies worldwide



Future Growth Businesses

Gene Therapy
Aiming to commercialize gene therapy

Secondary Income Businesses

AgriBio
Leverage biotechnologies in the food field

Business Results in Fiscal 2015

- Net sales increased 8.6% year on year to ¥25,969 million. Sales of mainstay research reagents exceeded the previous fiscal year significantly, due in part to the depreciation in the value of the yen. Contracting services also remained positive. Sales increased as a result of these and other factors.
- On the earnings front, in addition to the rise in gross profit accompanying the increase in net sales, the cost ratio also improved. As a result, operating income was up 17.8% year on year to ¥2,302 million despite the increases in R&D and personnel expenses in selling, general and administrative (SG&A) expenses.

Business Outline by Segment

Bioindustry Business

This business supports biotechnology research worldwide, from basic research conducted at universities to industrial companies working in such fields as drug-discovery research. The Group reflects market needs by developing and supplying reagents and devices such as highly functional PCR enzymes and real-time PCR systems used for gene amplification, in addition to high-value-added contract research services including high-speed sequence analysis and contract production services for iPS cells.

From October 2014, we will launch operations at our new Center for Gene and Cell Processing to expand the CDMO business.



Gene Therapy Business

Takara Bio applies its core gene and cell engineering technologies to promote the clinical development of gene therapies for cancer and HIV, among others.

We aim to commercialize oncolytic virus HF10 for malignant melanoma in the year ending fiscal 2019, siTCR gene therapy for solid tumors in fiscal 2022 and MazF gene therapy for HIV infection in fiscal 2023.



AgriBio Business

Takara Bio uses biotechnology to analyze the properties of traditional Japanese food ingredients. It then uses the functionality of Gagome kombu (kelp) "fucoidan," herb (Peucedanum japonicum) "isosamidin," and other ingredients to develop and manufacture health food products.

Also, Takara Bio takes advantage of its technologies for breeding and large-scale cultivation of mushrooms in order to produce and sell Honshimeji among others.



Takara Healthcare

(Health Foods Business)

Net sales

¥1,652 million
(+16.0% YoY)

Operating income

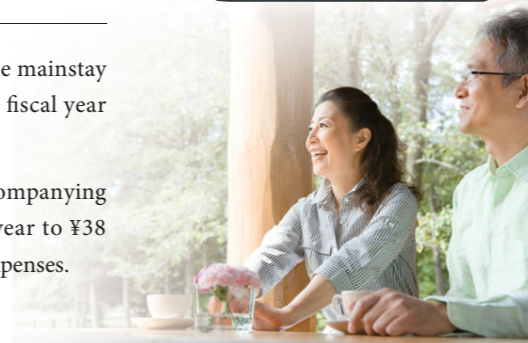
¥38 million
(+77.9% YoY)

Takara Healthcare uses the Takara Group's proprietary technologies and ingredients to develop high-quality and differentiated health foods that are sold directly to customers through our online store. Our mainstay product "fucoidan," made only of high-purity Hokkaido Gagome kombu (kelp) extracts using proprietary technologies, is loved by many customers.



Business Results in Fiscal 2015

- Net sales increased 16.0% year on year to ¥1,652 million. Sales of the mainstay fucoidan series and isosamidin series exceed those in the previous fiscal year while sales growth for cosmetics OEM led to the increase in net sales.
- On the earnings front, as a result of the increase in gross profit accompanying the rise in net sales, operating income increased 77.9% year on year to ¥38 million despite the rise in advertising and other expenses in SG&A expenses.



Acquisition of Assets Related to Products for Stem Cell Research from U.S. Firm StemCells, Inc.

Takara Bio and U.S. firm StemCells, Inc. (SCI) entered into an agreement for the acquisition of assets related to products for stem cell research held by SCI on November 10, 2014, agreeing that Takara Bio will acquire the assets needed for the manufacture and sale of the relevant products.

SCI is a company that engages in the development of stem cell therapies, primarily in the central nervous system area, and the manufacture and sale of products for research based on stem cell technologies.

Takara Bio launched worldwide sales of the group of products for stem cell research acquired under the agreement, which are mainly nerve cell differentiation culture medium and the stem cell culture medium, on January 22, 2015 using the Cellartis® brand.

Acquisition of Stem Cell Business (formerly Cellartis AB) from French Firm Collectis SA

On July 29, 2014, Takara Bio and French firm Collectis SA (CSA) agreed on the acquisition by Takara Bio of all shares in Collectis AB (CAB), which was responsible for CSA's stem cell business.

CAB is a company established by CSA through the acquisition of Cellartis AB in 2011. The company's stem cell-related products which include differentiation induction technology to differentiate stem cells, such as iPS cells into liver and pancreatic cells as well as ES cells, iPS cells and differentiated cells are widely used in the regenerative medicine research field and evaluation testing for drug candidates. Takara Bio changed the name of CAB to Takara Bio Europe AB and launched worldwide sales of the products using the Cellartis® brand on October 1, 2014.

Submission of Domestic Phase I Clinical Trial Notification for Oncolytic Virus HF10

Takara Bio will conduct a Japanese Phase I clinical trial of oncolytic virus HF10 (development code: TBI-1401 (HF10)). Therefore we submitted a clinical trial notification as a regenerative medicine product to Japan's Pharmaceuticals and Medical Devices Agency (PMDA) on January 21, 2015.

The trial will target solid tumors, such as malignant melanoma and squamous cell carcinoma, and will evaluate the safety of repeated-dose administration of HF10.

Takara Bio is seeking early approval of HF10 utilizing the system applied to regenerative medicine products (time-limited conditional approval system) under Pharmaceuticals and Medical Devices Act which was enacted in November 2014. Our goal is to commercialize HF10 in the fiscal year ending March 2019.

Submission of Clinical Trial Notification for Investigator-Initiated Trial of NY-ESO-1-siTCR Gene Therapy

Takara Bio has been promoting joint research with a group led by Professor Hiroshi Shiku at Mie University with the aim of commercializing cancer therapies utilizing siTCR gene therapy technology. The group will conduct a Phase I clinical trial of NY-ESO-1-siTCR gene therapy (investigator-initiated trials) and submitted a clinical trial notification for a regenerative medicine product to the PDMA on February 3, 2015.

NY-ESO-1-siTCR gene therapy is a treatment that targets the NY-ESO-1 antigen, which is a cancer antigen. Takara Bio will produce and supply the NY-ESO-1 antigen-specific TCR transgenic T lymphocytes, which are the investigational product. Moreover, the RetroNectin® Method developed by Takara Bio and retrovirus vectors for TCR gene transduction jointly developed with Mie University will be used in the production of the investigational product.

Takara Bio's goal is to commercialize NY-ESO-1-siTCR gene therapy in the fiscal year ending March 2022 utilizing the system applied to regenerative medicine products (time-limited conditional approval system) under the Pharmaceuticals and Medical Devices Act.

Launch of Two New Supplement Products

Takara Bio launched sales of Agafit supplements, which contain Agaphytose™ derived from agar, and Ginkgo leaf + Yamsgenin supplements, which combine Yamsgenin derived from dioscorea esculenta (lesser yam) with ginkgo leaf extract, on March 10, 2015.

Agafit contains Agaphytose™, a unique ingredient derived from agar, and is a supplement recommended for people get anxious about disruptions to their routine. Ginkgo leaf + Yamsgenin combines Yamsgenin powder, a healthy ingredient derived from dioscorea esculenta, which is a variety of yam, with ginkgo leaf extract, and is recommended for people who want to feel refreshed every day.



Working to Increase Corporate Value by Providing Safe and Reliable Products and Services and Contributing to the Advancement of Medicine

The Takara Group is working to strengthen its ESG aspects based on its corporate philosophy and the Takara Group Medium-Term Management Plan FY2017. In the four main focus areas of safety, security and health, the cultivation of a corporate culture and the development of human resources, promoting environmental conservation and strengthening governance, the Group undertakes various activities and strives to increase the corporate value of the entire Group.



1. Safety, Security and Health

Quality control at Takara Shuzo

Takara Shuzo acquired quality management system international standards ISO 9001 certification and always conducts rigid quality control at all its plants to ensure food safety and security.

Takara Shuzo also implements strict label indication screenings to accurately convey raw material and nutritional composition information.

Prevention of accidental alcohol ingestion

Aiming to prevent the accidental consumption of alcohol by the visually impaired, Takara Shuzo became the first company in Japan to include the Japanese word for “alcoholic beverage” in braille on the tops of canned Chu-Hi products in 1995. In 2002, Takara Shuzo was also the first in Japan to do the same for the caps of alcoholic beverages sold in cardboard cartons.

Since 2011, Takara Shuzo has included the “alcoholic beverage” mark on all alcoholic beverages of 300ml or less with an alcohol content of less than 10%.

Promoting appropriate consumption of alcohol

Takara Shuzo strives to enlighten the public on moderate drinking by the rules. The Company uses warning labels to prevent underage drinking and drunk-driving.

It also publishes a booklet entitled *Maintaining a Positive Relationship with Alcohol* that provides accurate information on alcoholic beverages and ways to drink correctly.

Quality control at Takara Bio

Takara Bio has established reliable quality control systems from the selection of raw materials such as research reagents and fresh mushrooms through to manufacture and shipment.

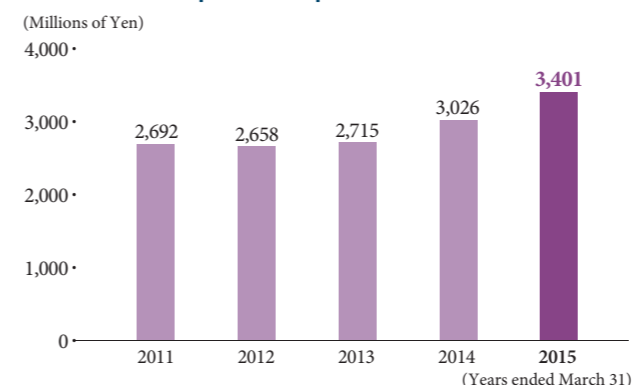
Takara Biotechnology (Dalian) Co., Ltd., which manufactures research reagents, and the CDM Center, which are sites for development and manufacturing of regenerative therapy products, have obtained ISO 9001 certification, the international standard in quality management systems, and implement rigorous quality controls. Furthermore, facilities in Japan that manufacture investigational drugs have

established quality control systems that comply with GCTP/GMP and implement all types of quality and safety tests on products.

Developing advanced medical treatment technologies

Takara Bio leverages its innovative biomedical technologies to develop and commercialize state-of-the-art medical treatment technologies for gene therapy, cell medicine and other fields to respond to unmet medical needs in cancer and HIV/AIDS treatment.

Takara Bio Group's R&D Expenses



Ethics in R&D

Takara Bio conducts R&D that uses tissues, cells, clinical specimens, genomes, and genes derived from humans. Using these, Takara Bio conducts businesses related to contract operations of gene investigation and analysis as well as businesses that provide human tissue or cell products.

In addition to ensuring compliance with relevant laws and statutory regulations as a matter of course, Takara Bio views respecting human rights and ensuring that the above-mentioned operational activities contribute to society appropriately as important and has established bioethics and safety rules as well as an in-house bioethics committee that scrutinizes operations rigorously.

2. The Cultivation of a Corporate Culture and the Development of Human Resources

Fostering human resources that support business strategies

The Takara Group advances the utilization and fostering of diverse human capital that supports business strategies.

As an example, our “*Iki-Iki-Jissenn-Kensyu* (Fun Practical Training)” session held at Takara Shuzo every year since 2005 under the theme “What can we do to improve performance?”

is a forum to collect information on what employees feel and think when working that is submitted directly to the President and other members of the management team. By doing this, we aim to improve the overall corporate results and build an exciting organization.

Furthermore, believing that the cultivation of a corporate culture and the development of human resources is essential to achieve an increase in corporate value, we are building a corporate culture that makes workplaces exciting and positive and nurtures people based on respect for human beings. In this context, we foster human resources that are well-balanced as corporate employees, members of society and individuals.

3. Promoting Environmental Conservation

Protecting biodiversity

Takara Holdings established the Takara Harmonist Fund in 1985 as a public trust fund which has provided every year since then assistance to groups and individuals conducting natural environment protection activities and research. As of March 31, 2015, the fund has assisted in 312 cases with cumulated subsidies of approximately ¥149 million since its inception.

Since 2004, Takara Shuzo has held its annual Takara Shuzo Farm School to teach children who shoulder the next generation about the preciousness of nature and the importance of biodiversity.



Reducing CO2 emissions

Takara Shuzo's use of heavy oil and gas to produce steam for production processes and electricity in processes such as filling containers with products produces CO2 emissions as well as those produced when distributing products from plants.

During fiscal 2015, Takara Shuzo converted some of its heavy oil boilers to high-efficiency gas boilers and also promoted improvements in the alcohol distillation process and other measures. As a result of these initiatives, we achieved reductions of 1.9% in total CO2 emissions and 3.5% in CO2 emissions per unit of production in production departments and 3.9% in total CO2 emissions and 3.0% in CO2 emissions per unit of production in transportation departments compared with the previous fiscal year.

Evaluation from external organizations Inclusion in SRI index

The FTSE4Good Index Series is a socially responsible investment (SRI) index promoted by FTSE International Limited, a subsidiary of the London Stock Exchange Group. FTSE has investigated approximately 2,400 companies in 25 countries around the world, and has stringently selected those companies that meet international standards related to the environment and society for inclusion in the index. The Company was recognized for its eco-friendly business as well as for its social contribution activities, and was therefore chosen for inclusion in this SRI index.



FTSE4Good

Reducing water consumption

Takara Shuzo not only uses water as a raw material for alcohol, but also for washing equipment and containers, distilling alcohol, cooling products, and other uses. We strive to reuse and conserve water in these processes, undertaking reductions in water consumption.

In fiscal 2015, we promoted improvements in methods for cleaning production facilities and other measures and achieved reductions of 2.2% in total water used and 3.8% in usage per unit of production compared with the previous fiscal year.

4R initiatives

In the alcoholic beverage industry, disposing of used empty containers is a major problem. Takara Shuzo promotes the "4Rs," Refuse, Reduce, Reuse and Recycle, which includes "Hakariuri," selling products by weight of their content and using bottles that can be refilled to minimize the need for new containers. Since beginning *Hakariuri* in 1998, we have achieved cumulative savings of about 7.92 million 2.7ℓ plastic bottles and about 1.98 million sheets of cardboard as of March 31, 2015.

In recognition of many years of activities, we received the Prime Minister's Prize, the top award, out of 114 applicants from around Japan in the FY2014 3Rs (Reduce, Reuse, and Recycle) Awards.



4. Strengthening Governance

Fortifying Group corporate governance system

Basic Policy on Corporate Governance

The Takara Group recognizes the strengthening of corporate governance as a key management issue for achieving sustained growth in corporate value. In accordance with the following basic policy, the Group is striving to strengthen corporate governance.

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.

Corporate Governance Structure

The Company has adopted the corporate auditor system of corporate governance, and, as of June 27, 2015, the audit & supervisory board comprised five audit & supervisory board members, including three external audit & supervisory board members. The Company's board of directors comprised nine directors, including one external director. Under this structure, in addition to the audits conducted by the audit & supervisory board members, the external director liaises with the audit & supervisory board and the director responsible for internal control to contribute to the audit and supervision of business execution, thereby strengthening supervisory functions regarding the Company's management. The external director maintains a high degree of independence and possesses a broad knowledge based on the perspective of all stakeholders, including shareholders.

Meanwhile, as a holding company, Takara Holdings has formulated the "Rules and Regulations for Overseeing Group Companies" with the goal of facilitating independence and autonomy among Group companies in order to maximize the corporate value of the overall Group. In order to provide information accurately and promptly to decision-makers charged with executing operations and the management team, the Company has also established the Group Strategy Committee, Mother Business Consultation and Coordination Committee, Takara Bio Coordination Committee, Takara Healthcare Strategic Committee, and Functional Subsidiary Consultation and Coordination Committee, which are required to deliberate and report in advance on major matters.

