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Consolidated Financial Statements for the Second Quarter Ended September 30, 2017 FY2018 (April 1, 2017 - March 31, 2018) [UNAUDITED]

Company name: Takara Holdings Inc.
 Stock exchange listings: Tokyo Stock Exchange (1st section)
 Code number: 2531
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 Quarterly statement filing date (as planned): November 10, 2017

- Notes: 1. The accompanying financial statements have been prepared in accordance with accounting principles and practices generally accepted in Japan.
 2. Amounts are rounded down to the nearest million yen.

1. Results for the six months ended September 30, 2017 (April 1, 2017 – September 30, 2017)

(1) Operating results

Note: Percentages indicated changes from the same period of the previous fiscal year.

	Six months ended September 30, 2017		Six months ended September 30, 2016	
	(Millions of yen)	(%)	(Millions of yen)	(%)
Net sales	128,855	19.9	107,509	0.5
Operating income(loss)	6,128	17.7	5,207	34.2
Ordinary income(loss)	6,200	10.4	5,614	29.8
Net income (loss) attributable to owners of the parent	3,477	8.5	3,177	25.8
Net income (loss) per share (Yen)	17.13		15.79	
Fully diluted net income per share (Yen)	-		-	
Note: Comprehensive income	4,572	-	(6,296)	-

(2) Financial position

	As of September 30, 2017	As of March 31, 2017
	(Millions of yen)	(Millions of yen)
Total assets	280,721	274,368
Net assets	167,488	165,920
Equity ratio (%)	48.8	49.2
(Reference) Equity	137,128	135,043

2. Dividends

	Dividend per share (Yen)		
	Year ended March 31, 2017	Year ending March 31, 2018	Year ending March 31, 2018 (Forecast)
First quarter end	-	-	-
Second quarter end	-	-	-
Third quarter end	-	-	-
Year end	13.00	-	15.00
Annual	13.00	-	15.00

Notes: Correction of dividend forecast from the most recent dividend forecast : Yes

3. Forecast for the year ending March 31, 2018 (April 1, 2017 – March 31, 2018)

Note: Percentages indicated changes from the same period of the previous fiscal year.

	Year ending March 31, 2018	
	(Millions of yen)	(%)
Net sales	270,000	15.3
Operating income(loss)	15,300	12.9
Ordinary income(loss)	15,800	10.1
Net income (loss) attributable to owners of the parent	10,400	22.6
Net income (loss) per share (Yen)	51.68	

Note: Correction of financial forecast from the most recent financial forecast : Yes

4. Others

(1) Material changes in subsidiaries during this period

(Changes in scope of consolidations resulting from change in specific subsidiaries) : Yes

Newly included: 3 (Name) WaferGen Bio-systems, Inc., Rubicon Genomics, Inc., Takara Shuzo International Co., Ltd.

Excluded: 2 (Name) WaferGen Bio-systems, Inc., Rubicon Genomics, Inc.

(2) Applying of specific accounting treatments of the quarterly consolidated financial statements : No

(3) Changes in accounting policies, changes in accounting estimates, and retrospective restatement

1) Changes based on revisions of accounting standard : No

2) Changes other than ones based on revisions of accounting standard : No

3) Changes in accounting estimates : No

4) Restatement : No

(4) Number of outstanding shares (common stock)

1) Number of outstanding shares at year end (Treasury stocks are included)

As of September 30, 2017 : 217,699,743

As of March 31, 2017 : 217,699,743

2) Number of treasury stocks at year end

As of September 30, 2017 : 16,476,267

As of March 31, 2017 : 16,475,731

3) Average number of outstanding shares

Six months ended September 30, 2017 : 201,223,863

Six months ended September 30, 2016 : 201,224,317

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1. Qualitative Information for the Six Months Ended September 30, 2017

(1) Consolidated Financial Results

In the six months ended September 30, 2017, although the Japanese economy maintained a moderate recovery as the corporate earnings and hiring environment improved, personal spending remained weak.

On the other hand, overseas, the global economy continued to be uncertain due to issues such as the uncertainty in emerging economies and the effects of future policies in the U.S.

Under these economic circumstances, in fiscal 2018, the Company initiated the Takara Group Medium-Term Management Plan FY2020, as the last step towards achieving its long-term Takara Group Vision 2020. By further increasing the overseas sales ratio together with having a full product line-up and many products with a competitive edge both in Japan and overseas, the Company is aiming to build up a great number of fields in which it can beat competitors and establish a balanced business foundation able to grow revenues significantly no matter what environmental changes occur.

