

TAKARA

Solid Foundation, **Strong** Growth Potential

Annual Report 2008



The Takara Group unlocks new potential in the culinary, lifestyle culture and life science fields through its fermentation technologies for traditional Japanese sake and its cutting-edge innovation in the biotechnologies. These initiatives have consistently created new value and contributed to well-being and prosperity in the community.

Takara Holdings Inc., the Group's holding company, coordinates and oversees the operations of Group companies with the aim of maximizing rewards and results. Under its umbrella are the Takara Shuzo Group, which develops the alcoholic beverages and seasonings business; the Takara Bio Group, which develops the biomedical business; and Takara Healthcare Inc., which plays a key role in accelerating growth in the health foods business.

The Takara Group has been actively promoting evolution in five business areas—business results, business operations, management, corporate culture and human resources, and environmental and social responsibility—under Takara Evolution-100 (TE-100), the Group's 10-year, long-term management concept enacted in 2000. The concept focuses on establishing the alcoholic beverages and seasonings business as a stable profit generator, further broadening the potential for growth through the biomedical and health foods businesses, and in turn increasing underlying corporate value.



Forward-Looking Statements

Statements in this report, other than those based on historical fact, concerning the current plans, prospects, strategies and expectations of the Company and its Group represent forecasts of future results. While such statements are based on the conclusions of management according to information available at the time of writing, they reflect many assumptions and opinions derived from information that includes major risks and uncertainties. Actual results may vary significantly from these forecasts due to various factors.

Factors that could influence actual results include, but are not limited to, economic conditions, especially trends in consumer spending, as well as exchange rate fluctuations, changes in laws and government systems, pressure from competitors' prices and product strategies, declines in selling power of the Company's existing and new products, disruptions to production, violations of the Company's intellectual property rights, rapid advances in technology and unfavorable verdicts in major litigation.

Corporate Philosophy

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



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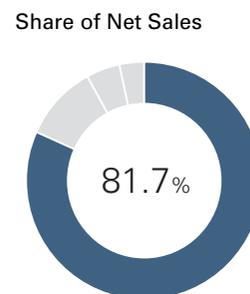
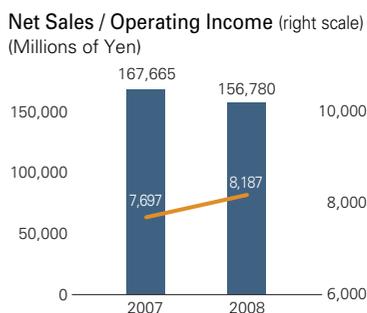
At a Glance

Net sales in fiscal 2008: **¥191,878** million

Operations are divided into four business segments: alcoholic beverages and seasonings, biomedical, transportation and other. The Alcoholic Beverages and Seasonings segment accounted for 81.7% of net sales in the fiscal year, underpinning total operations in the Takara Group. The Biomedical, Transportation and Other segments accounted for 18.3% of net sales, but biomedical and health food operations are positioned to drive growth in the Takara Group and play important roles going forward.

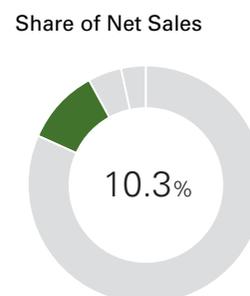
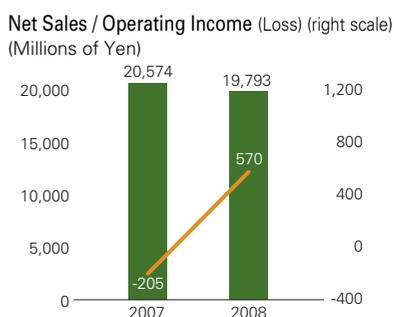
Alcoholic Beverages and Seasonings Segment ^{*1}

- Main Products
- Shochu
 - Sake
 - Light-alcohol refreshers
 - Hon Mirin (an alcohol-based seasoning)
 - Food seasonings
 - Raw alcohol
 - Others



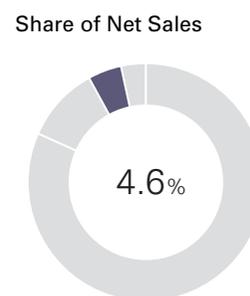
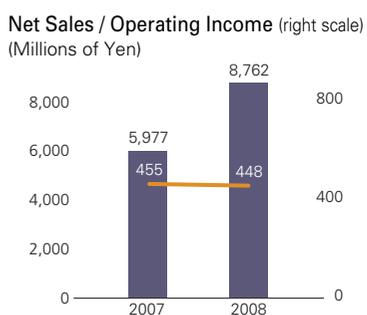
Biomedical Segment

- Main Products
- Research reagents
 - Scientific instruments
 - Contract research services
 - Gene transduction products
 - Mushrooms
 - AgriBio
 - Others



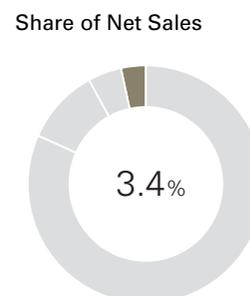
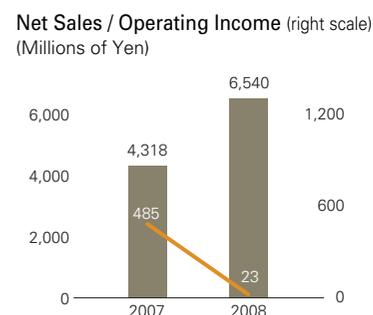
Transportation Segment

- Main Products
- Cargo forwarding
 - Warehousing
 - Distribution processing



Other Segment

- Main Products
- Labels
 - Posters
 - Cardboard cases
 - Sales promotion supplies
 - Real estate leasing
 - Health foods
 - Others



*1 The name of the Alcoholic Beverages and Food segment was changed to the Alcoholic Beverages and Seasonings segment following withdrawal from the beverages business.



Summary

In fiscal 2008, the Alcoholic Beverages and Seasonings segment registered sales of ¥156,780 million, down 6.5% year on year, and accounted for 81.7% of net sales. For large-sized bottle *ko*-type shochu for drinking, product delivery prices were revised, and sales dropped steeply in tandem with a temporary reduction in sales volume for the year. In addition, in fiscal 2007 we withdrew from the beverages business, which had been part of this segment, and shipping operations were assigned to the Transportation segment. This resulted in a contraction in sales. However, thanks largely to falling sales promotion costs accompanying the price revisions noted above and to the withdrawal from the beverage business, which had been registering operating losses, profits rose in adjusted terms in the segment after accounting for operating income in the independent Transportation segment that has been spun off and other factors.



Summary

Sales in the Biomedical segment declined 3.8% year on year, to ¥19,793 million, accounting for 10.3% of net sales. In this segment, we have been concentrating resources in three key fields—genetic engineering research, gene medicine and AgriBio—based on expertise that has been accumulated over many years in the biotechnology field. Sales declined in the fiscal year largely because sales of mass spectrometers decreased, and sales of health-oriented food products were consigned to an outside firm*2. Nevertheless, the transfer of sales functions improved efficiency in cost outlays, which helped forge sharp income growth in the segment, and operating income was recorded for the first time since operations were established in 2002.



Summary

In the Transportation segment, sales amounted to ¥8,762 million, representing 4.6% of net sales. Operations here were independent for the first time in fiscal 2008*3, having been previously included as part of the former Alcoholic Beverages and Food segment. Nagasaki Transport Co., Ltd. had been consolidated in October 2006. As a result, it contributed to sales over a full year for the first time in fiscal 2008, prompting a steep 46.6% increase in segment sales. That said, the surge in crude oil prices lifted diesel oil prices substantially. This and intensifying price competition kept operating income unchanged from the previous fiscal year.



Summary

Sales in the Other segment increased 51.5%, to ¥6,540 million, accounting for 3.4% of net sales. Growth was attributable principally to business development into health foods and, printing and real estate leasing and to contributions to sales over a full fiscal year by Takara Healthcare Inc.



*2 To Takara Healthcare Inc.

*3 The consolidation of Nagasaki Transport from the previous term and its full-year contribution were a major factor behind sales growth.

Solid Foundation

Takara Shuzo's persistent focus on quality and the technological prowess and accomplishments resulting from its efforts here have continued providing the underpinnings for the Takara Group as a stable earnings generator over a prolonged period.

Fostering the Shochu Revival

Shochu, a Japanese liquor similar to vodka, has been a persistent lifeline and source of strength for Takara Shuzo. Although shochu was an especially popular alcoholic beverage for some time in the postwar period—widely consumed and relatively inexpensive—its image gradually diminished due largely to illicitly brewed products entering the market. As a result, in the first half of the 1970s demand largely evaporated. The Company turned to trial-and-error over a 10-year period with the goal of developing high-quality shochu that could revive the product's image. *Takara Shochu Jun*, marketed in 1977, was the fruit of these efforts.

White Liquor Revolution and the Road to Rejuvenation

With demand for shochu foundering, Takara Shuzo worked to rehabilitate the product, making persistent efforts to develop and enhance distillation and aging technologies and blending know-how. Globally, consumer tastes shifted from individually crafted rich brown spirits to colorless and transparent spirits that do not lose any of their balance when diluted with mixers. As evidence, in 1974 vodka consumption surpassed bourbon whiskey consumption in the United States, and a boom in colorless and clear liquor took hold in Europe. During the so-called "white liquor revolution," Takara Shuzo believed that the trend would catch on in Japan as well, and the Company was at the forefront in developing high-quality shochu blending completely new ingredients. *Takara Shochu Jun* marked the birth of the movement in Japan. Casks and fermentation ingredients derived from different ingredients and distillation methods were rigorously selected, and ingredients were blended with our high-purity *ko*-type shochu. A unique filtering process was used for making shochu with a more naturally smooth taste, complemented by the very light aroma and extremely pure flavor of the product. The bottle design was made to reflect these changes, and the image of shochu was completely renovated. Sales rose steadily after the product was launched, and an unprecedented boom in the popularity of *Chu-Hi* light-alcohol refreshers in the 1980s translated into huge popularity. In 2007, which marked the 30th year since the product was introduced, aggregate sales reached 1.1 billion bottles (based on 720 ml / bottle). *Takara Shochu Jun* has been a consistent top-selling brand, and is testimony to Takara Shuzo's strict adherence to quality standards.



Label design is revamped for *Takara Shochu Jun* to celebrate its 30th anniversary.

