The original disclosure in Japanese was released on May 8, 2014 at 16:00 (GMT+9).

Consolidated Financial Statements for the Year Ended March 31, 2014
FY2014 (April 1, 2013 - March 31, 2014) [UNAUDITED]

Company name:	Takara Holdings Inc.
Stock exchange listing:	Tokyo Stock Exchange (1st section) and Osaka 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
Scheduled date of general shareholders' meeting:	June 27, 2014
Scheduled date of starting delivery of dividends:	June 30, 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 year ended March 31, 2014 (April 1, 2013 – March 31, 2014)

(1) Operating results

Note: Percentages indicated changes from the previous fiscal year.

	Year ended March 31, 2014		Year ended March 31, 2013	
	(Millions of yen)	(%)	(Millions of yen)	(%)
Net sales	209,568	4.3	200,989	1.2
Operating income	9,490	3.9	9,133	(1.4)
Ordinary income	9,909	6.6	9,296	(3.3)
Net income	10,280	119.3	4,687	17.3
Net income per share (Yen)	50.83		23.01	
Fully diluted net income per share (Yen)	50.81		22.99	
Return on equity		9.3		4.8
Ordinary income to total assets ratio		4.4		4.6
Operating income to net sales ratio		4.5		4.5
Note: Comprehensive income	25,851	154.5	10,158	183.9
Reference: Income (loss) from equity method investment	125		96	

(2) Financial position

	As of March 31, 2014	As of March 31, 2013
	(Millions of yen)	(Millions of yen)
Total assets	238,577	207,586
Net assets	146,422	114,318
Equity ratio (%)	50.9	48.2
Net assets per share (Yen)	603.44	493.14
Reference: Equity	121,431	100,040

(3) Cash flow

	Year ended March 31, 2014	Year ended March 31, 2013
	(Millions of yen)	(Millions of yen)
Cash flow from operating activities	7,233	7,967
Cash flow from investing activities	(12,254)	(3,672)
Cash flow from financing activities	2,562	1,229
Cash and cash equivalents, end of year	34,608	35,287

2. Dividends

	Dividend per share (Yen)		
	Year ended March 31, 2013	Year ended March 31, 2014	Year ending March 31, 2015 (Forecast)
First quarter end	-	-	-
Second quarter end	-	-	-
Third quarter end	-	-	-
Year end	9.00	11.0	9.00
Annual	9.00	11.0	9.00
Total dividend (Millions of yen)	1,825	2,213	
Payout ratio (%)	39.1	21.6	34.2
Dividend on equity (%)	1.9	2.0	

Note: The year-end dividend for FY2014 included a special dividend of ¥2.00

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	

4. Others

(1) Important changes in subsidiaries : No

(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, 2014 : 217,699,743

As of March 31, 2013 : 217,699,743

2) Number of treasury stocks at year end

As of March 31, 2014 : 16,466,424

As of March 31, 2013 : 14,833,716

3) Average number of outstanding shares

Year ended March 31, 2014 : 202,263,788

Year ended March 31, 2013 : 203,697,868

(Reference) Non-consolidated financial review

1. Results for the year ended March 31, 2014 (April 1, 2013 – March 31, 2014)

(1) Operating results

Note: Percentages indicated changes from the previous fiscal year.

	Year ended March 31, 2014		Year ended March 31, 2013	
	(Millions of yen)	(%)	(Millions of yen)	(%)
Net sales	3,631	(9.8)	4,025	13.1
Operating income	2,516	(12.8)	2,887	17.5
Ordinary income	2,424	(11.0)	2,723	2.9
Net income	8,654	229.2	2,629	50.2
Net income per share (Yen)	42.79		12.89	
Fully diluted net income per share (Yen)	-		-	

(2) Financial position

	As of March 31, 2014	As of March 31, 2013
	(Millions of yen)	(Millions of yen)
Total assets	121,649	117,144
Net assets	82,055	75,417
Equity ratio (%)	67.5	64.4
Net assets per share (Yen)	407.76	371.76
(Reference) Equity	82,055	75,417

Contents of the attached document

1. Analysis of Financial Results and Financial Position

(1) Analysis of Financial Results

1) Financial Results for the Fiscal Year under Review

In the fiscal year under review, ended March 31, 2014, the Takara Group's financial results fared well overall thanks to a modest recovery in the Japanese economy due to the financial and economic policies of the government and the Bank of Japan. Nevertheless, fears of a deceleration of emerging economies and the effects of lower consumption in response to the hike in consumption tax in Japan obscured the operating environment going forward.

In this environment, the Group, in this the final fiscal year of the Takara Group Medium-Term Management Plan FY2014, which has as its basic policy the aim to realize the Takara Group Vision 2020 and achieve stable growth in Japan while expanding its business base in order to grow significantly overseas, strived to further increase Group corporate value by building a business structure that is balanced and resilient towards change.

Due to such efforts, consolidated net sales attained an all-time high of ¥209,568 million, an increase of 4.3% year on year.

Gross profit increased 3.6% year on year to ¥80,121 million thanks to an increase in net sales, despite a slight hike in the overall ratio of cost of sales to net sales at Takara Shuzo Co., Ltd., attributable to high raw material prices due in part to yen depreciation as well as an increase in the sales of our Japanese Food Wholesale business, which has a relatively high ratio of cost of sales to net sales, among other factors.

In selling, general and administrative (SG&A) expenses, despite our efforts to implement thorough cost cutting measures to respond to the harsh operating environment, personnel expenses, transportation expenses and R&D expenses and others increased. As a result, SG&A expenses rose 3.5% year on year to ¥70,631 million, with operating income increasing 3.9% year on year to ¥9,490 million.

In regard to non-operating income and expenses, despite higher stock issuance expenses due to a capital increase through public offering by Takara Bio Inc., thanks to foreign exchange losses turning into gains and the elimination of bond issuance cost, among other factors, ordinary income rose 6.6% to ¥9,909 million.

In regard to extraordinary income and loss, because extraordinary income significantly increased such as from the sale of stocks of subsidiaries and affiliates due to the partial sale of Takara Bio Inc. shares, the Group donated the site of the demolished Shirakawa Plant to Shirakawa City as earthquake recovery support, among other initiatives that resulted in extraordinary losses such as a fixed assets transferred loss, however, income before income taxes and minority interests increased 101.4% year on year to ¥18,642 million, with net income up substantially 119.3% to ¥10,280 million.

Results by business segment were as follows.

(Takara Shuzo Group)

Competition in the Group's mainstay alcoholic beverages and foods business has continued to intensify due to the decline of the drinker population, changes in consumer preferences, and the reorganization of the secondary market following the recent deregulations. Also, as positive effects from the economic recovery are limited with respect to personal consumption, consumers are increasingly trending toward lower priced items making it difficult to shift cost increases such as raw material expenses and personnel expenses to product selling prices thus resulting in an exceptionally severe operating environment. Moreover, the unabated depreciation of the Japanese yen is expected to result in further increases in the price of imported raw materials.

In this environment, the Group focused on providing consumers with safe and high-quality products, and worked to nurture its brands with a rich product lineup and a range of high-quality products differentiated through solid technological superiority.

The Group will continue advancing product development ventures from a customer-based perspective to propose new drinking customs through the provision of new products backed by innovative technologies.

The following is a breakdown of the business segment's sales by product.

[Alcoholic beverages]

Shochu

Sales of *Honkaku* shochu decreased overall due in part to lower sales of *honkaku* shuchu labels despite favorable results from the new *Ikkomon* 100% sweet-potatobased shochu products and *Ikkomon Aka* 100% red-potato-based shochu.

In *ko*-type shochu, new-type shochu labels, such as *Jun* and *JAPAN*, continued to record sales declines with other *ko*-type shochu beverages decreasing substantially, except the valiant Gokujo Takara Shochu. Accordingly, overall sales of *ko*-type shochu decreased significantly.