Audit Environment

The Company's audit & supervisory board members audit the execution of duties by the directors through participation at the board of directors' meeting and other important meetings; examination of operations, assets, and key documents; and, where

deemed necessary, interviews with directors and personnel responsible for specific areas of the Company's operations.

With regard to internal audits, the Company has established the Audit Division, which acts independently from the departments that receive audits. The Audit Division conducts audits in accordance with the Company's Internal Audit Regulations and works to maintain proper execution of duties through the implementation of any measures deemed necessary. The Audit Division, the Audit & Supervisory Board, and the accounting auditors strive to maintain mutual cooperation through the exchange of opinions and information and by holding discussions on a regular basis concerning audit plans and policies and the status of audit implementation.

External Director and External Audit & Supervisory Board Members

The Company has one external director and three external Audit & Supervisory Board members. There are no specific standards and policies regarding the independence of the external director and the External Audit & Supervisory Board members. However, the Company comprehensively considers the formal requirements stipulated in the regulations, etc. of the Tokyo Stock Exchange as well as the past career record,

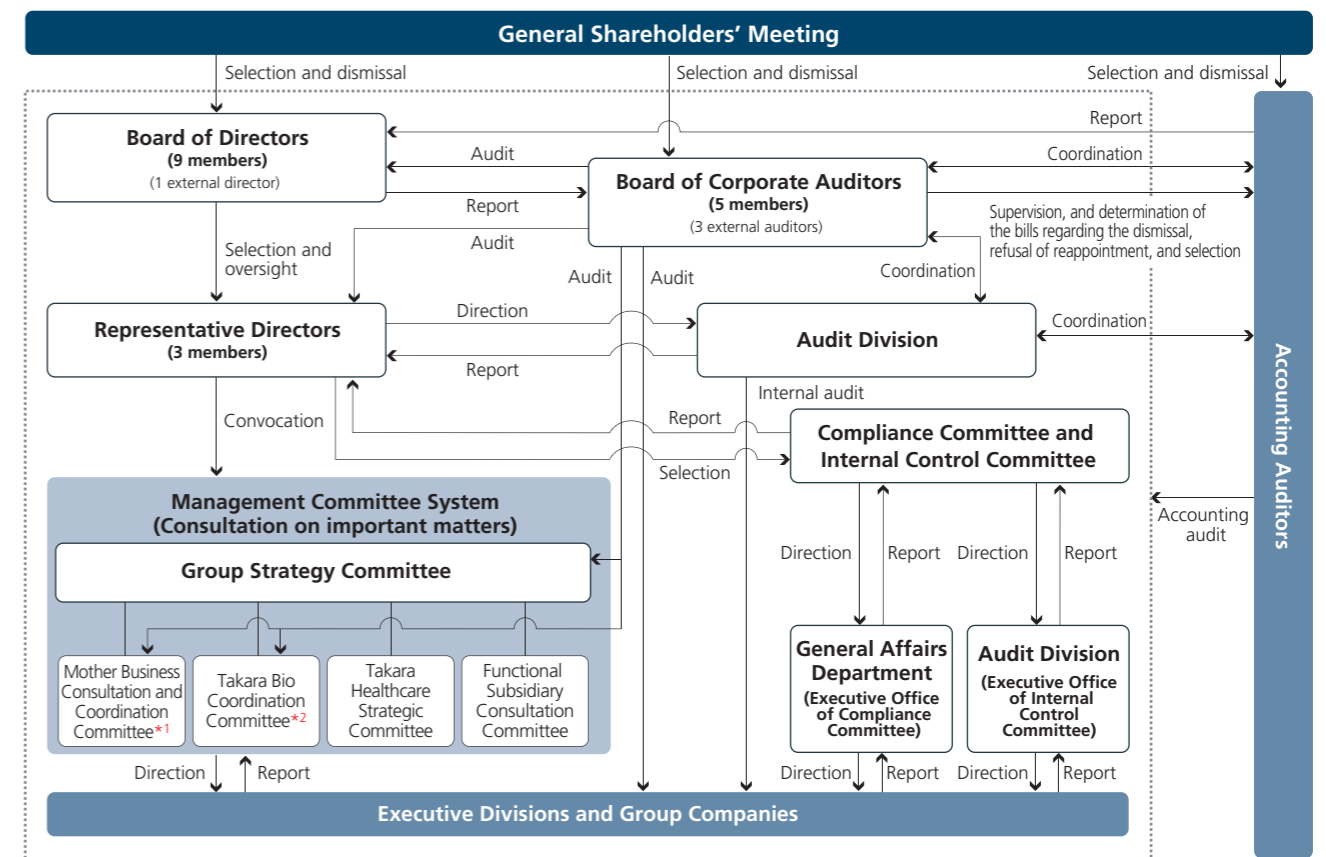
character, and insight of each individual.

Policies and Methods for Determining the Amount of Compensation

Compensation for directors and Audit & Supervisory Board members is determined based on the Rules for Compensation of Officers approved by the Board of Directors within the range of the ceiling on the total amount of compensation for each approved by the general shareholders' meeting.

The amount of compensation for directors consists of a responsibility component and a performance-evaluation component determined in accordance with the performance evaluation score for the previous fiscal year for each director, which is based on the standard amount for each position. The individual performance evaluations of directors for the performance-evaluation component are performed by a director who is authorized by the Board of Directors while the amount of compensation for Audit & Supervisory Board members is determined based on consultation with the Audit & Supervisory Board members. Revisions of the Rules for Compensation of Officers relating to directors are based on the resolution of the Board of Directors while revisions relating to Audit & Supervisory Board members are subject to consultation with the Audit & Supervisory Board members.

Corporate Governance System (As of June 26, 2015)



*1 The purpose of the Mother Business Consultation and Coordination Committee is to conduct preliminary consultations on matters placed on the agenda of the Board of Directors of Takara Shuzo, and report on financial results and the status of activities.

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

Activities with important repercussions for corporate governance

Policies Concerning Our Publicly Traded Subsidiary Takara Bio Inc.

Takara Holdings Inc. is the parent company of Takara Bio Inc., holding 60.9% of the voting rights of Takara Bio (Tokyo Stock Exchange Mothers; Securities code number: 4974) as of March 31, 2015. The relationship between the Company and Takara Bio is outlined below.

(1) Listed subsidiary Takara Bio

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

As of March 31, 2015, Takara Holdings is a pure holding company comprising 46 subsidiaries and three affiliates. Takara Bio is positioned as the subsidiary specializing in biotechnology and promoting biotechnology-related businesses for the Group.

(2) Holding company management of Group companies

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

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

Policies on Response to Large-Scale Purchases of the Company's Shares (Takeover Defense Guidelines)

At the board of directors' meeting held on May 15, 2006, the Company enacted "Policies on Response to Large-Scale Purchases of the Company's Shares (takeover defense guidelines)" with the aim of maintaining and increasing corporate value and promoting the joint benefit of shareholders.

However, believing that policies better reflecting the opinion of shareholders are needed for optimizing the joint benefit of shareholders, the board of directors revised its Takeover Defense Guidelines. 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. At the 96th General Shareholders' Meeting, held on June 28, 2007, Takeover Defense Guidelines were introduced and approved. For details, see our website: <http://www.takara.co.jp/english/> and official Company accounts (Japanese language only).

At the 99th General Shareholders' Meeting, held on June 29, 2010, the partial amendment and continuation of these measures was approved. The continuation of these measures was then approved once again at the 102nd Annual General Shareholders' Meeting, held on June 27, 2013.

Risk management system

Ensuring Trustworthy and Fair Corporate Activities

The Takara Group has established a Compliance Committee chaired by the president in order to ensure trustworthy and fair corporate activities and is undertaking a reinforcement of the group-wide compliance promotion structure. Our goal is fulfilling the corporate social responsibility of the entire Takara Group and increasing the Group's corporate value by way of each Group company complying appropriately with laws and social ethics and responding to crisis management. Moreover, we also provide grade-specific classroom training and on-the-job education for executives, managers, and regular employees based on the Takara Group Compliance Action Guidelines to spread and firmly establish the compliance mindset among our employees.

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

Compliance system

Response Systems for Normal Circumstances and Emergencies

The Takara Group promotes activities to prevent the materialization of risk and to mitigate risk while prioritizing risks by comprehensively investigating workplaces to identify risk. Such activities are repeatedly carried out each year, and the results from the activities are reported to the Compliance Committee.

Moreover, in the event of situations with a possibility of endangering life and limb or those that could seriously impact

on corporate confidence or assets, we establish an Emergency Response Headquarters while cooperating with each department to take prompt and targeted action.

Business Continuity Plan (BCP)

The Company has considered countermeasures to damage in a large-scale earthquake scenario and formulated a Business Continuity Plan (BCP).

Based on the experience of the Great East Japan Earthquake, the Business Continuity Plan Investigation Committee and the

Business Continuity Plan Investigation Subcommittee have continuously conducted considerations in order to further improve the feasibility of our BCP, and we have promoted the necessary measures for the continuation of business.

Specifically, we have taken such steps as ensuring the power supply for our production sites by introducing private electricity generating equipment, enhancing the reliability of information dissemination, and making preparation for the establishment of back up offices in times of disaster. In addition, we also hold training drills based on our BCP to confirm its feasibility.

Message from the External Director

Hoping for future leadership succession and increase in corporate value

I served as external director of the Company for eight years from June 2007. In 2012, the Company had a change of president, and the Company's robust governance system and the strong management decision-making of former president and now Chairman Hisashi Omiya was passed on to President Toshio Kakimoto.

The Company will shortly celebrate the 90th anniversary of its founding and has been undertaking efforts to learn from the past and comprehensively implement the corporate philosophy to utilize into the future at group companies in Japan and overseas. I believe that not only building the systems alone but also working to develop and strengthen the human resources responsible for them and management autonomy will form the foundation for continued progress.

In recent years, we have been putting effort into our overseas business. I believe that the Company's earning capability is sound, and that we will be positively evaluated on global indicators, including ROE, as our overseas expansion progresses. The Company has a diverse array of products in a range of businesses, and I consider that it is essential to comprehensively boost earning capability by assessing profitability for each business and product.

I hope that the strong leadership of our management executives will be passed on into the future despite generational changes and that further increases in corporate value will be achieved.



Takehiko Ueta
External Director
(Retired June 26, 2015)

Making efforts to contribute to stronger governance drawing on experience

I was appointed as the Company's new external director on June 26, 2015.

In line with the times, society, the way people live, and our values have changed significantly in diverse ways around the world. The Company has responded to these changes in the environment in a timely manner while contributing to healthy and fulfilling lifestyles for many years through its business. In order to remain a company that meets the expectations of customers from now into the future, unceasing innovation in our fermentation technology and biotechnology, and corporate governance to support it are extremely important.

I have 33 years of experience in product development and market research for white goods, which are intricately connected to lifestyle, at an electric appliance manufacturer. I consider that my role as an independent external director is to report my opinions to management from a standpoint that is outside of the Company and the field of expertise using my corporate experience to date and my point of view as a consumer while maintaining a constant awareness of increasing corporate value.

I will make every effort so that I can contribute to strengthening corporate governance with the aim of sustained business growth. Thank you for your support.



Yukiko Yabu
External Director
(Appointed June 26, 2015)

Board of Directors



Hisashi Ohmiya ⁽⁷²⁾

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

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



Tadashi Ohmiya ⁽⁶⁵⁾

Vice Chairman, Takara Holdings Inc.
Vice Chairman, Takara Shuzo Co., Ltd.

Feb. 2000 Secretary of International Division, The Fuji Bank, Limited
May 2000 Retires from The Fuji Bank, Limited
Jun. 2000 Joins Company
Apr. 2001 General Manager of Corporate Planning Office
Apr. 2002 General Manager of Overall Corporate Planning Division
Managing Director, Takara Shuzo Co., Ltd.
Jun. 2002 Director
Jun. 2004 Vice President
Jun. 2005 Senior Managing Director, Takara Shuzo Co., Ltd.
Jun. 2006 Vice President, Takara Shuzo Co., Ltd.
Jun. 2012 Vice Chairman, Takara Holdings Inc. (incumbent)
Jun. 2013 Vice Chairman, Takara Shuzo Co., Ltd. (incumbent)



Toshio Kakimoto ⁽⁶⁴⁾

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

Apr. 1973 Joins Company
Apr. 1998 General Manager of Manufacturing Division
Jun. 2003 Director, Takara Shuzo Co., Ltd.
Jun. 2004 Managing Director, Takara Shuzo Co., Ltd.
Jun. 2010 Vice President, Takara Holdings Inc.
Vice President, Takara Shuzo Co., Ltd.
Jun. 2012 President, Takara Holdings Inc. (incumbent)
President, Takara Shuzo Co., Ltd. (incumbent)



Mutsumi Kimura ⁽⁵²⁾

Director, Takara Holdings Inc.
(Operational Management, Finance & Investor Relations, Personnel, Accounting & Shared Services, Business Support & IT Promotion)
Senior Managing Director, Takara Shuzo Co., Ltd.

Apr. 1985 Joins Company
Apr. 2002 Director, Takara Bio Inc. (upon divestiture)
Jun. 2004 Managing Director, Takara Bio Inc.
Jun. 2007 Senior Managing Director, Takara Bio Inc.
May 2009 Vice President, Takara Bio Inc.
Jun. 2014 Director, Takara Holdings Inc. (incumbent)
Senior Managing Director, Takara Shuzo Co., Ltd. (incumbent)



Minoru Washino ⁽⁶⁰⁾

Director, Takara Holdings Inc.
(General Affairs, Environment & Public Relations)
Director, Takara Shuzo Co., Ltd.

Apr. 1978 Joins Company
Apr. 2003 General Manager of Regal Group
Apr. 2012 General Manager of General Affairs Division (incumbent)
Jun. 2014 Director, Takara Holdings Inc. (incumbent)
Director, Takara Shuzo Co., Ltd. (incumbent)



Yukiko Yabu ⁽⁵⁷⁾

External Director, Takara Holdings Inc.
External Director, Takara Shuzo Co., Ltd.

Apr. 2013 Group Manager, Director in-charge for Consumer Research, Global Marketing Planning Center, Appliances Company, Panasonic Corporation
Mar. 2014 Retires from Panasonic Corporation
Jun. 2015 External Director, Takara Holdings Inc. (incumbent)
External Director, Takara Shuzo Co., Ltd. (incumbent)



Daisuke Nakao ⁽⁶¹⁾

Director, Takara Holdings Inc.
Vice President, Takara Shuzo Co., Ltd.

Apr. 1976 Joins Company
Apr. 2000 General Manager of Sales Division
Jun. 2001 Director
Mar. 2002 Retires as Director
Apr. 2002 Senior Executive Officer, Takara Shuzo Co., Ltd. (upon divestiture)
Jun. 2004 Director, Takara Shuzo Co., Ltd.
Jun. 2006 Managing Director, Takara Shuzo Co., Ltd.
Jun. 2009 Director, Takara Holdings Inc. (incumbent)
Senior Managing Director, Takara Shuzo Co., Ltd.
Jun. 2013 Vice President, Takara Shuzo Co., Ltd. (incumbent)



Koichi Nakao ⁽⁵³⁾

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

Apr. 1985 Joins Company
Apr. 2002 Director, Takara Bio Inc. (upon divestiture)
Jun. 2003 Managing Director, Takara Bio Inc.
Jun. 2004 Senior Managing Director, Takara Bio Inc.
Jun. 2007 Vice President, Takara Bio Inc.
May 2009 President, Takara Bio Inc. (incumbent)
President, Takara Bio USA Holdings Inc. (incumbent)
Chairman, Takara Biotechnology (Dalian) Co., Ltd. (incumbent)
Chairman, Takara Biomedical Technology (Beijing) Co., Ltd. (incumbent)
Jun. 2009 Director, Takara Holdings Inc. (incumbent)
Mar. 2010 Chairman, Takara Korea Biomedical Inc. (incumbent)



Kazuyoshi Ito ⁽⁵⁴⁾

Director, Takara Holdings Inc.
Managing Director, Takara Shuzo Co., Ltd.