As a result, in the six months ended September 30, 2017, net sales were up 19.9% year on year to ¥128,855 million. Gross profit rose 13.9% year on year to ¥49,454 million. Operating income increased by 17.7% year on year to ¥6,128 million. Ordinary income increased by 10.4% year on year to ¥6,200 million. Net income attributable to owners of the parent increased by 8.5% to ¥3,447 million.

Results by business segment were as follows.

The meeting of the Company's Board of Directors held on February 16, 2017 resolved to spin off (incorporation-type company split) the overseas business of Takara Shuzo Co., Ltd., a consolidated subsidiary of the Company, and transfer it to the newly established Takara Shuzo International Co., Ltd. on July 3, 2017. As a result of reviewing its reporting segments in accordance with this, the Company changed its reporting segments starting from the three months ended June 30, 2017, and year on year comparisons below compare the figures for the same period of the previous fiscal year reclassified into the post-change segments.

[Takara Shuzo]

For alcoholic beverages, in the six months ended September 30, 2017, sales of shochu declined compared with the same period of the previous fiscal year, but sales of sake performed well and sales of light-alcohol refreshers, where *Takara Shochu Highball* remained robust, rose, so sales of alcoholic beverages overall increased.

In the Seasonings Business, sales increased due to healthy sales of cooking sake, while sales of raw alcohol and other products were also up.

As a result, net sales for Takara Shuzo rose 2.2% year on year to ¥71,973 million. Cost of sales increased by 2.1% to ¥43,360 million. As a result, gross profit rose 2.4% year on year to ¥28,613 million. SG&A expenses were up by 0.5% year on year to ¥26,621 million. Accordingly, Takara Shuzo recorded operating income up 37.2% year on year to ¥1,991 million.

[Takara Shuzo International Group]

In the six months ended September 30, 2017, sales in the Japanese food wholesale business in overseas markets increased with the contribution of sales from Mutual Trading Co., Inc. (U.S.), which became a consolidated subsidiary at the end of the third quarter of the previous fiscal year, and other companies. Sales of whiskey and other products also increased in the overseas alcoholic beverages business. As a result, net sales for the Takara Shuzo International Group increased by 123.4% year on year to ¥33,822 million. Cost of sales increased by 136.4% year on year to ¥23,845 million. As a result, gross profit rose by 97.5% year on year to ¥9,976 million. SG&A expenses were up 111.9% year on year to ¥7,753 million. Accordingly, the Takara Shuzo International Group recorded operating income up 59.6% year on year to ¥2,223 million.

[Takara Bio Group]

Net sales for the six months ended September 30, 2017 increased 7.0% year on year, to ¥14,126 million, on contributions from newly consolidated subsidiaries and from sales for contract services greatly exceeding those of the same period of the previous fiscal year. Also, cost of sales increased 15.8% year on year, to ¥5,965 million due to the increase in net sales and the recording of amortization of intangible assets accompanying the acquisition of newly consolidated subsidiaries, and gross profit increased by 1.4%, to ¥8,160 million. SG&A expenses increased by 12% year on year, to ¥7,471 million, due to increases in personnel costs of newly consolidated subsidiaries and amortization of goodwill. Accordingly, operating income declined 50.0% year on year, to ¥688 million.

[Other]

Net sales of business segments other than the reported segments for the six months ended September 30, 2017 increased by 3.2% year on year to ¥19,246 million as sales in the transportation business and other businesses were healthy. Cost of sales increased by 1.3% to ¥16,087 million. Consequently, gross profit increased by 14.2% year on year to ¥3,158 million. SG&A expenses were down by 0.2% to ¥1,786 million. As a result, operating income up by 40.4% year on year to ¥1,371 million was recorded.

