

TakaRa

 **TAKARA HOLDINGS INC.**

Contributing to the creation of healthy
lifestyles and a vital society in harmony
with nature through fermentation
technologies and biotechnologies

ANNUAL REPORT **2007**

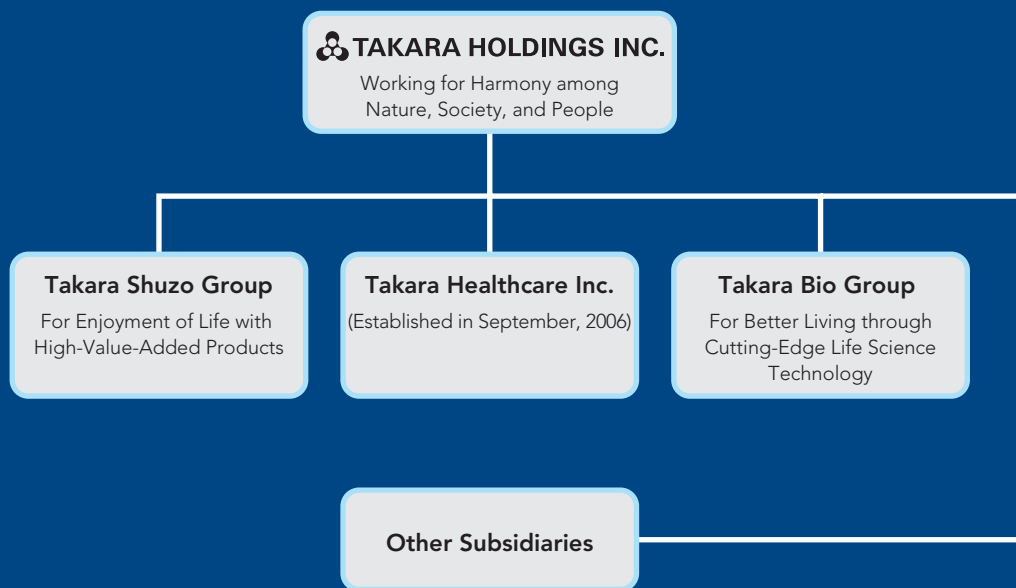
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The Takara Group is contributing to the enrichment of culinary culture and cultural life, and to the development of the life sciences, through the fermentation technologies for traditional Japanese sake brewing and innovations in the cutting-edge biotechnologies.

The two main business units of Takara Holdings Inc. are the Takara Shuzo Group, which focuses on the alcoholic beverages and seasonings businesses, and the Takara Bio Group, which specializes in the biomedical business. In addition, in order to accelerate the pace of growth in the functional foods business, we established Takara Healthcare Inc. in September 2006.

Through this new corporate structure, we intend to further strengthen each business segment and increase the Takara Group’s corporate value.

With the management goal of increasing our true corporate value by increasing both the economic and cultural value as a corporation, under the Takara Evolution-100 (TE-100) long-term management concept, the Takara Group is aiming to create a stable revenue base from the alcoholic beverage and seasonings businesses, and achieve dynamic growth in the biomedical and functional foods businesses. All of these businesses are intimately connected with creating a rich and healthy living environment, which is increasing the Takara Group’s significance and social responsibility more and more. Both top management and employees of the Takara Group are keeping this firmly in mind as we go forward with our daily business activities.



Forward-Looking Statements

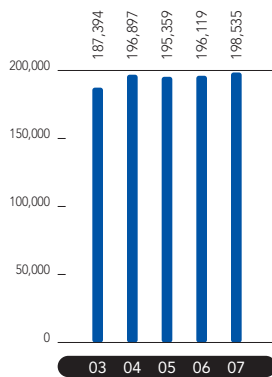
Statements in this report, other than those based on historical fact, concerning the current plans, prospects, strategies and expectations of the Company and its Group represent forecasts of future results. While such statements are based on the conclusions of management according to information available at the time of writing, they reflect many assumptions and opinions derived from information that includes major risks and uncertainties. Actual results may vary significantly from these forecasts due to various factors.

Factors that could influence actual results include, but are not limited to, economic conditions, especially trends in consumer spending, as well as exchange rate fluctuations, changes in laws and government systems, pressure from competitors’ prices and product strategies, declines in selling power of the Company’s existing and new products, disruptions to production, violations of the Company’s intellectual property rights, rapid advances in technology and unfavorable verdicts in major litigation.

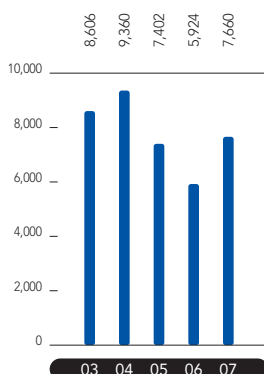


TaKaRa Group

Net Sales (Millions of Yen)



Operating Income (Millions of Yen)



Steady business performance in the year ended March 2007

The year ended March 31, 2007 (hereinafter "fiscal 2007") was the second year of the Sixth Medium-Term Management Plan. It was a year that our efforts to increase revenue over the past two years finally began to yield results, while our future direction grew increasingly clear. Business results for fiscal 2007 of the Takara Holdings Inc. and its consolidated subsidiaries (hereinafter "Takara Group") achieved net sales of 198,535 million yen, a 1.2% increase from the previous fiscal year. Operating income jumped 29.3% year-on-year to 7,660 million yen, while net income fell 20.9% year-on-year to 4,208 million yen.

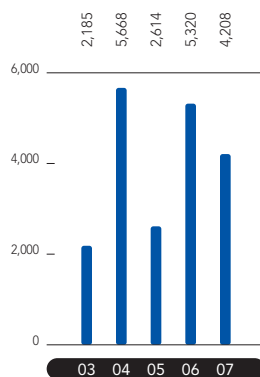
Net income for fiscal 2007 decreased from the previous fiscal year; this was because in fiscal 2006 we had a huge gain resulting from changes in ownership in subsidiaries and the extraordinary income/expense returned to a normal level in fiscal 2007. Excluding these effects, we can summarize that in fiscal 2007 the Takara Group had a small increase in revenue and a large increase in profits. The business results of our two main business units, the Takara Shuzo Group and Takara Bio Group, are detailed below.

Although the Takara Shuzo Group resulted in a fall in net sales this fiscal year mainly due to the withdrawal from the soft drink business at the end of December 2006, thanks to the development and sale of high value-added products as well as strict cost management, a double-digit operating income was achieved. This year marked the beginning that the Takara Shuzo Group regained its ability to serve as a stable source of revenue for the Takara Group. At the same time, the September 2005 acquisition of Clontech Laboratories, Inc. contributed to the business results of the Takara Bio Group throughout the year, and revenues from the genetic engineering research segment increased. As a result, the Takara Bio Group was able to greatly cut down its operating losses and turned its ordinary income into the black. In fiscal



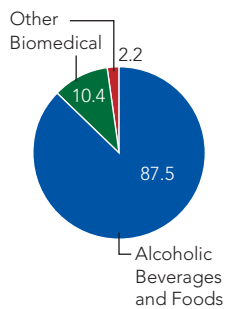
TaKaRa Group

Net Income (Millions of Yen)



Sales by Segment (Fiscal 2007) (%)

(Sales to Customers)



2007, by strengthening the revenue base of genetic engineering research segment, the Takara Bio Group took a large step closer to achieving its desired status.

Successful reduction of sales promotion expenses

In the domestic alcoholic beverages market, which forms the bedrock of the Takara Group's business operations, the declining drinking population and diversification of consumers' preferences continue to make it difficult to increase sales. In addition, continuing changes in distribution structures since the deregulation of alcoholic beverage retail licensing in September 2003, as well as steep increases in the cost of raw materials over the past several years, have reduced the profitability of every alcoholic beverage manufacturer.

Against this background, the Takara Shuzo Group has achieved major results in fiscal 2007 through cost management. Although the Takara Shuzo Group has been seeking efficiency through strict monitoring of production and management costs in previous years, due to the intensifying competition under the tough market environment, its marketing costs have been steadily increasing. With the start of the Sixth Medium-Term Management Plan in April 2005, efforts to make effective investments in sales promotion began, in line with the plan's theme of thorough profit management. Specifically, we introduced more stringent rules on investment in sales promotion and set up a system to support operations including strict observance of the rules and the establishment of systems to allow sales staff to easily see the cost vs. benefit analyses. Benefits from the implementation of this system began to appear this fiscal year, successfully putting a halt to the increases in sales promotion expenses, and the Takara Shuzo Group achieved the first increase in profit in three years.

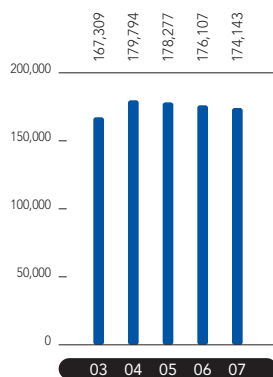
High expectations for *Ikkomon* as a new key product

Building on the good performance in the previous fiscal year, sales of our 100% pure sweet potato shochu, *Ikkomon*—a high value-added honkaku shochu—have continued to rise. The Takara Shuzo Group has positioned *Ikkomon* as its strategic product, reinforced promotional activities, and actively sought out to exploit sales to new drinking establishments. More recently, we sometimes find that some drinking establishments that our sales people have not yet visited have begun carrying *Ikkomon*. We think this is because drinking establishments and consumers are proactively

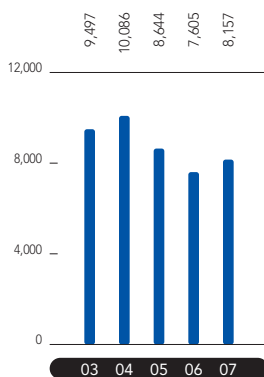


Alcoholic Beverages and Foods Segment

Net Sales
(Millions of Yen)



Operating Income
(Millions of Yen)



requesting *Ikkomon*. We will strive to ensure the high quality of *Ikkomon* that will continue to receive the firm support of consumers by accurately informing the consumers of its superior quality.