Apr. 1985 Joins Company
Apr. 2008 Senior Executive Officer, Global Chief Strategy Officer, Takara Shuzo Co., Ltd. (incumbent)
Jun. 2013 Director, Takara Holdings Inc. (incumbent)
Director, Takara Shuzo Co., Ltd.
Jun. 2014 Managing Director, Takara Shuzo Co., Ltd. (incumbent)

Audit & Supervisory Board Members

Yuzo Watanabe ⁽⁵⁹⁾

Standing Audit & Supervisory Board Member, Takara Holdings Inc.
Audit & Supervisory Board Member, Takara Shuzo Co., Ltd.

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

Toshihito Yamanaka ⁽⁵⁴⁾

Standing Audit & Supervisory Board Member (External Audit & Supervisory Board Member), Takara Holdings Inc.
Audit & Supervisory Board Member (External Audit & Supervisory Board Member), Takara Shuzo Co., Ltd.

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

Shinji Ueda ⁽⁶²⁾

Audit & Supervisory Board Member, Takara Holdings Inc.
Standing Audit & Supervisory Board Member, Takara Shuzo Co., Ltd.
Audit & Supervisory Board Member (External Audit & Supervisory Board Member), Takara Bio Inc.

Apr. 1976 Joins Company
Jun. 2001 General Manager of Secretary's Office
Jun. 2013 Audit & Supervisory Board Member, Takara Holdings Inc. (incumbent)
Standing Audit & Supervisory Board Member, Takara Shuzo Co., Ltd. (incumbent)
Audit & Supervisory Board Member, Takara Bio Inc. (incumbent)

Tomoyuki Mieda ⁽⁵⁹⁾

Audit & Supervisory Board Member (External Audit & Supervisory Board Member), Takara Holdings Inc.
Standing Audit & Supervisory Board Member (External Audit & Supervisory Board Member), Takara Shuzo Co., Ltd.

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

Kumiko Kitai ⁽⁶²⁾

Audit & Supervisory Board Member (External Audit & Supervisory Board Member), Takara Holdings Inc.
Audit & Supervisory Board Member (External Audit & Supervisory Board Member), Takara Shuzo Co., Ltd.

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

**Ten Year Consolidated
Financial Summary**
(Fiscal 2015, ended March 31, 2015)

	Millions of Yen (Note 1)				Millions of Yen (Note 1)						Thousands of U.S. Dollars (Note 2)
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2015
For the Years Ended March 31											
Net sales	¥ 219,490	¥ 209,568	¥ 200,989	¥ 198,690	¥ 189,769	¥ 190,525	¥ 192,790	¥ 191,878	¥ 198,535	¥ 196,119	\$ 1,829,083
Takara Shuzo Group	190,089	182,306	176,946	175,503	166,790	166,969	169,301	166,788	174,143	176,626	1,584,075
Takara Bio Group	25,969	23,905	20,564	19,578	18,737	19,325	18,913	20,278	20,982	16,534	216,408
Takara Healthcare	1,652	1,424	2,008	2,338	2,567	2,486	2,853	3,087	396	—	13,766
Other (including eliminations)	1,779	1,931	1,469	1,269	1,673	1,743	1,722	1,733	3,013	2,958	14,825
Cost of sales	134,390	129,447	123,630	121,462	115,480	115,805	118,849	117,864	122,325	120,132	1,119,916
Gross profit	85,099	80,121	77,359	77,228	74,289	74,719	73,941	74,014	76,210	75,986	709,158
Selling, general and administrative (SG&A) expenses	74,003	70,631	68,225	67,963	65,953	66,146	65,090	65,507	68,550	70,062	616,691
Operating income (loss)	11,096	9,490	9,133	9,264	8,335	8,572	8,851	8,506	7,660	5,924	92,466
Takara Shuzo Group	7,840	6,329	6,387	6,768	6,568	7,129	7,465	7,177	6,568	5,949	65,333
Takara Bio Group	2,302	1,954	1,691	1,547	1,097	553	426	560	(215)	(1,486)	19,183
Takara Healthcare	38	21	(22)	(114)	(252)	(316)	(356)	(500)	(161)	—	316
Other (including eliminations)	914	1,184	1,076	1,063	921	1,206	1,315	1,268	1,468	1,460	7,616
Income before income taxes and minority interests	11,453	18,642	9,256	8,590	7,505	8,208	8,193	8,321	7,660	7,876	95,441
Net income	5,706	10,280	4,687	3,995	3,788	4,677	5,639	4,658	4,208	5,320	47,550
Depreciation and amortization	5,537	4,997	4,973	5,209	5,384	5,652	5,992	6,384	6,692	6,755	46,148
Capital expenditures	9,533	8,967	5,282	5,330	3,735	3,645	3,616	3,852	3,617	5,633	79,441
Research and development (R&D) expenses	3,754	3,376	3,090	3,027	3,076	3,665	3,343	3,643	3,593	3,574	31,283
Cash flows provided by operating activities	9,545	7,233	7,967	9,013	9,462	10,452	8,954	9,816	12,782	6,211	79,541
Cash flows provided by (used in) investing activities	(10,253)	(12,254)	(3,672)	(4,779)	(11,323)	(7,350)	(7,769)	(411)	(7,526)	(12,687)	(85,441)
Cash flows provided by (used in) financing activities	6,819	2,562	1,229	(3,265)	(3,199)	(3,219)	(9,294)	3,414	(1,558)	344	56,825
Free cash flow	(708)	(5,021)	4,295	4,233	(1,861)	3,102	1,184	9,404	5,256	(6,475)	(5,900)
As of March 31											
Total assets	¥ 264,438	¥ 238,577	¥ 207,586	¥ 197,437	¥ 192,448	¥ 195,495	¥ 190,792	¥ 207,843	¥ 213,393	¥ 212,466	\$ 2,203,650
Interest-bearing debt	48,324	38,909	43,098	38,493	38,881	39,162	39,092	43,717	39,083	39,330	402,700
Total equity	158,404	146,422	114,318	107,659	106,895	109,206	105,316	113,273	115,570	—	1,320,033
Total shareholders' equity	131,923	121,431	100,040	94,783	94,308	96,666	93,093	99,969	102,507	101,839	1,099,358
Per Share of Common Stock (Yen and U.S. Dollars (Note 2)):											
Basic net income	¥ 28.36	¥ 50.83	¥ 23.01	¥ 19.32	¥ 18.21	¥ 22.20	¥ 26.32	¥ 21.53	¥ 19.44	¥ 24.39	\$ 0.23
Total equity	655.60	603.44	493.14	461.41	454.21	459.92	437.42	462.00	473.61	473.10	5.46
Cash dividends	10.00	11.00	9.00	9.00	8.50	8.50	8.50	8.50	7.50	9.00	0.08
Ratios (%):											
Return on assets (ROA)	2.3%	4.6%	2.3%	2.0%	2.0%	2.4%	2.8%	2.2%	2.0%	2.6%	—
Return on equity (ROE)	4.5	9.3	4.8	4.2	4.0	4.9	5.8	4.6	4.1	5.6	—
Equity ratio	49.9	50.9	48.2	48.0	49.0	49.4	48.8	48.1	48.0	47.9	—
Dividend payout ratio	35.3	21.6	39.1	46.6	46.7	38.3	32.3	39.5	38.6	36.9	—
Deemed dividend payout ratio (Note 3)	28.3	37.6	32.2	33.9	35.9	35.4	34.7	36.7	35.9	55.8	—

Notes: 1. Japanese yen amounts are rounded down to the nearest million yen. Per share information is rounded to the nearest yen, and ratios to the first decimal place.
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 ¥120 to U.S. \$1, the approximate rate of exchange at March 31, 2015.
3. Deemed dividend payout ratio = Total dividends ÷ (Consolidated operating income × (1 - statutory effective tax rate))

Major Consolidated Subsidiaries

(As of June 30, 2015)

Name	Address	Issued Capital	Percentage of Equity Owned	Line of Business
TAKARA SHUZO CO., LTD.	20 Naginataboko-cho, Shijo-dori Karasuma Higashi-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.
TAKARA CHOU UN Co., Ltd.	22-38, Nishidomari-cho, Nagasaki 850-0075, Japan TEL 095-894-8701	¥250 million	(100.0%)	Transportation, customs broker, warehousing, etc.
Luc Corporation, Ltd.	2-12, 3-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.	9 Butai-cho, Fushimi-ku, Kyoto 612-8338, Japan TEL 075-605-4540	¥30 million	(100.0%)	Wholesale of glass bottles
Total Management Business Co., Ltd.	20 Naginataboko-cho, Shijo-dori Karasuma Higashi-iru, Shimogyo-ku, Kyoto 600-8688, Japan TEL 075-241-5172	¥20 million	(100.0%)	Marketing research, sales promotion planning, and temporary staffing service
Takara Sake USA Inc.	708 Addison St., Berkeley, CA 94710, U.S.A. TEL 510-540-8250	US\$7,000 thousand	(90.0%)	Manufacture and sale of alcoholic beverages
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 1463-248-148	£3,297 thousand	(80.6%)	Manufacture and sale of Scotch whisky
TAZAKI FOODS LTD.	Unit 4, Delta Park Industrial Estate, Millmarsh Lane Enfield, EN3 7QJ, U.K. TEL 20-8344-3000	£357 thousand	(100.0%)	Import and wholesale of alcoholic beverages, foods, seasonings, etc.
FOODEX S.A.S.	4, impasse des Carrières, 75016 Paris, France TEL 1-4647-4439	€250 thousand	(80.0%)	Import and wholesale of alcoholic beverages, foods, seasonings, etc.
Cominport Distribución S.L.	Avenida Marconi nave 1 - P.A.E. Neysa Sur - 28021, Madrid, SPAIN TEL 915-413-750	€143 thousand	(100.0%)	Import and wholesale of alcoholic beverages, foods, seasonings, etc.
Takara Shuzo Foods Co., Ltd.	No.31 Nanyuan West St. Fengtai District Beijing, China 100076 TEL 10-6791-1363	RMB130,000 thousand	(62.0%)	Manufacture and sale of alcoholic beverages, seasonings, and raw alcohol; import and sale of Takara Shuzo Group's products
Shanghai Takara Shuzo International Trading Co., Ltd.	Room 103, Building 12, No. 505, Zhong Shan Nan Road, Shanghai, China 200010 TEL 21-6152-6623	RMB4,896 thousand	(100.0%)	Import and sale of Takara Shuzo Group's products
TAKARA BIO INC.	Nojihigashi 7-4-38, Kusatsu, Shiga 520-0058, Japan TEL 077-565-6920	¥14,965 million	60.9%	Development and sale of research reagents and scientific instruments, contract research services and commercialization of gene therapy, and manufacture and sale of health foods and mushroom products
Subsidiaries of Takara Bio Inc.				
Mizuho Nourin Co., Ltd.	38 Mitsueda, Hoidani, Kyotamba-cho, Funai-gun, Kyoto 622-0313, Japan	¥10 million	(49.0%)	Production and sale of mushrooms
Takara Bio Farming Center Inc.	810-9 Koseda Yakushima-cho, Kumage-gun, Kagoshima 891-4207, Japan	¥3 million	(48.3%)	Production and sale of agricultural products
Kinoko Center Kin Inc.	9006 Aza-Kin, Kin-cho, Kunigami-gun, Okinawa 904-1201, Japan	¥5 million	(49.0%)	Production and sale of mushrooms
Clontech Laboratories, Inc.	1290 Terra Bella Avenue, Mountain View, CA 94043, U.S.A.	US\$83 thousand	(100.0%)	Development and sale of research reagents
Takara Bio Europe S.A.S.	2, avenue du president Kennedy, 78100 St Germain en Laye, France	€600 thousand	(100.0%)	Sale of research reagents
Takara Bio Europe AB	Arvid Wallgrens Backe 20, 41346, Göteborg, Sweden	SEK2,222 thousand	(100.0%)	Development, production, and sale of research reagents
DSS Takara Bio India Private Limited	A-5 Mohan Co-op Industrial Estate, Mathura Road, New Delhi 110044, India	Rs. 110 million	(51.0%)	Production and sale of research reagents
Takara Biotechnology (Dalian) Co., Ltd.	No.19 Dongbei 2nd Street, Development Zone, Dalian, China 116600	¥2,350 million	(100.0%)	Development, production, sale and contract service of research reagents
Takara Biomedical Technology (Beijing) Co., Ltd.	Life Science Park, 22 KeXueYuan Road, Changping District, Beijing, China 102206	¥1,030 million	(100.0%)	Sale of research reagents, cell culture media, and gas-permeable bags
Takara Korea Biomedical Inc.	Lotte New T Castle 601, 429-1, Gasan-dong, Gumchun-gu, Seoul, 153-803, Korea	₩3,860 million	(100.0%)	Sale of research reagents and scientific instruments
Subsidiaries of Takara Holdings Inc.				
Takara Healthcare Inc.	85-1 Mikura-cho, Sanjo-dori Karasuma Nishi-iru, Nakagyo-ku, Kyoto 604-8166, Japan TEL 075-229-6901	¥90 million	100.0%	Development and sale of health foods
Taihei Printing Co., Ltd.	1 Butai-cho, Fushimi-ku, Kyoto 612-8338, Japan TEL 075-605-3330	¥90 million	100.0%	Printing
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 leasing

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

Financial Section

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Management's Discussion and Analysis

In the fiscal year under review, ended March 31, 2015, the Japanese economy saw a depreciated yen and higher equity values buttressed by the effects of financial and economic policies of the government and the Bank of Japan, as well as an improvement in earnings mostly by export-related companies.

While the hiring and income environment continues to improve, its effects have yet to influence personal spending, still languishing from the hike in consumption tax.

Overseas, although the American economy continues on a recovery path, sluggish growth in emerging economies is causing uncertainty for the future of the global economy.

In this environment, the Group launched the Takara Group Medium-Term Management Plan FY2017, the second step in its efforts to realize its long-term Takara Group Vision 2020, striving to conduct steady business activities with the aim of improving domestic business profitability and expand a well-balanced business structure that can hold up well to business environment changes by accelerating the growth of our Biomedical Business.

Net Sales

Consolidated net sales attained an all-time high of ¥219,490 million, an increase of 4.7% year on year.

Analysis of performance by business segment is as follows.

Takara Shuzo Group

Competition in the Group's mainstay alcoholic beverages and foods business has continued to intensify due to the shrinking of the domestic market caused by a low birth rate and an aging society, as well as diversification in consumer preferences and an ongoing frugal mindset. Further sharp increases in imported raw material prices attributable to the influence of rising demand in emerging markets and the weak yen are cause for concern.

Meanwhile, in Japan, the home-meal replacement market is expanding as more women enter the workplace and the number of elderly or single adult households increase. Overseas, economic growth and robust consumption in emerging markets will likely boost the Japanese food market, among other opportunities.

In this environment, the Group focused on the constant provision of safe and secure products to consumers, and worked to nurture its brands with a rich product lineup and a range of high-quality products differentiated through solid technological superiority. As a result, net sales for the Takara Shuzo Group during fiscal 2015 stood at ¥190,089 million, up 4.3% year on year.