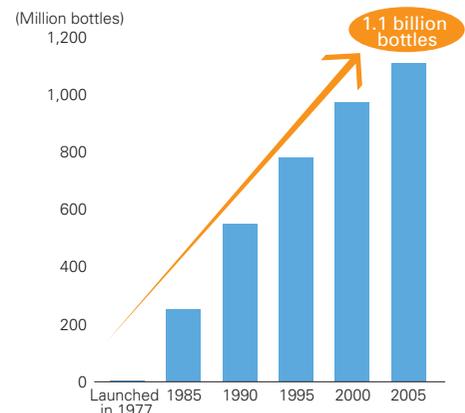


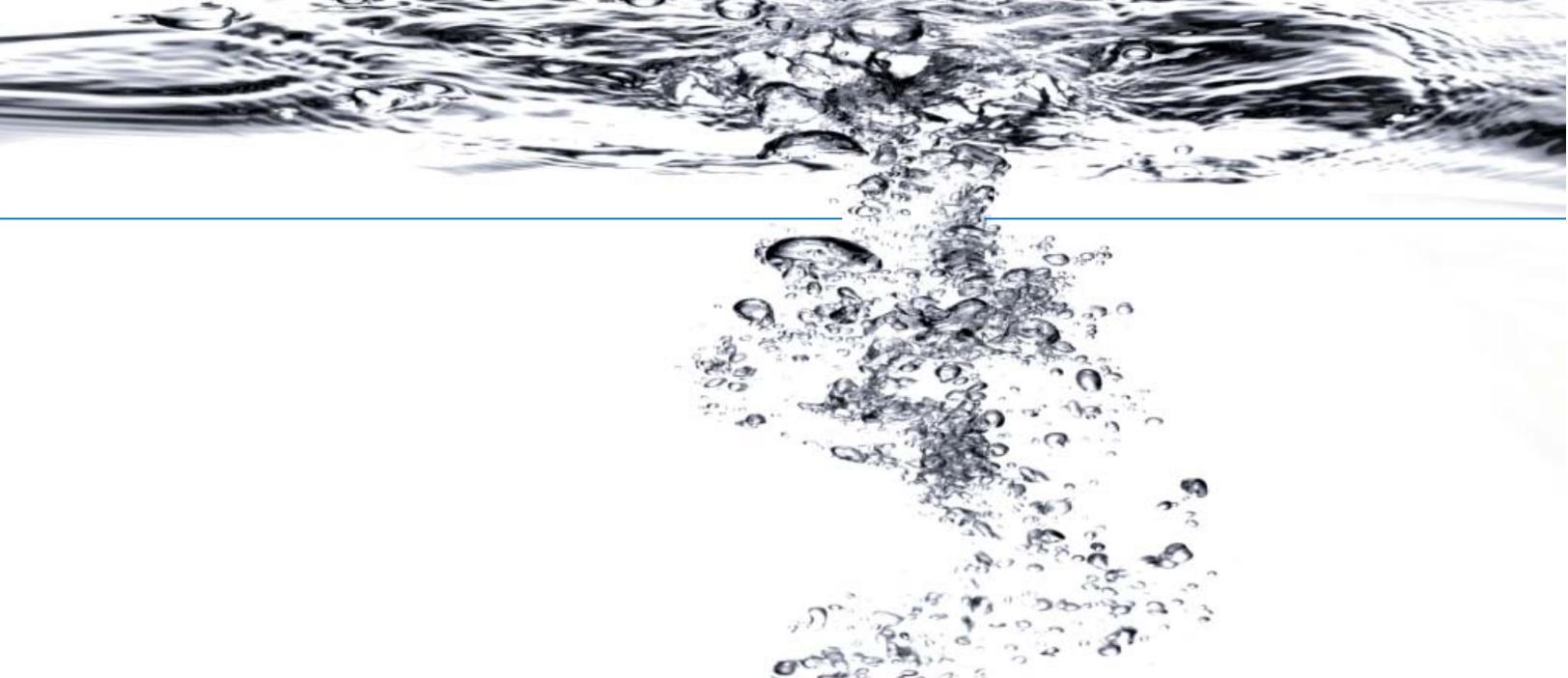
Initial advertising for *Takara Shochu Jun*



Eleven varieties of cask-aged shochu are blended to make *Takara Shochu Jun*.

Aggregate Sales of *Takara Shochu Jun* (720ml / bottle)





Takara Shochu Jun marked the dawning of a new era in the shochu market, and **Takara Shuzo** was the leader in pioneering the shochu revival. In addition, we created new markets for soft alcoholic beverages and other products, and our exacting focus on quality continues to this day.

Takara Can Chu-Hi

The introduction of *Takara Shochu Jun* ushered in the white liquor revolution in Japan, and *Chu-Hi* light-alcohol refreshers, with their exhilarating flavors, proved to be the hugely popular, particularly among the younger generation. Takara Shuzo quickly caught on to the *Chu-Hi* boom, launching *Takara Can Chu-Hi*, the first *Chu-Hi* beverage in a can, in January 1984. The product immediately became popular as a light-alcohol beverage, a completely new style of drink. Although the Company produced the beverage round the clock, supply could not keep up with popular demand. Gleaning the needs of the times, we were able to create a whole new genre in the shochu market in the soft alcoholic beverage category. The product retains its huge support among customers even today, thanks to its high-quality taste and ingredients.



Takara Can Chu-Hi

Ikkomon, 100% Pure Sweet Potato Shochu

Takara Shuzo set its sights on making skillfully handcrafted products with a more regional flavor based on trends in the shochu market and began developing sweet potato-based shochu beverages in 1997. Experiments by our team of distilling engineers led to a focus on 100% pure sweet potato shochus, which use sweet potatoes as the principal ingredient for their *koji* (a malt used in the fermentation process). Shochu generally uses rice malts for production, and developing beverages with sweet potatoes was extremely difficult. Nonetheless, intense trial-and-error coupled with Takara Shuzo's technical expertise honed over many years finally produced a shochu with the best possible sweet potato blend. In order to maintain the authentic flavor of sweet potatoes in the process, we focused on creating a liquor with refined taste and polished aroma without any coarseness. The fermenting *moromi* (main mash) counted on superior fermentation, resulting in a mild and moderate taste. *Ikkomon* means "bull-headed" in the dialect of Kagoshima Prefecture, and as the name implies, we were obstinate in the development and production process, creating an aroma and flavor that drew rave reviews from drinkers. Popularity has increased each year, and *Ikkomon* has been positioned as a strategic product for further strengthening earnings capabilities in the domestic alcoholic beverages business. Looking ahead, we will appeal to customers through the superior quality of our products and increase brand value by stepping up promotional activities, by enacting a range of policies, such as aggressively developing new restaurants and bars for our products.



Ikkomon, a 100% pure sweet potato shochu



Strong Growth Potential

Takara Bio Inc.

Takara Bio is poised to greatly enhance growth potential for the Takara Group through its efforts to complete establishing successful gene medicines for curing challenging diseases, such as cancer and AIDS.

Basic Strategy for the Gene Medicine Segment

Our basic strategy is to develop and commercialize core technologies that are essential to gene medicine (gene therapy*1 and cell therapy*2) through technological applications of our genetic engineering skills and expertise.

These core technologies are the RetroNectin® method and the RetroNectin® expansion-culture system, which are not only being licensed out worldwide but are also being developed by Group companies through research and clinical development of gene therapies for cancer and AIDS.

*1 Gene therapy's purpose is to cure disease by administering genes or cells that contain a gene to a patient so as to correct a genetic birth defect, or cure a disease (e.g., cancer or AIDS). There are two types of gene therapies: *ex vivo* and *in vivo*. In *ex vivo* gene therapy, cells are taken from the patient, transduced with a target gene, and transplanted back into the patient. In contrast, *in vivo* gene therapy involves the direct administration of therapeutic genes to the patient.

*2 Cell therapy entails treatment by injecting patients with living cells. In a broad sense, blood transfusions and bone marrow transplantation are both cell therapies. In a narrower definition of the term, however, cell therapy also includes processes such as the separation of specific cells, their storage, and their amplification and processing in culture.



Experiments using RetroNectin® reagent



RetroNectin® reagent



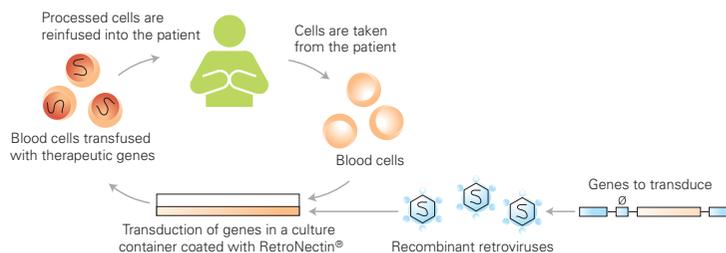
Research

Takara Bio's Core Technologies in the Gene Medicine

1. The RetroNectin® method

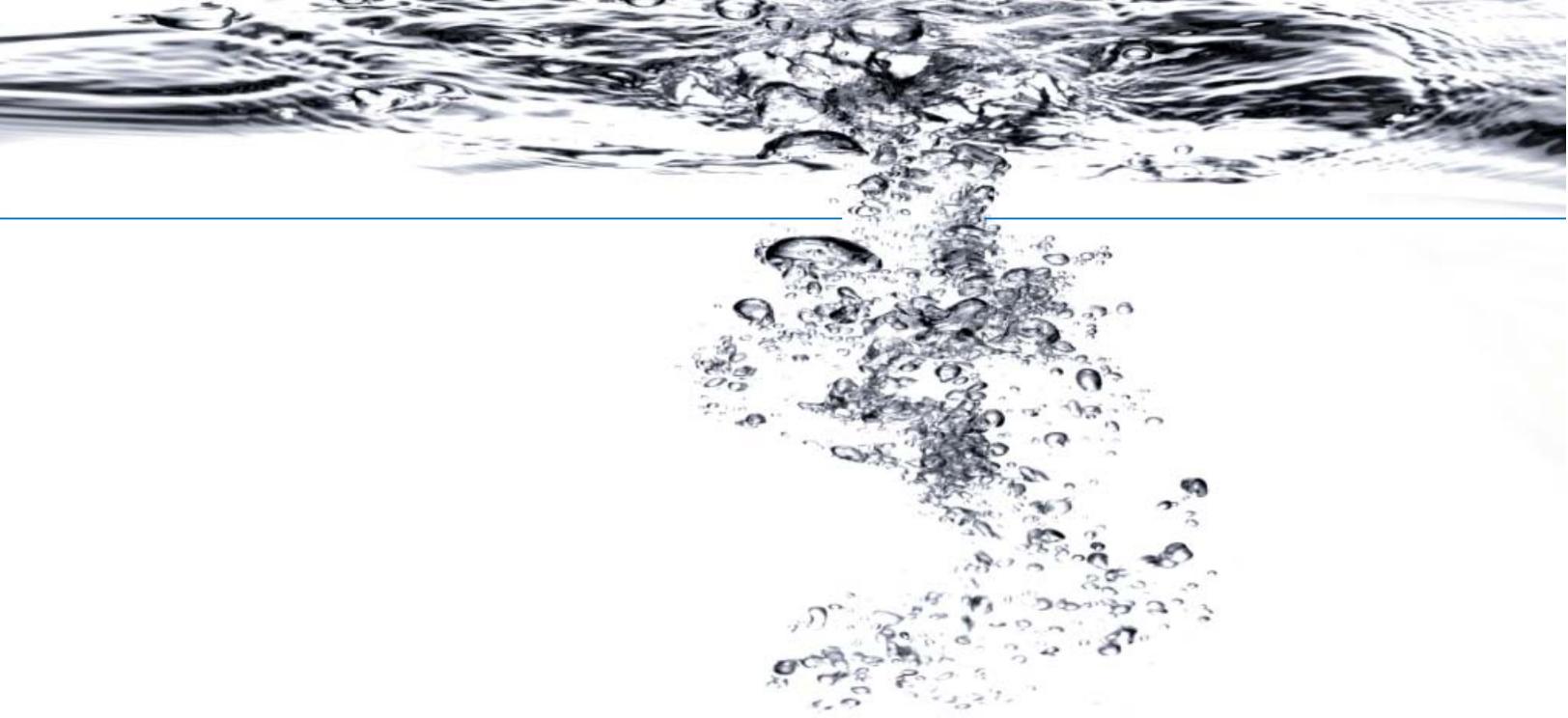
RetroNectin® is the recombinant protein of modified human fibronectin. Its specific interaction with both target cells and virus vectors brings retroviruses and target cells into close contact on RetroNectin®, which is thought to enhance the efficiency of gene transduction. The RetroNectin® method, which is a highly efficient method of gene transduction using a retrovirus vector, is being used by 42 facilities including medical institutions and private companies for clinical study of gene therapies, and is becoming the standard in the *ex vivo* gene therapy.

