

**Consolidated Financial Statements for the Year Ended March 31, 2017**  
**FY2017(April 1, 2016 - March 31, 2017) [UNAUDITED]**

Company name: Takara Holdings Inc.  
 Stock exchange listing: Tokyo Stock Exchange (1st section)  
 Code Number: 2531  
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Scheduled date of general shareholders' meeting: June 29, 2017

Scheduled date of starting delivery of dividends: June 30, 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 year ended March 31, 2017 (April 1, 2016 – March 31, 2017)**

**(1) Operating results**

Note: Percentages indicated changes from the previous fiscal year.

	Year ended March 31, 2017		Year ended March 31, 2016	
	(Millions of yen)	(%)	(Millions of yen)	(%)
Net sales	234,193	3.9	225,364	2.7
Operating income	13,551	16.0	11,680	5.3
Ordinary income	14,344	11.7	12,840	8.6
Net income (loss) attributable to owners of the parent	8,480	20.2	7,055	23.6
Net income per share (Yen)	42.15		35.06	
Fully diluted net income per share (Yen)	-		-	
Return on equity		6.4		5.4
Ordinary income to total assets ratio		5.4		5.0
Operating income to net sales ratio		5.8		5.2
Note: Comprehensive income	7,784	268.7	2,111	(84.7)
Reference: Income (loss) from equity method investment	268		334	

**(2) Financial position**

	As of March 31, 2017	As of March 31, 2016
	(Millions of yen)	(Millions of yen)
Total assets	274,368	253,253
Net assets	165,920	156,148
Equity ratio (%)	49.2	51.5
Net assets per share (Yen)	671.11	647.97
Reference: Equity	135,043	130,386

**(3) Cash flow**

	Year ended March 31, 2017	Year ended March 31, 2016
	(Millions of yen)	(Millions of yen)
Cash flow from operating activities	12,826	10,373
Cash flow from investing activities	16,200	(10,864)
Cash flow from financing activities	(2,828)	(9,482)
Cash and cash equivalents, end of year	58,765	32,536

## 2. Dividends

	Dividend per share (Yen)		
	Year ended March 31, 2016	Year ended March 31, 2017	Year ending March 31, 2018(Forecast)
First quarter end	-	-	-
Second quarter end	-	-	-
Third quarter end	-	-	-
Year end	12.0	13.0	14.00
Annual	12.0	13.0	14.00
Total dividend (Millions of yen)	2,414	2,615	
Payout ratio (%)	34.2	30.8	33.1
Dividend on equity (%)	1.8	2.0	

Note: The year-end dividend for FY2016 included a commemorative dividend of ¥1.00

## 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.

	Six months ending September 30, 2017		Year ending March 31, 2018	
	(Millions of yen)	(%)	(Millions of yen)	(%)
Net sales	125,000	16.3	268,000	14.4
Operating income	4,700	(9.7)	14,000	3.3
Ordinary income	4,700	(16.3)	14,400	0.4
Net income attributable to owners of the parent	2,400	(24.5)	8,500	0.2
Net income attributable to owners of the parent per share (Yen)	11.93		42.24	

## 4. Others

- (1) Changes in subsidiaries during the period (changes in specified subsidiaries resulting in change of scope) : Yes  
Newly included: 1 (Name) Nippon Food Supplies Company Pty Ltd
- (2) Changes in accounting policies, accounting estimates and retrospective restatement
  - 1) Changes based on revisions of accounting standard : Yes
  - 2) Changes other than ones based on revisions of accounting standard : No
  - 3) Changes in accounting estimates : No
  - 4) Restatement : No
- (3) Number of outstanding shares (common stock)
  - 1) Number of outstanding shares at year end (Treasury stocks are included)
    - As of March 31, 2017 : 217,699,743
    - As of March 31, 2016 : 217,699,743
  - 2) Number of treasury stocks at year end
    - As of March 31, 2017 : 16,475,731
    - As of March 31, 2016 : 16,475,391
  - 3) Average number of outstanding shares
    - Year ended March 31, 2017 : 201,224,223
    - Year ended March 31, 2016 : 201,224,978

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## 1. Overview of Financial Results

### (1) Overview of Financial Results for the Fiscal Year under Review

In the fiscal year under review, ended March 31, 2017, although the Japanese economy maintained a moderate recovery as the hiring and income environment improved, personal spending remained weak. Looking abroad, while the U.S. and European economies have continued to expand gradually, there was continued uncertainty for the future of the global economy owing to economic slowdowns in emerging countries, primarily China, the Brexit issue in the U.K, the impact of future policies in the U.S. and other issues.

Under these economic circumstances, moving into the final fiscal year of the Takara Group Medium-Term Management Plan FY2017, which is the second step of efforts toward achieving the Takara Group Vision 2020, our long-term vision, the Group continued to make efforts to improve domestic business profitability and to expand and grow our overseas business while working on steady business activities with aim of transforming into a well-balanced business structure that can hold up well to business environment changes by accelerating growth in our Biomedical Business.

As a result, in the fiscal year under review, ended March 31, 2017, net sales were up by 3.9% year on year to ¥234,193 million. Gross profit rose 5.0 % year on year to ¥94,010 million. Operating income increased by 16.0% year on year to ¥13,551 million while ordinary income rose 11.7% year on year to ¥14,344 million. Net income attributable to owners of the parent increased by 20.2% year on year to ¥8,480 million.

Results by business segment were as follows.

#### (Takara Shuzo Group)

In Japan, a severe competitive environment is expected to continue due to the decrease in consumption of alcoholic beverages because of the population decline and aging of society, the diversification of consumer preferences and an ongoing frugal mindset. Meanwhile, there have been new opportunities including expansion of the home-meal replacement and away-from-home meals markets owing to more women entering the workplace and increases in the number of elderly or single adult households.

Overseas, it has been expected that Japanese food markets will further grow primarily owing to increasing attention to Japanese foods and a global increase in the number of Japanese restaurants.

In this environment, the Takara Shuzo Group worked mainly on improving the earning power of its business in Japan by developing high-quality products differentiated by its technology and increasing its overseas business by expanding the overseas Japanese food wholesaler network mainly in the U.S. and Europe.