Breakdown of sales results by product category

Segment	Equivalent Period of Previous Fiscal Year (From April 1, 2016, to September 30, 2016)	Period under Review (from April 1, 2017, to September 30, 2017)	YoY Comparison
Product category	Amount (Millions of yen)	Amount (Millions of yen)	(%)
Takara Shuzo			
Shochu	28,077	27,449	97.8
Sake	8,353	8,619	103.2
Light-alcohol refreshers	15,798	17,489	110.7
Other alcoholic beverages	3,463	3,160	91.3
Alcoholic beverages total	55,692	56,719	101.8
<i>Hon Mirin</i>	6,822	6,735	98.7
Other seasonings	4,454	4,703	105.6
Seasonings total	11,276	11,439	101.4
Raw alcohol, etc.	3,460	3,814	110.2
Total	70,429	71,973	102.2
Takara Shuzo International Group			
Overseas Alcoholic Beverages Business	4,604	5,055	109.8
Japanese Food Wholesales Business in overseas markets	10,789	29,694	275.2
Other	—	21	—
Elimination of intraGroup transaction on consolidation	(256)	(949)	—
Total	15,137	33,822	223.4
Takara Bio Group	13,199	14,126	107.0
Reported segment total	98,766	119,922	121.4
Other	18,648	19,246	103.2
Segment total	117,415	139,168	118.5
Sales not allocated to business segments and intersegment transactions	(9,906)	(10,312)	—
Total	107,509	128,855	119.9

Notes: Amounts include alcohol tax but do not include consumption tax.

(2) Consolidated Financial Position

As of September 30, 2017, current assets were ¥166,870 million, a decrease of ¥7,041 million compared with that at the end of the previous fiscal year. This was primarily due to a decrease in cash and deposits of ¥17,643 million, and increases of ¥1,054 million in notes and accounts receivable – trade, ¥6,412 million in securities, and ¥1,721 million in merchandise and finished goods.

Noncurrent assets were ¥113,851 million, an increase of ¥13,394 million compared with that at the end of the previous fiscal year. This was primarily due to an increase in intangible fixed assets of ¥12,366 million.

As a result, total assets were ¥280,721 million, an increase of ¥6,353 million compared with that at the end of the previous fiscal year.

As of September 30, 2017, current liabilities were ¥54,327 million, a decrease of ¥11,178 million compared with that at the end of the previous fiscal year. This was primarily due to a decrease in the current portion of bonds of ¥10,000 million. Noncurrent liabilities were ¥58,905 million, an increase of ¥15,963 million compared with that at the end of the previous fiscal year. This was primarily due to an increase in bonds payable of ¥15,535 million.

As a result, total liabilities were ¥113,232 million, an increase of ¥4,784 million compared with that at the end of the previous fiscal year.

As of September 30, 2017, total net assets were ¥167,488 million, an increase of ¥1,568 million compared with that at the end of the previous fiscal year. This was primarily due to increases of ¥832 million in retained earnings and ¥1,482

million in valuation difference on available-for-sale securities and a decrease of ¥583 million in foreign currency translation adjustments.

As a result, the equity ratio totaled 48.8%, compared with 49.2% at the end of the previous fiscal year.

Net cash provided by operating activities in the six months ended September 30, 2017 was ¥3,169 million, an increase of ¥825 million compared with the six months ended September 30, 2016. Major factors included income before income taxes and minority interests of ¥6,313 million, depreciation and amortization of ¥3,157 million, an increase of ¥2,162 million in inventories, and income taxes paid of ¥3,485 million.

Net cash used in investing activities in the six months ended September 30, 2017 amounted to ¥17,118 million, compared with net cash provided by investing activities of ¥3,088 million in the six months ended September 30, 2016. Outflows came in the form of payments of ¥3,868 million for the purchase of property, plant and equipment and intangible assets and ¥12,396 million for the purchase of investments in subsidiaries resulting in change in scope of consolidation.

Net cash provided by financing activities in the six months ended September 30, 2017 was ¥1,931 million, compared with net cash used in financing activities of ¥2,625 million in the six months ended September 30, 2016. Major factors included proceeds from issuance of bonds of ¥14,887 million, payments for redemption of bonds of ¥10,000 million, and cash dividends of ¥2,612 million.

As a result, cash and cash equivalents as of September 30, 2017, including translation differences related to cash and cash equivalents, stood at ¥46,063 million, down ¥12,701 million from the previous fiscal year-end.

(3) Qualitative Information Regarding Consolidated Forecasts

The Group's consolidated business results in the six months ended September 30, 2017 exceeded the initial forecasts for both net sales and operating income. From the third quarter of the current fiscal year, the performance of each of the Group's businesses, and Takara Shuzo International Group in particular, is expected to remain robust. However, there will be a decline in net sales and operating income due to the transfer of shares of a subsidiary and the exclusion of the said subsidiary from the scope of consolidation. Therefore, the Group's overall business results from the third quarter of the current fiscal year are expected to be in line with initial forecasts.

