TaKaRa

Clear Strategy, Steady Expansion

Annual Report 2011

Year ended March 31, 2011

TAKARA HOLDINGS INC.

寶

Takara (treasure): Something rare or precious that is carefully stored

Fertile land, plentiful sunshine, and bountiful showers—since ancient times, the Japanese have valued bounties nurtured in their paddy fields as an irreplaceable treasure. Originally meaning grain harvested from the fields, the name Takara* resonates powerfully with the values of the Japanese as a people that agriculture has sustained from generation to generation. Thus, depending on the Chinese character used, in Japanese the word *takara* can mean "treasure" or "from the field."

The Takara Group has unlocked new potential in the culinary, lifestyle, and life science fields through our fermentation technologies for traditional Japanese sake and our cutting-edge innovation in biotechnologies. Going forward, we will continue to benefit society by creating new value as well as providing products and services rooted in our long-standing affinity with nature.

*Source: *Daigenkai*; Fumihiko Otsuki; Fuzanbo

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

Wooden sign in the early Showa era

Takara Sake USA Inc.

Takara Group Milestones

1842	Company is founded.
1897	Takara logo is registered as trademark.
1925	Takara Shuzo Co., Ltd. (predecessor of Takara Holdings Inc.) is established.
1949	Takara Shuzo is listed on the Tokyo Stock Exchange.
1979	Japan's first restriction enzymes are launched, starting the Biomedical business.
1982	Local production of sake is begun in the United States.
1993	Long-term management concept Takara Innovation-21 (TI-21) is launched.
2000	Long-term management concept Takara Evolution-100 (TE-100) is launched.
2002	Company is transferred to holding company structure. Takara Holdings Inc. is established.
2004	Takara Bio Inc. is listed on Mothers board of Tokyo Stock Exchange.
2006	Group's businesses are reorganized, and Takara Healthcare Inc. is established.
2011	Long-term management vision Takara Group Vision 2020 is launched. Takara Group Medium-Term Management Plan FY2014 is launched.

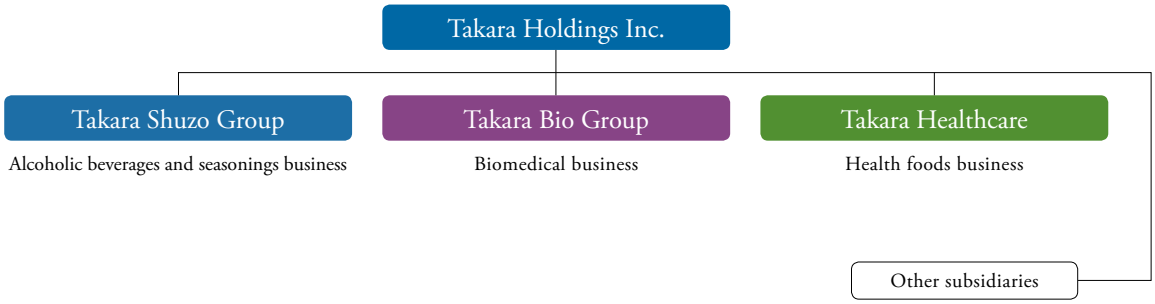
掌

Tsukasadoru (manage): To view business as fulfilling a mission and conduct business responsibly

As a pure holding company, Takara Holdings Inc. maximizes its business results by coordinating and controlling the management of all Group companies under its umbrella. These are the Takara Shuzo Group, which develops the Alcoholic beverages and seasonings business; the Takara Bio Group, which advances the Biomedical business; and Takara Healthcare, which accelerates growth in the Health foods business.

Based on this holding company structure, the Takara Group has built a unique, robust business portfolio. It combines a core business that generates stable earnings, the Alcoholic beverages and seasonings business, with highly promising growth businesses, the Biomedical business and the Health foods business.

Business Structure



Business Lines

Takara Shuzo Group

The Takara Group's core business, the Takara Shuzo Group, has developed the Alcoholic beverages and seasonings business since the Takara Group's foundation. For more than 160 years, the Takara Shuzo Group has marketed reliable products supported by sound technology. Its lineup spans a broad range of product categories, including shochu, sake, light-alcohol refreshers, wine, whisky, Chinese alcoholic beverages, seasonings, and raw alcohol. Moreover, it rolls out these products not only in Japan but also in markets worldwide, through subsidiaries in the United States, China, and Europe.

Takara Bio Group

The Takara Bio Group contributes to the health of humankind by developing revolutionary biomedical technologies such as gene therapy. The mainstay of the Takara Bio Group's technology and earnings is the genetic engineering research business, which provides stable earnings. Meanwhile, the Takara Bio Group is fostering the agribio business as a second earnings mainstay. Further, the Takara Bio Group is working to commercialize gene and cell therapies by investing management resources in the gene medicine business.

Takara Healthcare

Takara Healthcare utilizes the Takara Group's unique ingredients and technologies to provide its customers with safe, reliable health foods, thereby helping people to live healthy, active lives. Using ingredients that Takara Bio has developed, Takara Healthcare develops products and sells them mainly through direct marketing activities and mail-order sales. By pursuing such initiatives, Takara Healthcare creates synergies within the Takara Group and accelerates the growth of the Health foods business.

醸

Kamosu (brew): To devote time to preparation, as when making alcohol

Aiming to raise its long-term corporate value, the Takara Group has moved Group management forward based on medium-term management plans prepared in order to realize long-term management concepts. These efforts have steadily expanded the Takara Group's business base.

From April 2011, the Takara Group has been seeking sustained growth based on a new long-term management vision (the Takara Group Vision 2020) and a new medium-term management plan (the Takara Group Medium-Term Management Plan FY2014), which sets out the first step toward realizing the vision.

Long-Term Management Vision: Takara Group Vision 2020

Grow businesses in markets in Japan and overseas in which the Group can leverage its strengths, establish a balanced business structure that is readily adaptable to changing conditions

Contents

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 companies 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.

Consolidated Financial Highlights

Takara Holdings Inc. and Consolidated Subsidiaries
Years ended March 31

Financial Topics

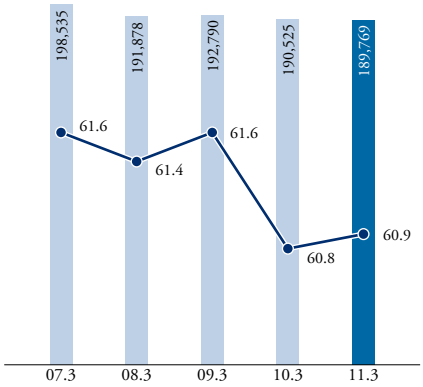
- For fiscal 2011, net sales declined because revenues from the Takara Shuzo Group and the Takara Bio Group were lower.
- Operating income was down due to lower earnings from the Takara Shuzo Group, which counteracted record earnings from the Takara Bio Group.
- Net income decreased as a result of recognizing an extraordinary loss arising from the earthquake disaster.

	Millions of Yen					Thousands of U.S. Dollars (Note 2)
	2011	2010	2009	2008	2007	2011
For the Years Ended March 31:						
Net sales	¥189,769	¥190,525	¥192,790	¥191,878	¥198,535	$2,286,373
Takara Shuzo Group	166,790	166,969	169,301	166,788	174,143	2,009,518
Takara Bio Group	18,737	19,325	18,913	20,278	20,982	225,746
Takara Healthcare	2,567	2,486	2,853	3,078	396	30,927
Other (including eliminations)	1,673	1,743	1,722	1,733	3,013	20,156
Cost of sales	115,480	115,805	118,849	117,864	122,325	1,391,325
Gross profit	74,289	74,719	73,941	74,014	76,210	895,048
Selling, general and administrative (SG&A) expenses	65,953	66,146	65,090	65,507	68,550	794,614
Operating income	8,335	8,572	8,851	8,506	7,660	100,421
Takara Shuzo Group	6,568	7,129	7,465	7,177	6,568	79,132
Takara Bio Group	1,097	553	426	560	(215)	13,216
Takara Healthcare	(252)	(316)	(356)	(500)	(161)	(3,036)
Other (including eliminations)	921	1,206	1,315	1,268	1,468	11,096
Income before income taxes and minority interests	7,505	8,208	8,193	8,321	7,660	90,421
Net income	3,788	4,677	5,639	4,658	4,208	45,638
Depreciation and amortization	5,384	5,652	5,992	6,384	6,692	64,867
Capital expenditures	3,735	3,645	3,616	3,852	3,617	45,000
Research and development (R&D) expenses	3,076	3,665	3,343	3,643	3,593	37,060
As of March 31:						
Total assets	¥192,448	¥195,495	¥190,792	¥207,843	¥213,393	$2,318,650
Interest-bearing debt	38,881	39,162	39,092	43,717	39,083	468,445
Total equity	106,895	109,206	105,316	113,273	115,570	1,287,891
Total shareholders' equity	94,308	96,666	93,093	99,969	102,507	1,136,240
Per Share of Common Stock (Yen and U.S. Dollars (Note 2)):						
Basic net income	¥18.21	¥22.20	¥26.32	¥21.53	¥19.44	$0.21
Cash dividends	8.50	8.50	8.50	8.50	7.50	0.10
Ratios (%):						
Return on assets (ROA)	2.0%	2.4%	2.8%	2.2%	2.0%	—
Return on equity (ROE)	4.0	4.9	5.8	4.6	4.1	—
Equity ratio	49.0	49.4	48.8	48.1	48.0	—
Dividend payout ratio	46.7	38.3	32.3	39.5	38.6	—
Shareholder return payout*	58.6	60.6	79.0	—	—	—

Notes: 1. Japanese yen amounts 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 ¥83 to U.S.$1, the approximate rate of exchange at March 31, 2011.
* Shareholder return payout = (Total dividends + Amount of share buybacks) ÷ Deemed consolidated net income**
** Deemed consolidated net income = (Consolidated ordinary income – Interest income and dividends + Interest payments) × (1 – Effective tax rate)

Net Sales
Cost of Sales Ratio

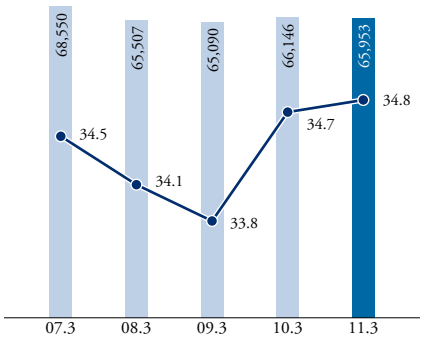
(Millions of Yen / %)



Net Sales
Cost of Sales Ratio

SG&A Expenses
SG&A Expenses Ratio

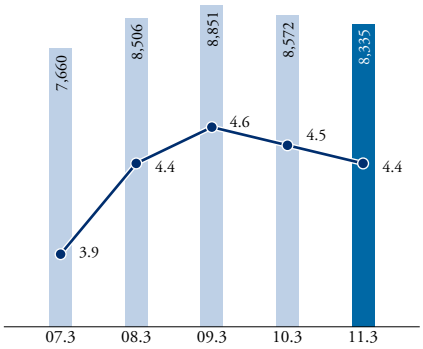
(Millions of Yen / %)



SG&A Expenses
SG&A Expenses Ratio

Operating Income
Operating Income to Net Sales Ratio

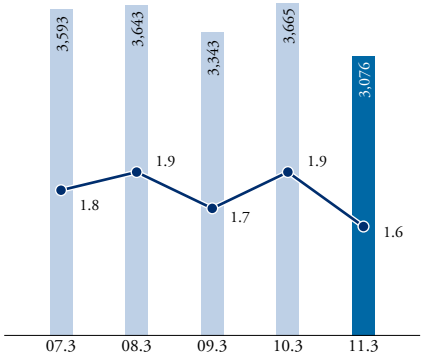
(Millions of Yen / %)



Operating Income
Operating Income to Net Sales Ratio

R&D Expenses
R&D Expenses to Net Sales Ratio

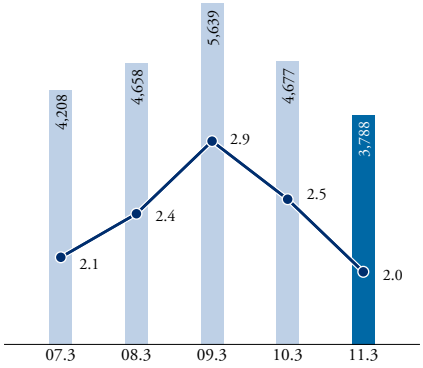
(Millions of Yen / %)



R&D Expenses
R&D Expenses to Net Sales Ratio

Net Income
Net Income to Net Sales Ratio

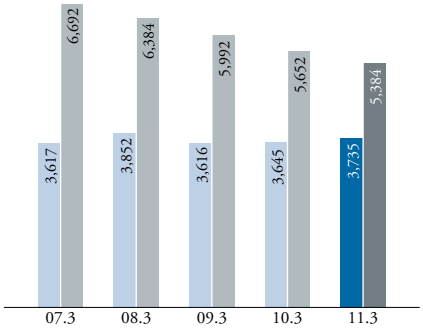
(Millions of Yen / %)



Net Income
Net Income to Net Sales Ratio

Capital Expenditures
Depreciation and Amortization

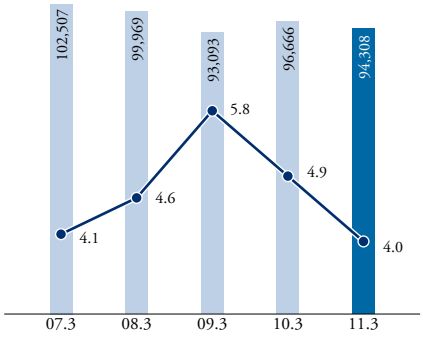
(Millions of Yen)



Capital Expenditures
Depreciation and Amortization

Total Shareholders' Equity
ROE

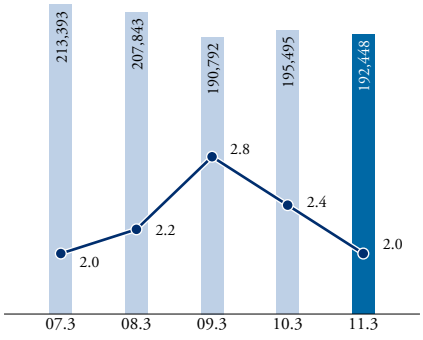
(Millions of Yen / %)



Total Shareholders' Equity
ROE

Total Assets
ROA

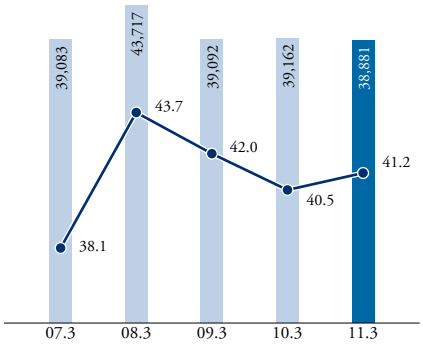
(Millions of Yen / %)



Total Assets
ROA

Interest-Bearing Debt
D/E Ratio

(Millions of Yen / %)



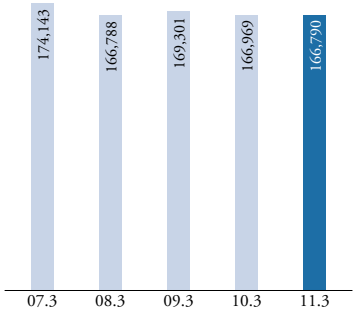
Interest-Bearing Debt
D/E Ratio
D/E ratio = Interest-bearing debt ÷Total shareholders' equity ×100

Segment Highlights

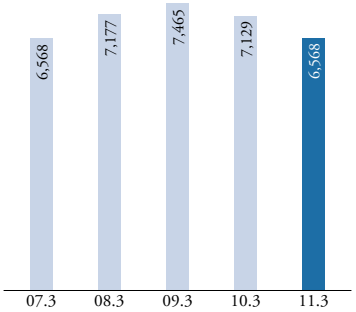
- The Takara Shuzo Group recorded lower revenues and earnings due to a notable shift in demand toward low-priced products resulting from advancing deflation and the effects of the Great East Japan Earthquake.
- The Takara Bio Group achieved record operating income despite lower revenues due to the absence of the previous fiscal year's special procurement demand for scientific instruments.
- Takara Healthcare posted higher revenues and an improved operating loss thanks to an increase in mainstay fucoidan-related product sales.

Takara Shuzo Group

Net Sales
(Millions of Yen)

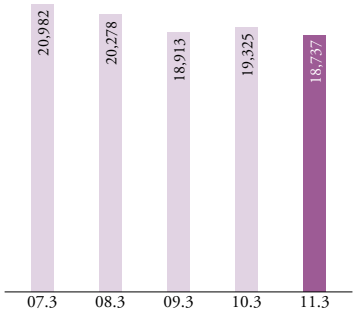


Operating Income
(Millions of Yen)

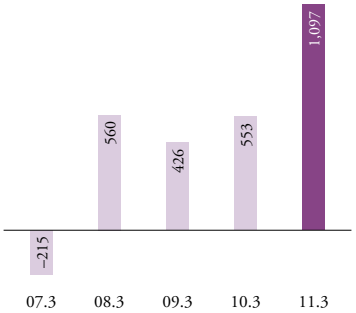


Takara Bio Group

Net Sales
(Millions of Yen)

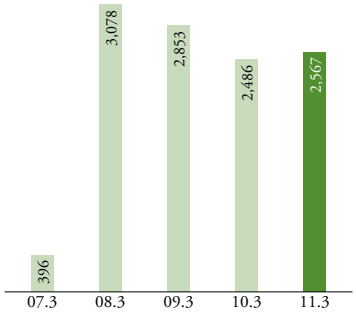


Operating Income
(Millions of Yen)

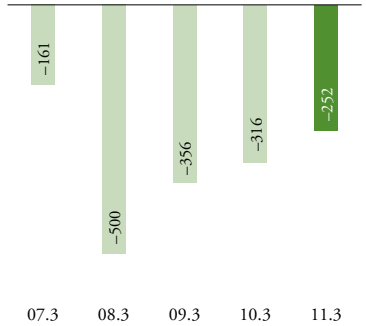


Takara Healthcare

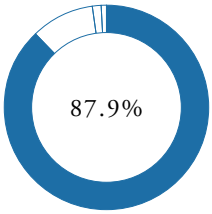
Net Sales
(Millions of Yen)



Operating Income
(Millions of Yen)



Net Sales by Business Segment

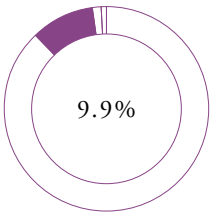


Overview of Business Segment

The Takara Shuzo Group saw net sales edge down 0.1% year on year, to ¥166,790 million, because higher revenues from light-alcohol refreshers, due to brisk *Takara Shochu High Ball* sales, and from seasonings, due to favorable cooking sake sales, as well as a contribution to revenues resulting from the inclusion of FOODEX S.A.S. as a consolidated subsidiary were unable to completely absorb the significant effect of lower revenues from shochu products.