The segment's sales and other information are as follows:

#### [Alcoholic beverages]

##### Shochu

For *ko*-type shochu, the Takara Shuzo Group newly launched *Takara Shochu NIPPON*, which uses 3% cherry barrel-aged shochu and domestic Japanese cherry leaves as part of its raw materials, achieving a refreshing flavor and faintly sweet fragrance reminiscent of *sakuramochi* (rice cakes filled with red bean paste and wrapped in a cherry leaf). For *Honkaku* shochu, the Takara Shuzo Group worked on revitalizing the *Ikkomon* brand, such as renewing the *Ikkomon* design to promote the quality of its use of 100% sweet potatoes and strengthen its premium impression.

Overall shochu net sales, however, decreased 2.3% year on year to ¥58,001 million, affected by the shrinking shochu market.

##### Sake

Although the domestic sake market has been in a severe state with a continuing decline in consumption, the Takara Shuzo Group continued to work on expanding sales of *Sho Chiku Bai Shirakabe-gura Mio Sparkling Sake*, which the Takara Shuzo Group has positioned as the most important strategic product and focused on. The Takara Shuzo Group also renewed the flavor of *Sho Chiku Bai Ten*, maintaining the full-bodied, refreshing dry flavor produced via a two-stage brewing process while aiming for an even dryer experience and more refreshing aftertaste.

Furthermore, in the commercial market, the Takara Shuzo Group continued to work on expanding sales of *Sho Chiku Bai Gokai*, which is a product only for sale to restaurants and bars.

As a result, overall sake net sales increased 0.3% year on year, to ¥24,822 million.

##### Light-alcohol refreshers

The Takara Shuzo Group continued to work to expand sales of dry flavored chu-hi *Takara Shochu High Ball*, positioned a flagship brand. For *Takara Can Chu-Hi*, the Takara Shuzo Group newly released *Takara Can Chu-Hi Dry*, which is characterized by the punch of 9% alcohol content, zero sugar, zero purines, zero sweeteners, and a dry flavor. The Takara Shuzo group also worked on expanding sales, such as by actively launching various flavored light-alcohol refreshers of other brands.

Consequently, overall light-alcohol refreshers net sales increased 10.7% year on year, to ¥30,796 million.

### **Other alcoholic beverages**

In Japan, Japanese-made whiskey demonstrated steady results. Overseas, Age International, Inc. (U.S.A) recorded sales increases for *Bourbon whiskey*, but sales of products such as wine and synthetic sake declined, and accordingly, net sales of other alcoholic beverages were down 0.4% year on year to ¥14,116 million.

As a result, total alcoholic beverages net sales increased 1.3% year on year, to ¥127,737 million.

### **[Seasonings]**

In addition to home-use seasonings and seasonings for use by restaurants and bars, the Takara Shuzo Group continued working to develop products, such as those based on user needs and highly functional ones differentiated by its own technology, for food processors and manufacturers of ready prepared meals, etc., sales to which have been expected to continue to grow into the future.

Sales of *Hon-Mirin* declined. As for other seasonings, driven by our salt-free, high-quality *Takara Ryori no Tame no Seishu*, sales of cooking sake continued to fare well, and food seasonings also increased due to focuses on expanding sales of soup, combined and other seasonings.

As a result, total seasonings net sales increased 1.3% year on year, to ¥24,741 million.

### **[Raw alcohol, etc.]**

The Takara Shuzo Group continued to drastically revise prices together with working to expand the sales of industrial, contracted, and other alcohol.

As a result, raw alcohol, etc. net sales increased 8.0% year on year, to ¥7,771 million.

### **[Transportation]**

The Takara Shuzo Group focused on the main transportation business and worked to win new customers. However, net sales in this business were down 12.9% year on year, to ¥10,635 million.

### **[Japanese food wholesale business in overseas markets]**

As for Japanese food wholesale business in overseas markets, the Takara Shuzo Group continued to expand its presence in food service markets including away-from-home meals markets such as Japanese restaurants, home-meal replacement markets including takeout and ready prepared meals, and retail markets including supermarkets and grocery stores, mainly in Europe. The Takara Shuzo Group also took steps such as welcoming Keta Foods, Lda (Portugal) into the Group and strengthening its partnership with Mutual Trading Co., Inc. (U.S.A) to further expand its overseas Japanese food wholesaler network.

As a result of these efforts, net sales of Japanese food wholesale business in overseas markets increased 40.0% year on year, to ¥28,933 million.

### **[Other]**

Other net sales decreased 5.8% year on year, to ¥1,352 million.

As a result, the Takara Shuzo Group's overall net sales increased 4.8% year on year to ¥201,171 million, with gross profit up 5.2% to ¥74,841 million, and SG&A expenses up 3.8% to ¥65,086 million following a rise in personnel expenses and promotion expenses, among others, resulting in operating income increased 16.0%, to ¥9,755 million.

### **(Takara Bio Group)**

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

#### **Bioindustry business**

As the Takara Bio Group's core business, the Bioindustry business mainly provides products and services that support research and development activities in biotechnology-related fields. Such activities are becoming increasingly widespread.

In the Bioindustry business, sales of research reagents and scientific instruments, its flagship products, declined in part due to the appreciation of the yen. Our contract research services business, however, increased in sales.

As a result of these above, net sales of the Bioindustry business declined 2.7% year on year, to ¥26,573 million.

#### **Gene Therapy business**

In the Gene Therapy business, the Takara Bio Group has been focusing efforts on early commercialization of gene therapy for cancer and other diseases utilizing the RetroNectin® Method, a highly efficient gene transduction technology; the RetroNectin® expansion-culture system, a highly efficient lymphocyte propagation technology; and proprietary technologies including siTCR.

In the fiscal year under review, ended March 31, 2017, ¥500 million in revenue relating to the oncolytic virus HF10 (HF10) was generated.

As a result of these above, net sales in the Gene Therapy business were ¥500 million (there were no sales in the Gene Therapy business in the previous fiscal year).

#### **AgriBio business**

Based on the concept of “food as medicine,” this business uses its unique leading-edge biotechnology to identify the scientific basis of foodstuffs. Based on this evidence, it develops, manufactures, and sells functional food ingredients. The AgriBio business focuses on rolling out gagome kombu (kelp) “Fucoidan” related products, agar-derived agaro-oligosaccharide related products, ashitaba (angelica herb) “Chalcone” related products, the herb (Peucedanum japonicum) “Isosamidin” related products, yam (Dioscorea esculenta) “Yamsgenin™” related products, and mushroom-related products.