As a result, overall shochu sales decreased 6.6% year on year, to ¥65,977 million

Sake

Consumption in the domestic sake market continues to decline with each coming year, but Takara Shuzo is diligently undertaking new initiatives with the aim of reviving interest in sake. Among them, sparkling sake *Sho-Chiku-Bai Shirakabe-gura Mio*, which earned recognition since its launch as a sake that offers a new experience with its faintly sour and slightly sweet taste and refreshing bubbly texture, demonstrated exponential sales growth thanks to an expansion of sales channels in September of last year. Meanwhile, *Sho-Chiku-Bai Ten* decreased in sales despite the popularity of easy to the store and dispose “eco-pouch.”

In addition, *Sho-Chiku-Bai Gokai*, only for sale to restaurants and bars, was in great demand increasing sales of Takara Shuzo’s sake products for the third consecutive year.

Meanwhile, overseas subsidiary Takara Sake USA Inc. (US) saw steady sales growth thanks in part to effects from yen depreciation.

As a result, overall sake sales increased 8.2% year on year, to ¥23,513 million.

Light-alcohol refreshers

In March 2013, we introduced into our lineup of light-alcohol refreshers the new liqueur *Carina*. Developed using proprietary technologies, this liqueur features a jelly-like texture the likes of which have never been felt before.

In dry-type *chu-hi* products, *Takara Shochu High Ball*, which is popular for its dry and rich texture, continued its impressive sales streak from the previous fiscal year. The substantial increase in sales of this product drove up overall sales of light-alcohol refreshers.

In addition, *Surioroshi*, newly launched in March of previous fiscal year with its thick pulpy fruit juice taste, saw steady sales growth, but sales of *Original Dry Takara Can Chu-Hi* and *Jika-Shibori chu-hi,* in which the juice of fresh fruits is squeezed directly, decreased.

As a result of these factors, light-alcohol refreshers sales increased 3.9% year on year, to ¥26,772 million thanks to contributions from new products and favorable *Shuchu High Ball* results.

Other alcoholic beverages

In Japan, wines imported by Luc Corporation, Ltd. demonstrated steady results. Overseas, meanwhile, Age International, Inc. (US) recorded sales increases for bourbon whiskey and The Tomatin Distillery Co., Ltd. (UK) likewise recorded higher sales for Scotch whiskey. Accordingly, sales of other alcoholic beverages were up 13.9%, to ¥12,583 million.

As a result, total alcoholic beverages sales decreased 0.3% year on year, to ¥128,846 million.

[Seasonings]

Takara Shuzo, in addition to home-use seasonings and seasonings for use by restaurants and bars, has proactively addressed demand from food processors and manufacturers of ready-prepared meals, a business that is expected to continue to grow into the future.

In home-use seasonings, we worked to differentiate our products from salted cooking sake with our salt-free *Ryori-no-Tame-no Seishu* and expanded our easy to store and dispose *eco pouch* in tandem with *Takara Hon Mirin Junryo*. For food processors and manufacturers of ready-prepared meals, we launched *Oniku Yawaraka Jozu koji* seasonings and others from the perspectives of such users and developed products that attempt at responding to user issues. As a result, sales of cooking sake and food seasonings were favorable with *mirin* also surpassing last year’s results, resulting in an increase in sales of seasonings.

Overseas, results in the United States were positive while those in China increased after a conversion to a yen basis, thanks to its depreciation.

As a result, total seasonings sales increased 5.1% year on year, to ¥23,532 million.

[Raw alcohol, etc.]

The price of crude alcohol, a raw material, continued to gallop forcing us to implement painful pricing measures and aggressive sales strategies as well as conduct persistent price revisions. However, sales of raw alcohol, etc. decreased 0.3% year on year, to ¥6,899 million due to lower industrial alcohol consumption.

[Transportation]

Net sales in the transportation business were up 1.8%, to ¥12,384 million, due to increased external sales and the results of our proactive efforts to spread operations into related business areas, despite a significant decrease in our construction business.

[Other]

In the other category, a 68.8% increase in sales, to ¥10,644 million, was recorded due to sales from the Japanese Food Wholesale business newly added sales of Tazaki Foods Limited (UK), which became a consolidated subsidiary in September of last year, as well as a substantial increase in the sales of Foodex S.A.S. (France) partially attributable to the effects of the weak yen.

Due to the abovementioned factors, total net sales of the Takara Shuzo Group increased 3.0% year on year, to ¥182,306 million on the heels of positive *sake* sales and an increase in the Japanese Food Wholesale business, among others, notwithstanding lower sales of mainstay *shochu*. In regard to profit, due to higher costs of sales ratios following rises in raw material prices, cost of sales was up 3.8%, to ¥116,619 million, and gross profit increased 1.7%, to ¥65,686 million. SG&A expenses were up 2.0%, to ¥59,357 million, due to higher personnel and transportation expenses despite lower advertising expenses. As a result of these factors, operating income was slightly down 0.9%, to ¥6,329 million.

(Takara Bio Group)

Utilizing biotechnology developed over many years, the Takara Bio Group concentrated management resources on three areas: the genetic engineering research business, the gene medicine business, and the agribio business, and worked to improve business results

Genetic engineering research business

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

Looking at individual product categories, sales of mainstay research regents were up year on year in part due to the impacts of the weak yen. Sales of scientific instruments also increased on the heels of higher mass spectrometry system sales. Moreover, sales in the contract research services business, among others, increased year on year.

As a result, the sales of the business increased 18.5% year on year, to ¥20,140 million.

Gene medicine business

In this business, recent rapid progress in cell biology is shortening the distance between basic research and clinical application, and practical applications of regenerative medicine are advancing rapidly. Against this backdrop, the gene medicine business sells cell culture media and gas-permeable bags and also provides technical support services to medical institutions conducting cancer immunotherapy. In addition, the business is focusing efforts on early commercialization of gene therapy and cell therapy for cancer and AIDS utilizing the RetroNectin® Method, a highly efficient gene transduction technology; the RetroNectin® expansion-culture system, a highly efficient lymphocyte propagation technology; and such proprietary technologies as MazF ribonuclease.

Sales of this business increased 22.7% year on year, to ¥1,522 million, as a result of favorable sales of cell culture media and gas-permeable bags.

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 that have traditionally been part of the Japanese diet. 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, the herb (Peucedanum japonicum) "Isosamidin" related products, Ashitaba (angelica herb) "Chalcone" related products, Agar "Agaro-oligosaccharide" related products, and mushroom-related products.

Despite higher sales of health foods compared to the previous year, because mushroom-related products saw a decrease in sales, sales in this business declined 3.6%, to ¥2,242 million.

Due to the abovementioned factors, net sales for the Takara Bio Group increased 16.2% year on year, to ¥23,905 million. Cost of sales was up 18.8%, to ¥11,331 million, as a result of higher net sales, and gross profit grew 14.1%, to ¥12,574 million. SG&A expenses increased 13.8%, to ¥10,619 million, following a rise in personnel expenses and R&D expenses resulting in operating income increasing 15.5%, to ¥1,954 million.

(Takara Healthcare)

With building a mail-order sales network for health foods utilizing the technology of Takara Bio Inc. as its highest-priority task, Takara Healthcare is working to increase sales and formulate a business foundation that will ensure exponential growth going forward. In the fiscal year under review, sales in the health care business centered on fucoidan-related products increased, but the end of the tea beverages PB supply business adversely impacted sales, and net sales were down 29.1%, to ¥1,424 million. Gross profit was down 3.2%, to ¥749 million, due to lower sales, regardless of a significantly improved ratio of cost of sales, attributable to a higher percentage of sales from the high-margin health care business resulting from the end of the tea beverages PB supply business.

SG&A expenses were down 8.6%, to ¥728 million, due to our efforts to reduce various expenditures. As a result, the very first operating income since the company's establishment was posted at ¥21 million. This gain represents a ¥43 million improvement compared to the previous fiscal year.

