

## Consolidated Financial Statements for the First Quarter Ended June 30, 2014 FY2015 (April 1, 2014 - March 31, 2015) [UNAUDITED]

Company name: Takara Holdings Inc.  
 Stock exchange listings: Tokyo Stock Exchange (1st section)  
 Code number: 2531  
 URL: <http://www.takara.co.jp/>  
 Company representative: Toshio Kakimoto, President  
 Contact: Takuya Kakemi, General Manager of Financial & Investor Relations Dept.  
 TEL: (075)241-5124  
 Quarterly statement filing date (as planned): August 8, 2014

- 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 three months ended June 30, 2014 (April 1, 2014 - June 30, 2014)

#### (1) Operating results

Note: Percentages indicated changes from the previous fiscal year.

	Three months ended June 30, 2014		Three months ended June 30, 2013	
	(Millions of yen)	(%)	(Millions of yen)	(%)
Net sales	50,025	6.5	46,953	(0.8)
Operating income (loss)	1,182	-	(241)	-
Ordinary income	1,486	-	20	(98.2)
Net income (loss)	811	-	(86)	-
Net income (loss) per share (Yen)	4.03		(0.43)	
Fully diluted net income per share (Yen)	-		-	
Note: Comprehensive income	149	(93.7)	2,364	120.5

#### (2) Financial position

	As of June 30, 2014	As of March 31, 2014
	(Millions of yen)	(Millions of yen)
Total assets	233,915	238,577
Net assets	144,714	146,422
Equity ratio (%)	51.3	50.9
(Reference) Equity	119,989	121,431

### 2. Dividends

	Dividend per share (Yen)		
	Year ended March 31, 2014	Year ending March 31, 2015	Year ending March 31, 2015 (Forecast)
First quarter end	-	-	-
Second quarter end	-	-	-
Third quarter end	-	-	-
Year end	11.00		9.00
Annual	11.00		9.00

Note: Correction of dividend forecast from the most recent dividend forecast : No

### 3. Forecast for the year ending March 31, 2015 (April 1, 2014 - March 31, 2015)

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

	Six months ending September 30, 2014		Year ending March 31, 2015	
	(Millions of yen)	(%)	(Millions of yen)	(%)
Net sales	101,000	3.5	218,000	4.0
Operating income	2,570	7.3	9,800	3.3
Ordinary income	2,570	0.2	10,000	0.9
Net income	1,250	(81.1)	5,300	(48.4)
Net income per share (Yen)	6.21		26.34	

Note: Correction of financial forecast from the most recent financial forecast : No

#### 4. Others

- (1) Material changes in subsidiaries during this period  
(Changes in scope of consolidations resulting from change in subsidiaries) : No
- (2) Applying of specific accounting of the consolidated quarterly financial statements : No
- (3) 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 : Yes
  - 3) Changes in accounting estimates : Yes
  - 4) Restatement : No
- (4) Number of outstanding shares (common stock)
  - 1) Number of outstanding shares at year end (Treasury stocks are included)
    - As of June 30, 2014 : 217,699,743
    - As of March 31, 2014 : 217,699,743
  - 2) Number of treasury stocks at year end
    - As of June 30, 2014 : 16,473,135
    - As of March 31, 2014 : 16,466,424
  - 3) Average number of outstanding shares
    - Three months ended June 30, 2014 : 201,230,699
    - Three months ended June 30, 2013 : 202,862,913

Contents of the attached document

1. Qualitative Information for the Three Months Ended June 30, 2014 -----	2
(1) Consolidated Financial Results -----	2
(2) Consolidated Financial Position -----	3
(3) Qualitative Information Regarding Consolidated Forecasts -----	3
2. Summary Information (Notes)-----	4
Change in Accounting Policies and Changes and Retrospective Restatement of Accounting Estimates----	4
3. Consolidated Quarterly Financial Statements -----	5
(1) Consolidated Quarterly Balance Sheets -----	5
(2) Consolidated Quarterly Statements of Income and Consolidated Quarterly Statements of Comprehensive Income (For the Three Months Ended June 30, 2013 and 2012) -----	7
Consolidated Quarterly Statements of Income (For the Three Months Ended June 30, 2013 and 2012) ---	7
Consolidated Quarterly Statements of Comprehensive Income (For the Three Months Ended June 30, 2013 and 2012) -----	8
(3) Notes on Consolidated Quarterly Financial Statements -----	9
(Notes on Premise of Going Concern) -----	9
(Notes on Material Changes in Shareholders' Equity) -----	9
(Segment Information) -----	9
○ Supplement for the Consolidated Quarterly Financial Statements	