Health foods and mushroom related product sales declined, leading to AgriBio business net sales decreasing 4.4% year on year to ¥2,301 million.

As a result, the Takara Bio Group’s overall net sales decreased 1.2% year on year, to ¥29,375 million with gross profit up 3.9% to ¥16,952 million, SG&A expenses up 0.7% to ¥13,749 million following expenses incurred in relation to share buybacks for U.S. WaferGen Bio-systems, Inc. and Rubicon Genomics, Inc., resulting in operating income increased 20.1% year on year, to ¥3,202 million.

#### **(Takara Healthcare)**

Under such conditions that the health food market was expected to expand further against the backdrop of increasing needs for better health due to population aging and a well-established system of foods with function claims, Takara Healthcare strove to expand sales in the mail-order sales business through aggressive and efficient advertising, focusing on the gagome kombu (kelp) “Fucoidan” series and the herb (Peucedanum japonicum) “Isosamidin” series.

With these actions, sales of “Isosamidin” related products increased, but those of “Fucoidan” related products remained flat from the previous fiscal year, and OEM cosmetics declined, with Takara Healthcare’s net sales decreasing 5.3% year on year, to ¥1,766 million with gross profit up 12.8% to ¥1,097 million, SG&A expenses up 19.5% to ¥1,084 million following a rise in sales promotion and administrative expenses, resulting in operating income decreasing 80.3% year on year, to ¥12 million.

#### **(Other)**

In the other segment, which comprises functional corporate groups such as a printing business, net sales increased 2.0% year on year, to ¥5,924 million with gross profit up 13.7% to ¥829 million, and SG&A expenses up 2.6% to ¥689 million resulting in operating income increasing 142.1% to ¥140 million.

Breakdown of sales results by product category

Segment	Previous Fiscal Year (From April 1, 2015 to March 31, 2016)	Fiscal Year under Review (From April 1, 2016 to March 31, 2017)	YoY Comparison
Product category	Amount (Millions of yen)	Amount (Millions of yen)	(%)
<b>Takara Shuzo Group</b>			
Shochu	59,376	58,001	97.7
Sake	24,736	24,822	100.3
Light-alcohol refreshers	27,815	30,796	110.7
Other alcoholic beverages	14,170	14,116	99.6
Alcoholic beverages total	126,097	127,737	101.3
<i>Hon Mirin</i>	15,104	14,991	99.2
Other seasonings	9,314	9,749	104.7
Seasonings total	24,419	24,741	101.3
Raw alcohol, etc.	7,197	7,771	108.0
Transportation	12,204	10,635	87.1
Japanese food wholesales business in overseas markets	20,668	28,933	140.0
Other	1,436	1,352	94.2
<b>Total</b>	<b>192,025</b>	<b>201,171</b>	<b>104.8</b>
Takara Bio Group	29,729	29,375	98.8
Takara Healthcare	1,865	1,766	94.7
Other	5,809	5,924	102.0
Sales not allocated to business segments and intersegment transactions	(4,065)	(4,044)	-
<b>Total</b>	<b>225,364</b>	<b>234,193</b>	<b>103.9</b>

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

**(2) Overview of Financial Position for the Fiscal Year under Review**

**(Assets)**

At the end of the fiscal year under review, current assets were ¥173,912 million, an increase of ¥14,839 compared with that at the end of the previous fiscal year. This was primarily due to an increase in cash and deposits of ¥19,686 million, an increase in notes and accounts receivable-trade of ¥4,546 million and an increase in merchandise and finished goods of ¥5,560 million, as well as a decline in securities of ¥15,000 million. Noncurrent assets were ¥100,456 million, an increase of ¥6,276 million compared with that at the end of the previous fiscal year. This was primarily because of an increase in property, plant and equipment of ¥6,108 million.

As a result, total assets were ¥274,368 million, an increase of ¥21,115 compared with that at the end of the previous fiscal year.

**(Liabilities)**

At the end of the fiscal year under review, current liabilities totaled ¥65,506 million, an increase of ¥17,858 compared with that at the end of the previous fiscal year. This was mainly due to increases in notes and accounts payable-trade of ¥1,603 million, short-term loans payable of ¥4,212 million, and current portion of bonds of ¥10,000 million. Noncurrent liabilities were ¥42,941 million, a decrease of ¥6,514 million compared with that at the end of the previous fiscal year. This was primarily due to a ¥10,000 million decrease resulting from the transfer of bonds to current liabilities, whereas long-term loans payable increased by ¥741 million and deferred tax liabilities by ¥1,917 million, respectively.

As a result, total liabilities were ¥108,447 million, an increase of ¥11,343 million compared with that at the end of the previous fiscal year.

**(Net Assets)**

At the end of the fiscal year under review, total net assets were ¥165,920 million, an increase of ¥9,771 million compared with that at the end of the previous fiscal year. The main factors were increases of ¥6,066 million in retained earnings, ¥2,760 million in valuation difference on available-for-sale securities and ¥5,115 million in non-controlling interests, as well as a decline of ¥4,122 million in foreign currency translation adjustment.

As a result, equity ratio totaled 49.2%, compared with 51.5% at the end of the previous fiscal year.

### **(3) Overview of Cash Flows for the Fiscal Year under Review**

Net cash provided by operating activities increased ¥2,452 million year on year, to ¥12,826 million primarily due to profit before income taxes of ¥14,520 million, depreciation and amortization of ¥5,171 million, an increase in notes and accounts receivable-trade of ¥1,334 million, an increase in inventories of ¥1,377 million and income taxes paid of ¥5,218 million.

Net cash provided by investment activities resulted in revenue of ¥16,200 million compared with an expenditure of ¥10,864 million in the previous fiscal year primarily due to payments into time deposits of ¥7,510 million, proceeds from the withdrawal of time deposits of ¥15,959, the purchase of securities of ¥10,059 million, proceeds from sales and redemption of securities of ¥22,028 million and purchase of property, plant and equipment and intangible assets of ¥5,376 million.

Net cash used in financing activities decreased by ¥6,653 million year on year primarily due to redemption of bonds of ¥5,000 million, although there were expenditures of ¥2,828 including cash dividends paid of ¥2,413 million.

As a result, cash and cash equivalents at fiscal year-end, including the effect of exchange rate change on cash and cash equivalents, stood at ¥58,765 million, up ¥26,228 million from the previous fiscal year-end.

