

**Consolidated Financial Statements for the Second Quarter Ended September 30, 2011  
FY2012 (April 1, 2011 - March 31, 2012) [UNAUDITED]**

November 4, 2011

Company name: Takara Holdings Inc.  
 Stock exchange listings: Tokyo Stock Exchange (1st section) and Osaka Stock Exchange (1st section)  
 Securities code: 2531  
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 Quarterly statement filing date (as planned): November 10, 2011

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

**1. Results for the six months ended September 30, 2011 (April 1, 2011 – September 30, 2011)**

**(1) Operating results**

Note: Percentages indicated changes from the previous fiscal year.

	Six months ended September 30, 2011		Six months ended September 30, 2010	
	(Millions of yen)	(%)	(Millions of yen)	(%)
Net sales	95,478	4.4	91,472	0.4
Operating income	3,326	2.4	3,248	10.6
Ordinary income	3,451	6.7	3,234	3.5
Net income	959	(30.4)	1,378	(19.2)
Net income per share (Yen)	4.62		6.62	
Fully diluted net income per share (Yen)	-		-	
(Reference) Comprehensive income	648	-	(1,947)	-

**(2) Financial position**

	As of September 30, 2011	As of March 31, 2011
	(Millions of yen)	(Millions of yen)
Total assets	188,953	192,448
Net assets	105,801	106,895
Equity ratio (%)	49.2	49.0
(Reference) Equity	92,982	94,308

**2. Dividends**

	Dividend per share (Yen)		
	Year ended March 31, 2011	Year ending March 31, 2012	Year ending March 31, 2012 (Forecast)
First quarter end	-	-	-
Second quarter end	-	-	-
Third quarter end	-	-	-
Year end	8.50		8.50
Annual	8.50		8.50

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

**3. Forecast for the year ending March 31, 2012 (April 1, 2011 – March 31, 2012)**

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

	Year ending March 31, 2012	
	(Millions of yen)	(%)
Net sales	197,400	4.0
Operating income	8,600	3.2
Ordinary income	8,900	5.6
Net income	4,000	5.6
Net income per share (Yen)	19.26	

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

#### 4. Others

- (1) Material changes in subsidiaries during this period  
(Changes in scope of consolidations resulting from change in 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 : No
  - 2) Changes other than ones based on revisions of accounting standard : No
  - 3) Changes in accounting estimates : No
  - 4) Retrospective restatement : No
- (4) Number of outstanding shares (common stock)
  - 1) Number of outstanding shares at year end (Treasury stocks are included)

As of September 30, 2011 :	217,699,743
As of March 31, 2011 :	217,699,743
  - 2) Number of treasury stocks at year end

As of September 30, 2011 :	10,083,822
As of March 31, 2011 :	10,069,310
  - 3) Average number of outstanding shares

Six months ended September 30, 2011 :	207,623,176
Six months ended September 30, 2010 :	208,398,351

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## 1. Qualitative Information for the Six Months Ended September 30, 2011

### (1) Consolidated Financial Results

In the six-month period ended September 30, 2011, in Japan, the reconstruction effort following the Great East Japan Earthquake, which occurred March 11, 2011, progressed and there was recovery in the production activities of companies and consumer spending. However, the rising sense of uncertainty in the global economy and accompanying appreciation of the Japanese yen impacted the Japanese economy and future economic conditions remained difficult to forecast.

In this environment, we launched our new three-year medium-term management plan, Takara Group Medium-Term Management Plan FY2014, in April 2011. The basic policy of this plan is “aiming to realize the Takara Group Vision 2020, achieve stable growth in Japan while expanding business base in order to grow significantly overseas.” The Takara Group Vision 2020 embodies our long-term management vision. All areas of our domestic alcoholic beverages business and our seasonings and raw alcohol business were heavily impacted by the Great East Japan Earthquake, including material procurement, production, and distribution. Accordingly, we worked to develop systems to secure our ability to stably provide customers with safe products. At the same time, we focused on developing new products to address the diversification of consumer tastes and cultivate brands. Also, our overseas alcoholic beverages business and Japanese food ingredients wholesale business are growing smoothly regardless of the harmful publicity, primarily seen in certain regions overseas, related to the safety of Japanese food products due to the effects of nuclear incidents at the Nuclear Power Station. Our genetic engineering research business, which focuses primarily on research reagents, has been achieving strong growth in overseas markets. Further, our gene medicine business and Health foods business have been steadily establishing operating foundations.