In addition, the excellent performance of *Ikkomon* has given our employees a new experience of success and has helped to build their confidence. Takara Shuzo's core products include *Sho-Chiku-Bai* sake, *Takara Shochu Jun shochu*, *Takara Can Chu-Hi* light-alcohol refreshers and *Takara Hon Mirin*, an alcohol-based seasoning. However, over 20 years have passed since these products first went on sale, which means that they were already established product brands by the time our middle-level employees joined the company. *Ikkomon*, on the other hand, which was released in 2001, is the result of efforts by our current young and middle-level employees. The successful development of *Ikkomon* has led to the development of our employees and the establishment of a solid corporate culture. We will continue to foster *Ikkomon* as a core product, and work to develop products that will become our new core products in the future.

Considerable room for growth in seasonings and overseas businesses

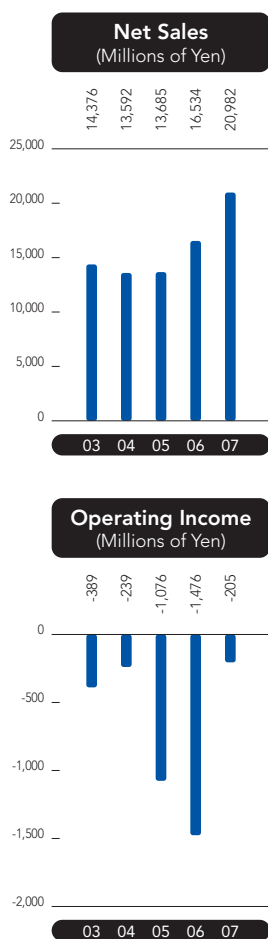
While the domestic business environment of the alcoholic beverage market remains tough, there is considerable room for growth in the seasonings and overseas businesses, and we are working to achieve growth in these fields.

In the seasonings business segment, we set up the Seasoning Processing Business Division in April 2006, and began full-scale sales activities aimed at home-meal replacement companies. We established a specialized brand for prepared meal manufacturers, *Kyo Takara*, and are actively working to develop new products and recipes at our Cooking Science Research Center and cooking laboratories. Recent trends of growing health consciousness and increasing numbers of nuclear families will increase the demands in the prepared meal market. Therefore we believe that there is considerable room for growth in the seasonings business that targets this market.

As for the overseas business, with the growing acceptance of Japanese foods in Europe, North America, China and Asia, we have high hopes for future growth of this business segment. In the U.S.A. and other countries, not only is sake being offered in Japanese restaurants, but supermarkets also stock Japanese sake, while sake is also



Biomedical Segment



consumed in Chinese restaurants. In the future, just as Japanese people now drink wine in their homes, there may come a time when Americans drink sake in their homes. Takara Sake USA Inc. is currently planning to invest in enhancing its sake production capabilities to meet the expected increase in demand.

Takara Bio Group's business strategy makes progress

One topic we cannot forget this fiscal year is the Takara Bio Group's achievement of having its first-ever ordinary income. This represents the first step towards the achievement of the Takara Bio Group's ideal state, which it has pursued since being listed on the stock exchange. The Takara Bio Group's business strategy is to secure stable revenues from its genetic engineering research and AgriBio segments and to complete the gene medicine technologies and commercialize these technologies as quickly as possible, by investing the revenues thus generated in the gene medicine segment, which is expected to become the growth business in the future. This fiscal year was the year in which the first half of this strategy—building a stable revenue base—was completed. In the coming years, we intend to further solidify this revenue base, while we take the first steps towards the second part of the strategy by increasing efforts in the gene medicine segment, and strive to become the first company in the world to realize gene and cell therapies for the treatment of cancers and AIDS, which are not yet at the practical use stage.

Increasing rate of growth in the functional foods business

In addition, we reorganized the Group's businesses in fiscal 2007. We established Takara Healthcare Inc., whose main businesses are the development and sales of functional foods. Takara Healthcare has taken over as a sales agent the sales routes and customers of Takara Bio and sells Takara Bio's health food products.

The Takara Bio Group has scientifically identified the medical properties of traditional Japanese foodstuffs by using its own unique, cutting-edge technologies, and uses these functional food ingredients to create health food products that are distinct from competitors' products. Takara Healthcare, by effectively utilizing the marketing and sales know-how of Takara Shuzo, will strive to increase the rate of growth of the Takara Group's functional foods business.



Takara Healthcare plans to primarily utilize mail-order sales as its distribution channel, and has set an initial target of achieving an operating income by the year ending on March 31, 2010. We will work hard to ensure that it will become our growth business in the future.

Growth of the Company is the key to shareholder's profit

The Takara Group has implemented various measures in order to realize the blueprint of establishing stable revenues from the alcoholic beverages and seasonings businesses, while at the same time, the biomedical business aims for a dramatic growth in the gene medicine segment. We achieved our first operating income in three years in fiscal 2007, and the direction of our blueprint began to produce results. In the fiscal year ending March 31 2008 (fiscal 2008), we will continue to push forward in this direction.

The Takara Shuzo Group continues to work to strengthen its earning characteristics. We will continue with the profit management system established in fiscal 2007 and work to further improve revenues by proposing to review delivery prices to reflect the sharp rises in the cost of raw materials. In addition, we are now making preparations for launching a new high value-added successor to *Ikkomon*. Meanwhile, the Takara Bio Group will strive to further increase the profitability of its genetic engineering research segment by making full use of synergies with Clontech Laboratories, while also improving revenues from the AgriBio segment and actively pursuing research and development in the gene medicine segment.

The Takara Group continues to carry out its business management for the benefit of our shareholders and believes that increasing corporate value or shareholders' profits will be impossible without the development of the Group as a whole. We believe that the business expansion and growth is the surest path to expanding shareholders' profit and providing returns to our shareholders. I hope we can continue to count on your support and understanding.

Hisashi Ohmiya, President
July 2007

To Our Shareholders and Investors

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Strengthening the Functional Foods Business

Takara Healthcare Inc.

In order to develop the functional food business to become our future growth business segment, the Takara Group established Takara Healthcare Inc. to be in charge of development and sales of functional food products.

With this move, we intend to accelerate the pace of growth of the Takara Group's functional foods business.



Mail-order sites of our primary products
<http://shop.takara-healthcare.com/>



Newsletter <LinTo>

Reorganization of businesses within the Group

Takara Holdings Inc., in order to maximize synergy between the functional foods business of Takara Shuzo and the health foods business of Takara Bio's AgriBio segment, both Takara Holdings' subsidiaries, reorganized businesses within the Group, and in September 2006 established Takara Healthcare Inc. as a wholly owned subsidiary.

Takara Healthcare functions as a sales agent for Takara Bio, taking over Takara Bio's sales routes and customers. In addition to sales of newly developed products of Takara Bio, in the future Takara Healthcare will be involved in the development and sales of its own functional foods through alliances and other methods. Through this reorganization, we intend to increase the pace of growth in the Group's functional foods business by fully utilizing the marketing power and sales know-how of Takara Shuzo in sales of the health foods business established by Takara Bio.

As a result of this reorganization, Takara Bio and Takara Shuzo intend to strengthen their respective businesses. By transferring the sales function of health foods, Takara Bio will be able to effectively develop its business and strengthen its earning power by specializing in the processes from research and development of new functional food materials to their commercialization into products. Meanwhile, through this reorganization Takara Shuzo has been able to withdraw from the unprofitable soft drinks business, and as a result, its management resources previously invested in this business can now be redistributed to improve the earning power of the domestic alcoholic beverages business and expand the seasonings and overseas businesses. We aim to improve the corporate value of the entire Group, including strengthening the existing businesses.

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Takara Healthcare's Business Operations

▶ 1. Sales of Takara Bio products



Gagome kombu fucoidan products



Ashitaba juice



Agar products



▶ 2. Sales of products jointly developed with Takara Bio

▶ 3. Development and sales of unique products, including those from Takara Shuzo

Takara Healthcare's Mission

Takara Healthcare's corporate philosophy:

Takara Healthcare intends to contribute to people's healthy and active lifestyle by providing safe and reliable health foods made with the use of the Takara Group's unique ingredients and technologies.

Takara Healthcare aims to provide our customers with safe and reliable functional foods made with a variety of physiological properties of the Takara Group's unique food materials, such as kombu (kelp) "fucoidan," agar "agaoligo," Ashitaba "chalcone" and mushroom "polyterpene," that were developed by Takara Bio under the concept of "using food as a therapeutic agent." In this way, we intend to contribute to our customers' healthy and active lifestyle. Furthermore, in order to effectively convey to our consumers the information on the physiological activities of these functional food materials, their efficacy and effects, and the features of our products, we have positioned mail-order sales as the most important sales route, and we intend to increase customer satisfaction by also pursuing in-store sales at drugstores and other person-to-person sales routes.



Ashitaba juice TV Shopping

Takara Shuzo Group

Our alcoholic beverages and seasonings business, the Group’s core business, traces its history back to the year 1842. For over 160 years, we have continued our operation in our mission to provide reliable products backed by our creative, tried-and-tested technologies by responding to the changing values and tastes of consumers over the ages.