Operating income decreased 7.9% year on year, to ¥6,568 million, reflecting an increase in the cost of sales ratio due to raw material price hikes and higher SG&A expenses from a rise in promotion expenses due to a change in the product mix and higher personnel expenses and administrative expenses accompanying the inclusion of FOODEX S.A.S. in consolidation.

Net Sales by Business Segment

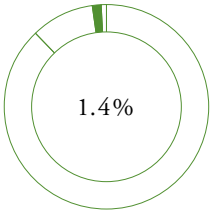


Overview of Business Segment

The Takara Bio Group recorded a 3.0% year-on-year decline in net sales, to ¥18,737 million, as lower revenues due to the appreciation of the yen and the absence of the previous fiscal year's special procurement demand for scientific instruments in the genetic engineering research business counteracted brisk sales of cell culture media and gas-permeable bags as well as technical support services relating to cancer immunotherapy in the gene medicine business and higher revenues from health food products and mushroom products in the agribio business.

Operating income was up 98.4% year on year, to ¥1,097 million, due to an improvement in the overall cost of sales ratio and lower R&D expenses in the agribio business, which stemmed from an improvement in the efficiency of research and development investment.

Net Sales by Business Segment



Overview of Business Segment

Takara Healthcare achieved a 3.3% year-on-year increase in net sales, to ¥2,567 million, thanks to higher health food products sales centered on fucoidan-related products—which are the primary focus of the segment's efforts—and sales of bulk ingredients to businesses.

Operating loss improved ¥64 million year on year, to ¥252 million, because growth in sales of high-margin fucoidan-related products led to a 15.7% year-on-year increase in gross profit, to ¥819 million. This segment's operating loss was attributable to advance investment on advertising aimed at developing the Health foods business.

Note: The overview of business segments on this page corresponds to the Company's reporting segments. Reporting segments are those segments of the Takara Group for which discrete financial information can be obtained and that are subject to periodic examination by the Group's highest management decision-making body in order to determine the allocation of management resources and evaluate business results. The Takara Group comprises three reporting segments: the Takara Shuzo Group, the Takara Bio Group, and Takara Healthcare. Further, the business results of the printing business and other subsidiaries, net of intercompany eliminations, are included in "other" in "Consolidated Financial Highlights" on page 6 of this report.

Main Fiscal 2011 Initiatives

Takara Holdings Inc.

May 2010	Tenth and eleventh unsecured bonds (¥5.0 billion respectively) are issued, raising ¥10 billion in funding.
Jun. 2010	Acquisition of 2,500,000 shares of treasury stock (approximately ¥1.2 billion) is completed.

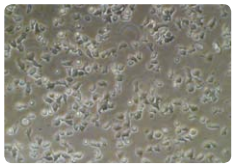
Takara Shuzo Group

Apr. 2010	Acquired 80% stake in FOODEX S.A.S., the largest French importer and wholesaler of Japanese food ingredients.
Sep. 2010	*Sho-Chiku-Bai Shirakabe-gura Kimoto Ginjo* sake is launched.
Sep. 2010	Stone-roasted sweet potato shochu *Ishiakane* is launched.
Mar. 2011	Sake for chilling *Sho-Chiku-Bai Nama* is launched.
Mar. 2011	*Honkaku* barley shochu *Kuro Yokaichi* is launched.

Honkaku barley shochu
Kuro Yokaichi

Takara Bio Group

May 2010	Cancer immunotherapy on a fee basis is begun at Iseikai Hyakumanben Clinic.
Aug. 2010	Agreement is concluded with MACHEREY-NAGEL GmbH & Co. KG of Germany for exclusive sales rights in Japan of reagents for purifying nucleic acids.
Aug. 2010	Treatment of first subject is begun in clinical research on T-cell receptor (TCR) gene therapy targeting esophageal cancer.
Oct. 2010	Gene-transduced cells are received by first subject in clinical research on gene therapy for leukemia.
Nov. 2010	HF10 oncolytic virus business is acquired from M's Science Corporation.
Dec. 2010	New technology capable of high-purity production of natural killer cells is developed.
Dec. 2010	Branch in Taejon, Korea, is established by Takara Korea Biomedical Inc.
Feb. 2011	Adoption of share-split and share-trading-unit system is decided. (Each share of common stock is divided into 400 shares and the share trading unit is set at 100 shares.)



Natural killer cells

Takara Healthcare

Oct. 2010	*Takara Anshin Nodoame* (worry-free throat lozenges), which includes Gagome kombu (kelp) "fucoidan," is launched.
Nov. 2010	Nokogiriyashi (*saw palmetto*) + Isosamidin supplement that includes Isosamidin derived from *Peucedanum japonicum*, a plant in the Apiaceae family, is launched.

Nokogiriyashi (*saw palmetto*) + Isosamidin supplement

Toward a New Decade

From April 2011, the Takara Group embarked upon a fresh start under a new long-term management vision, the Takara Group Vision 2020, which anticipates changing operating conditions in Japan and overseas over the coming 10 years.

Based on medium-term management plans that gave concrete shape to our previous long-term management concept, we have developed a highly unique business portfolio. The Takara Group has achieved the distinctive position it enjoys today by consolidating its stable earnings base, provided by the Alcoholic beverages and seasonings business, while developing promising growth businesses—the Biomedical business and the Health foods business. Developing businesses in accordance with clear long-term strategies has always been our basic approach.

By further strengthening our business portfolio in Japan and overseas, we intend to establish a more balanced business structure that is less susceptible to fluctuating operating conditions.

Hisashi Ohmiya

President
Takara Holdings Inc.

Great East Japan Earthquake

We would like to express our sincere sympathy for the victims of the Great East Japan Earthquake that occurred on March 11, 2011. The following reports on the effect of the earthquake disaster on the Takara Group.

Extent of the Damage

Fortunately the earthquake disaster did not result in any injuries or deaths among the Takara Group's employees or their families.

Looking at the extent of damage at different types of operating bases, among sales bases the earthquake dislodged or toppled fixtures and equipment at the Tohoku branch of Takara Shuzo Co., Ltd., in Miyagino-ku, Sendai, Miyagi Prefecture. However, the damage was not serious, and this sales base has resumed normal operations.

As for manufacturing bases, although Takara Shuzo's Matsudo Plant in Matsudo, Chiba Prefecture, suffered damage to some manufacturing equipment and facilities, personnel and other parties immediately repaired the damage, with operations resuming during the week following the earthquake. At present, personnel and other parties have restored the plant's supply capabilities to pre-earthquake levels.

Among distribution bases, the earthquake damaged some products and part of an automated warehouse at Takara Shuzo's distribution center in Matsudo, Chiba Prefecture. In response, Takara Shuzo delivered products from a different distribution center. This resulted in delays in the delivery of some products.

Effect on Business Results

For fiscal 2011, ended March 31, 2011, we recognized an extraordinary loss arising from the earthquake disaster of ¥396 million, reflecting damage to certain equipment and facilities resulting from the earthquake. Of this amount, major expenses were restoration of equipment and facilities, which accounted for ¥188 million, and valuation loss on inventory and other expenses, which totaled ¥189 million.

For fiscal 2012, we believe that the effect on manufacturing and supply systems will be negligible. However, we have announced roughly ¥600 million in extraordinary loss related to the cost of repairing earthquake damage in the projections for fiscal 2012, ending March 31, 2012, released on May 10, 2011.

Response to Power Supply Restrictions

At the Takara Shuzo Group's main plant in eastern Japan, the Matsudo Plant, we plan to introduce private power generators and take electricity-saving measures such as shifting our peak power usage to nighttime. Also, we will consider whether or not to introduce private power generators to other bases.

Q1 How do you evaluate the Group's business results for fiscal 2011? Can you also evaluate the Seventh Medium-Term Management Plan, which ended in fiscal 2011?

A1 Revenues and earnings declined due to further deflation and the effect of the earthquake disaster in fiscal 2011. Although we did not reach the targets of the Seventh Medium-Term Management Plan, we established a position for future growth.

For fiscal 2011, ended March 31, 2011, the Takara Group saw net sales edge down 0.4% year on year, to ¥189,769 million, due to a long economic downturn, advancing deflation, and the effect of the Great East Japan Earthquake in March 2011. Operating income decreased 2.8% year on year, to ¥8,335 million, because the notable shift in demand toward low-priced products faced by the Takara Shuzo Group counteracted record earnings from the Takara Bio Group. Net income was down 19.0% year on year, to ¥3,788 million, which was partly due to the recognition of the extraordinary loss arising from the earthquake disaster.

Looking at business results by operating group, the Takara Shuzo Group posted decreases in revenues and earnings. Contributions to revenues came from higher revenues from *Takara Shochu High Ball* and the new inclusion in consolidation of FOODEX S.A.S., a French wholesaler of Japanese food ingredients. However, these positive factors did not fully offset tough business conditions, characterized by advancing deflation, diminishing consumer confidence, a marked shift toward low-price products, and the effect of the Great East Japan Earthquake.

The Takara Bio Group recorded lower net sales because—although revenues from research reagents remained at the same level as the previous fiscal year despite yen appreciation—a decrease in revenues from scientific instruments reflecting the absence of the previous fiscal year's special procurement demand offset higher revenues from mushroom products. Nevertheless, the group achieved record operating income by curbing SG&A expenses through efficient research and development activities.

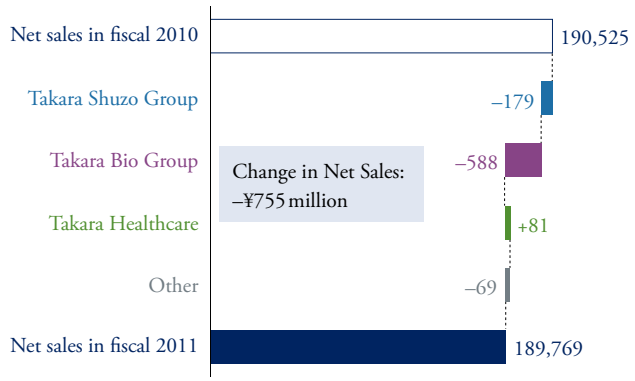
Takara Healthcare saw a 3.3% year-on-year increase in net sales and an improvement in operating loss thanks to brisk sales of the mainstay Gagome kombu (kelp) "fucoidan" series.

Our fiscal 2011 business results were below the numerical targets of the Seventh Medium-Term Management Plan and our forecast for the fiscal year. In particular, the occurrence of the economic crisis following the Lehman Shock changed the market after we launched the Seventh Medium-Term Management Plan. The subsequent prolonged economic downturn and advancing deflation created market conditions that made it especially challenging for the Takara Shuzo Group to foster high-quality products. Consequently, the Group as a whole did not reach its targets. However, I feel it is very significant that we laid the foundations for future growth through initiatives including entry into the Japanese food ingredients wholesale business overseas.

Analysis of Changes in Consolidated Financial Results for Fiscal 2011

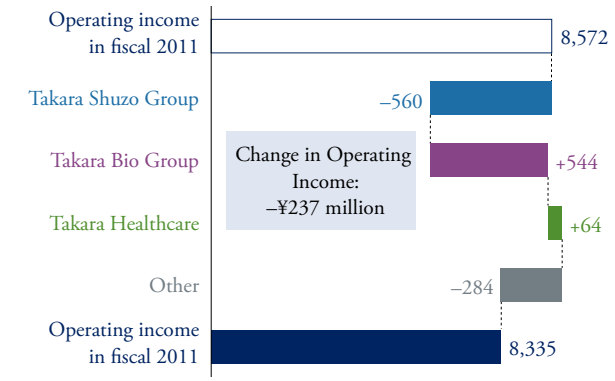
Net Sales

(Millions of Yen)



Operating Income

(Millions of Yen)



Q2 What are the main aims of the Takara Group Medium-Term Management Plan FY2014, announced in April 2011?

A2 We view it as the first step toward realization of our 10-year long-term management vision. Under the plan, we will implement measures to establish a balanced business portfolio that is less susceptible to fluctuating conditions.

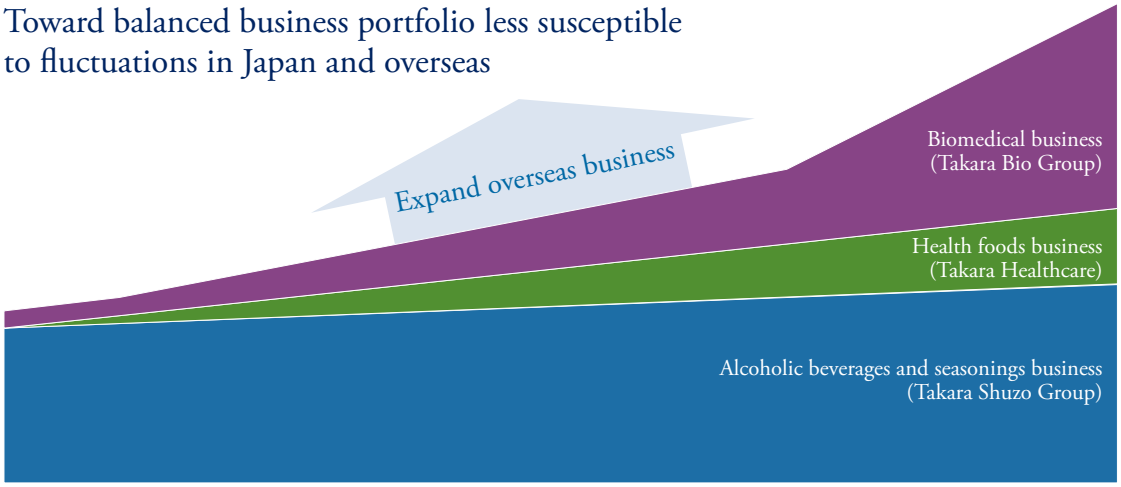
Beginning from April 2011, our long-term management vision Takara Group Vision 2020 replaces our previous long-term management concept, Takara Evolution-100 (TE-100), which ended in March 2011. Anticipating changes in conditions over the coming 10 years through 2020, the new long-term management vision provides a roadmap for the Group's growth. We have positioned the new medium-term management plan as the first step toward putting this long-term management vision into practice.

In order to achieve sustained growth, there are several tasks that the Group must continue tackling. Our view over the medium-to-long term is that while business conditions in Japan are likely to become more difficult, there are many growth opportunities, mainly overseas. In Japan, the consumer market will probably shrink as the population declines and industry continues to hollow out. On the other hand, markets targeting senior citizens and the market for prepared food products promise growth. Overseas, meanwhile, the markets for Japanese food products as well as biomedical and biotechnology-related markets are expected to grow on the back of heightening health awareness and increasingly advanced medical treatment in developed countries and economic growth and higher personal income levels in emerging countries.

With these changes in conditions as a premise, the long-term management vision sets out as management objectives growing businesses in markets in Japan and overseas in which the Group can leverage its strengths and establishing a balanced business portfolio that is readily adaptable to changing conditions. To these ends, the basic strategies of the new medium-term management plan are to achieve stable growth in Japan while expanding our business base in order to grow significantly overseas. (Please see the special feature for business results targets and individual measures.)

In relation to realizing sustained growth, overseas markets present a particularly large opportunity for growth. Clearly reflecting a commitment to taking on overseas markets, the new medium-term management plan calls on the Group to increase overseas sales to 10% or more of net sales—the first time the Group has set itself such a target. Aiming to further develop markets overseas, the Takara Shuzo Group will expand its sales network in the new business area of Japanese food ingredients wholesale, while the Takara Bio Group, concentrating on research reagents, will increase sales in India and other emerging countries.

Toward balanced business portfolio less susceptible to fluctuations in Japan and overseas



Q3 Looking ahead over the coming decade, the new long-term management vision calls on the Group to grow by leveraging its unique strengths. What are these strengths that will enable the Group to realize this management vision?

A3 With the support of stable earnings, we will take decisions based on long-term perspectives and carry them out with firm resolve. I think these are the key strengths of the Takara Group.

Centered on its Alcoholic beverages and seasonings business, the Takara Group has established a differentiated position by continuing far-sighted initiatives that are focused on themes competitors tend to balk at and in areas where the Group can capitalize on its strengths. Making decisions based on long-term perspectives has underpinned our development and is part of our corporate culture.

To give an example, from the outset I was involved in the Biomedical business. After launching this business, we continued upfront investment for a long time before it moved into a position of profitability in fiscal 2008, ended March 31, 2008. A stable earnings base and unshakable commitment made this kind of sustained investment possible. I am convinced that this is one of our strengths.

The Takara Shuzo Group's business base does not only comprise an extensive lineup of powerful brands that have secured the top shares of the markets for shochu and *mirin*. I do not think we would have the strength we do without our ability to bring products to market that reflect consumers' preferences in different ages and attract strong consumer endorsement. Such pioneering products include *Takara Shochu Jun*, which revamped the image of shochu, and *Takara Can Chu-Hi*, Japan's first canned *chu-hi* product.

Similarly, since launching Japan's first domestically manufactured restriction enzymes in 1979, the Takara Bio Group has consistently provided research reagents and scientific instruments catering to leading-edge biotechnology research. This has enabled it to successfully establish a firm footing in the highly competitive biotechnology industry. Looking ahead, when the agribio business reaches profitability our earnings base will become broader still.

The stable earnings that these types of business generate provide funds for developing the next growth-driving businesses and enable decision making based on long-term perspectives. Therefore, further strengthening our core businesses is an essential facet of pursuing long-term strategies. Bearing this in mind, we have made further expanding core businesses a prerequisite of the initiatives set out in the Takara Group Medium-Term Management Plan FY2014.

Thanks to patient business development efforts, the Health foods business and the gene medicine business have finally reached the stage where we can set targets for their contributions to revenues and earnings. Going forward, based on operating groups that have responsibility for their own profitability, we intend to implement the plans for each of our businesses and steer the Group toward the realization of the Takara Group Vision 2020.

Q4 What is the outlook for fiscal 2012 as the first year of the new medium-term management plan, and what measures do you plan for returns to shareholders?

A4 For fiscal 2012, because it is the first fiscal year of the Takara Group Vision 2020 and the new medium-term management plan, we want to get off to a good start by achieving an increase in revenues and earnings for the Group as a whole.

Although business conditions are likely to remain tough for the Takara Shuzo Group, we will further heighten the profitability of the domestic alcoholic beverages business as the Takara Group's earnings base. These efforts will enable us to aggressively expand the overseas alcoholic beverages business, the Japanese food ingredients wholesale business, and the seasonings and raw alcohol business. Partly reflecting the effect of the earthquake disaster, demand for our lineup of home-use products is rising. Therefore, in business results for the current fiscal year we expect to see a dramatic increase in revenues centered on *Takara Shochu High Ball* and other light-alcohol refreshers. While we intend to continue cost reductions to compensate for raw material price hikes, the growth in sales of home-use products will likely push up sales promotion expenses. As a result, we anticipate that operating income will remain at the same level as for fiscal 2011.