### **(4) Future Outlook**

While the domestic economy is facing continued improvement in the employment and income environment resulting in a gradual economic recovery, it is expected that the global economy will continue to be even more uncertain due to issues such as the effects of the policies taken by the new administration in the U.S., the influence of the Brexit matter in the U.K., and economic slowdowns in emerging countries, primarily China.

In this environment, the Company initiated the Takara Group Medium-Term Management Plan FY2020 in the fiscal year ending March 31, 2018, 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 regards the outlook for results for the following fiscal year, the Group is forecasting a sales increase of 14.4% year on year to ¥268,000 million, an operating income increase of 3.3% year on year to ¥14,000 million, an ordinary income increase of 0.4% year on year to ¥14,400 million and an increase in net income attributable to owners of the parent of 0.2% year on year to ¥8,500 million.

Note that in accordance with the spinning off of the overseas business of Takara Shuzo Co., Ltd. dated July 3, 2017 and the establishment of Takara Shuzo International Co., Ltd., changes will be made to reportable segments. The Medium-Term Management Plan business strategies and outlook for the results in the coming fiscal year for each segment are as follows.

The aim for Takara Shuzo is to establish a firm position as the number one maker of Japanese alcoholic beverage in the domestic alcoholic beverage and seasonings markets by expanding sales and profit ratios in every category with a focus on sake. As concerns results for the coming fiscal year, the Takara Shuzo Group is forecasting an increase in net sales of 2.4% year on year to ¥153,000 million and an increase in operating income of 10.4% year on year to ¥5,600 million.

The aim for the Takara Shuzo International Group is to dramatically expand its scope of business by enlarging its overseas Japanese food wholesaler network, together with developing its business foundation and strengthening its position with the goal of becoming a leading company in the global Japanese alcoholic beverage and foods market. As concerns results for the coming fiscal year, the Takara Shuzo International Group is forecasting an increase in net sales of 67.8% to ¥63,000 million and an increase in operating income of 16.2% to ¥3,700 million.

The aim for the Takara Bio Group is to promote the strategies of the Bioindustry, Gene Therapy, and AgriBio business and strengthen the management bases which support these strategies to enhance its presence as a global company and manufacturer of regenerative medicine products. As concerns results for the coming fiscal year, the Takara Bio Group is forecasting an increase in net sales of 13.0% to ¥33,200 million and an increase in operating income of 3.0% to ¥3,300 million.

The above results forecast was created based on information obtainable at the time of the publication of this document and actual results may differ due to a variety of factors going forward.

## **2. Basic concept on selection of accounting standards**

Disclosure is omitted due to the lack of any significant change from the details disclosed in the Consolidated Financial Statements for the Fiscal Year Ended March 31, 2014 (disclosed on May 8, 2014).



### 3. Consolidated Financial Statements and Important Notes

#### (1) Consolidated Balance Sheets

(Millions of Yen)

	As of Mar. 31, 2016	As of Mar. 31, 2017
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	38,386	58,073
Notes and accounts receivable-trade	46,845	51,392
Electronically recorded monetary claims-operating	6,756	6,558
Securities	28,238	13,237
Merchandise and finished goods	29,739	35,300
Work in process	1,077	1,244
Raw materials and supplies	3,401	3,306
Deferred tax assets	2,070	2,112
Other	2,788	2,922
Allowance for doubtful accounts	(231)	(236)
<b>Total current assets</b>	<b>159,073</b>	<b>173,912</b>
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	48,903	53,980
Accumulated depreciation	(31,168)	(33,028)
Buildings and structures, net	17,735	20,952
Machinery, equipment and vehicles	82,182	82,563
Accumulated depreciation	(69,627)	(70,247)
Machinery, equipment and vehicles, net	12,554	12,315
Land	18,118	20,089
Lease assets	1,483	2,056
Accumulated depreciation	(619)	(959)
Lease assets, net	863	1,096
Construction in progress	104	262
Other	12,812	14,609
Accumulated depreciation	(9,125)	(10,152)
Other, net	3,687	4,457
<b>Total property, plant and equipment</b>	<b>53,065</b>	<b>59,174</b>
<b>Intangible assets</b>		
Goodwill	6,975	6,626
Other	4,035	3,630
<b>Total intangible assets</b>	<b>11,010</b>	<b>10,256</b>
<b>Investments and other assets</b>		
Investment securities	24,747	25,583
Net defined benefit asset	874	896
Deferred tax assets	1,683	1,496
Other	2,910	3,140
Allowance for doubtful accounts	(112)	(90)
<b>Total investments and other assets</b>	<b>30,103</b>	<b>31,025</b>
<b>Total noncurrent assets</b>	<b>94,179</b>	<b>100,456</b>
<b>Total assets</b>	<b>253,253</b>	<b>274,368</b>

(Millions of Yen)

	As of Mar. 31, 2016	As of Mar. 31, 2017
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	15,201	16,804
Short-term loans payable	4,994	9,206
Current portion of bonds	—	10,000
Accrued alcohol tax	7,855	7,593
Accrued expenses	4,965	5,562
Income taxes payable	2,307	2,468
Provision for bonuses	2,235	2,449
Other provision	1,870	1,899
Other	8,217	9,521
<b>Total current liabilities</b>	<b>47,648</b>	<b>65,506</b>
<b>Noncurrent liabilities</b>		
Bonds payable	20,000	10,000
Long-term loans payable	10,255	10,996
Deferred tax liabilities	3,647	5,564
Net defined benefit liability	8,544	8,961
Long-term deposits received	5,379	5,342
Other	1,630	2,075
<b>Total noncurrent liabilities</b>	<b>49,456</b>	<b>42,941</b>
<b>Total liabilities</b>	<b>97,104</b>	<b>108,447</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	13,226	13,226
Capital surplus	1,879	1,650
Retained earnings	113,663	119,729
Treasury stock	(9,938)	(9,939)
<b>Total shareholders' equity</b>	<b>118,830</b>	<b>124,667</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	6,822	9,583
Deferred gains or losses on hedges	(445)	0
Foreign currency translation adjustment	5,548	1,426
Remeasurements of defined benefit plans	(370)	(634)
<b>Total accumulated other comprehensive income</b>	<b>11,555</b>	<b>10,375</b>
<b>Noncontrolling interests</b>	<b>25,762</b>	<b>30,877</b>
<b>Total net assets</b>	<b>156,148</b>	<b>165,920</b>
<b>Total liabilities and net assets</b>	<b>253,253</b>	<b>274,368</b>