Gene Therapy Protocol Using the RetroNectin® Method



2. The RetroNectin® expansion-culture system

The lymphocyte expansion-culture system can be used both in gene and cell therapies. In the RetroNectin® expansion-culture system, human lymphocytes are expanded in culture in the presence of RetroNectin® reagent in combination with interleukin-2 and anti-CD3 monoclonal antibodies. Cell groups including a high proportion of naive T cells that have a significant *in vivo* presence and strong antigen recognition are acquired.



Clinical Development Projects that the Takara Bio Group is Working On

Gene Therapy

	Target disease	Location	Business partner
HSV-TK gene therapy (donor lymphocyte gene transfer therapy)	Relapsing leukemia	Japan	The National Cancer Center
HSV-TK gene therapy (haplo add-back)	High-risk hematological malignancies	Japan	The National Cancer Center
TCR gene therapy	Esophageal cancer	Japan	Mie University's School of Medicine
MazF gene therapy	AIDS	China Japan	The Chinese Center for Disease Control and Prevention The Tsukuba Primate Research Center, National Institute of Biomedical Innovation

Cell Therapy

	Target disease	Location	Business partner
Cancer immunotherapy	Renal cancer	China	Cancer Institute and Hospital, Chinese Academy of Medical Science
Cancer immunotherapy	Refractory cancer	China	Tianjin Cancer Institute & Hospital, Tianjin Medical University
Cancer immunity reconstruction therapy	Ovarian cancer, head and neck cancers, esophageal cancer, myeloma	Japan	Mie University's School of Medicine
Cancer immunotherapy	Under consideration	Korea	Green Cross Corp.

Takara Healthcare Inc.

Takara Healthcare is stepping up its development and sales of health-oriented food products by taking advantage of Takara Bio's technical strengths and taking the lead in promoting future growth in the health foods business.

For such food materials as kombu (kelp) "fucoidan," agar (vegetable gelatin) "agaoligo," Ashitaba (angelica herb) "chalcone," mushroom "terpene," herb (Peucedanum japonicum) and yam (Dioscorea esculenta) independently developed by the Takara Group, Takara Healthcare is marketing stable and safe health-oriented food products and contributing to the health and well-being of customers. Although the business is small in scale at this point, the company is concentrating resources on mail-order sales as an important sales channel and working to further broaden the customer base as part of its initiatives to achieve earnings growth.



An Interview with the President



Hisashi Ohmiya
President, Takara Holdings Inc.

Q1. What is your understanding of the operating environment and current business conditions for Takara Holdings (hereinafter “the Takara Group”) at the consolidated level?

A In the domestic alcoholic beverages business, the core operation in the Takara Group, we are now operating under severe market conditions. The market has been shrinking in the face of a decline in the drinking population, diversifying tastes among customers, greater price consciousness and a shift towards lower-priced beverages, and other trends. Prospects for healthy sales growth are still problematic at this time. Moreover, price competition has been intensifying, owing partially to realignment in the retail market stemming from looser regulations in recent years for gaining permits to sell alcoholic beverages. Also, steep increases in crude oil and grain prices have been pushing up raw material and input prices, which has been one factor depressing earnings for manufacturers. However, market conditions in the biomedical business have been favorable. This has fostered firm expansion as technological advances help underpin stable growth in the research support market and commercialization of businesses for regenerative medicine become an important topic following the progress made in cell biotechnology. Furthermore, increasing health consciousness among consumers has been fueling expansion in the food and seasonings businesses, and we see significant growth potential in alcoholic beverages, seasonings and other businesses overseas now that Japanese foods are gaining a stronger following internationally.

Q2. How would you appraise the Group’s performance in the year ended March 31, 2008 (hereinafter “fiscal 2008”)? What did the Sixth Medium-Term Management Plan achieve, and what are your priorities ahead?

A The Takara Group registered a 3.4% year-on-year decline in net sales, to ¥191,878 million, while operating income rose 11.0%, to ¥8,506 million, marking two straight fiscal years of earnings growth. The Group was able to offset falling gross income due to the decrease in sales through reductions in sales promotion costs. Ordinary income climbed 16.3%, to ¥9,123 million, helped by rising equity-method income and other benefits. Net income increased as well. Extraordinary losses were recorded for settlement payments to resolve a dispute involving Clontech Laboratories, Inc. and other parties and because of other factors, while extraordinary gains from the sale of negotiable securities and other items helped raise net income 10.7%, to ¥4,658 million.

Turning to business segments, in the Alcoholic Beverages and Seasonings segment, sales declined considerably as delivery prices were revised for *ko*-type shochu sold in large sized bottles and for other products in the wake of steep increases in raw material and input prices, and we withdrew from the unprofitable beverages business. Nevertheless, these factors pushed down sales promotion costs, and our ongoing efforts to reduce expenditures and other positives reaped rewards. Income in the segment rose for the second straight year after adjusting to account for realignment in our business segments.

In the Biomedical segment, sales fell in the fiscal year. In the genetic engineering research field, sales of research reagents—the mainstay product—held steady from the previous fiscal year, but for scientific instruments, sales of mass spectrometers and other major products were down sharply. In addition, sales were trimmed in the AgriBio field, partially because sales operations for health food products were transferred to Takara Healthcare Inc. That said, a change in the sales mix boosted the gross profit margin, and rising expenditures for research and development geared toward future expansion were negated by reductions in selling, general and administrative (SG&A) costs and other factors. As a result, for the Takara Bio Group, ordinary income was recorded for the second consecutive year, and operating income was recorded for the first time since its founding in 2002. We are on target

to reach our goal of building the underlying foundations for maintaining consistent profitability while maintaining R&D outlays.

Fiscal 2008 marked the final year of the Sixth Medium-Term Management Plan. The main achievement over the three-year period was our successful transformation in creating an underlying business structure capable of recording earnings growth.

First, even though profits declined in fiscal 2006, the first year of the plan, due to steeper-than-expected increases in raw material and input costs and other negatives, operating income rose in the subsequent years. In the Alcoholic Beverages and Seasonings segment, high-quality products with strong customer appeal, such as *Ikkomon* 100% pure sweet potato shochu and *Sho Chiku Bai Shirakabe-gura*, registered sales growth. At the same time, we consistently reduced costs and made concerted efforts to thoroughly manage and control sales promotion expenditures. We revised our delivery prices and diligently oversaw earnings in other areas as well. The beverages business was eliminated in the Alcoholic Beverages and Seasonings segment as we took important steps to improve efficiencies within the Group. In the Biomedical segment, Clontech Laboratories was acquired, and the pursuit of synergies in a number of areas yielded stronger earnings capabilities. In the AgriBio field, sales alliances and other strategies have led to improving earnings. The second achievement is that we are now making steady progress in developing the gene medicine field as a future growth driver. For clinical testing scheduled to get under way at the National Cancer Research Center of Japan for HSV-TK gene therapy for leukemia, the Ministry of Health, Labour and Welfare recognized that the therapy confirms with quality and safety standards for drugs used in genetic therapy in October 2007. Phase I clinical trials are scheduled to begin in fiscal 2009. Moreover, the RetroNectin® method is being increasingly licensed out to other firms. The third achievement is that we have built an organizational structure attuned to growing business fields. Takara Healthcare was founded in the wake of accelerating expansion in the health food business, and Takara Shuzo set up the Seasonings Processing Business Division to tap into the growing field of food that is ready made and purchased for home consumption in the foods market, setting the stage for growth.

Nonetheless, several important issues still need addressing. First, in new business domains, the medium-term plan ultimately fell short of its sales goals. In overseas businesses in the Alcoholic Beverages and Seasonings segment, established businesses recorded robust sales growth, but targets for new businesses were unrealized, and sales came in substantially below targets. Moreover, sales undershot the initial plan in the Seasonings Processing Division, and slow progress was made in reaching goals in Takara Healthcare's first year of operations in the health foods business. Second, the sharp increases in raw material costs and other expenditures have structurally depressed our ability to generate profits. In the Alcoholic Beverages and Seasonings segment, cumulative income amounted to approximately ¥2.9 billion over the three years of the plan, as costs exceeded our expectations and depressed earnings. In addition, the relaxation of regulations for obtaining licenses to sell alcoholic beverages in September 2003 has changed the retail landscape, helping to increase the portion of our sales mix accounted for by mass-merchandising stores. For example, sales of our products have been shifting from 1.8-liter bottles to products sold in paper packs and PET bottles, which carry lower profit margins. The changes in our product mix have continued pushing down profit margins.

Consequently, we regrettably were unable to obtain the goals of the Sixth Medium-Term Management Plan, which had called for consolidated net sales of ¥210.0 billion and ordinary income exceeding ¥10.0 billion in fiscal 2008, the final year, and cumulative cash flow of ¥30.0 billion over the three years.



An Interview with the President



Q3. For the Seventh Medium-Term Management Plan, what are your basic policies, strategies and targets, and where do you plan to focus your resources in the year ending March 31, 2009 (hereinafter “fiscal 2009”), the first year of the plan?

A For the Takara Group, judging from the achievements and issues faced under the Sixth Medium-Term Management Plan and the market conditions now faced by the Group, the two leading priorities will be ensuring that earnings capabilities are maintained under our assumptions for extremely high raw material and input prices and accelerating expansion into growth areas that we have pinpointed. These are the principal goals we hope to achieve under the Seventh Medium-Term Management Plan. Our basic policies will be to forge consistently stable expansion in core businesses and to accelerate growth in the new business fields we are now nurturing to elevate corporate value by investing in growth and in stepping up return for shareholders. We are pursuing initiatives in operating segments and the various business fields in line with these basic policies.

For the Takara Shuzo Group, the focus is on maintaining and increasing earnings capabilities in the domestic alcoholic beverages business and on meeting challenges for making inroads in the domestic market and in overseas markets that are now expanding. In the domestic alcoholic beverages business, the market itself has been shrinking. Even so, we have maintained healthy earnings capabilities and kept sales high through meticulous efforts to nurture and cultivate our brands. We plan to enhance and revitalize brands, keep a plethora of strong brands in our business portfolio and build solid earnings foundations by two means. First, we are building distinctive brands through the pursuit of quality in our product lineup, as highlighted by *Ikkomon* 100% pure sweet potato shochu, which is now enjoying brisk sales, and *Takara Shochu Jun*, which we have targeted for a rebound in sales. Second, we will focus on bolstering profit management by maintaining sales volume and strengthening the performance of such feature products as *Sho-Chiku-Bai Ten* and *Takara Can Chu-hi Jika Shibori*. In addition, we will stand by our earlier efforts for reducing costs and cost-cutting activities and strive to further improve productivity, particularly through the newly established Administrative Innovation Dept. The challenge for growing markets will entail redoubling efforts overseas. We are carefully investing in products and services that are finely attuned to targeted markets, such as the United States, Europe and BRIC countries, centering on sake and seasonings. Meanwhile, spreading the consumption of Japanese food and food culture will be imperative for transmitting Japanese sake culture overseas. Accordingly, we believe it is important to hastily but meticulously provide instruction about Japanese cuisine and train staff with the necessary expertise in Japanese sake and alcoholic beverages. In Japan, we are developing products and focusing on marketing activities from the consumer’s perspective in the growing business of providing food that is ready made and purchased for home consumption, as well as further bolstering our seasonings business for food processing. Furthermore, in these areas we will aggressively invest with an eye on expansion and accelerated growth. As for specific targets for the Seventh Medium-Term Management Plan, having factored in ¥1.26 billion in cost increases in fiscal 2009—the result of steeply rising raw material and input costs—we are targeting net sales exceeding ¥175.0 billion and ordinary income above ¥8.0 billion in fiscal 2011, the final year of the plan. In fiscal 2009, the initial year, our key strategies will be to continue nurturing the *Ikkomon* brand and revitalizing *Takara Shochu Jun*. We are keenly focused on restaurants and bars and promoting drinking experiences by making inroads into eating and drinking establishments and continuing to appeal to customers through the quality of our products. In addition, to further bolster the *Takara Can Chu-hi Jika Shibori* brand, we are looking to increase market share through *Straight Cloudy Fruit Juice*, which offers unique qualities to the product.