(Other)

The Other segment comprises other subsidiaries, including a printing business. Net sales increased 2.1% year on year, to ¥7,598 million, while operating income increased 53.9% year on year, to ¥310 million.

Breakdown of sales results by product category

Segment		Previous Fiscal Year (From April 1, 2012 to March 31, 2013)	Fiscal Year under Review (From April 1, 2013 to March 31, 2014)	YoY Comparison
	Product category	Amount (Millions of yen)	Amount (Millions of yen)	(%)
Takara Shuzo Group				
	Shochu	70,630	65,977	93.4
	Sake	21,737	23,513	108.2
	Light-alcohol refreshers	25,757	26,772	103.9
	Other alcoholic beverages	11,047	12,583	113.9
	Alcoholic beverages total	129,172	128,846	99.7
	Hon Mirin	14,553	14,886	102.3
	Other seasonings	7,830	8,645	110.4
	Seasonings total	22,383	23,532	105.1
	Raw alcohol, etc.	6,922	6,899	99.7
	Transportation	12,162	12,384	101.8
	Other	6,306	10,644	168.8
	Total	176,946	182,306	103.0
Takara Bio Group		20,564	23,905	116.2
Takara Healthcare		2,008	1,424	70.9
Other		7,443	7,598	102.1
Sales not allocated to business segments and intersegment transactions		(5,974)	(5,667)	-
Total		**200,989**	**209,568**	**104.3**

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

2) Outlook for the Coming Fiscal Year

The Takara Shuzo Group's earnings are expected to be adversely impacted by increasingly intense sales competition and high prices for imported raw material prices stemming from yen depreciation. Under these circumstances, the group will work to develop and nurture differentiated brands, aiming to win the support of consumers; improve the profitability of the domestic alcoholic beverages business; and establish operational structures that are balanced from all perspectives, even in regard to overseas businesses.

The core company of this segment, Takara Shuzo Co., Ltd., is anticipated to achieve increased sake revenues for the fourth consecutive year due to the contributions of differentiated products such as sparkling sake *Shirakabe-gura Mio* and *Sho-Chiku-Bai Ten eco-pouch*. Revenues from light-alcohol refreshers, a category in which *Takara Shochu High Ball* continues to perform well, are also expected to be higher as a result of the acquisition of demand from light alcohol beverage users in new innovative products such as Carina. Accordingly, overall sales for the segment are expected to increase 3.9% year on year, to ¥189,500 million. In regard to income, Takara Shuzo will mitigate rising raw material prices through ongoing cost reduction efforts. Combined with the increased income of new overseas consolidated subsidiaries following yen depreciation, these efforts are expected to lead to an increase in gross profit. Operating income is forecasted to increase 7.4%, to ¥6,800 million, despite increased SG&A expenses, specifically attributable to higher personnel expenses and promotion expenses, which will be incurred in response to intensified competition.

The Takara Bio Group is expected to record a year-on-year increase in net sales of 5.4%, to ¥25,200 million, due to increased sales of research regents and contract research. The increase in net sales is anticipated to result in a subsequent increase in gross profit. Operating income is projected to increase slightly by 2.3%, to ¥2,000 million, as SG&A expenses are expected to rise primarily centered on R&D expenses.

The net sales of Takara Healthcare are expected to experience an increase of 10.9%, to ¥1,580 million. This will be due to the acceleration of the mail-order sales business centered on the *Gagome kombu* (kelp) *fucoidan* series. In terms of income, although SG&A expenses will rise due to efforts to bolster advertising, the company is expected to absorb these and render ¥30 million in operating income.

As a result, consolidated net sales, which include net sales from the Other segment, are forecasted to increase 4.0%, to ¥218,000 million, and operating income will likely increase 3.3%, to ¥9,800 million.

Ordinary income, meanwhile, will be relatively unchanged from this fiscal year, rising 0.9%, to ¥10,000 million, however, in extraordinary income and loss, gain on sales of stocks of subsidiaries and affiliates generated in this fiscal year will be eliminated, and net income is expected to decrease 48.4% year on year, to ¥5,300 million.

3) Progress under the Medium-Term Management Plan

The medium-term management plan has set numerical targets of achieving consolidated net sales of over ¥200,000 million, consolidated operating income of over ¥10,000 million, and overseas sales that account for over 10% of total net sales in the fiscal year ending March 31, 2014. While the Group's operating environment is growing increasingly harsh, we still managed to successfully meet our goal for consolidated net sales, recording consolidated net sales of ¥209,500 million, thanks in part to the addition of sales of new consolidated subsidiaries. Conversely, consolidated operating income has fallen slightly below the level we had planned. This is due partially to a rise in imported raw material prices attributable to the influence of the weak yen. Moreover, we attained our goals of a 10% or higher overseas sales ratio and a combined growth business and developing business net sales ratio of 25% or higher.

(2) Analysis of Financial Position

1) Assets, Liabilities, and Net Assets

Total assets at fiscal year-end stood at ¥238,577 million, up ¥30,990 million from the previous fiscal year-end. This included total current assets of ¥150,551 million, up ¥17,266 million from the previous fiscal year-end. Major factors included an increase in cash and deposits following the public stock offering and an increase in securities (surplus funds management) by Takara Bio Inc.

Noncurrent assets overall were ¥88,025 million, up ¥13,724 million from the previous fiscal year-end. Major factors included a ¥5,337 million increase in property, plant and equipment, a result of the acquisition of land by Takara Bio Inc.; as well as an increase in the construction in progress relating to the construction of the Center for Gene and Cell Processing, among others. In addition, intangible assets increased ¥6,235 million due to the accounting of Intangibles – goodwill and other following the acquisition of subsidiaries, and there was a ¥2,151 million increase in investments and other assets following an increase in investment securities as a result of an increase in the market prices of listed stocks. As a result, noncurrent assets rose ¥13,724 million, to ¥88,025 million.

Current liabilities were ¥48,663 million, down ¥731 million from the previous fiscal year-end, due mainly to the redemption of current portion of bonds despite an increase in income taxes payable following the recording of gain on sales of stocks of subsidiaries and affiliates. Noncurrent liabilities were ¥43,491 million, down ¥382 million, due to a decrease in net defined benefit liability (after netting with provision for retirement benefits) as a result of the application of the "Accounting Standard for Retirement Benefits" despite an increase in deferred tax liabilities accompanying a hike in the value of investment securities. As a result, total liabilities rose ¥1,113 million, to ¥92,154 million.

Net assets amounted to ¥146,422 million, an increase of ¥32,104 million from the previous fiscal year-end. Retained earnings increased ¥14,302 million and total accumulated other comprehensive income increased ¥8,663 million as a result of a higher foreign currency translation adjustment resulting from yen depreciation and the benefits of valuation difference on available-for-sale securities increased following a rise in stock prices. In addition, minority interests in equity increased ¥10,713 million due to a public stock offering by Takara Bio Inc., despite a ¥1,575 million increase in treasury stock from share buybacks as shareholder return policy.

Plans for the coming fiscal year forecast depreciation and amortization of ¥4,400 million in property, plant and equipment and intangible assets, and capital expenditures of ¥10,300 million.

As for net assets, net income of approximately ¥5,300 million and dividends from surplus of ¥2,200 million are planned. In addition, the Group's financial position at the coming fiscal year-end could change significantly as a result of the implementation of measures based on the medium-term management plan as well as currency exchange rates, share prices, and other market trends.

2) Cash Flows

Net cash provided by operating activities decreased ¥734 million year on year, to ¥7,233 million. Major factors increasing cash included income before income taxes and minority income of ¥18,642 million and depreciation and amortization of ¥4,287 million. Major factors decreasing cash included a gain on sales of stocks of subsidiaries and affiliates of ¥9,261 million, an increase in inventories of ¥2,405 million and income taxes paid of ¥3,536 million.