In view of these circumstances, the Company has revised the full-year consolidated forecasts up from the previously published forecasts by ¥2,000 million for net sales, ¥1,300 million for operating income, and ¥1,400 million for ordinary income. In addition, net income attributable to owners of the parent has been revised up by ¥1,900 million as the Company expects to record extraordinary income related to the transfer of shares in a subsidiary.

Please refer to "Revision of Consolidated Business Results Forecast and Dividend Forecast (Increased Dividend) for the Fiscal Year Ending March 31, 2018" released on November 7, 2017 for the details.

3. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheets

(Millions of Yen)

	As of Mar. 31, 2017	As of Sept. 30, 2017
Assets		
Current assets		
Cash and deposits	58,073	40,429
Notes and accounts receivable-trade	57,951	59,005
Securities	13,237	19,650
Merchandise and finished goods	35,300	37,021
Work in process	1,244	1,517
Raw materials and supplies	3,306	3,701
Other	5,035	5,837
Allowance for doubtful accounts	(236)	(294)
Total current assets	173,912	166,870
Noncurrent assets		
Property, plant and equipment	59,174	58,414
Intangible assets		
Goodwill	6,626	13,964
Other	3,630	8,658
Total intangible assets	10,256	22,623
Investments and other assets		
Investment securities	25,583	27,632
Other	5,533	5,271
Allowance for doubtful accounts	(90)	(91)
Total investments and other assets	31,025	32,813
Total noncurrent assets	100,456	113,851
Total assets	274,368	280,721

(Millions of Yen)

	As of Mar. 31, 2017	As of Sept. 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable-trade	16,804	15,627
Short-term loans payable	9,206	9,418
Current portion of bonds	10,000	—
Accrued alcohol tax	7,593	10,387
Accrued expenses	5,562	5,395
Income taxes payable	2,468	1,472
Provision for bonuses	2,449	2,558
Other provision	2,002	1,876
Other	9,418	7,590
Total current liabilities	65,506	54,327
Noncurrent liabilities		
Bonds payable	10,000	25,535
Long-term loans payable	10,996	10,890
Net defined benefit liability	8,961	8,985
Long-term deposits received	5,342	5,328
Other	7,640	8,164
Total noncurrent liabilities	42,941	58,905
Total liabilities	108,447	113,232
Net assets		
Shareholders' equity		
Capital stock	13,226	13,226
Capital surplus	1,650	1,802
Retained earnings	119,729	120,561
Treasury stock	(9,939)	(9,939)
Total shareholders' equity	124,667	125,651
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,583	11,066
Deferred gains or losses on hedges	0	188
Foreign currency translation adjustment	1,426	842
Remeasurements of defined benefit plans	(634)	(620)
Total accumulated other comprehensive income	10,375	11,476
Noncontrolling interests	30,877	30,360
Total net assets	165,920	167,488
Total liabilities and net assets	274,368	280,721

(2) Consolidated Quarterly Statements of Income and Consolidated Quarterly Statements of Comprehensive Income**(Consolidated Statements of Income)****(For the Six Months Ended September 30, 2017 and 2016)**

(Millions of Yen)

	FY2017 (Apr. 1, 2016 – Sept. 30, 2016)	FY2018 (Apr. 1, 2017 – Sept. 30, 2017)
Net sales	107,509	128,855
Cost of sales	64,073	79,401
Gross profit	43,435	49,454
Selling, general and administrative expenses	38,228	43,326
Operating income	5,207	6,128
Non-operating income		
Dividends income	266	291
Equity in earnings of affiliates	163	—
Other	300	384
Total non-operating income	731	675
Non-operating expenses		
Interest expenses	213	325
Other	110	276
Total non-operating expenses	324	602
Ordinary income	5,614	6,200
Extraordinary income		
Gain on sales of investment securities	0	160
Other	20	13
Total extraordinary income	21	173
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	42	59
Loss on valuation of investment securities	15	—
Other	2	1
Total extraordinary losses	60	61
Income before income taxes and minority interests	5,575	6,313
Income taxes-current	2,321	2,351
Income taxes-deferred	(239)	108
Total income taxes	2,082	2,459
Net income	3,492	3,853
Net income attributable to the noncontrolling interest	315	405
Net income attributable to owners of the parent	3,177	3,447