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

- **Shochu**
¥63,583 million (decreased 3.6%)
- **Sake**
¥24,919 million (increased 6.0%)
- **Light-alcohol refreshers**
¥25,896 million (decreased 3.3%)
- **Other liquors**
¥13,491 million (increased 7.2%)
- **Hon Mirin alcohol-based seasonings**
¥14,570 million (decreased 2.1%)
- **Other seasonings**
¥8,914 million (increased 3.1%)
- **Raw alcohol**
¥7,437 million (increased 7.8%)
- **Japanese Food Wholesale Business in overseas markets**
¥17,638 million (increased 94.3%)
- **Other**
¥13,635 million (decreased 2.3%)

Takara Bio Group

Utilizing biotechnology developed over many years, the Takara Bio Group concentrated management resources on three areas: the Bioindustry Business, the Gene Therapy Business, and the AgriBio Business, and worked to improve business results.

Net sales for the Takara Bio Group during fiscal 2015 stood at ¥25,969 million, up 8.6% year on year. The breakdown of this segment's net sales by product and service category is as follows.

- **Bioindustry**
¥23,593 million (increased 8.9%)
 - Research reagents**
¥17,437 million (increased 10.6%)
 - Scientific instruments**
¥2,705 million (increased 0.7%)
 - Contract research services and other**
¥3,450 million (increased 7.3%)
- **Gene Therapy**
¥- (-)
- **AgriBio**
¥2,376 million (increased 6.0%)

Takara Healthcare

The health food market is expected to further expand with the acceleration of the aging society and increasing health consciousness. In this environment, Takara Healthcare positioned the Gagome kombu (kelp) *fucoïdan* series as the paramount focus and made every effort to acquire new customers and increase the repeat rate in the mail-order sales business through aggressive and efficient advertising.

In fiscal 2015, net sales stood at ¥1,652 million, up 16.0% year on year, mainly due to the increase of sales in *fucoïdan*-related products and cosmetics OEM.

Other

Other comprises other subsidiaries, including a printing business. Net sales in this segment declined 4.8% year on year, to ¥7,232 million.

Gross Profit, Selling, General, and Administrative (SG&A) Expenses, and Operating Income

Gross profit stood at ¥85,099 million, up by 6.2% from the previous fiscal year, because the cost of sales ratio improved at both the Takara Shuzo Group and the Takara Bio Group.

In terms of SG&A expenses only rose by 4.8% from the previous fiscal year to ¥74,003 million as a result of efforts to hold down costs, including advertising and promotion expenses, despite increases in transportation, research and development and personnel expenses at overseas subsidiaries. As a result, operating income rose 16.9% year on year to ¥11,096 million.

The following is an overview of each business segment.

Takara Shuzo Group

The business environment for the Takara Shuzo Group remained challenging, including such concerns as the diversification of consumer tastes and an ongoing frugal mindset, fierce competition for sales with other companies, including beer manufacturers, and a decline in the population of alcoholic beverage drinkers in Japan in addition to further hikes in the prices of imported raw materials. In this environment, the Group focused on the constant provision of safe and secure products to consumers, and worked to nurture its brands with a rich product lineup and a range of high-quality products differentiated through solid technological superiority. We worked to increase the earning capability of the Domestic Alcoholic Beverage Business in addition to building a balanced business structure that also includes overseas businesses.

Takara Shuzo Co., Ltd. saw a decline in its mainstay shochu and light-alcohol refreshers business. As a result, non-consolidated sales declined even though sales of sake remained strong. Nevertheless, net sales for the Takara Shuzo Group overall increased 4.3% year on year to ¥190,089 million, partly due to the contribution from sales of overseas subsidiaries which became consolidated subsidiaries during the previous fiscal year. Gross profit also increased 5.6% year on year to ¥69,397 million. SG&A expenses were up 3.7% year on year to ¥61,556 million because of increases in personnel, transportation and other expenses. Accordingly, the Takara Shuzo Group recorded

operating income up 23.9% year on year to ¥7,840 million.

Takara Bio Group

Net sales for the Takara Bio Group overall increased 8.6% year on year to ¥25,969 million. Sales of mainstay research reagents rose, due in part to the depreciation in the value of the yen, while sales of contracted services and scientific instruments also rose. Gross profit also increased by 10.0% year on year to ¥13,827 million. SG&A expenses rose 8.5% year on year to ¥11,524 million due to increases in research and development and personnel expenses. Consequently, the Takara Bio Group recorded operating income up 17.8% year on year to ¥2,302 million.

Takara Healthcare

Takara Healthcare is playing a role in speeding up growth in the Health Foods Business through direct marketing that delivers safe and secure health foods utilizing the Takara Group's unique ingredients and technologies directly to customers.

Net sales at Takara Healthcare increased 16.0% year on year to ¥1,652 million due to growth in sales of *fucoïdan*-related products and other products resulting from efforts to gain new customers and increase the percentage of repeat customers in the mail order business through aggressive and efficient advertising. Gross profit also increased 13.2% to ¥848 million. SG&A expenses increased 11.3% year on year to ¥810 million due to factors such as higher advertising expenses. Takara Healthcare recorded operating income up 77.9% year on year to ¥38 million.

Other

In fiscal 2015, operating income in other declined 22.8% year on year, to ¥914 million.

Other Income (Expenses) and Net Income

Non-operating income rose as a result of increases in interest income and dividends income as well as an increase in share of profit of entities accounted for using equity method and subsidy income. As a result, ordinary income increased 19.4% year on year to ¥11,827 million.

Extraordinary income recorded gain on sales of stocks of subsidiaries and affiliates in the previous fiscal year due to the partial sale of Takara Bio Co., Ltd. Therefore, income before income taxes and minority interests declined 38.6% year on year to ¥11,453 million. Net income declined 44.5% year on year to ¥5,706 million, which was partly affected by the reversal of deferred tax assets due to changes in the rate of income taxes.

Cash Flows

Net cash provided by operating activities increased ¥2,312 million year on year, to ¥9,545 million. Major factors increasing cash included income before income taxes and minority income of ¥11,453 million and depreciation and amortization of ¥4,662 million. Major factors decreasing cash included consumption taxes payable of ¥1,880 million, a ¥2,202 million increase in sales rights and income taxes paid of ¥7,362 million.

Net cash used in investing activities decreased ¥2,000 million, to ¥10,253 million. The major factor increasing cash was proceeds from sales and redemptions of securities of ¥9,623 million. Major factors decreasing cash included the purchase of property, plant and equipment and intangible assets of ¥8,457 million, the purchase of securities of ¥5,738 million and the purchase of investment securities of ¥5,009 million.

Net cash provided by financing activities was ¥6,819 million, an increase of ¥4,257 million from the previous fiscal year. The major factor increasing cash was proceeds from long-term loans payable of ¥10,100 million. The major factor decreasing cash was cash dividends paid of ¥2,214 million.

As a result, cash and cash equivalents at fiscal year-end, including effect of exchange rate change on cash and cash equivalents, stood at ¥42,749 million, up ¥8,140 million from the previous consolidated fiscal year-end.

Financial Position

Total assets at the end of the consolidated fiscal year under review stood at ¥264,438 million yen, a ¥25,861 million increase compared with the end of the previous consolidated fiscal year. Current assets totaled ¥160,653 million, an increase of ¥10,101 million compared with the previous consolidated fiscal year. This was mainly due to increases in notes and accounts receivable-trade of ¥2,573 million, securities of ¥5,488 million and merchandise and finished goods of ¥1,795 million.

Noncurrent assets totaled ¥103,785 million, an increase of 15,760 million yen compared with the previous consolidated fiscal year. This was mainly due to increases in property, plant and equipment of ¥5,108 million resulting from capital expenditures by Takara Bio Inc. and Takara Shuzo Co., Ltd., and in investment securities of ¥9,368 million.

Total liabilities stood at ¥106,034 million, a ¥13,879 million increase compared with the end of the previous consolidated fiscal year. Current liabilities totaled ¥54,877 million, an increase of ¥6,214 million compared with the previous consolidated fiscal year. This was mainly due to

increases in notes and accounts payable-trade of ¥1,263 million, in the current portion of bonds of ¥5,000 million due to transfers from noncurrent liabilities, and in other current liabilities of ¥3,812 million in part due to an increase in consumption taxes payable, as well as a decrease in income taxes payable of ¥3,514 million. Noncurrent liabilities totaled ¥51,156 million, an increase of ¥7,665 million compared with the previous consolidated fiscal year. This was mainly due to increases in long-term loans payable of ¥10,023 million, in deferred tax liabilities of ¥1,187 million due to higher market values of investment securities, and in net defined benefit liability of ¥1,463 million, as well as a decrease in bonds payable of ¥5,000 million due to transfers to current liabilities.

Total net assets at the end of the consolidated fiscal year under review totaled ¥158,404 million, a ¥11,982 million increase compared with the end of the previous consolidated fiscal year. This was mainly due to increases in retained earnings of ¥3,907 million, in valuation difference on available-for-sale securities of ¥3,157 million following a rise in market values of investment securities, and in foreign currency translation adjustment of ¥4,536 million resulting from yen depreciation.

Medium- to Long-Term Business Strategies

In April 2014, the Group commenced the Takara Group Medium-Term Management Plan FY2017 as the second step toward realizing the Takara Group Vision 2020, a 10-year long-term management vision.

The Takara Group Medium-Term Management Plan FY2017 establishes the basic policy of improving the profitability of the Domestic Alcoholic Beverages Business and speed up the expansion of the high-potential Japanese Food Wholesale Business in overseas markets and services to support the development of bio-pharmaceuticals (CDMO business). The following is an outline of the plan.

Basic policy

Aiming to realize the Takara Group Vision 2020, the Group will improve domestic business profitability and expand overseas business, while at the same time building a well-balanced business structure that can hold up well to business environment changes by accelerating the growth of the Biomedical Business.

Tangible goals

FY2017: Takara Group net sales: at least ¥230 billion, operating income at least ¥12 billion, overseas sales

accounting for at least 16% of net sales (Figures are targets established at the time of formulation of the Medium-Term Management Plan. The Group does not guarantee the accomplishment of these figures.)

Business strategies

Takara Shuzo Group

Improve domestic business profitability by developing and cultivating products differentiated through technology application, while proactively expanding the Japanese food wholesale network in overseas markets and achieving dramatic overseas business growth.

Takara Bio Group

Strategically invest in the field of regenerative medicine and cell therapy and speed up Biomedical Business growth.

Takara Healthcare

Step up Health Foods Business growth through direct marketing.

Priority strategies

- Expanding sake sales with a focus on *Mio* sparkling sake
- Building a Japanese food wholesale network in the U.S., Europe, and worldwide
- Expanding the CDMO business for bio-pharmaceuticals
- Conducting clinical development for gene and cell therapy

Financial policy

Maintain a strong balance sheet with a focus on capital efficiency and engage in proactive investment into priority strategies to expand profits, while at the same time providing suitable returns to shareholders.

Analysis of Capital Resources and Liquidity

The Group's funding status featured a ¥2,312 million year-on-year increase in net cash provided by operating activities, a ¥2,000 million year-on-year decrease in net cash used in investing activities, and a ¥4,257 million increase in net cash provided by financing activities, mainly due to proceeds from long-term loans payable. As a result, cash and cash equivalents at fiscal year-end stood at ¥42,749 million, up ¥8,140 million from the previous fiscal year-end. A portion of the proceeds from long-term loans payable is intended to be allocated to the redemption of corporate bonds scheduled for next fiscal year.

At the moment, the Group plans to conduct capital

investment, finance returns to shareholders, and invest in important strategies using only funds on hand and internal reserves. Taking these factors and the current plan into consideration, the Group has adequate liquidity.

There is the possibility of corporate bond issuances to acquire additional funds in the event that capital in excess of internal funds is required for new M&A activities of other investments. The Company's outstanding bonds and preliminary rating of shelf registration have affirmed an A rating from Rating and Investment Information, Inc. (R&I), and Japan Credit Rating Agency, Ltd. (JCR). In addition, the Company has established commitment lines totaling ¥10,000 million to finance its dynamic working capital requirements.

Business Risks

The following are major potential risks to which the Takara Group (the Group and its affiliated companies) is exposed to in its business and other activities. In addition, conditions that may not become a risk are also described from the viewpoint of positive information disclosure to investors.

Upon identification of the possibility of such risks, the Group will make its best efforts to avoid such an occurrence or take countermeasures against such an occurrence. Please note that the following descriptions do not cover all of the risk factors concerning investment decisions.

Descriptions related to the possible occurrence of events in the future are based on the Group's judgments as of June 26, 2015, the date on which it filed its official company accounts.

(1) Risks Concerning the Alcoholic Beverages and Seasonings Business and Its Business Environment

<1> Risks concerning dependence on particular markets and products

More than 90% of sales of the Group's Alcoholic Beverages and Seasonings Business are generated within Japan, and its market is highly vulnerable to changes in the tastes of consumers. The Group therefore strives to develop both original products that meet the ever-changing tastes of consumers and unique products that differentiate the Group from competitors. However, changes in consumer trends have been accelerating recently. For this reason, if the Group fails to offer attractive products that satisfy the tastes of consumers and reflect market trends, business growth and profitability will suffer and may adversely affect the Group's business performance and financial position. Furthermore, in Japan both the low birthrate and the rapidly aging population have become advanced. If this population decrease results in a decline in liquor demand, the Group's business may be adversely affected.

<2> Risks concerning market competition

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

<3> Risks concerning dependence on particular plants for manufacturing

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

<4> Risks concerning fluctuations of raw material prices

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

<5> Risks concerning Japan's legal regulations

The Alcoholic Beverages Business of the Group is subject to

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

<6> Risks concerning social attitudes toward drinking

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

(2) Risks Concerning the Biomedical Business and Its Business Environment

<1> Risks concerning R&D activities

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

<2> Risks concerning market competition

Currently, the revenue base of the Group's Biomedical Business is generated by our Bioindustry Business, whose major product is research reagents related to the real-time Polymerase Chain Reaction (PCR) method. However, the real-time PCR license granted to the Group is not an exclusive license, with many other companies similarly granted the real-time PCR license, thereby intensifying competition. Moreover, unlike medical equipment, since neither permission nor approval is required for the manufacture and sale of scientific instruments, entry into the market is relatively easy; therefore, there are many competing companies in the market. Moreover, cancer immunotherapy and other cell therapies are now being used to improve the quality of life (QOL) of patients and not just as a cure for a disease. Therefore, their marketability is expected and more providers will likely appear.

In the Gene Therapy Business, various gene transfer methods and effective vectors have been developed, and the applications of gene therapy are expanding from congenital diseases, infectious diseases, and various types of cancer to nonfatal chronic illnesses. Thus, a potentially enormous market has opened up, which has resulted in many companies starting to invest in gene therapy research and development, including major pharmaceutical companies and venture firms in Europe and the U.S.

In the AgriBio Business, the health food industry is booming and many businesses, not just food manufacturers but many pharmaceutical companies as well, are entering the rapidly growing market. Legal regulations impose restrictions only on the descriptions of efficacies and effects as well as also prohibiting the use of experimental data in sales promotions to differentiate product offerings. As a result, this market is easy for companies to enter, which is consequently intensifying competition.

Under these market conditions, the Group strives to start new business projects and commercialize projects in their R&D phase as quickly as possible. However, if a competitor successfully commercializes a similar product or technology before the Group does, or if a competitor commercializes a superior technology, the business plans, business performance, and financial position of the Group may be adversely affected.

<3> Risks concerning dependence in manufacturing

Currently, the Group's Biomedical Business is highly dependent on Takara Biotechnology (Dalian) Co., Ltd., a Chinese subsidiary of the Takara Group, for manufacturing products related to the Bioindustry Business. In the future, the Group's reliance on this company is expected to grow.

Therefore, in the event of a deterioration in security, a major earthquake, or any other occurrence that prevents operations in the region where this subsidiary is located, the whole Group could lose most of its capacity to manufacture the products concerned, which may adversely affect the Group's business performance and financial position.