These products span a wide range of categories, including shochu, sake, light-alcohol refreshers, wine, whisky, Chinese alcoholic beverages, seasonings, and raw alcohol. Business operations now span the globe, with subsidiaries operating in the United States, China and Scotland (UK).



Shochu *Japan* and *Ikkocon*, a 100% pure sweet potato shochu

Shochu: Constantly working to create new markets

Takara has been contributing to further expansion of shochu market by constantly seeking the trend-setting shochu and creating new markets through its unique, advanced technologies developed over many years as a specialist in shochu production. In the ko-type shochu market, we have successfully created a new category of bottled shochu with *Takara Shochu Jun*, a long-selling product since its release 30 years ago, and *Shochu JAPAN* that features a stylish design and a mellow refreshing taste. We have also established a firm position in the growing honkaku shochu market through the development and sale of shochu products that are meticulously made by using different materials, such as a 100% pure sweet potato shochu, *Ikkocon*, made with our own unique production method.



Sake *Sho-Chiku-Bai*

Sake: Pursuing even higher quality and discriminating taste

By linking Takara’s marketing strategies to current trends, the *Sho-Chiku-Bai* label has secured a strong position as the leading brand in the celebration and gift segments of the sake market. Contributing to this growth, Takara has maintained its reputation as a high-quality brand sake linked to joyful occasions. In the soft pack sake market, we launched *Sho-Chiku-Bai Ten*. This product’s distinctive taste as well as package design featuring the calligraphy of *Bakuzan Sakaki* has been well received, earning the support of many customers. At *Shirakabe-gura* Brewery, we produce high-quality sake and are pursuing to find out what makes a truly outstanding sake. Takara will continue to provide high-quality, individualistic products that our customers can be satisfied with, by paying careful attention to selecting the finest raw materials and best brewing techniques.

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Light-alcohol refreshers

Light-Alcohol Refreshers: Presenting chu-hi that meets customers' needs

The year 1984 marked the stunning debut of *Takara Can Chu-Hi*. This product's high quality, backed by our well-established technologies and insistence on using only the finest shochu, fruit juice and water, has won the overwhelming support of our customers, and this product has remained a major hit for over 20 years since its launch. In March 2006 we launched *Takara Shochu High Ball*. This product recaptures the taste of the original *Shochu High Ball*, first created in downtown Tokyo in the late 1940s and known as the origin of chu-hi. With a dry taste that goes well with meals, this product has widened our customers' drinking options. In addition, we continue to develop and nurture high-quality products that meet our customers' diverse needs, such as *Takara Can Chu-Hi Jika-Shibori*, with the careful selection of the best fruit growing areas and fruit pressing techniques.

Topics 1:

The growing popularity of honkaku shochu 100% pure sweet potato shochu, *Ikkomon*



Ikkomon site
<http://ikkomon.jp/>

In response to customers' demands for "genuine" products, Takara Shuzo has been striving to create a sweet potato shochu that would express our brew masters' passion and provide a handcrafted taste. In September 2001, we launched a 100% pure sweet potato shochu *Ikkomon*, made with our unique production technology. With its pleasant bouquet and refined, mellow taste, *Ikkomon* has won widespread praise and its popularity continues to grow each year.

Ikkomon is a word in the local dialect of Japan's Kagoshima Prefecture, meaning "bull-headed." This reflects Takara Shuzo's bull-headed insistence on high-quality production utilizing our unique production methods. Most sweet potato shochu uses rice koji (malt) since the techniques required to produce sweet potato koji are believed to be extremely difficult. While other companies have produced several brands of shochu made from 100% sweet potatoes, there remain difficulties with poor fermentation of sweet potato koji, which produces a flat tasting shochu. Takara Shuzo's technologies, gained through our work with a wide variety of alcoholic beverages, made it possible to create the ideal sweet potato koji for the production of shochu. The sweet potato koji made with this technique preserves the natural aroma of sweet potatoes, creating elegantly fragrant shochu with a clean, refined finish. In addition, the superior fermentation of moromi (main mash) creates the ideal, mellow flavor.

We continued to further improve the brand value by accurately informing the consumers of its superior quality.

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Seasonings *Takara Hon Mirin Junmai* and *Takara Hon Ryoriseishu*



Tasting room at Takara Sake USA

Seasonings: Sake makes food taste better

Takara has long focused on the power of sake as a seasoning, which has long been used worldwide, and offers a wide range of products that enhance the flavor of cuisine and enriches the dining experience. Since its creation in the early 19th century, *Takara Hon Mirin*, an alcohol-based seasoning, has won support from customers as an indispensable part of Japanese cuisine, and continues to contribute to the evolution and development of Japanese culinary culture as the leading brand of hon mirin. In addition *Takara Hon Ryoriseishu* has become a much-loved brand of sake as most suitable for cooking, due to its ability to eliminate odors associated with some ingredients and bring out the deep flavors of fine food. Takara is also offering seasonings that take advantage of the power of sake to the growing home-meal replacement market, with a line-up of seasonings for prepared meal manufacturers, including the *Kyo Takara* brand.

Overseas Activities: Utilizing our network to develop overseas markets

In the United States, Takara Sake USA Inc. produces and sells *Sho-Chiku-Bai* sake, mirin and plum wine, while Age International, Inc. handles super-premium bourbon under the Blanton's label. In China, Takara Shuzo Foods Co., Ltd. produces and sells *Sho-Chiku-Bai* sake, mirin and shochu, and also sells products imported from Japan, while Shanghai Takara Shuzo International Trading Co., Ltd. imports and sells western-style alcoholic beverages manufactured by the Group companies. In Europe, The Tomatin Distillery Co., Ltd. in Scotland manufactures and sells scotch whisky, while there are also business offices acting as sales centers in the U.K. and France. We will continue to pursue more effective business operations and the development of new businesses undertakings through the shared utilization and supplementation of these networks.

Topics 2:

Shirakabe-gura Brewery: Pursuing excellence by bringing together the brew masters' skills and the latest technologies



Shirakabe-gura

The Nada area is one of Japan's most prominent sake-producing regions. Takara Shuzo has been producing sake here since 1954. In 2001, the *Shirakabe-gura* Brewery was completed, bringing together traditional handcrafted techniques and state-of-the-art facilities, and this brewery has focused on the production of junmaishu (pure rice sake) and ginjoshu (quality sake made from milled rice).

What makes sake truly outstanding? At the *Shirakabe-gura* Brewery, the priority is not on seeking an efficiency in production of sake. Instead, returning to the origin of sake brewing, we spent three years building the brewery. The *Shirakabe-gura* Brewery represents the marriage between the contrasting elements of new facilities that have recreated the principles of traditional handcrafted methods, and brewing techniques where most processes are done by hand. No matter how advanced the machinery becomes, the final decisions will always be up to people in the end. The master brewer determines all operating conditions, while other brewers check conditions of sake in each process by using their five senses. We are ambitiously working to produce truly high-quality sake through the cooperation of all the brewers.

Takara Bio Group

The biomedical division of the Takara Group is committed to contributing to benefit society through the use of biotechnology. The purpose of gene medicines that are created through biotechnology research is to protect people's health and lives. In order to make this a reality, the Takara Bio Group is striving to realize the commercialization of gene and cell therapies by strengthening its genetic engineering research segment, which forms the foundation for the Group's technologies and revenues, while also developing its AgriBio business segment to become a second source of stable revenues, and investing its management resources in the gene medicine segment.



Real-time PCR-related products



Experiments using Real-time PCR

Genetic Engineering Research

The Takara Bio Group is involved in the production and sale of research reagents and scientific instruments, which are essential to research and development of biotechnology, as well as offering contract research services.

In the field of research reagents and scientific instruments, we have received a license for the PCR method, which is widely used in gene amplification, and are involved in the production and sale of PCR-related products, such as PCR enzymes having the world's fastest extension time, and real-time PCR-related products. We are aiming to increase sales by expanding the scope of our business activities across the entire biotechnology, through the development of products in the field of molecular biology, lead by Clontech Laboratories that we acquired in September 2005, and through the introduction and sales of European and American manufacturers' products. Furthermore, our efforts are not limited to sales of research reagents and scientific instruments, but also include various contract research services including genome sequencing using large-scale sequencing ability and functional analysis of genes using DNA chip technology.

We will continue to focus our efforts on PCR-related technologies that support the gene-related research and development as well as new technologies, products and services using MazF ribonuclease and cold-shock vector methods. We aim to strengthen the base of our core business of genetic engineering research and further increase the revenue by realizing the synergistic effects of Takara Bio and Clontech in research and development and increasing efficiencies.

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Kombu "Fucooidan," a clingy substances found in Gagome kombu



Ashitaba "Chalcone"

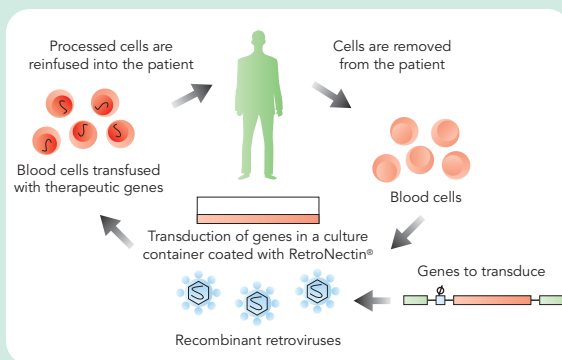
AgriBio

Based on the concept of using food as therapeutic agent, we offer health foods to customers by finding the functions of traditional Japanese foodstuffs through the use of biotechnology. We have discovered physiological active substances such as kombu (kelp) "fucooidan," agar "agaoligo," Ashitaba "chalcone" and mushroom "polyterpene," and are focusing on the development of health food products that are distinct from those of competitors. In September 2006, Takara Bio transferred its sales functions to Takara Healthcare, one of the Takara Group companies, in order to accelerate the pace of growth in the health foods business, and at the same time, to focus on the process of research and development of new functional food materials and their commercialization into products. Through these strategies, Takara Bio aims to effectively invest its management resources and thus strengthen its earning power.