(Consolidated Quarterly Statements of Comprehensive Income)
(For the Six Months Ended September 30, 2017 and 2016)

(Millions of Yen)

	FY2017 (Apr. 1, 2016 – Sept. 30, 2016)	FY2018 (Apr. 1, 2017 – Sept. 30, 2017)
Net income	3,492	3,853
Other comprehensive income		
Valuation difference on available-for-sale securities	516	1,482
Deferred gains or losses on hedges	(477)	191
Foreign currency translation adjustment	(9,375)	(980)
Remeasurements of defined benefit plans	(1)	25
Share of other comprehensive income of associates accounted for using equity method	(450)	—
Total other comprehensive income	(9,788)	719
Comprehensive income	(6,296)	4,572
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	(5,088)	4,549
Comprehensive income attributable to noncontrolling interest	(1,207)	23

(4) Consolidated Statements of Cash Flows

(Millions of Yen)

	FY2017 (Apr. 1, 2016 – Sep. 30, 2016)	FY2018 (Apr. 1, 2017 – Sep. 30, 2017)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	5,575	6,313
Depreciation and amortization	2,492	3,157
Interest and dividends income	(364)	(373)
Interest expenses	213	325
Decrease (increase) in notes and accounts receivable-trade	108	(838)
Decrease (increase) in inventories	(1,445)	(2,162)
Increase (decrease) in notes and accounts payable-trade	(221)	(1,380)
Increase (decrease) in liquor taxes payable	(410)	2,794
Decrease (increase) in other current assets	(778)	(1,295)
Other, net	135	42
Subtotal	5,304	6,583
Interest and dividends income received	399	393
Interest expenses paid	(212)	(322)
Income taxes paid	(3,147)	(3,485)
Net cash provided by (used in) operating activities	2,343	3,169
Net cash provided by (used in) investing activities		
Payments into time deposits	(3,777)	(6,460)
Proceeds from withdrawal of time deposits	4,263	6,014
Purchase of securities	(9,387)	(3,751)
Proceeds from sales and redemption of securities	14,765	2,474
Purchase of property, plant and equipment and intangible assets	(2,518)	(3,868)
Proceeds from sales of tangible and intangible fixed assets	198	471
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(309)	(12,396)
Other, net	(145)	397
Net cash provided by (used in) investing activities	3,088	(17,118)
Net cash provided by (used in) financing activities		
Proceeds from issuance of bonds	—	14,887
Redemption of bonds	—	(10,000)
Cash dividends paid	(2,410)	(2,612)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(181)
Other, net	(215)	(163)
Net cash provided by (used in) financing activities	(2,625)	1,931
Effect of exchange rate change on cash and cash equivalents	(2,436)	(682)
Net increase (decrease) in cash and cash equivalent	369	(12,701)
Cash and cash equivalents at beginning of period	32,536	58,765
Cash and cash equivalents at end of period	32,905	46,063

(4) Notes on Consolidated Quarterly Financial Statements

(Notes on Premise of Going Concern)

No items to report.

(Notes on Material Changes in Shareholders' Equity)

No items to report.

(Material Changes in Subsidiaries during the Six Months Ended September 30, 2017)

Due to Takara Bio Inc.'s wholly owned subsidiary Takara Bio USA Holdings Inc. acquiring shares of WaferGen Bio-systems, Inc., WaferGen Bio-systems, Inc. and its subsidiaries WaferGen BioSystems Europe S.a.r.l. and WaferGen, Inc. were included in the scope of consolidation for the three months ended June 30, 2017. However, as WaferGen Bio-systems, Inc. and WaferGen, Inc. were extinguished due to an absorption-type merger in which consolidated subsidiary Takara Bio USA, Inc. was the surviving company, and due to WaferGen Biosystems Europe S.a.r.l. being insignificant as a defunct company, these entities have been excluded from the scope of consolidation for the three months ended September 30, 2017. Note that during this period, WaferGen Bio-systems, Inc. qualified as a specified subsidiary of the Company.

In addition, due to Takara Bio USA Holdings Inc.'s purchase of shares of Rubicon Genomics, Inc., Rubicon Genomics, Inc. had been included in the scope of consolidation as a specified subsidiary for the three months ended June 30, 2017. However, as Rubicon Genomics, Inc. was extinguished due to an absorption-type merger in which consolidated subsidiary Takara Bio USA, Inc. was the surviving company for the three months ended June 30, 2017, Rubicon Genomics, Inc. has been excluded from the scope of consolidation.

