



Annual Report 2005

P r o f i l e

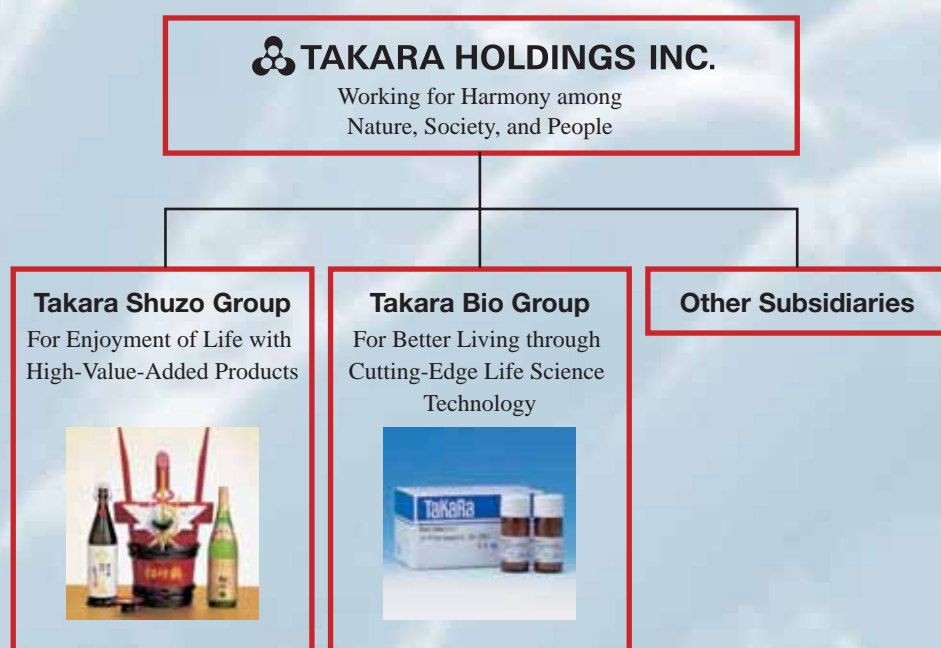
Contributing to the creation of healthy lifestyles and a vital society in harmony with nature through fermentation technologies and biotechnologies

The Takara Group is committed to contributing to healthy, fulfilling living by seeking out new possibilities in culinary culture, cultural life, and the life sciences and by continuing to create new value. This commitment is underpinned by our fermentation technologies for traditional Japanese sake brewing and our innovative, cutting-edge biotechnologies.

The Takara Group is engaged in business activities based on the Takara Evolution-100 (TE-100) long-term management concept, which covers the 10-year period from 2001 to 2010. We are dedicated to the vision laid out in TE-100, working to increase real corporate value by enhancing both the economic and cultural value of the Group through evolution in five areas: business results, business operations, management, corporate culture and human values, and social and environmental actions.

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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 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.

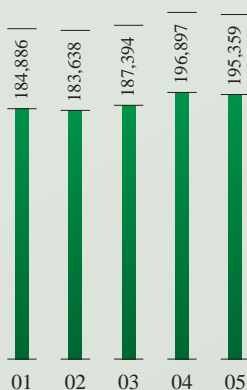


Hisashi Ohmiya,
President

Aiming for Further Evolution toward Improved Corporate Value

Please tell us about the year ended March 2005.

Net Sales
(Millions of Yen)



The year ended March 31, 2005 (hereinafter “fiscal 2005”) was the final year of our Fifth Medium-Term Management Plan. It also held significant meaning in that it was the year in which important decisions were made to improve our corporate value.

Under the Fifth Medium-Term Management Plan that began in fiscal 2002, our goal was “to maintain stable earnings from the Group’s mother business and build a foundation to achieving rapid growth and progress in the biotechnology business”. The alcoholic beverages and foods business, which is our “mother business”, worked toward increasing market shares and developing quality-oriented products in response to the changing market environment due to the deregulation in alcoholic beverage retail licensing. Also, this business segment achieved cost savings totaling over 10 billion yen for the three-year period ended March 2005. Meanwhile, the Group’s biomedical segment clarified the directions of its three business sectors: genetic engineering research, agribio, and gene medicine. We raised funds needed to progress to the next step by listing Takara Bio Inc. on the Tokyo Stock Exchange Mothers market.

Meanwhile, we decided to enhance the transparency of our financial statements with the early adoption of the accounting standard for impairment of fixed assets and further improve the soundness of our financial position.

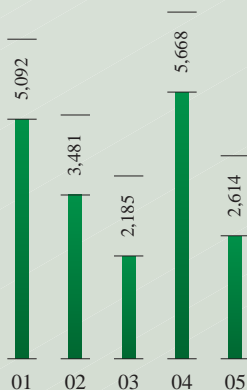
Would you tell us about the business results for fiscal 2005?

In fiscal 2005, the Takara Group’s consolidated net sales amounted to 195,359 million yen, a 0.8% decrease from the previous year. Sales in the alcoholic beverages and foods segment decreased 0.8% year-on-year to 178,277 million yen. Sales in the biomedical segment edged up 0.7% from the previous year to 13,685 million yen.

Consolidated operating income decreased 20.9% year-on-year to 7,402 million yen. In addition to a 14.3% decrease from the previous year in operating income from the alcoholic beverages and foods segment to 8,644 million yen, the biomedical segment ended with an operating loss of 1,076 million yen.

It sounds like your business had a tough year. Please tell us about your alcoholic beverages and foods business.

Net Income
(Millions of Yen)

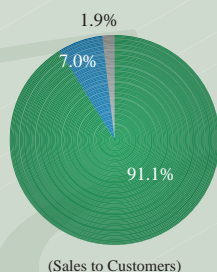


Our main product, shochu, which accounts for over 40% of consolidated net sales, did well with a 0.8% year-on-year increase in sales. The traditional, otsu-type shochu in particular had exceptional growth exceeding the market trends. On the other hand, sales of sake, which has the second largest sales volume after shochu, decreased 8.3% from the previous year, due to an unexpected market shrinkage. Sales of hon mirin struggled also, with a 4.0% year-on-year decrease. One of the factors contributing to the year-on-year decrease in the segment's operating income was that we initiated a strategic increase in sales promotion expenses in response to the deregulation in alcoholic beverage retail licensing. The decrease in income due to the declined sake sales also affected the segment's operating income.

How did your biomedical business perform?

The biomedical business was adversely affected in both sales and operating income by a 1.4% year-on-year decrease in sales in the genetic engineering research sector, the main source of its income. The main factor in this decline was a decrease in the sales of reagents and scientific instruments, which normally had high sales volumes between January and March every year accompanying public-sector spending to use up annual budgets, due to the incorporation of such public research institutions as national universities, our main customers. While sales in the agribio sector increased thanks to the first full-year of mass production of hatakeshimeji mushrooms, it did not contribute to profit due to unexpectedly severe price competition in the marketplace. In the gene medicine sector, we are currently making prior investment in research and development for the future realization of gene therapies.

Sales by Segment
(2005) (%)



(Sales to Customers)

- Alcoholic Beverages and Foods
- Biomedical
- Other

What is your assessment of the three-year period of the Group's Fifth Medium-Term Management Plan?

Although there were still some tasks left to be accomplished, I believe there has been positive feedback. With regard to the alcoholic beverages and foods business, in order to outpace the competition in the changing environment resulting from the deregulation of alcoholic beverage retail



licensing that was enforced in September 2003, we strived to increase our market shares in the major categories, develop quality-oriented products, and achieve cost savings through operational reforms. In fact, we were able to increase our market shares in such major products as ko-type shochu, sake, and hon mirin under the Fifth Medium-Term Management Plan. With regard to the development of quality-oriented products, namely otsu-type shochu (traditional shochu), *Ikkomon*, a 100% pure potato shochu, *Kurokame*, a genuine potato shochu produced using black malted rice, and *Gankutsuou*, a genuine jar-aged rice shochu stored in traditional shochu caves, all had favorable growth. We were also able to put on the market such highly popular products as *Towari*, a 100% buckwheat shochu, and *Wakamurasaki-No-Kimi*, a shiso (perilla) shochu. Also, we achieved cost savings of over 10 billion yen during the three-year period.

The issues that still remain unsolved were the increase in sales promotion expenses and the reduction in the profit ratio. With the deregulation in alcoholic beverage retail licensing, approximately 23,600 new applications were granted alcoholic beverage licenses in 2003, and over 5,000 applications for the license were submitted in 2004. It is estimated that 70% to 80% of mega-supermarkets and major convenience stores now have alcoholic beverage retail licenses. While the Takara Group increased business with newly licensed customers, sales promotion expenses increased by approximately 10 billion yen and resulted in a decline in the profit ratio. These are some of the challenges that remained in the alcoholic beverages and foods business. Nevertheless, by adapting to the changing environment in a deregulated marketplace, I feel confident that we were able to lay the groundwork to survive and prevail in the future.