In the mushroom-related business, Takara Bio became the first company in the world to succeed in large-scale cultivation of Bunashimeji mushrooms in 1970. We now have established large-scale cultivation methods for Hatakeshimeji and Honshimeji mushrooms, and we are pushing forward with further business expansion in cooperation with Yukiguni Maitake Co., Ltd. and Kin-cho, Okinawa Prefecture. In addition, we have succeeded in decoding the Matsutake mushroom genome and aim to establish new cultivation methods to produce high value-added mushrooms utilizing this genome.

Topics 1:

Ex vivo gene therapy using the RetroNectin® Method



Gene Therapy Protocol Using the RetroNectin® Method

RetroNectin® is the recombinant protein of modified human fibronectin. Its specific interaction with both target cells and virus vectors brings retroviruses and target cells into close contact on RetroNectin®, which is thought to enhance the efficiency of gene transduction. The RetroNectin® method, which is a highly efficient method of gene transduction using a retrovirus vector, is being used by 42 facilities including medical institutions and private companies for clinical study of gene therapies, and is becoming the standard in the ex vivo gene therapy.



RetroNectin® Reagent (GMP grade)

Gene Medicine

By applying the technologies gained through our genetic engineering business, we aim to develop and commercialize the cutting-edge technologies essential for gene medicine such as gene therapies and cell therapies.

Takara Bio's core technology in the Gene medicine is the RetroNectin® method, developed in collaboration with Indiana University in the U.S., for which Takara Bio has exclusive rights for worldwide use. The RetroNectin® method, which is used in *ex vivo* gene therapy, makes the efficient transduction of genes into hematopoietic stem cells and other blood cells possible, which was previously considered difficult. Our RetroNectin® method is used by various public medical institutions for clinical research of gene therapies as well as by overseas private businesses for clinical trials. In the future, we intend to expand both the acceptance of our technologies and our revenues by aggressively seeking out opportunities for licensing the RetroNectin® method around the world.

Furthermore, as some of Takara Bio's own projects, in cooperation with MolMed S.p.A. of Italy, National Cancer Center, Mie University School of Medicine and others, we are progressing with clinical development of *ex vivo* gene therapies for the treatment of cancer and AIDS, by using our proprietary technologies as a base. Also in the field of cell therapy as well, we are moving forward with clinical development of cancer immunotherapy using RetroNectin® in cooperation with Takara Biomedical Technology (Beijing) Co., Ltd. and the Cancer Institute and Hospital, Chinese Academy of Medical Science.

Topics 2:

Clinical development projects that the Takara Bio Group is working on

The Takara Bio Group is not only licensing out the RetroNectin® method, but also within the Group itself, working on research and development as well as clinical development of gene therapies for the treatment of cancer and AIDS.

Gene Therapy

	Target disease	Location	Business partner
HSV-TK Gene Therapy	Leukemia	Japan	The National Cancer Center
TCR Gene Therapy	Esophageal cancer	Japan	Mie University School of Medicine
MazF Gene Therapy	AIDS	China Japan	National Center for AIDS and Venereal Disease Prevention and Control The Tsukuba Primate Research Center, National Institute of Biomedical Innovation

Cancer Immunotherapy using RetroNectin® Expansion-Culture System

	Target disease	Location	Business partner
Cancer Immunotherapy	Renal cancer	China	Cancer Institute and Hospital (CIH), Chinese Academy of Medical Science
Cancer Immunity Reconstruction Therapy	Refractory cancer	Japan	Mie University School of Medicine



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The Takara Group, under its corporate philosophy of “Contributing to the creation of healthy lifestyles and a vital society in harmony with nature through fermentation technologies and biotechnologies,” believes that it is possible to continuously increase the Group’s corporate value by fulfilling its corporate social responsibilities and earning the trust of the Group’s various stakeholders. Recognizing this, the Group has identified the strengthening of corporate governance as a key management task and is committed to work toward this goal.

Basic concepts of our corporate governance

In order to increase the corporate value of the Group as a whole, the Group will:

1. Accelerate the speed of development of each business through independent management and seek to enhance each company’s corporate value, by delegating authority to each of the Group companies.
2. Seek to increase the corporate value of the Group as a whole by creating an environment in which we can freely exchange opinions about business reports, future management policies, and business strategies of each company through regular meetings of various Committees.
3. Fulfill the entire Group’s corporate social responsibilities by maintaining a system of compliance through strict adherence to laws and regulations and ethical conduct.
4. Make management more transparent by continuing to provide open, timely and accurate information disclosures and maintaining an internal system to allow timely disclosures.

Status of our corporate governance system

As of June 28, 2007, the Company’s board of directors is composed of eight members (one of whom is external director) and the Company has adopted an auditing system consisting of five auditors, three of whom are external auditors. The Company’s auditors carry out audits from the standpoint of legality and standardization. They audit the legality of the decisions and performance of the board of directors, through participation in important meetings, such as the board of directors meetings, and examination of key documents. In addition, the auditors also perform visiting audits of the Company and its subsidiaries in coordination with the staff of the Audit Division, which functions as an internal auditing body. Furthermore, the auditors hold several meetings with our accounting auditors (commissioned to Deloitte Touche Tohmatsu) throughout the year to explain to each other the auditing plans and report the status of the auditing activities, in principal, once per quarter. At the end of each fiscal year-end, the auditors produce an auditing report summary for the year under review in order to share information with the accounting auditors.

Exceptional circumstances that may have a significant impact on corporate governance

Takara Bio Inc., our publicly traded subsidiary

Takara Holdings Inc. is a parent company of Takara Bio Inc. and holds 71.1% of the voting rights of Takara Bio (Tokyo Stock Exchange Mothers; Securities code number: 4974) as of March 31, 2007. The relationship between the Company and Takara Bio is outlined below.

1. The positioning of Takara Bio within the Group

Takara Bio was established on April 1, 2002 as a spin-off from the Company as its wholly owned subsidiary. Since then, through Takara Bio’s capital increases by the allocation of new shares to third parties and public offerings, and Takara Bio’s issuance of bonds with stock acquisition rights, the proportion of voting rights has reached the present level.

The Group is composed of the Company, a pure holdings company, and its 34 subsidiaries and 10 affiliated companies, in which Takara Bio is positioned as a subsidiary specializing in biotechnology. Through Takara Bio’s business activities, the Group promotes the biomedical business.

2. Group company management

From a consolidated management perspective, the Company has implemented a set of Group Company Management Regulations, and its objective is to maximize the corporate value of the entire Group while each of the Group’s companies maintains its independence and autonomy. These regulations are also applicable to Takara Bio. Although Takara Holdings

receives reports on decisions made at Takara Bio's board of directors meetings, Takara Bio is not required to gain prior approval for the resolutions of its board of directors and manages its business operations independently.

Furthermore, the Company has organized several Committees, including Group Strategy Committee and Biomedical Business Coordination Committee. While the representative director, board members and executive committee members of Takara Bio are requested to attend these committee meetings, the purposes of these meetings are for discussing the entire Group's policies and reporting between Group companies, and they are not intended to inhibit the independence and autonomy of Takara Bio.

Regarding policies on response to large-scale purchases of the Company's shares (takeover defense guidelines)

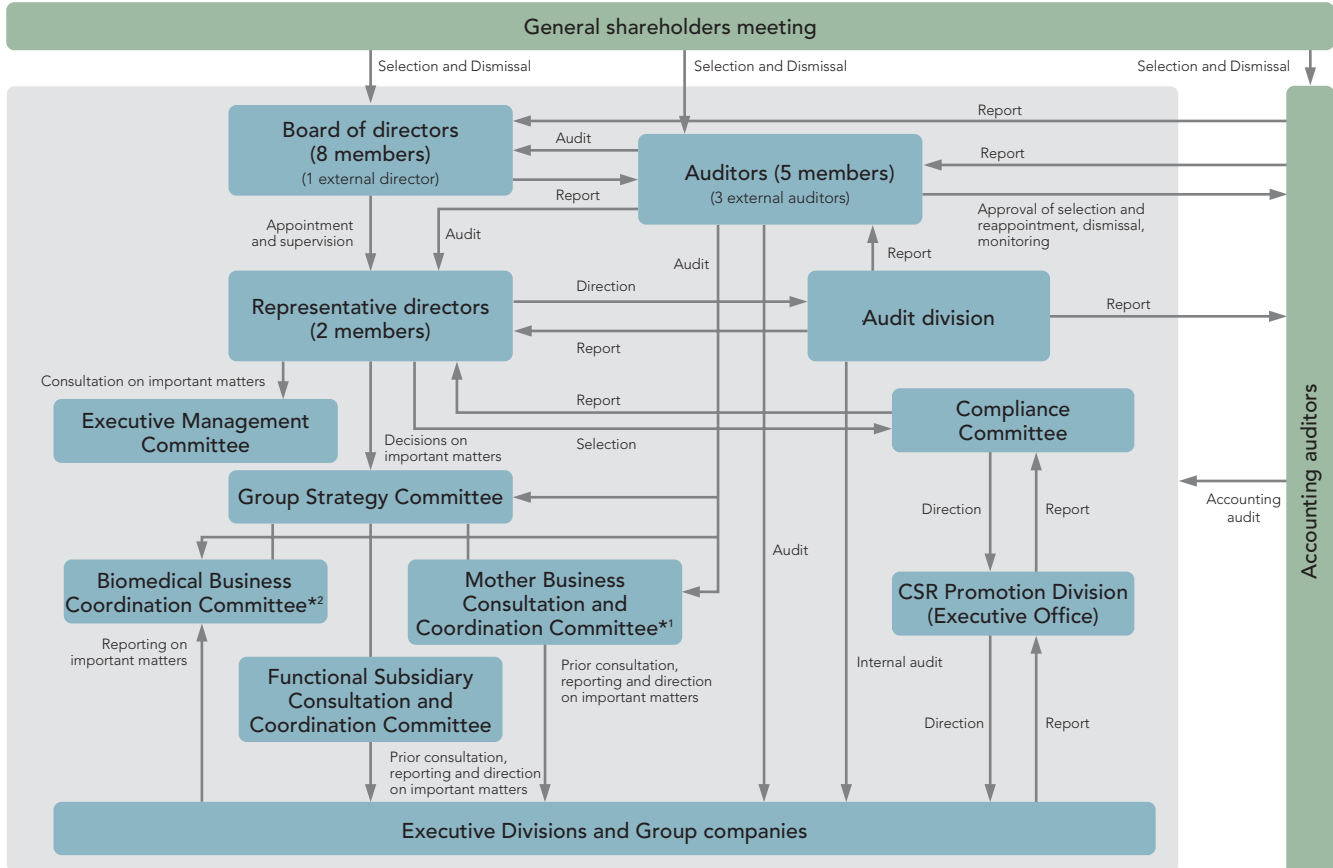
In order to maintain and increase the corporate value and, by extension, the joint benefit of our shareholders, the Company, based on a decision adopted at the Company's board of directors meeting held on May 15, 2006, introduced a set of policies on response to large-scale purchases of the Company's shares (takeover defense guidelines).