**(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income****(Consolidated Statements of Income)**

	(Millions of Yen)	
	FY2016 (Apr. 1, 2015 – Mar. 31, 2016)	FY2017 (Apr. 1, 2016 – Mar. 31, 2017)
Net sales	225,364	234,193
Cost of sales	135,868	140,182
Gross profit	89,495	94,010
Selling, general and administrative expenses	77,815	80,458
Operating income	11,680	13,551
Non-operating income		
Interest income	301	193
Dividends income	446	465
Share of profit of entities accounted for using equity method	334	268
Subsidy income	471	288
Other	277	320
Total non-operating income	1,830	1,537
Non-operating expenses		
Interest expenses	447	481
Exchange loss	50	76
Other	172	186
Total non-operating expenses	671	744
Ordinary income	12,840	14,344
Extraordinary income		
Gain on step acquisitions	—	878
Gain on sales of noncurrent assets	21	206
Reversal of provision for loss on business liquidation	48	—
Other	283	41
Total extraordinary income	353	1,126
Extraordinary loss		
Impairment loss	281	667
Loss on sales and retirement of noncurrent assets	311	264
Other	51	18
Total extraordinary losses	644	950
Income before income taxes and minority interests	12,548	14,520
Income taxes-current	4,839	5,208
Income taxes-deferred	(60)	74
Total income taxes	4,778	5,283
Net income	7,769	9,236
Net income attributable to the noncontrolling interest	713	755
Net income attributable to owners of the parent	7,055	8,480

**(Consolidated Statements of Comprehensive Income)**

(Millions of Yen)

	FY2016 (Apr. 1, 2015 – Mar. 31, 2016)	FY2017 (Apr. 1, 2016 – Mar. 31, 2017)
Net income	7,769	9,236
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,276)	2,760
Deferred gains or losses on hedges	(1,010)	446
Foreign currency translation adjustment	(2,300)	(4,310)
Remeasurements of defined benefit plans	(74)	(348)
Share of other comprehensive income of associates accounted for using equity method	4	—
Total other comprehensive income	(5,657)	(1,451)
Comprehensive income	2,111	7,784
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	1,820	7,300
Comprehensive income attributable to noncontrolling interest	291	483

**(3) Consolidated Statements of Change in Net Assets**  
**FY2016 (Apr. 1, 2015 – Mar. 31, 2016)**

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	13,226	3,196	108,647	(9,937)	115,132
Changes of items during the period					
Dividends from surplus			(2,012)		(2,012)
Net income			7,055		7,055
Purchase of treasury stock				(1)	(1)
Disposal of treasury stock		0		0	0
Purchase of shares of consolidated subsidiaries		(1,316)			(1,316)
Change of scope of consolidation			(27)		(27)
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	(1,316)	5,016	(1)	3,698
Balance at the end of current period	13,226	1,879	113,663	(9,938)	118,830

	Accumulated other comprehensive income					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	9,098	558	7,431	(297)	16,791	26,481	158,404
Changes of items during the period							
Dividends from surplus							(2,012)
Net income							7,055
Purchase of treasury stock							(1)
Disposal of treasury stock							0
Purchase of shares of consolidated subsidiaries							(1,316)
Change of scope of consolidation							(27)
Net changes of items other than shareholders' equity	(2,276)	(1,003)	(1,882)	(72)	(5,235)	(718)	(5,954)
Total changes of items during the period	(2,276)	(1,003)	(1,882)	(72)	(5,235)	(718)	(2,255)
Balance at the end of current period	6,822	(445)	5,548	(370)	11,555	25,762	156,148

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	13,226	1,879	113,663	(9,938)	118,830
Changes of items during the period					
Dividends from surplus			(2,414)		(2,414)
Net income			8,480		8,480
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		0		0	0
Purchase of shares of consolidated subsidiaries		(229)			(229)
Change of scope of consolidation					
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	(229)	6,066	(0)	5,836
Balance at the end of current period	13,226	1,650	119,729	(9,939)	124,667

	Accumulated other comprehensive income					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	6,822	(445)	5,548	(370)	11,555	25,762	156,148
Changes of items during the period							
Dividends from surplus							(2,414)
Net income							8,480
Purchase of treasury stock							(0)
Disposal of treasury stock							0
Purchase of shares of consolidated subsidiaries							(229)
Change of scope of consolidation							
Net changes of items other than shareholders' equity	2,760	445	(4,122)	(264)	(1,179)	5,115	3,935
Total changes of items during the period	2,760	445	(4,122)	(264)	(1,179)	5,115	9,771
Balance at the end of current period	9,583	0	1,426	(634)	10,375	30,877	165,920

#### (4) Consolidated Statements of Cash Flows

(Millions of Yen)

	FY2016 (Apr. 1, 2015 – Mar. 31, 2016)	FY2017 (Apr. 1, 2016 – Mar. 31, 2017)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	12,548	14,520
Depreciation and amortization	5,179	5,171
Impairment loss	281	667
Increase (decrease) in net defined benefit liability	140	419
Interest and dividends income	(747)	(659)
Interest expenses	447	481
Gain (loss) on step acquisitions	—	(878)
Decrease (increase) in notes and accounts receivable-trade	688	(1,334)
Decrease (increase) in inventories	(2,171)	(1,377)
Increase (decrease) in notes and accounts payable-trade	(239)	208
Increase (decrease) in liquor taxes payable	244	(261)
Increase (decrease) in accrued consumption taxes	(1,747)	478
Other, net	95	387
Subtotal	14,721	17,823
Interest and dividends income received	773	697
Interest expenses paid	(456)	(475)
Income taxes paid	(4,664)	(5,218)
Net cash provided by (used in) operating activities	10,373	12,826
Net cash provided by (used in) investing activities		
Payments into time deposits	(16,813)	(7,510)
Proceeds from withdrawal of time deposits	19,717	15,959
Purchase of securities	(13,112)	(10,059)
Proceeds from sales and redemption of securities	6,225	22,028
Purchase of property, plant and equipment and intangible assets	(5,743)	(5,376)
Purchase of securities	(60)	(11)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(1,327)
Proceeds from acquisition in subsidiaries resulting in change in scope of consolidation	—	2,070
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	(51)	—
Other, net	(1,026)	426
Net cash provided by (used in) investing activities	(10,864)	16,200
Net cash provided by (used in) financing activities		
Redemption of bonds	(5,000)	—
Cash dividends paid	(2,014)	(2,413)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(2,022)	—
Other, net	(445)	(415)
Net cash provided by (used in) financing activities	(9,482)	(2,828)
Effect of exchange rate change on cash and cash equivalents	(240)	31
Net increase (decrease) in cash and cash equivalent	(10,212)	26,228
Cash and cash equivalents at beginning of period	42,749	32,536
Cash and cash equivalents at end of period	32,536	58,765

**(5) Notes to Consolidated Financial Statements**  
**(Notes on Premise of Going Concern)**

No items to report.