Net cash used in investing activities increased ¥8,582 million, to ¥12,254 million. The major factor increasing cash was proceeds from sale of stocks of subsidiaries and affiliates of ¥12,241 million. Major factors decreasing cash included Purchase of property, plant and equipment and intangible assets of ¥8,322 million, purchase of shares of subsidiaries resulting in change in scope of consolidation of ¥5,743 million and the purchase of securities and investment securities, among others.

Net cash provided by financing activities was ¥2,562 million, an increase of ¥1,332 million from the previous fiscal year. The major factor increasing cash included proceeds from stock issuance to minority shareholders ¥11,419 million. Major factors decreasing cash included redemption of bonds of ¥5,000 million, purchase of treasury stock of ¥1,521 million and cash dividends paid of ¥1,827 million.

As a result, cash and cash equivalents at fiscal year-end, including effect of exchange rate change on cash and cash equivalents, stood at ¥34,608 million, down ¥679 million from the previous fiscal year-end.

In the fiscal year ending March 31, 2015, net cash provided by operating activities is expected to amount to ¥6.0 billion. In investing activities, approximately ¥10.3 billion is earmarked for Purchase of property, plant and equipment and intangible assets. In financing activities, the Group plans to pay of dividends of ¥2.2 billion. Also, the Group will continue to actively invest in priority strategies to ensure income growth. As a result, cash and cash equivalents at the coming fiscal year-end, are expected to be approximately decreased from the fiscal year-end under review. However, this could change due to unplanned fund procurement or other reasons.

(Reference) Indicators Related to Cash Flows

	FY2012	FY2013	FY2014
Equity ratio (%)	48.0	48.2	50.9
Equity ratio on a market value basis (%)	58.6	77.2	66.4
Cash flow versus interest-bearing debt ratio (%)	427.1	540.9	537.9
Interest coverage ratio (times)	18.0	16.1	14.9

Equity ratio: (Net assets – Minority interests) / Total assets
Equity ratio on a market value basis: Market capitalization / Total assets
Cash flow versus interest-bearing debt ratio: Interest-bearing debt / Operating cash flow
Interest coverage ratio: Operating cash flow / Interest payments

Notes:
1. The respective indicators have been calculated using consolidated financial figures.
2. Market capitalization has been calculated based on shares outstanding at fiscal year-end, net of treasury stock.
3. For operating cash flow, net cash provided by operating activities in the consolidated statements of cash flows has been used.
4. Interest-bearing debt is all liabilities included on the consolidated balance sheets for which interest is paid. For interest payments, interest expenses paid in the consolidated statements of cash flows has been used.

(3) Basic Policy for the Appropriation of Profits and Dividends for the Fiscal Year under Review and the Coming Fiscal Year

The Takara Group appropriates profits in accordance with a medium-to-long-term perspective. By strengthening the entire Group's business foundations and realizing earnings growth, the Group aims to maximize corporate value and shareholder return.

The Group uses cash flows from operations to replenish internal reserves in preparation for strengthening business foundations and investment in growth strategies, among others. At the same time, with regard to the shareholder return, the Group's basic policy is to continue to maintain stable dividends while also effecting returns taking into account elements relating to operating performance.

Specifically, the Group's policy consists of increasing dividends according to the level of consolidated operating income aiming for a payout ratio of approximately 30%, "deemed dividend payout," signifying total dividends vs. operating income after taxes (=consolidated operating income x (1-effective tax rate)). The Group will flexibly examine the implementation of share buybacks that would contribute to increasing capital efficiency.

Regarding dividends for the fiscal year under review, in consideration of the Group's conventional basic policy on dividends from surplus, that of a minimum shareholder return payout of 50%, the Company plans to issue cash dividend payments in the fiscal year under review of ¥9.00 per share, the same as in the previous fiscal year. In addition to regular dividends, the Company plans to pay a special dividend of ¥2.00 per share to return to the shareholders a portion of the extraordinary gains from the sale of some of the shares of Takara Bio Inc., making the total dividend ¥11.00 per share. As a result, the total shareholder return was ¥3,685 million, comprising planned cash dividends payment of ¥2,213 million and share buybacks of ¥1,471 million. The shareholder return payout was 60.6%.

For the coming fiscal year, the Group plans to pay a dividend of ¥9 per share, the same as the regular dividends for the fiscal year under review assuming "2) Outlook for the Coming Fiscal Year" in "(1) Analysis of Financial Results" based on the above-mentioned "deemed dividend payout."

The Group will use internal funds to maintain its financial position in order to strengthen the management foundation and business profitability of Group companies and to undertake normal investments in existing businesses. In addition, the Group will invest actively in important strategies for income growth as well as endeavor to increase the corporate value of the Group as a whole.

2. Management Policy

(1) The Group's Basic Management Policy

"Contributing to the creation of a vital society and a healthy lifestyle through our fermentation technology and biotechnology in a way that achieves harmony with nature" (the Takara Group's corporate philosophy)

The Takara Group pursues corporate activities based on fermentation technology—which uses grain, water, microorganisms, and other natural resources—and leading-edge biotechnology. As well as being grateful for the blessings of nature, the Group aims to realize harmony among nature, society, and people by providing products and services that benefit from this technology and reflect a mindset that gives first priority to the viewpoint of customers.

From April 2011, the Group embarked on a new drive toward realizing a long-term management vision, the Takara Group Vision 2020, which covers a ten-year period.

In recent years, the Group has seen many changes in conditions. Japan's alcoholic beverages market has shrunk due to the declining birthrate and aging of society, while deregulation of liquor retail licenses has changed the structure of distribution. Other changes include the recession that a worldwide financial crisis triggered and fiercer competition over new product development due to rapid progress in biotechnology research. Faced with these conditions, based on the above-mentioned corporate philosophy, the Group has brought to market highly original products and innovative technological services that take advantage of the advanced technological capabilities that are the Group's strength. As a result of these efforts, we have built a unique and robust business portfolio that comprises a stable, core business (Alcoholic beverages and seasonings) and promising growth businesses (the Biomedical business and the Health foods business).

Looking forward to 2020, the Group will face a stringent, changing business climate beset by a domestic alcoholic beverage market shrinking at a faster pace, galloping imported raw material prices due to increasing demand in emerging countries and a depreciating yen, among other factors. However, on the other hand, as signs of the end of Japan's deflationary spiral and economic recovery are eminent, and new life is breathed into research and development for regenerative medicine and cell therapy including iPS cells, there is hope for the future.

In response to these conditions, the Group is confident that, in its efforts to seek sustained growth, using the technological capabilities and business portfolio it has built as a base on which to expand businesses in Japan and overseas as well as establish a balanced business structure that is readily adaptable to changing conditions, as well as realizing a long-term vision, is the best course of action.

(2) Targeted Management Indicators, Medium-Term Management Strategies and Tasks

Japan has an increasingly aged society and its overall population is declining. Further, while the strong yen, which was off the charts at one point, corrected and corporate results recovered, companies depending on domestic demand see yen depreciation as pushing up imported raw material prices and likely increasing consumer prices. Meanwhile, with the economic recovery sinking in, some companies are raising wages, and now that the consumption tax hike is behind us, personal consumption has bottomed out and is starting to recover. But since consumer trends vary broadly, no recovery in consumer sentiment can be confirmed as yet. Given that the Group's core businesses manufacture and sell products for the mass consumption market, a declining consumer population makes it likely that the Group will see even fiercer sales competition. Further, competition is not limited to the alcoholic beverages industry but exists among a range of industries. The Group faces the task of winning out amid these tough conditions. Amidst fears of galloping imported raw material prices and fuel costs due to the depreciated yen and a rise in personnel expenses, fierce price wars are likely to continue making it difficult to pass on the full amount of these increases to product prices, threatening to further squeeze corporate earnings.