However, in the belief that reflecting more of the opinions of shareholders is the best way to maximize the joint benefit of our shareholders, the Company's board of directors meeting held on May 15, 2007 resolved to change the takeover defense guidelines, to contain that the introduction of the takeover defense guidelines shall be consulted with shareholders at a general meeting of shareholders of the Company and shall require to be approved by the resolution of the shareholders. Furthermore, it was also resolved that the decision to implement the takeover defense measures would, as a basic rule, be entrusted to a resolution taken at a general meeting of shareholders of the Company. Details of the guidelines are available through the Company's website, <http://www.takara.co.jp/>, and an overview is provided in the Company's financial report and in the MDA section of this annual report.

Please note that the introduction of the takeover defense guidelines was approved at the 96th general shareholders' meeting held on June 28, 2007.

Corporate Governance System

(As of June 28, 2007)



*1. Consultation and coordination committee for the mother " business segment (alcoholic beverages and seasonings)

*2. Coordination committee for the biomedical business segment

To continue to be a company that contributes to healthy and active lives, we are striving to become a “green ink enterprise” that cares about both society and the environment.

The Takara Group’s business activities rely on the natural bounty such as clean water and agricultural products. Since it would be impossible for us to conduct business without a healthy natural environment, the Takara Group has long maintained a corporate philosophy of respecting the natural environment and actively sought to undertake activities to protect nature and reduce the burden placed on the environment.

For healthy and active customers

To deliver safe and secure products to our customers, Takara Shuzo has acquired the ISO9001 quality management system certification for all of our factories, and created a rigorous quality control system in which only high-quality ingredients are used.

We are also promoting the 4Rs of packaging (Refuse what you don’t need, Reduce what you need, Reuse what you can’t reduce, and Recycle what you can’t reuse) in cooperation with our customers, such as introduction of bulk sales (selling products by weight), use of returnable bottles that can be reused, and development of EcoPET bottles that can easily be segregated.

In addition, being aware of our responsibilities as a manufacturer of alcoholic beverages, we are conducting a number of activities to encourage people to drink in moderation and look after their health.



Before : With handle After : Without handle

2.7ℓ EcoPET bottle



Removable cap



Advisory regarding responsible drinking

For an active society

Takara Holdings established the Takara Harmonist Fund in 1985, a public trust fund, and every year since then has given support to activities to preserve the natural environment of Japan’s forests and waterbeds as well as research on protection of creatures living in these areas. 2006 marked the 21st year of these efforts. Since that first year, a cumulative total of 110.25 million yen has been granted to a total of 230 activities and organizations in 40 prefectures.

In addition, in April 2004 Takara Shuzo opened the Takara Rice and Sake School, a place where parents and children together learn the rules of society and the preciousness of nature through hands on experience of growing rice and observing nature around rice fields. 2006 marked the third year since the opening of this school.

We are also supporting a wide range of activities including social action programs, as well as participating in volunteer programs such as local clean-ups.



Takara Harmonist Fund



Takara Rice and Sake School

For a healthy planet

At Takara Shuzo, we are keenly aware that all business activities basically place a burden on the environment. We feel that it is our corporate responsibility to conduct activities to reduce the burden on the environment and protect nature, as well as participate in activities that contribute to society such as volunteer activities. Since 1998, Takara has been publicly announcing the results of such activities through the publication of the Green Ink Accounting Report. In this Report, the Company’s improvement rates for some key issues selected among the environmental burden, respect for the environment and social activities are shown in an easy-to-understand form of the general balance sheet using an index measured in ECOs.



Green Ink Corporate Report 2006, introducing Takara Shuzo’s CSR activities and green ink accounting report

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Hisashi Ohmiya

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



Tadashi Ohmiya

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



Ikunoshin Kato, Ph.D.

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

Takara Holdings Inc.

Directors

Isao Goto
Masaharu Yano

Vice President of Takara Shuzo Co., Ltd.
Corporate Planning and CSR
Director of Takara Shuzo Co., Ltd.

Shuichiro Matsuzaki

Accounting, Investor Relations, and Finance
Director of Takara Shuzo Co., Ltd.

Takao Okane

General Affairs & Personnel and
Environment & Public Relations
Director of Takara Shuzo Co., Ltd.

External director
Corporate Auditors

Takehiko Ueta
Hideto Sekiyama*
Tomio Kamada*
Yukihiko Ichida
Yoshie Ohta
Takeshi Chujo

Director of Takara Shuzo Co., Ltd.

*Standing Auditor

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Takara Holdings Inc. and Consolidated Subsidiaries
Years ended March 31

	Millions of Yen						Thousand of U.S. Dollars
	2007	2006	2005	2004	2003	2002	2007
For the years ended March 31:							
Sales to customer	198,535	196,119	195,359	196,897	187,394	183,638	1,682,500
Alcoholic beverages and foods segment	173,642	176,107	178,068	179,675	167,188	164,792	1,471,542
Biomedical segment	20,574	16,490	13,671	13,560	14,338	14,312	174,355
Other segment	4,318	3,520	3,618	3,661	5,867	4,533	36,593
Cost of sales	122,325	120,132	119,114	119,023	114,617	112,482	1,036,652
Gross profit	76,210	75,986	76,244	77,874	72,776	71,155	645,847
SG&A expenses	68,550	70,062	68,841	68,514	64,169	62,460	580,932
Operating income	7,660	5,924	7,402	9,360	8,606	8,695	64,915
Income before income taxes and minority interests	7,660	7,876	6,813	10,453	6,232	7,173	64,915
Net income	4,208	5,320	2,614	5,668	2,185	3,481	35,661
Depreciation and amortization	6,692	6,755	6,393	6,427	6,627	6,443	56,711
Capital expenditures	3,617	5,633	6,511	5,243	7,269	10,065	30,652
R&D expenses	3,593	3,574	3,353	3,127	3,591	3,699	30,449
As of March 31:							
Total assets	213,393	212,466	190,773	189,416	175,830	179,702	1,808,415
Interest-bearing debt	39,083	39,330	40,347	41,560	38,854	28,331	331,211
Total equity	115,570	—	—	—	—	—	979,406
Shareholders' equity	102,507	101,839	89,478	88,006	79,888	83,714	868,703
Per share of common stock (Yen and U.S. Dollars):							
Net income	19.44	24.39	11.74	25.93	9.76	16.05	0.16
Cash dividends	7.50	9.00	7.50	7.50	7.50	7.50	0.06
Ratios (%):							
Return on assets (ROA)	2.0	2.6	1.4	3.1	1.2	1.9	
Return on equity (ROE)	4.1	5.6	2.9	6.8	2.7	4.1	
Equity ratio	48.0	47.9	46.9	46.5	45.4	46.6	

Notes 1. Japanese yen figures less than a million yen have been rounded down to the nearest million yen.

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 ¥118 to \$1, the approximate rate of exchange at March 31, 2007.

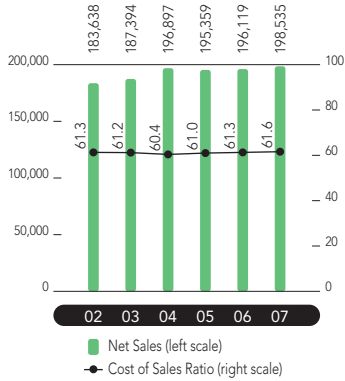
3. On April 1, 2002, some of the Takara Group's business operations were restructured into separate companies. To provide appropriate disclosure of segment information reflecting this change in the Group's management structure, it was necessary to modify the segmentation used up until the year ended March 2002. The Alcoholic Beverages and Seasonings Segment and the Beverages Segment were merged to create the Alcoholic Beverages and Foods Segment. In addition, physical distribution and materials procurement operations relating to alcoholic beverages and foods businesses were shifted from the Other Segment to the Alcoholic Beverages and Foods Segment. Segment information for the year ended March 2002 has been recalculated on the basis of specific criteria to reflect this new segmentation.