What about the Group's biomedical business?

As I mentioned earlier, the greatest accomplishment in our biomedical business was clarification of the directions of our three business sectors: genetic engineering research, agribio, and gene medicine. Our biotechnology business model flows from upstream to downstream. In other words, we established the genetic engineering research sector as the stable profit earning business, and we began launching a full-scale business in the agribio sector as the secondary profit earning business. Then, the cash flow from these sectors would be invested in the gene medicine sector.

Although it was disappointing that our biomedical business did not become profitable during the Fifth Medium-Term Management Plan, we could plant seeds that will grow to support the future growth, which I believe is a great achievement. This is particularly apparent in the gene medicine field. Our core technology in the gene medicine sector is the RetroNectin[®] method, developed in collaboration with the Indiana University in the U.S., for which we have exclusive rights for use anywhere in the world. The RetroNectin[®] method is a technology that enables highly efficient gene transduction into blood stem cells. With this method, hematopoietic stem cells, which give rise to all blood cells including red blood cells and white blood cells, are removed

from the patient's body, transduced with a therapeutic gene, and transplanted back into the patient. This method is becoming the standard in *ex vivo* gene therapy. The RetroNectin® method is currently used in clinical trials at three private corporations and 35 public medical institutions mainly in the U.S. (as of the end of June 2005). In fiscal 2005, we began supplying RetroNectin® to the National Cancer Institute in the U.S., the Childrens Hospital Los Angeles in the U.S., and EUFETS AG of Germany. We hope that the RetroNectin® method will become recognized as the standard in *ex vivo* gene therapy and that its application will expand further, resulting in it growing into a very promising business.

What are your aims for the Sixth Medium-Term Management Plan?

Regarding the alcoholic beverages and foods business, with the changes in the business environment, marked by a low birthrate, an aging population, and a declining population, we anticipate a decline in the total consumption of alcoholic beverages. Furthermore, the presence of mega-supermarkets and major convenience stores in the retail sales of alcoholic beverages will become increasingly stronger to the extent that it will be difficult to avoid lower retail prices. One of the destabilizing factors will be the rising price of raw materials due to the economic growth in China. However, if we view these circumstances from a different perspective, these can lead to new opportunities for business expansion, such as product development targeting the aging population, stronger ties between our Group and the mega-supermarkets and major convenience stores, and an expansion of alcoholic beverage sales in China.

Under such market conditions, we will focus on the following three specific areas during the Sixth Medium-Term Management Plan, using the slogan, "Challenge into new markets and increase profitability" as our theme.

The first areas to focus on are the domestic non-alcoholic beverages and the overseas businesses. *Takara Hon Mirin* is the top brand name and enjoys large coverage in the household market. However, there still is room to expand its share in the home-meal replacement market. The demand keeps growing for takeout lunches and delicatessen foods due to the tendency for young people to marry later and an increase in double-income households. By utilizing technical services based on our own technology, we plan to aggressively market recipes using hon mirin and other sake-based seasonings to the manufacturers. In addition, we will move our beverage business towards the functional food business by striving to develop "foods for specified health uses" and foods that are scientifically proven to be effective in maintaining good health. With regard to our overseas businesses, we will strengthen our businesses in China and other Asian countries, where there is substantial population growth, and in Europe and North America, where there is an increasing interest in Japanese foods. The second area to focus on is to increase profitability in the domestic alcoholic beverages business. Since we anticipate that domestic alcoholic beverage con-



sumption will not grow dramatically due to the declining birthrate and the aging population, it is vital to reform the profit structure of our business. In order to achieve this, we will carry out profit management based on the sales composition ratio by product. We will attempt to increase profitability by altering the sales composition ratio after dividing the products into three major categories based on the product's characteristics, its stage of development, and its profit ratio. At the same time, we will strictly manage our sales promotion expenses. By creating a system in which the actual market value of the sales promotion expenses can be known at an early stage and by making profit-oriented decisions promptly, we will be in a position to distribute our capital effectively. The third area to focus on is to maintain our cost cutting efforts in support of our business activities. While it is anticipated that the cost of raw materials will increase, it is our strategy not only to absorb these increases by cutting costs but also to undertake even further cost cutting.

As a result of the above measures, our business goals for the fiscal year ending March 2008, the last year of the Sixth Medium-Term Management Plan, are net sales of over 189 billion yen and ordinary income of more than 9 billion yen.

What are the biomedical business goals in the Sixth Medium-Term Management Plan?

We are not anticipating any profit contribution from Takara Bio in the Sixth Medium-Term Management Plan because the gene medicine business is still at its development stages and thus requires priority investments. However, as Takara Bio's technologies are already highly regarded at the gene medicine sites, in a long-term perspective, we hold high hopes for the future of gene medicine.

Takara Bio's basic business strategy is, in short, the creation of the DNA industry. The business foundation of the genetic engineering research field is based on a profound knowledge of genes and DNA. In the agribio field, we are developing functional food products by analyzing traditional Japanese foodstuffs through the use of our own biotechnology. In the gene medicine sector, we are focusing on the development of cutting-edge biotechnologies of gene therapy and cell therapy and carrying out our business with an aim of commercializing these technologies.

In all of our businesses, the core technology is DNA. In other words, Takara Bio, the core company of the Takara Group's biomedical business, is a unique corporation specializing in DNA. We will invest all of our business resources in DNA-related fields, and we are determined to be a winner in the biotechnology business.

Takara Bio was listed on the Tokyo Stock Exchange, Mothers market in December 2004. The company is now able to raise capital on its own through capital markets, which, I believe, will speed up business development and decision-making. The business goals of the biomedical business segment are 18.8 billion yen in sales, 90 million yen in ordinary income, and 20 million yen

in net income in the fiscal year ending March 2008, the last year of the Sixth Medium-Term Management Plan.

Please tell us about the Takara Group's goals in the Sixth Medium-Term Management Plan.

The basic policy for the Takara Group in the Sixth Medium-Term Management Plan is “to further improve the corporate value of the Group.” We aim to build on the foundation that was constructed during the Fifth Medium-Term Management Plan for improving the Group’s corporate value and to create the next foundation for growth by aggressively challenging new business realms. The total business target for the Takara Group for the year ending March 2008, the final fiscal year in the Sixth Medium-Term Management Plan, is 211.8 billion yen in net sales, an amount exceeding 10 billion yen in ordinary income, and more than 30 billion yen in cash flows from operating activities accumulated during the three-year period.

Finally, please send a message to the Group's shareholders.

I feel fortunate that I am managing a company, which is involved in bringing benefits to people. In the alcoholic beverages and foods business, the Takara Group contributes to people’s lives by manufacturing and selling such products as the alcoholic beverages that provide pleasure to everyday life and the beverages that help maintain good health. Furthermore, in the biomedical business, we contribute to people’s lives and health through the utilization of biotechnology. I believe that these businesses are truly beneficial to one’s everyday life. We also want these businesses to provide a profit for all of our shareholders and other stakeholders. The market environment is changing rapidly because of the population decline, the result of the declining birthrate and aging population. However, we would like to meet the expectations of our shareholders and other stakeholders by adapting to these changes and continuing to grow in the medium to long term. We would appreciate your continued understanding and support.



Hisashi Ohmiya, President
August 2005

To continue to be a company that delivers an active life, we are striving to become an earth-friendly, “green ink,” enterprise.



Filling facilities in a clean room



Calcium Parlor, “a food for specified health uses”



Selling shochu by weight

For our customers' healthy and active lifestyles

To continue to be a “safe and reliable brand”

The history of Takara is also a history of earning the trust of our customers. To deliver safe and secure products to our customers, we have acquired the international standard ISO9001 quality certificate for all of the Takara Shuzo factories. The quality control department is instrumental in monitoring each production stage, from planning, design, and procurement to manufacturing. It ensures and pursues an appropriate level of quality and safety in all of our products as well as observance of all related laws, including the Food Sanitation Law. We take all responses from our customers seriously and will address them in order to manufacture better, higher-quality products.

For our customers' health

In our daily life, food is the foundation for active and happy lives. Under the “Think Health” slogan, Takara Shuzo meticulously selects the right natural foods and produces good tasting, easy to drink products without destroying the nutrients and functions of the material. Furthermore, in order to produce products that our customers can enjoy safely, we are endeavoring to provide easy-to-understand labeling and aggressively developing “foods for specified health uses.”