<4> Risks concerning legal regulations specific to the Biomedical Business

R&D activities in the Bioindustry Business are regulated by relevant legislations, such as the Law Concerning Prevention from Radiation Hazards Due to Radioisotopes, Etc., and the Law Concerning the Conservation and Sustainable Use of Biological Diversity through Regulations on the Use of Living Modified Organisms (hereinafter the "Cartagena Law"), and the Group intends to observe these laws and regulations. In manufacturing, sales and import and export of research reagents, the Group is also required to follow the Poisonous and Deleterious Substance Control Law and the Quarantine Act. Research reagents are not drugs or regenerative therapy products as defined by the Law for Ensuring the Quality, Efficacy, and Safety of Pharmaceuticals and Medical Devices (hereinafter the "Pharmaceuticals and Medical Devices Law") and consequently are not regulated by that law. However, if these regulations are tightened or new regulations are enforced following the expansion of industries providing research support services, the Group's business may be adversely affected.

The relevant laws and regulations such as the Pharmaceutical and Medical Devices Law, the Act on the Safety of Regenerative Medicine, and the Cartagena Law regulate the commercialization of gene and cell therapies that the Group is seeking to develop, and the Group intends to comply with such laws and regulations. These laws and regulations are concerned with securing the quality, effectiveness, and safety of drugs, regenerative therapy products, quasi drugs, specified processed cell products, cosmetics, and medical instruments, and the trading of these products requires obtaining approval or permission from the relevant authorities. Should the Group be unable to obtain the relevant permission or approval for each project for which it is carrying out R&D activities in the Group's Gene Therapy Business, it may adversely affect the Group's business.

<5> Risks concerning intellectual property rights

In biotechnology-related industries, where the success of business depends solely on the success of R&D activities, the Group regards securing intellectual property rights, including patents, as extremely important, and it protects technologies developed in-house with patents to prevent competitors from imitating them. The Group will continue placing the highest priority on applying for

patents in its R&D activities. All applications are not always registered, however, and when a registered patent is made invalid for any reason, or expires, the Group's business strategies or operational results may suffer an impact.

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

<3> Risks Shared by the Whole Group

<1> Risks concerning impairment losses of investment securities

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

<2> Risks concerning impairment losses of fixed assets

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

<3> Risks concerning retirement benefit liabilities

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

<4> Risks concerning overseas operations

The Group's operations include the manufacture and sale of products in North America, Europe, and China as well as other regions of Asia. If any of these countries or regions experiences a drastic change in the condition of their economies, politics, and/or societies, or suffers damage from a natural disaster, such as a major earthquake, the demand for the Group's products could deteriorate and/or production

facilities might have to suspend production. Such an occurrence could seriously affect the Group's business plans and performance.

<5> Risks concerning fluctuations in exchange rates

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

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

<6> Risks concerning product liability

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

<7> Risks concerning legal regulations

The Group is developing businesses in various countries and regions subject to local governmental regulations, such as those granting permission to begin business operations or undertake investment, export restrictions because of national security or other reasons, and trade conditions, including tariff duties. The Group is also subject to legislation governing trade, monopoly, patent, consumer, taxation, foreign currency exchange, transportation, and environmental and recycling issues. If the Group is unable to observe any of the legislative regulations, its activities may be restricted and an increase in costs may occur.

Also, as a corporation involved in the manufacture and sale of food products, the Group maintains business facilities, manages equipment, containers and packages, as well as controls production processes and sales activities in accordance with the provisions of the Food Sanitation Law. The Group observes the

Food Sanitation Law and takes extra care to control food hygiene. Food safety matters, including food hygiene and such problems as intentional interference, are an unavoidable issue. Therefore, if any problem should arise related to this issue, the business performance of the Group may be adversely affected.

Moreover, in sales of health foods, the Group makes its best efforts to observe the provisions of the Pharmaceutical Affairs Law in regard to expressing and advertising efficacies and effects and providing directions for proper usage. Due to the general nature of health foods, however, the Group cannot completely rule out the possibility of it violating any provision on mandatory information. If any violation occurs within the Group, trust in the Group may deteriorate and the business performance of the Group may be adversely affected.

As the Group is also selling certain products over the Internet, the Group is subject to mandatory information regulations based on the Specified Commercial Transactions Law.

<8> Risks concerning information control

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

<9> Risks concerning lawsuits

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

Consolidated Balance Sheet

Takara Holdings Inc. and Consolidated Subsidiaries
March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
ASSETS			
CURRENT ASSETS (Note 15):			
Cash and cash equivalents	¥ 42,749	¥ 34,608	\$ 356,241
Time deposits	19,877	18,565	165,641
Marketable securities (Note 4)	5,692	9,376	47,433
Notes and accounts receivable:			
Trade	54,337	51,696	452,808
Associated companies	280	204	2,333
Other	896	591	7,466
Allowance for doubtful accounts	(233)	(143)	(1,941)
Inventories (Notes 5 and 8)	32,800	30,988	273,333
Deferred tax assets (Note 13)	1,741	2,498	14,508
Prepaid expenses and other current assets	2,511	2,164	20,925
Total current assets	160,653	150,551	1,338,775
PROPERTY, PLANT, AND EQUIPMENT (Notes 6 and 7):			
Land	17,515	17,418	145,958
Buildings and structures	47,088	44,115	392,400
Machinery, equipment, and vehicles	81,820	77,735	681,833
Tools, furniture, and fixtures	12,546	11,347	104,550
Lease assets (Note 14)	1,417	1,404	11,808
Construction in progress	2,266	2,812	18,883
Total	162,654	154,834	1,355,450
Accumulated depreciation	(109,569)	(106,858)	(913,075)
Net property, plant, and equipment	53,085	47,976	442,375
INVESTMENTS AND OTHER ASSETS (Note 15):			
Investment securities (Note 4)	28,839	19,983	240,325
Investments in, and advances to, associated companies	4,061	3,549	33,841
Goodwill	8,071	7,539	67,258
Deferred tax assets (Note 13)	1,804	1,786	15,033
Other assets (Note 9)	7,924	7,190	66,033
Total investments and other assets	50,700	40,049	422,500
TOTAL	¥ 264,438	¥ 238,577	\$ 2,203,650

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
LIABILITIES AND EQUITY			
CURRENT LIABILITIES (Note 15):			
Short-term bank loans (Note 7)	¥ 5,215	¥ 5,726	\$ 43,458
Current portion of long-term debt (Note 7)	5,303	398	44,191
Notes and accounts payable:			
Trade	15,649	14,390	130,408
Associated companies	17	7	141
Construction and other	3,691	2,503	30,758
Liquor taxes payable (Note 8)	7,615	8,376	63,458
Income taxes payable	2,107	5,621	17,558
Accrued expenses	7,628	6,584	63,566
Accrued sales promotion expenses	1,774	1,795	14,783
Other current liabilities (Note 13)	5,875	3,257	48,958
Total current liabilities	54,877	48,663	457,308
LONG-TERM LIABILITIES (Note 15):			
Long-term debt (Note 7)	30,923	25,884	257,691
Liability for retirement benefits (Note 9)	8,407	6,943	70,058
Deposits	5,622	5,591	46,850
Deferred tax liabilities (Note 13)	5,263	4,075	43,858
Other	940	996	7,833
Total long-term liabilities	51,156	43,491	426,300
EQUITY (Notes 10 and 18):			
Common stock, authorized, 870,000,000 shares; issued, 217,699,743 shares in 2015 and 2014	13,226	13,226	110,216
Capital surplus	3,196	3,196	26,633
Retained earnings	108,647	104,739	905,391
Treasury stock, at cost 16,474,061 shares in 2015 and 16,466,424 shares in 2014	(9,937)	(9,931)	(82,808)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	9,098	5,941	75,816
Deferred gain on derivatives under hedge accounting (Note 16)	558	279	4,650
Foreign currency translation adjustments	7,431	2,894	61,925
Defined retirement benefit plans	(297)	1,085	(2,475)
Total	131,923	121,431	1,099,358
Minority interests	26,481	24,991	220,675
Total equity	158,404	146,422	1,320,033
TOTAL	¥ 264,438	¥ 238,577	\$ 2,203,650

See notes to consolidated financial statements.

Consolidated Statement of Income

Takara Holdings Inc. and Consolidated Subsidiaries
Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
NET SALES (Notes 11 and 20)	¥ 219,490	¥ 209,568	\$ 1,829,083
COST OF SALES (Notes 8, 9, 11, 14, and 20)	134,390	129,447	1,119,916
Gross profit	85,099	80,121	709,158
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Notes 9, 12, 14, and 20)	74,003	70,631	616,691
Operating income	11,096	9,490	92,466
OTHER INCOME (EXPENSES):			
Interest and dividend income	691	562	5,758
Equity in earnings of associated companies	166	125	1,383
Subsidy income	348	164	2,900
Gain on sales of property, plant, and equipment	64	22	533
Gain on sales of stocks of subsidiaries		9,261	
Gain on sales of investment securities	249	90	2,075
Interest expense	(470)	(464)	(3,916)
Fixed assets transferred loss		(317)	
Loss on disposals of property, plant, and equipment	(301)	(197)	(2,508)
Impairment loss	(262)	(92)	(2,183)
Loss on sales of investment securities		(130)	
Other, net	(128)	126	(1,066)
Other income, net	356	9,152	2,966
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	11,453	18,642	95,441
INCOME TAXES (Note 13):			
Current	3,858	7,140	32,150
Deferred	1,229	495	10,241
Total income taxes	5,088	7,635	42,400
NET INCOME BEFORE MINORITY INTERESTS	6,365	11,006	53,041
MINORITY INTERESTS IN NET INCOME	659	726	5,491
NET INCOME	¥ 5,706	¥ 10,280	\$ 47,550
	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.s and 18):			
Basic net income	¥ 28.36	¥ 50.83	\$ 0.23
Diluted net income		50.81	
Cash dividends applicable to the year	10.00	11.00	0.08

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Takara Holdings Inc. and Consolidated Subsidiaries
Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
NET INCOME BEFORE MINORITY INTERESTS	¥ 6,365	¥ 11,006	\$ 53,041
OTHER COMPREHENSIVE INCOME (Note 17):			
Unrealized gain on available-for-sale securities	3,157	1,340	26,308
Deferred gain on derivatives under hedge accounting	275	259	2,291
Foreign currency translation adjustments	5,137	6,994	42,808
Defined retirement benefit plans	(1,482)		(12,350)
Share of other comprehensive income in associates	352	402	2,933
Change in equity		5,847	
Total other comprehensive income	7,441	14,845	62,008
COMPREHENSIVE INCOME	¥ 13,806	¥ 25,851	\$ 115,050
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ 12,296	¥ 23,706	\$ 102,466
Minority interests	1,509	2,145	12,575

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Takara Holdings Inc. and Consolidated Subsidiaries
Year Ended March 31, 2015

	Thousands		Millions of Yen										
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income					Total	Minority Interests	Total Equity
						Unrealized Gain on Available- for-Sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans				
BALANCE, APRIL 1, 2013	202,866	¥ 13,226	¥ 3,195	¥ 90,437	¥ (8,355)	¥ 4,599	¥ 16	¥ (3,079)			¥ 100,040	¥ 14,277	¥ 114,318
Net income				10,280							10,280		10,280
Cash dividends, ¥9.0 per share				(1,825)							(1,825)		(1,825)
Net increase in treasury stock	(1,633)		0		(1,575)						(1,575)		(1,575)
Change in equity				5,847							5,847		5,847
Net change in the year							1,341	262	5,974	¥ 1,085	8,663	10,713	19,377
BALANCE, MARCH 31, 2014													
(APRIL 1, 2014, as previously reported)	201,233	13,226	3,196	104,739	(9,931)	5,941	279	2,894	1,085	121,431	24,991	146,422	
Cumulative effect of accounting change				414						414	16	431	
BALANCE, APRIL 1, 2014 (as restated)	201,233	13,226	3,196	105,154	(9,931)	5,941	279	2,894	1,085	121,846	25,007	146,853	
Net income				5,706						5,706		5,706	
Cash dividends, ¥11.0 per share				(2,213)						(2,213)		(2,213)	
Net increase in treasury stock	(8)		0		(5)					(5)		(5)	
Change in equity							3,157	279	4,536	(1,382)	6,590	1,473	8,063
Net change in the year													
BALANCE, MARCH 31, 2015	201,225	¥ 13,226	¥ 3,196	¥ 108,647	¥ (9,937)	¥ 9,098	¥ 558	¥ 7,431	¥ (297)	¥ 131,923	¥ 26,481	¥ 158,404	

Thousands of U.S. Dollars (Note 1)

	Thousands		Thousands of U.S. Dollars (Note 1)									
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income					Total	Minority Interests	Total Equity
					Unrealized Gain on Available- for-Sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans				
BALANCE, MARCH 31, 2014												
(APRIL 1, 2014, as previously reported)	\$ 110,216	\$ 26,633	\$ 872,825	\$ (82,758)	\$ 49,508	\$ 2,325	\$ 24,116	\$ 9,041	\$ 1,011,925	\$ 208,258	\$ 1,220,183	
Cumulative effect of accounting change			3,450						3,450	133	3,591	
BALANCE, APRIL 1, 2014 (as restated)	110,216	26,633	876,283	(82,758)	49,508	2,325	24,116	9,041	1,015,383	208,391	1,223,775	
Net income			47,550						47,550		47,550	
Cash dividends, \$0.09 per share			(18,441)						(18,441)		(18,441)	
Net increase in treasury stock				(41)					(41)		(41)	
Change in equity						26,308	2,325	37,800	(11,516)	54,916	12,275	67,191
Net change in the year												
BALANCE, MARCH 31, 2015	\$ 110,216	\$ 26,633	\$ 905,391	\$ (82,808)	\$ 75,816	\$ 4,650	\$ 61,925	\$ (2,475)	\$ 1,099,358	\$ 220,675	\$ 1,320,033	

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Takara Holdings Inc. and Consolidated Subsidiaries
Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 11,453	¥ 18,642	\$ 95,441
Adjustments for:			
Income taxes paid	(7,362)	(3,536)	(61,350)
Depreciation and amortization	5,537	4,997	46,141
Net loss on sales and disposals of property, plant, and equipment	236	174	1,966
Net gain on sales of stocks of subsidiaries and affiliates		(9,261)	
Changes in assets and liabilities:			
(Increase) decrease in trade receivables	(2,202)	786	(18,350)
Increase in inventories	(909)	(2,405)	(7,575)
Decrease in interest and dividend receivable	10	17	83
Decrease in other current assets	54	255	450
Increase in trade payables	998	464	8,316
Decrease in liquor taxes payable	(762)	(1,533)	(6,350)
Increase (decrease) in consumption taxes payable	1,880	(475)	15,666
Decrease in interest payable	(0)	(20)	(0)
Increase (decrease) in liability for employees' retirement benefits	1,774	(1,917)	14,783
Other, net	(1,163)	1,044	(9,691)
Total adjustments	(1,908)	(11,409)	(15,900)
Net cash provided by operating activities	9,545	7,233	79,541
INVESTING ACTIVITIES:			
Proceeds from sales of property, plant, and equipment	227	34	1,891
Proceeds from sales and redemption of marketable securities	9,623	1,904	80,191
Proceeds from sales of investment securities	515	1,074	4,291
Purchases of property, plant, and equipment	(8,457)	(8,322)	(70,475)
Purchases of marketable securities and investment securities	(10,747)	(10,545)	(89,558)
Increase in time deposits, net	(714)	(2,748)	(5,950)
Acquisitions, net of cash acquired	(276)	(5,743)	(2,300)
Proceeds from sales of stocks of subsidiaries and affiliates		12,241	
Other, net	(423)	(150)	(3,525)
Net cash used in investing activities	(10,253)	(12,254)	(85,441)
FORWARD	(708)	(5,021)	(5,900)
FINANCING ACTIVITIES:			
Proceeds from long-term loans payable	10,100	68	84,166
Redemption of bonds		(5,000)	
Capital contribution from minority interests	42	11,419	350
Cash dividends paid	(2,292)	(1,878)	(19,100)
Other, net	(1,031)	(2,047)	(8,591)
Net cash provided by financing activities	6,819	2,562	56,825
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS			
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,140	(679)	67,833
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	34,608	35,287	288,400
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 42,749	¥ 34,608	\$ 356,241

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Takara Holdings Inc. and Consolidated Subsidiaries
Year Ended March 31, 2015

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2014 consolidated financial statements to conform to the classifications used in 2015.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Takara Holdings Inc. (the "Company") is incorporated and operates. Japanese yen figures of less than a million yen are rounded down to the nearest million yen, except for per share data and the amounts in Notes 2.s and 18. 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 ¥120 to \$1, the approximate rate of exchange at March 31, 2015. U.S. dollar figures of less than a thousand dollars are rounded down to the nearest thousand dollars, except for per share data and the amounts and in Notes 2.s and 18. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation — The consolidated financial statements as of March 31, 2015, include the accounts of the Company and its 45 (43 in 2014) consolidated subsidiaries (together, the "Group"). Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 2 (2 in 2014) associated companies are accounted for by the equity method. Investments in the remaining associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The difference of the cost of acquisition from the fair value of the net assets of an acquired subsidiary at the date of acquisition is recorded as goodwill and other intangibles and amortized on a pro rata basis over a certain period not exceeding 20 years.