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

5. The amount listed in Shareholders' Equity as of March 31, 2007 is calculated by subtracting Minority Interests and Stock Acquisition Rights from Total Equity. Please note that the balance sheets of fiscal 2006 and earlier periods list the Total Shareholders' Equity.

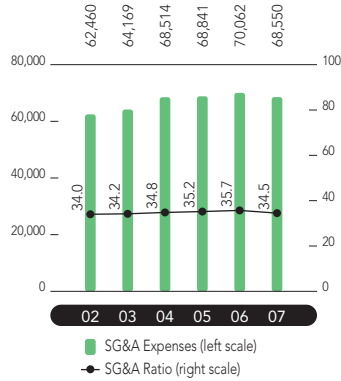
Net Sales / Cost of Sales Ratio

(Millions of Yen / %)



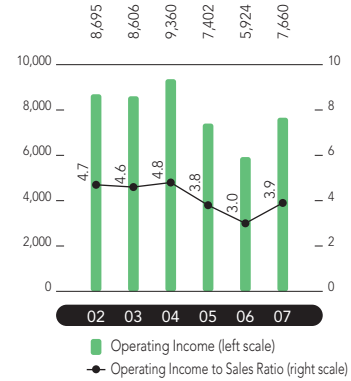
Selling, General and Administrative Expenses / SG&A Ratio

(Millions of Yen / %)



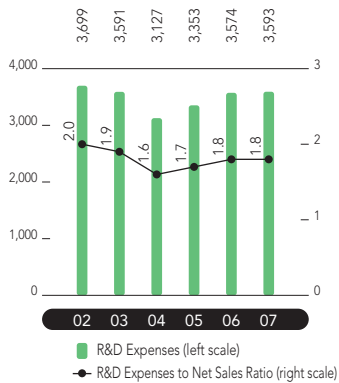
Operating Income / Operating Income to Sales Ratio

(Millions of Yen / %)



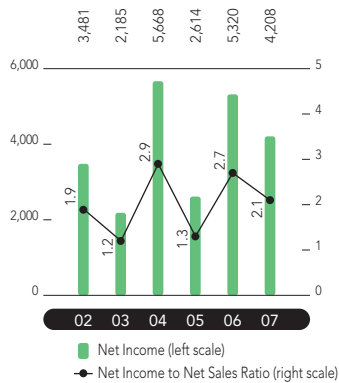
R&D Expenses / R&D Expenses to Net Sales Ratio

(Millions of Yen / %)



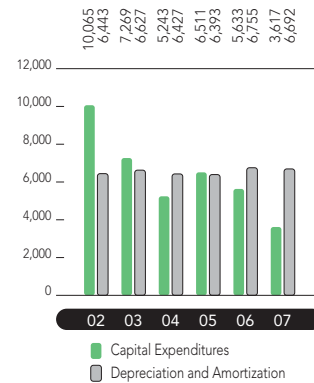
Net Income / Net Income to Net Sales Ratio

(Millions of Yen / %)



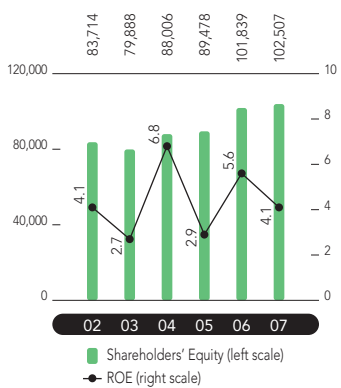
Capital Expenditures / Depreciation and Amortization

(Millions of Yen)



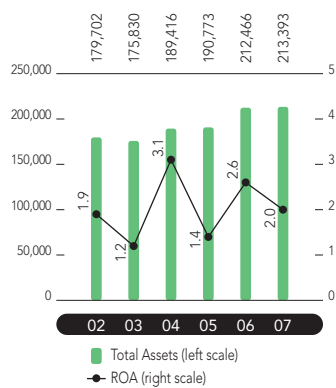
Shareholders' Equity / ROE

(Millions of Yen / %)



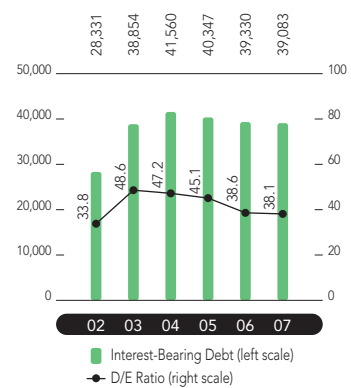
Total Assets / ROA

(Millions of Yen / %)



Interest-Bearing Debt / D/E Ratio

(Millions of Yen / %)



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

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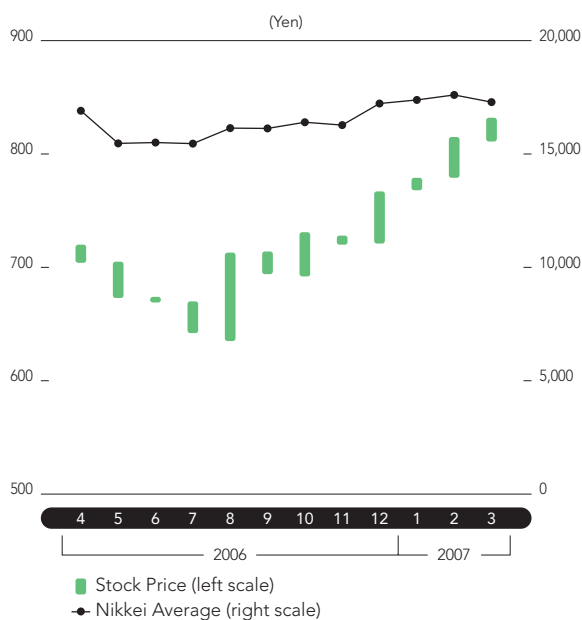
	Name	Address	Issued Capital	Percentage of Equity Owned	Lines of Business
To Our Shareholders and Investors	TAKARA SHUZO CO., LTD.	20 Naginatahoko-cho, Shijo-dori Karasuma Higishi-iru, Shimogyo-ku, Kyoto 600-8688, Japan TEL 075-241-5110	¥1,000 million	100.0%	Manufacture and sale of alcoholic beverages, raw alcohol, and seasonings
	Subsidiaries of Takara Shuzo Co., Ltd.				
Strengthening the Functional Foods Business Takara Healthcare Inc.	•Takara Butsuryu System Co., Ltd.	173 Mekawa, Makishima-cho, Uji, Kyoto 611-0041, Japan TEL 0774-20-0761	¥50 million	(100.0%)	Transportation, warehousing, automobile service, non-life insurance agent, travel agent, etc.
	•TB Co., Ltd.	173 Mekawa, Makishima-cho, Uji, Kyoto 611-0041, Japan TEL 0774-20-0762	¥10 million	(100.0%)	Transportation, warehousing
	•Nagasaki Transport Co., Ltd.	1-16 Onoue-machi, Nagasaki 850-8688, Japan TEL 095-823-0161	¥250 million	(100.0%)	Transportation, customs broker, warehousing, etc.
	•Komaki-zyouzou Co., Ltd.	12 Tokiyoshi, Satsuma-cho, Satsuma-gun, Kagoshima 895-1816, Japan TEL 0996-53-0001	¥16 million	(50.0%)	Manufacture and sale of shochu
	•Luc Corporation, Ltd.	2-39, 5-chome, Akasaka, Minato-ku, Tokyo 107-0052, Japan TEL 03-3586-7501	¥80 million	(100.0%)	Import and sale of wine
	•Takara Bussan Co., Ltd.	10-1, Matsudairachikuzen, Momoyama-cho, Fushimi-ku, Kyoto 612-8031, 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	30.0% (70.0%)	Wholesale of glass bottles
	•Total Management Business Co., Ltd.	609 Takenaka-cho, Fushimi-ku, Kyoto 612-8061, Japan TEL 075-623-2660	¥20 million	(100.0%)	Advertising agency, marketing research, sales promotion planning, temporary staffing service, and restaurant management Holding company
	•USA Takara Holding Company	708 Addison St., Berkeley, CA 94710, U.S.A. TEL 510-540-8250	US\$4,094 thousand	(100.0%)	
	•Takara Sake USA Inc.	708 Addison St., Berkeley, CA 94710, U.S.A. TEL 510-540-8250	US\$3,000 thousand	(90.0%)	Manufacture and sale of alcoholic beverages
Business Outline: Takara Shuzo Group	•AADC Holding Company, Inc.	229 W. Main St. Frankfort, KY 40602, U.S.A. TEL 502-223-9874	US\$30	(100.0%)	Holding company
	•Age International, Inc.	229 W. Main St. Frankfort, KY 40602, U.S.A. TEL 502-223-9874	US\$250 thousand	(100.0%)	Sale of bourbon whisky
	•The Tomatin Distillery Co., Ltd.	Tomatin, Inverness-shire, IV13 7YT, Scotland, U.K. TEL 1808-511-234	STG£3,297 thousand	(80.6%)	Manufacture and sale of Scotch whisky
	•J&W Hardie Ltd.	Tomatin, Inverness-shire, IV13 7YT, Scotland, U.K. TEL 1808-511-234	STG£250 thousand	(80.6%)	Manufacture and sale of Scotch whisky
Business Outline: Takara Bio Group	•Takara Shuzo Foods Co., Ltd.	No.31 Nanyuan West St, Fengtai District, Beijing, People's Republic of China TEL 010-6791-1758	RMB130,000 thousand	(62.0%)	Manufacture and sale of alcoholic beverages, raw alcohol and seasonings, import and sale of Takara Group's products
	•Shanghai Takara Shuzo International Trading Co., Ltd.	19J, LiDuXinGui, No.831 Xinzha Road Shanghai, People's Republic of China TEL 21-6218-1383	US\$200 thousand	(100.0%)	Import and sale of Takara Group's products, and export of quality Chinese products
	•Singapore Takara Pte. Ltd.	16, Raffles Quay, #15-09 Hong Leong Building, Singapore TEL 421-9258	US\$1,000 thousand	(100.0%)	Sale of alcoholic beverages and investment activities
	TAKARA BIO INC.	Seta 3-4-1, Otsu, Shiga 520-2193, Japan TEL 077-543-7200	¥8,976 million	71.1%	Manufacture and sale of pharmaceuticals, medical instruments, research reagents, and scientific instruments, contracted gene analysis and contracted examination on gene for medical purpose
Corporate Governance	Subsidiaries of Takara Bio Inc.				
	•Mizuho Nourin Co., Ltd.	38 Mitsueda, Hoidani, Kyotanba-cho, Funai-gun, Kyoto 622-0313, Japan	¥10 million	(49.0%)	Cultivation and sale of mushrooms
	•Takara Bio Farming Center Inc.	4217 Nagayoshi, Osaki-cho, Soh-gun, Kagoshima 899-7306, Japan	¥3 million	(48.3%)	Manufacture, processing, and sale of agricultural and forest products
	•KINOKO CENTER KIN INC.	9006 Aza-Kin, Kin-cho, Kunigami-gun, Okinawa 904-1201, Japan	¥5 million	(49.0%)	Cultivation, processing, and sale of mushrooms, cultivation technology training, cultivation and sale of seed fungi, manufacture and sale of fertilizer and feed, etc.
Environmental and Social Responsibility	•Takara Biotechnology (Dalian) Co., Ltd.	No.19 Dongbei 2nd Street, Development Zone, Dalian, 116600, People's Republic of China	¥2,150 million	(100.0%)	Manufacture and sale of research reagents, and reagents-related technology service
	•Takara Bio Europe S.A.S.	2, Avenue du President Kennedy, 78100 Saint-Germain-en-Laye, France	EUR600 thousand	(100.0%)	Sale of research reagents
	•Takara Korea Biomedical, Inc.	Lotte New T Castle 601, 429-1, Gasan-dong, Gumchun-gu, Seoul, Korea	W3,860 million	(89.4%)	Sale of research reagents, scientific instruments, and biomedical foods, contracted research, and gene examination
	•Takara Bio USA, Inc.	510 Charmany Drive, Madison, WI 53719, U.S.A.	US\$200 thousand	(50.0%)	Sale of Takara Bio's products in the U.S., and research and development of gene therapy and related technologies
Board of Directors and Auditors	•Takara Biomedical Technology (Beijing) Co., Ltd.	Life Science Park, 22 KeXue Yuan Road, Changping District, Beijing, 102206, People's Republic of China	¥700 million	(100.0%)	Research and development of biopharmaceuticals, manufacture and sale of biomedical research reagents and scientific instruments, and contracted biomedical research services
	•Takara Bio USA Holding Inc.	1290 Terra Bella Avenue, Mountain View, CA 94043, U.S.A.	US\$70,000 thousand	(100.0%)	Holding company
	•Clontech Laboratories, Inc.	1290 Terra Bella Avenue, Mountain View, CA 94043, U.S.A.	US\$83 thousand	(100.0%)	Research and development, manufacture, and sale of research reagents, contracted research
	Subsidiaries of Takara Holdings Inc.				
Six-year Financial Summary Fact Sheet	•Takara Healthcare Inc.	609 Takenaka-cho, Fushimi-ku, Kyoto 612-8061, Japan TEL 075-623-2317	¥90 million	100.0%	Manufacture and sale of functional foods
	•Taihei Printing Co., Ltd.	55 Kakegoshi-cho, Nishi-shichigo, Shimogyo-ku, Kyoto 600-8881, Japan TEL 075-313-7141	¥90 million	99.0% (1.0%)	Printing
	•Takara Network System Co., Ltd.	20 Naginatahoko-cho, Shijo-dori Karasuma Higishi-iru, Shimogyo-ku, Kyoto 600-8688, Japan TEL 075-241-5139	¥30 million	100.0%	Development, operation and maintenance of information systems
	•Kawahigashi Shoji Co., Ltd.	9 Butai-cho, Fushimi-ku, Kyoto 612-8338, Japan TEL 075-601-5211	¥30 million	100.0%	Sale of alcoholic beverages, and real-estate rental
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(Note) Percentage of Equity Owned in parentheses indicates percentage of indirectly owned equity.