We expect the Takara Bio Group will enjoy higher revenues, mainly from research reagents and mushroom products. However, the Takara Bio Group's operating income will probably remain unchanged year on year as projected increases in R&D expenses and administrative expenses counteract better earnings accompanying the rise in revenues.

For Takara Healthcare, we expect to see overall revenues edge down due to slightly lower revenues from tea beverages. However, an increase in revenues from high-margin Gagome kombu (kelp) "fucoidan" products will likely lead to a substantial improvement in the segment's operating loss. As a result, we expect to advance toward the goal of moving Takara Healthcare into a position of profitability in fiscal 2013.

As a result, for fiscal 2012, I expect the Takara Group will post higher revenues and earnings, comprising year-on-year increases of 4.0% in net sales, to ¥197.3 billion; 0.8% in operating income, to ¥8.4 billion; 3.2% in ordinary income, to ¥8.7 billion; and 5.6% in net income, to ¥4.0 billion.

Regarding returns to shareholders, our basic policy is to maintain stable dividends while taking into account operating performance when deciding on dividends each year. Also, we are committed to improving capital efficiency through the implementation of share buybacks. Assuming business results accord with our forecast for fiscal 2012, we plan to pay cash dividends of ¥8.50 per share for the current fiscal year, the same level as for fiscal 2011. At the same time, we will actively provide returns to shareholders through share buybacks.

In closing, I would like to ask our shareholders and other stakeholders for their continued support.

Hisashi Ohmiya, President
July 2011

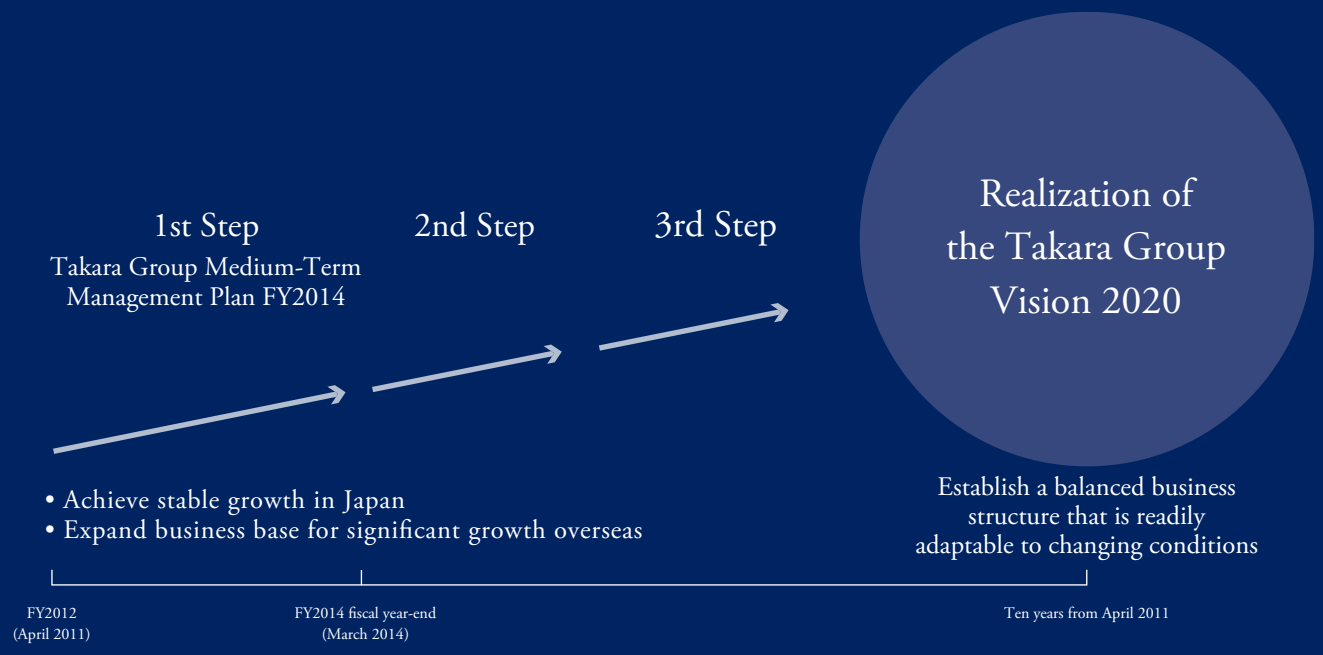
H. Ohmiya

Clear Strategy, Steady Expansion

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

This special feature focuses on the first step toward realizing the long-term management vision—the Takara Group Medium-Term Management Plan FY2014.

Roadmap for Realizing the Takara Group Vision 2020



Summary of the Takara Group Medium-Term Management Plan FY2014

Covering the period through 2020, our long-term management vision, the Takara Group Vision 2020, calls on us to grow businesses in markets in Japan and overseas where we can leverage our strengths while establishing a balanced business structure that is readily adaptable to changing conditions. As the first step on the way to realizing this goal, we prepared the Takara Group Medium-Term Management Plan FY2014. Under this plan, we aim to achieve stable growth in Japan while expanding our business base in order to grow significantly overseas.

Basic Policy Aiming to realize the Takara Group Vision 2020, achieve stable growth in Japan while expanding business base in order to grow significantly overseas

Positioning of Businesses and Business Policies

Core Business	Domestic alcoholic beverages business	Strengthen profitability of core business as foundation of Group's growth
Growth Businesses	Overseas alcoholic beverages business, Japanese food ingredients wholesale business Seasonings and raw alcohol business Genetic engineering research business	Expand businesses in markets promising growth, drive the Group's overall growth
Developing Businesses	Health foods business Gene medicine business	Establish operational foundation in growth markets to create the growth businesses for the next plan

Develop Corporate Culture/Personnel | Strengthen Group's Management Base | Promote Social and Environmental Activities

Financial Policy While maintaining a sound financial position, the Group aims to invest in both growth and developing businesses, return profits to shareholders actively, and increase ROE (return on equity).

Tangible Goals (FY2014)

Consolidated Net Sales

At least ¥200 billion
(up 5.4% vs. FY2011)

Overseas Sales

At least ¥20 billion
(up 35.9% vs. FY2011)

Net Sales of Growth Businesses and Developing Businesses

At least ¥50 billion
(up 25.3% vs. FY2011)

Consolidated Operating Income

At least ¥10 billion
(up 20.0% vs. FY2011)

Overseas Sales as a Percentage of Net Sales

At least 10%
(up 2.2 percentage points vs. FY2011)

Net Sales of Growth Businesses and Developing Businesses as a Percentage of Net Sales

At least 25%
(up 4.0 percentage points vs. FY2011)

Positioning of Businesses and Business Policies

Aiming to realize the basic policy of the medium-term management plan, we categorized our businesses as a core business, growth businesses, or developing business and prepared business policies accordingly. Following the policy for each business category, we will implement the Group's growth strategy. The basic policies for respective businesses are shown below.

Core Business

Domestic alcoholic beverages business

Generate stable cash flows and support the Group's growth

Growth Businesses

Overseas alcoholic beverages business, Japanese food ingredients wholesale business

Create a Japanese food ingredients wholesale network overseas and utilize synergies between the businesses to accelerate business growth and drive the Group's overall growth

Seasonings and raw alcohol business

Expand seasonings business for food processing and raw alcohol business while leveraging business integration to grow B-to-B operations

Genetic engineering research business

Develop core technologies and open up markets in Japan and overseas, including emerging countries, and increase sales and strengthen profitability further

Developing Businesses

Health foods business

Increase sales and establish a business foundation in preparation for dramatic growth

Gene medicine business

Advance clinical development with a view to commercializing Japan's first *ex vivo* gene therapy and seek higher sales of technical support services for cancer immunotherapy

Financial Policy

While maintaining a sound financial position, the Group aims to invest in both growth and developing businesses, return profits to shareholders actively, and increase ROE (return on equity).

Allocation of resources

Give priority to allocating resources to growth businesses and developing businesses in order to accelerate their growth

Returns to shareholders

Realize a shareholder return payout* of at least 50% by combining dividends and share buybacks

Capital efficiency

Aim to heighten ROE by increasing earnings and returns to shareholders

* Shareholder return payout = (Total dividends + Amount of share buybacks) ÷ Deemed consolidated net income**

** Deemed consolidated net income = (Consolidated ordinary income – Interest income and dividends + Interest payments) × (1 – Effective tax rate)

Strengthen Group's Management Base

Support business strategy by strengthening the Group's overall capabilities, cost competitiveness, technology/product development, and IT infrastructure

Develop Corporate Culture/Personnel

Foster global personnel, specialized personnel, and technicians essential for the Group's growth while optimizing personnel deployment within the Group through active personnel exchanges within the Group in accordance with business development

Promote Social and Environmental Activities

Meet responsibilities to stakeholders by advancing CSR initiatives and environmental initiatives through business activities

Takara Shuzo Group

Tangible Goals

Net Sales	Operating Income	Overseas Sales
¥180.0 billion	¥7.7 billion	¥11.5 billion

Basic Strategy

Japan—Strengthen profitability of alcoholic beverages business and expand B-to-B business;
Overseas—Build networks for the wholesale of Japanese food ingredients

■ Strategy for Domestic Alcoholic Beverages Business

Our core business, the domestic alcoholic beverages business, will further develop its array of powerful brands in the premium-range and mid-range product categories. Premium-range products include such brands as *Ikkomon* 100% sweet-potato-based shochu, *Shirashinken honkaku* barley shochu, and *Sho-Chiku-Bai Shirakabe-gura* brand. While initiatives for mid-range products will focus on the *ko*-type shochu *Gokujo Takara Shochu*, *honkaku* barley shochu *Kuro Yokaichi*, *Takara Shochu High Ball*, and *Sho-Chiku-Bai Gokai*.

Setting our sights on growing sales and creating demand in new areas, we will accelerate the development of original new products with differentiated quality. At the same time, the domestic alcoholic beverages business will strengthen profit management and promote operational efficiency in order to generate stable cash flows as a core business that will support the growth of the Group as a whole.

Overview of Business Development

New product development

Develop highly original new products with differentiated quality

- Step up the pace of new product development, thereby grow sales (target sales of ¥9 billion over three years from new products)
- Cater to changing consumer behavior, create demand in new areas

Brand nurturing

Foster array of powerful brands for premium-range and mid-range products

<Premium-range products>
- *Ikkomon* 100% sweet-potato-based shochu, *Shirashinken honkaku* barley shochu
- *Sho-Chiku-Bai Shirakabe-gura Kimoto* series

<Mid-range products>
- *Gokujo Takara Shochu*
- *Honkaku* barley shochu *Kuro Yokaichi*
- *Takara Shochu High Ball*
- *Sho-Chiku-Bai Gokai, Namazake*
- Cooking sake

Strengthen profitability

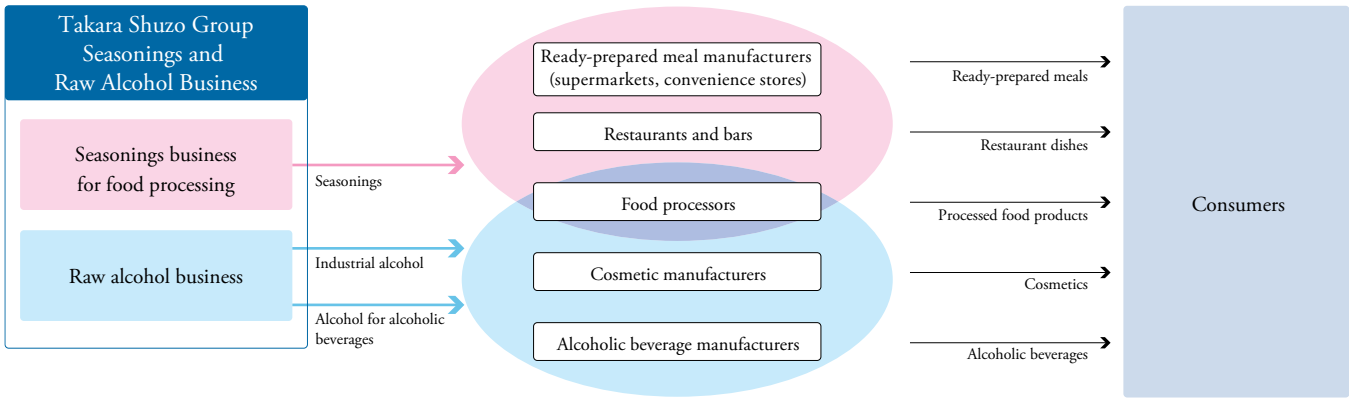
Strengthen profit management and promote operational efficiency

Strategy for Seasonings and Raw Alcohol Business

Focusing on the seasonings and raw alcohol business as growth businesses, the Takara Shuzo Group will exploit synergies between the two arms of the business in order to strengthen its ability to offer solutions to customers that both parts of the business share. Also, we intend to expand the B-to-B business as a future pillar of the business. In preparation for these initiatives, we aim to increase sales in the seasonings business for the food processing area and increase sales in the raw alcohol business area.

Aiming to expand the seasonings business for food processing, we will develop products that reflect the needs of customers while advancing solutions-based sales. As for the raw alcohol business, we intend to pursue growth strategies in new business areas while advancing strengthening strategies for existing businesses in order to increase volumes and establish competitive superiority.

Customers of Seasonings Business for Food Processing and Raw Alcohol Business



Strategy for Overseas Alcoholic Beverages Business and Japanese Food Ingredients Wholesale Business

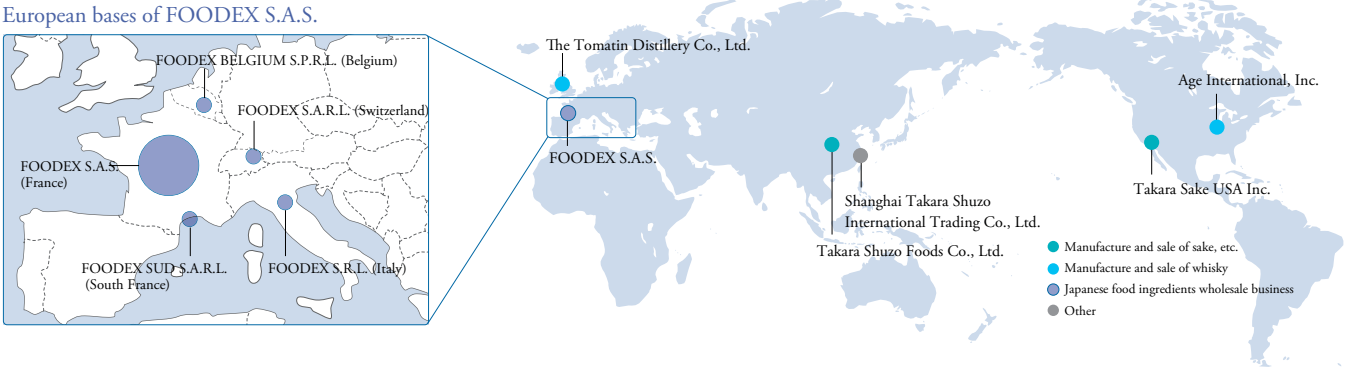
Another of our growth businesses is the overseas alcoholic beverages business. Concentrating on the United States, Europe, and China, the Takara Shuzo Group will claim a larger share of the Japanese restaurant market and expand its presence in mass retail channels.

Also, reflecting its position as a growth business, the Japanese food ingredients wholesale business is extending its distribution network. As part of these efforts, FOODEX S.A.S. of France, a Japanese food ingredients wholesaler in which we took a stake in April 2010, established a subsidiary in Belgium in March 2011. The Japanese food ingredients wholesale business will continue to build and expand its sales network overseas.

Moreover, synergies between the overseas alcoholic beverages business and the Japanese food ingredients wholesale business will enable us to offer packages combining Japanese alcoholic beverages and food ingredients. Capitalizing on this advantage, we will further popularize Japanese food culture around the world by acquiring new sales channels and expanding our presence in existing sales channels in the overseas restaurant and bar market.

Overseas Bases of the Takara Shuzo Group

European bases of FOODEX S.A.S.



Takara Bio Group

Tangible Goals

Net Sales	Operating Income	Overseas Sales
¥22.7 billion	¥1.3 billion	¥8.5 billion

Basic Strategy

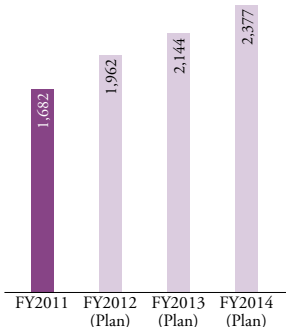
While posting continuous profit, restructuring the business and implementing selection and concentration in the deployment of management resources, aim to build foundation for future growth

■ Strategy for Genetic Engineering Research Business

The genetic engineering research business is the Takara Bio Group's earnings mainstay. Also, given the potential of the business for further growth, the Takara Group has designated it a growth business. With this in mind, we intend to advance development of core technologies by heightening the productivity of research and development. At the same time, we will increase sales in the real-time PCR analysis field and the advanced cell biology field. In addition, the Takara Bio Group will strengthen marketing capabilities to enable positive efforts to open up markets in Japan as well as overseas markets in Asia and the Asia-Pacific region and other regions.

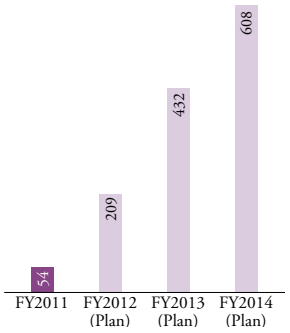
Sales in China

(Millions of Yen)



Sales in India

(Millions of Yen)



■ Strategy for Agribio Business

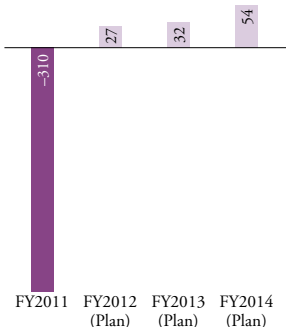
The agribio business operates the Health foods business, one of the Takara Group's developing businesses, and the mushroom business. The agribio business will strengthen scientific evidence for health food ingredients including Gagome kombu (kelp) "fucoidan" and agar-derived "agaro-oligosaccharide." Investing effectively and efficiently, we will acquire customers for mail-order sales through Takara Healthcare Inc. while growing sales in the B-to-B market through stepped-up promotional efforts. For Hatakeshimeji mushrooms and Honshimeji mushrooms, we intend to reduce costs by increasing the efficiency of production technology while increasing revenues through in-house production and a sales network that we have developed. As a result of these initiatives, we aim to move into a position of profitability in fiscal 2012.