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

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements — In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for

property, plant, and equipment and investment properties and incorporation of the cost model accounting; and 5) exclusion of minority interests from net income, if contained in net income.

c. Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method — In March 2008, the ASBJ issued ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments."

The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method, unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; and 5) exclusion of minority interests from net income, if contained in net income.

d. Business Combinations — In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." The accounting standard for business combinations allows companies to apply the pooling-of-interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also

prescribes the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling-of-interests method of accounting is no longer allowed. (2) The previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR&D) acquired in the business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase allocation. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

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

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

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

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

g. Inventories — Inventories are mainly stated at the lower of cost, determined by the average method, or net selling value.

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

Effective from the year ended March 31, 2015, Takara Bio Inc., a subsidiary of the Company, changed the depreciation method for property, plant, and equipment (excluding leased assets and property, plant, and equipment located in Yokkaichi Office (formerly the Dragon Genomics Center)) from the declining-balance

method to the straight-line method. The company's facilities have been operating for 12 years and the Center for Gene and Cell Processing started operations from the year ended March 31, 2015. Therefore, the company expects stable operation of tangible assets in R&D and production activities. In this situation, the company decided to switch to the straight-line method of depreciation for the above-mentioned assets after reconsidering the reasonableness of its depreciation method. As a result of this change, operating income and income before income taxes and minority interests both increased by ¥309 million (\$2,577 thousand). The impact on per share information is not disclosed because it is immaterial.

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

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

The Company's consolidated subsidiary in the U.S. records goodwill according to Financial Accounting Standards Board Accounting Standards Codification Topic 350, Goodwill and Other Intangible Assets. The U.S. subsidiary records goodwill as the excess of the purchase price over the fair value of the enterprise, which is tested for impairment at least annually at the reporting unit level.

k. Retirement and Pension Plans — Each of the employees' retirement benefit programs of the Company and certain consolidated subsidiaries consist of an unfunded lump-sum severance payment plan, a defined benefit corporate pension plan and a defined contribution pension plan as described in Note 9.

Effective April 1, 2000, the Company adopted a new accounting standard for retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

The projected benefit obligations are attributed to periods using a benefit formula. Actuarial gains and losses are amortized on a straight-line basis over 10 years within the average remaining service period. Past service costs are amortized on a straight-line basis over 10 years within the average remaining service period.

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and in March 2015, it also issued ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

(a) Under the revised accounting standard, actuarial gains and

losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (prepaid benefit cost).

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments (see Note 2.t).

(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, all with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard and guidance for retirement benefits for (c) above, effective April 1, 2014. As a result, liability for retirement benefits decreased by ¥313 million (\$2,608 thousand), and assets for retirement benefits, retained earnings, and minority interests increased by ¥359 million (\$2,991 thousand), ¥414 million (\$3,450 thousand) and ¥16 million (\$133 thousand), respectively, at the beginning of the annual period beginning on April 1, 2014. The impact on per share information is not disclosed because it is immaterial.

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

m. Accrued Sales Promotion Expenses — Accrued sales promotion expenses are stated at amounts considered to be appropriate based on the purchased quantities of finished products by retail stores, identified by Takara Shuzo Co., Ltd., a consolidated subsidiary, multiplied by the past year actual unit cost of the relevant products.

n. Leases — In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the

lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the balance sheet. In addition, the accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

The Group applied the revised accounting standard effective April 1, 2008. Lease assets related to finance lease transactions without title transfer are depreciated on a straight-line basis over the leased periods as their useful lives and with no residual value. In addition, the Group accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

All other leases are accounted for as operating leases.

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

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

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

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

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

hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

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

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

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

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full exercise of outstanding stock options.

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

t. New Accounting Pronouncements

Accounting Standards for Business Combinations and Consolidated Financial Statements — On September 13, 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements".

Major accounting changes are as follows:

Transactions with noncontrolling interest

A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of minority interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the current accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the minority interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference shall be accounted for as capital surplus as long as the parent retains control over its subsidiary.

Presentation of the consolidated balance sheet

In the consolidated balance sheet, "minority interest" under the current accounting standard will be changed to "noncontrolling interest" under the revised accounting standard.

Presentation of the consolidated statement of income

In the consolidated statement of income, "income before minority interest" under the current accounting standard will be changed to "net income" under the revised accounting standard, and "net income" under the current accounting standard will be changed to "net income attributable to owners of the parent" under the revised accounting standard.

Provisional accounting treatments for a business combination

If the initial accounting for a business combination is incomplete by the

end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisioned amounts for the items for which the accounting is incomplete. Under the current accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

Acquisition-related costs

Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the current accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for "transactions with noncontrolling interest," "acquisition-related costs" and "presentation changes in the consolidated financial statements" are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for the presentation changes in the consolidated financial statements. In case of earlier application, all accounting standards and guidance above, except for the presentation changes, should be applied simultaneously. Either retrospective or prospective application of the revised accounting standards and guidance for "transactions with noncontrolling interest" and "acquisition-related costs" is permitted. In retrospective application of the revised standards and guidance for "transactions with noncontrolling interest" and "acquisition-related costs," accumulated effects of retrospective adjustments for all "transactions with noncontrolling interest" and "acquisition-related costs" which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application.

In prospective application, the new standards and guidance for "transactions with noncontrolling interest" and "acquisition-related costs" shall be applied prospectively from the beginning of the year of the first-time application. The changes in presentation shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for "provisional accounting treatments for a business combination" are effective for a business combination which will occur on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination which will occur on or after the beginning of annual periods beginning on or after April 1, 2014.

The Company expects to apply the revised accounting standards and guidance from the beginning of the annual period beginning on April 1, 2016, and is in the process of measuring the effects of applying the revised accounting standards and guidance in future applicable periods.

3. BUSINESS COMBINATION

On March 25, 2014, Takara Shuzo Co., Ltd., a consolidated subsidiary, acquired 100% of the ownership of COMINPORT DISTRIBUCIÓN S.L. As the amount of an additional payment had not been confirmed as of March 31, 2014, the Company provisionally accounted for the business combination based on the

information available at that time. During the year ended March 31, 2015, the cost of acquisition was finalized by making the additional payment. As a result, goodwill increased by ¥373 million (\$3,108 thousand).

4. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2015 and 2014, consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Current:			
Debt securities	¥ 4,583	¥ 8,617	\$ 38,191
Other	1,108	758	9,233
Total	¥ 5,692	¥ 9,376	\$ 47,433
Non-current:			
Investment equity securities	¥ 23,794	¥ 19,934	\$ 198,283
Debt securities	5,045	48	42,041
Total	¥ 28,839	¥ 19,983	\$ 240,325

The costs and aggregate fair values of marketable and investment securities at March 31, 2015 and 2014, are as follows:

March 31, 2015	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 9,019	¥ 13,303	¥ 109	¥ 22,213
Debt securities	583	0	0	583
Others	1,108			1,108
Held-to-maturity	8,996		6	8,989

March 31, 2014	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 9,221	¥ 9,163	¥ 80	¥ 18,303
Debt securities	617	1	1	617
Others	758			758
Held-to-maturity	8,000		5	7,994

March 31, 2015	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	\$ 75,158	\$ 110,858	\$ 908	\$ 185,108
Debt securities	4,858	0	0	4,858
Others	9,233			9,233
Held-to-maturity	74,966		50	74,908

The information for available-for-sale securities, which were sold during the years ended March 31, 2015 and 2014, is as follows:

March 31, 2015	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥ 515	¥ 249	¥
Debt securities			
Total	¥ 515	¥ 249	¥

March 31, 2014	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥ 1,075	¥ 90	¥ 130
Debt securities			
Total	¥ 1,075	¥ 90	¥ 130

March 31, 2015	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	\$ 4,291	\$ 2,075	\$
Debt securities			
Total	\$ 4,291	\$ 2,075	\$

The impairment losses on available-for-sale equity securities for the year ended March 31, 2014, are ¥16 million.

Investments in equity instruments that do not have a quoted market price in an active market and securities without contractual maturities (the totals included in the consolidated balance sheets at March 31, 2015 and 2014, are ¥1,630 million (\$13,583 thousand) and ¥1,679 million, respectively) do not have fair values because their fair value cannot be reliably determined.

5. INVENTORIES

Inventories at March 31, 2015 and 2014, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Finished products and merchandise	¥ 19,958	¥ 18,570	\$ 166,316
Semifinished products	8,566	8,158	71,383
Work in process	958	908	7,983
Raw materials and supplies	3,317	3,351	27,641
Total	¥ 32,800	¥ 30,988	\$ 273,333

6. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment and, as a result, recognized an impairment loss for the following long-lived assets for the years ended March 31, 2015 and 2014.

Year Ended March 31, 2015	Location	Description	Classification	Impairment Loss	
				Millions of Yen	Thousands of U.S. Dollars
	Takara Shuzo Co., Ltd.				
	Yokkaichi-shi, Mie	Idle property	Construction in progress	¥ 15	\$ 125
	Takara Bio, Inc.				
	Yokkaichi-shi, Mie	Idle property	Land, machinery, buildings, and other tangible assets	199	1,658
	Kusatsu-shi, Shiga	Idle property	Machinery, buildings, and other tangible assets	15	125
	Kyotanba-machi, Kyoto	Idle property	Land	31	258
	Total			¥ 262	\$ 2,183

The Group recognized an impairment loss on the idle property of Takara Shuzo Co., Ltd. because utilization of such assets in the future became uncertain as a result of the reconsideration of the future manufacturing plan. The recoverable amount was measured at the price which was calculated by a third party expert.

As the result of the reconstruction of the mushroom business (production stoppage of Honshimeji in Kusu Factory), the Group recognized impairment losses on unutilized assets of Takara Bio, Inc. The recoverable amounts were measured at fair value less cost of disposal based on real estate appraisal values.

Year Ended March 31, 2014			Impairment Loss
Location	Description	Classification	Millions of Yen
The Company			
Shimogyo-ku, Kyoto	Art	Furniture and fixtures	¥ 49
		Goodwill	43
Total			¥ 92

The Group recognized an impairment loss on art due to a price decline in the recent art market and absence of a plan or schedule for usage. The recoverable amounts were measured at prices determined by appraisals from third-party art experts and others. The Group recognized an impairment loss on the goodwill as the earnings projected at the time of acquiring KOUGAKU ENGINEERING CO., LTD. shares are not expected to be realized. The usage value of the goodwill is zero.

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

Short-term bank loans consisted principally of term loans with interest at annual rates ranging from 0.557% to 9.500% and from 0.605% to 9.550% at March 31, 2015 and 2014, respectively.

Long-term debt at March 31, 2015 and 2014, is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Loans principally from banks, due serially to September 2024, with interest rates ranging from 0% to 11% (0% to 11% in 2014):			
Collateralized	¥ 142	¥ 161	\$ 1,183
Unsecured	10,269	337	85,575
1.96% unsecured bonds, due September 2017	5,000	5,000	41,666
0.587% unsecured bonds, due May 2015	5,000	5,000	41,666
1.561% unsecured bonds, due May 2020	5,000	5,000	41,666
0.468% unsecured bonds, due April 2017	5,000	5,000	41,666
1.162% unsecured bonds, due April 2022	5,000	5,000	41,666
Obligation under finance leases	815	784	6,791
Total	36,226	26,283	301,883
Less current portion	5,303	398	44,191
Long-term debt, less current portion	¥ 30,923	¥ 25,884	\$ 257,691

Annual maturities of long-term debt as of March 31, 2015, for the next five years and thereafter are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2016	¥ 5,303	\$ 44,191
2017	270	2,250
2018	237	1,975
2019	10,132	84,433
2020	5,161	43,008
2021 and thereafter	15,121	126,008
Total	¥ 36,226	\$ 301,883

At March 31, 2015, building and structures of ¥336 million (\$2,800 thousand), land of ¥250 million (\$2,083 thousand), and vehicle of ¥1 million (\$8 thousand) are pledged as collateral for long-term debt (including current portion of long-term debt) of ¥142 million (\$1,183 thousand).

8. LIQUOR TAXES PAYABLE

Liquor taxes are calculated at various rates according to the quantities of categorized beverages containing more than 1% of alcohol when delivered from manufacturing lots or taken outside of the bonded area.

Liquor taxes are included in the cost of sales and inventories. Liquor taxes payable are to be paid by the end of the second month following the delivery or after being taken outside the bonded area.

9. RETIREMENT AND PENSION PLANS

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

(1) The changes in defined benefit obligation for the years ended March 31, 2015 and 2014, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Balance at beginning of year (as previously reported)	¥ 12,096	¥ 11,614	\$ 100,800
Cumulative effect of accounting change	(673)		5,608
Balance at beginning of year (as restated)	11,423	11,614	95,191
Current service cost	711	530	5,925
Interest cost	111	195	925
Actuarial losses	2,158	140	17,983
Benefits paid	(489)	(611)	(4,075)
Others	89	227	741
Balance at end of year	¥ 14,004	¥ 12,096	\$ 116,700

(2) The changes in plan assets for the years ended March 31, 2015 and 2014, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Balance at beginning of year	¥ 5,592	¥ 4,984	\$ 46,600
Expected return on plan assets	145	124	1,208
Actuarial losses	287	122	2,391
Contribution from the employer	450	363	3,750
Benefit paid	(196)	(221)	(1,633)
Others	84	219	700
Balance at end of year	¥ 6,363	¥ 5,592	\$ 53,025

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2015 and 2014, is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Defined benefit obligation	¥ 5,853	¥ 5,374	\$ 48,775
Plan assets	(6,363)	(5,592)	(53,025)
Total	(510)	(218)	(4,250)
Unfunded defined benefit obligation	8,151	6,722	67,925
Net liability arising from defined benefit obligation	¥ 7,641	¥ 6,503	\$ 63,975

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Liability for retirement benefits	¥ 8,407	¥ 6,943	\$ 70,058
Prepaid benefit cost	(766)	(440)	(6,383)
Net liability arising from defined benefit obligation	¥ 7,641	¥ 6,503	\$ 63,675

(4) The components of net periodic benefit costs for the years ended March 31, 2015 and 2014, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Service cost	¥ 711	¥ 530	\$ 5,925
Interest cost	111	195	925
Expected return on plan assets	(145)	(124)	(1,208)
Amortization of prior service cost	(286)	(285)	(2,383)
Recognized actuarial gains	(1)	(105)	(8)
Net periodic benefit costs	¥ 389	¥ 210	\$ 3,241

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2015 and 2014, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Prior service cost	¥ (281)	¥	\$ (2,341)
Actuarial gains	(1,878)		(15,650)
Total	¥ (2,160)	¥	\$ (18,000)

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2015 and 2014, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Unrecognized prior service cost	¥ 1,725	¥ 2,007	\$ 14,375
Unrecognized actuarial gains	(2,189)	(310)	(18,241)
Total	¥ (463)	¥ 1,696	\$ (3,858)

(7) Plan assets as of March 31, 2015 and 2014

a. Components of plan assets

Plan assets as of March 31, 2015 and 2014, consisted of the following:

	2015	2014
Debt investments	49%	46%
General account of insurance company	26	26
Equity investments	14	16
Cash and cash in bank	0	2
Others	11	10
Total	100%	100%

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

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

(8) Assumptions used for the years ended March 31, 2015 and 2014, are set forth as follows:

	2015	2014
Discount rate	mainly 0.7%	mainly 1.6%
Expected rate of return on plan assets	mainly 2.0%	mainly 2.0%

The Company uses the compensation increase index determined in accordance with the Company's human resources and wage policy as the rate of compensation increase. The Company uses the indexes as of March 31, 2014 and 2010 for the calculation of the projected benefit obligation as of March 31, 2015 and 2014, respectively.