## 1. Qualitative Information for the Three Months Ended June 30, 2013

### (1) Consolidated Financial Results

In the three months ended June 30, 2014, the Japanese economy experienced a moderate recovery as the reaction to the last-minute demand accompanying the increase in the rate of the consumption tax gradually eased off.

In this environment, we endeavored to further improve corporate value in accordance with the three-year Takara Group Medium-Term Management Plan FY2017 under which our basic policy is that “To achieve the Takara Group Vision 2020 (our long-term vision), we will improve domestic business profitability and expand our overseas business, while at the same time building a well-balanced business structure that can hold up well to business environment changes by accelerating the growth of our Biomedical business.”

In the domestic alcoholic beverages business, the Group focused its resources on developing original new products and cultivating brands in response to diversifying customer preferences. In the seasonings and raw alcohol business, the Group made concerted efforts to increase sales by proposing differentiated products that meet customer needs.

In the overseas alcoholic beverages business and Japanese food wholesales business in overseas markets, the Group worked to accelerate business expansion by spreading Japanese food culture across the globe

In the Biomedical business, management resources were focused on three areas – the Genetic engineering research business, the Gene therapy business, and the AgriBio business – in pursuit of improved performance.

In the three months ended June 30, 2014, net sales were up 6.5% year on year to ¥50,025 million due to the inclusion of sales from subsidiaries that were newly consolidated during the previous fiscal year and an increase in sales at overseas subsidiaries due to the depreciation in the value of the yen. Gross profit also rose 9.3% year on year to ¥18,994 million in tandem with the increase in net sales.

Selling, general and administrative (SG&A) expenses were up 1.1% year on year to ¥17,811 million. Consequently, operating income improved considerably to ¥1,182 million from an operating loss of ¥241 million recorded in the three months ended June 30, 2013. In regard to non-operating income and expenses, dividends income and equity in earnings of affiliates increased. Thus, ordinary income also rose dramatically to ¥1,486 million from ¥20 million recorded in the three months ended June 2013.

In regard to extraordinary income and loss, despite recording loss on sale and retirement of noncurrent assets, income before income taxes and minority interests increased considerably year on year to ¥1,411 million, and net income of ¥811 million was recorded compared with a net loss of ¥86 million recorded in the three months ended June 2013.

Results by business segment were as follows.

#### [Takara Shuzo Group]

In the three months ended June 2014, overall sales of alcoholic beverages rose slightly as sales of light-alcoholic refreshers were lower while sales of sparkling sake higher driven by strong sales of sparkling sake *Sho-Chiku-Bai Shirakabe-gura Mio*. For seasonings, in addition to a decline in sales of mirin in a reaction to last-minute demand in advance of the increase in the rate of consumption tax, sales of products such as raw alcohol and distribution also declined.

Meanwhile, total net sales for the Takara Shuzo Group increased 5.7% year on year to ¥44,370 million because sales in the Japanese food wholesale business in overseas markets rose substantially with the inclusion of sales at TAZAKI FOODS LTD. (UK) and COMINPORT DISTORIBUCIÓN S.L. (Spain), which were consolidated during the previous fiscal year.

Cost of sales was up 5.1% year on year to ¥28,623 million accompanying the increase in net sales. Gross profit was also up 6.9% to ¥15,746 million. SG&A expenses only increased 0.3% year on year to ¥14,916 million because advertising expenses fell despite increases in personnel expenses and management expenses. Accordingly, the Takara Shuzo Group recorded operating income of ¥830 million compared with an operating loss of ¥134 million recorded in the three months ended June 2013.