As a result of the above, net sales in the six-month period were up 4.4% year on year, to ¥95,478 million; operating income increased 2.4%, to ¥3,326 million; and ordinary income rose 6.7%, to ¥3,451 million. However, net income was down 30.4%, to ¥959 million, primarily due to the recording of extraordinary loss comprised of loss on disaster of ¥805 billion, associated with the disposal and losses on valuation of products damage by the earthquake, and loss on valuation of investment securities of ¥357 million following the decline of stock prices.

Results by business segment were as follows.

#### [Takara Shuzo Group]

Takara Shuzo Co., Ltd., the core operating company of the segment, suffered minor damages to its manufacturing facilities following the earthquake, but was able to quickly recovery its production and supply systems. The damage to distribution bases was relatively large, but the company worked to rapidly establish an alternative to distribution system to secure the stable supply of products, and was able to fully recover its distribution systems in mid-June. As a result of these efforts, the segment was able to achieve a 5.3% year-on-year increase in net sales, bringing the figure to ¥84,996 million. Sales of light-alcohol refreshers increased significantly due to the continued strong performance of *Takara Shochu High Ball* and the March 2011 rerelease of *Takara Can Chu-Hi Jika-Shibori*. Also, sales were strong in the sake category, which launched the new low-alcohol sparkling sake *Shochikubai Shirakabegura Mio*; in the other seasonings category, which consists of cooking sake and other products; in the other alcoholic beverages category, which consists of whiskey and other alcoholic beverages; and in the raw alcohol, etc. category. In the other category's Japanese food ingredients wholesale business, sales of French subsidiary FOODEX S.A.S. contributed to the segment's higher net sales. Due to the higher net sales, gross profit was up 4.2%, to ¥31,244 million, regardless of the fact that rising material prices drove up cost of sales ratios. Selling, general and administrative (SG&A) expenses increased 5.4%, to ¥28,674 million, as a result of the increased expenses associated with the establishment of alternative distribution bases and the strategic advertising investments conducted as part of the Company's efforts to strengthen its brand image. Due to the above, operating income decreased 7.7%, to ¥2,569 million.

#### [Takara Bio Group]

In the segment's genetic engineering research business, sales of research reagents were up year on year, regardless of the impacts of yen appreciation, and sales of mass spectrometry systems and other scientific instruments were strong. In the gene medicine business, sales of technical support services for cancer immunotherapy increased. In the agribio business, sales of health food products were up, but sales of mushroom products declined. Due to the above, the segment's net sales were up 2.4%, to ¥8,642 million. Cost of sales was down 2.2%, to 3,873 million, due to lower cost of sales ratios. Gross profit increased 6.4%, to ¥4,768 million. SG&A expenses rose 2.0%, to 4,374 million, as a result of higher transportation and R&D expenses. Operating income increased 102.7%, to ¥394 million.

#### [Takara Healthcare]

While sales were up for fucoidan-related products, which are one of the segment's mainstay health food products, sales of other beverages were down. This resulted in a 12.5% year-on-year decrease in net sales for the segment, to ¥1,326 million. While the cost of sales ratio declined due to increased sales of high-profit-margin fucoidan-related products, this was not able to compensate for the heavy impact of the decline in net sales, and gross profit dropped 1.3%, to ¥447 million. Also, the segment recorded an operating loss of ¥86 million in the six-month period due to the continued advance investment in advertising as a part of efforts to develop business operations. However, this operating loss was ¥29 million lower than the loss recorded in the six-month period ended September 30, 2010.

**[Other]**

The other segment represents business segments that are not included in the reported segments. Net sales in the segment decreased 6.4%, to ¥3,590 million, and operating income decreased 55.4%, to ¥27 million.

## Breakdown of sales results by product category

Segment	Period under Review (from April 1, 2011, to September 30, 2011)		YoY Comparison
	Product category	Amount (Millions of yen)	(%)
<b>Takara Shuzo Group</b>			
Shochu	36,729	98.1	
Sake	7,364	100.1	
Light-alcohol refreshers	15,212	129.7	
Other alcoholic beverages	4,914	103.3	
Alcoholic beverages total	64,220	104.8	
<i>Hon Mirin</i>	6,884	97.2	
Other seasonings	3,504	105.1	
Seasonings total	10,389	99.7	
Raw alcohol, etc.	3,097	109.0	
Transportation	4,368	98.6	
Other	2,921	164.6	
<b>Total</b>	<b>84,996</b>	<b>105.3</b>	
<b>Takara Bio Group</b>	<b>8,642</b>	<b>102.4</b>	
<b>Takara Healthcare</b>	<b>1,326</b>	<b>87.5</b>	
<b>Other</b>	<b>3,590</b>	<b>93.6</b>	
Sales not allocated to business segments and intersegment transactions	(3,076)	-	
<b>Total</b>	<b>95,478</b>	<b>104.4</b>	