“Food for Specified Health Uses”: A food approved by the Japanese Ministry of Health, Labor and Welfare, which, based on scientific test results, is considered to contain ingredients that are beneficial to one’s health. These products are permitted to carry health claim remarks (remarks claiming the product to contain certain proven health benefits) on their product labels.

Protecting the environment with our customers

To reduce the burden on the environment, it is necessary to address the lifecycle issues of the product. Our products are packaged in a variety of containers, including glass and PET bottles, cans, and cartons. However, these containers become waste after the contents are consumed. Takara is strongly aware of

their effects on the environment and is therefore trying to reduce the various environmental burdens with the cooperation of its vendors and customers by:

- *selling products by weight,*
- *reducing the weight of the packages and containers,*
- *promoting the use of returnable bottles that can be reused, and*
- *designing containers that are easy to recycle.*

Communicating with our customers

We are striving to respond to our customers’ comments with the motto, “Sincere, Speedy, and Sure.” Through the customer service study sessions at our 10 branch offices nationwide, we are strengthening cooperation between our customer support centers and our branch offices to improve our customer satisfaction. In addition, every one of our customer’s comments are treated as valuable opinions, and are thus presented in our weekly and monthly reports and on our database, and shared among all of our employees. Our customers’ comments contribute to the development of better products and the improvement of our services.

With our vendors

Fair trade practice

The “Takara Group Guidance for Compliance Activities” stipulates that one must comply with the Antimonopoly Law and the Unfair Competition Prevention Law; that competition among companies must be fair and liberal; and with regard to advertisements, that one must not make extravagant claims or slander other companies, must not use expressions that may lead to discrimination, and, by complying with all the relevant regulations regarding product labels, must not give false impressions to the consumer. With the cooperation of our vendors and related organizations, we aim to be a company that is well received by our customers and needed by society.

For our healthy and active employees

Create a lively workplace with job satisfaction

At Takara, we consider our employees as valuable “assets.” Therefore, we call them “human assets” instead of human resources. We endeavor to nurture



Takara Rice and Sake School



Returnable bottles, stay-on-tabs, and a foldable carton



Green Ink Accounting Corporate Report 2005

our “human assets” to each have a well-balanced interest in the Company, the society, and the individual, by creating a dynamic and active workplace and a corporate culture that nurtures its employees. We are working on enhancing our personnel management and various other systems, including providing various training and correspondence study programs for developing employees’ abilities, in addition to introducing a “cafeteria plan” as part of a benefit program.

For a dynamic society

Takara Rice and Sake School

We inaugurated the Takara Rice and Sake School in April 2004, a place to study the rules of society and the preciousness of nature through growing rice and making sake. Our volunteer employees and some local members of the public are working on this school, now in its second year, together as a unit with the cooperation of “Mori no Gakko”, an NPO. Our company name “Takara” also means “from the fields.” We are hoping that we can convey a sense of gratitude for our natural blessings to the children, who will lead the next generation. We also plan to teach them to drink alcohol in moderation through these activities.

Public trust fund Takara Harmonist Fund

The Takara Harmonist Fund, a public trust fund, was established in 1985 to mark our 60th anniversary. This fund supports the various activities involved in the protection of the natural environment of Japan’s forests, waterbeds, and living creatures. Including fiscal 2005, its 19th year, a cumulative total of 100.25 million yen has been donated to 208 organizations and individuals.

For the healthy Earth

Promoting the reduction of environmental burdens related to packaging

We are promoting the minimization of environmental burdens caused by packages and containers through recycling and conserving resources. By adding “To Refuse” to the 3R plan, we are carrying out the 4R plan using a specific set of prioritized steps: To Reduce (reduce the size of packaging), To

Reuse (reuse packaging), To Recycle (recycle packaging), and To Refuse (refuse creating waste). With regard to product development, we clearly take 4R into consideration beginning at the product design stage, based on “Environmental guidelines for product development activities.” We also procure packages and containers made from environment friendly materials, based on our “Guideline for Green Procurement and 4R.”

For the effective use of resources and energy in our production activities

Various elements of the Earth’s resources and energy sources are used to produce our products. Takara is striving to reduce waste, water usage, CO₂ emissions, and energy usage right throughout the production process. To reduce CO₂ emissions, the main element causing global warming, we are turning steam generated from boilers into hot water for cleansing and for use in the distilling process, as heating for sterilization purposes, as a source of heat for insulation, and as a resource to steam raw material rice. Furthermore, we are striving to reduce waste by recycling the extra waste material created from drainage treatment facilities as feeds, after drying them.

Publishing our annual Green Ink Accounting Report

Since 1998, Takara has been selecting various environmental and social issues and publicly announcing the *Green Ink Accounting Report*, expressed in an “ECO” index. The report shows our progress made in finding solutions for those issues. From 2005, this will be used as an index of our corporate activities, not only as they relate to our environmental activities, but also as they relate to our efforts to make people’s lives healthier.

Takara Shuzo Group



Honkaku shochu



Sake Sho-Chiku-Bai



Light-alcoholic refreshers
Takara Can Chu-Hi

Shochu

Creating new markets as a company specializing in shochu

Since launching *Takara Shochu Jun*, the groundbreaking products that began the “white revolution” in the spirits market, Takara has helped further expand the shochu market by searching for trend setting products and creating new markets through the its use of unique and superior distillation and aging techniques, which it has accumulated over many years as a shochu specialist.

With the launch of *Shochu ZIPANG*, a ko-type shochu with a stylish design and a mellow refreshing taste, we have created a whole new category of bottled shochu through continuously providing various information on its bottles. Furthermore, in order to create a barrel shochu market, we launched long-aged shochu *Hizou no Tobira* in fiscal 2005, featuring a mellow and deep flavored taste.

In addition to *Honkaku Shochu Yokaichi*, we have established a firm position in the growing honkaku shochu market by launching various high-value-added shochu products, such as *Gankutsuou*, a genuine jar-aged rice shochu stored in traditional shochu caves, *Ikkomon*, a 100% pure potato shochu, *Towari*, a 100% buckwheat shochu, and *Wakamurasaki-No-Kimi*, a shiso (perilla) shochu, targeted to meet the demands of women and health-conscious people.

Furthermore, in keeping with its commitment to environmental conservation, Takara is promoting bottle-return schemes for middle-sized bottles, including those used for *Jun* and *Jun Legend*. We are striving to reduce the burden on the environment by introducing a nationwide system of selling shochu by weight, based on the concept to eliminate the container use itself.

Sake

Sho-Chiku-Bai continues to pursue unsurpassed taste and offers even more value-added quality

Takara *Sho-Chiku-Bai* aims for further growth in the

rapidly changing sake market. By linking its marketing strategies to current trends, the *Sho-Chiku-Bai* label has been raised to a strong position as the leading brand in the celebration and gift segments of the sake market. The growth of sales in this area reflects Takara’s success in maintaining a reputation for quality and an image linked with joyful occasions. Takara has also responded to consumer and market preferences by enhancing product quality and developing unique products for connoisseurs.

In September 2003, Takara launched *Sho-Chiku-Bai Ten* onto the steadily growing market for soft pack sake products. This new product features a rich, sharp flavor achieved through a two-stage yeast fermentation process. *Sho-Chiku-Bai Ten* has already earned wide support in the market thanks to its unique product characteristics and attractive package design featuring the calligraphy of *Bakuzan Sakaki*. Completed in the fall of 2001, the *Shirakabe-gura* (white-walled brewery) Brewery specializes in the production of delicately produced high-grade sake, including sake brewed from top-quality rice and pure rice sake. Takara’s aim was to discover the secret of truly excellent sake by combining modern facilities designed to recreate various traditional brewing methods used for producing hand-made sake with brewing techniques based almost entirely on human skill. A series of new products have been launched since the *Shirakabe-gura* Brewery became fully operational in 2002. These include *Sho-Chiku-Bai Shirakabe-gura Antique Bottle Junmai Daiginjo*, *Sho-Chibu-Bai Shirakabe-gura Mitani Fujio Yamahai Ginjo*, *Sho-Chiku-Bai Shirakabe-gura Mitani Fujio Yamahai Junmai*, and *Sho-Chiku-Bai Shirakabe-gura Hana no Yona Ginjo* brewed with flower yeast.

Light-Alcohol Refreshers

Offering high-quality chu-hi made with handpicked, top-quality shochu

The year 1984 marked the stunning launch of *Takara Can Chu-Hi*. Since that initial launch, Takara has continued to use its technology in such areas as



Imported alcoholic beverages



Seasonings Takara Hon Mirin Junmai and Takara Hon Ryoriseishu

shochu, fruit juices, and water to enhance the quality of these extremely popular products. *Takara Can Chu-Hi* has remained a major hit for over two decades.