10. EQUITY

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

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all of the criteria.

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

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

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

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

(c) Treasury Stock and Treasury Stock Acquisition Rights

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

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

11. RELATED-PARTY TRANSACTIONS

Net sales and purchases representing transactions of the Group with associated companies for the years ended March 31, 2015 and 2014, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Net sales	¥ 983	¥ 876	\$ 8,191
Purchases	66	74	550

12. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses charged to income were ¥3,754 million (\$31,283 thousand) and ¥3,376 million for the years ended March 31, 2015 and 2014, respectively.

13. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 36% for the year ended March 31, 2015 and 38% for the year ended March 31, 2014. Overseas consolidated subsidiaries are subject to income taxes of the countries in which they operate.

The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities at March 31, 2015 and 2014, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Current deferred tax assets:			
Inventories	¥ 232	¥ 253	\$ 1,933
Accrued bonuses	711	745	5,925
Accrued sales promotion expenses	585	646	4,875
Tax loss carryforwards	22	16	183
Enterprise tax payable	146	440	1,216
Unrealized profit on sale of inventories	154	275	1,283
Other	378	322	3,150
Less valuation allowance	(197)	(18)	(1,641)
Total	¥ 2,033	¥ 2,681	\$ 16,941
Current deferred tax liabilities:			
Deferred gain on derivatives under hedge accounting	¥ 278	¥ 163	\$ 2,316
Other	12	19	100
Total	¥ 291	¥ 182	\$ 2,425
Net current deferred tax assets	¥ 1,741	¥ 2,498	\$ 14,508
Net current deferred tax liabilities	¥ 0	¥ 0	\$ 0
Non-current deferred tax assets:			
Retirement benefits	¥ 2,289	¥ 2,995	\$ 19,075
Tax loss carryforwards	898	978	7,483
Marketable and investment securities	488	551	4,066
Depreciation	394	449	3,283
Defined retirement benefit plans	145		1,208
Other	673	710	5,608
Less valuation allowance	(2,031)	(2,007)	(16,925)
Total	¥ 2,858	¥ 3,676	\$ 23,816
Non-current deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ 4,092	¥ 3,136	\$ 34,100
Basis difference of acquired intangible assets	678	637	5,650
Deferred gain on fixed assets	409	487	3,408
Deferred gain on fixed assets inherited by a corporate division	424	496	3,533
Defined retirement benefit plans		608	
Other	712	598	5,933
Total	¥ 6,317	¥ 5,965	\$ 52,641
Net non-current deferred tax assets	¥ 1,804	¥ 1,786	\$ 15,033
Net non-current deferred tax liabilities	¥ 5,263	¥ 4,075	\$ 43,858

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2015 and 2014, is as follows:

	2015	2014
Normal effective statutory tax rate in Japan	36.0%	38.0%
Expenses not deductible for income tax purposes	2.2	1.9
Increase (decrease) in valuation allowance	2.2	(0.1)
Effect of change in the normal effective statutory tax rate	3.2	0.7
Other, net	0.8	0.5
Actual effective tax rate	44.4%	41.0%

On March 31, 2015, new tax reform laws were enacted in Japan, which changed the normal effective statutory tax rate beginning on or after April 1, 2015. The effect of this change was to decrease current deferred tax assets, non-current deferred tax assets, non-current deferred tax liability and defined retirement benefit plans in the consolidated balance sheet as of March 31, 2015 by ¥115 million (\$958 thousand), ¥234 million (\$1,950 thousand), ¥497 million (\$4,141 thousand), and ¥7 million (\$58 thousand), respectively. It was also to increase unrealized gain on available-for-sale securities, deferred gain on derivatives under hedge accounting and income taxes - deferred in the consolidated statement of income for the year then ended by ¥511 million (\$4,258 thousand), ¥25 million (\$208 thousand), and ¥381 million (\$3,175 thousand), respectively.

At March 31, 2015, the Company and certain consolidated subsidiaries have tax loss carryforwards aggregating approximately ¥2,818 million (\$23,483 thousand), which are available to be offset against taxable income of such consolidated subsidiaries. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2018	¥ 549	\$ 4,575
2019	427	3,558
2020	336	2,800
2021	124	1,033
2022 and thereafter	1,378	11,482
Total	¥ 2,818	\$ 23,483

14. LEASES

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

Total rental expenses for the years ended March 31, 2015 and 2014, were ¥2,193 million (\$18,275 thousand) and ¥1,976 million,

respectively, including ¥6 million (\$50 thousand) and ¥26 million of lease payments under finance leases, respectively.

Obligations under operating leases as of March 31, 2015 and 2014, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Due within one year	¥ 630	¥ 590	\$ 5,250
Due after one year	1,537	1,977	12,808
Total	¥ 2,167	¥ 2,567	\$ 18,058

15. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Group Policy for Financial Instruments

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

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

Credit risk and market risk

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

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

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

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

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

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

Liquidity risk management

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

Supplementary explanation about matters related to fair values of financial instruments

Fair values of financial instruments are based on market price in active markets or other rational valuation techniques if market price does not exist. Fair values of financial instruments fluctuate as a result of adopting different

preconditions because the calculation of fair values includes fluctuation factors. With respect to the contract amounts related to derivative transactions in Note 16, the amounts do not reflect market risks related to derivative transactions.

Fair values of financial instruments are based on quoted price in active markets. If quoted price is not available, other

rational valuation techniques are used instead. See Note 16 for the details of fair value for derivatives.

Concentration of Credit Risk

As of March 31, 2015, 22% of total receivables are from one major customer.

Fair Value of Financial Instruments

March 31, 2015	Millions of Yen		
	Carrying Value	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 42,749	¥ 42,749	
Time deposits	19,877	19,877	
Marketable securities and investment securities	32,902	32,895	¥ (6)
Notes and accounts receivable(Trade and associated companies)	54,388	54,388	
Total	¥ 149,916	¥ 149,910	¥ (6)
Short-term bank loans	¥ 5,215	¥ 5,215	
Current portion of long-term debt	5,303	5,307	¥ 4
Notes and accounts payable	15,680	15,680	
Liquor taxes payable	7,615	7,615	
Income taxes payable	2,107	2,107	
Long-term debt	30,923	31,818	894
Total	¥ 66,845	¥ 67,744	¥ 899
Derivatives	¥ 845	¥ 845	¥

March 31, 2014	Millions of Yen		
	Carrying Value	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 34,608	¥ 34,608	
Time deposits	18,565	18,565	
Marketable securities and investment securities	27,680	27,674	¥ (5)
Notes and accounts receivable (Trade and associated companies)	51,759	51,759	
Total	¥ 132,613	¥ 132,607	¥ (5)
Short-term bank loans	¥ 5,726	¥ 5,726	
Current portion of long-term bonds	398	401	¥ 2
Notes and accounts payable	14,416	14,416	
Liquor taxes payable	8,376	8,376	
Income taxes payable	5,621	5,621	
Long-term debt	25,884	26,735	850
Total	¥ 60,424	¥ 61,278	¥ 853
Derivatives	¥ 451	¥ 451	¥

March 31, 2015	Thousands of U.S. Dollars		
	Carrying Value	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	\$ 356,241	\$ 356,241	
Time deposits	165,641	165,641	
Marketable securities and investment securities	274,183	274,125	\$ (50)
Notes and accounts receivable (Trade and associated companies)	453,233	453,233	
Total	\$ 1,249,300	\$ 1,249,250	\$ (50)
Short-term bank loans	\$ 43,458	\$ 43,458	
Current portion of long-term debt	44,191	44,225	\$ 33
Notes and accounts payable	130,666	130,666	
Liquor taxes payable	63,458	63,458	
Income taxes payable	17,558	17,558	
Long-term debt	257,691	265,150	7,450
Total	\$ 557,041	\$ 564,533	\$ 7,491
Derivatives	\$ 7,041	\$ 7,041	\$

Cash and cash equivalents

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

Notes and accounts receivable (Trade and associated companies)

The carrying value of notes and accounts receivable approximates fair value because of their short maturities. Allowance for doubtful accounts is deducted from the total amount of notes and accounts receivable by ¥229 million (\$1,908 thousand) and ¥141 million in 2015 and 2014, respectively.

Marketable securities and investment securities

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

Notes and accounts payable

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

Liquor taxes payable

The carrying value of liquor taxes payable approximates fair value

Investments in equity instruments that do not have a quoted market price in an active market and securities without contractual maturities (the totals included in the consolidated balance sheets at March 31, 2015 and 2014, are ¥1,630 million (\$13,583 thousand) and ¥1,679 million, respectively) do not have fair values because their fair value cannot be reliably determined. Moreover, deposits from customers do not have fair values because their fair value cannot be reliably determined.

Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Millions of Yen		Thousands of U.S. Dollars	
	Due in One Year or Less	Due after One Year through Five Years	Due in One Year or Less	Due after One Year through Five Years
March 31, 2015				
Cash and cash equivalents	¥ 42,749		\$ 356,241	
Notes and accounts receivable (Trade and associated companies)	19,877		165,641	
Marketable and investment securities				
Held-to-maturity securities:				
(1) Corporate bonds	1,000	¥ 5,000	8,333	\$ 41,666
(2) Others	3,000		25,000	
Available-for-sale securities with contractual maturities:				
(1) Government bonds and municipal bonds	583		4,858	
(2) Corporate bonds				
(3) Others	22,439		186,991	
Total	¥ 89,649	¥ 5,000	\$ 747,075	\$ 41,666

	Millions of Yen	
	Due in One Year or Less	Due after One Year through Five Years
March 31, 2014		
Cash and cash equivalents	¥ 41,015	¥
Notes and accounts receivable (Trade and associated companies)	51,759	
Marketable and investment securities		
Held-to-maturity securities:		
(1) Corporate bonds	6,000	
(2) Others	2,999	
Available-for-sale securities with contractual maturities:		
(1) Government bonds and municipal bonds	615	
(2) Corporate bonds	2	
(3) Others	11,917	
Total	¥ 114,309	¥

because of their short maturities.

Income taxes payable

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

Short-term bank loans

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

Current portion of long-term bonds and bonds

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

Long-term debt

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

Derivatives

Fair value information for derivatives is included in Note 16.

16. DERIVATIVES

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

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

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

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

Derivative Transactions to Which Hedge Accounting Is Not Applied

March 31, 2015	Millions of Yen			Unrealized Gain/Loss
	Contract Amount	Contract Amount Due after One Year	Fair Value	
Foreign currency forward contracts:				
Buying U.S. dollar	¥ 184	¥	¥ 0	¥ 0
Buying British pound	9		(0)	(0)
Buying Chinese yuan	46		1	1
Buying Australian dollar	0		(0)	(0)
Selling Euro	57		0	0
Selling Chinese yuan	134		(0)	(0)
Non-deliverable forward contracts:				
Buying Korean won	0		(0)	(0)
Selling Korean won	55		(0)	(0)
Selling Indian rupee	0		(0)	(0)
Total	¥ 491	¥	¥ 0	¥ 0

March 31, 2014	Millions of Yen			Unrealized Gain/Loss
	Contract Amount	Contract Amount Due after One Year	Fair Value	
Foreign currency forward contracts:				
Buying U.S. dollar	¥ 182	¥	¥ 0	¥ 0
Buying Euro	14		(0)	(0)
Buying Canadian dollar	9		0	0
Buying Chinese yuan	142		(1)	(1)
Selling U.S. dollar	50		(0)	(0)
Selling Euro	55		(0)	(0)
Non-deliverable forward contracts:				
Buying Indian rupee	1		0	0
Selling Korean won	58		(0)	(0)
Selling Indian rupee	8		(0)	(0)
Total	¥ 523	¥	¥ (2)	¥ (2)

March 31, 2015	Thousands of U.S. Dollars			Unrealized Gain/Loss
	Contract Amount	Contract Amount Due after One Year	Fair Value	
Foreign currency forward contracts:				
Buying U.S. dollar	\$ 1,533	\$	\$ 0	\$ 0
Buying British pound	75		(0)	(0)
Buying Chinese yuan	383		8	8
Buying Australian dollar	0		(0)	(0)
Selling Euro	475		0	0
Selling Chinese yuan	1,116		(0)	(0)
Non-deliverable forward contracts:				
Buying Korean won	0		(0)	(0)
Selling Korean won	458		(0)	(0)
Selling Indian rupee	0		(0)	(0)
Total	\$ 4,091	\$	\$ 0	\$ 0

Derivative Transactions to Which Hedge Accounting Is Applied

March 31, 2015	Hedged Item	Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency options:				
Buying call option U.S. dollar	Accounts payable	¥ 4,570	¥ 1,541	¥ 650
Selling put option U.S. dollar	Accounts payable	4,436	1,530	157
Foreign currency forward contracts:				
Buying U.S. dollar	Accounts payable	4,204		130
Buying Euro	Accounts payable	49		0
Buying Japanese yen	Accounts payable	25		0
Total		¥ 13,285	¥ 3,071	¥ 940

March 31, 2014	Hedged Item	Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency options:				
Buying call option U.S. dollar	Accounts payable	¥ 7,603	¥ 3,264	¥ 276
Selling put option U.S. dollar	Accounts payable	5,943	2,792	171
Foreign currency forward contracts:				
Buying U.S. dollar	Accounts payable	1,549		32
Buying Euro	Accounts payable	94		0
Buying Japanese yen	Accounts payable	232		19
Total		¥ 15,425	¥ 6,057	¥ 500

March 31, 2015	Hedged Item	Thousands of U.S. Dollars		
		Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency options:				
Buying call option U.S. dollar	Accounts payable	\$ 38,083	\$ 12,841	\$ 5,416
Selling put option U.S. dollar	Accounts payable	36,966	12,750	1,308
Foreign currency forward contracts:				
Buying U.S. dollar	Accounts payable	35,033		1,083
Buying Euro	Accounts payable	408		0
Buying Japanese yen	Accounts payable	208		0
Total		\$ 110,708	\$ 25,591	\$ 7,833

17. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2015 and 2014, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Unrealized gain on available-for-sale securities:			
Gains arising during the year	¥ 4,343	¥ 1,944	\$ 36,191
Reclassification adjustments to profit	(230)	40	(1,916)
Amount before income tax effect	4,113	1,984	34,275
Income tax effect	(956)	(644)	(7,966)
Total	¥ 3,157	¥ 1,340	\$ 26,308
Deferred gain on derivatives under hedge accounting:			
Gains arising during the year	¥ 1,063	¥ 595	\$ 8,858
Acquisition adjustment of asset	(671)	(191)	(5,591)
Amount before income tax effect	391	403	3,258
Income tax effect	(115)	(144)	(958)
Total	¥ 275	¥ 259	\$ 2,291
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ 5,137	¥ 7,042	\$ 42,808
Reclassification adjustments to profit		(47)	
Total	¥ 5,137	¥ 6,994	\$ 42,808
Defined retirement benefit plans:			
Adjustments arising during the year	¥ (1,872)		\$ (15,600)
Reclassification adjustments to profit	(288)		(2,400)
Amount before income tax effect	(2,160)		(18,000)
Income tax effect	677		5,641
Total	¥ (1,482)		\$ (12,350)
Share of other comprehensive income in associates:			
Gains arising during the year	¥ 352	¥ 402	\$ 2,933
Reclassification adjustments to profit			
Total	¥ 352	¥ 402	\$ 2,933
Change in equity:			
Gains arising during the year		¥ 5,847	
Reclassification adjustments to profit			
Total		¥ 5,847	
Total other comprehensive income	¥ 7,441	¥ 14,845	\$ 62,008

18. NET INCOME PER SHARE

A reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2015 and 2014, is as follows:

	Millions of Yen	Thousands of Shares	Yen	Dollars
	Net Income	Weighted-Average Shares	EPS	EPS
For the year ended March 31, 2015:				
Basic EPS				
Net income available to common shareholders	¥ 5,706	201,227	¥ 28.36	\$ 0.23

Diluted net income per share for the year ended March 31, 2015 is not disclosed because there are no dilutive shares.