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

**(2) Consolidated Financial Position**

Total assets stood at ¥188,953 million on September 30, 2011, down ¥3,495 million from the end of the previous fiscal year. Current assets declined ¥1,927 million from the end of the previous fiscal year primarily due to a ¥5,730 decrease in cash and deposits following the payment of dividends and taxes, which offset a ¥1,940 million increase in notes and accounts receivable-trade and a ¥1,539 million increase in short-term investment securities as a part of surplus funds management efforts. Noncurrent assets were down ¥1,567 million due to a ¥1,648 million decline in investment securities, a result of the lower market prices of the stock of listed companies.

Total liabilities amounted to ¥83,151 million on September 30, 2011, down ¥2,402 million primarily due to a ¥658 million decrease in income taxes payable and a ¥609 million decline in deferred tax liabilities. Also, bonds payable totaling ¥5,000 million recorded under noncurrent liabilities were converted to current portion of bonds and recorded under current liabilities.

Net assets totaled ¥105,801 million on September 30, 2011, ¥1,093 million lower than the end of the previous fiscal year. This decline was a result of a ¥807 million decrease in retained earnings, stemming from lower quarterly net income of ¥959 million and dividend payments of ¥1,767 million, as well as a ¥898 million decrease in valuation difference on available-for-sale securities.

Net cash provided by operating activities in the six-month period was ¥804 million, down ¥1,567 million year on year. Major inflows included income before income taxes and minority interests of ¥2,271 million and depreciation and amortization of ¥2,150 million. Major outflows included increase in notes and accounts receivable-trade of ¥1,864 million and income taxes paid of ¥1,343 million.

Net cash used in investing activities was ¥4,496 million, down ¥2,165 million from the previous equivalent period, when a major outflow of ¥3,384 million was made in the form of purchase of investments in subsidiaries resulting in change in scope of consolidation. Other major outflows included an outflow of ¥1,492 million that represented the net amount of payments into time deposits and proceeds from withdrawal of time deposits, as well as purchase of property, plant and equipment and intangible assets of ¥3,072 million.

Net cash used in financing activities was ¥2,022 million, compared with net cash provided by financing activities of ¥1,953 million in the previous equivalent period, when an inflow of ¥4,923 million representing the net amount of proceeds from issuance of bonds and redemption of bonds was recorded. Major outflows included the cash dividends paid of ¥1,764 million.

As a result, cash and cash equivalents on September 30, 2011 were ¥22,680 million, down ¥5,703 million year on year.

### **(3) Consolidated Forecasts**

Our performance in the six-month period exceeded our initial forecasts and we therefore have revised the forecasts with figures higher than those in the previous forecasts on September 20 and October 25, 2011 respectively. However, as we are also anticipating higher costs of sales due to the rising prices of materials used by the Takara Shuzo Group, the revised forecasts for the fiscal year ending March 31, 2012 do not project figures substantially higher than those in our initial forecasts. In the revised forecasts, we are projecting net sales of ¥197,400 million, ¥100 million higher than the initial forecasts; operating income of ¥8,600 million, ¥200 million higher than the initial forecasts; ordinary income of ¥8,900 million, ¥200 million higher than the initial forecasts; and net income of ¥4,000 million, the same as the initial forecasts.

## 2. Consolidated Quarterly Financial Statements

### (1) Consolidated Quarterly Balance Sheets

(Millions of yen)