Next, for the Takara Bio Group, we have not changed our business strategies appreciably. Genetic engineering research is the core earnings and technological platform, and our focus is on additional business growth and stability in the Group. Also, for health food and mushrooms, particularly nutritionally enriching food ingredients, we are seeking active growth and working to

The Takara Group's Seventh Medium-Term Management Plan

Basic Policies

Our basic policies are to forge consistently stable expansion in core businesses and to accelerate growth in new business fields now being nurtured to elevate corporate value by investing in growth and through return for shareholders.

• Three-Year Plans for Core Businesses

Alcoholic Beverages and Seasonings

Plans call for generating stable profits on an ongoing basis, underpinned by solid cash flow. At the same time, in growth fields, we will clarify strategies for success in growth businesses and pinpoint the paths for creating future cash flow.

Biomedical

We aim to speed up the commercialization of genetic therapies and use these for further reinforcing our earnings framework, in turn increasing cash flow in the future.

Health Foods

We are positioning operations here as a key growth business for generating profits in the Takara Group and will focus resources on building solid earnings platforms.

• Financial Strategies

We will maintain investment at normal levels in existing businesses, extend capital for investments geared toward growth and actively work to generate returns for investors.

Growth investments:
Cumulative outlays exceeding

¥ 10 billion over the three years

Total shareholder return:
Generate aggregate returns of more than

¥ 10 billion over the three years (doubly levels)

Shareholder return payout:
Minimum of

50% *1

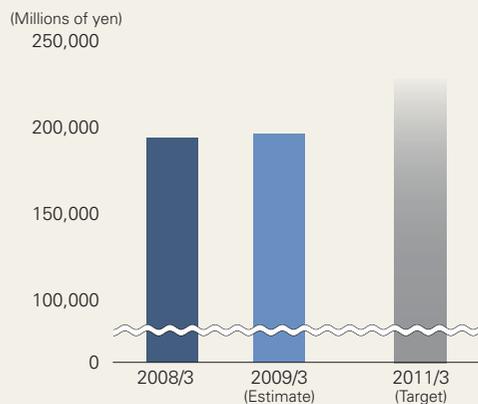
*1 Calculated as follows:

$$\text{Total shareholder return} = \frac{(\text{Total dividends} + \text{Amount of share buybacks})}{\text{Deemed consolidated net income} *2} \geq 50\%$$

*2 Deemed consolidated net income =

$$(\text{Consolidated ordinary income} - \text{Interest income and dividends} + \text{Interest payments}) \times (1 - \text{Effective tax rate})$$

• Tangible Goals (Takara Group)



The Group has set targets for net sales exceeding ¥200.0 billion and ordinary income surpassing ¥10.0 billion in fiscal 2010. In addition to its profit goals, the Group intends to improve its shareholders' equity ratio by controlling equity capital levels.

Takara Shuzo Group

The Group targets net sales surpassing **¥175.0** billion and ordinary income exceeding **¥8.0** billion in fiscal 2010.

Takara Bio Group

The Group plans net sales amounting to **¥22.4** billion and ordinary income of **¥1.2** billion in fiscal 2010.

Takara Healthcare

This company's strategic priority is to attract mail-order customers through products developed through technological expertise honed by Takara Bio.

An Interview with the President

enhance earnings in the AgriBio field. In gene medicine, now on track for development through HSV-TK gene therapy scheduled to begin Phase I clinical trials in fiscal 2009, our aim is to commercialize genetic and cell therapies, and we will further speed up development for attaining these goals. Our specific aims under the business plan include sales of ¥22.4 billion and ordinary income of ¥1.2 billion in fiscal 2011. In fiscal 2009, we expect negative repercussions from yen appreciation to push down overseas sales, and therefore project that sales will stay about flat compared with the previous fiscal year. In addition, we forecast that active forward-looking investment geared toward business expansion will depress income. That said, our targets still call for income remaining in the black over the course of the fiscal year.

For Takara Healthcare, our priority is on drawing in mail-order customers by taking full advantage of the technological prowess of the Takara Bio Group. One particular focus will be further distinguishing kombu (kelp) "fucoidan" from peer products and further increasing sales of the series, which has been on the market for more than 10 years and maintains a strong following among customers. We will continue forward-looking investment in strengthening advertising and publicity and other efforts and gear such spending towards growth as we strive to build solid business platforms.

Based on the activities outlined above, the Takara Group has set targets for sales exceeding ¥200.0 billion and ordinary income surpassing ¥10.0 billion in fiscal 2011, the final year of the Seventh Medium-Term Management Plan. For fiscal 2009, we project sales totaling ¥194.5 billion and a slight gain in net income, to ¥8.6 billion, as cost increases totaling ¥1.26 billion weigh down earnings in the year.

Q4. Finally, please tell us about your financial strategies for the Seventh Medium-Term Management Plan.

A We have formulated basic plans for how to apply our funds based on the conditions on the Takara Group's balance sheet, progress in attaining results in the different business categories and other factors, while also taking into account the opinions of shareholders, investors and other parties. Our view is that the Group is currently poised to strengthen its foundations for attaining genuinely healthy growth, and we intend to use roughly ¥34.0 billion in cash flow generated from business activities and asset restructuring over the next three years for normal investment in existing businesses, investments geared toward expansion, increasing spending in the biomedical and for actively generating returns for shareholders.

The objective of growth investments is to accelerate expansion within the capital spending framework we have established. We are targeting outlays exceeding ¥10.0 billion for businesses with strong growth potential and for further enhancing earnings capabilities in the Alcoholic Beverages and Seasonings segment and the health foods business. If outlays surpass ¥10.0 billion here, we will count on fundraising through debt financing by Takara Holdings. For growth investments in the biomedical, the Takara Bio Group will look into where spending is most appropriate and cover costs with its own operating cash flow and funds and through new fundraising, as has been the case in the past.

In addition, in line with our initiatives for enthusiastically generating returns for shareholders and for strengthening controls over our equity to increase enterprise value to shareholders, we plan to double returns to them to more than ¥10.0 billion over a three-year period through combined dividend payouts and share buybacks. Moreover, while promoting business strategies that are premised on achieving growth and fostering stable returns over the long term, we established the Shareholder Returns Policy, which dictates minimal payout to investors for ensuring that they are guaranteed at least a certain level of compensation each fiscal year. Through these policies focusing on returns for shareholders, we intend to work to steadily increase return on equity.



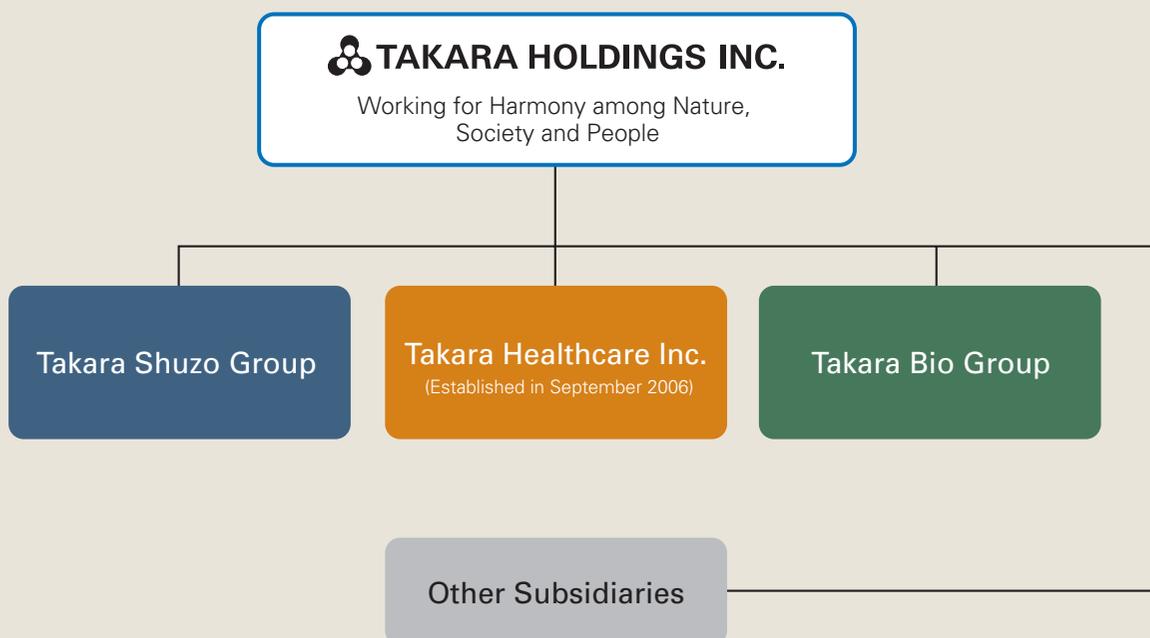
Hisashi Ohmiya, President
July 2008

A handwritten signature in black ink that reads "H. Ohmiya". The signature is written in a cursive, flowing style.

Business Outline

Takara Group Business Overview

The Takara Shuzo Group, which focuses on the alcoholic beverages and seasonings businesses, and the Takara Bio Group, which specializes in the biomedical business, fall under the umbrella of Takara Holdings Inc. Additionally, Takara Healthcare Inc. was formed in September 2006 with the aim of speeding the growth of the Group's health food business.



As the marketing agent for Takara Bio, Takara Healthcare has taken over Takara Bio's marketing routes and customers. Going forward, in addition to marketing products that are newly developed by Takara Bio, Takara Healthcare will also develop and market its own health food products through alliances with other companies. We believe that this reorganization will accelerate the growth of the Takara Group's health foods business by putting the marketing capabilities and selling expertise of Takara Shuzo to effective use in the health-oriented foods business that had been handled by Takara Bio.

This business reorganization is also intended to bolster the various business activities of Takara Bio and Takara Shuzo. By transferring the marketing functions of its health-oriented foods business, Takara Bio will seek to operate more efficiently and strengthen its ability to generate profits by focusing on the product development process, from conducting research and development on new functional food ingredients to creating commercially viable products. As part of this business reorganization, Takara Shuzo has withdrawn from the unprofitable soft drinks business and has reallocated its resources to bolster the profit-generating capacity of the alcoholic beverages business within Japan and also to expand the seasonings business as well as overseas operations.

By implementing this new framework, including the reinforcement of existing businesses, we aim to enhance the corporate value of the Takara Group as a whole.

Business Outline

Takara Shuzo Group

The history of the Group's core alcoholic beverages and seasonings businesses goes back to 1842. For more than 160 years, it has been our mission to provide dependable products in tune with the changing times and consumer tastes and values, and backed by our ingenuity and proven technologies.