For the year ended March 31, 2014:				
Basic EPS				
Net income available to common shareholders	¥ 10,280	202,263	¥ 50.83	
Effect of dilutive securities				
Stock options	(3)			
Diluted EPS				
Net income for computation	¥ 10,276	202,263	¥ 50.81	

19. SUBSEQUENT EVENT

Appropriations of Retained Earnings

On May 8, 2015, the Board of Directors of the Company resolved to propose cash dividends of ¥10 (\$0.08) per share to shareholders of record as of March 31, 2015, or a total of ¥2,012 million (\$16,766 thousand), for approval at the general shareholders' meeting to be held on June 26, 2015.

20. SEGMENT INFORMATION

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

(1) Description of Reportable Segments

The Group consists of Takara Shuzo group, Takara Bio group, Takara Healthcare Inc., and other. Takara Shuzo Co., Ltd. and Takara Bio Inc. are considered as core companies of Takara Shuzo group and Takara Bio group, respectively, both of which were established when the Company became the holding company of the Group. All operating companies develop comprehensive business strategies, covering both domestic and overseas operations, for the products and services that they offer, and work to expand their business operations.

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

	Millions of Yen							
	2015							
	Reportable Segment				Total	Other	Reconciliation	Consolidated
Takara Shuzo Group	Takara Bio Group	Takara Healthcare	Total					
Sales:								
Sales to external customers	¥ 189,760	¥ 25,144	¥ 1,650	¥ 216,555	¥ 2,478	¥ 456	¥ 219,490	
Intersegment sales or transfers	328	825	1	1,156	4,753	(5,909)		
Total	190,089	25,969	1,652	217,711	7,232	(5,452)	219,490	
Segment profit	7,840	2,302	38	10,181	112	802	11,096	
Segment assets	151,523	66,425	617	218,566	6,148	39,724	264,438	
Other:								
Depreciation	3,170	1,347	1	4,519	124	18	4,662	
Amortization of goodwill	363	136		500			500	
Investment in equity method affiliate	2,779			2,779		1,266	4,046	
Increase in property, plant, and equipment and intangible assets	4,594	4,762	9	9,366	100	66	9,533	

Accordingly, the Group has defined three reportable segments based on its operating segments, while taking into consideration the relationship of capital between each consolidated subsidiary, the scope of managerial responsibility, and the capacity to evaluate business performance. These three reportable segments are the Takara Shuzo Group, the Takara Bio Group, and Takara Healthcare.

The Group's reportable segments are those for which separate financial information is available, and such information is evaluated regularly by the Company's management in deciding how to allocate resources and in assessing performance.

The Takara Shuzo Group primarily engages in the manufacturing and sales of alcoholic beverages and seasonings. It also engages in logistics and other related businesses. The Takara Bio Group primarily engages in the manufacturing and sales of products such as research reagents, scientific instruments, and mushrooms. It also conducts contract research services. Takara Healthcare primarily engages in the sales of products such as health foods.

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

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

	Millions of Yen							
	2014							
	Reportable Segment				Total	Other	Reconciliation	Consolidated
Takara Shuzo Group	Takara Bio Group	Takara Healthcare	Total					
Sales:								
Sales to external customers	¥ 181,964	¥ 23,236	¥ 1,421	¥ 206,622	¥ 2,515	¥ 430	¥ 209,568	
Intersegment sales or transfers	342	669	2	1,013	5,083	(6,097)		
Total	182,306	23,905	1,424	207,636	7,598	(5,667)	209,568	
Segment profit	6,329	1,954	21	8,305	310	874	9,490	
Segment assets	139,460	62,500	576	202,537	6,282	29,757	238,577	
Other:								
Depreciation	2,968	1,157	0	4,126	140	20	4,287	
Amortization of goodwill	217	131		348			348	
Investment in equity method affiliate	2,289			2,289		1,245	3,534	
Increase in property, plant, and equipment and intangible assets	2,954	5,538	5	8,498	110	358	8,967	

	Thousands of U.S. Dollars							
	2015							
	Reportable Segment				Total	Other	Reconciliation	Consolidated
Takara Shuzo Group	Takara Bio Group	Takara Healthcare	Total					
Sales:								
Sales to external customers	\$ 1,581,333	\$ 209,533	\$ 13,750	\$ 1,804,625	\$ 20,650	\$ 3,800	\$ 1,829,083	
Intersegment sales or transfers	2,733	6,875	8	9,633	39,608	(49,241)		
Total	1,584,075	216,408	13,766	1,814,258	60,266	(45,433)	1,829,083	
Segment profit	65,333	19,183	316	84,841	933	6,683	92,466	
Segment assets	1,262,691	553,541	5,141	1,821,383	51,233	331,033	2,203,650	
Other:								
Depreciation	26,416	11,225	8	37,658	1,033	150	38,850	
Amortization of goodwill	3,025	1,133		4,166			4,166	
Investment in equity method affiliate	23,158			23,158		10,550	33,716	
Increase in property, plant, and equipment and intangible assets	38,283	39,683	75	78,050	833	550	79,441	

Notes: 1. "Other" represents operating segments that are not included in the reportable segments, and comprises other subsidiaries, including a printing business.

2. Details of "Reconciliation" are as follows.

(1) Sales to external customers consist of income from real estate rent recognized by the Company.

(2) Segment profit includes eliminations of intersegment transactions of ¥29 million (\$241 thousand) and ¥48 million, and income of the Company not allocated to operating segments of ¥773 million (\$6,441 thousand) and ¥826 million as of March 31, 2015 and 2014, respectively.

(3) Segment assets include assets of the Company not allocated to operating segments of ¥51,321 million (\$427,675 thousand) and ¥41,900 million, and other adjustment (principally eliminations of intersegment transactions) of ¥(11,597) million (\$96,641 thousand) and ¥(12,143) million as of March 31, 2015 and 2014, respectively. Assets attributed to the Company include surplus funds and long-term investment assets.

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

(4) Information about products and services

	Millions of Yen				
	2015				
	Alcoholic Beverages and Seasonings	Bio	Health Foods	Other	Total
Sales to external customers	¥ 189,760	¥ 25,144	¥ 1,650	¥ 2,935	¥ 219,490

	Millions of Yen				
	2014				
	Alcoholic Beverages and Seasonings	Bio	Health Foods	Other	Total
Sales to external customers	¥ 181,964	¥ 23,236	¥ 1,421	¥ 2,945	¥ 209,568

	Thousands of U.S. Dollars				
	2015				
	Alcoholic Beverages and Seasonings	Bio	Health Foods	Other	Total
Sales to external customers	\$ 1,581,333	\$ 209,533	\$ 13,750	\$ 24,458	\$ 1,829,083

(5) Information about geographical areas

(a) Sales			Thousands of U.S. Dollars		
Millions of Yen			Thousands of U.S. Dollars		
2015			2015		
Japan	Other	Total	Japan	Other	Total
¥ 180,425	¥ 39,065	¥ 219,490	\$ 1,503,541	\$ 325,541	\$ 1,829,083

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

Millions of Yen		
2014		
Japan	Other	Total
¥ 182,302	¥ 27,266	¥ 209,568

(b) Property, plant and equipment

Millions of Yen			Thousands of U.S. Dollars		
2015			2015		
Japan	Other	Total	Japan	Other	Total
¥ 46,271	¥ 6,813	¥ 53,085	\$ 385,591	\$ 56,775	\$ 442,375

Millions of Yen		
2014		
Japan	Other	Total
¥ 41,647	¥ 6,328	¥ 47,976

(6) Information about major customers

2015		
Name of Customers	Millions of Yen Sales	Related Segment Name
KOKUBU & CO., LTD.	¥ 36,391	Takara Shuzo Group

2014		
Name of Customers	Millions of Yen Sales	Related Segment Name
KOKUBU & CO., LTD.	¥ 34,621	Takara Shuzo Group
NIHON SHURUI HANBAI CO., LTD.	21,225	Takara Shuzo Group

2015		
Name of Customers	Thousands of U.S. Dollars Sales	Related Segment Name
KOKUBU & CO., LTD.	\$ 303,258	Takara Shuzo Group

(7) Information about impairment losses

Millions of Yen						
2015						
	Takara Shuzo Group	Takara Bio Group	Takara Healthcare	Other	Elimination/Corporate	Total
Impairment losses of assets	¥ 15	¥ 247	¥	¥	¥	¥ 262

Millions of Yen						
2014						
	Takara Shuzo Group	Takara Bio Group	Takara Healthcare	Other	Elimination/Corporate	Total
Impairment losses of assets	¥ 43	¥	¥	¥	¥ 49	¥ 92

Thousands of U.S. Dollars

2015						
	Takara Shuzo Group	Takara Bio Group	Takara Healthcare	Other	Elimination/Corporate	Total
Impairment losses of assets	\$ 125	\$ 2,058	\$	\$	\$	\$ 2,183

(8) Information about amortization of goodwill

Millions of Yen						
2015						
	Takara Shuzo Group	Takara Bio Group	Takara Healthcare	Other	Elimination/Corporate	Total
Amortization of goodwill	¥ 363	¥ 136	¥	¥	¥	¥ 500
Goodwill at March 31, 2015	6,230	1,840				8,071

Millions of Yen						
2014						
	Takara Shuzo Group	Takara Bio Group	Takara Healthcare	Other	Elimination/Corporate	Total
Amortization of goodwill	¥ 217	¥ 131	¥	¥	¥	¥ 348
Goodwill at March 31, 2014	6,061	1,477				7,539

Thousands of U.S. Dollars						
2015						
	Takara Shuzo Group	Takara Bio Group	Takara Healthcare	Other	Elimination/Corporate	Total
Amortization of goodwill	\$ 3,025	\$ 1,133	\$	\$	\$	\$ 4,166
Goodwill at March 31, 2015	51,916	15,333				67,258

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Takara Holdings Inc.:

We have audited the accompanying consolidated balance sheet of Takara Holdings Inc. and its consolidated subsidiaries as of March 31, 2015, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Takara Holdings Inc. and its consolidated subsidiaries as of March 31, 2015, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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

June 8, 2015

Deloitte Touche Tohmatsu LLC

Member of
Deloitte Touche Tohmatsu Limited

Investor Information

(As of March 31, 2015)

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

Stock and Investor Information

Common Stock	
Authorized	870,000,000 shares
Issued and Outstanding	217,699,743 shares

Number of Shareholders	25,246
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Stock Listings (Common Stock)	Tokyo
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Securities Code Number	2531
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Shareholder Registry Administrator	Mizuho Trust & Banking Co., Ltd. 2-1, Yaesu 1-chome, Chuo-ku, Tokyo
-------------------------------------------	---------------------------------------------------------------------------

Inquiries to Shareholder Registry Administrator	Mizuho Trust & Banking Co., Ltd. Stock Agency Transfer Department 8-4, Izumi 2-chome, Suginami-ku, Tokyo 168-8507, Japan Telephone: 0120-288-324 (toll free, within Japan only)
--------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

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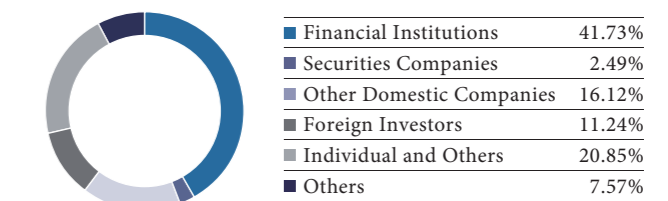
Independent Auditor	Deloitte Touche Tohmatsu LLC
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Principal Shareholders

Name	Number of Shares Held (Thousands)	Percentage of Shares Held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	16,944	7.78
Japan Trustee Services Bank, Ltd. (Trust Account)	9,840	4.52
Mizuho Bank, Ltd.	9,738	4.47
The Norinchukin Bank	9,500	4.36
Meiji Yasuda Life Insurance Company	5,370	2.47
Bank of Kyoto, Ltd.	5,000	2.30
KOKUBU & CO., LTD.	3,489	1.60
Takara Group Employees' Shareholding Association	3,178	1.46
Japan Alcohol Trading Co., Ltd.	3,000	1.38
Sumitomo Mitsui Trust Bank, Limited.	2,753	1.26

Notes: (1) Number of shares is rounded down to the nearest thousand.
(2) In addition to the shareholdings listed above, the Company held treasury stock totaling 16,474,061 shares (equivalent to 7.57% of voting rights).
(3) The number of shares indicated as held by Sumitomo Mitsui Trust Bank, Limited., does not include shares held as part of trust banking services.

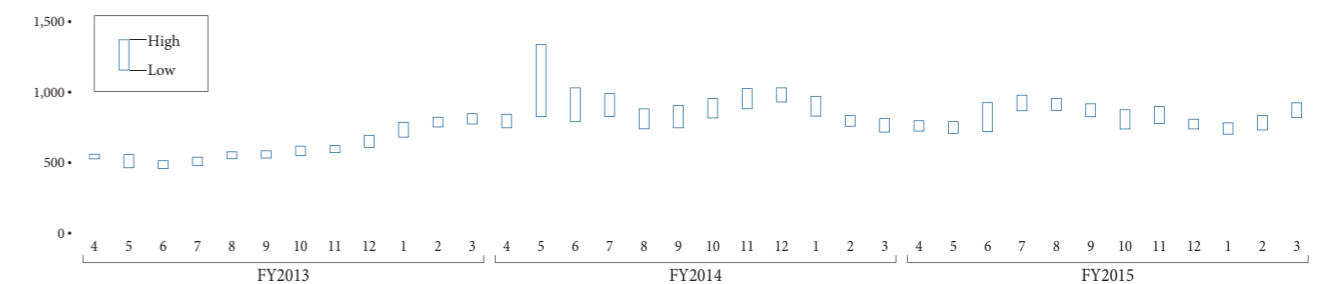
Distribution of Ownership among Shareholders



Bond Ratings

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

Stock Price Range on the Tokyo Stock Exchange (Yen)



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The method of printing this annual report was chosen to reduce its environmental impact.
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A portion of the printing costs for this printing paper is donated to the "Japanese Red Cross Society."

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