As Takara Shuzo International Co., Ltd. was newly established during the six months ended September 30, 2017, it has been included in the scope of consolidation.

(Segment Information)

I. Equivalent Period of Previous Fiscal Year (From April 1, 2016, to September 30, 2016)

1. Net sales and Income (Loss) by Reported Segment

<Information for the six months ended September 30, 2016 stated based on post-change classifications>

(Millions of yen)

	Reported Segment				Other (Note: 1)	Total	Adjustment (Note: 2)	Amount recognized in consolidated quarterly statements of income (Note: 3)
	Takara Shuzo	Takara Shuzo Internation al Group	Takara Bio Group	Subtotal				
Net sales								
External customers	70,412	14,951	12,769	98,133	9,375	107,509	0	107,509
Intersegment	17	186	429	633	9,272	9,906	(9,906)	—
Total	70,429	15,137	13,199	98,766	18,648	117,415	(9,906)	107,509
Segment income (loss)	1,451	1,393	1,377	4,222	976	5,199	8	5,207

- Notes:
1. Other includes business segments that are not part of reported segments, such as the Company's real estate rental business and the transportation business of domestic Group companies among others.
 2. Details of adjustment amounts are as follows.
 - (1) Net sales to external customers are income from business contracting recorded at the Company.
 - (2) Segment income (loss) comprises intersegment eliminations of ¥30 million and income of the Company not allocated to business segments of ¥-22 million.
 3. Segment income (loss) has been adjusted to the operating income of consolidated quarterly statements of income.

2. Information on Impairment Loss on Noncurrent Assets, Goodwill, etc. by Reportable Segment

No items to report.

II. Period under Review (From April 1, 2017, to September 30, 2017)

1. Net sales and Income (Loss) by Reported Segment

(Millions of yen)

	Reported Segment				Other (Note: 1)	Total	Adjustment (Note: 2)	Amount recognized in consolidated quarterly statements of income (Note: 3)
	Takara Shuzo	Takara Shuzo Internation al Group	Takara Bio Group	Subtotal				
Net sales								
External customers	71,818	33,618	13,772	119,208	9,646	128,855	0	128,855
Intersegment	155	204	354	713	9,599	10,312	(10,312)	—
Total	71,973	33,822	14,126	119,922	19,246	139,168	(10,312)	128,855
Segment income	1,991	2,223	688	4,904	1,371	6,275	(147)	6,128

- Notes:
- Other includes business segments that are not part of reported segments, such as the Company's real estate rental business and the transportation business of domestic Group companies among others.
 - Details of adjustment amounts are as follows.
 - Net sales to external customers are income from business contracting recorded at the Company.
 - Segment income (loss) comprises intersegment eliminations of ¥16 million and income of the Company not allocated to business segments of ¥-163 million.
 - Segment income (loss) has been adjusted to the operating income of consolidated quarterly statements of income.

2. Matters concerning Changes to Reporting Segments

The meeting of the Company's Board of Directors held on February 16, 2017 resolved to spin off (incorporation-type company split) the overseas business of Takara Shuzo Co., Ltd., a consolidated subsidiary of the Company, and transfer it to the newly established Takara Shuzo International Co., Ltd. on July 3, 2017. As a result of revising its reporting segments in accordance with this, the Company changed its reporting segments to "Takara Shuzo," "Takara Shuzo International Group," and "Takara Bio Group" starting from the three months ended June 30, 2017.

The segment information for the six months ended September 30, 2016 discloses information prepared based on the post-change segments.

3. Information on Impairment Loss on Noncurrent Assets, Goodwill, etc. by Reportable Segment (Significant Changes to the Amount of Goodwill)

In the Takara Bio Group segment, goodwill was recorded due to the acquisition of shares in WaferGen Bio-systems, Inc. and Rubicon Genomics, Inc. by the Takara Bio Inc.'s wholly owned subsidiary Takara Bio USA Holdings Inc. The increase in goodwill due to this event in the six months ended September 30, 2017 was ¥7,713 million. Note that as the allocation of the acquisition cost has not been completed, this is a tentatively calculated amount.

(Significant Subsequent Events)

(Acquisition and Cancellation of Treasury Stock)

The meeting of the Company's Board of Directors held on November 7, 2017, approved the acquisition of treasury stock based on the provisions for Article 156 of the Companies Act described in Article 165 (3) of the same act and the cancellation of treasury stock based on the provision of Article 178 of the Companies Act.