In March 2005, we launched *Takara Can Chu-Hi Honkaku Karakuchi*, a long-awaited new product. By bringing together the know-how and technologies acquired as the number one shochu manufacturer, this brand new product is a new, no-sugar-added can chu-hi made from “a blend of 11 different carefully selected, aged shochu” and sharp-tasting “green fruits.” Not being sweet, it is perfect with meals and provides extra drinking options for our customers.

We continue to strive for an even more popular *Takara Can Chu-Hi* brand by developing the “specialized shochu” products that only the top shochu manufacturer can produce as well as “high-quality” products that meet our customers’ demands.

Imported Alcoholic Beverages

By taking advantage of our global network, we offer the world’s “high -quality” imported alcoholic beverages.

Ever since diplomatic relations between Japan and China were restored in 1972, Takara, over the past 30 years, played a leading role in the Chinese alcoholic beverages market by introducing various new products into its trusted *Pagoda* brand of *Shaoxingjiu* wines in order to respond to its customers’ needs.

Takara also offers an extensive assortment of carefully selected brands from around the world, including *Blanton’s* super-premium, single-barrel bourbon; *Tomatin*, a choice scotch whiskey; *Green Banana* liquers, which offer an enjoyable mismatch of color, flavor, and aroma; and *Kuei Hua Chen Chiew*, a product popular with young people in their 20s and 30s. Takara also offers a selection of leading products of high and informational value for wine lovers. Takara’s range includes wines from the *Wente* and *Saintsbury* wineries in California, which enjoy an international reputation for excellence; *Malesan*, which is the number one seller of Bordeaux wines in France; and such high-quality New Zealand wines as

Goldwater Estate, whose international reputation has risen rapidly.

Seasonings

Sake makes food taste better. Takara takes the lead in Japanese cuisine also.

Takara has been focusing on the “seasoning power” of sake, which has long been used worldwide, and offers a wide range of seasonings that enhance the flavor of fine cuisine and enrich the dining experience.

Part of the tradition that dates back to the early 19th century, *Takara Hon Mirin* is an essential alcohol-based seasoning for Japanese cuisine, which utilizes the best of fresh materials in season and favors deep flavors. *Takara Hon Mirin* enjoys widespread consumer support for its quality, which includes a rich balance of natural amino acids and various saccharides. This product continues to evolve and develop along with Japanese culinary culture as the leading brand of hon mirin.

Sake has been used as a seasoning in Japanese cooking for centuries. First launched in 2001, *Takara Hon Ryoriseishu* is a brand of sake that is optimized for this purpose. This product is made using “Masking Yeast No. 21” (patent pending), which was developed exclusively by Takara. As a result, this authentic high-quality cooking sake, which contains rich organic acid, is much better than drinking sake as it masks odors associated with some ingredients and also brings out the deep flavors of fine food.

Takara’s extensive range of high-value-added seasonings includes *Sakagura Gozen Sake Kasu Nabe Tsuyu*, *Sakagura Gozen Sake Shikomi Dashi Tsuyu*, *Saishoku Chubo Shokoshu No Chikara*, which is sold under the *Cookin’ Good* label, and the functional seasoning *Teri Jozu*. Takara products contribute to helping to create superior results in Japanese, Western, and Chinese cooking.

As a manufacturer of a full range of alcoholic beverages, Takara has acquired an extensive knowledge of brewing and fermentation technology, as well as sophisticated technical services. It uses these



Takara Barbican



Continuous distillation equipment



Takara Sake USA Inc.

resources to supply a comprehensive range of unique seasonings using “the power of alcohol to enhance the flavor of food” in all situations, from professional restaurant cooking and industrial food processing to cooking at home.

Health Drinks

Supporting a dynamic, positive, and healthy life with our theme, “Think Health”

The year 1986 marked the launch of *Takara Barbican* and with it Takara’s full-scale entry into the beverage market. Under its “Think Health” slogan, Takara has achieved solid growth in the soft drink market due to its continuous releases of distinctive products in this category, including *Calcium Parlor*, *Vitamin Parlor*, and *Surioroshi Ringo*. Among them, *Calcium Parlor* was the first calcium drink to be approved by the Japanese Ministry of Health and Welfare (presently the Ministry of Health, Labor and Welfare) as a “food for specified health uses.”

Takara was among the first manufacturers to recognize the trend toward self-medication. In 2000, it moved into the health food market with the launch of *<Densho Kenju> Bainiku Ekiisu Iri Noshuku Inryo*, a concentrated beverage containing plum extract.

Takara Barbican has gained considerable support as a regular beer-taste drink because of the changes in social conditions in recent years such as an increase in consumer awareness for the need to take personal responsibility for health management. In 2004, Takara launched a new version, *Takara Barbican Real Taste*, with enhanced health benefits.

Other Takara products that help consumers to enjoy healthy lives include *Kurozu Vermont*, a <self-care> series product designed to be enjoyed as a daily drink, and the *Noko Tonyu* series of chilled soymilk products. Takara helps to encourage healthy living by offering high-value-added good tasting products that can be enjoyed on a regular basis and that provide natural and functional benefits.

Raw Alcohol

Being involved in the origins of sake making, we will hand the Japanese sake culture on to the next generation.

Takara produces raw alcohol in continuous distillation equipment for sale to brewers throughout Japan as a raw material for sake brewing.

Takara has acquired sake brewing technologies and applicable biotechnologies that are useful in sake brewing. As part of sake manufacturer support, we foster partnerships with sake brewers by supplying them with yeast, enzymes, and other items essential to the production of alcoholic beverages, as needed. It is our desire that Japan’s sake-making tradition be preserved and so we are committed to staying involved in the basics of sake brewing and contributing to the industry. This commitment shapes our business activities in this sector.

We also commenced sales of industrial alcohol under the Alcohol Business Law, which was enforced in 2001, and are actively involved in developing our raw alcohol business.

Overseas Activities

Utilizing our overseas affiliated networks to develop overseas markets

Takara Sake USA Inc. in Berkeley, California, produces and sells *Sho-Chiku-Bai* sake, hon mirin, and plum wine. Kentucky-based Age International, Inc. makes super-premium bourbon under the *Blanton’s* label. Beijing Takara Shuzo Brewery Co., Ltd. produces and sells *Sho-Chiku-Bai* sake, hon mirin, and shochu in China. Shanghai Takara Shuzo International Trading Co., Ltd. imports and sells Takara Group products manufactured in Japan and other countries. In Europe, The Tomatin Distillery Co., Ltd. of Scotland manufactures and sells fine scotch whiskey, including *The Antiquary* and *Tomatin*. Through the mutual utilization and supplementation of the sales network, which our overseas affiliates have established, we are promoting efficient and effective business activities.

Takara Bio Group



Research reagents



Sequencer at the Dragon Genomics Center (DNA sequencer)

Genetic Engineering Research

The genetic engineering research business started in 1979, when we began sales of the first domestically produced restriction enzymes. For over a quarter of a century since then, Takara Bio has been strongly exploring the potential of genes and DNA engineering.

Research Reagents and Scientific Instruments

Public institutions including national universities as well as private businesses such as pharmaceutical companies conduct biotechnology research widely and actively. The role of Takara Bio's genetic engineering research sector is to support such research activities.

The basic protocol of biotechnology research involves extraction and amplification of genes from biological samples, sequencing analysis and functional analysis of genes, protein expression, and functional analysis of cells. Since the amount of genes in humans is relatively small, they need to be extracted and amplified. The PCR (Polymerase Chain Reaction) method is widely used for gene amplification. We acquired licensing for the PCR method in 1993 and started manufacturing and selling its research reagents.

Furthermore, we developed our own technology, ICAN™ (Isothermal and Chimeric primer-initiated Amplification of Nucleic acids). The PCR method requires cyclical changes in reaction temperature, whereas the ICAN™ method is a highly efficient isothermal gene-amplification method, by which genes can be amplified isothermally. Our ICAN™ method makes it possible to amplify genes in a short amount of time and, therefore, makes it possible to detect genes of bacterial pathogen easily at medical sites with no special inspection equipment.

Contract Research Services

We assist our customers' R&D activities not only by sales of reagents and scientific instruments but also by providing contract research services. Our Dragon Genomics Center is the largest genome sequencing center in Asia and is capable of providing large-scale genome sequencing on contract. In addition to sequencing analysis, we offer comprehensive contract research services including functional analysis of genes and protein expression analysis by using the microbeads array and the DNA chip.