Overseas, the Group has many opportunities for growth. Markets for Japanese food products as well as biomedical- and biotechnology-related markets are expanding thanks to growing health awareness and advances in medicine in developed countries together with economic growth and higher incomes in emerging countries.

In response to these conditions, the Takara Group has prepared a long-term management vision, the Takara Group Vision 2020. Based on this vision, the Group aims to achieve sustained growth by establishing a balanced business structure that is readily adaptable to changing conditions. Further, as the first step toward realizing this vision, the Group has completed the Takara Group Medium-Term Management Plan FY2014 and, as the next step, it began implementing the Takara Group Medium-Term Management Plan FY2017.

The following is a summary of the Takara Group Medium-Term Management Plan FY2017.

Basic policy

To achieve the Takara Group Vision 2020, 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.

Tangible goals

FY2017: Takara Group net sales: at least ¥230 billion, operating income at least ¥12 billion, overseas sales accounting for at least 16% of net sales

Business strategies per segment and important strategies

Takara Shuzo Group

Improve domestic business profitability by developing and cultivating products differentiated through technology application, while proactively expanding our Japanese food wholesale network and achieving dramatic overseas business growth

- Expand sake net sales centered on *Mio*
- Build a Japanese food wholesale network globally starting in Europe and the U.S.

Takara Bio Group

Make strategic investments in the field of CDMO business for bio-pharmaceuticals and expand Biomedical business

- Expand our development support services (CDMO business) for bio-pharmaceuticals
- Conduct clinical development for gene and cell therapy

Takara Healthcare

Step up Health foods business growth through direct marketing

Financial Policy

Maintain a strong balance sheet with a focus on capital efficiency and engage in proactive investment into priority strategies to expand profits, while at the same time providing suitable returns to shareholders

Aiming to resolve these issues, the Company, as the holding company, will strengthen the Group's management foundation, foster corporate culture and personnel, and promote social and environmental activities. Through such initiatives, the Company will implement Group management in accordance with the above-mentioned business policies and move forward decisively to enhance the Group's corporate value.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of Mar. 31, 2013	As of Mar. 31, 2014
Assets		
Current assets		
Cash and deposits	36,789	41,015
Notes and accounts receivable-trade	43,853	45,392
Electronically recorded monetary claims-operating	6,777	6,508
Securities	15,260	21,534
Merchandise and finished goods	21,773	26,729
Work in process	1,090	908
Raw materials and supplies	2,841	3,351
Deferred tax assets	2,476	2,498
Other	2,506	2,755
Allowance for doubtful accounts	(82)	(143)
Total current assets	133,285	150,551
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	42,706	44,115
Accumulated depreciation	(28,523)	(29,977)
Buildings and structures, net	14,182	14,138
Machinery, equipment and vehicles	75,797	77,735
Accumulated depreciation	(65,605)	(67,425)
Machinery, equipment and vehicles, net	10,192	10,309
Land	14,920	17,418
Lease assets	1,352	1,404
Accumulated depreciation	(725)	(680)
Lease assets, net	626	724
Construction in progress	372	2,812
Other	10,660	11,347
Accumulated depreciation	(8,315)	(8,774)
Other, net	2,345	2,572
Total property, plant and equipment	42,639	47,976
Intangible assets		
Goodwill	3,767	7,539
Other	1,659	4,123
Total intangible assets	5,426	11,662
Investments and other assets		
Investment securities	21,080	23,532
Net defined benefit asset	-	440
Deferred tax assets	2,475	1,786
Other	2,888	2,850
Allowance for doubtful accounts	(209)	(223)
Total investments and other assets	26,235	28,386
Total noncurrent assets	74,301	88,025
Total assets	207,586	238,577

(Millions of yen)

	As of Mar. 31, 2013	As of Mar. 31, 2014
Liabilities		
Current liabilities		
Notes and accounts payable-trade	13,028	14,416
Short-term loans payable	5,006	5,914
Current portion of bonds	5,000	-
Accrued alcohol tax	9,907	8,376
Accrued expenses	4,698	4,480
Income taxes payable	1,996	5,621
Provision for bonuses	1,980	2,081
Provision for sales promotion expenses	1,719	1,795
Other	6,056	5,975
Total current liabilities	49,394	48,663
Noncurrent liabilities		
Bonds payable	25,000	25,000
Long-term loans payable	417	310
Deferred tax liabilities	2,387	4,075
Provision for retirement benefits	8,845	-
Net defined benefit liability	-	6,943
Long-term deposits received	5,626	5,591
Other	1,595	1,569
Total noncurrent liabilities	43,873	43,491
Total liabilities	93,268	92,154
Net assets		
Shareholders' equity		
Capital stock	13,226	13,226
Capital surplus	3,195	3,196
Retained earnings	90,437	104,739
Treasury stock	(8,355)	(9,931)
Total shareholders' equity	98,503	111,230
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,599	5,941
Deferred gains or losses on hedges	16	279
Foreign currency translation adjustment	(3,079)	2,894
Remeasurements of defined benefit plans	-	1,085
Total accumulated other comprehensive income	1,537	10,200
Minority interests	14,277	24,991
Total net assets	114,318	146,422
Total liabilities and net assets	207,586	238,577

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

(Consolidated Statements of Income)

(Millions of Yen)

	FY2013 (Apr. 1, 2012 – Mar. 31, 2013)	FY2014 (Apr. 1, 2013 – Mar. 31, 2014)
Net sales	200,989	209,568
Cost of sales	123,630	129,447
Gross profit	77,359	80,121
Selling, general and administrative expenses	*68,225	*70,631
Operating income	9,133	9,490
Non-operating income		
Interest income	181	197
Dividends income	354	364
Share of profit of entities accounted for using equity method	96	125
Subsidy income	162	164
Other	230	269
Total non-operating income	1,025	1,122
Non-operating expenses		
Interest expenses	523	464
Foreign exchange losses	105	-
Other	232	238
Total non-operating expenses	862	703
Ordinary income	9,296	9,909
Extraordinary income		
Gain on sales of stocks of subsidiaries and affiliates	-	9,261
Gain on revision of retirement benefit plan	345	-
Other	1,603	304
Total extraordinary income	1,948	9,565
Extraordinary loss		
Fixed assets transferred loss	-	317
Loss on sales and retirement of noncurrent assets	622	197
Impairment loss	45	92
Loss on valuation of investment securities	5	130
Loss on sales of stocks of subsidiaries and affiliates	262	-
Contribution for withdrawal from employees pension fund	260	-
Other	792	94
Total extraordinary losses	1,989	832
Income before income taxes and minority interests	9,256	18,642
Income taxes-current	3,390	7,140
Income taxes-deferred	618	495
Total income taxes	4,008	7,635
Income before minority interests	5,247	11,006
Minority interests in income	560	726
Net income	4,687	10,280

(Consolidated Statements of Comprehensive Income)

(Millions of Yen)

	FY2013 (Apr. 1, 2012 – Mar. 31, 2013)	FY2014 (Apr. 1, 2013 – Mar. 31, 2014)
Income before minority interests	5,247	11,006
Other comprehensive income		
Valuation difference on available-for-sale securities	1,850	1,340
Deferred gains or losses on hedges	35	259
Foreign currency translation adjustment	2,960	6,994
Share of other comprehensive income of associates accounted for using equity method	65	402
Gain (loss) on change in equity	-	5,847
Total other comprehensive income	4,911	14,845
Comprehensive income	10,158	25,851
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	8,954	23,706
Comprehensive income attributable to minority interests	1,204	2,145

(3) Consolidated Statements of Change in Net Assets
FY2013(Apr. 1, 2012 – Mar. 31, 2013)

(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	3,195	88,012	(6,922)	97,512
Changes of items during the period					
Dividends from surplus			(1,851)		(1,851)
Net income			4,687		4,867
Purchase of treasury stock				(1,582)	(1,582)
Disposal of treasury stock		0		0	0
Change of scope of equity method			(411)	147	(263)
Gain (loss) on change in equity					-
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	0	2,424	(1,433)	990
Balance at the end of current period	13,226	3,195	90,437	(8,355)	98,503