Takara Shuzo's products span a wide range of categories, including shochu, sake, light-alcohol refreshers, wine, whisky, Chinese alcoholic beverages, seasonings and raw alcohol. It operates not only in Japan but also globally through subsidiaries in the United States, China, and Scotland (UK).



Wooden sign from our beginning in the Showa Era

Shochu

Taking advantage of proprietary technologies that have been developed over many years, Takara Shuzo has helped foster the market for shochu by creating new markets and by seeking to produce shochu products that are in tune with the times. In *ko*-type *shochu*, the Company created a new category of bottled shochu products and has maintained the top share in this category thanks to quality brands like *Takara Shochu Jun*, which has been on the market for more than 30 years, and *Takara Shochu*, which is the number one shochu brand in Japan thanks to its reliable product quality and traditional appeal. Takara Shuzo is also building a solid position in the *honkaku* shochu market by launching and fostering shochu products distilled from various base ingredients, such as *Ikkomon*, 100% sweet potato shochu.



Sake

The *Sho-Chiku-Bai* brand has built a strong position as a leading brand in the special occasion and gift market, and Takara Shuzo consistently protects its image as the "Sake of happiness," which has helped the brand to grow even more. The *Sho-Chiku-Bai Ten* was launched for the soft pack market. Its distinctive qualities and package design featuring the calligraphy of Bakuzan Sakaki have won it many devoted customers. In the Company's unrelenting quest for an answer to the question of what makes a truly good sake, Takara Shuzo is producing mainly *junmaishu* and *ginjoshu* at the Shirakabe-gura Brewery located in Nada, Hyogo Prefecture. By paying careful attention to brewing technique and ingredients, we will continue to offer unique quality products that will be embraced by customers in the future.



Light-Alcohol Refreshers

The *Takara Can Chu-Hi* product made its remarkable debut in 1984. This product has won overwhelming customer support thanks to product quality that is achieved by carefully selecting shochu, fruit juice and water and then processing these using our proven technologies. As a result, it has enjoyed more than 20 years of longevity as an established product. The Company is also continuing to develop and foster other quality products that meet the needs of its customers, such as *Takara Can Chu-Hi Jika-Shibori*, which uses fruits from only certain areas that are juiced using only certain methods; *Takara Shochu High Ball*, which seeks to replicate the flavor of the original *Shochu High Ball* that was the origin of chu-hi; and *Takara Shochu no Oolong-wari*, which contains no added sugar.



Seasonings

Focusing on the power of sake as a seasoning that has been used around the world since ancient times, Takara Shuzo offers various products that make food taste good and enhance the dining experience. *Takara Hon Mirin*, which was first introduced during Japan's Edo Period and which is considered indispensable for Japanese cooking, has a strong customer following. As the top brand of *Hon Mirin*, this product has evolved and developed along with the food culture of Japan. *Takara Hon Ryoriseishu* is well-loved as a cooking sake that eliminates the smell of some ingredients and brings out the flavor of food. Takara Shuzo also offers a range of seasonings for meal manufactures, including the *Kyo Takara* brand, as well as seasonings for the growing home-meal replacement market that take advantage of Takara's reputation in sake.



Overseas Activities

In the United States, Takara Sake USA Inc. produces and sells *Sho-Chiku-Bai* sake, *mirin* and plum wine, while Age International Inc. handles the Blanton's label of super-premium bourbons. In China, Takara Shuzo Foods Co., Ltd., produces and sells *Sho-Chiku-Bai* sake, *mirin* and shochu and also sells products imported from Japan, while Shanghai Takara Shuzo International Trading Co., Ltd., imports and sells western-style alcoholic beverages made by other Takara Group companies. In Europe, The Tomatin Distillery Co., Ltd., distills and sells scotch whisky in the U.K. and has sales offices in England and France. By reinforcing and mutually taking advantage of this network, Takara Shuzo aims to operate even more efficiently and move into new business areas.



Tasting room at Takara Sake USA

Business Outline

Takara Bio Group

The mission of the Takara Group's biotechnology business is to contribute to the health of mankind by making revolutionary biomedical treatments such as gene therapy, a reality. The gene medicines that spring from our biotechnology research are intended to protect the health and lives of human beings. To make these a reality, the Takara Bio Group is growing the Genetic engineering research segment that is the basis for both technology and earnings. It is also fostering the AgriBio segment as a second source of steady income and working to commercialize gene therapies and cell therapies by investing resources in the Gene medicine segment.

Genetic Engineering Research

The Genetic engineering research segment manufactures and sells research reagents and scientific instruments used by biotechnology researchers around the world and also provides contracted research services to these researchers.

In the area of research reagents and scientific instruments, Takara Bio has received a license for the PCR method, which is widely used as a gene amplification method. It is continuing to develop products that meet the market's needs, such as PCR enzymes that provide a high fidelity along with superior elongation and reliability as well as reverse transcriptases with superior elongation. In September 2005, Takara Bio acquired Clontech, a U.S. company, and greatly expanding and enhancing its lineup of research reagents. By introducing and selling products from other European and U.S. manufacturers, Takara Bio aims to broaden its business domain to cover all of biotechnology and build a solid position in the biotechnology research support industry. In addition to selling reagents and instruments, Takara Bio operates a contract research service business. The Dragon Genomics Center, is prepared to offer comprehensive research services, handling not only genome sequencing analysis but also high-speed sequence analysis using next-generation technology and gene expression analysis using DNA chips.

Takara Biotechnology (Dalian) Co., Ltd., in China serves as the manufacturing location for research reagents. Manufacturing in China, where costs are low, is a source of competitive strength. By transferring the production of Clontech's products from the United States to China and creating a global distribution framework, Takara Bio is becoming more cost-competitive and enhancing its profit-generating capabilities.



Research reagents



Real-time PCR

AgriBio

Based on the concept of "food as medicine," Takara Bio re-examines traditional Japanese food ingredients from a biotechnology perspective, analyzes their functionality and brings them to consumers as health-oriented food products. It is also developing a business that takes advantage of technologies for large-scale cultivation method of mushrooms that we have perfected over many years.

In the health-oriented foods business, Takara Bio has been researching the bioactive properties of kombu (kelp) "fucoidan," agar (vegetable gelatin) "agaoligo," Ashitaba (angelica herb) "chalcone," mushroom "terpene," herb (Peucedanum japonicum), and yam (*Dioscorea esculenta*), and has been developing and producing health foods incorporating these active ingredients. These products are marketed through Takara Healthcare Inc.

In the mushroom business, Takara Bio was the first in the world to achieve success in the large-scale cultivation of Bunashimeji mushrooms, which are now widely available at most supermarket, and has also established a large-scale cultivation method for Hatakeshimaji and Honshimeji mushrooms. It aims to further expand the business by licensing artificial cultivation



Artificially cultivated Honshimeji mushrooms

technology for Bunashimeiji mushrooms to entities including JA ZEN-NOH (National Federation of Agricultural Cooperative Associations) Nagano and Yukiguni Maitake Co., Ltd., and by forming alliances with Yukiguni Maitake and Kin-cho, a town in Okinawa Prefecture. Finally, Takara Bio is working to develop new cultivation methods for high-value-added mushrooms using the Matsutake mushroom genome.

Gene Medicine

Takara Bio is developing and aims to commercialize the core technologies that are essential to gene medicine (gene and cell therapies), by applying the technologies developed in the Genetic engineering research segment.

One of the Takara Bio's core technologies for gene medicine is an efficient retroviral transduction method—the RetroNectin® method—that was developed in collaboration with Indiana University in the U.S. Takara Bio holds exclusive rights for worldwide applications of this powerful technology, which is used in *ex vivo* gene therapy to enable efficient transduction of genes into hematopoietic stem cells and other blood cells. Before the advent of the RetroNectin® method, this process was considered difficult. Our RetroNectin® method is used by various public medical institutions conducting clinical trials in gene therapy as well as in several privately funded clinical trials. We hope to encourage the acceptance of this technology and boost earnings by actively working toward licensing out the method in countries worldwide.

Separately, based on technology it already possesses, Takara Bio is moving ahead on the clinical development of *ex vivo* gene therapies for leukemia, esophageal cancer and AIDS, in cooperation with the National Cancer Center and Mie University. In cell therapy, Takara Bio is moving ahead on the clinical development of cancer immunotherapy using the RetroNectin® expansion culture system that is the company's second core technology and is also developing a business providing support services for this cancer immunotherapy.



Research



RetroNectine® reagent

Takara Healthcare Inc.

As part of the Takara Group, Takara Healthcare will take advantage of the Group's unique ingredients and technologies to provide customers with safe and reliable health foods through direct marketing channels, helping people to live healthy and active lives.

After Takara Bio has conducted R&D on ingredients and collected research data, the two companies will jointly develop commercial products. Takara Bio will then supply the products to Takara Healthcare, which will handle marketing activities and mail-order sales. By taking advantage of synergies between the two companies, the Takara Group aims to accelerate the growth of the health foods business.



Takara Healthcare e-commerce web site



Takara "fucoidan" extract 400



Ashitaba "chalcone"



Dioscorea esculenta, "togedokoro"

Corporate Governance

The Takara Group works to fulfill its social responsibility as a good corporate citizen and to gain the confidence of all of its stakeholders based on the concept “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.” In turn, the Group believes that it can persistently increase corporate value. Recognizing these aims, the Group is renewing initiatives to bolster corporate governance practices as one of its leading priorities.

Underlying Corporate Governance Basic Concept

The Group is focusing on increasing corporate value through four principal means:

1. Accelerating growth by delegating authority and furnishing autonomy to each Group company, thereby enabling them to increase their own enterprise value;
2. Maintaining a business climate for the disclosure of reports on individual companies and the free exchange of ideas about management policies and business strategies through regularly scheduled meetings and other activities, further increasing enterprise value for the Group as a whole;
3. Complying with rules and ordinances, maintaining ethical principles and promoting a sound corporate governance system for the Group in order to fulfill its overall corporate social responsibilities; and
4. Disclosing accurate data consistently in an open and timely manner and maintaining an internal network for disclosure to increase business transparency.

Auditing and Auditing Roles, Internal Audits and a Count of Auditing

As of June 27, 2008, the Company's Board of Directors was composed of eight members (including one external director), and the number of auditors totaled five, including three external auditors. Auditors analyze the Board's executive actions through their participation in important meetings attended by the Board of Directors and other personnel and through their analysis of operations, financial assets and key documents and written data. Moreover, auditors regularly exchange opinions concerning auditing plans, auditing policies and auditing practices and conditions with auditing personnel, receive explanations of the auditing system from auditing personnel and monitor auditing and financial conditions through on-site inventory and other observations in conjunction with auditing personnel. The Audit Division in the internal auditing department works to appropriately maintain executive enforcement by deciding on policies necessary for enacting internal audits. In addition, the Audit Division exchanges opinions with auditors on auditing plans, important items for auditing and other matters. Internal auditing reports on findings may be submitted to the president and auditors at any time.

Activities with Important Repercussions for Corporate Governance

Takara Bio Inc., our publicly traded subsidiary

Takara Holdings Inc. is a parent company of Takara Bio Inc. and holds 71.0% of the voting rights of Takara Bio (Tokyo Stock Exchange Mothers; Securities code number: 4974) as of March 31, 2007. The relationship between the Company and Takara Bio is outlined below.

1) Listed subsidiary Takara Bio

As of March 30 1, 2008, Takara Holdings was the parent company of Takara Bio, Inc. (Tokyo Mothers 4974), and held 71.0% of voting rights. The parent company's relationship with Takara Bio is outlined as follows.