New Business

A promising area of the genetic engineering research field is development of new technologies, products, and services using the cold-shock vector method and the mRNA Interferase (messenger RNA Interferase). The cold-shock vector method, developed in collaboration with the University of Medicine and Dentistry of New Jersey, is designed to perform efficient protein expression, which enables the researchers to get high-purity protein because only the target protein is expressed in a large quantity. The mRNA Interferase is a restriction enzyme for RNA, which cleaves RNA sequence at a specific site. We will actively support biotechnology research by using these technologies.

Overseas Operations

A characteristic of Takara Bio's overseas business is the fact that we are manufacturing research reagents in China. Takara Biotechnology (Dalian) Co., Ltd. was established in 1993 as the production base of research reagents. Our other overseas business operations in France, the U.S., and Korea are all involved in sales of research-related products. Manufacturing research reagents in China, where production costs are lower, is our competitive edge in the genetic engineering research sector.



Agar Drink (Calorie-Off)



Ashitaba Green Juice



Otsubu Tanba Shimeji (Hatakeshimeji)

AgriBio

In the Agribio sector, Takara Bio offers functional foods to consumers by finding the function of traditional Japanese foodstuffs through the use of biotechnology. We grow our business by taking advantage of our biotechnology.

Fucoidan and Agar

Using our unique technology for analyzing complex carbohydrates, Takara Bio has become the first in the world to identify three different chemical structures of the dietary fiber fucoidan that is found in Gagome kombu (kelp) and named them F-fucoidan, U-fucoidan, and G-fucoidan.

Through further researches, we have discovered many of fucoidan's physiological properties including a property that induces cytokine expression, which is reported to be effective in treatment of cancer and viral infections, and we have developed commercialization of fucoidan as functional food materials. Also we have identified many of physiological properties of agar, which is also derived from seaweed, such as anti-inflammation.

Ashitaba

Ashitaba is indigenous to Japan and grows wild on the Pacific Coast, mainly in the Izu islands, and is known for its strong vitality as indicated in the saying, "If Ashitaba leaves are picked today, new leaves will be in place by tomorrow." Takara Bio only offers Ashitaba grown in domestic farms with quality soil condition. We also run Ashitaba juice bars, known as "Ashita-Bar™", in Tokyo and Osaka. We have identified that chalcone in Ashitaba suppresses a rise in blood sugar level. With this health benefit of Ashitaba, we plan to continue promoting Ashitaba-related products.

Mushrooms

Takara Bio was the first to succeed in artificial cultivation of Bunashimeji mushrooms which now are widely available at most supermarkets. In 1973, we offered our artificial cultivation method to JA ZENNOH (National Federation of Agricultural

Co-operative Associations) Nagano and succeeded in commercialization of this mushroom.

Takara Bio's first line of business was mushroom business, which started ahead of any functional foods as well as genetic engineering research and gene medicine.

We established the artificial cultivation method of Hatakeshimeji and Honshimeji mushrooms, and we are now striving to commercialize these mushrooms through mass production.

Hatakeshimeji is produced by Mizuho Nourin Co., Ltd., established as our joint venture company with Mizuho-cho (Kyoto prefecture) and its forestry association, and Mizuho Nourin is capable of producing 1,500 tons of Hatakeshimeji annually.

Our production of Honshimeji started in the fall of 2004 in Yokkaichi City, Mie prefecture, and we are capable of producing 100 tons annually. We plan to commercialize these mushrooms as high-quality health foods.

For our overseas operation, our joint venture company with Pulmuone Co., Ltd., a premier natural food products manufacturer in Korea, is cultivating and marketing Bunashimeji in Seoul, using our artificial cultivation method.

In the mushroom-related business, the field in which future growth is expected is the establishment of the artificial cultivation method of Matsutake mushrooms. Takara Bio has already succeeded in decoding Matsutake mushroom genome, and strives to find the genes that make the artificial cultivation of Matsutake possible. It is a great challenge for the Company to achieve the artificial cultivation method of Matsutake, which is known to be difficult.

Gene Medicine

Takara Bio's basic strategy of the gene medicine sector is to develop and commercialize various cutting-edge technologies, which are essential to gene medicine (gene and cell therapies), by applying the technologies developed in the genetic engineering research sector.

RetroNectin® Method

Gene therapy is to cure disease by administering gene



RetroNectin® manufacturing facility



RetroNectin®

that patient lacks since birth, gene that will help cure the disease, or cells that contain such genes to the patient. There are two types of gene therapies; *ex vivo* and *in vivo* gene therapies. In *ex vivo* gene therapy, cells are taken from the patient, transduced with target gene, and transplanted back to the patient. In *in vivo* gene therapy, on the other hand, circular DNA containing target genes is administered directly to the patient.

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 we have 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. Hematopoietic stem cells give rise to other blood cells such as red blood cells, white blood cells, and lymphocytes.

Our RetroNectin® method is used by various public medical institutions for clinical research of gene therapies as well as by private businesses for clinical trials. The RetroNectin® method is becoming the standard in *ex vivo* gene therapy. As of the end of June 2005, the RetroNectin® method is used by 35 public medical institutions, mainly in the U.S., and is licensed out to 3 overseas private corporations. Please note, however, all the *ex vivo* gene therapies are currently at their clinical development stage and none has yet been commercialized either in or outside of Japan.

Many Strategic Alliances

Takara Bio, not only licensing out the RetroNectin® method, is actively promoting strategic business alliances in order to establish future advances in the gene medicine technologies.

MolMed S.p.A of Italy, to which we have licensed out the RetroNectin® method, is conducting clinical trials in Europe of gene therapies for treatment of two types of cancer, hematopoietic tumors and solid tumors, which we have obtained an exclusive right to use its treatment technologies in most of Asia. We have started joint

research with the National Cancer Center to promote clinical trials of gene therapies for treatment of hematopoietic tumors such as leukemia through establishment of the Cell Processing Center (CPC) at the National Cancer Center.

Takara Bio is also collaborating with Mie University School of Medicine in clinical development of T-cell receptors (TCR) gene therapy targeting esophageal cancer. This therapy, to be conducted at the Cell Processing Center located in the university hospital, involves re-infusion of tumor-fighting lymphocytes transduced with therapeutic TCR gene into the patient. We are supporting the management of the Cell Processing Center. The TCR gene therapy is such a powerful therapy that its clinical study targeting melanoma is being conducted at the National Cancer Institute in the U.S., and it is the therapy that combines cell therapy and gene therapy.

Cell Therapy

In cell therapy, cells are removed from the patient, processed and then reinfused into the patient. While, in a broad sense, transfusion and marrow transplantation are also cell therapies, in a narrow sense, cell therapy involves separation of target cells and their storage, amplification in culture, and processing of cells. We also sell a range of products imported from Baxter Healthcare Corporation in the U.S. such as cell separation systems for hematopoietic stem cells and plastic bags used for long-term cell preservation.

Adoptive immunotherapy, known for its almost non-existent side effects, is emerging as the "fourth therapy" following surgery, chemotherapy, and radiotherapy. In collaboration with the Mizumachi Medical Group, Takara Bio is promoting adoptive immunotherapy, which is one of cancer immunotherapy, by providing comprehensive support services for this therapy.

Six-Year Financial Summary

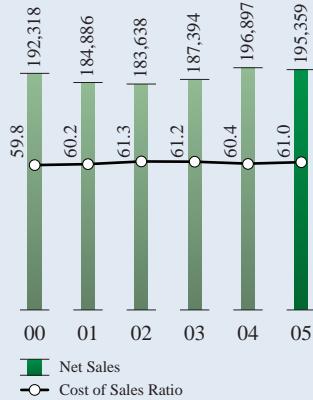
Takara Holdings Inc. and Consolidated Subsidiaries