#### [Takara Bio Group]

Net sales increased 14.6% to ¥4,779 million as sales of the mainstay research reagents exceeded those of the same quarter of the previous fiscal year, due in part to the effect of the depreciation in the value of the yen. Cost of sales was up 2.4% to ¥2,024 million due to a lower cost of sales ratio arising from differences between the cost of sales ratios of individual products. Consequently, gross profit increased 25.6% to ¥2,754 million. Higher personnel expenses and other factors led to an increase of 5.4% in SG&A expenses at ¥2,689 million. However, the Takara Bio Group recorded operating income of ¥65 million compared with an operating loss of ¥358 million recorded in the three months ended June 2013.

#### [Takara Healthcare]

Net sales increased substantially by 31.6% year on year to ¥385 million due to strong sales of its mainstay fucoidan-related products and isosamidin-related products. Gross profit increased in conjunction with sales, and, as SG&A expenses declined year on year, Takara Healthcare recorded an operating profit of ¥9 million compared with an operating loss of ¥39 million recorded in the three months ended June 2013.

#### [Other]

Net sales of business segments other than the reported segments decreased 4.1% year on year, to ¥1,594 million, and operating income was down 77.7%, to ¥6 million.

### Breakdown of sales results by product category

Segment	Equivalent Period of Previous Fiscal Year (From April 1, 2013, to June 30, 2013)	Period under Review (from April 1, 2014, to June 30, 2014)	YoY Comparison
Product category	Amount (Millions of yen)	Amount (Millions of yen)	(%)
<b>Takara Shuzo Group</b>			
Shochu	16,484	16,609	100.8
Sake	3,910	4,238	108.4
Light-alcohol refreshers	6,903	6,403	92.8
Other alcoholic beverages	2,962	3,239	109.4
Alcoholic beverages total	30,261	30,491	100.8
<i>Hon Mirin</i>	3,330	3,097	93.0
Other seasonings	1,952	2,014	103.2
Seasonings total	5,282	5,111	96.8
Raw alcohol, etc.	1,670	1,588	95.1
Transportation	2,811	2,731	97.1
Japanese food wholesales business in overseas markets	1,544	4,032	261.0
Other	407	415	101.8
<b>Total</b>	<b>41,978</b>	<b>44,370</b>	<b>105.7</b>
Takara Bio Group	4,170	4,779	114.6
Takara Healthcare	292	385	131.6
Other	1,663	1,594	95.9
Sales not allocated to business segments and intersegment transactions	(1,151)	(1,104)	-
<b>Total</b>	<b>46,953</b>	<b>50,025</b>	<b>106.5</b>

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

### (2) Consolidated Financial Position

Total assets stood at ¥233,915 million as of June 30, 2014, down ¥4,661 million from March 31, 2014, the end of the previous fiscal year. This was due to a ¥6,298 million decline in current assets due to such factors as a decrease in securities for the management of surplus funds, which offset a ¥1,637 million increase in total noncurrent assets as a result of a rise in investment securities due to an increase in the market prices of listed stocks and other items. The decrease in securities was primarily the result of expenditure for the payment of income taxes.

Total liabilities amounted to ¥89,201 million as of June 30, 2014, down ¥2,953 million from March 31, 2014, because of the decrease of ¥4,838 million in total non-current liabilities outweighed the ¥1,884 million increase in total current liabilities that was the result of factors including the transfer of current portion of bonds and decrease in income taxes payable.

Total net assets were ¥144,714 million as of June 30, 2014, down ¥1,708 million from March 31, 2014 mainly due to a decrease in retained earnings because of dividend payments.

### (3) Qualitative Information Regarding Consolidated Forecasts

In the three months ended June 30, 2014, net sales and operating income slightly exceeded initial forecasts. Nevertheless, the Company has not revised the consolidated forecasts for the six months ending September 30, 2014 or for the fiscal year ending March 31, 2015 that were released on May 8, 2014 because the proportion of the Group's annual income accounted for by income in the first quarter of the fiscal year is relatively low, the fact that future trends in consumption and exchange rates are uncertain, and other factors.