	As of Mar. 31, 2011	As of Sep. 30, 2011
<b>Assets</b>		
Current assets		
Cash and deposits	32,782	27,051
Notes and accounts receivable-trade	45,102	47,042
Short-term investment securities	12,665	14,204
Merchandise and finished goods	20,552	21,161
Work in process	964	958
Raw materials and supplies	2,782	2,550
Other	4,940	4,899
Allowance for doubtful accounts	(81)	(89)
Total current assets	119,707	117,779
Noncurrent assets		
Property, plant and equipment	41,645	42,048
Intangible assets		
Goodwill	4,017	4,069
Other	2,010	1,860
Total intangible assets	6,028	5,930
Investments and other assets		
Investment securities	18,527	16,878
Other	6,786	6,565
Allowance for doubtful accounts	(246)	(248)
Total investments and other assets	25,067	23,194
Total noncurrent assets	72,741	71,173
Total assets	192,448	188,953
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	13,489	13,788
Short-term loans payable	5,182	4,918
Current portion of bonds	–	5,000
Accrued alcohol tax	8,065	7,663
Accrued expenses	3,592	3,213
Income taxes payable	1,785	1,127
Provision for bonuses	2,012	2,198
Other provision	1,781	1,857
Other	5,541	4,934
Total current liabilities	41,453	44,702
Noncurrent liabilities		
Bonds payable	25,000	20,000
Long-term loans payable	561	534
Provision for retirement benefits	9,644	9,575
Long-term deposits received	6,119	5,907
Other	2,774	2,431
Total noncurrent liabilities	44,100	38,449
Total liabilities	85,553	83,151

(Millions of yen)

	As of Mar. 31, 2011	As of Sep. 30, 2011
Net assets		
Shareholders' equity		
Capital stock	13,226	13,226
Capital surplus	3,197	3,197
Retained earnings	85,784	84,977
Treasury stock	(5,852)	(5,857)
Total shareholders' equity	96,356	95,542
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,754	1,856
Deferred gains or losses on hedges	(32)	(109)
Foreign currency translation adjustment	(4,770)	(4,306)
Total accumulated other comprehensive income	(2,048)	(2,560)
Minority interests	12,587	12,819
Total net assets	106,895	105,801
Total liabilities and net assets	192,448	188,953



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

(For the Six Months Ended September 30, 2011 and 2010)

(Millions of yen)

	FY2011_2Q (Apr. 1, 2010 - Sep. 30, 2010)	FY2012_2Q (Apr. 1, 2011 - Sep. 30, 2011)
Net sales	91,472	95,478
Cost of sales	56,068	58,583
Gross profit	35,404	36,895
Selling, general and administrative expenses	32,155	33,569
Operating income	3,248	3,326
Non-operating income		
Dividends income	205	206
Other	238	266
Total non-operating income	443	473
Non-operating expenses		
Interest expenses	297	254
Other	160	93
Total non-operating expenses	457	347
Ordinary income	3,234	3,451
Extraordinary income		
Gain on sales of noncurrent assets	13	196
Gain on sales of investment securities	413	2
Other	31	14
Total extraordinary income	458	214
Extraordinary loss		
Loss on disaster	-	805
Loss on valuation of investment securities	1	357
Loss on adjustment for changes of accounting standard for asset retirement obligations	424	-
Other	223	230
Total extraordinary losses	650	1,394
Income before income taxes and minority interests	3,042	2,271
Income taxes-current	1,757	1,178
Income taxes-deferred	(83)	15
Total income taxes	1,674	1,194
Income before minority interests	1,368	1,076
Minority interests in income (loss)	(10)	117
Net income	1,378	959

**(Consolidated Quarterly Statements of Comprehensive Income)**

(For the Six Months Ended September 30, 2011 and 2010)

(Millions of yen)

	FY2011_2Q (Apr. 1, 2010 - Sep. 30, 2010)	FY2012_2Q (Apr. 1, 2011 - Sep. 30, 2011)
Income before minority interests	1,368	1,076
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,895)	(888)
Deferred gains or losses on hedges	(56)	(77)
Foreign currency translation adjustment	(1,350)	548
Share of other comprehensive income of associates accounted for using equity method	(12)	(12)
Other comprehensive income	(3,315)	(428)
Comprehensive income	(1,947)	648
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	(1,717)	447
Comprehensive income attributable to minority interests	(229)	200

**(3) Consolidated Quarterly Statements of Cash Flows**

(For the Six Months Ended September 30, 2011 and 2010)

(Millions of yen)