Basic Strategies for Agribio Business

- Move into a position of profitability in fiscal 2012
- Strengthen scientific evidence for functional food ingredients through human interventional studies
- Increase sales of health food ingredients in the B-to-B market
- Reduce costs by increasing the efficiency of production technology
- Expand mushroom cultivation/expertise licensing business
- Establish new cultivation methods for high-value-added mushrooms

Operating Income

(Millions of Yen)



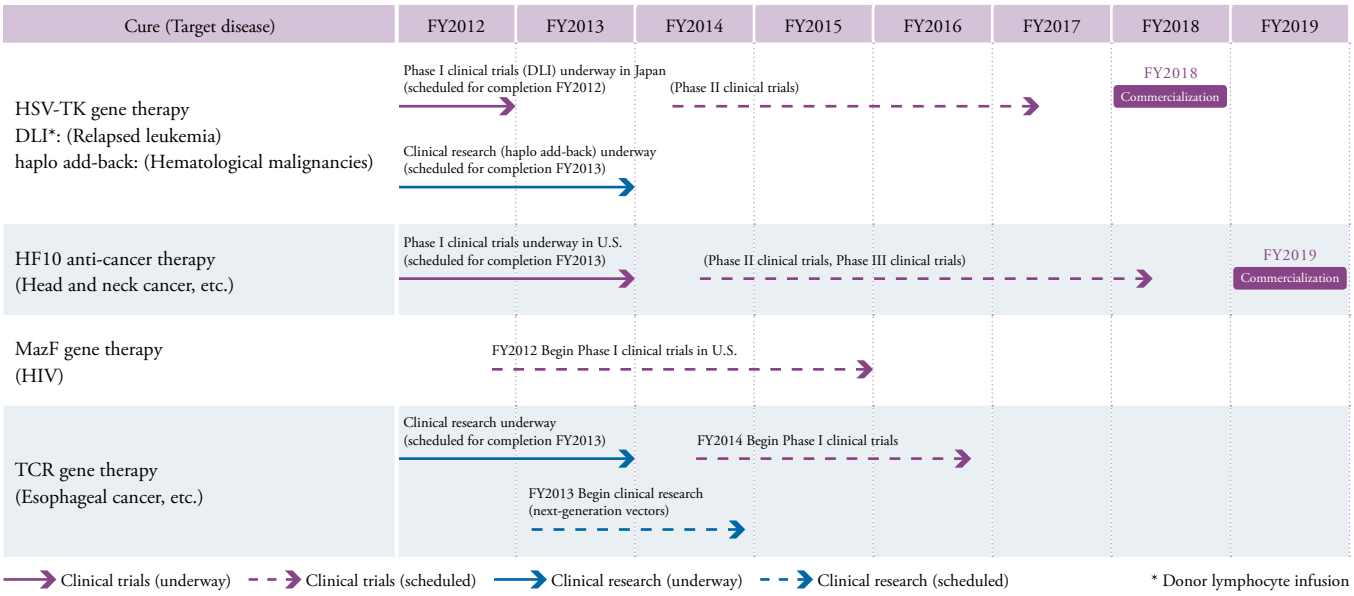
Strategy for Gene Medicine Business

Categorized as a developing business, the gene medicine business aims to commercialize Japan's first *ex vivo* gene therapy and is proceeding with the clinical development of gene therapies and cell therapies.

In gene therapy, we will advance clinical trials with a view to commercializing HSV-TK gene therapy in fiscal 2018 and the HF10 anti-cancer therapy, which we acquired in 2010 and for which we are conducting clinical trials, in fiscal 2019. Further, the business will actively pursue clinical development of MazF gene therapy and T-cell receptor (TCR) gene therapy.

Regarding cell therapy, the Takara Bio Group intends to concentrate on increasing sales of technical support services for RetroNectin® induced T cell therapy as well as cell culture media and gas-permeable bags for cancer immunotherapy. Further, we will expand the clinical development support business, which includes the manufacture of vectors for gene therapy.

Schedule for Clinical Development of Gene Medicine



Takara Healthcare

Tangible Goals

Net Sales

¥2.6 billion

Basic Strategy

Establish Gagome kombu (kelp) "fucoidan" as mainstay of health care business, move into a position of profitability in fiscal 2013

Business Strategy

Takara Healthcare is responsible for sales in the Health foods business—one of the Takara Group's developing businesses. Concentrating its efforts on the Gagome kombu (kelp) "fucoidan" series, Takara Healthcare will accelerate the growth of the mail-order business through proactive and efficient advertising that wins customers. Takara Healthcare aims to move into a position of profitability in fiscal 2013.

Corporate Social Responsibility

The Takara Group will meet the expectations of all of its stakeholders by providing safe, reliable products and services while contributing to the progress of medicine in order to enrich people's lives.

CSR Initiatives—Fundamentals

The overriding goal of the Takara Group as a corporate citizen is to contribute to society through its main business in accordance with its corporate philosophy. Given the likelihood of multifaceted change in Japan and overseas, we are convinced that strengthening the integration of corporate social responsibility (CSR) initiatives and growth strategies is critical in order to increase the Group's overall corporate value.

Mindful of this, we have set out further strengthening of CSR initiatives as a key element underpinning the business targets of the Takara Group Medium-Term Management Plan FY2014. To this end, the Takara Group will build a compliance system that integrates Group companies in Japan and overseas; step up environmental activities, including promoting the preservation of biodiversity and reducing CO_2 emission volumes; and develop the corporate culture and personnel essential for growth of the Group as a whole.

CSR Initiatives—Priorities

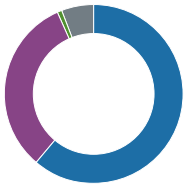
At the Takara Group, we believe that continuing to provide safe, reliable products and services is the most important task of its CSR initiatives. The Group will realize sustainable growth by enriching people's lives through such products and services while benefiting society through environmental preservation activities, etc.

CSR Initiatives—the Takara Group

Our main CSR initiatives center on the Takara Shuzo Group, which accounts for roughly 90% of the Group's overall revenues. Making alcoholic beverages and seasonings, the Takara Shuzo Group's main business, is based on water and cereals that nature provides and the natural action of microorganisms. Because producing alcoholic beverages and seasonings relies on the power of nature in this way, we have set out *harmony with nature* as our first priority and consequently pursue environment-friendly activities. Other important CSR tasks include appropriate disposing of empty containers—an unavoidable problem for companies selling alcoholic beverages—and conducting campaigns that promote awareness of appropriate alcohol consumption levels and manners relating to alcohol consumption.

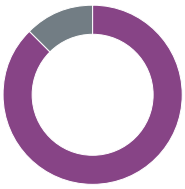
As for the Takara Bio Group, although generating about 10% of the Takara Group's total revenues, it accounts for roughly 30% of the Takara Group's employees and approximately 90% of R&D expenses. The Takara Bio Group uses innovative biotechnology to develop and commercialize such leading-edge medical technologies as gene and cell therapies for cancer, HIV, and other unmet medical needs. Given that the Takara Bio Group's business could contribute significantly to people's health and lives in the near future, advancing the business appropriately from the viewpoint of bioethics has become more important than ever.

Employees by Business Segment



Takara Shuzo Group	61.9%
Takara Bio Group	32.1%
Takara Healthcare	0.4%
Other	5.6%

R&D Expenses by Business Segment



Takara Bio Group	87.5%
Takara Shuzo Group and other	12.5%

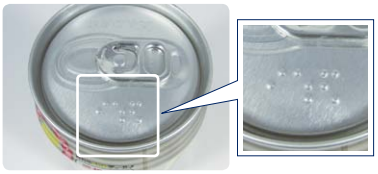
CSR Initiatives—Main Focuses

Quality and safety: Quality testing (Takara Shuzo)

In order to meet the need for safe, reliable food, Takara Shuzo systematically enforces uncompromising quality control at all stages of its operations, from product planning through to manufacturing and shipment. Further, we provide customers with accurate information through labeling detailing our analysis of products' ingredients and nutritional constituents.

Quality and safety: Prevention of accidental alcohol ingestion (Takara Shuzo)

Aiming to prevent the accidental consumption of alcohol by the visually impaired, Takara Shuzo became the first company in Japan to include the Japanese word for "alcoholic beverage" in braille on the tops of canned *chu-hi* products in 1995. In 2002, we were also the first in Japan to do the same for the caps of alcoholic beverages sold in cardboard cartons.



Quality and safety: Appropriate consumption of alcohol (Takara Shuzo)

Takara Shuzo promotes a range of initiatives reminding people to drink in moderation and follow the rules on alcohol consumption, which is an important responsibility of companies selling alcoholic beverages. As well as publishing the *Maintaining a Positive Relationship with Alcohol* booklet, which includes basic information on alcoholic beverages and how to drink them correctly, Takara Shuzo has included warnings against underage drinking and drink driving on the labels of its alcoholic beverages since 1995.

Bioethics and safety: Monitoring ethics and safety (Takara Bio)

Takara Bio conducts research and development that uses tissues, cells, clinical specimens, genomes, and genes derived from humans. Using these, Takara Bio conducts businesses related to gene investigation and contract operations as well as businesses that provide human tissue or cell products. In addition to ensuring compliance with relevant laws and statutory regulations as a matter of course, Takara Bio views respecting human rights and ensuring that the above-mentioned operational activities contribute to society appropriately as important and has established bioethics and safety rules as well as an in-house bioethics committee that scrutinizes operations rigorously.

Environmental preservation: Promotion of 4Rs (Takara Shuzo)

Dealing with the empty containers left over after alcoholic beverages have been consumed is a major problem for the alcoholic beverage industry. In relation to packaging, Takara Shuzo promotes the 4Rs (refuse, reduce, reuse, and recycle principles) in support of environment-friendly practices. In accordance with these principles, the company minimizes the need for new containers through selling products by the weight of their content and using bottles that can be refilled.

Social contribution: Environmental education campaigns (Takara Holdings, Takara Shuzo)

Every year since its establishment as a public trust fund in 1985, the Takara Harmonist Fund has supported the efforts of groups and individuals dedicated to protecting the environmental activities or conducting environmental research. Over this period, the fund has assisted more than 281 projects and donated approximately ¥135 million. Further, since 2004 the Takara Shuzo Group has provided environmental education through the Takara Farm School, which teaches children—the leaders of the next generation—about the preciousness of nature and the importance of biodiversity.

For more information about the Takara Shuzo Group's CSR initiatives, please see the "Green-ink" corporate reports (only available in Japanese).
http://www.takarashuzo.co.jp/environment/greenpdf/

Corporate Governance

Basic Policy on Corporate Governance

The Takara Group recognizes the strengthening of corporate governance as a key management issue for achieving sustained growth in corporate value. In accordance with the following basic policy, the Group is striving to strengthen corporate governance.

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

1. Accelerating growth by delegating authority and providing autonomy to each Group company, thereby enabling them to increase their own corporate value;
2. Maintaining a business climate for the disclosure of reports on individual Group companies and the free exchange of ideas about management policies and business strategies through regularly scheduled meetings and other activities, thereby further increasing corporate value of 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 information consistently and in an open and timely manner as well as maintaining an internal network for disclosure to increase business transparency.

Corporate Governance Structure

The Company has adopted the corporate auditor system of corporate governance, and, as of June 29, 2011, the Board of Corporate Auditors comprised five corporate auditors, including three external auditors. The Company's Board of Directors comprised ten directors, including one external director.

Under this structure, in addition to the audits conducted by the corporate auditors, the external director liaises with the Board of Corporate Auditors and the director responsible for internal control to contribute to the audit and supervision of business execution, thereby strengthening supervisory functions regarding the Company's management. The external director maintains a high degree of independence and possesses a broad knowledge based on the perspective of all stakeholders, including shareholders.

Further, as a holding company, Takara Holdings has formulated the "Rules and Regulations for Overseeing Group Companies" with the goal of facilitating independence and autonomy among Group companies in order to maximize the corporate value of the overall Group. The Company has also established the Group Strategy Committee, Mother Business Consultation and Coordination Committee, Takara Bio Coordination Committee, Takara Healthcare Strategic Committee, and Functional Subsidiary Consultation and Coordination Committee, which are required to deliberate and report in advance on major matters. For matters that are particularly urgent or involve a high level of expertise, the Executive Management Committee convenes as necessary to carry out advance deliberations.

Audit Environment

The Company's corporate auditors audit the execution of duties by the directors through participation at the Board of Directors' meeting and other important meetings, examination of operations, assets and key documents, and, where deemed necessary, interviews with directors and personnel responsible for specific areas of the Company's operations. With regard to internal audit, the Company has established the Audit Division, which acts independently from the departments that receive audits. The Audit Division conducts audits in accordance with the Company's Internal Audit Regulations and works to maintain proper execution of duties through the implementation of any measures deemed necessary. The Audit Division, the Board of Corporate Auditors, and the accounting auditors regularly exchange opinions concerning audit plans and policies and the status of audit implementation, and strive to maintain mutual cooperation through the exchange of opinions and information and by holding discussions.

Activities with Important Repercussions for Corporate Governance

Policies concerning our publicly traded subsidiary Takara Bio Inc.

Takara Holdings Inc. is the parent company of Takara Bio Inc., holding 70.8% of the voting rights of Takara Bio (Tokyo Stock Exchange Mothers; Securities code number: 4974) as of March 31, 2011. The relationship between the Company and Takara Bio is outlined below.

1) Listed subsidiary Takara Bio

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

As of March 31, 2011, Takara Holdings is a pure holding company comprising 37 subsidiaries and five 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

Takara Bio abides by the "Rules and Regulations for Overseeing Group Companies" 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.

Further, although Takara Bio's representative directors, and other Board members and executive officers, are requested to attend meetings of the Group Strategy Committee, Takara Bio Coordination Committee, and other committees of the Company, the objective of this attendance is to discuss overall Group policies and facilitate reporting among Group companies, and does not inhibit the autonomy or independence of Takara Bio.

Policies on response to large-scale purchases of the Company's shares (takeover defense guidelines)

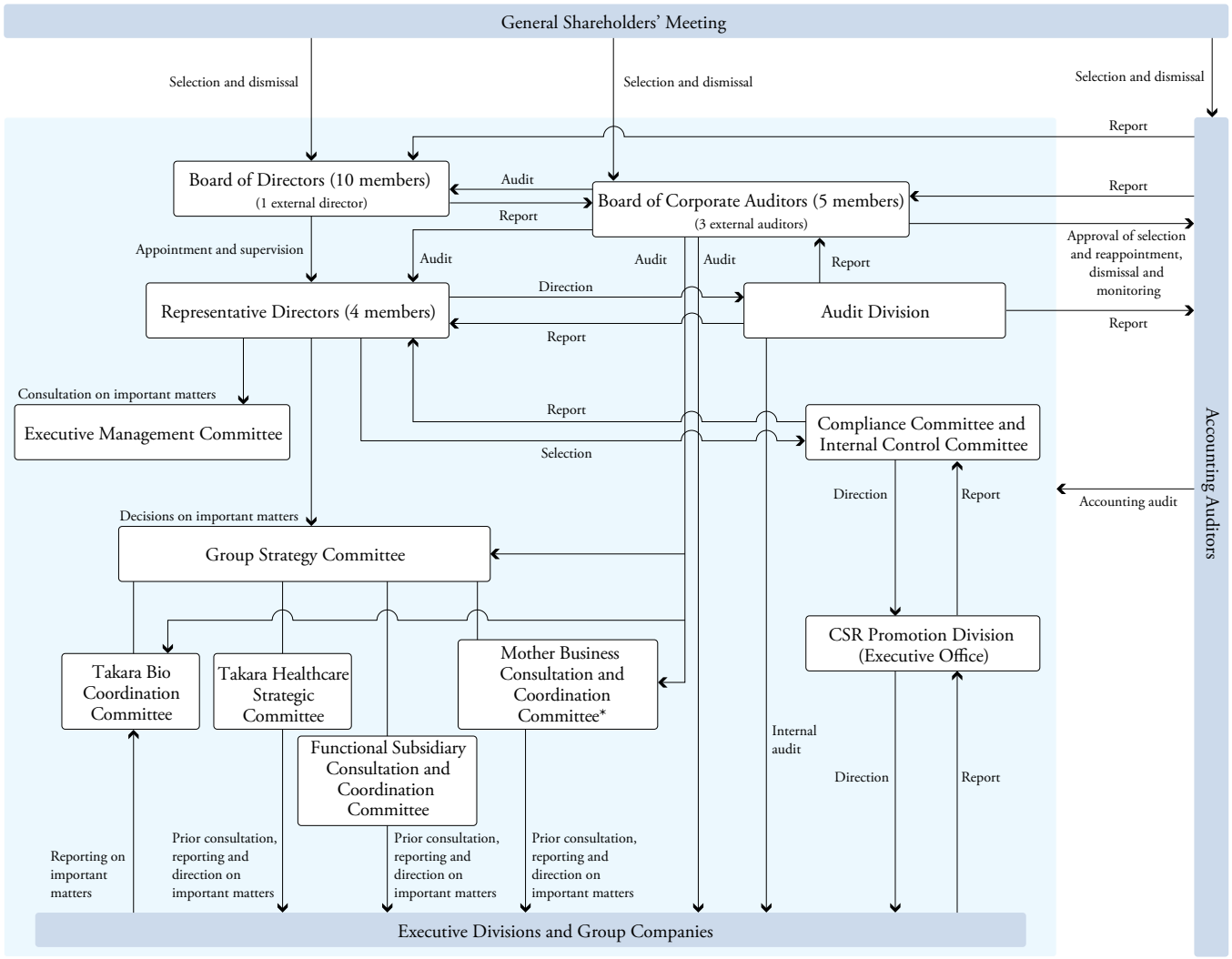
At the Board of Directors' meeting held on May 15, 2006, the Company enacted "Policies on Response to Large-Scale Purchases of the Company's Shares (takeover defense guidelines)" with the aim of maintaining and increasing corporate value and promoting the joint benefit of shareholders.

However, believing that policies better reflecting the opinion of shareholders are needed for optimizing the joint benefit of shareholders, the Board of Directors revised its Takeover Defense Guidelines. The Board determined at its meeting held on May 15, 2007 that in the future it would 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 website: http://www.takara.co.jp/english/; and official company accounts (Japanese language only).

At the 96th General Shareholders' Meeting, held on June 28, 2007, Takeover Defense Guidelines were introduced and approved. At the 99th General Shareholders' Meeting, held on June 29, 2010, the partial amendment and continuation of these measures was approved.