## 2. Summary Information (Notes)

### Change in Accounting Policy and Retrospective Restatement of Accounting Estimates

(Change in Accounting Policy)

(Application of Accounting Standard for Retirement Benefits)

The Company adopted the provisions in the main text of paragraph 35 of the Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (“ASBJ”) Statement No. 26, May 17, 2012) and the main text of paragraph 67 of the Application Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012) from the first quarter of this fiscal year, revising the method of calculating retirement benefit obligations and service expenses, modifying the method of attributing expected benefit to periods from the straight-line basis to the benefit formula basis as well as changing the discount rate from one based on the average remaining service years of its employees to a single weighted average discount rate reflecting the expected timing and amount of benefit payments.

In accordance with the transitional measures provided for in paragraph 37 of the Accounting Standard for Retirement Benefits for the application of the Accounting Standard for Retirement Benefits and its Guidance, the effect of the change in the method of calculation of retirement benefit obligations and service costs has been added to or deducted from retained earnings as of the beginning of first quarter of this fiscal year (the quarter ended June 30, 2014).

As a result, at the beginning of the first quarter of this fiscal year, net defined benefit liabilities fell ¥313 million while other investments and other assets increased by ¥359 million, retained earnings increased by ¥414 million and minority interests increased by ¥16 million. The impact on consolidated operating income, ordinary income and net income before taxes in the three months ended June 30, 2014 was immaterial.

(Change in Accounting Policy that is Difficult to Distinguish from Change in Accounting Estimates)

(Change in Method of Depreciation for Property, Plant and Equipment)

Consolidated subsidiary Takara Bio Inc. previously applied declining balance depreciation to property, plant and equipment but switched to straight-line depreciation from the three months ended June 30, 2014.

Takara Bio reconsidered its method of depreciation and determined that this change from declining balance to straight-line depreciation is reasonable in view of the fact that the stable utilization of property, plant and equipment in research and development and production activities is anticipated because it has been 12 years since the company was established and facilities that include the Center for Gene and Cell Processing will be in operation from this fiscal year.

The impact of this change on consolidated operating income, ordinary income and net income before taxes in the three months ended June 30, 2014 is an increase of ¥15 million respectively.

**3. Consolidated Quarterly Financial Statements**  
**(1) Consolidated Quarterly Balance Sheets**

(Millions of Yen)

	As of Mar. 31, 2014	As of Jun. 30, 2014
<b>Assets</b>		
Current assets		
Cash and deposits	41,015	38,381
Notes and accounts receivable-trade	51,901	50,392
Securities	21,534	18,013
Merchandise and finished goods	26,729	27,331
Work in process	908	1,039
Raw materials and supplies	3,351	3,210
Other	5,254	6,034
Allowance for doubtful accounts	(143)	(150)
Total current assets	150,551	144,252
Noncurrent assets		
Property, plant and equipment	47,976	48,727
Intangible assets		
Goodwill	7,539	7,260
Other	4,123	4,076
Total intangible assets	11,662	11,336
Investments and other assets		
Investment securities	23,532	24,600
Other	5,077	5,231
Allowance for doubtful accounts	(223)	(232)
Total investments and other assets	28,386	29,599
Total noncurrent assets	88,025	89,662
Total assets	238,577	233,915
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	14,416	14,209
Short-term loans payable	5,914	5,801
Current portion of bonds	-	5,000
Accrued alcohol tax	8,376	7,579
Accrued expenses	4,480	3,763
Income taxes payable	5,621	679
Provision for bonuses	2,081	3,218
Other provision	1,817	1,893
Other	5,953	8,402
Total current liabilities	48,663	50,548
Noncurrent liabilities		
Bonds payable	25,000	20,000
Long-term loans payable	310	301
Net defined benefit liability	6,943	6,663
Long-term deposits received	5,591	5,647
Other	5,644	6,041
Total noncurrent liabilities	43,491	38,653
Total liabilities	92,154	89,201

(Millions of Yen)

	As of Mar. 31, 2014	As of Jun. 30, 2014
Net assets		
Shareholders' equity		
Capital stock	13,226	13,226
Capital surplus	3,196	3,196
Securities	104,739	103,753
Merchandise and finished goods	(9,931)	(9,936)
Total noncurrent assets	111,230	110,238
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,941	6,578
Deferred gains or losses on hedges	279	186
Foreign currency translation adjustment	2,894	1,945
Remeasurements of defined benefit plans	1,085	1,039
Total accumulated other comprehensive income	10,200	9,750
Minority interests	24,991	24,724
Total net assets	146,422	144,714
Total liabilities and net assets	238,577	233,915