**(Changes in Accounting Policies)**

(Application of Practical Solution on a change in depreciation method due to Tax Reform 2016)

In the fiscal year under review, ended March 31, 2017, certain consolidated subsidiaries applied the Practical Solution on a change in depreciation method due to Tax Reform 2016 (PITF No. 32, June 17, 2016) following the revision of the Corporation Tax Act, and changed the method of depreciation for structures and facilities attached to buildings acquired on and after April 1, 2016 from the declining-balance method to the straight-line method.

The impact of this change on operating income, ordinary income, and profit before income taxes and minority interests for the fiscal year under review, ended March 31, 2017, is immaterial.

**(Additional information)**

(Application of Revised Implementation Guidance on Recoverability of Deferred Tax Assets)

The Company has been applying the Revised Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26 of March 28, 2016) from the beginning of the fiscal year under review, ended March 31, 2017.

**(Changes to Reporting Segments)**

In accordance with the spinning off of the overseas business of Takara Shuzo Co., Ltd. on July 3, 2017 and the establishment of Takara Shuzo International Co., Ltd., the three reporting segments of the Takara Shuzo Group, Takara Bio Group, and Takara Healthcare reported in the fiscal year under review, ended March 31, 2017, will be changed to the Takara Shuzo, Takara Shuzo International Group, and Takara Bio Group reporting segments in the fiscal year ending March 31, 2018.

Information concerning the sales, income and losses, assets, and other items for each reporting segment in the fiscal year under review, ended March 31, 2017 when converted to the post-change segments is as follows.

Fiscal Year under Review (From April 1, 2016, to March 31, 2017)

(Millions of yen)

	Reported Segment				Other (Note: 1)	Total	Adjustment (Note: 2)	Amount recognized in consolidated financial statements (Note: 3)
	Takara Shuzo Group	Takara Shuzo International	Takara Bio Group	Subtotal				
Net sales								
External customers	149,408	37,278	28,529	215,216	18,976	234,193	0	234,193
Intersegment	44	262	845	1,152	20,041	21,193	(21,193)	-
Total	149,452	37,540	29,375	216,369	39,017	255,386	(21,193)	234,193
Segment income	5,071	3,182	3,202	11,456	2,167	13,624	(72)	13,551
Segment assets	90,931	64,759	67,143	222,834	23,061	245,895	28,472	274,368
Other items								
Depreciation and amortization	2,196	623	1,722	4,542	437	4,979	191	5,171
Amortization of goodwill	-	424	162	586	-	586	-	586
Investment in equity-method affiliates	-	-	-	-	-	-	1,407	1,407
Increase in total fixed assets, property, plant and equipment and intangible assets	2,188	763	1,648	4,600	666	5,267	1,391	6,658

- Notes:
- Other includes business segments that are not part of reported segments, such as the transportation business and other domestic Japanese Group companies and the Company's real estate leasing.
  - Details of adjustment amounts are as follows.
    - Net sales to external customers are income from contracting recognized by the Company.
    - Segment income comprises intersegment eliminations of ¥(61) million and losses of the Company not allocated to business segments of ¥(11) million.
    - Segment assets include assets of the Company not allocated to business segments of ¥47,963 million and other adjustment (principally eliminations) of ¥(19,490) million. Assets attributed to the Company include surplus funds and long-term investment assets.
    - Depreciation and amortization comprises depreciation and amortization recognized by the Company.
    - Investment in equity-method affiliates comprises investments in equity-method affiliates not allocated to business segments.
    - Increase in total fixed assets, property, plant and equipment and intangible assets comprises increases recognized by the Company.
  - Segment income has been adjusted to the operating income of consolidated financial statements.



## (Segment Information)

### 1. Overview of Reported Segments

Reporting segments are the segments of the Takara Group for which financial information can be obtained. The Board of Directors, top organization for decision making on Group management, examines such information to determine the allocation of management resources and evaluate the business performance on a regular basis.

The Group consists of the two corporate groups centered on the operating companies, Takara Shuzo Co., Ltd. and Takara Bio Inc., both of which were formed when the Company became a holding company; the Health food business, which is managed by Takara Healthcare Inc.; other businesses; and the Company, which manages the whole group as the holding company. All operating companies develop comprehensive business strategies, covering both domestic and overseas operations, for the products and services that they offer, and work to expand their business operations.

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

The Takara Shuzo Group primarily engages in the manufacture and sale of alcoholic beverages and seasonings, as well as Japanese food wholesale businesses overseas. The Takara Bio Group engages in the manufacture and sale of products such as research reagents, scientific instruments, and mushrooms, as well as contract research services. Takara Healthcare engages in the sale of products such as health foods.

### 2. Calculation method for net sales, income or loss, assets, liabilities, and other items of each reported segment

The accounting treatment of reported business segments is generally the same as that explained in “Basis of Presentation of Consolidated Financial Statements.”

The figures for the income of reported segments are based on operating income. Intersegment income is based on the prevailing market price.