Corporate Governance System

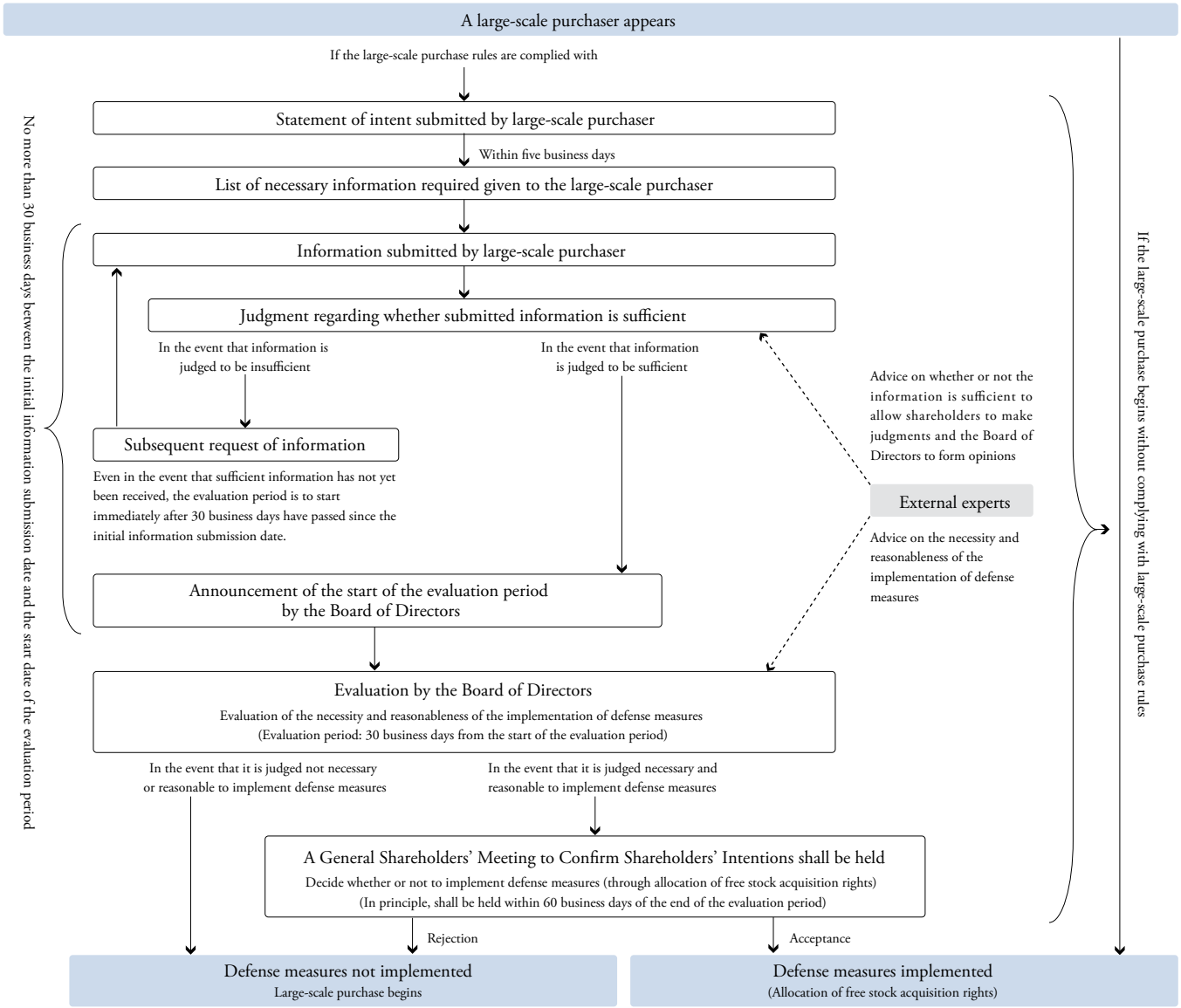
(As of June 29, 2011)



*Consultation and coordination committee for the "mother" business segment (Takara Shuzo Group)

Large-Scale Purchase Rules

1. The large-scale purchaser must provide the Board of Directors with sufficient information regarding the large-scale purchase in advance.
2. (a) All large-scale purchasers shall wait until the end of the evaluation of the purchase proposal by a Board of Directors' meeting, which shall be held no later than 30 business days from the start of the evaluation period, before starting their large-scale purchase.
   (b) In the event that a General Shareholders' Meeting to Confirm Shareholders' Intentions is held, the large-scale purchaser shall not begin its large-scale purchase until the end of the General Shareholders' Meeting to Confirm Shareholders' Intentions.



Board of Directors and Auditors

As of June 29, 2011

Isao Goto

Chairman, Takara Holdings Inc.
Chairman, Takara Shuzo Co., Ltd.

Hisashi Ohmiya

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

Tadashi Ohmiya

Vice President, Takara Holdings Inc.
(Corporate Planning, Finance, Accounting, Investor Relations, Corporate Social Responsibility and Environment & Public Relations)
Vice President, Takara Shuzo Co., Ltd.

Toshio Kakimoto

Vice President, Takara Holdings Inc.
(General Affairs & Personnel, and Administrative Innovation)
Vice President, Takara Shuzo Co., Ltd.

Koichi Nakao

President & CEO, Takara Bio Inc.
Director, Takara Holdings Inc.

Takara Holdings Inc.

Director	Masaharu Yano	Corporate Social Responsibility and Environment & Public Relations; Managing Director, Takara Shuzo Co., Ltd.
Director	Shuichiro Matsuzaki	Corporate Planning, Finance, Accounting and Investor Relations; Senior Managing Director, Takara Shuzo Co., Ltd.
Director	Takao Okane	General Affairs & Personnel and Administrative Innovation; concurrently, General Manager of General Affairs & Personnel Division; Director, Takara Shuzo Co., Ltd.
Director	Daisuke Nakao	Senior Managing Director, Takara Shuzo Co., Ltd.
External Director	Takehiko Ueta	Director, Takara Shuzo Co., Ltd.

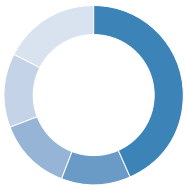
Standing Auditor	Tomio Kamada
Standing Auditor (External auditor)	Kunihiro Handa
Corporate Auditor	Hideo Tomomura
Corporate Auditor (External auditor)	Kozo Kagawa
Corporate Auditor (External auditor)	Kumiko Kitai

Business Outline

Takara Shuzo Group

The history of the Takara Group's core Alcoholic beverages and seasonings business goes back to 1842. For more than 160 years, it has been our mission to provide reliable products that are in tune with the changing times and diversifying customer tastes and values, and are backed by our ingenuity and proven technologies. Takara Shuzo's products span a broad 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 Europe.

Sales by Product Category



Shochu	43.6%
Sake	12.5%
Light-Alcohol Refreshers	13.3%
Seasonings	13.2%
Other	17.4%

Shochu

Proprietary technologies garnered over many years have consistently enabled Takara Shuzo to provide shochu products that satisfy changing consumer preferences and continue to develop the shochu market. For *ko*-type shochu, Takara Shuzo has built the largest share of the market based on Japan's most popular shochu brand, *Takara Shochu*; a premium shochu blended with 3% barrel-aged shochu, *Gokujo Takara Shochu*; and a long-seller that has been on the market for more than three decades, *Takara Shochu Jun*. Meanwhile in the *honkaku* shochu market, Takara Shuzo has launched and nurtured a range of shochu products featuring various high-quality ingredients. These include an *Ikkomon* 100% sweet-potato-based shochu, and a *Shirashinken honkaku* barley shochu, which accentuates the rich flavor of barley.

Sake

As the "sake for celebrations," *Sho-Chiku-Bai* has become the leading brand in the special occasion and gift sake market. Also, Takara Shuzo produces such premium sake as *Sho-Chiku-Bai Shirakabe-gura Kimoto Junmai* at a specially built facility. Completed in 2001, the *Shirakabe-gura* Brewery, in Kobe, Hyogo Prefecture, combines state-of-the-art facilities that recreate traditional, artisan-inspired brewing techniques and sake brewing done by hand. In the market catering to customers who wish to enjoy sake casually with their evening meal, *Sho-Chiku-Bai Ten* has earned widespread popularity for its full, refreshingly dry flavor. Similarly, in the restaurant and bar market *Sho-Chiku-Bai Gokai* enjoys strong customer endorsement thanks to a clear, dry taste when served hot.

Light-Alcohol Refreshers

Since its ground-breaking debut in 1984 as Japan's first canned *chu-hi* product, *Takara Can Chu-Hi* has led the canned *chu-hi* market. Today, its superior quality ensures continuing support from a broad customer base. Also, Takara Shuzo develops and nurtures a wide spectrum of products that meet diverse consumer tastes. Such offerings include a highly carbonated dry canned *chu-hi* product with a refreshingly sharp taste, *Takara Shochu High Ball*; a canned *chu-hi* product packed with the flavor of fruit juice freshly squeezed at the orchard, *Takara Can Chu-Hi Jika-Shibori*; and a canned *chu-hi* product blending fruit and *Awamori* shochu from Okinawa, *Takara Ryukyu High Ball*.

Seasonings

Takara Shuzo offers a wide array of sake-based seasonings that make dishes more delicious and enhance meal times based on the motto of "delicious food through products derived from traditional sake brewing techniques." These seasonings include *Takara Hon Mirin*, which as the leading *hon mirin* brand has played an integral role in developing Japanese food culture, and *Ryori-no-Tame-no Seishu*, a cooking sake with no added salt. In the food-processing market, under the *Kyo Takara* brand and other brands Takara Shuzo offers a lineup of seasoning products tailored to the needs of ready-prepared meal manufacturers and food processors. Also, Takara Shuzo provides customers with solutions to diverse issues through food analysis, alcohol-related cooking research, and recipe development.

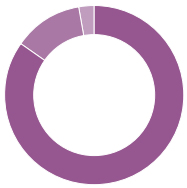
Overseas Business

Attracting attention as a delicious and healthy cuisine, Japanese food is becoming more common around the world. In step with this trend, the popularity of sake and *mirin* is increasing. In more than 40 countries across Europe, the United States, and Asia, *Sho-Chiku-Bai* sake, *Takara Mirin*, and other Takara products are now available. In 2010, Takara Shuzo added momentum to the spread of Japanese food culture worldwide by entering the Japanese food ingredients wholesale business in Europe. Other initiatives to develop business globally include businesses that distill and sell Scotch whisky and bourbon whisky.

Takara Bio Group

The mission of the Takara Group's Biomedical business is to contribute to the health of humankind by developing revolutionary biomedical technologies such as gene therapy. The Takara Bio Group—whose role is to make this a reality—is generating stable earnings from the genetic engineering research business, which forms the core of both its technology and earnings base. It is also fostering the agribio business as a second earnings source, and working to commercialize gene and cell therapies by investing resources in the gene medicine business.

Sales by Business Category



Genetic Engineering Research	84.8%
Agribio	12.6%
Gene Medicine	2.6%

Genetic Engineering Research

This business supports biotechnology research worldwide, from basic research conducted at universities to industrial companies working in such fields as drug-discovery research. In the area of research reagents and scientific instruments, Takara Bio continues to supply related products such as the PCR method, which is an essential technology used in biotechnology research; PCR enzymes that do not need prior treatment and enable direct reactions from biological samples; and reverse transcriptases providing superior elongation. In the contract research services business, Takara Bio offers leading-edge contract research services. These include genome sequencing analysis, high-speed sequence analysis using next-generation technologies, and contract production services for iPS cells. In addition to the field of genetic engineering, which includes enzymes for genetic engineering and PCR-related technologies, Takara Bio intends to focus on and conduct R&D in the field of advanced cell biology—a market that promises growth. And, Takara Bio will heighten its presence in the global market by manufacturing a lineup of highly cost competitive products in China and selling them worldwide.

Agribio

In this business, Takara Bio uses our biotechnology to analyze the properties of traditional Japanese foodstuffs. Takara Bio then uses these ingredients to develop and manufacture health food products. Further, Takara Bio produces, markets, and licenses mushrooms. In the health foods business, Takara Bio researches the properties of Gagome kombu (kelp) "fucoidan," agar-derived "agaro-oligosaccharide," Ashitaba (angelica herb) "chalcone," mushroom "terpene," yam (*Dioscorea esculenta*) "Yamsgenin™," and herb (*Peucedanum japonicum*) "Isosamidin." Based on these ingredients, Takara Bio develops and produces health foods and sells them through Takara Healthcare Inc. Also, Takara Bio supplies businesses with functional food ingredients. Meanwhile, the mushroom business licenses bacterial strains and large-scale production technology for Bunashimeji mushrooms to entities including JA ZEN-NOH (National Federation of Agricultural Cooperative Associations) Nagano. And, Takara Bio produces and sells Hatakeshimeji and Honshimeji mushrooms. In addition, Takara Bio is using cultivation and genome analysis technologies to develop new technology for the production of high-value-added mushrooms.

Gene Medicine

Applying technologies developed in the genetic engineering research business, Takara Bio develops and commercializes core technologies essential to gene medicine. One of Takara Bio's core technologies is the RetroNectin® Method, which enables the efficient transduction of genes into blood cells and is becoming the standard gene transduction method in *ex vivo* gene therapy. Another core technology is the RetroNectin® expansion-culture system, which gene and cell therapies use. Takara Bio's system makes it possible to culture large volumes of cell populations containing a high proportion of naive T-cells that have a significant *in vivo* persistence and superior antigen recognition properties. By licensing these technologies worldwide, Takara Bio aims to popularize them and increase earnings. Moreover, Takara Bio conducts in-house clinical development of gene and cell therapies targeting cancer and HIV. Also, for cancer immunotherapy Takara Bio provides medical institutions with technical support services for cell processing and other technical support services and markets cell culture media, gas-permeable bags, and other products.

Takara Healthcare

Takara Healthcare uses the Takara Group's unique ingredients and technologies to provide customers with safe and reliable health foods through direct marketing channels, thereby helping people to live healthy and active lives. The Takara Group is growing the Health foods business more rapidly by promoting synergies. In these joint efforts, Takara Healthcare draws on marketing expertise from the Takara Shuzo Group to sell health foods featuring functional ingredients that the Takara Bio Group's research has identified.

Major Consolidated Subsidiaries

As of March 31, 2011

Name	Address	Issued Capital	Percentage of Equity Owned	Line of Business
TAKARA SHUZO CO., LTD.	20 Naginataboko-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.
CHOU UN Co., Ltd.	1-16 Onoue-machi, Nagasaki 850-0058, 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	(100.0%)	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
Takara Sake USA Inc.	708 Addison St., Berkeley, CA 94710, U.S.A. TEL 510-540-8250	US$7,000 thousand	(90.0%)	Manufacture and sale of alcoholic beverages
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 1463-248-148	£3,297 thousand	(80.6%)	Manufacture and sale of Scotch whisky
Takara Shuzo Foods Co., Ltd.	506 Room, Huatengbeitang Commercial Tallbuilding No.37 Nanmofang Road, Chaoyang District, Beijing, China 100022 TEL 010-5190-0975	RMB130,000 thousand	(62.0%)	Manufacture and sale of alcoholic beverages, seasonings and raw alcohol, import and sale of Takara Shuzo Group's products
Shanghai Takara Shuzo International Trading Co., Ltd.	Room 19J, Li Du Xin Gui, No.831 Xin zha Road, Shanghai, China 200010 TEL 021-6218-1383	RMB4,896 thousand	(100.0%)	Import and sale of Takara Shuzo Group's products, and export of quality Chinese products
FOODEX S.A.S.	4, impasse des Carriéres 75016 Paris, France TEL 01-46-47-44-39	€250 thousand	(80.0%)	Import and wholesale of alcoholic beverages, foods, seasonings, etc.
TAKARA BIO INC.	Seta 3-4-1, Otsu, Shiga 520-2193, Japan TEL 077-543-7212	¥9,068 million	70.8%	Manufacture and sale of research reagents and scientific instruments, contract research services and commercialization of gene therapy and cell therapy, and manufacture and sale of health-oriented foods and mushroom products
Subsidiaries of Takara Bio Inc.				
Mizuho Nourin Co., Ltd.	38 Mitsueda, Hoidani, Kyotamba-cho, Funai-gun, Kyoto 622-0313, Japan	¥10 million	(49.0%)	Cultivation and sale of mushrooms
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 and sale of mushrooms
Takara Biotechnology (Dalian) Co., Ltd.	No.19 Dongbei 2nd Street, Development Zone, Dalian, China 116600	¥2,350 million	(100.0%)	Manufacture and sale of research reagents, and contract research services
Takara Bio Europe S.A.S.	2, avenue du president Kennedy, 78100 St Germain en Laye, France	€600 thousand	(100.0%)	Sale of research reagents
Takara Korea Biomedical Inc.	Lotte New T Castle 601, 429-1, Gasan-dong, Gumchun-gu, Seoul 153-803, Korea	₩3,860 million	(100.0%)	Sale of research reagents and scientific instruments, and contract research services
Takara Biomedical Technology (Beijing) Co., Ltd.	Life Science Park, 22 KeXueYuan Road, Changping District, Beijing, China 102206	¥1,030 million	(100.0%)	Sale of research reagents and scientific instruments, and cell culture media
Takara Bio USA Holdings Inc.	1290 Terra Bella Avenue, Mountain View, CA 94043, U.S.A.	US$70,857 thousand	(100.0%)	Holding company
Clontech Laboratories, Inc.	1290 Terra Bella Avenue, Mountain View, CA 94043, U.S.A.	US$83 thousand	(100.0%)	Development, manufacture, and sale of research reagents
DSS Takara Bio India Pvt. Ltd. *Became a subsidiary of Takara Bio in June 2011	A-5 Mohan Co-op Industrial Estate, Mathura Road, New Delhi,110044, India	RP45 million	(51.0%)	Manufacture and sale of research reagents, sale of scientific instruments
Subsidiaries of Takara Holdings Inc.				
Takara Healthcare Inc.	85-1 Mikura-cho, Sanjo-dori Karasuma Nishi-iru, Nakagyo-ku, Kyoto 604-8166, Japan TEL 075-229-6901	¥90 million	100.0%	Development and sale of health foods
Taihei Printing Co., Ltd.	55 Kakegoshi-cho, Nishi-shichijo, Shimogyo-ku, Kyoto 600-8881, Japan TEL 075-313-7141	¥90 million	100.0%	Printing
Takara Network System Co., Ltd.	20 Naginataboko-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 leasing

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

Financial Section

Contents

Management's Discussion and Analysis

In fiscal 2011, ended March 31, 2011, the Japanese economy showed a gentle trend toward recovery. However, the appreciation of the yen and rising unemployment continued to be cause for concern, prolonging the sense of uncertainty with regard to the future of the economy. Also, consumer spending was sluggish. Further, the effects of the Great East Japan Earthquake and the subsequent nuclear incidents have compounded with the factors above to make the future of the Japanese economy highly unclear.

Faced with these conditions, the Takara Group formulated the Seventh Medium-Term Management Plan based on which it has continued to target increased corporate value. Additionally, in this, the final year of the plan, we placed a particular focus on changes in the domestic market, such as a declining, aging population and a low birthrate. Accordingly, we worked to establish the platform on which we will create further corporate value while also developing new business domains that will serve as the foundation for our next stage of growth. While the economy was still unable to recover from the effects of the "Lehman Shock," the Group calmly gauged the situation and steadily implemented management measures to maximize the strengths of the Takara Group.