Takara Holdings Inc.

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

Stock Price Range on the Tokyo Stock Exchange



Takara Shuzo Co., Ltd.

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

Investor Information

Common Stock	
Authorized	870,000,000 shares
Issued and outstanding	217,699,743 shares
Number of Shareholders	37,476
Stock Listings (Common Stock)	Tokyo, Osaka
Securities Code Number	2531
Transfer Agent and Registrar	Mizuho Trust & Banking Co., Ltd. 2-1, Yaesu 1-chome, Chuo-ku, Tokyo
Inquires to Transfer Agent and Registrar	Mizuho Trust & Banking Co., Ltd. Stock Agency Transfer Department 17-7, Saga 1-chome, Koto-ku, Tokyo 135-8722, Japan Telephone: (0120) 288-324 (toll free)

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.

Major Shareholders

Name	Number of Shares Held (thousands)	Percentage of Shares Held
Mizuho Corporate Bank, Ltd.	9,738	4.47
The Norinchukin Bank	9,500	4.36
The Master Trust Bank of Japan, Ltd. (Trust Account)	8,624	3.96
Meiji Yasuda Life Insurance Company	6,318	2.90
Japan Trustee Services Bank, Ltd. (Trust Account)	5,779	2.65
Bank of Kyoto, Ltd.	5,000	2.30
KOKUBU & CO., LTD.	3,134	1.44
Mitsubishi Corporation	3,000	1.38
The Sumitomo Trust & Banking Co., Ltd.	2,753	1.26
BNP Paribas Securities (Japan) Limited	2,735	1.26

Notes: 1. Any amount less than 1,000 shares is disregarded.
 2. The number of shares held by the Sumitomo Trust & Banking Co., Ltd. does not include the shares handled as part of its trust and banking business.

Takara Bio Inc.

Trade Name	Takara Bio Inc.
Head Office	3-4-1, Seta, Otsu-shi, Shiga 520-2193, Japan Telephone: (077) 543-7200
Established	April 1, 2002
Issued Capital	¥8,976 million
Common Stock Issued and Outstanding	281,377.87 shares
Stock Listing (Common Stock)	Tokyo Stock Exchange Mothers
Securities Code Number	4974
Major Shareholder	Takara Holdings Inc. (71.1% equity owned)
Company Representative	Ikunoshin Kato, Ph.D., President & CEO
URL	http://www.takara-bio.co.jp

To Our Shareholders and Investors

Strengthening the Functional Foods Business
Takara Healthcare Inc.

Business Outline:
Takara Shuzo Group

Business Outline:
Takara Bio Group

Corporate Governance

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Six-year Financial Summary
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Takara Group Business Chronicles

Takara Group Business Chronicles

	Alcoholic Beverages and Seasonings		Biomedical	
1925	Takara Shuzo Co., Ltd. is established.			
1949	Takara Shuzo Co., Ltd. is listed on the Tokyo Stock Exchange.			
1957	Entering into the beer market. (<i>Takara Beer</i> is launched.)			
1967	Withdrawal from the beer market.			
1970	Fermented seasoning <i>Ajishirube</i> is launched.		The Central Research Institute is completed in Otsu. Method for cultivation of <i>Bunashimeji</i> mushrooms is developed.	
1977	<i>Takara shochu Jun</i> is launched.			
1979	The "Come Back Salmon Campaign" is begun.		Sale of first domestically produced restriction enzymes, research reagents for genetic engineering research starts.	
1983	Takara Sake USA Inc. is established.			
1984	<i>Takara Can Chu-Hi</i> is launched.			
1986	<i>Takara Barbican</i> non-alcoholic beer is launched.			
1988	<i>Takara Shochu Jun Legend</i> is launched.		Exclusive rights to sell gene amplification equipment using PCR method in Japan is obtained.	
1993	<i>Surioroshi Ringo</i> apple juice is launched. <i>Calcium Parlor</i> is approved as a food for specified health uses.		Takara Biotechnology (Dalian) Co., Ltd. is established in China. The exclusive worldwide rights to PCR method is obtained.	
1994	Two new products, <i>Surioroshi Ringo</i> and <i>Ara Shibori Orenji</i> , are launched as part of <i>Takara Can Chu-Hi Deluxe</i> series.			
1995	Beijing Takara Foods Co., Ltd., a joint venture company, (currently Takara Shuzo Foods Co., Ltd.) is established. Basic CI design is changed.		The RetroNectin® method, a highly efficient gene transduction method, is developed. Takara Korea Biomedical Inc. is established in Seoul.	
FY1997			Apr. 96	Takara Agri Co., Ltd. is established. (Takara Bio acquires Takara Agri in August 2003.)
FY1998			May 97	Sale of RetroNectin®, a reagent used in gene therapy, begins worldwide.
			Dec. 97	Clinical studies of gene therapy using the RetroNectin® method begins at Indiana University in the U.S.
FY1999	Sep. 98	Green Ink Accounting Report (currently Green Ink Corporate Report) is issued.	Aug. 98	Sale of DNA chip manufacturing instruments and analyzer begins.
	Oct. 98	Enters wine business to start import / marketing of California wines.		
FY2000	Mar. 00	< <i>Densho Kenju</i> > <i>Bainiku Ekisu Iri Noshuku Inryo</i> is launched.	Sep. 99	Sale of DNA chip begins.
	Mar. 00	<i>Tokusen Takara Yuki Hon Mirin</i> , which acquired international certification from the Organic Crop Improvement Association (OCIA), is launched.	Feb. 00	Korean venture business ViroMed Co., Ltd. is acquired as a subsidiary.
FY2001	Apr. 00 Long-Term Management Concept TAKARA EVOLUTION-100 (TE-100) is launched.			
	Mar.01	Shares in Luc Corporation, Ltd. are acquired.	Jul. 00	High-throughput genome sequence analysis center Dragon Genomics Co., Ltd. is established. (Takara Bio acquires Dragon Genomics in October 2002.)
	Mar.01	<i>Shochu ZIPANG</i> is launched.	Sep. 00	ICAN™ method (isothermal gene-amplification method) is launched.
FY2002	Sep. 01	<i>Ikkomon</i> (a 100% pure sweet potato shochu), <i>Kurokame</i> (a genuine sweet potato shochu produced using black malted rice) and <i>Gankutsuo</i> (a genuine jar-aged rice shochu stored in traditional shochu caves) are launched.	Dec. 01	The recombinant pre-integration complex (rPIC) method is developed.
	Oct. 01	The <i>Shirakabe-gura</i> Brewery is completed at the Nada plant as the center of Takara's specially designated sake business.	Mar. 02	Efficient protein expression system using cold-shock vector method is developed
FY2003	Apr. 02 Move to a holding company, TAKARA HOLDINGS INC. starts.			
	Apr. 02	TAKARA SHUZO CO., LTD. is established through restructuring and establishment of the holding company.	Apr. 02	TAKARA BIO INC. is established through restructuring and establishment of the holding company.
	Dec. 02	<i>Ryu-kyu Awamori Omotohomura</i> is launched.	Feb. 03	Exclusive rights for use in Asia are obtained from MolMed S.p. A. for gene therapies, including suicide gene and vaccine therapies for cancer.
	Dec. 02	<i>Iki Mugishochu Otoa</i> is launched.		