**(2) Consolidated Quarterly Statements of Income and Consolidated Quarterly Statements of Comprehensive Income  
(Consolidated Quarterly Statements of Income)  
(For the Three Months Ended June 30, 2014 and 2013)**

(Millions of Yen)

	FY2014 1Q (Apr. 1, 2013 – Jun. 30, 2013)	FY2015 1Q (Apr. 1, 2014 – Jun. 30, 2014)
Net sales	46,953	50,025
Cost of sales	29,570	31,031
Gross profit	17,382	18,994
Selling, general and administrative expenses	17,624	17,811
Operating income(loss)	(241)	1,182
Non-operating income		
Dividends income	186	221
Share of profit of entities accounted for using equity method	69	102
Other	144	147
Total non-operating income	400	470
Non-operating expenses		
Interest expenses	114	121
Other	23	46
Total non-operating expenses	138	167
Ordinary income	20	1,486
Extraordinary income		
Gain on sales of noncurrent assets	0	4
Gain on change in equity	29	-
Other	2	-
Total extraordinary income	33	4
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	19	37
Directors' retirement benefits	24	34
Other	0	7
Total extraordinary losses	44	79
Income before income taxes and minority interests	9	1,411
Income taxes-current	684	920
Income taxes-deferred	(540)	(395)
Total income taxes	144	524
Net income (loss) before minority interests	(134)	886
Minority interests in income (loss)	(47)	75
Net income (loss)	(86)	811

**(Consolidated Quarterly Statements of Comprehensive Income)**  
**(For the Three Months Ended June 30, 2014 and 2013)**

(Millions of Yen)

	FY2014 1Q (Apr. 1, 2013 – Jun. 30, 2013)	FY2015 1Q (Apr. 1, 2014 – Jun. 30, 2014)
Net income (loss) before minority interests	(134)	886
Other comprehensive income		
Valuation difference on available-for-sale securities	486	637
Deferred gains or losses on hedges	112	(94)
Foreign currency translation adjustment	1,781	(1,181)
Remeasurements of defined benefit plans	-	(46)
Share of other comprehensive income of associates accounted for using equity method	117	(51)
Total other comprehensive income	2,498	(737)
Comprehensive income	2,364	149
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	1,995	361
Comprehensive income attributable to minority interests	368	(212)

**(3) 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.

**(Segment Information)**

I. Equivalent Period of Previous Fiscal Year (From April 1, 2013, to June 30, 2013)

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 Group	Takara Bio Group	Takara Healthcare	Subtotal				
Net sales								
External customers	41,892	4,092	292	46,277	570	46,847	105	46,953
Intersegment	85	77	0	164	1,093	1,257	(1,257)	-
Total	41,978	4,170	292	46,441	1,663	48,104	(1,151)	46,953
Segment income (loss)	(134)	(358)	(39)	(532)	31	(501)	259	(241)

- 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 (loss) comprises intersegment eliminations of ¥71 million and income of the Company not allocated to business segments of ¥187 million.
  - 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, 2014, to June 30, 2014)

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 Group	Takara Bio Group	Takara Healthcare	Subtotal				
Net sales								
External customers	44,287	4,635	385	49,308	605	49,913	111	50,025
Intersegment	82	143	0	226	989	1,216	(1,216)	-
Total	44,370	4,779	385	49,535	1,594	51,129	(1,104)	50,025
Segment income	830	65	9	905	6	912	270	1,182

- 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 comprises intersegment eliminations of ¥65 million and income of the Company not allocated to business segments of ¥205 million.
  - Segment income has been adjusted to the operating loss of consolidated quarterly statements of income.

2. Matters concerning Changes to Reporting Segments

(Change in Method of Depreciation for Property, Plant and Equipment)

Consolidated subsidiary Takara Bio Inc. previously applied declining balance depreciation to property, plant and equipment but switched to straight-line depreciation from the three months ended June 30, 2014.

With this change, segment income for the Takara Bio Group for the three months ended June 30, 2014 increased ¥15 million compared with the previous method of depreciation.

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

No items to report.