Net Sales

Consumer spending was down and there was a growing preference for low-priced products as well as the effects of the Great East Japan Earthquake. As a result, in fiscal 2011 net sales fell 0.4% compared with the previous fiscal year, to ¥189,769 million.

An analysis of performance by business segment is as follows.

Takara Shuzo Group

In the Group's core Alcoholic beverages and seasonings business, competition further intensified owing to such factors as a declining drinking population, diversifying consumer tastes, and realignment in distribution channels triggered by deregulation in recent years. In the fiscal year under review, the economic recession following the Lehman Shock caused weakened consumer confidence and a notable shift in demand toward low-priced products. These conditions continued to make it extremely difficult to achieve profit stability.

Within such an operating environment, the Takara Group focused on further strengthening its quality assurance systems, reflecting the Group's primary commitment to providing customers with safe, high-quality products. The Group also worked to bolster its marketing efforts through its offering of an extensive product lineup and distinctive, high-quality products based on reliable technological capabilities. Regardless of these efforts, the Great East Japan Earthquake, which occurred on March 11, 2011, had an undeniable impact on logistics and sales at the end of the fiscal year.

In fiscal 2011, net sales of the Takara Shuzo Group fell 0.1% year on year, to ¥166,790 million. While sales of products such as *Takara Shochu High Ball* increased, and the newly consolidated French company FOODEX S.A.S. contributed to net sales, these gains were offset by lower sales of *Ikkomon* 100% sweet-potato-based shochu, due to the depression of the restaurant and bar market as well as by the decline in sales of *ko*-type shochu products. The breakdown of sales by product category is as follows.

(Percentages indicate change compared with fiscal 2010)

- **Shochu**
  ¥72,695 million (decreased 4.6%)
- **Sake**
  ¥20,796 million (decreased 2.0%)
- **Light-alcohol refreshers**
  ¥22,252 million (increased 4.5%)
- **Other liquors**
  ¥9,674 million (decreased 0.6%)
- ***Hon Mirin***
  ¥14,931 million (decreased 0.6%)
- **Other seasonings**
  ¥7,090 million (increased 8.2%)
- **Raw alcohol**
  ¥6,275 million (increased 0.8%)
- **Other**
  ¥13,073 million (increased 22.1%)

Takara Bio Group

Leveraging the biotechnologies that the Takara Bio Group has cultivated over the years, it focused management resources on the three businesses, genetic engineering research, gene medicine, and agribio; and worked to improve business performance.

In fiscal 2011, net sales of the Takara Bio Group decreased 3.0% year on year, to ¥18,737 million. Sales of cell culture media and gas-permeable bags as well as cancer immunotherapy technical support services were strong and sales of health foods and mushrooms in the agribio business increased. However, the rebound from the particularly strong demand for the genetic engineering research business' scientific instruments seen in the previous fiscal year resulted in a drop in sales for these instruments and subsequently caused the overall depression of net sales. The breakdown of sales by business segment is as follows.

(Percentages indicate change compared with fiscal 2010)

- **Genetic engineering research**
  ¥15,882 million (decreased 4.8%)

Research reagents

¥11,168 million (increased 0.0%)

Scientific instruments

¥1,951 million (decreased 29.2%)

Contract research services and other

¥2,762 million (decreased 0.2%)

- **Gene medicine**

¥493 million (increased 25.7%)

- **Agribio**

¥2,361 million (increased 5.3%)

Takara Healthcare

Takara Healthcare is working to expand sales through developing a mail-order sales network for the health food products created using Takara Bio Inc.'s technologies as its highest priority. We aim to move this division into a position of profitability as soon as possible.

In fiscal 2011, net sales of Takara Healthcare increased 3.3% year on year, to ¥2,567 million. While sales of its tea beverages fell, this was offset by a rise in sales of fucoidan-related products and bulk ingredients.

Other

Other comprises other subsidiaries, including a printing business. Net sales in this segment declined 3.5% year on year, to ¥8,208 million.

Gross Profit, Selling, General and Administrative (SG&A) Expenses, and Operating Income

Gross profit also edged down 0.6% year on year, to ¥74,289 million, because ongoing cost reduction efforts did not fully offset an increase in the cost of sales, which resulted from higher raw material prices that outstripped the benefit of yen appreciation, a change in product mix, and the effect of the Great East Japan Earthquake.

In SG&A expenses, in response to tough economic conditions, the Group continued rigorous efforts to reduce costs as well as reduce advertising expenses and research and development expenses. As a result, SG&A expenses were down 0.3% year on year, to ¥65,953 million. However, this did not fully compensate for the decline in gross profit, and as a result operating income decreased 2.8% year on year, to ¥8,335 million.

The following is an overview of each business segment.

Takara Shuzo Group

The Takara Shuzo Group faced a tough operating environment. In addition to such factors as a consumer shift toward low-priced products, intense competition from breweries and other market participants, and a declining drinking population in Japan, the economic slump following the Lehman Shock persisted. The Takara Group offers a broad lineup of differentiated products, ranging from mass-market to high-value-added items. During the fiscal year under review, our sales efforts emphasized specific product characteristics, but these endeavors failed to overcome weakening consumer confidence and a growing preference for low-priced products, causing sales for the Takara Shuzo Group to fall. Working to offset lower sales and a deteriorating product mix, the Group implemented thorough cost-cutting measures. However, due to a hike in raw material prices, the cost of sales ratio increased. Additionally, SG&A expenses were up due to an increase in personnel expenses accompanying the consolidation of FOODEX S.A.S. and higher sales promotion expenses in response to greater competition. These factors cancelled the effect of a reduction in advertising expenses at Takara Shuzo Co., Ltd. As a result, operating income fell to ¥6,568 million.

Takara Bio Group

Sales of the Takara Bio Group's mainstay research reagents were almost unchanged from the previous fiscal year, regardless of the effects of the strong yen. However, sales of scientific instruments were significantly lower than the high levels seen during the previous fiscal year, resulting in an overall decrease in sales for the Takara Bio Group. SG&A expenses for the group were down. As a result of the above, operating income increased to ¥1,097 million.

The Takara Bio Group is not only targeting increased revenues through expansion of operations under its current business model. It is also actively investing in new businesses such as gene medicine and agribio with the goal of boosting future growth in revenues. To this end, we believe it is important to accelerate investment in R&D efforts.

Takara Healthcare

Takara Healthcare has remained in the red since its founding. However, it is targeting sales growth with the establishment of a health food products mail-order sales network as its top priority. Through these efforts, we hope to move Takara Healthcare into a position of profitability at the earliest date possible. Net sales in fiscal 2011 rose 3.3% year on year, to ¥2,567 million. SG&A expenses, however, were up due to advertising expenses incurred to further business development, which offset the slight improvement in income, forcing us to record an operating loss of ¥252 million.

Other

In fiscal 2011, operating income in Other was ¥219 million.

Other Income (Expenses) and Net Income

In non-operating income and expenses, a foreign exchange loss, compared with a foreign exchange gain in the previous fiscal year, and bond issuance expenses counteracted an improvement in equity in earnings of subsidiaries compared with equity in losses of subsidiaries for the previous fiscal year. As a result, ordinary income was down 3.4% year on year, to ¥8,427 million.

In extraordinary gain and loss, the recognition of a loss arising from the Great East Japan Earthquake and the effect of adopting accounting standards for asset retirement obligations in extraordinary loss offset a gain on sales of investment securities. Consequently, income before income taxes and minority interests decreased 8.6% year on year, to ¥7,505 million, and net income was down 19.0% year on year, to ¥3,788 million.

Cash Flows

Net cash provided by operating activities decreased ¥990 million year on year, to ¥9,462 million, which reflects income taxes paid of ¥3,620 million, depreciation and amortization of ¥5,384 million, and income before income taxes and minority interests of ¥7,505 million.

Net cash used in investing activities was up ¥3,973 million year on year, to ¥11,323 million, due to purchases of property, plant and equipment of ¥2,688 million, purchase of FOODEX S.A.S., net of cash acquired of ¥3,384 million, increase in time deposits, net of ¥4,062 million for the management of surplus funds, and purchases of marketable securities and investment securities of ¥476 million (net of proceeds from sales and redemption of marketable securities and sales of investment securities).

Net cash used in financing activities was ¥3,199 million, approximately unchanged year on year, as proceeds from issuance of bonds covered repayments of long-term loans payable and redemption of bonds. Further, purchases of treasury stock was ¥1,207 million and cash dividends paid were ¥1,796 million.

As a result, cash and cash equivalents at fiscal year-end, including effect of exchange rate change on cash and cash equivalents, stood at ¥28,384 million, down ¥5,240 million from the previous fiscal year-end. However, when time deposits and short-term investment securities for management of surplus funds are taken into account, cash and cash equivalents were approximately unchanged from the previous fiscal year-end.

Financial Position

Total assets at fiscal year-end stood at ¥192,448 million, down ¥3,046 million from the previous fiscal year-end. This included total current assets of ¥119,707 million, down ¥1,037 million from the previous fiscal year-end, reflecting a decrease in notes and accounts receivable–trade, net that accompanied lower sales due to the Great East Japan Earthquake.

Property, plant and equipment stood at ¥41,645 million, down ¥1,295 million, because new investment was less than depreciation.

Investments and other assets stood at ¥31,095 million, down ¥713 million. Factors that affected this result consisted of an increase in goodwill resulting from the acquisition of FOODEX S.A.S. of ¥2,103 million and a decrease in investment securities of ¥2,501 million from the previous fiscal year-end.

Total current liabilities stood at ¥41,453 million, down ¥10,210 million from the previous fiscal year-end, due to a ¥5,000 million redemption of the current portion of bonds and a ¥5,000 million syndicate loan repayment. Total long-term liabilities were ¥44,100 million, up ¥9,474 million, which reflected the issuance of ¥10,000 million in unsecured bonds to redeem the above-mentioned bonds and repay the above-mentioned loan. As a result, total liabilities stood at ¥85,553 million, approximately unchanged from the previous fiscal year-end.

Total equity amounted to ¥106,895 million, a decrease of ¥2,311 million from the previous fiscal year-end, reflecting a ¥1,851 million increase in negative foreign currency translation adjustments, a ¥1,252 million decrease in unrealized gain on available-for-sale securities, and a ¥1,201 million increase in treasury stock as part of measures for returns to shareholders, which offset a ¥1,999 million rise in retained earnings.

Medium-to-Long-Term Business Strategies

From April 2011, the Group embarked on a new drive toward realizing a long-term management vision, the Takara Group Vision 2020, which covers a ten-year period. Further, as the first step toward realizing this vision, the Group has prepared the Takara Group Medium-Term Management Plan FY2014 for the three-year period from fiscal 2012 to fiscal 2014.

The Takara Group Medium-Term Management Plan FY2014 establishes the basic policy of aiming to achieve stable growth in Japan while expanding the business base in order to grow significantly overseas. The following is an outline of the plan.

Basic policy

Aiming to realize the Takara Group Vision 2020, achieve stable growth in Japan while expanding the business base in order to grow significantly overseas

Tangible goals

FY2014: Takara Group net sales: at least ¥200 billion; operating income at least ¥10 billion; overseas sales accounting for at least 10% of net sales; growth businesses + developing businesses accounting for at least 25% of net sales

Positioning of businesses and business policies

The Group classifies its businesses as core business, growth businesses, or developing businesses according to their level of maturity.

Core business	Strengthen profitability of core business as foundation of Group's growth

Domestic alcoholic beverages business

We will develop new products with differentiated quality and originality as well as foster brands. Also, by further strengthening profit management and increasing operational efficiency, we will strengthen profitability and achieve stable growth. And, we will generate stable cash flows and support the Group's growth.

Growth businesses	Expand businesses in markets promising growth, drive the Group's overall growth

Overseas alcoholic beverages business, Japanese food ingredients wholesale business

We will establish sales networks overseas for the wholesale of Japanese food ingredients. And, by maximizing synergies between the Japanese food ingredients wholesale business and the overseas alcoholic beverages business, we will accelerate business growth and drive the Group's overall growth.

Seasonings and raw alcohol business

We will expand businesses in the seasonings business for food processing and raw alcohol business areas. At the same time, we intend to leverage the synergies from the integration of both businesses, accelerate the growth of B-to-B business, and drive the Group's overall growth.

Genetic engineering research business

By developing core technologies and opening up markets in Japan and overseas, including emerging countries, we will further increase sales and strengthen profitability, thereby driving the Group's overall growth.

Developing businesses	Establish operational foundation in growth markets to create the growth businesses for the next plan

Health foods business

We will take steps to establish a business foundation with a view to dramatic growth. We aim to strengthen scientific evidence for health food ingredients by using Takara Bio's technologies. Also, through effective and efficient investment we will acquire new mail-order customers. And, we intend to increase sales by stepping up B-to-B sales promotion. Through these initiatives, we aim to move Takara Healthcare Inc. into a position of profitability in fiscal 2013, the year ending March 2013.

Gene medicine business

Aiming to commercialize Japan's first *ex vivo* gene therapy, we will advance clinical development. At the same time, we will seek higher sales of technical support services for cancer immunotherapy.

Financial Policy

While maintaining a sound financial position, the Group aims to invest in both growth and developing businesses, return profits to shareholders actively, and increase ROE (return on equity).

Analysis of Capital Resources and Liquidity

In fiscal 2011, cash and cash equivalents at fiscal year-end stood at ¥28,384 million, ¥5,240 million lower than the previous fiscal year-end. Factors affecting the Takara Group's liquidity situation included a ¥990 million decrease in net cash provided by operating activities due to the result of lower income before income taxes and minority interests in net income of consolidated subsidiaries and depreciation and amortization; a ¥3,973 million increase in net cash used in investing activities, due to the acquisition of stock in FOODEX S.A.S., resulting in a change in the scope of consolidation; the acquisition of time deposits; and other factors. These factors outweighed the fact that net cash used in financing activities remained relatively unchanged from the previous fiscal year. However, the acquisition of time deposits and short-term investment securities included under net cash used in investing activities are only short-term investments for the purpose of managing surplus funds. When this is taken into consideration, it could be said that cash and cash equivalents were approximately unchanged from the previous fiscal year-end.

At the moment, the Group plans to conduct capital investment, finance returns to shareholders, and invest in growth and

developing businesses using only funds on hand and internal reserves. Therefore, the Group currently has no intention to procure additional funds. Taking these factors and the current plan into consideration, the Group believes that it has effectively secured the necessary liquidity of capital resources.

Capital investment scheduled for the Takara Shuzo Group in fiscal 2012 is expected to be less than depreciation. However, there is the possibility that Takara Holdings will issue corporate bonds to acquire additional funds in the event that capital in excess of internal funds is required for new M&A activities or other investments. The Company's outstanding bonds have affirmed an A rating from Rating and Investment Information, Inc. (R&I) and Japan Credit Rating Agency, Ltd. (JCR). In addition, the Company has established commitment lines totaling ¥10,000 million to finance its dynamic working capital requirements.

Currently, the Takara Bio Group intends to finance short-term R&D and capital investment through internal funds. However, it may be necessary to raise funds from other sources to finance the launch of new businesses and to expand the scope of existing businesses.

Business Risks

The following are major potential risks to which the Takara Group (the Group and its affiliated companies) are exposed to in its business and other activities. In addition, conditions that may not become a risk are also described from the viewpoint of positive information disclosure to investors.

Upon identification of the possibility of such risks, the Group will make its best efforts to avoid such an occurrence or take countermeasures against such an occurrence. Please note that the following descriptions do not cover all of the risk factors concerning investment decisions.

Descriptions related to the possible occurrence of events in the future are based on the Group's judgments as of June 29, 2011, the date on which it filed its official company accounts.

(1) Risks Concerning the Alcoholic Beverages and Seasonings Business and its Business Environment

<1> Risks concerning dependence on particular markets and products

More than 90% of sales of the Group's Alcoholic beverages and seasonings business are generated within Japan, and its market is highly vulnerable to changes in the tastes of consumers. The Group therefore strives to develop both original products that meet the ever-changing tastes of consumers and unique products that differentiate the Group from competitors. However, changes in consumer trends have been accelerating recently. For this reason, if the Group fails to offer attractive products that satisfy the tastes of consumers and reflect market trends, business growth and profitability will suffer and may adversely affect the Group's business performance and financial position.

Furthermore, in Japan both a low birthrate and a rapidly aging population are said to have already pushed the population into a declining trend. If this population decrease results in a decline in liquor demand, the Group's business may be adversely affected.

<2> Risks concerning market competition

The recent deregulation in alcoholic beverage retail licensing has drastically changed the liquor distribution structure and prompted competing companies to reduce prices and pursue new product strategies, which has intensified competition in the marketplace. In such a competitive business environment, the Group is striving to address the challenges by developing and cultivating high-value-added products, strengthening its brand power, carrying out sales activities that reflect the changes in distribution channels, and cutting costs. However, if competition increases to a level that cannot be countered by these measures and strategies, the Group's business performance and financial position may be adversely affected.

<3> Risks concerning dependence on particular plants for manufacturing

Most of the Group's alcoholic beverage products are manufactured at the Fushimi Plant (Fushimi Ward, Kyoto City) and the Matsudo Plant (Matsudo City, Chiba Prefecture), both operated by Takara Shuzo Co., Ltd. Furthermore, the Group is expanding the production lines at these two plants. Therefore, in the event of a major earthquake or any other occurrence that prevents operations in either of these areas, it may threaten to seriously affect the manufacture and supply of products, which may adversely affect the Group's business performance and financial position. In addition, ethyl alcohol, a major raw material used by the Group, is classified by the Fire Service Law as a hazardous material, Class 4 (inflammable liquid, possessing a serious risk of starting and spreading a fire, which, once started, is hard to extinguish).

<4> Risks concerning fluctuations of raw material prices

The Group's procurement of raw materials could be indirectly affected by the climatic and economic conditions of supplier countries and regions. Ethanol for shochu and other products come mainly from South America and Asia, and rice for sake and other products is procured in Japan; therefore, the prices of these raw materials are influenced by weather conditions in these areas and

the market for the raw material. Recently, the purchase price of ethanol has been increasing, and any hike in the procurement cost of raw materials will cause an increase in our production cost. If this increase cannot be added to the sales price due to, for example, market conditions, this in turn may adversely affect the Group's business performance and financial position.

<5> Risks concerning Japan's legal regulations

The alcoholic beverages business of the Group is subject to regulations specified under the Liquor Tax Law that governs licenses for the manufacturing and/or selling of alcoholic beverages and liquor taxes in Japan. In accordance with the Liquor Tax Law, the Group has obtained, in addition to the license as a seller, the license for manufacturing each type of product and for operating each manufacturing plant from the relevant taxation offices. In future business operations, the Group will continue to be regulated by the Liquor Tax Law, and consequently any change to the liquor tax rates may affect selling prices and sales trends.