On April 1, 2002, Takara Bio was spun off from the parent company as a wholly owned subsidiary. Afterward, the parent company's share of voting rights was reduced to the current level through third-party capital increases, public subscriptions, the issue of bonds with warrants and other actions.

Takara Holdings is a pure holding company comprising 35 subsidiaries and seven affiliates. Takara Bio is positioned as the subsidiary specializing in biotechnology and promoting biotechnology-related businesses for the Group.

2) Holding company management of Group companies

The holding company establishes and maintains official rules and regulations for overseeing Group companies from its vantage point as the manager of consolidated activities, but its goal is to facilitate independence and autonomy among Group companies for maximizing enterprise value in the overall Group. Takara Bio abides by these rules and

regulations and receives reports on decisions and other actions of the Board of Directors, but is not required to seek the approval of the Board before enacting policies and operates independently of the holding company.

In addition, the holding company holds meetings for formulating Group strategies and biotech-related policies and other purposes, and representative directors, officers and executives of Takara Bio attend these meetings. The meetings are held to debate policies for the Group as a whole and disseminate data between Group companies, and to ensure that the autonomy and independence of Takara Bio are not impinged upon.

Policies concerning the large-scale acquisition of Company shares and other assets (for preventing takeovers)

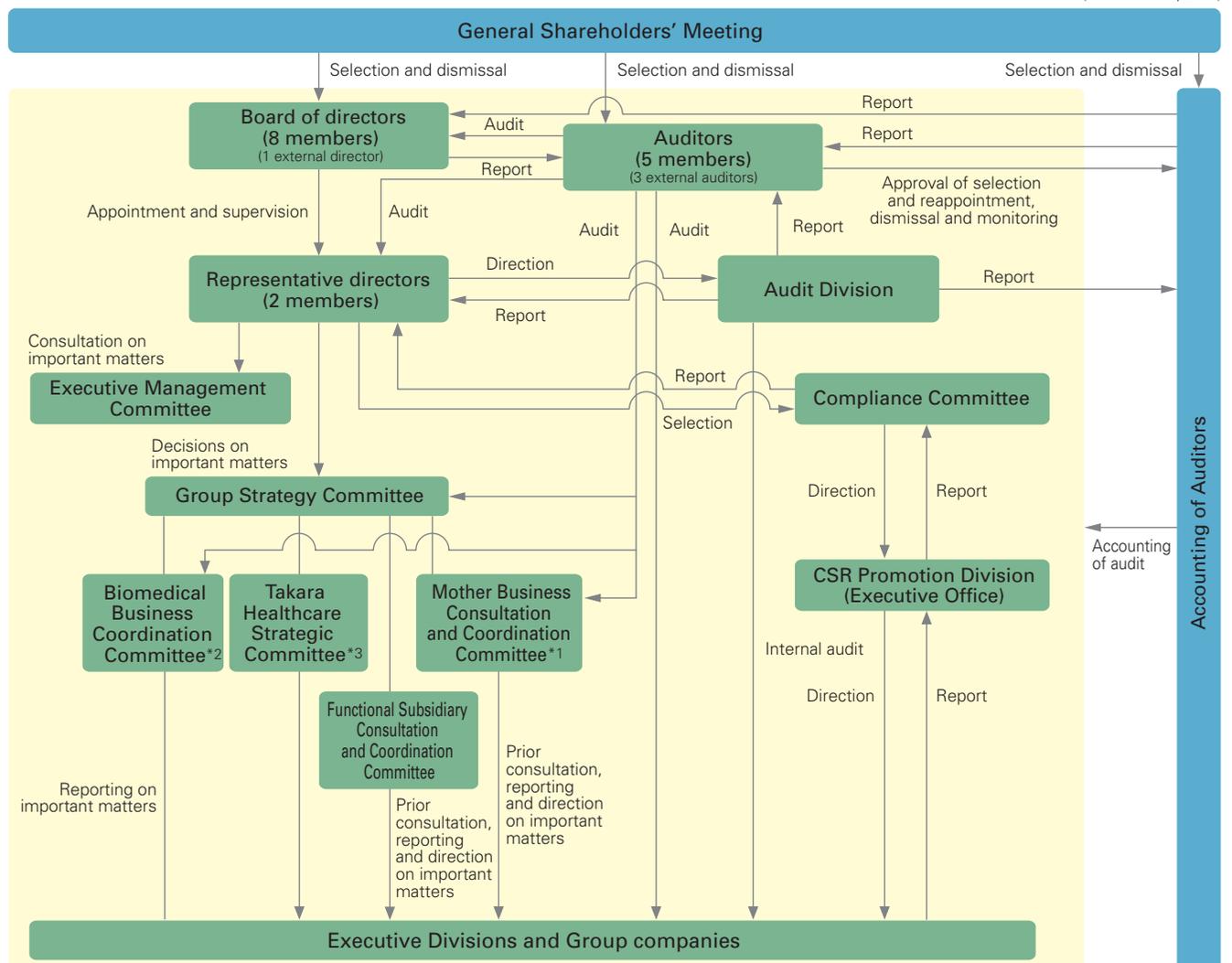
At the Board of Directors’ meeting held on May 15, 2006, the holding company enacted policies concerning the large-scale acquisition of Company shares and other assets (for preventing takeovers) with the aim of maintaining and increasing enterprise value and promoting the common interests of shareholders.

However, believing that policies better reflecting the opinion of shareholders are needed for optimizing common interests with them, the Board of Directors revised its policies for preventing takeovers. The Board determined at its meeting held on May 15, 2007 that it would in the future introduce measures for preventing takeovers at its general shareholders’ meeting after conferring with shareholders, and that decisions regarding actions in this regard would be made at general shareholders’ meetings as a rule. For details, see our web site (<http://www.takara.co.jp/>), official company accounts and the Management’s Discussion and Analysis section of the annual report.

At the 96th general shareholders’ meeting held on June 28, 2007, measures for preventing takeovers were introduced and approved.

Corporate Governance System

(As of June 27, 2008)



*1 Consultation and coordination committee for the "mother" business segment (alcoholic beverages and seasonings)
 *2 Coordination committee for the biomedical business *3 Strategic committee for the health foods business

Board of Directors and Auditors

As of June 27, 2008



Hisashi Ohmiya

President, Takara Holdings Inc.;
President, Takara Shuzo Co., Ltd.;
Chairman, Takara Bio Inc.



Tadashi Ohmiya

Vice President, Takara Holdings Inc.;
Vice President, Takara Shuzo Co., Ltd.



Ikunoshin Kato, Ph.D.

President and CEO, Takara Bio Inc.;
Director, Takara Holdings Inc.

Takara Holdings Inc.

Directors	Isao Goto Masaharu Yano Shuichiro Matsuzaki Takao Okane	Vice President, Takara Shuzo Co., Ltd. Corporate Planning and CSR; Director, Takara Shuzo Co., Ltd. Accounting, Finance and Investor Relations; Managing Director, Takara Shuzo Co., Ltd. General Affairs & Personnel, Environment & Public Relations, and Administrative Innovation; Director, Takara Shuzo Co., Ltd.
External director	Takehiko Ueta	Director, Takara Shuzo Co., Ltd.
Corporate auditors	Hideto Sekiyama* Tomio Kamada* Hideo Tomomura Yoshie Ohta Kozo Kagawa	

*Standing Auditor

Environmental and Social Responsibility

To continue to contribute to customers, society, and the planet in accordance with the key words “healthy” and “active,” we are striving to become a “green ink enterprise” that cares about both society and the environment.

The Takara Group relies on clean water, agricultural products and other manifestations of nature’s bounty for pursuing business activities. Since the richness of the natural world is a crucial component enabling us to thrive and succeed, respecting the environment and environmental responsibility have long been important philosophies for us. As such, we actively work to help preserve the environment and alleviate environmental impact.

For Healthy and Active Customers



Braille on can top

Takara Shuzo has attained ISO9001 certification for quality management systems at all of its plants. Plants use only raw materials guaranteed for high-quality, safety and legal compliance, and all products delivered to customers are assured of their safety. From product planning to design, procurement, production and shipments, quality and safety are our most paramount priorities.

In 1995, *Takara Can Chu-Hi* became the first series of can products in Japan to clearly provide alcoholic beverage labeling in order to prevent mistaken consumption. In 2002, similar labeling was applied the first time to the caps of alcoholic beverages contained in paper packaging in Japan.



Braille on bottle top

In addition, recognizing that promoting responsible drinking is an important responsibility of producers and marketers of alcoholic beverages, we were among the earliest enterprises to address this issue. Under our “Say No Campaign” initiated in 1985 using the “good day, good drinking, and good manners” slogan, we have promoted the message that consuming alcoholic beverages at reasonable levels is important. We continue actively promoting responsible drinking in a number of ways, helping our customers maintain their health and well-being. For example, we are currently sponsoring a program for parents and their children to educate them about positive drinking habits.

For an Active Society

Takara Holdings established the Takara Harmonist Fund in 1985. This public trust fund has promoted environmental preservation for forests and watersheds each year since its founding and has provided funding for research and other activities in the community for protecting habitat in nature.

In April 2004, Takara Shuzo began operating the Takara Rice and Sake School (revamped as the Takara Farm School in 2008), which provides opportunities for learning about nature’s bounty and life by observing rice cultivation and the natural world around rice farms. Furthermore, we enthusiastically lend our hand to volunteer activities in Japan and to activities by non-profit organizations (NPOs). Takara Sake USA Inc., Takara Shuzo’s U.S. affiliate based in San Francisco, California, participates in and contribute to a broad range of activities by local environmental protection groups and helps them.



Takara Rice and Sake School



Breaking ground with Sho-Chiku-Bai label sake cask for Hakone Garden charity event



Takara Harmonist Fund

For a Healthy Planet

Takara Shuzo understands that it has serious social responsibilities in the community for alleviating the burden on the global environment and for preserving nature as an enterprise impacting the environment as part of its basic business practices. We have been publicly disclosing “green accounts” that detail our efforts and achievements in reducing environmental impact since 1998. These accounting reports outline environmental impact and concerns in a number of areas, select and pinpoint important community activities and disclose easy-to-understand ECO indexes as a way to measure and account for overall improvement.

We are selling products only by their content to weight, using returnable bottles that can be refilled, developing ecoPET bottles and other products that are easily sorted for recycling and cooperating with customers in promoting a 4R packaging system (entailing refuse, reduce, reuse and recycle for environment-friendly practices).



Green Ink Corporate Report 2007



Removable cap



Selling shochu by weight

For details, see Takara Shuzo’s web site (http://www.takarashuzo.co.jp/social_action/).