	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	2,805	(17)	(5,516)	-	(2,728)	12,876	107,659
Changes of items during the period							
Dividends from surplus							(1,851)
Net income							4,687
Purchase of treasury stock							(1,582)
Disposal of treasury stock							0
Change of scope of equity method							(263)
Gain (loss) on change in equity							-
Net changes of items other than shareholders' equity	1,794	34	2,437	-	4,266	1,400	5,667
Total changes of items during the period	1,794	34	2,437	-	4,266	1,400	6,658
Balance at the end of current period	4,599	16	(3,079)	-	1,537	14,277	114,318

(3) Consolidated Statements of Change in Net Assets
FY2014 (Apr. 1, 2013 – Mar. 31, 2014)

(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	3,195	90,437	(8,355)	98,503
Changes of items during the period					
Dividends from surplus			(1,825)		(1,825)
Net income			10,280		10,280
Purchase of treasury stock				(1,576)	(1,576)
Disposal of treasury stock		0		1	1
Change of scope of equity method					-
Gain (loss) on change in equity			5,847		5,847
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	0	14,302	(1,575)	12,727
Balance at the end of current period	13,226	3,196	104,739	(9,931)	111,230

	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	4,599	16	(3,079)	-	1,537	14,277	114,318
Changes of items during the period							
Dividends from surplus							(1,825)
Net income							10,280
Purchase of treasury stock							(1,576)
Disposal of treasury stock							1
Change of scope of equity method							-
Gain (loss) on change in equity							5,847
Net changes of items other than shareholders' equity	1,341	262	5,974	1,085	8,663	10,713	19,377
Total changes of items during the period	1,341	262	5,974	1,085	8,663	10,713	32,104
Balance at the end of current period	5,941	279	2,894	1,085	10,200	24,991	146,422

(4) Consolidated Statements of Cash Flows

(Millions of Yen)

	FY2013 (Apr. 1, 2012 – Mar. 31, 2013)	FY2014 (Apr. 1, 2013 – Mar. 31, 2014)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	9,256	18,642
Depreciation and amortization	4,251	4,287
Increase (decrease) in provision for retirement benefits	(796)	(8,861)
Increase (decrease) in net defined benefit liability	-	6,943
Interest and dividends income	(536)	(562)
Interest expenses	523	464
Loss (gain) on sales and retirement of noncurrent assets	(607)	174
Loss (gain) from sales of stocks of subsidiaries and affiliates	262	(9,261)
Decrease (increase) in notes and accounts receivable-trade	548	786
Decrease (increase) in inventories	23	(2,405)
Decrease (increase) in other current assets	(357)	255
Increase (decrease) in notes and accounts payable-trade	(1,283)	464
Increase (decrease) in liquor taxes payable	(682)	(1,533)
Increase (decrease) in accrued consumption taxes	(62)	(475)
Other, net	854	1,754
Subtotal	11,394	10,674
Interest and dividends income received	589	580
Interest expenses paid	(495)	(485)
Income taxes paid	(3,520)	(3,536)
Net cash provided by (used in) operating activities	7,967	7,233
Net cash provided by (used in) investing activities		
Payments into time deposits	(21,505)	(30,597)
Proceeds from withdrawal of time deposits	22,396	27,849
Purchase of securities	(1,727)	(4,454)
Proceeds from sales and redemption of securities	1,747	1,904
Purchase of property, plant and equipment and intangible assets	(5,388)	(8,322)
Proceeds from sales of property, plant and equipment	1,709	34
Purchase of investment securities	(584)	(6,091)
Proceeds from sales of investment securities	543	1,074
Purchase of stocks of subsidiaries and affiliates	(1,249)	-
Proceeds from sales of stocks of subsidiaries and affiliates	609	12,241
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(48)	(5,743)
Other, net	(175)	(150)
Net cash provided by (used in) investing activities	(3,672)	(12,254)
Net cash provided by (used in) financing activities		
Proceeds from issuance of bonds	9,923	-
Redemption of bonds	(5,000)	(5,000)
Proceeds from stock issuance to minority shareholders	324	11,419
Purchase of treasury stock	(1,582)	(1,521)
Cash dividends paid	(1,851)	(1,827)
Other, net	(585)	(508)
Net cash provided by (used in) financing activities	1,229	2,562
Effect of exchange rate change on cash and cash equivalents	596	1,779
Net increase (decrease) in cash and cash equivalent	6,121	(679)
Cash and cash equivalents at beginning of period	29,165	35,287
Cash and cash equivalents at end of period	35,287	34,608

(5) Notes to Consolidated Financial Statements

(Notes on Premise of Going Concern)

No items to report.

(Basis of Presentation of Consolidated Financial Statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 43

Names of principal consolidated subsidiaries:

Takara Shuzo Co., Ltd.
Luc Corporation, Ltd.
Takara Butsuryu System Co., Ltd.
TAKARA CHOU UN Co., Ltd.
Takara Sake USA Inc. (US)
Age International, Inc. (US)
FOODEX S.A.S. (France)
The Tomatin Distillery Co., Ltd (UK)
Tazaki Foods Limited (UK)
Takara Shuzo Foods Co., Ltd. (China)
Takara Bio Inc.
Takara Biotechnology (Dalian) Co., Ltd. (China)
Takara Biomedical Technology (Beijing) Co., Ltd. (China)
Takara Bio USA Holdings Inc. (US)
Clontech Laboratories, Inc. (US)
Takara Bio Europe S.A.S. (France)
Takara Healthcare Inc.
Taihei Printing Co., Ltd.

The following companies are included within the scope of consolidation for the consolidated fiscal year.
TAKARA EUROPE HOLDINGS B.V. (Netherlands) was newly established.
Due to the acquisition of shares of T. Tazaki & Company Limited (U.K.), that company and its subsidiary Tazaki Foods Limited are included within the scope of consolidation. In addition, due to the acquisition of shares of COMINPORT DISTORIBUCIÓN S.L. (Spain), that company and its subsidiary COMINPORT SP.ZO.O. (Poland) are included within the scope of consolidation.

(2) Name, etc. of non-consolidated subsidiary

YUTAKA FOODS LTD. (UK)

(Reason for exclusion from scope of consolidation)

The company is dormant and immaterial and therefore excluded from the scope of consolidation.

2. Application of equity method

(1) Number of affiliates accounted for under the equity method: 2

Names of principal affiliates:

Mutual Trading Co., Inc. (US)
Japan Synthetic Alcohol Co., Ltd.

(2) The nonconsolidated subsidiary to which the equity method is not applied (Yutaka Foods Ltd.) is dormant and immaterial, and investment in the affiliate (Nagasaki Suisan Nieki Ltd.) is minor in terms of net income and retained earnings or other amounts corresponding to equity whose sum total has little influence on the consolidated income, consolidated retained earnings, etc. of the Group and therefore is excluded from the scope of applicability to the equity method.

(3) Figures pertaining to companies accounted for under the equity method that have a fiscal year-end that is different from the Company are calculated using the financial statements for each company in its own fiscal year.

3. Matters concerning fiscal year-end of consolidated subsidiaries

Of the Company’s consolidated subsidiaries, there are overseas subsidiaries that have a fiscal year-end of December 31, which differs from that of the Company. In preparing the Company’s consolidated financial statements, the financial statements of these companies that were prepared at their fiscal year-end are used as there is less than a three-month difference between the fiscal year-end of these companies and the fiscal year-end of the Company. Adjustments are made for major transactions within the period between the fiscal year-end of these companies and the fiscal year-end of the Company as necessary.