<6> Risks concerning social attitudes toward drinking

It has been said that drinking alcoholic beverages in moderation generally relieves weariness, increases appetite, eases stress, and works as a social lubricant. On the other hand, many problems in habitual drinking have been pointed out, such as intoxication, organ damage due to chronic drinking, alcoholism, under-age drinking, and damage to the fetus owing to drinking by pregnant women, characteristics of which are not seen in any other beverages or foods.

Realizing these problems, the Group, as an organization producing and selling alcoholic beverages, is carrying out various activities to spread the idea of "controlled, moderate drinking" from the viewpoint of meeting its social responsibilities by helping to maintain and improve people's health. If these alcohol-attributable problems become more serious within society, the Group's production and sales activities may be further regulated or otherwise affected, and the future growth, business performance, and financial position of the Group's alcoholic beverages business may deteriorate.

(2) Risks Concerning the Biomedical Business and its Business Environment

<1> Risks concerning R&D activities

In the Biomedical business, the Group has been conducting a wide range of R&D activities in fields covering abroad range of biotechnology-related industries. The Group considers these R&D activities extremely important in order to keep the Group's competitive edge. The Group therefore aggressively invests in R&D. However, there is no guarantee that the R&D activities will advance as planned, and because clinical development in the gene medicine business takes a very long time, it is also not guaranteed that any R&D activities will bear fruit in a timely manner. A delay in R&D activities may adversely affect the business plans, business performance, and financial position of the Group's Biomedical business. Furthermore, there is no guarantee that the R&D activities currently in progress will produce their expected results. Such a failure could hinder the Group from meeting its planned revenue-making expectations.

<2> Risks concerning market competition

Currently, the revenue base of the Group's Biomedical business is generated by the genetic engineering research business, whose major product is research reagents related to the real-time Polymerase Chain Reaction (PCR) method. However, the real-time PCR license granted to the Group is not an exclusive license, with many other companies similarly granted the real-time PCR license, thereby intensifying competition. Moreover, unlike medical equipment, since neither permission nor approval is required for the manufacture and sale of scientific instruments, entry into the market is relatively easy; therefore, there are many competing companies in the market.

In the gene medicine business, various genetic gene transfer methods and effective vectors have been developed recently, and the applications of gene therapy are expanding from congenital diseases, infectious diseases, and various types of cancer to non-fatal chronic illnesses. Moreover, today, cell therapy is used to improve the quality of life (QOL) of patients and not just as a cure for a disease. Thus, a potentially enormous market has opened up, which has resulted in many enterprises investing in gene and cell therapies R&D, centering on Western startup businesses.

In the agribio business, the health food industry is booming and many businesses, not just food manufacturers but many pharmaceutical companies as well, are entering the rapidly growing market. Legal regulations impose restrictions only on the descriptions of efficacies and effects as well as also prohibiting the use of experimental data in sales promotions to differentiate product offerings. As a result, this market is easy for companies to enter, which is consequently intensifying competition.

Under these market conditions, the Group strives to start new business projects and commercialize projects in their R&D phase as quickly as possible. However, if a competitor successfully commercializes a similar product or technology before the Group does, or if a competitor commercializes a superior technology, the business plans, business performance, and financial position of the Group may be adversely affected.

<3> Risks concerning dependence in manufacturing

Currently, the Group's Biomedical business depends mostly on Takara Biotechnology (Dalian) Co., Ltd., a Chinese subsidiary of the Takara Group, for manufacturing products related to the genetic engineering research business. In the future, the Group's reliance on this company is expected to grow. Therefore, in the event of a deterioration in security, a major earthquake, or any other occurrence that prevents operations in the region where this subsidiary is located, the whole Group could lose most of its capacity to manufacture the products concerned, which may adversely affect the Group's business performance and financial position.

<4> Risks concerning legal regulations specific to the Biomedical business

R&D activities in the genetic engineering research business are regulated by relevant legislations, such as the Law Concerning Prevention from Radiation Hazards due to Radioisotopes, etc. and the Law Concerning the Conservation and Sustainable Use of Biological Diversity through Regulations on the Use of Living Modified Organisms, and the Group intends to observe these laws and regulations. In sales of research reagents, the Group is also required to follow the Poisonous and Deleterious Substance Control Law. Research reagents are not drugs as defined by the Pharmaceutical Affairs Law, and consequently are not regulated by that law. However, if these regulations are tightened or new regulations are enforced following the expansion of gene-related industries, the Group's business may be adversely affected.

The relevant laws and regulations such as the Pharmaceutical Affairs Law regulate the commercialization of gene and cell therapies, and the Group intends to comply with such laws and regulations. These laws and regulations are concerned with securing the quality, effectiveness, and safety of drugs, quasi drugs, cosmetics, and medical instruments, and the trading of these products requires obtaining approval or permission from the relevant authorities. At present, there is no guarantee that the Group will be granted necessary permission or approval based on the Pharmaceutical Affairs Law for each project for which it is carrying out R&D activities.

In addition, new therapies such as activated immunotherapy may require approval or may become regulated by the Pharmaceutical Affairs Law or Medical Practitioners Law in the future. In the event that these laws are tightened or a new regulation is introduced, the Group's business strategy may be adversely affected.

<5> Risks concerning intellectual property rights

In biotechnology-related industries, where the success of business depends solely on the success of R&D activities, the Group regards securing intellectual property rights, including patents, as extremely important, and it protects technologies developed in-house with patents to prevent competitors from imitating them. The Group will continue placing the highest priority on applying for patents in its R&D activities. All applications are not always registered, however, and when a registered patent is made invalid for any reason, or expires, the Group's business strategies or operational results may suffer an impact. In addition, the Group is always mindful that, in biotechnology-related industries with continuous cutthroat competition in R&D, its technology that is protected by a patent may be superseded at any time by a competitor.

The Group is also willing to acquire or buy licenses for promising patent rights held by third parties, but this strategy may be prohibitively expensive or alternatively there is a possibility that the Group may not be able to acquire licenses for necessary patent rights.

(3) Risks Shared by the Whole Group

<1> Risks concerning impairment losses of investment securities

The Group owns marketable securities. If their market values fall drastically, the difference between the acquisition cost and market price is booked as a loss for the fiscal year. Such a loss may adversely affect the Group's business performance and financial position.

<2> Risks concerning impairment of fixed assets

The Group owns fixed assets. If the Group determines that an impairment loss should be recognized on any fixed assets or asset group specified by the accounting standard for impairment of fixed assets, the book value of the asset or asset group in question is lowered to the recoverable price, and the difference is booked as a loss for the fiscal year. Such a loss may adversely affect the Group's business performance and financial position.

<3> Risks concerning retirement benefit liabilities

The Group calculates the cost of its employees' retirement benefits and pension liabilities based on such preconditions as the discount rate used in actuarial calculations and the expected rate of return on pension assets. If the actual results are different from the preconditions or the preconditions have changed, the effects are accumulated and regularly recognized in the future, and generally affect expenses recognized and liabilities booked in future periods. If the yield on the investment in pension assets management worsens, it may adversely affect the Group's business performance and financial position.

<4> Risks concerning overseas operations

The Group's operations include the manufacture and sale of products in North America, Europe, and China as well as other regions of Asia.

If any of these countries or regions experiences a drastic change in the condition of their economies, politics and/or societies, or suffers damage from a natural disaster, such as a major earthquake, the demand for the Group's products could deteriorate and/or production facilities might have to suspend production. Such an occurrence could seriously affect the Group's business plans and performance.

<5> Risks concerning fluctuations in exchange rates

Local currency-denominated items, including sales, expenses, and asset and liability accounts, are translated into Japanese yen for the purpose of the preparation of the consolidated financial statements. These items may be affected by the exchange rate at translation.

The Group enters into foreign currency forward contracts and exchange rate hedging to minimize the adverse effects caused by short-term fluctuations in exchange rates. In the medium-to-long term, however, the Group may fail to accurately carry out procurement and sales activities as planned due to fluctuations in exchange rates. Therefore, fluctuations in exchange rates may adversely affect the Group's business performance and financial position.

<6> Risks concerning product liability

All of the products developed and manufactured by the Group are exposed to the risk of product liability compensation. If any defect is found during the manufacturing, selling, or clinical testing process, or any health impairment is caused by an alcoholic beverage, food, drug, or medical instrument in particular, the Group may be subject to a product liability claim. Despite possessing product liability insurance, it is uncertain whether or not the insurance will cover the full amount of the final compensation. A defect that results in large-scale recalls or product liability compensation not only causes a huge financial cost but also affects the Group's reputation, business performance, and financial position.

<7> Risks concerning legal regulations

The Group is developing businesses in various countries and regions subject to local governmental regulations, such as those granting permission to begin business operations or undertake investment, export restrictions because of national security or other reasons, and trade conditions, including tariff duties. The Group is also subject to legislation governing trade, monopoly, patent, consumer, taxation, foreign currency exchange, transportation, and environmental and recycling issues. If the Group is unable to observe any of the legislative regulations, its activities may be restricted and an increase in costs may occur.

Also, as a corporation involved in the manufacture and sale of food products, the Group maintains business facilities, manages equipment, containers and packages, as well as controls production processes and sales activities in accordance with the provisions of the Food Sanitation Law. The Group observes the Food Sanitation Law and takes extra care to control food hygiene. Food safety matters, including food hygiene and such problems as intentional interference, are an unavoidable issue. Therefore, if any problem should arise related to this issue, the business performance of the Group may be adversely affected.

Moreover, in sales of health foods, the Group makes its best efforts to observe the provisions of the Pharmaceutical Affairs Law in regard to expressing and advertising efficacies and effects and providing directions for proper usage. Due to the general nature of health foods, however, the Group cannot completely rule out the possibility of it violating any provision on mandatory information. If any violation occurs within the Group, trust in the Group may deteriorate and the business performance of the Group may be adversely affected.

As the Group is also selling certain products over the Internet, the Group is subject to mandatory information regulations based on the Specified Commercial Transactions Law.

<8> Risks concerning information control

The Group retains personal information about numerous individuals through, among other activities, sales promotion campaigns and mail-order sales. The Group takes every precaution to prevent the leakage of such information by establishing an information control system, appointing personnel in charge of information security, conducting ongoing staff training, and taking other related measures. However, the risk remains that some unexpected incidents could lead to the loss, leakage, or falsification of personal and/or other internal information. In such cases, the Group could lose its credibility among the general public, which may adversely affect the Group's business.

<9> Risks concerning lawsuits

The Group strives to observe all the laws and regulations relevant to its business operations by enhancing its compliance measures. However, as the Group conducts its business both within and outside Japan, there remains a risk of a third party filing a suit over such issues as the Product Liability Law, intellectual property rights, or a claim for compensation for an invention irrespective of whether or not the Group or its employees have violated any law. If a court case were to be brought against the Group, or if the court decision were to go against the Group, the Group's business performance and financial position may be adversely affected.

Consolidated Balance Sheets

Takara Holdings Inc. and Consolidated Subsidiaries
March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
ASSETS			
CURRENT ASSETS (Note 18):			
Cash and cash equivalents	¥ 28,384	¥ 33,624	$ 341,975
Time deposits	15,566	11,624	187,542
Marketable securities (Note 4)	1,496	535	18,024
Notes and accounts receivable:			
Trade	44,945	45,601	541,506
Unconsolidated subsidiary and associated companies	159	182	1,915
Other	1,087	1,325	13,096
Allowance for doubtful accounts	(81)	(65)	(975)
Inventories (Notes 5 and 8)	24,298	24,252	292,746
Deferred tax assets (Note 14)	2,568	2,589	30,939
Prepaid expenses and other current assets	1,282	1,074	15,445
Total current assets	119,707	120,745	1,442,253
PROPERTY, PLANT AND EQUIPMENT (Notes 6 and 7):			
Land	13,386	13,387	161,277
Buildings and structures	42,658	41,933	513,951
Machinery, equipment and vehicles	74,834	75,328	901,614
Tools, furniture and fixtures	10,268	10,483	123,710
Lease assets	934	813	11,253
Construction in progress	253	230	3,048
Total	142,335	142,177	1,714,879
Accumulated depreciation	(100,690)	(99,236)	(1,213,132)
Net property, plant and equipment	41,645	42,941	501,746
INVESTMENTS AND OTHER ASSETS (Note 18):			
Investment securities (Note 4)	15,745	18,247	189,698
Investments in and advances to unconsolidated subsidiary and associated companies	2,781	2,825	33,506
Goodwill	4,017	1,913	48,397
Deferred tax assets (Note 14)	3,404	3,117	41,012
Other assets	5,146	5,704	62,000
Total investments and other assets	31,095	31,809	374,638
TOTAL	¥ 192,448	¥ 195,495	$ 2,318,650

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
LIABILITIES AND EQUITY			
CURRENT LIABILITIES (Note 18):			
Short-term bank loans (Note 7)	¥ 5,101	¥ 5,071	$ 61,457
Current portion of long-term debt (Note 7)	300	10,263	3,614
Notes and accounts payable:			
Trade	13,440	13,913	161,927
Unconsolidated subsidiary and associated companies	25	26	301
Construction and other	2,531	2,194	30,493
Liquor taxes payable (Note 8)	8,065	7,939	97,168
Accrued income taxes	1,785	1,945	21,506
Accrued expenses	5,627	5,894	67,795
Accrued sales promotion expenses	1,576	1,461	18,987
Other current liabilities (Note 14)	2,996	2,953	36,096
Total current liabilities	41,453	51,663	499,433
LONG-TERM LIABILITIES (Note 18):			
Long-term debt (Note 7)	26,010	16,089	313,373
Liability for retirement benefits (Note 9)	9,644	9,445	116,192
Deposits	6,119	6,391	73,722
Deferred tax liabilities (Note 14)	1,269	2,028	15,289
Other	1,056	670	12,722
Total long-term liabilities	44,100	34,625	531,325
CONTINGENT LIABILITIES (Note 17)			
EQUITY (Notes 10 and 21):			
Common stock, authorized, 870,000,000 shares; issued, 217,699,743 shares	13,226	13,226	159,349
Capital surplus	3,197	3,198	38,518
Retained earnings	85,784	83,785	1,033,542
Treasury stock, at cost—10,069,310 shares in 2011 and 7,519,781 shares in 2010	(5,852)	(4,650)	(70,506)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	2,754	4,007	33,180
Deferred gain (loss) on derivatives under hedge accounting (Note 19)	(32)	18	(385)
Foreign currency translation adjustments	(4,770)	(2,918)	(57,469)
Total	94,308	96,666	1,136,240
Minority interests	12,587	12,540	151,650
Total equity	106,895	109,206	1,287,891
TOTAL	¥ 192,448	¥ 195,495	$ 2,318,650

Consolidated Statements of Income

Takara Holdings Inc. and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
NET SALES (Notes 12 and 23)	¥ 189,769	¥ 190,525	$ 2,286,373
COST OF SALES (Notes 8, 9, 12, 16 and 23)	115,480	115,805	1,391,325
Gross profit	74,289	74,719	895,048
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 9, 13, 16 and 23)	65,953	66,146	794,614
Operating income	8,335	8,572	100,421
OTHER INCOME (EXPENSES):			
Interest and dividend income	473	486	5,698
Real estate rent	111	39	1,337
Subsidy income	104	125	1,253
Gain on sales of property, plant, and equipment	72	8	867
Gain on sales of investment securities (Note 4)	417	105	5,024
Interest expense	(566)	(577)	(6,819)
Loss on disposals of property, plant and equipment	(238)	(300)	(2,867)
Impairment loss (Note 6)		(127)	
Loss on write-down of investment securities (Note 4)	(254)	(81)	(3,060)
Adjustment for initial application of accounting standard for asset retirement obligations (Note 2.l)	(424)		(5,108)
Losses from a natural disaster (Note 15)	(396)		(4,771)
Other, net	(128)	(42)	(1,542)
Other expenses, net	(829)	(364)	(9,987)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	7,505	8,208	90,421
INCOME TAXES (Note 14):			
Current	3,646	3,589	43,927
Deferred	(183)	(272)	(2,204)
Total income taxes	3,463	3,317	41,722
NET INCOME BEFORE MINORITY INTERESTS (Note 1)	4,042		48,698
MINORITY INTERESTS IN NET INCOME	254	214	3,060
NET INCOME	¥ 3,788	¥ 4,677	$ 45,638

	Yen		U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Notes 2.u and 21):			
Basic net income	¥ 18.21	¥ 22.20	$ 0.21
Diluted net income	18.21	22.20	0.21
Cash dividends applicable to the year	8.50	8.50	0.10

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Takara Holdings Inc. and Consolidated Subsidiaries
Year ended March 31, 2011

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
NET INCOME BEFORE MINORITY INTERESTS	¥ 4,042	$ 48,698
OTHER COMPREHENSIVE INCOME (Note 20):		
Unrealized gain (loss) on available-for-sale securities	(1,260)	(15,180)
Deferred gain (loss) on derivatives under hedge accounting	(40)	(481)
Foreign currency translation adjustments	(2,227)	(26,831)
Share of other comprehensive income in associates	(42)	(506)
Total other comprehensive income	(3,570)	(43,012)
COMPREHENSIVE INCOME (Note 20)	¥ 471	$ 5,674
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO (Note 20):		
Owners of the parent	¥ 633	$ 7,626
Minority interests	(161)	(1,939)

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Takara Holdings Inc. and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

	Thousands	Millions of Yen									
		Accumulated Other Comprehensive Income									
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2009	212,825	¥ 13,226	¥ 3,198	¥ 80,918	¥ (3,212)	¥ 2,340	¥ (19)	¥ (3,358)	¥ 93,093	¥ 12,222	¥ 105,316
Net income				4,677					4,677		4,677
Cash dividends, ¥8.5 per share				(1,810)					(1,810)		(1,810)
Net increase of treasury stock	(2,646)		(0)		(1,438)				(1,438)		(1,438)
Net change in the year						1,667	37	439	2,144	317	2,461
BALANCE, MARCH 31, 2010	210,179	13,226	3,198	83,785	(4,650)	4,007	18	(2,918)	96,666	12,540	109,206
Net income				3,788					3,788		3,788
Cash dividends, ¥8.5 per share				(1,789)					(1,789)		(1,789)
Net increase of treasury stock	(2,550)		(1)		(1,201)				(1,202)		(1,202)
Net change in the year						(1,252)	(50)	(1,851)	(3,154)	46	(3,108)
BALANCE, MARCH 31, 2011	207,630	¥ 13,226	¥ 3,197	¥ 85,784	¥ (5,852)	¥ 2,754	¥ (32)	¥ (4,770)	¥ 94,308	¥ 12,587	¥ 106,895