	FY2011_2Q (Apr. 1, 2010 - Sep. 30, 2010)	FY2012_2Q (Apr. 1, 2011 - Sep. 30, 2011)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	3,042	2,271
Depreciation and amortization	2,200	2,150
Interest and dividends income	(269)	(291)
Interest expenses	297	254
Decrease (increase) in notes and accounts receivable-trade	(318)	(1,864)
Decrease (increase) in inventories	175	(255)
Increase (decrease) in notes and accounts payable-trade	(384)	266
Decrease increase in liquor taxes payable	(190)	(401)
Other, net	(368)	(15)
Subtotal	4,183	2,114
Interest and dividends income received	268	285
Interest expenses paid	(292)	(251)
Income taxes paid	(1,787)	(1,343)
Net cash provided by (used in) operating activities	2,372	804
Net cash provided by (used in) investing activities		
Payments into time deposits	(4,418)	(5,192)
Proceeds from withdrawal of time deposits	2,107	3,699
Purchase of short-term investment securities	(2,144)	(519)
Proceeds from sales and redemption of securities	2,135	543
Purchase of property, plant and equipment and intangible assets	(1,473)	(3,072)
Proceeds from sales of property, plant and equipment	31	478
Proceeds from sales of investment securities	864	3
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(3,384)	-
Other, net	(379)	(436)
Net cash provided by (used in) investing activities	(6,662)	(4,496)
Net cash provided by (used in) financing activities		
Proceeds from issuance of bonds	9,923	-
Redemption of bonds	(5,000)	-
Purchase of treasury stock	(1,191)	(6)
Cash dividends paid	(1,785)	(1,764)
Other, net	7	(251)
Net cash provided by (used in) financing activities	1,953	(2,022)
Effect of exchange rate change on cash and cash equivalents	(121)	10
Net increase (decrease) in cash and cash equivalents	(2,457)	(5,703)
Cash and cash equivalents at beginning of period	33,624	28,384
Cash and cash equivalents at end of period	31,166	22,680

#### (4) Notes on Premise of Going Concern

No items to report.

#### (5) Segment and Other Information

##### (Segment Information)

I. Equivalent Period of Previous Fiscal Year (From April 1, 2010, to September 30, 2010)

##### 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	80,224	8,176	1,512	89,913	1,385	91,299	173	91,472
Intersegment	529	267	3	800	2,449	3,249	(3,249)	-
Total	80,754	8,443	1,516	90,713	3,834	94,548	(3,075)	91,472
Segment income (loss)	1,166	(134)	(116)	915	28	943	435	1,378

- Notes:
1. Other represents business segments that are not included in the reported segments. This includes subsidiaries in the Functions Management Companies segment.
  2. The ¥435 million adjustment of segment income (loss) includes eliminations of ¥32 million and income of the Company not allocated to business segments of ¥403 million (primarily the income of holding companies).
  3. Segment income (loss) has been adjusted to the net income of consolidated quarterly statements of income.

##### II. Period under Review (From April 1, 2011, to September 30, 2011)

##### 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	84,541	8,332	1,323	94,198	1,110	95,309	169	95,478
Intersegment	454	309	2	767	2,479	3,246	(3,246)	-
Total	84,996	8,642	1,326	94,965	3,590	98,555	(3,076)	95,478
Segment income (loss)	2,569	394	(86)	2,877	27	2,905	420	3,326

- Notes:
1. Other represents business segments that are not included in the reported segments. This includes subsidiaries in the Functions Management Companies segment.
  2. The ¥420 million adjustment of segment income (loss) includes eliminations of ¥43 million and income of the Company not allocated to business segments of ¥376 million.
  3. Segment income (loss) has been adjusted to the operating income of consolidated quarterly statements of income.

##### 2. Changes in Reported Segments, etc.

The Company believes that basing segment income on operating income makes this index more useful to investors. This is due to the fact that full-year financial results are managed based on operating income as well as the fact that the income targets set out in the Takara Group Medium-Term Management Plan FY2014, released in April 2011, are for consolidated operating income. Therefore, segment income has been calculated based on operating income effective March 31, 2011. Accordingly, the figures for segment income in the six month period ended September 30, 2010, have been recalculated based on operating income as follows.

##### Equivalent Period of Previous Fiscal Year (From April 1, 2010, to September 30, 2010)

(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				
Segment income (loss)	2,784	194	(115)	2,863	62	2,925	323	3,248

- Notes:
1. Other represents business segments that are not included in the reported segments. This includes subsidiaries in the Functions Management Companies segment.
  2. The ¥323 million adjustment of segment income (loss) includes eliminations of ¥71 million, amortization of goodwill of ¥38 million, and income of the Company not allocated to business segments of ¥290 million.
  3. Segment income (loss) has been adjusted to the operating income of consolidated quarterly statements of income.

**(6) Material Changes in Shareholders' Equity**

No items to report.