	Millions of Yen						Thousands of U.S. Dollars
	2005	2004	2003	2002	2001	2000	2005
For the years ended March 31:							
Sales to customers	¥195,359	¥196,897	¥187,394	¥183,638	¥184,886	¥192,318	\$1,825,785
Alcoholic beverages and foods segment	178,068	179,675	167,188	164,792	–	–	1,664,186
Alcoholic beverages and seasonings segment	–	–	–	–	155,661	157,436	–
Beverages segment	–	–	–	–	11,472	19,079	–
Biomedical segment	13,671	13,560	14,338	14,312	–	–	127,766
Biomedical segment	–	–	–	–	11,469	10,096	–
Other segment	3,618	3,661	5,867	4,533	–	–	33,813
Printing segment	–	–	–	–	–	–	–
Other segment	–	–	–	–	6,283	5,705	–
Cost of sales	119,114	119,023	114,617	112,482	111,381	114,935	1,113,214
Gross profit	76,244	77,874	72,776	71,155	73,504	77,382	712,560
SG&A expenses	68,841	68,514	64,169	62,460	61,918	65,440	643,373
Operating income	7,402	9,360	8,606	8,695	11,585	11,941	69,177
Income before income taxes and minority interests	6,813	10,453	6,232	7,173	9,852	10,166	63,672
Net income	2,614	5,668	2,185	3,481	5,092	5,065	24,429
Depreciation and amortization	6,393	6,427	6,627	6,443	5,628	6,323	59,747
Capital expenditures	6,511	5,243	7,269	10,065	13,337	5,270	60,850
R&D expenses	3,353	3,127	3,591	3,699	3,093	3,091	31,336
As of March 31:							
Total assets	¥190,773	¥189,416	¥175,830	¥179,702	¥191,844	¥152,557	\$1,782,925
Interest-bearing debt	40,347	41,560	38,854	28,331	31,865	22,329	377,074
Shareholders' equity	89,478	88,006	79,888	83,714	84,742	73,983	836,242
Per share of common stock (Yen and U.S. Dollars):							
Net income	¥11.74	¥25.93	¥9.76	¥16.05	¥23.47	¥23.58	\$0.10
Cash dividends	7.50	7.50	7.50	7.50	7.50	7.50	0.07
Ratios (%):							
Return on assets (ROA)	1.4	3.1	1.2	1.9	3.0	3.3	
Return on equity (ROE)	2.9	6.8	2.7	4.1	6.4	7.2	
Equity ratio	46.9	46.5	45.4	46.6	44.2	48.5	

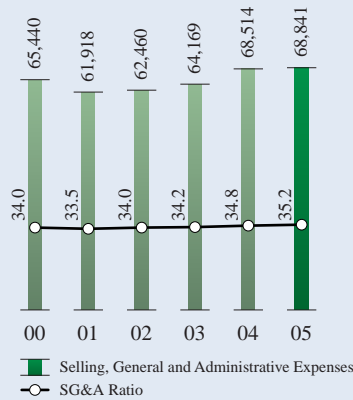
- Notes 1. From 2001, Japanese yen figures less than a million yen have been rounded down to the nearest million yen. Statistics for 2000 have been rounded up or down to the nearest million yen.
2. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥107 to \$1, the approximate rate of exchange at March 31, 2005.
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 Business 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.

Fact Sheet

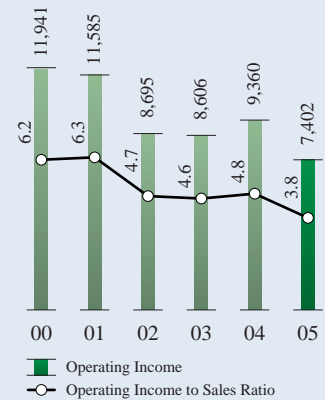
Net Sales / Cost of Sales Ratio
(Millions of Yen / %)



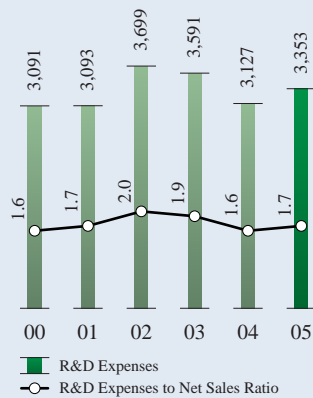
Selling, General and Administrative Expenses / SG&A Ratio
(Millions of Yen / %)



Operating Income / Operating Income to Sales Ratio
(Millions of Yen / %)



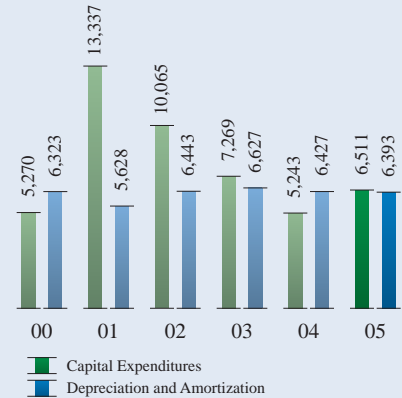
R&D Expenses / R&D Expenses to Net Sales Ratio
(Millions of Yen / %)



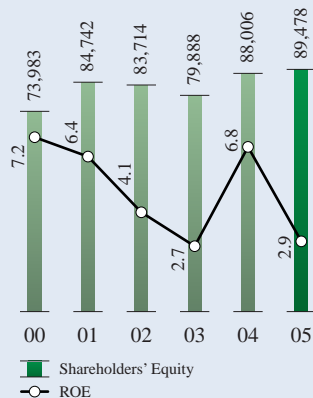
Net Income / Net Income to Net Sales Ratio
(Millions of Yen / %)



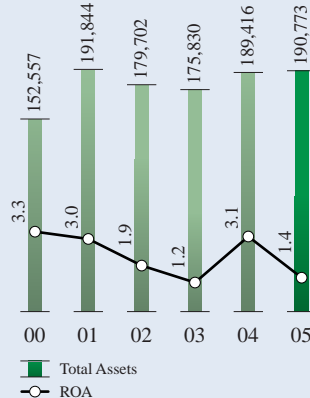
Capital Expenditures / Depreciation and Amortization
(Millions of Yen)



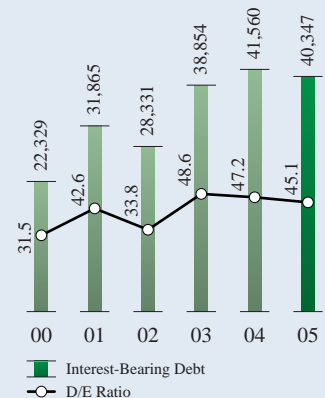
Shareholders' Equity / ROE
(Millions of Yen / %)



Total Assets / ROA
(Millions of Yen / %)



Interest-Bearing Debt / D/E Ratio
(Millions of Yen / %)