4. Matters concerning accounting policies

(1) Valuation basis and method of major assets

A. Marketable securities

a. Held-to-maturity debt securities

At amortized cost (straight-line method)

b. Other marketable securities

Available-for-sale securities:

By the mark-to-market method based on market values on the date of the fiscal year-end (valuation differences are reported as a separate component of equity and the cost of sales is determined by the moving-average method)

Non-marketable available-for-sale securities:

At cost determined by the moving-average method

B. Inventories

At cost determined by the gross-average method (for the value stated in the balance sheet, the book value is written down based on the decreased profitability)

(2) Depreciation method for major depreciable assets

A. Property, plant and equipment (excluding lease assets)

Principally, by the declining-balance method

The range of useful lives is principally as follows:

Buildings and structures: 3 to 50 years

Machinery, equipment and vehicles: 4 to 15 years

B. Intangible fixed assets (excluding lease assets)

By the straight-line method

Further, subsidiaries in the United States, apply FASB Accounting Standards Codification Topic 350 “Intangibles—Goodwill and Other,” excluding goodwill.

C. Lease assets

Lease assets related to finance lease transactions without title transfer

The straight-line method has been applied, using the lease period as the useful life and taking the residual value as zero.

The Company has continued to treat finance lease transactions without title transfer that commenced before March 31, 2008, as operating leases.

(3) Accounting criteria for major allowances

A. Allowance for doubtful accounts

To prepare for losses on doubtful accounts, general provisions are determined on the basis of past credit loss experience, and specific provisions, such as loss apprehensive credits, are determined by considering individual collectability.

B. Provision for bonuses

Provision for bonuses is provided for the current portion of the future expected payment, in order to prepare for the payment of bonuses to employees at the Company and its consolidated domestic subsidiaries.

C. Provision for sales promotion expenses

Provision for sales promotion expenses is calculated by multiplying the order values of retail outlets, data provided by consolidated subsidiary Takara Shuzo Co., Ltd. and historical prices.

(4) Accounting treatment relating to retirement benefits

A. Period attribution method for projected retirement benefits

The straight-line attribution method is used to attribute projected retirement benefit amounts to periods up to the end of the fiscal year ended March 31, 2013 when calculating retirement benefit obligations.

B. Unrecognized actuarial gains and losses and past service cost treatment method

Past service costs are treated using the straight-line method over a certain period (10 years) which is not longer than an estimated average remaining service period of the employees when incurred.

Unrecognized actuarial gains and losses are treated from the consolidated fiscal year following their incurrence, respectively, using the straight-line method over a certain period (10 years) which is not longer than an estimated average remaining service period of the employee when incurred in each consolidated fiscal year.

(5) Standards for translating the values of important assets and liabilities valued in foreign currency into Japanese currency

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income as non-operating items. The balance sheet accounts of the foreign consolidated subsidiaries are translated into Japanese yen at the exchange rate at the balance sheet date except for equity. Revenue and expense accounts are translated into Japanese yen at the average exchange rate during the fiscal year. The resulting translation differences are presented as foreign currency translation adjustments and minority interests in equity.

(6) Major hedge accounting methods

A. Hedge accounting methods

Deferred hedge accounting is applied. However, designation accounting is applied for transactions to hedge foreign exchange risks when applicable.

B. Hedging instruments and hedged items

The hedging instruments used and items hedged in the year under review are as follows.

Hedging instrument:	Hedged items:
Currency options	Foreign currency-denominated import transactions
Currency swaps	Foreign currency-denominated loans
Foreign exchange forward contracts	Foreign currency-denominated notes and accounts payable accompanying royalty payment and Foreign currency-denominated import transactions

C. Hedging policy

Foreign exchange risks on hedged items are hedged within a certain range in accordance with the Company's internal policies regarding derivative transactions.

D. Assessment of hedge effectiveness

Hedge effectiveness is omitted as it is anticipated that the hedging will offset fluctuations in the market and in cash after the date in which the hedging was commenced due to the fact that the conditions of the hedging instruments and the hedged transactions are the same.

(7) Goodwill amortization method and amortization period

Goodwill is amortized using the straight-line method over the period of a certain number of years that is less than 20 years.

(8) The scope of cash in the consolidated statements of cash flows

This comprises cash on hand, deposits that can be readily withdrawn as required and that can be converted into cash, and short-term investments with due dates in three months or less from the date of acquisition that entail only an insignificant risk of change in value.

(9) Other significant items related to the preparation of the consolidated financial statements

Accounting for consumption tax, etc.

Consumption tax or regional consumption taxes are excluded.

(Changes in Accounting Policies)

(Application of accounting standards relating to retirement benefits)

The Company has applied the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012) and the "Application Guidelines for the Accounting Standard for Retirement Benefits" (ASBJ Statement No. 25, May 17, 2012) since the fiscal year ended March 31, 2014 (however, excluding the main provision of Paragraph 35 of the Accounting Standard for Retirement Benefits and of Paragraph 67 of the Application Guidelines for the Accounting Standard for Retirement Benefits), changed the method of accounting for the amount resulting from deducting the amount of pension assets from net defined benefit liability and posts unrecognized actuarial gains and losses and unrecognized past service costs in net defined benefit liability.

The application of retirement benefit accounting standards is according to transitional provisions in Paragraph 37 of the Accounting Standard for Retirement Benefits and, at consolidated fiscal year end, amounts resulting from this change are added to the Remeasurements of defined benefit plans in accumulated other comprehensive income.

As a result, at consolidated fiscal year end, net defined benefit asset amounted to ¥440 million and net defined benefit liability amounted to ¥6,943 million, with accumulated other comprehensive income up ¥1,085 million and minority interests up ¥3 million.

Note that net assets per share increased to ¥5.39.

(Changes in Method of Presentation)

(Consolidated Statements of Income)

Because "share of profit of entities accounted for using equity method," which was included under "other" of "non-operating income" for the fiscal year ended March 31, 2013, exceeded one-tenth of the total amount of "non-operating income," it is presented as an independent item from the fiscal year ended March 31, 2014. Figures for the fiscal year ended March 31, 2013, have been restated to reflect this change in method of presentation. As a result, in consolidated statements of income, ¥326 million previously included under "other" of non-operating income is restated as ¥96 million in "share of profit of entities accounted for using equity method" and as ¥230 million in "other" of "non-operating income."

Because "gain on sales of noncurrent assets," which was presented independently under "extraordinary income" in the fiscal year ended March 31, 2013, was one-tenth or less of the total amount of "extraordinary income," it is included under “other” in “extraordinary income” from the fiscal year ended March 31, 2014. Figures for the fiscal year ended March 31, 2013 have been restated to reflect this change in method of presentation.

As a result, in consolidated statements of income, ¥1,229 million previously included in “gain on sales of noncurrent assets” of “extraordinary income” is included in “other” of “extraordinary income”.

Because “loss on valuation of investment securities,” which was presented separately under “extraordinary loss” for the fiscal year ended March 31, 2013, was one-tenth or less of the total amount of “extraordinary loss,” it is included under “other” in “extraordinary loss” from the fiscal year ended March 31, 2014. Figures for the fiscal year ended March 31, 2013 have been restated to reflect this change in method of presentation.

As a result, in consolidated statements of income, ¥651 million previously posted under “loss on valuation of investment securities” in “extraordinary loss” is included in “other” of “extraordinary loss”.

Because “impairment loss” and “loss on sales of investment securities,” which were included under “other” in “extraordinary loss” for the fiscal year ended March 31, 2013, exceeded one-tenth of the total amount of “extraordinary loss,” they are presented separately under “extraordinary loss” from the fiscal year ended March 31, 2014. Figures for the fiscal year ended March 31, 2013 have been restated to reflect this change in method of presentation.

As a result, in consolidated statements of income, ¥192 million previously posted under “other” in “extraordinary loss,” is restated as ¥45 million in “impairment loss,” as ¥5 million in “loss on sales of investment securities” and as ¥792 million in “other” of “extraordinary loss”.