Six-Year Financial Summary

Takara Holdings Inc. and Consolidated Subsidiaries
Years ended March 31

	Millions of Yen						Thousands of U.S. Dollars
	2008	2007	2006	2005	2004	2003	2008
For the Years Ended March 31:							
Sales to customers	¥191,878	¥198,535	¥196,119	¥195,359	¥196,897	¥187,394	\$1,918,780
Alcoholic Beverages and Seasonings segment	156,780	167,665	—	—	—	—	1,567,800
Biomedical segment	19,793	20,574	—	—	—	—	197,930
Transportation segment	8,762	5,977	—	—	—	—	87,620
Other segment	6,540	4,318	—	—	—	—	65,400
(Former) Alcoholic Beverages and Foods segment	—	173,642	176,107	178,068	179,675	167,188	—
(Former) Biomedical segment	—	20,574	16,490	13,671	13,560	14,338	—
(Former) Other segment	—	4,318	3,520	3,618	3,661	5,867	—
Cost of sales	117,864	122,325	120,132	119,114	119,023	114,617	1,178,640
Gross profit	74,014	76,210	75,986	76,244	77,874	72,776	740,140
SG&A expenses	65,507	68,550	70,062	68,841	68,514	64,169	655,070
Operating income	8,506	7,660	5,924	7,402	9,360	8,606	85,060
Income before income taxes and minority interests	8,321	7,660	7,876	6,813	10,453	6,232	83,210
Net income	4,658	4,208	5,320	2,614	5,668	2,185	46,580
Depreciation and amortization	6,384	6,692	6,755	6,393	6,427	6,627	63,840
Capital expenditures	3,852	3,617	5,633	6,511	5,243	7,269	38,520
R&D expenses	3,643	3,593	3,574	3,353	3,127	3,591	36,430
As of March 31:							
Total assets	¥207,843	¥213,393	¥212,466	¥190,773	¥189,416	¥175,830	\$2,078,430
Interest-bearing debt	43,720	39,083	39,330	40,347	41,560	38,854	437,200
Total equity	113,273	115,570	—	—	—	—	1,132,730
Total shareholders' equity	99,969	102,507	101,839	89,478	88,006	79,888	999,690
Per Share of Common Stock (Yen and U.S. Dollars):							
Net income	¥21.53	¥19.44	¥24.39	¥11.74	¥25.93	¥9.76	\$0.21
Cash dividends	8.50	7.50	9.00	7.50	7.50	7.50	0.08
Ratios (%):							
Return on assets (ROA)	2.2%	2.0%	2.6%	1.4%	3.1%	1.2%	
Return on equity (ROE)	4.6	4.1	5.6	2.9	6.8	2.7	
Equity ratio	48.1	48.0	47.9	46.9	46.5	45.4	

Notes 1. Japanese yen figures less than one million yen are rounded down to the nearest million yen. Per share data information is rounded to the nearest yen, and ratios to the first decimal place.

2. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥100 to U.S.\$1, the approximate rate of exchange at March 31, 2008.

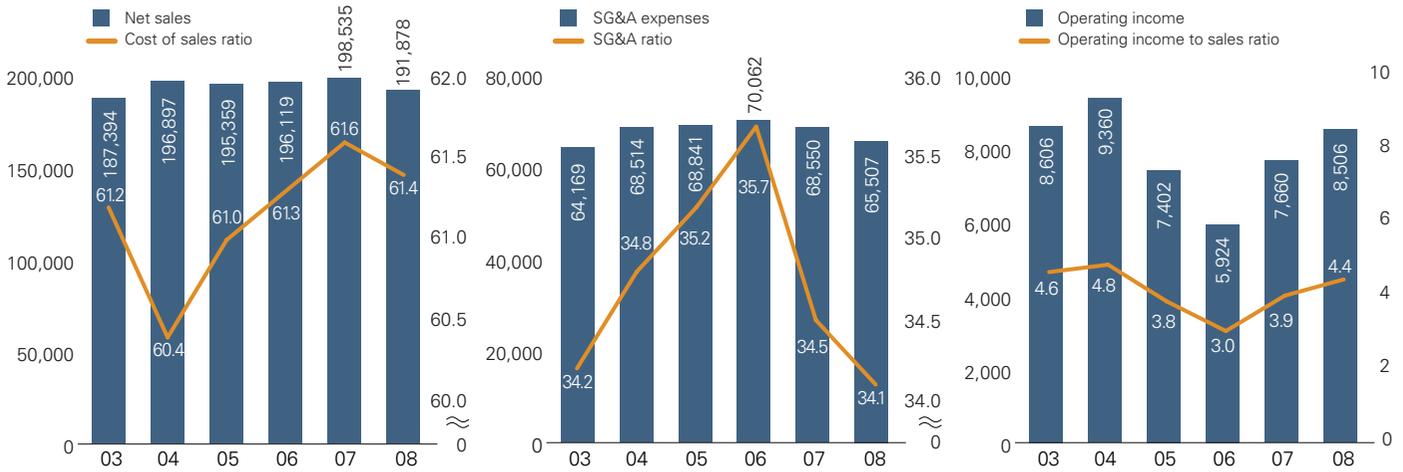
3. Effective April 1, 2007, the Group changed its industry segmentation from Alcoholic Beverages and Foods, Biomedical and Other to Alcoholic Beverages and Seasonings, Biomedical, Transportation and Other, because the sales amount of transportation business which was previously included in the Alcoholic Beverages and Foods segment has increased. The accounts of Nagasaki Transport Co., Ltd., which was newly consolidated from the year ended March 31, 2007, were included for the 12-month period for the year ended March 31, 2008. In addition, effective April 1, 2007, the Group changed the name of the Alcoholic Beverages and Foods segment to the Alcoholic Beverages and Seasonings segment due to the withdrawal from the non-alcoholic beverages business.

4. Effective fiscal 2007, the Company applied the Accounting Standard for Presentation of Net Assets in the Balance Sheet and the Implementation Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet. As a result, starting from fiscal 2007 the sum of Total shareholders' equity and Minority interests is listed as Total equity.

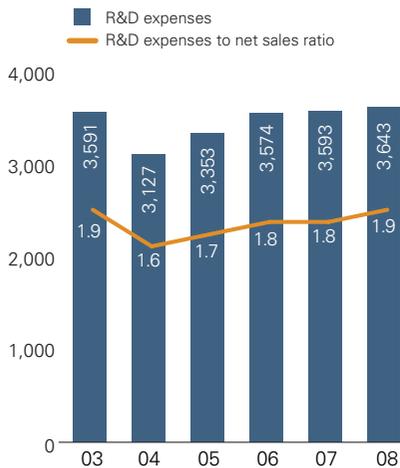
5. The amount listed in Total shareholders' equity at March 31, 2007 is calculated by subtracting Minority interests and Stock acquisition rights from Total equity. Please note that the balance sheets of fiscal 2006 and before list Total shareholders' equity.

Fact Sheet

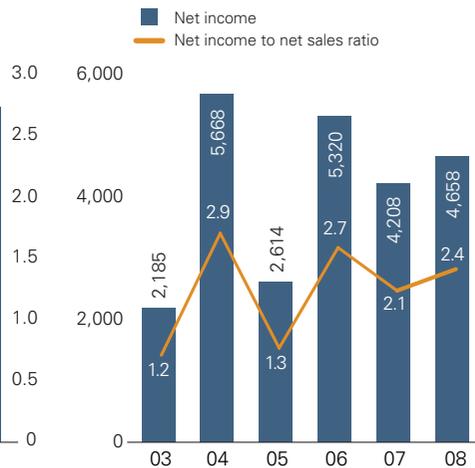
Selling, General and Administrative Expenses / Cost of Sales Ratio (Millions of Yen / %)



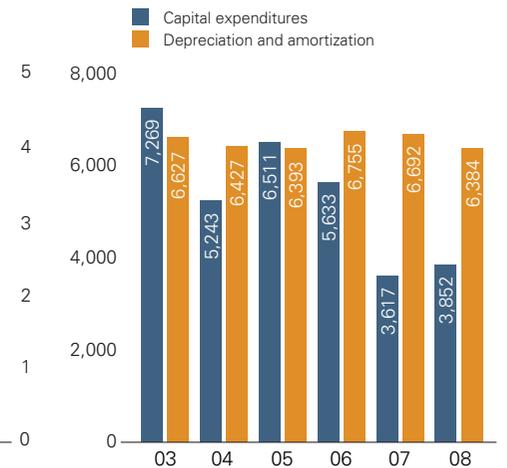
R&D Expenses / R&D Expenses to Net Sales Ratio (Millions of Yen / %)



Net Income / Net Income to Net Sales Ratio (Millions of Yen / %)



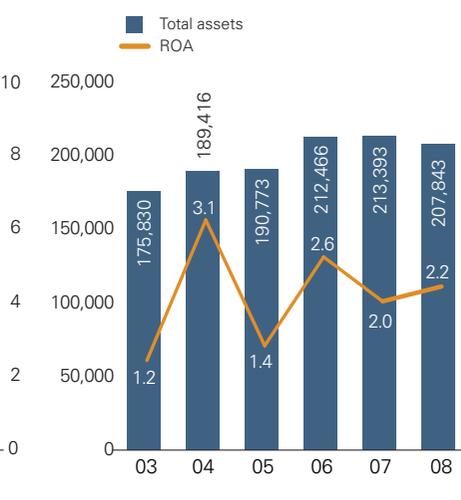
Capital Expenditures / Depreciation and Amortization (Millions of Yen)



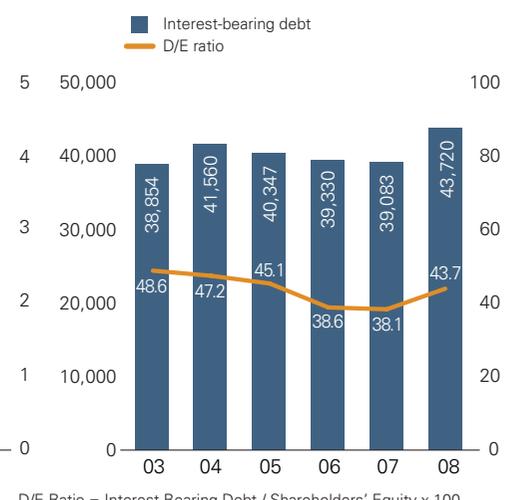
Shareholders' Equity / ROE (Millions of Yen)



Total Assets / ROA (Millions of Yen)



Interest-Bearing Debt / D/E Ratio (Millions of Yen)