Major Consolidated Subsidiaries

Name	Address	Issued Capital	Percentage of Equity Owned	Lines of Business
Takara Shuzo Co., Ltd.	20 Naginatahoko-cho, Shijo-dori Karasuma Higashi-iru, Shimogyo-ku, Kyoto, Japan Telephone: (075) 241-5110	¥1,000 million	100%	Manufacture and sales of alcoholic beverages, raw alcohol, beverages, and seasonings
• Subsidiaries of Takara Shuzo Co., Ltd.				
Takara Butsuryu System Co., Ltd.	173 Mekawa, Makishima-cho, Uji, Japan Telephone: (0774) 20-0761	¥50 million	(100%)	Transportation
TB Co., Ltd.	173 Mekawa, Makishima-cho, Uji, Japan Telephone: (0774) 20-0726	¥10 million	(100%)	Transportation
Luc Corporation, Ltd.	2-39, 5-chome, Akasaka, Minato-ku, Tokyo, Japan Telephone: (03) 3586-7501	¥80 million	(100%)	Import and sale of alcoholic beverages
Takara Bussan Co., Ltd.	10-1, Matsudairachikuzen, Momoyama-cho, Fushimi-ku, Kyoto, Japan Telephone: (075) 601-6267	¥10 million	(100%)	Sale of food and fodder
Takara Yoki Co., Ltd.	18-30, 1-chome, Minami-horie, Nishi-ku, Osaka, Japan Telephone: (06) 6531-6300	¥30 million	(31.3%)	Wholesale of glass bottles
Total Management Business Co., Ltd.	20 Naginatahoko-cho, Shijo-dori Karasuma Higashi-iru, Shimogyo-ku, Kyoto, Japan Telephone: (075) 256-4578	¥20 million	(60%)	Advertising, marketing, and personal placement agency
USA Takara Holding Company	708 Addison St., Berkeley, CA 94710, U.S.A. Telephone: (510) 540-8250	US\$4,094 thousand	(100%)	Holding company
Takara Sake USA Inc.	708 Addison St., Berkeley, CA 94710, U.S.A. Telephone: (510) 540-8250	US\$3,000 thousand	(90%)	Manufacture and sale of alcoholic beverages
AADC Holding Company, Inc.	229 W. Main St. Frankfort, KY 40602, U.S.A. Telephone: (502) 223-9874	US\$30	(100%)	Holding company
Age International, Inc.	229 W. Main St. Frankfort, KY 40602, U.S.A. Telephone: (502) 223-9874	US\$250 thousand	(100%)	Sale of alcoholic beverages
The Tomatin Distillery Co., Ltd.	Tomatin, Inverness-shire, IV13 7YT, Scotland, U.K. Telephone: (1808) 511-234	STG£2,500 thousand	(81%)	Manufacture and sale of scotch whiskey
J&W Hardie Ltd.	Tomatin, Inverness-shire, IV13 7YT, Scotland, U.K. Telephone: (1808) 511-234	STG£250 thousand	(100%)	Manufacture and sale of scotch whiskey
Beijing Takara Shuzo Brewery Co., Ltd.	No. 31 Nanyuan West St., Fengtai District, Beijing, People's Republic of China Telephone: (010) 6791-1758	RMB130,000 thousand	(62%)	Manufacture and sale of alcoholic beverages, raw alcohol, and seasonings
Shanghai Takara Shuzo International Trading Co., Ltd.	No 889 Ren Ming Road, Wai Wai China Tower room# 810-811, Shanghai, People's Republic of China Telephone: (21) 6374-6652	US\$200 thousand	(100%)	Import and export of alcoholic beverages and food
Singapore Takara Pte. Ltd.	16, Raffles Quay, #15.09 Hong Leong Building, Singapore Telephone: (421) 9258	US\$1,000 thousand	(100%)	Sale of alcoholic beverages and investment activities
Takara Bio Inc.	3-4-1 Seta, Otsu-shi, Shiga, Japan Telephone: (077) 543-7200	¥3,055 million	76.2%	Manufacture and sale of reagents and scientific instruments and contract gene analysis services
• Subsidiaries of Takara Bio Inc.				
Mizuho Nourin Co., Ltd.	38 Koaza-Mitsueda, Aza-Hoiya, Mizuho-cho, Funai-gun, Kyoto, Japan Telephone: (0771) 86-1500	¥10 million	(49%)	Cultivation and sale of mushrooms
Takara Biotechnology (Dalian) Co., Ltd.	No. 19 Dongbei 2nd Street, Development Zone, Dalian, People's Republic of China (116600) Telephone: (0411) 8761-9944	¥2,000 million	(97.5%)	Manufacture and sale of research reagents
Takara Bio Europe S.A.	Europarc des Barbannières 6, Place du Village 92230 Genevilliers, France Telephone: (01) 41-47-23-70	EUR40 thousand	(100%)	Sale of research reagents
Takara Korea Biomedical Inc.	451-3, Togok 2-Dong, Kangnam-ku, Seoul, 135-855, Korea Telephone: (02) 577-2002	W3,660 million	(86.8%)	Sale of research reagents and manufacture of DNA chips
Takara Mirus Bio Inc.	505 S. Rosa Road, Suite 101 Madison, WI 53719, U.S.A. Telephone: (608) 441-2844	US\$200 thousand	(50%)	Sale of research reagents and research and development in gene therapy and related technologies
Takara Biomedical Technology (Beijing) Co., Ltd.	A107-1 Science & Manufacture Incubator Building, Zhong Guan Cun Life Science Park, Chang Ping District, Beijing, People's Republic of China (102206) Telephone: (010) 8267-9157	¥350 million	(100%)	Research and development of biopharmaceuticals, manufacture and sale of research reagents and scientific instruments, and contract research services
• Subsidiaries of Takara Holdings Inc.				
Taihei Printing Co., Ltd.	55 Kakegoshi-cho, Nishi-shichijo, Shimogyo-ku, Kyoto, Japan Telephone: (075) 313-7141	¥90 million	99%	Printing
Takara Network System Co., Ltd.	20 Naginatahoko-cho, Shijo-dori Karasuma Higashi-iru, Shimogyo-ku, Kyoto, Japan Telephone: (075) 241-5139	¥30 million	100%	Computer system development, operation, and maintenance

Board of Directors and Auditors



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.;
Corporate Planning, Accounting, Investor Relations, and Finance;
Managing Director of Takara Shuzo Co., Ltd.



Ikunoshin Kato, Ph.D.

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

Takara Holdings Inc.

Managing Director

Shuzo Hara

Legal, General Affairs, Human Resources,
Environment, Public Relations, and Compliance

Directors

Yoshiro Hosomi

Senior Advisor to the Board

Isao Goto

Vice President of Takara Shuzo Co., Ltd.

Shinobu Takahashi

Vice President of Takara Shuzo Co., Ltd.

Masaharu Yano

Corporate Planning;

General Manager of Financial Department;

Director of Takara Shuzo Co., Ltd.

Shuichiro Matsuzaki

General Manager of Accounting Department;

General Manager of Investor Relations

Corporate Auditors

Hajime Nishikawa*

Hideto Sekiyama*

Yukihiko Ichida

Yoshie Ohta

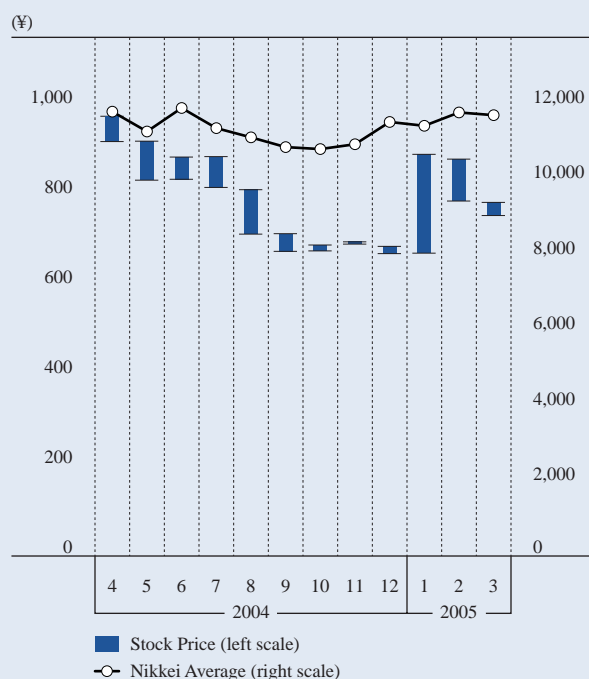
*Standing Auditor

Corporate Data

Takara Holdings Inc. (As of March 31, 2005)

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



■ Stock Price (left scale)

○- Nikkei Average (right scale)

Takara Shuzo Co., Ltd. (As of March 31, 2005)

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 (As of March 31, 2005)

Common Stock	
Authorized	400,000,000 shares
Issued and outstanding	217,699,743 shares
Number of Shareholders	44,685
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: (03) 5213-5213 (Tokyo) (06) 6313-5127 (Osaka)

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 (thousands)	Percentage of Shares Held
The Master Trust Bank of Japan, Ltd. (Trust Account)	12,394	5.69
Mizuho Corporate Bank, Ltd.	9,738	4.47
The Norinchukin Bank	9,500	4.36
Japan Trustee Services Bank, Ltd. (Trust Account)	8,974	4.12
Meiji Yasuda Life Insurance Company	6,318	2.90
Bank of Kyoto, Ltd.	5,000	2.30
Kawahigashi Shoji Co., Ltd.	3,555	1.63
The Sumitomo Trust & Banking Co., Ltd.	2,753	1.26
Société Générale Paris OBE Dept. (Standing proxy agent: Société Générale Securities Co., Ltd., Tokyo Branch)	2,377	1.09
The Master Trust Bank of Japan, Ltd. (The Nisshin Fire & Marine Insurance Co., Ltd., Retirement Benefit Trust Account)	2,183	1.00

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

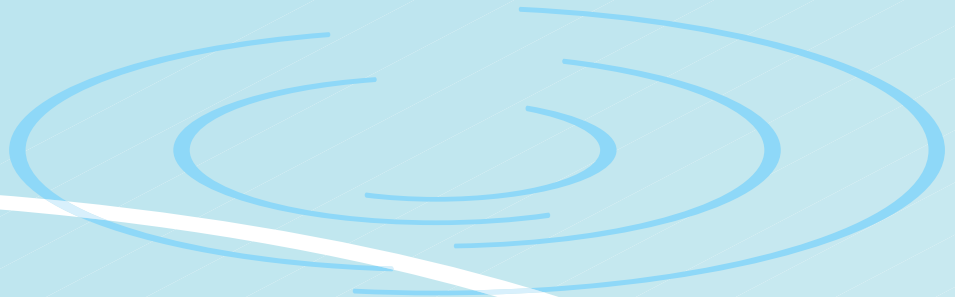
2. The number of shares held by the Sumitomo Trust & Banking Co., Ltd. does not include the shares handled as part of its trust and banking business.