	Alcoholic Beverages and Seasonings	Biomedical	
FY2004	<p>Aug. 03 Takara Hon Mirin Junmai is launched.</p> <p>Sep. 03 Sho-Chiku-Bai Ten is launched.</p> <p>Mar. 04 Takara Barbican Real Taste is launched.</p> <p>Mar. 04 Takara gains approval to label <i>Fiber Parlor</i> as a food for specified health uses.</p>	<p>May 03 Takara Mirus Bio Inc. (Wisconsin, U.S.) is established as a joint venture with Mirus Corporation of the U.S.</p> <p>May 03 A Japanese patent application is filed for ICAN™ method (isothermal gene-amplification method)</p> <p>May 03 Takara licenses its RetroNectin® gene therapy technology to VIRxSYS Corporation of the U.S.</p> <p>Oct. 03 Takara Bio Inc. issues shares to third parties</p> <p>Jan. 04 Takara Biomedical Technology (Beijing) Co., Ltd. is established in Beijing, China.</p>	To Our Shareholders and Investors
FY2005	Dec. 04 Takara Bio Inc. is listed on the Tokyo Stock Exchange Mothers market.		Strengthening the Functional Foods Business Takara Healthcare Inc.
	<p>Aug. 04 Takara Yuki Hon Ryoriseishu is launched.</p> <p>Sep. 04 Towari, a 100% buckwheat shochu is launched.</p> <p>Sep. 04 Wakamurasaki-No-Kimi, a shiso (perilla) shochu is launched.</p> <p>Feb. 05 Sho-Chiku-Bai Namareishu Kurokoji Yondan Karakuchi is launched.</p> <p>Mar. 05 Takara Can Chu-Hi Honkaku Karakuchi is launched.</p> <p>Mar. 05 Long-aged shochu <i>Hizou No Tobira</i> is launched.</p> <p>Mar. 05 Takara Can Chu-Hi WMIX is launched.</p>	<p>Aug. 04 Clinical development of cancer immunotherapy begins in collaboration with the Cancer Institute and Hospital, Chinese Academy of Medical Science.</p> <p>Nov. 04 <i>Nomu Kanten <Calorie-Off></i> is launched.</p> <p>Dec. 04 Takara Bio succeeds in sequencing Matsutake mushroom genome by using whole-shotgun sequencing method.</p> <p>Jan. 05 Patents in Japan and the U.S. on mutations of FLT3 gene, one of the causes of refractory leukemia, are obtained.</p> <p>Mar. 05 A lecture series is donated to Mie University School of Medicine as part of a collaborative venture with the School of Medicine to promote the clinical development of T-cell receptor gene therapy targeting refractory cancers.</p>	Business Outline: Takara Shuzo Group
FY2006	Apr. 05 The Takara Group's Sixth Medium-term Management Plan starts.		Business Outline: Takara Bio Group
	<p>Aug. 05 Takara Kyo Mirin, using genuine rice shochu, is launched.</p> <p>Sep. 05 Sho-Chiku-Bai Shirakabe-gura Yamahai Daiginjo and Yamahai Tokubetsu Junmai, both stored in jars in an ice room for three years, are launched.</p> <p>Sep. 05 Kurokabe-gura Honkaku Mugijochu Juku, a genuine wheat shochu, is launched.</p> <p>Sep. 05 Bottled Takara Chu-Hi is launched.</p> <p>Sep. 05 Shirakabe-gura Kasutori Shochu Hinomoto is launched.</p> <p>Oct. 05 Kyo Takara Honmirin for business use is launched.</p> <p>Mar. 06 Takara Shochu High Ball is launched.</p> <p>Mar. 06 Shochu JAPAN is launched.</p> <p>Mar. 06 Beni Ikkoku and Kuro Ikkoku, both 100% pure sweet potato shochus, are launched.</p>	<p>Apr. 05 Takara Bio supplies RetroNectin® to the French National Institute of Health and Medical Research for clinical trials of gene therapies to treat adrenoleukodystrophy using lentiviral vectors.</p> <p>May 05 Takara Bio reaches an agreement with the National Cancer Center of Japan on joint research into clinical trials of gene therapies to treat leukemia.</p> <p>Aug. 05 Takara Bio discovers seven new types of ribonuclease (RNase) that are capable of identifying and cleaving specific sequences of single-stranded RNA.</p> <p>Sep. 05 Clontech Laboratories Inc. is acquired from Becton, Dickinson and Company of the U.S.</p> <p>Dec. 05 Takara Biomedical Technology (Beijing) Co., Ltd. and the Cancer Institute and Hospital, Chinese Academy of Medical Science applies to the Beijing Drug Administration for permission to start clinical trials of adoptive immunotherapy for treatment of renal cancer.</p> <p>Mar. 06 Real-time PCR system is launched.</p>	Corporate Governance
FY2007	Sep. 06 The Group's businesses are reorganized, and Takara Healthcare Inc. is established.		Environmental and Social Responsibility
	<p>May 06 Wasanbon plum wine and plum wine made with sweet potato shochu are launched.</p> <p>Aug. 06 Shiso Komachi, a shiso (perilla) shochu is launched.</p> <p>Aug. 06 Takara Oishii Chu-Hi is launched.</p> <p>Aug. 06 Sho-Chiku-Bai Shirakabe-gura Tokubetsu Junmai and Junmai Ginjo, both ice-aged sake, are launched.</p> <p>Sep. 06 Takara Shuzo announces the end of sales of existing soft drink products.</p> <p>Sep. 06 Kurokabe-gura Honkaku Komejochu Komezenkoji is launched.</p> <p>Sep. 06 Sho-Chiku-Bai flower-yeast series is launched.</p> <p>Mar. 07 Takara Can Chu-hi Jika Shibori is launched.</p> <p>Mar. 07 Takara Beauty Sparkling is launched.</p>	<p>May 06 Takara Bio successfully confirms through experiments that when T-cells genetically transduced with the expression system for the MazF ribonuclease are infected by the AIDS virus, only the AIDS-infected cells are destroyed and the AIDS virus is eliminated.</p> <p>Jul. 06 Exclusive worldwide rights (excluding Japan) for the highly refractory acute myelogenous leukemia detection method are granted to InVivoScribe Technologies, LLC in the U.S.</p> <p>Jul. 06 Business collaboration agreement in the mushroom business is concluded with Yukiguni Maitake Co., Ltd.</p> <p>Sep. 06 Sales functions for health foods business are transferred to Takara Healthcare Inc.</p> <p>Sep. 06 RetroNectin® reagent is supplied to Memorial Sloan-Kettering Cancer Center in the U.S. for the gene therapy of chronic lymphocytic leukemia.</p> <p>Sep. 06 Takara Bio forms a partnership with Kin-cho, Okinawa Prefecture, for the Bunashimeji business.</p> <p>Dec. 06 RetroNectin® is supplied to the Peter MacCallum Cancer Centre in Australia for the gene therapy of multiple myeloma.</p> <p>Dec. 06 License for LA-PCR technology is granted to New England Biolabs Inc., an American genetic engineering reagent manufacturer.</p> <p>Mar. 07 Takara Bio succeeds in extraction of "bioactive osteocalcin," a protein necessary for bone formation, from boiled pig bones.</p>	Board of Directors and Auditors
			Six-year Financial Summary Fact Sheet
			Major Consolidated Subsidiaries Corporate Data
			Takara Group Business Chronicles

*From March 1997 onward, years refer to fiscal years (from April 1 to March 31 of the following year).

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