### 3. Net sales, Income (Loss), Assets and Other items by Reported Segment

Previous Fiscal Year (From April 1, 2015, to March 31, 2016)

(Millions of yen)

	Reported Segment				Other (Note: 1)	Total	Adjustment (Note: 2)	Amount recognized in consolidated financial statements (Note: 3)
	Takara Shuzo Group	Takara Bio Group	Takara Healthcare	Subtotal				
Net sales								
External customers	191,736	28,818	1,863	222,419	2,484	224,903	461	225,364
Intersegment	288	910	1	1,200	3,325	4,526	(4,526)	-
Total	192,025	29,729	1,865	223,620	5,809	229,429	(4,065)	225,364
Segment income	8,410	2,667	64	11,142	58	11,200	480	11,680
Segment assets	150,773	66,591	712	218,077	5,685	223,762	29,490	253,253
Other items								
Depreciation and amortization	3,252	1,687	3	4,944	59	5,004	175	5,179
Amortization of goodwill	357	181	-	538	-	538	-	538
Investment in equity-method affiliates	3,052	-	-	3,052	-	3,052	1,322	4,375
Increase in total fixed assets, property, plant and equipment and intangible assets	2,919	2,090	5	5,015	368	5,383	620	6,003

- Notes:
- Other includes business segments that are not part of reported segments, such as the printing business and other subsidiaries.
  - Details of adjustment amounts are as follows.
    - Net sales to external customers are income from real estate rent recognized by the Company.
    - Segment income includes eliminations of ¥16 million and income of the Company not allocated to business segments of ¥464 million.
    - Segment assets include assets of the Company not allocated to business segments of ¥44,432 million and other adjustment (principally eliminations) of ¥(14,941) million. Assets attributed to the Company include surplus funds and long-term investment assets.
    - Depreciation and amortization comprises depreciation and amortization recognized by the Company.
    - Investment in equity-method affiliates comprises investments in equity-method affiliates not allocated to business segments.
    - Increase in total fixed assets, property, plant and equipment and intangible assets comprises increases recognized by the Company.
  - Segment income has been adjusted to the operating income of consolidated financial statements.

Fiscal Year under Review (From April 1, 2016, to March 31, 2017)

(Millions of yen)

	Reported Segment				Other (Note: 1)	Total	Adjustment (Note: 2)	Amount recognized in consolidated financial statements (Note: 3)
	Takara Shuzo Group	Takara Bio Group	Takara Healthcare	Subtotal				
Net sales								
External customers	200,951	28,529	1,764	231,246	2,484	233,731	462	234,193
Intersegment	219	845	1	1,067	3,439	4,507	(4,507)	-
Total	201,171	29,375	1,766	232,313	5,924	238,238	(4,044)	234,193
Segment income (loss)	9,755	3,202	12	12,970	140	13,111	440	13,551
Segment assets	166,697	67,143	715	234,556	5,848	240,405	33,963	274,368
Other items								
Depreciation and amortization	3,191	1,722	4	4,919	59	4,978	192	5,171
Amortization of goodwill	424	162	-	586	-	586	-	586
Investment in equity- method affiliates	-	-	-	-	-	-	1,407	1,407
Increase in total fixed assets, property, plant and equipment and intangible assets	3,269	1,648	12	4,930	333	5,264	1,394	6,658

- Notes:
1. Other includes business segments that are not part of reported segments, such as the printing business and other subsidiaries.
  2. Details of adjustment amounts are as follows.
    - (1) Net sales to external customers are income from real estate rent recognized by the Company.
    - (2) Segment income includes eliminations of ¥62 million and income of the Company not allocated to business segments of ¥377 million.
    - (3) Segment assets include assets of the Company not allocated to business segments of ¥49,681 million and other adjustment (principally eliminations) of ¥(15,718) million. Assets attributed to the Company include surplus funds and long-term investment assets
    - (4) Depreciation and amortization comprises depreciation and amortization recognized by the Company.
    - (5) Investment in equity-method affiliates comprises investments in equity-method affiliates not allocated to business segments.
    - (6) Increase in total fixed assets, property, plant and equipment and intangible assets comprises increases recognized by the Company.
  3. Segment income has been adjusted to the operating income of consolidated financial statements.

**(Per Share Information)**

	Previous Fiscal Year (From April 1, 2015, to March 31, 2016)	Fiscal Year under Review (From April 1, 2016, to March 31, 2017)
Net assets per share	¥647.97	¥671.11
Profit per share	¥35.06	¥42.15

- Notes: 1. Fully diluted profit per share is not presented since there were no potential shares.  
2. The basis of calculation of net assets per share is as follows.

	Previous Fiscal Year (As of March 31, 2016)	Fiscal Year under Review (As of March 31, 2017)
Total net assets (¥ million)	156,148	165,920
Amount deducted from total net assets (¥ million) (of which minority interests) (¥ million)	25,762 (25,762)	30,877 (30,877)
Net assets at term-end related to shares of common stock (¥ million)	130,386	135,043
Shares of common stock at term-end used to calculate net assets per share (1,000 shares)	201,224	201,224

3. The basis of calculation of net income per share and fully diluted net income per share is as follows.

	Previous Fiscal Year (From April 1, 2015, to March 31, 2016)	Fiscal Year under Review (From April 1, 2016, to March 31, 2017)
Net income attributable to owners of the parent (¥ million)	7,055	8,480
Amount not belonging to common shareholders (¥ million)	-	-
Net income related to shares of common stock (¥ million)	7,055	8,480
Average number of shares outstanding during the term (1,000 shares)	201,224	201,224

**(Significant Subsequent Events)**

(Issuance of unsecured bonds)

Based on the decision of the Board of Directors' meeting held March 21, 2017, the Company issued the following unsecured bonds.

The net proceeds are scheduled to fund redemption of bonds and working capital loans for subsidiaries.

	14th series of unsecured bonds (With inter-bond pari passu clause)	15th series of unsecured bonds (With inter-bond pari passu clause)	16th series of unsecured bonds (With inter-bond pari passu clause)
1. Total amount of issue	¥5.0 billion	¥5.0 billion	¥5.0 billion
2. Issue price	100% of the principal amount	100% of the principal amount	100% of the principal amount
3. Closing date	April 25, 2017	April 25, 2017	April 25, 2017
4. Maturity date	April 25, 2022	April 25, 2024	April 23, 2027
5. Coupon rate	0.100% per year	0.220% per year	0.315% per year

(Business combinations due to acquisitions)

(Acquisition of WaferGen Bio-systems, Inc.)

The Company's consolidated subsidiary Takara Bio Inc. concluded a merger agreement at the Board of Directors' meeting held on May 13, 2016 pursuant to which its wholly owned subsidiary Takara Bio USA Holdings Inc. ("TBUSH") will acquire the shares of WaferGen Bio-systems, Inc. ("WaferGen") and make it a subsidiary. On the same day, Japan time, TBUSH concluded this agreement with WaferGen. Furthermore, acquisition procedures were concluded per this agreement on February 28, 2017 (U.S. time).