D/E Ratio = Interest-Bearing Debt / Shareholders' Equity x 100

Major Subsidiaries

Name	Address	Issued Capital	Percentage of Equity Owned	Line of Business
TAKARA SHUZO CO., LTD.	20 Naginatahoko-cho, Shijo-dori Karasuma Higishi-iru, Shimogyo-ku, Kyoto 600-8688, Japan TEL 075-241-5110	¥1,000 million	100.0%	Manufacture and sale of alcoholic beverages, seasonings, and raw alcohol
Subsidiaries of Takara Shuzo Co., Ltd.				
Takara Butsuryu System Co., Ltd.	55-13 Osumihama, Kyotanabe, Kyoto 610-0343, Japan TEL 0774-68-1720	¥50 million	(100.0%)	Transportation, warehousing, automobile service, non-life insurance agent, travel agent, etc.
TB Co., Ltd.	55-13 Osumihama, Kyotanabe, Kyoto 610-0343, Japan TEL 0774-65-3840	¥10 million	(100.0%)	Transportation, warehousing
Nagasaki Transport Co., Ltd.	1-16 Onoue-machi, Nagasaki 850-8688, Japan TEL 095-823-0161	¥250 million	(100.0%)	Transportation, customs broker, warehousing, etc.
Komaki-zyouzou Co., Ltd.	12 Tokiyoshi, Satsuma-cho, Satsuma-gun, Kagoshima 895-1816, Japan TEL 0996-53-0001	¥16 million	(50.0%)	Manufacture and sale of shochu
Luc Corporation, Ltd.	2-39, 5-chome, Akasaka, Minato-ku, Tokyo 107-0052, Japan TEL 03-3586-7501	¥80 million	(100.0%)	Import and sale of wine
Takara Bussan Co., Ltd.	9, Butai-cho, Fushimi-ku, Kyoto 612-8338, Japan TEL 075-601-6267	¥10 million	(100.0%)	Sale of feed
Takara Yoki Co., Ltd.	609 Takenaka-cho, Fushimi-ku, Kyoto 612-8061, Japan TEL 075-605-4540	¥30 million	30.0% (70.0%)	Wholesale of glass bottles
Total Management Business Co., Ltd.	609 Takenaka-cho, Fushimi-ku, Kyoto 612-8061, Japan TEL 075-623-2660	¥20 million	(100.0%)	Advertising agency, marketing research, sales promotion planning, temporary staffing service and restaurant management
USA Takara Holding Company	708 Addison St., Berkeley, CA 94710, U.S.A. TEL 510-540-8250	US\$4,094 thousand	(100.0%)	Holding company
Takara Sake USA Inc.	708 Addison St., Berkeley, CA 94710, U.S.A. TEL 510-540-8250	US\$3,000 thousand	(90.0%)	Manufacture and sale of alcoholic beverages
AADC Holding Company, Inc.	229 W. Main St. Frankfort, KY 40602, U.S.A. TEL 502-223-9874	US\$30	(100.0%)	Holding company
Age International, Inc.	229 W. Main St. Frankfort, KY 40602, U.S.A. TEL 502-223-9874	US\$250 thousand	(100.0%)	Sale of bourbon whisky
The Tomatin Distillery Co., Ltd.	Tomatin, Inverness-shire, IV13 7YT, Scotland, U.K. TEL 1808-511-234	STG£3,297 thousand	(80.6%)	Manufacture and sale of Scotch whisky
J&W Hardie Ltd.	Tomatin, Inverness-shire, IV13 7YT, Scotland, U.K. TEL 1808-511-234	STG£250 thousand	(80.6%)	Manufacture and sale of Scotch whisky
Takara Shuzo Foods Co., Ltd.	No.31 Nanyuan West St, Fengtai District, Beijing, People's Republic of China TEL 010-6791-1758	RMB130,000 thousand	(62.0%)	Manufacture and sale of alcoholic beverages, seasonings and raw alcohol, import and sale of Takara Shuzo Group's products
LB FOOD SYSTM CO., LTD.	18 / F, Yue Hai Building No.472, Huan Shi Dong Road, Guangzhou, People's Republic of China TEL 020-8761-1100	RMB4,800 thousand	(51.0%)	Operation of Japanese restaurants in Guangzhou
Shanghai Takara Shuzo International Trading Co., Ltd. Singapore Takara Pte. Ltd.	19J, LiDuXinGui. No.831 Xinzha Road Shanghai, People's Republic of China TEL 21-6218-1383 16, Raffles Quay, #15-09 Hong Leong Building, Singapore TEL 421-9258	RMB4,896 thousand US\$1,000 thousand	(51.0%) (100.0%)	Import and sale of Takara Shuzo Group's products, and export of quality Chinese products Sale of alcoholic beverages and investment activities
TAKARA BIO INC.	Seta 3-4-1, Otsu, Shiga 520-2193, Japan TEL 077-543-7200	¥9,022 million	71.0%	Manufacture and sale of pharmaceuticals, medical instruments, research reagents and scientific instruments, contracted gene analysis and contracted examination on gene for medical purpose
Subsidiaries of Takara Bio Inc.				
Takara Bio Cancer Immunotherapy Inc.	1-16, 1-chome Sendagaya, Shibuya-ku, Tokyo 151-0051, Japan	¥50 million	(100.0%)	R&D for cancer immunotherapy; technological support; and cell processing support activities
Mizuho Nourin Co., Ltd.	38 Mitsueda, Hoidani, Kyotamba-cho, Funai-gun, Kyoto 622-0313, Japan	¥10 million	(49.0%)	Cultivation and sale of mushrooms, cultivation technology training
Takara Bio Farming Center Inc.	4217 Nagayoshi, Osaki-cho, Soh-gun, Kagoshima 899-7306, Japan	¥3 million	(48.3%)	Manufacture, processing and sale of agricultural and forest products
KINOKO CENTER KIN INC.	9006 Aza-Kin, Kin-cho, Kunigami-gun, Okinawa 904-1201, Japan	¥5 million	(49.0%)	Cultivation, processing and sale of mushrooms, cultivation technology training, cultivation and sale of seed fungi, manufacture and sale of fertilizer and feed, etc.
Takara Biotechnology (Dalian) Co., Ltd.	No.19 Dongbei 2nd Street, Development Zone, Dalian, 116600, People's Republic of China	¥2,350 million	(100.0%)	Manufacture and sale of research reagents, and reagents-related technology service
Takara Bio Europe S.A.S.	2, Avenue du President Kennedy, 78100 Saint-Germain-en-Laye, France	EUR600 thousand	(100.0%)	Sale of research reagents
Takara Korea Biomedical, Inc.	Lotte New T Castle 601, 429-1, Gasan-dong, Gumchun-gu, Seoul, Korea	W3,860 million	(90.3%)	Sale of research reagents, scientific instruments and biomedical foods, contracted research and gene examination
Takara Biomedical Technology (Beijing) Co., Ltd.	Life Science Park, 22 KeXue Yuan Road, Changping District, Beijing, 102206, People's Republic of China	RMB54,661 thousand	(100.0%)	Research and development of biopharmaceuticals, manufacture and sale of biomedical research reagents and scientific instruments and contracted biomedical research services
Takara Bio USA Holding Inc.	1290 Terra Bella Avenue, Mountain View, CA 94043, U.S.A.	US\$70,000 thousand	(100.0%)	Holding company
Clontech Laboratories, Inc.	1290 Terra Bella Avenue, Mountain View, CA 94043, U.S.A.	US\$83 thousand	(100.0%)	Research and development, manufacture and sale of research reagents, contracted research
Subsidiaries of Takara Holdings Inc.				
Takara Healthcare Inc.	609 Takenaka-cho, Fushimi-ku, Kyoto 612-8061, Japan TEL 075-623-2317	¥90 million	100.0%	Manufacture and sale of health foods
Taihei Printing Co., Ltd.	55 Kakegoshi-cho, Nishi-shichijo, Simogyo-ku, Kyoto 600-8881, Japan TEL 075-313-7141	¥90 million	99.0% (1.0%)	Printing
Takara Network System Co., Ltd.	20 Naginatahoko-cho, Shijo-dori Karasuma Higishi-iru, Shimogyo-ku, Kyoto 600-8688, Japan TEL 075-241-5139	¥30 million	100.0%	Development, operation and maintenance of information systems
Kawahigashi Shoji Co., Ltd.	9 Butai-cho, Fushimi-ku, Kyoto 612-8338, Japan TEL 075-601-5211	¥30 million	100.0%	Sale of alcoholic beverages, and real-estate rental

Note: Percentage of Equity Owned in parentheses indicates percentage of indirectly owned equity.

Corporate Data

As of March 31, 2008

Takara Holdings Inc.

Trade Name	Takara Holdings Inc.
Head Office	20 Naginatahoko-cho, Shijo-dori Karasuma Higashi-iru, Shimogyo-ku, Kyoto 600-8688, Japan Telephone: 075-241-5130
Established	September 6, 1925
Issued Capital	¥13,226 million
Company Representative	Hisashi Ohmiya, President
URL	http://www.takara.co.jp

Investor Information

Common Stock	
Authorized	870,000,000 shares
Issued and outstanding	217,699,743 shares
Number of Shareholders	34,188
Stock Listings (Common Stock)	Tokyo, Osaka
Securities Code Number	2531
Transfer Agent and Registrar	Mizuho Trust & Banking Co., Ltd. 2-1, Yaesu 1-chome, Chuo-ku, Tokyo Mizuho Trust & Banking Co., Ltd. Stock Agency Transfer Department 17-7, Saga 1-chome, Koto-ku, Tokyo 135-8722, Japan Telephone: 0120-288-324 (toll free)
Inquires to Transfer Agent and Registrar	
Annual Meeting of Shareholders	The annual meeting of shareholders of the Company is normally held in June each year in Kyoto, Japan. In addition, the Company may hold a special meeting of shareholders whenever necessary by giving at least two weeks' advance notice to shareholders.

Major Shareholders

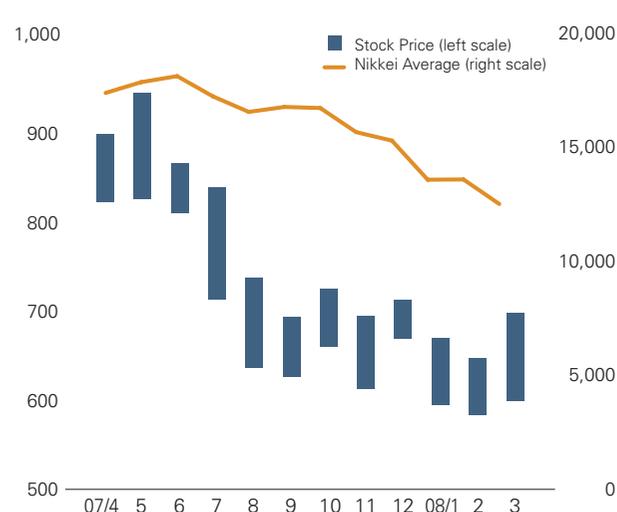
Name	Number of Shares Held (thousands)	Percentage of Shares Held
The Master Trust Bank of Japan, Ltd. (Trust Account)	10,375	4.77
Mizuho Corporate Bank, Ltd.	9,738	4.47
The Norinchukin Bank	9,500	4.36
Japan Trustee Services Bank, Ltd. (Trust Account)	8,410	3.86
Meiji Yasuda Life Insurance Company	6,318	2.90
Bank of Kyoto, Ltd.	5,000	2.30
Deutsche Securities Inc.	3,748	1.72
BNP Paribas Securities (Japan) Limited	3,554	1.63
KOKUBU & CO., LTD.	3,134	1.44
Mitsubishi Corporation	3,000	1.38

Note: Any amount less than 1,000 shares is disregarded.

Takara Shuzo Co., Ltd.

Trade Name	Takara Shuzo Co., Ltd.
Head Office	20 Naginatahoko-cho, Shijo-dori Karasuma Higashi-iru, Shimogyo-ku, Kyoto 600-8688, Japan Telephone: 075-241-5110
Established	April 1, 2002
Issued Capital	¥1,000 million
Common Stock Issued and Outstanding	20,000 shares
Major Shareholder	Takara Holdings Inc. (100% equity owned)
Company Representative	Hisashi Ohmiya, President
URL	http://www.takarashuzo.co.jp

Stock Price Range on the Tokyo Stock Exchange (Yen)



Takara Bio Inc.

Trade Name	Takara Bio Inc.
Head Office	3-4-1, Seta, Otsu-shi, Shiga 520-2193, Japan Telephone: 077-543-7200
Established	April 1, 2002
Issued Capital	¥9,022 million
Common Stock Issued and Outstanding	281,829 shares
Stock Listing (Common Stock)	Tokyo Stock Exchange Mothers
Securities Code Number	4974
Major Shareholder	Takara Holdings Inc. (71.0% equity owned)
Company Representative	Ikunoshin Kato, Ph.D., President and CEO
URL	http://www.takara-bio.co.jp

 **TAKARA HOLDINGS INC.**

20 Naginatahoko-cho, Shijo-dori Karasuma Higashi-iru,
Shimogyo-ku, Kyoto 600-8688, Japan
Phone:075-241-5130

www.takara.co.jp



This annual report is printed with soy ink without water using offset printing to account for environmental concerns. A portion of the printing costs for paper is donated to the Japan Committee "Vaccines for the World's Children." Also, design (color universal design) is recognized for easy understanding by a broad consensus of people without differentiating between color sensibilities under standards of the non-profit Color Universal Design Organization.