1. Reasons for the acquisition and cancellation of treasury stock

In accordance with the financial policy stated in the Takara Group Medium-Term Management Plan FY2020, which is to "maintain a strong balance sheet and make growth-oriented investments while also improving our ROE and achieving proper stock price levels by providing appropriate shareholder returns," treasury stock is to be acquired and cancelled to promote the efficient use of capital in addition to raising shareholder value per share and enhancing the return of profit to shareholders.

2. Details of acquisition of treasury stock

- | | |
|--|---|
| (1) Classification of stock to be acquired | Common stock of the Company |
| (2) Number of shares to be acquired | 2.0 million shares (upper limit)
(0.99% of total number of shares issued and outstanding (excluding treasury stock)) |
| (3) Total cost of acquisition | 2.0 billion yen (upper limit) |
| (4) Period of acquisition | November 10 to December 22, 2017 |
| (5) Method of acquisition | Open market purchase through the Tokyo Stock Exchange |

3. Details of cancellation of treasury stock

- | | |
|---|---|
| (1) Classification of stock to be cancelled | Common stock of the Company |
| (2) Number of shares to be cancelled | 16.0 million shares
(7.35% of total number of shares issued and outstanding before cancellation) |
| (3) Scheduled cancellation date | December 29, 2017 |

(Sale of shares in significant subsidiaries)

At the meeting of its Board of Directors held on November 7, 2017, Takara Shuzo Co., Ltd. ("Takara Shuzo"), a consolidated subsidiary of the Company, approved the transfer of all of its shares in TAKARA CHOU UN Co., Ltd. ("TAKARA CHOU UN"), a wholly owned subsidiary of Takara Shuzo, to Aspirant Group Inc. SPC IV ("SPC") owned by AG II Investment Limited Partnership ("AG Fund II"), which is run and administered by Aspirant Group Inc. ("AG"), and concluded a share transfer agreement.

1. Reason for transfer of shares

The Takara Group is working on the three-year Takara Group Medium-Term Management Plan FY2020 from the current fiscal year and is mapping out a growth strategy with management resources concentrated on its three business segments which are Takara Shuzo (the domestic business), Takara Shuzo International Group (the overseas business), and Takara Bio Group (the biomedical business) while aiming to further enhance the efficient utilization of capital.

In 2006, Takara Butsuryu System Co., Ltd., a consolidated subsidiary of the Company, invested in TAKARA CHOU UN, which subsequently became a wholly owned subsidiary of Takara Shuzo in 2014, and it has achieved steady business earnings through logistics-related services that include transportation, storage, and construction. However, it has not produced enough business synergies with the Group's three focus business segments.

In these circumstances, it has been judged that rather than continuing the business of TAKARA CHOU UN as it stands within the Group, investing the funds obtained from the transfer of the company into the three aforementioned business segments to achieve further concentration of management resources will be more useful in enhancing the corporate value of the Group.

Therefore, AG joined negotiations after a study of stock transferees with the ability to maximize the business assets of TAKARA CHOU UN, including its advanced technical capabilities related to heavy goods transportation and installation, and to further enhance the company's corporate value, and it was ultimately decided to transfer all the shares of TAKARA CHOU UN to a special purpose company (SPC) owned by AG Fund II which AG administers and runs.

2. Name of counterparty to transfer

Aspirant Group Inc. SPC IV

3. Date of transfer

January 5, 2018 (planned)

4. Name and business of the subsidiary, and details of transactions with the Company, and its financial position and business results for the most recent fiscal year

Name	TAKARA CHOU UN Co., Ltd.
Business	Transportation, warehousing, construction, and customs brokerage
Transactions with the Company	Transactions include provision of services between the Company and the subsidiary
Financial position and business results for the most recent fiscal year	
Total assets	¥4,129 million
Net sales	¥5,581 million
Operating income	¥408 million
Net income	¥285 million

5. Number of shares to be transferred, transfer price, gain on transfer, and equity stake after transfer

Number of shares to be transferred	10,000,000 shares
Transfer price	Disclosure of the transfer price is withheld based on a duty of confidentiality under the share transfer agreement with the counterparty to the share transfer. The price has been determined through negotiations with the counterparty to the share transfer following fair process and is recognized as a fair price.
Gain on transfer	¥3.3 billion (planned)
Equity stake after transfer	-%