(1) Outline of business combination

1) Name of the acquired company, name of the counterparty to the share acquisition, business contents and scale

Name of acquired company	WaferGen Bio-systems, Inc.	
Name of the counterparty to the share acquisition	Affiliates of Sabby Management, LLC and other shareholders	
Business	Manufacture and sale of research reagents and equipment	
Operating performance and financial position of the company for the fiscal year ended December 31, 2016	Capital:	123,716 thousand U.S. dollars
	Net assets:	49 thousand U.S. dollars
	Total assets:	10,980 thousand U.S. dollars
	Net sales:	10,733 thousand U.S. dollars
	Operating income:	(16,304) thousand U.S. dollars

2) Primary reasons for business combination

The Takara Bio Group provides research reagents, scientific instruments and contract research services for bio researchers. Particularly as regards Clontech brand products, focus has been placed on the development of reagent kits for next generation sequences out to widespread use in recent years, and reagent kits have been developed which use proprietary smart technology to specifically and efficiently amplify genes from extremely minute samples of RNA. Furthermore, recently the Takara Bio Group has also worked to develop reaction systems optimized for use with automatic analyzers with an eye towards use in the clinical domain.

Meanwhile, WaferGen offers equipment for analyzing single cells and reagent kits, as well as its proprietary qPCR minute multispecimen equipment to biotechnology companies, drug manufacturers, and clinical laboratories.

Strong synergistic effects are anticipated from the combination of single cell analysis and other WaferGen technologies with Takara Bio Group's molecular biology technology, including not only increased sales through equipment selling but also greater sales of reagent kits for single cell analysis among others.

3) Date of business combination

February 28, 2017 (U.S. time)

4) Legal form of business combination

Share acquisition

5) Name after business combination

WaferGen Bio-systems, Inc.

Note that the company is scheduled to be absorbed into Takara Bio USA, Inc., a wholly owned subsidiary of TBUSH, as of May 31, 2017 (U.S. time).

6) Percentage of voting rights acquired

100%

7) Primary basis for determining acquiring company

Cash acquisition of shares

(2) Cost of acquisition of company acquired and itemization of each type of compensation

Compensation Cash 35,908 thousand U.S. dollars

Cost of acquisition 35,908 thousand U.S. dollars

- (3) Number of shares acquired and percentage of ownership after acquisition of shares
- 1) Number of shares owned before acquisition  
0 shares
  - 2) Number of shares acquired  
Common stock: 3,798,112 shares (number of voting rights: 3,798,112)
  - 3) Number of shares owned after acquisition of common stock  
Common stock: 3,798,112 shares (number of voting rights: 3,798,112, ownership ratio of voting rights: 100%)
- (4) Fund procurement and payment methods  
The acquisition will be fully funded with Takara Bio Group's own funds.
- (5) Contents and amounts of main acquisition costs  
Advisory remuneration and handling charges, etc.: 3,682 thousand U.S. dollars
- (6) Goodwill incurred, reason for the goodwill, and method and period of amortization  
Yet to be determined as of the present time.
- (7) Assets acquired and liabilities assumed on the date of business combination and major itemization of the same  
Yet to be determined as of the present time.

(Acquisition of Rubicon Genomics, Inc.)

The Company's consolidated subsidiary Takara Bio Inc. made the decision at the Board of Directors' meeting held on December 15, 2016 pursuant to which TBUSH will acquire the shares of Rubicon Genomics, Inc. ("Rubicon") and make it a subsidiary. TBUSH acquired the relevant shares on January 17, 2017 (U.S. time).

(1) Outline of business combination

- 1) Name of the acquired company, name of the counterparty to the share acquisition, business contents and scale

Name of acquired company	Rubicon Genomics, Inc.		
Name of the counterparty to the share acquisition	Management and other shareholders of the company acquired		
Business	Manufacture and sale of research reagents and equipment		
Operating performance and financial position of the company for the fiscal year ended December 31, 2016	Capital:	13,249 thousand U.S.	dollars
	Net assets:	1,397 thousand U.S.	dollars
	Total assets:	4,940 thousand U.S.	dollars
	Net sales:	12,554 thousand U.S.	dollars
	Operating income:	2,127 thousand U.S.	dollars

2) Primary reasons for business combination

Takara Bio Group has been focused on the development of next generation sequencing (NGS) reagent kits, which are used in a variety of fields ranging from basic research through industrial applications. By welcoming Rubicon into Takara Bio Group, Rubicon's sample preparation technologies for ultra-low input DNA sequencing analysis complement Takara Bio Group's sample preparation technologies for ultra-low input RNA sequencing analysis, allowing Takara Bio Group to provide a broader range of products and services in the area of ultra-low input nucleic acid analysis. Furthermore, with the addition of preparation systems (instruments) for NGS of WaferGen, Takara Bio Group will expand its products and services lineup across a wide range of area from basic research through industrial applications.

3) Date of business combination

January 17, 2017 (U.S. time)

4) Legal form of business combination

Share acquisition

5) Name after business combination

Rubicon Genomics, Inc.

Note that the company has been absorbed into Takara Bio USA, Inc., a wholly owned subsidiary of TBUSH, as of March 31, 2017 (U.S. time).

6) Percentage of voting rights acquired

100%

7) Primary basis for determining acquiring company

Cash acquisition of shares

(2) Cost of acquisition of company acquired and itemization of each type of compensation

Compensation	Cash	75,000 thousand U.S. dollars
Cost of acquisition		75,000 thousand U.S. dollars

(3) Number of shares acquired and percentage of ownership after acquisition of shares

1) Number of shares owned before acquisition

0 shares

2) Number of shares to be acquired

Common stock: 23,006,790 shares (number of voting rights: 23,006,790)

3) Number of shares owned after acquisition of common stock

Common stock: 23,006,790 shares (number of voting rights: 23,006,790, ownership ratio of voting rights: 100%)

(4) Fund procurement and payment methods

The acquisition will be fully funded with Takara Bio Group's own funds.

(5) Contents and amounts of main acquisition costs

Advisory remuneration and handling charges, etc.: 2,867 thousand U.S. dollars

(6) Goodwill incurred, reason for the goodwill, and method and period of amortization

Yet to be determined as of the present time.

(7) Assets acquired and liabilities assumed on the date of business combination and major itemization of the same

Yet to be determined as of the present time.