Takara Bio Inc. (As of March 31, 2005)

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	¥5,993 million
Common Stock Issued and Outstanding	262,480 shares
Stock Listing (Common Stock)	Tokyo Stock Exchange Mothers
Securities Code Number	4974
Major Shareholder	Takara Holdings Inc. (76.2% equity owned)
Company Representative	Ikunoshin Kato, Ph.D., President & CEO
URL	http://www.takara-bio.co.jp



Takara Group Business Chronicles



Takara Group Business Chronicles

	Alcoholic Beverages and Foods	Biomedical
1925	Takara Shuzo Co., Ltd. is established.	
1949	Takara Shuzo Co., Ltd. is listed on the Tokyo Stock Exchange.	
1957	Takara Beer is launched.	
1967	Withdrawal from the beer market.	
1970		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 starts.
1982		Export and sale of reagents for genetic engineering start.
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, putting food business into full-scale operation.	
1988		Sale of PCR products for DNA amplification starts.
1993	<i>Honkaku Kome Shochu Yokaichi</i> is launched. <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.
1994	Two new products, <i>Surioroshi Ringo</i> and <i>Ara Shibori Orenji</i> , are launched as part of the <i>Takara Can Chu-Hi Deluxe</i> series.	
1995	Beijing Takara Foods Co., Ltd. (currently Beijing Takara Shuzo Brewery Co., Ltd.) is established. A new, 720ml returnable bottle for <i>Takara Shochu Jun</i> is introduced. <i>Takara Can Chu-Hi <Fruity></i> is launched. Basic CI design is changed.	Takara Bio Europe S.A. is established in Paris. Takara Korea Biomedical Inc. is established in Seoul. Method of efficient gene transfer to hematopoietic stem cells is developed.
1996	A new <i>Sho-Chiku-Bai</i> product, <i>Oodokkuri</i> , is launched.	Takara Agri Co., Ltd. is established.
1997	<i>Honkaku Mugi Shochu Yokaichi</i> is launched. <i>Cookin' Good – Nimono Senyou Chomiryo</i> , a seasoning for boiled dishes, is launched.	Sale of RetroNectin®, a reagent used in gene therapy, begins worldwide. Clinical studies of gene therapy using the RetroNectin® method begins.
1998	Enters wine business to start import/marketing of California wines. <i>Green Ink Accounting Report</i> is issued.	Sale of DNA chip manufacturing instruments and analyzer begins. TaKaRa Z-Taq™ (fastest system for amplifying DNA) is developed.
1999	<i>Ishihara Yujiro Memorial Box</i> is launched.	Sale of DNA chips begins.
2000	Long-Term Management Concept TAKARA EVOLUTION-100 (TE-100) is launched.	
	<i><Densho Kenju> Bainiku Ekisu Iri Noshuku Inryo</i> is launched. <i>Tokusen Takara Yuki Hon Mirin</i> , which acquired international certification from the Organic Crop Improvement Association (OCIA), is launched. All plants attain ISO 9002 certification. <i>Jyosen Sho-Chiku-Bai <Baishozukuri></i> is launched. Eco-Bottle adopted for <i><Namazake></i> .	Korean venture business ViroMed Co., Ltd. is acquired as a subsidiary. High-throughput genome sequence analysis center Dragon Genomics Co., Ltd. is established. ICAN™ (isothermal non-PCR DNA amplification technology) is developed. Alliance is formed with Lynx Therapeutics Inc. of the U.S. for DNA microbeads array technology.
2001	Shares in Luc Corporation, Ltd. are acquired. <i>Takara Hon Ryorishu</i> is launched. <i>Shochu ZIPANG</i> is launched. <i>Honkaku Shochu Kurokame, Ikkomon</i> , and <i>Gankutsuou</i> are launched. Operations at the East Japan Logistics Center start in earnest. The <i>Shirakabe-gura</i> Brewery is completed at the Nada plant as the center of Takara’s specially designated sake business.	Takara Korea Biomedical Inc. establishes a development and manufacturing unit and implements a capital increase through third-party allocation. Genetic sequencing of the genome of symbiobacterium <i>toebii</i> is completed. A RetroNectin® license for gene therapy is granted to MolMed S.p.A. of Italy. An ICAN™-Based Bed-Side Genetic Diagnostic Reagent is introduced for use in research. The recombinant pre-integration complex (rPIC) method is developed.

2002

Move to a holding company, TAKARA HOLDINGS INC. starts.

TAKARA SHUZO CO., LTD. is established through restructuring and establishment of the holding company.

Takara Shochu Jun 25th Anniversary bottle is launched.

Takara Hon Mirin 160th anniversary.

Ryu-kyu Awamori Omotohomura is launched.

Iki Mugi Shochu Otoha is launched.

Takara Bio Inc. is established through restructuring and establishment of the holding company.

Cold-shock vector system for the extremely efficient production of recombinant proteins is developed.

Takara Agri Co., Ltd. establishes a joint venture company with Pulmuone Co., Ltd. to develop, manufacture, and sell mushrooms in Korea.

The first *Ashita-Bar™* pilot store for agribio products is opened.

An alliance is formed with Nanosphere, Inc., a U.S. company that owns basic patents for gold nanoparticle DNA probe technology.

Takara Bio Inc. acquires Dragon Genomics Co., Ltd.

A carbapenem-resistant bacteria detection kit using the ICAN™ method is launched.

2003

Takara Can Chu-Hi SUKISH is launched.

Takara Can Chu-Hi 20th Anniversary product is re-launched.

Exclusive rights for use in Asia are obtained from MolMed S.p.A. for gene therapies, including suicide gene and vaccine therapies for cancer.

2004

Tokusen Takara Yuki Hon Mirin is relaunched following its approval as an organic product by the OCIA. It is the first food product in the world to be granted an environmental product declaration (EPD).

Sho-Chiku-Bai Ten is launched.

Takara Hon Mirin Junmai is launched.

Takara Can Chu-Hi SUKISH Wmix (Double-Mix) is launched.

Takara Barbican Real Taste is launched.

Takara gains approval to label *Fiber Parlor* as a "food for specified health uses."

Takara Mirus Bio Inc. (Wisconsin, U.S.) is established as a joint venture with Mirus Corporation of the U.S.

Mizumachi-Takara Bio Inc. (Shibuya-ku, Tokyo) is established.

A Japanese patent application is filed for Isothermal and Chimeric primer-initiated Amplification of Nucleic acids (ICAN™).

Takara licenses its RetroNectin® gene therapy technology to VIRxSYS Corporation of the U.S.

Takara Bio Inc. issues shares to third parties and introduces a stock option system.

Takara Biomedical Technology (Beijing) Co., Ltd. is established in Beijing to carry out research and development relating to gene therapy and genetic engineering.

2005

Takara Bio Inc. is listed on the Tokyo Stock Exchange Mothers market.

Towari, a 100% buckwheat shochu is launched.

Takara Yuki Hon Ryoriseishu, made from 100% organic rice is launched.

Wakamurasaki-No-Kimi, a shiso (perilla) shochu is launched.

Takara Can Chu-Hi Balance Plus is launched.

Takara Can Chu-Hi Deluxe Collagen In is launched.

Calcium Parlor Ca400 and *Multi Vitamin Parlor* is launched.

Takara Can Chu-Hi Honkaku Karakuchi is launched.

Long-aged shochu *Hizou No Tobira*, made in 10 year old and over 3 year old barrels is launched.

Sho-Chiku-Bai Namareishu Kurokoji Yondan Karakuchi is launched.

TaKaRa Hon Mirin, using Japanese rice and honkaku rice shochu is launched.

A new version of *Takara Can Chu-Hi SUKISH Wmix* is launched.

Takara Can Chu-Hi WMIX is launched.

RetroNectin® is supplied to clinical trials of T-cell receptor gene therapy at the National Cancer Institute in the U.S. for metastatic melanoma. Takara Bio Inc. discovers that polyterpene is the substance in *bunashimeji* that reduces the tumor growth.

Takara Bio Inc. discovers that by orally administrating two types of chalcone compounds found in ashitaba to test animals with diabetes, the glucose level drops in a similar way to insulin administration.

Clinical development of cancer immunotherapy begins in collaboration with the Cancer Institute and Hospital, Chinese Academy of Medical Sciences.

Agar drink <Calorie-Off> is launched.

Takara Bio succeeds in sequencing *matsutake* mushroom genome by using whole-shotgun sequencing method.

Patents in Japan and the U.S. on mutations of FLT3 gene, one of the causes of refractory leukemia, are obtained.

RetroNectin® is licensed to EUFETS AG for gene therapy for AIDS.

Childrens Hospital Los Angeles begins clinical trials of gene therapy for ADA deficiency. Takara Bio Inc. provides RetroNectin® for the trials.

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 such intractable cancers as lung, esophageal, head, and neck cancers.

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