(Consolidated Statements of Cash Flows)

Because “loss (gain) on valuation of investment securities,” which was presented separately under “net cash provided by (used in) operating activities” for the fiscal year ended March 31, 2013, lacked materiality, it is included under “other, net” for the fiscal year ended March 31, 2014. Figures for the fiscal year ended March 31, 2013 have been restated to reflect this change in method of presentation. As a result, in consolidated statements of cash flows, ¥651 million previously posted as “loss (gain) on valuation of investment securities” in “net cash provided by (used in) operating activities” was included in “other, net” in “net cash provided by (used in) operating activities.”

Because “loss (gain) on sales of stocks of subsidiaries and affiliates,” which was included in “other, net” in “net cash provided by (used in) operating activities” for the fiscal year ended March 31, 2013, rose in materiality, it is presented separately for the fiscal year ended March 31, 2014. Figures for the fiscal year ended March 31, 2013 have been restated to reflect this change in method of presentation. As a result, in consolidated statements of cash flows for the fiscal year ended March 31, 2013, ¥465 million previously included under “other, net” in “net cash provided by (used in) operating activities” was restated as ¥262 million in “loss (gain) from sales of stocks of subsidiaries and affiliates” and as ¥854 million in “other, net” of “net cash provided by (used in) operating activities.”

Because “purchase of investments in subsidiaries resulting in change in scope of consolidation,” which was included under “other, net” in “net cash provided by (used in) investing activities” for the fiscal year ended March 31, 2013, rose in materiality, it is presented separately from the fiscal year ended March 31, 2014. Figures for the fiscal year ended March 31, 2013, have been restated to reflect this change in method of presentation. As a result, in consolidated statements of cash flows for the fiscal year ended March 31, 2013, the value negative ¥223 million previously included in “other, net” in “net cash provided by (used in) investing activities” is restated as negative ¥48 million in “purchase of investments in subsidiaries resulting in change in scope of consolidation” and as negative ¥175 million in “other, net” of “net cash provided by (used in) investing activities.”

Because “proceeds from stock issuance to minority shareholders,” which was included under “other, net” in “net cash provided by (used in) financing activities” for the fiscal year ended March 31, 2013, rose in materiality, it is presented separately from the fiscal year ended March 31, 2014. Figures for the fiscal year ended March 31, 2013, have been restated to reflect this change in method of presentation. As a result, in consolidated statements of cash flows for the fiscal year ended March 31, 2013, the value negative ¥260 million previously included under “other, net” in “net cash provided by (used in) financing activities” is restated as ¥324 million in “proceeds from stock issuance to minority shareholders” and negative ¥585 million in “other, net” of “net cash provided by (used in) financing activities.”

(Matters Concerning Consolidated Statements of Income)

* Major Items Included Under Selling, General and Administrative Expenses

	Previous Fiscal Year (From April 1, 2012, to March 31, 2013)	Fiscal Year under Review (From April 1, 2013, to March 31, 2014)
	(Millions of yen)	(Millions of yen)
Freightage expenses	6,169	6,551
Advertising expenses	3,797	3,546
Promotion expenses	31,118	31,158
Allowance for accrued sales promotion expenses	1,719	1,795
Employees’ salaries and bonuses	8,932	9,853
Provision for bonuses	1,123	1,162
Retirement benefit expenses	275	156
Depreciation	847	904
Research and development expenses	3,090	3,376

(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 manufacturing and sales of alcoholic beverages and seasonings. It also engages in logistics and other incidental businesses. The Takara Bio Group primarily engages in the manufacturing and sales of products such as research reagents, scientific instruments, and mushrooms. It also conducts contract research services. Takara Healthcare Inc. primarily engages in the sales 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, 2012, to March 31, 2013)

(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	176,259	19,910	2,005	198,175	2,381	200,557	432	200,989
Intersegment	686	653	3	1,344	5,061	6,406	(6,406)	-
Total	176,946	20,564	2,008	199,519	7,443	206,963	(5,974)	200,989
Segment income (loss)	6,387	1,691	(22)	8,057	201	8,258	874	9,133
Segment assets	124,633	46,649	591	171,873	7,719	179,593	27,992	207,586
Other items								
Depreciation and amortization	2,997	1,104	10	4,112	119	4,231	20	4,251
Amortization of goodwill	148	119	-	267	-	267	-	267
Investment in equity-method affiliates	1,788	-	-	1,788	-	1,788	1,242	3,030
Increase in total fixed assets, property, plant and equipment and intangible assets	2,529	2,397	1	4,928	347	5,276	5	5,282

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 ¥57 million and income of the Company not allocated to business segments of ¥817 million.
   (3) Segment assets include assets of the Company not allocated to business segments of ¥35,474 million and other adjustment (principally eliminations) of ¥7,482 million. Assets attributed to the Company include surplus funds and long-term investment assets
3. Segment income has been adjusted to the operating income of consolidated financial statements.

Fiscal Year under Review (From April 1, 2013, to March 31, 2014)

(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	181,964	23,236	1,421	206,622	2,515	209,137	430	209,568
Intersegment	342	669	2	1,013	5,083	6,097	(6,097)	-
Total	182,306	23,905	1,424	207,636	7,598	215,235	(5,667)	209,568
Segment income (loss)	6,329	1,954	21	8,305	310	8,615	874	9,490
Segment assets	139,460	62,500	576	202,537	6,282	208,819	29,757	238,577
Other items								
Depreciation and amortization	2,968	1,157	0	4,216	140	4,266	20	4,287
Amortization of goodwill	217	131	-	348	-	348	-	348
Investment in equity-method affiliates	2,289	-	-	2,289	-	2,289	1,245	3,534
Increase in total fixed assets, property, plant and equipment and intangible assets	2,954	5,538	5	8,498	110	8,608	358	8,967

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 ¥48 million and income of the Company not allocated to business segments of ¥826 million.
   (3) Segment assets include assets of the Company not allocated to business segments of ¥41,900 million and other adjustment (principally eliminations) of ¥12,143 million. Assets attributed to the Company include surplus funds and long-term investment assets
3. Segment income has been adjusted to the operating income of consolidated financial statements.

(Per Share Information)

	Previous Fiscal Year (From April 1, 2012, to March 31, 2013)	Fiscal Year under Review (From April 1, 2013, to March 31, 2014)
Net assets per share	¥493.14	¥603.44
Net income per share	¥23.01	¥50.83
Fully diluted net income per share	¥22.99	¥50.81

Notes: 1. The basis of calculation of net assets per share is as follows.

	Previous Fiscal Year (As of March 31, 2013)	Fiscal Year under Review (As of March 31, 2014)
Total net assets (¥ million)	114,318	146,422
Amount deducted from total net assets (¥ million)	14,277	24,911
(of which minority interests) (¥ million)	(14,277)	(24,911)
Net assets at term-end related to shares of common stock (¥ million)	100,040	121,431
Shares of common stock at term-end used to calculate net assets per share (1,000 shares)	202,866	201,233

2. 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, 2012, to March 31, 2013)	Fiscal Year under Review (From April 1, 2013, to March 31, 2014)
Net income per share		
Net income (¥ million)	4,687	10,280
Amount not belonging to common shareholders (¥ million)	-	-
Net income related to shares of common stock (¥ million)	4,687	10,280
Average number of shares of common stock outstanding during the term (1,000 shares)	203,697	202,263
Fully diluted net income per share		
Fully diluted net income adjustment (¥ million)	(4)	(3)
(of which adjustment due to residual securities issued by consolidated subsidiaries) (¥ million)	((4))	((3))
Increase in shares of common stock (1,000 shares)	-	-
Descriptions of potential common shares that were not included in the computation of diluted net income per share because of their anti-dilutive effect	-	The 166 stock acquisition rights (664,000 common shares) of consolidated subsidiary Takara Bio Inc. were revoked upon expiration of the rights exercise period on September 20, 2013.

(Significant Subsequent Events)

No items to report.