	Thousands of U.S. Dollars (Note 1)									
	Accumulated Other Comprehensive Income									
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2010	$ 159,349	$ 38,530	$ 1,009,457	$ (56,024)	$ 48,277	$ 216	$ (35,156)	$ 1,164,650	$ 151,084	$ 1,315,734
Net income			45,638					45,638		45,638
Cash dividends, $0.10 per share			(21,554)					(21,554)		(21,554)
Net increase of treasury stock		(12)		(14,469)				(14,481)		(14,481)
Net change in the year					(15,084)	(602)	(22,301)	(38,000)	554	(37,445)
BALANCE, MARCH 31, 2011	$ 159,349	$ 38,518	$ 1,033,542	$ (70,506)	$ 33,180	$ (385)	$ (57,469)	$ 1,136,240	$ 151,650	$ 1,287,891

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Takara Holdings Inc. and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 7,505	¥ 8,208	$ 90,421
Adjustments for:			
Income taxes paid	(3,620)	(4,228)	(43,614)
Depreciation and amortization	5,384	5,652	64,867
Provision for retirement benefits	206	345	2,481
Provision for (reversal of) allowance for doubtful accounts	38	(39)	457
Increase in accrued sales promotion expenses	114	17	1,373
Net loss on sales and disposals of property, plant and equipment	166	291	2,000
Loss on write-down of investment securities	254	81	3,060
Gain on sales of investment securities	(417)	(105)	(5,024)
Equity in earnings (losses) of associated companies	(76)	50	(915)
Changes in assets and liabilities:			
Decrease in trade receivables	932	597	11,228
Increase in inventories	(435)	(229)	(5,240)
Decrease in interest and dividend receivable	18	20	216
(Increase) decrease in other current assets	(98)	10	(1,180)
Decrease in trade payables	(555)	(502)	(6,686)
Increase in liquor taxes payable	126	37	1,518
Decrease in consumption taxes payable	(106)	(15)	(1,277)
Other, net	25	262	301
Total adjustments	1,956	2,244	23,566
Net cash provided by operating activities	9,462	10,452	114,000
INVESTING ACTIVITIES:			
Proceeds from sales of property, plant and equipment	87	27	1,048
Proceeds from sales and redemption of marketable securities	2,255	2,567	27,168
Proceeds from sales of investment securities	872	112	10,506
Proceeds from sales of investments in subsidiaries and associated companies	87		1,048
Purchases of property, plant and equipment	(2,688)	(3,046)	(32,385)
Purchases of marketable securities and investment securities	(3,603)	(190)	(43,409)
Increase in time deposits, net	(4,062)	(6,293)	(48,939)
Purchase of FOODEX S.A.S., net of cash acquired	(3,384)		(40,771)
Other, net	(886)	(527)	(10,674)
Net cash used in investing activities	(11,323)	(7,350)	(136,421)
FINANCING ACTIVITIES:			
Repayments of long-term loans	(5,078)	(169)	(61,180)
Proceeds from issuance of bonds	9,923		119,554
Redemption of bonds	(5,000)		(60,240)
Proceeds from issuance of stock to minority shareholders	63	39	759
Purchases of treasury stock	(1,207)	(1,379)	(14,542)
Cash dividends paid	(1,796)	(1,819)	(21,638)
Other, net	(104)	109	(1,253)
Net cash used in financing activities	(3,199)	(3,219)	(38,542)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(179)	75	(2,156)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,240)	(42)	(63,132)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	33,624	33,666	405,108
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 28,384	¥ 33,624	$ 341,975

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Takara Holdings Inc. and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

1. BASIS OF PRESENTING THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

Under Japanese GAAP, a consolidated statement of comprehensive income is required from the fiscal year ended March 31, 2011 and has been presented herein. Accordingly, accumulated other comprehensive income is presented in the consolidated balance sheet and the consolidated statement of changes in equity. Information with respect to other comprehensive income for the year ended March 31, 2010 is disclosed in Note 20. In addition, "net income before minority interests" is disclosed in the consolidated statement of income from the year ended March 31, 2011.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2010 financial statements to conform to the classifications used in 2011.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Takara Holdings Inc. (the "Company") is incorporated and operates. Japanese yen figures less than a million yen are rounded down to the nearest million yen, except for per share data and the amounts in Note 11. 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 ¥83 to $1, the approximate rate of exchange at March 31, 2011. U.S. dollar figures less than a thousand dollars are rounded down to the nearest thousand dollar, except for per share data and the amounts in Note 11. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements as of March 31, 2011 include the accounts of the Company and its 36 significant (32 in 2010) subsidiaries (together, the "Group"). Consolidation of the remaining subsidiary would not have a material effect on the accompanying consolidated financial statements. Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in three (three in 2010) associated companies are accounted for by the equity method. Investments in the remaining unconsolidated subsidiary and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The difference of the cost of an acquisition from the fair value of the net assets of the acquired subsidiary at the date of acquisition is recorded as goodwill and amortized on a pro rata basis over a certain period not exceeding 20 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements—In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained.

c. Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method—In March 2008, the ASBJ issued ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments." The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to the financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained. This standard was applicable to equity method of accounting for fiscal years beginning on or after April 1, 2010.

The Company applied this accounting standard effective April 1, 2010.

d. Business Combination—In October 2003, the Business Accounting Council (the "BAC") issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase

method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling of interests method of accounting is no longer allowed; (2) The current accounting standard accounts for the research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development (IPR&D) acquired in the business combination is capitalized as an intangible asset; (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase allocation. This standard was applicable to business combinations undertaken on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

Takara Shuzo Co., Ltd., the Company's consolidated subsidiary, acquired 80% of the ownership in FOODEX S.A.S. on April 30, 2010 and accounted for the transaction using the purchase method of accounting. The related goodwill is systematically amortized over 20 years.

e. Cash Equivalents—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, certificate of deposits, trust fund investments, commercial paper and trust beneficiary rights, all of which mature or become due within three months of the date of acquisition.

f. Marketable and Investment Securities—Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost and (2) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

g. Inventories—Inventories are stated principally at the lower of cost, determined by the average method, or net selling value.

h. Property, Plant and Equipment—Property, plant and equipment are stated at cost. Depreciation is computed principally by the declining-balance method at rates based on the estimated useful lives of the assets. The range of useful lives is principally from 3 to 50 years for buildings and structures and from 4 to 15 years for machinery, equipment and vehicles.

i. Long-lived Assets—The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

j. Goodwill—The Company, its domestic and overseas subsidiaries amortize goodwill on a pro rata basis. Accounting for impairment of long-lived assets also applies to goodwill.

The Company's consolidated subsidiary in the U.S. records goodwill according to Financial Accounting Standards Board Accounting Standards Codification Topic 350 *Goodwill and Other Intangible Assets*. The U.S. subsidiary records goodwill as the excess of the purchase price over the fair value of the enterprise, which is tested for impairment at least annually at the reporting unit level.

k. Retirement and Pension Plans—Each of the employees' retirement benefit programs of the Company and certain consolidated subsidiaries consists of an unfunded lump-sum severance payment plan and a non-contributory trusteed pension plan as described in Note 9.

The Group accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

l. Asset Retirement Obligations—In March 2008, the ASBJ published the accounting standard for asset retirement obligations, ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard was effective for fiscal years beginning on or after April 1, 2010.

The Company and its domestic subsidiaries applied this accounting standard effective April 1, 2010. The effect of this change was to decrease operating income by ¥18 million ($216 thousand) and income before income taxes and minority interests by ¥442 million ($5,325 thousand).

m. Allowance for Doubtful Accounts—The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

n. Accrued Sales Promotion Expenses—An accrued sales promotion expenses is stated at amounts considered to be appropriate based on the purchased quantities of finished products by retail stores, identified by Takara Shuzo Co., Ltd., a consolidated subsidiary, multiplied by the past year actual unit cost of the relevant product.

o. Leases—In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if sold" information was disclosed in the note to the lessor's financial statements. The revised accounting standard requires that all finance leases that are deemed to transfer ownership of the leased property to the lessee be recognized as lease receivables, and that all finance leases that are not deemed to transfer ownership of the leased property to the lessee to continue to be recognized as investments in leases.

The Group applied the revised accounting standard effective April 1, 2008. Lease assets related to finance lease transactions without title transfer are depreciated on a straight-line basis over the leased periods as their useful lives and with no residual value. In addition, the Company accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. The effect of this change to income before income taxes and minority interests was immaterial.

All other leases are accounted for as operating leases.

p. Bonuses to Directors and Corporate Auditors—Bonuses to directors and corporate auditors are accrued at the year-end to which the bonuses are attributable.

q. Income Taxes—The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

r. Foreign Currency Transactions—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts.

s. Foreign Currency Financial Statements—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. The resulting translation differences less those attributable to minority interests are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rate.

t. Derivative Financial Instruments—The Group uses derivative financial instruments, such as foreign currency forward contracts, foreign currency options and foreign currency swaps, as a means of hedging exposure to foreign currency risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the income statement and (2) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign currency forward contracts are utilized to hedge purchase transactions, payments of royalties and foreign currency import transactions. Payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

Foreign currency options are utilized to hedge foreign currency exposures in the procurement of raw materials from overseas suppliers. These options, which qualify for hedge accounting, are measured at fair value at the balance sheet date and the unrealized gains or losses are deferred until maturity as an other liability or asset. Foreign currency swaps are utilized to hedge market risk from the changes in foreign exchange rates associated with advances to subsidiaries denominated in foreign currencies.

u. Per Share Information—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised into common stock. Diluted net income per share of common stock assumes full exercise of outstanding stock options.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

v. New Accounting Pronouncements

Accounting Changes and Error Corrections—In December 2009, ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows: (1) Changes in Accounting Policies—When a new accounting policy is applied with revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions. (2) Changes in Presentations—When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior Period Errors—When an error in prior period financial statements is discovered, those statements are restated. This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

3. BUSINESS COMBINATION

On April 30, 2010, Takara Shuzo Co., Ltd., a consolidated subsidiary, acquired 80% of the ownership in FOODEX S.A.S. in France. FOODEX S.A.S. operates the Japanese foods and ingredients wholesale business. This acquisition was made to expand sales of alcoholic beverages and seasonings in Europe through the acquired sales network. The results of operations for FOODEX S.A.S. were included in the Company's consolidated financial statement of income from April 1, 2010 to December 31, 2010.

The Company accounted for this business combination by the purchase method of accounting.

The acquisition cost was ¥3,561 million ($42,903 thousand) in cash in accordance with the Agreement dated April 30, 2010. The total cost of acquisition has been allocated to the assets acquired and the liabilities assumed based on their respective fair values. Goodwill and other intangibles recorded in connection with the acquisition totaled ¥2,928 million ($35,277 thousand) and ¥3 million ($36 thousand), respectively.

The estimated fair values of the assets acquired and the liabilities assumed at the acquisition date were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2011	2011
Current assets	¥ 1,053	$ 12,686
Property, plant and equipment	75	903
Other assets	16	192
Intangible assets	3	36
Total assets acquired	1,147	13,819
Total liabilities assumed	356	4,289
Net assets acquired	¥ 790	$ 9,518

Effective April 1, 2010, the results of operations of FOODEX S.A.S. were included in the consolidated financial statement of income for the year ended March 31, 2011.

Therefore, information regarding the effect on the results of operations on a consolidated basis is not required to disclose, since the deemed acquisition date of this business combination is the same as the beginning of the fiscal year when such business combination was completed.

4. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Current:			
Government and corporate bonds	¥ 975	¥ 535	$ 11,746
Other	521		6,277
Total	¥ 1,496	¥ 535	$ 18,024
Non-current:			
Investment equity securities	¥ 15,667	¥ 18,166	$ 188,759
Government and corporate bonds	78	80	939
Total	¥ 15,745	¥ 18,247	$ 189,698

The costs and aggregate fair values of marketable and investment securities at March 31, 2011 and 2010 were as follows:

	Millions of Yen			
March 31, 2011	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	¥ 9,993	¥ 5,714	¥ 1,165	¥ 14,541
Debt securities	500	5		505
Others	521			521
Held-to-maturity	500			500

	Millions of Yen			
March 31, 2010	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	¥ 10,690	¥ 7,548	¥ 929	¥ 17,309
Debt securities	555	11		567

	Thousands of U.S. Dollars			
March 31, 2011	Cost	Unrealized Gains	Unrealized Lossess	Fair Value
Securities classified as available-for-sale:				
Equity securities	$ 120,397	$ 68,843	$ 14,036	$ 175,192
Debt securities	6,024	60		6,084
Others	6,277			6,277
Held-to-maturity	6,024			6,024

The information for available-for-sale securities which were sold during the years ended March 31, 2011 and 2010 was as follows:

	Millions of Yen		
March 31, 2011	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥ 873	¥ 417	
Debt securities	42		
Total	¥ 915	¥ 417	Nil

	Millions of Yen		
March 31, 2010	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥ 112	¥ 105	
Debt securities	12		
Total	¥ 124	¥ 105	Nil

	Thousands of U.S. Dollars		
March 31, 2011	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	$ 10,518	$ 5,024	
Debt securities	506		
Total	$ 11,024	$ 5,024	Nil

The impairment losses on available-for-sale equity securities for the years ended March 31, 2011 and 2010 were ¥254 million ($3,060 thousand) and ¥81 million, respectively.

5. INVENTORIES

Inventories at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Finished products and merchandise	¥ 13,394	¥ 12,888	$ 161,373
Semi-finished products	7,157	7,646	86,228
Work in process	964	876	11,614
Raw materials and supplies	2,782	2,841	33,518
Total	¥ 24,298	¥ 24,252	$ 292,746

6. LONG-LIVED ASSETS

The Group reviewed their long-lived assets for impairment and, as a result, recognized an impairment loss for the following long-lived assets for the year ended March 31, 2010.

			Millions of Yen
Location	Description	Classification	Impairment Loss
Yakushima-cho, Kumage-gun, Kagoshima	Idle property	Land	¥ 122
Hofu-shi, Yamaguchi	Idle property	Land	4
Total			¥ 127

The Group recognized an impairment loss for land in Yakushima-cho, Kumage-gun, Kagoshima. The land was purchased by the Group's Biomedical segment to grow ashitaba (a unique celery-like vegetable of the Anglica family), but only a portion of the land was utilized and the rest of the property remained unused. As there were no plans for utilization of such idle property, the land was written down to the recoverable amount for the year ended March 31, 2010. The recoverable amount of that asset group was measured at its net selling price determined by quotation from a real-estate appraiser.

The Group recognized an impairment loss for land in Hofu-shi, Yamaguchi because utilization in the future was uncertain and its market value declined. The recoverable amount was measured at its estimated net selling price.

No impairment loss was recognized in the year ended March 31, 2011.

7. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans consisted principally of term loans with interest at annual rates ranging from 0.750% to 19.177% and from 0.857% to 18.250% at March 31, 2011 and 2010, respectively.

Long-term debt at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Loans principally from banks, due serially to January 2022 with interest rates ranging from 0% to 4.78% (0% to 2.3% in 2010):			
Collateralized	¥ 215	¥ 232	$ 2,590
Unsecured	427	5,416	5,144
2.21% unsecured bonds, due July 2010		5,000	
0.89% unsecured bonds, due May 2013	5,000	5,000	60,240
1.40% unsecured bonds, due September 2012	5,000	5,000	60,240
1.96% unsecured bonds, due September 2017	5,000	5,000	60,240
0.587% unsecured bonds, due May 2015	5,000		60,240
1.561% unsecured bonds, due May 2020	5,000		60,240
Obligation under finance leases	668	704	8,048
Total	26,311	26,353	317,000
Less current portion	300	10,263	3,614
Long-term debt, less current portion	¥ 26,010	¥ 16,089	$ 313,373

Annual maturities of long-term debt as of March 31, 2011 for the next five years and thereafter were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2012	¥ 300	$ 3,614
2013	5,276	63,566
2014	5,248	63,228
2015	226	2,722
2016	5,073	61,120
2017 and thereafter	10,185	122,710
Total	¥ 26,311	$ 317,000

At March 31, 2011, building and structures of ¥392 million ($4,722 thousand) and land of ¥250 million ($3,012 thousand) were pledged as collateral for long-term debt (including current portion of long-term debt) of ¥215 million ($2,590 thousand).

8. LIQUOR TAXES PAYABLE

Liquor taxes are calculated at various rates according to the quantities of categorized beverages containing more than 1% of alcohol when delivered from manufacturing lots or taken outside of the bonded area. Liquor taxes are included in cost of sales and inventories. Liquor taxes payable are to be paid by the end of the second month following delivery or after being taken outside the bonded area.

9. RETIREMENT AND PENSION PLANS

The Company and certain of its consolidated subsidiaries have severance payment plans for employees.

Under most circumstances, employees terminating their employment are entitled to certain lump-sum severance payments based on their rate of pay at the time of termination, length of service and certain other factors. In most circumstances, if the termination is involuntary, caused by retirement at the mandatory retirement age, or caused by death, employees are entitled to greater payments than in the case of voluntary termination.

The Company and certain domestic subsidiaries have non-contributory trusteed pension plans covering all employees. Under the plans, employees terminating their employment are, in most circumstances, entitled to pension payments based on their rates of pay at the time of termination and length of service.

Certain domestic subsidiaries have contributory funded pension plans of the integrated establishment type.

In addition, certain information related to multi-employer plans for which contribution amounts are accounted for as a net periodic benefit, is disclosed as follows:

(1) Financial status of entire multi-employer plans

	Millions of Yen		Thousands of U.S. Dollars
	As of March 31, 2011	As of March 31, 2010	As of March 31, 2011
Amount of plan assets	¥ 20,397	¥ 16,849	$ 245,746
Amount of benefit obligation in pension financial calculation	21,094	23,437	254,144
Net balance	¥ (697)	¥ (6,587)	$ (8,397)

(2) Percentage of the Group's contribution in the entire multi-employer plans

As of March 31, 2011	6.1%
As of March 31, 2010	5.1%

(3) Supplementary explanation

The amounts disclosed in (1) above are derived by aggregating multiple multi-employer plans, and the primary factors contributing to a net underfunded balance comprise the total of unamortized prior service costs in pension financial calculation of ¥1,573 million ($18,951 thousand) (¥1,848 million in the prior fiscal year) and current surplus of ¥876 million ($10,554 thousand) (deficit of ¥4,739 million in the prior fiscal year). The Company will ratably amortize prior service costs (benefits) over the remaining periods as of March 31, 2011 (from 10 years and 4 months to 11 years and 9 months).

In addition, the percentage figure disclosed in (2) above, does not represent the actual obligation attributable to the Group.

The above information related to multi-employer plans is based upon the pension financial calculation as of March 31, 2010 and 2009, the most recent available date.

The liability for employees' retirement benefits at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Projected benefit obligation	¥ 14,056	¥ 13,816	$ 169,349
Fair value of plan assets	(4,140)	(4,161)	(49,879)
Unrecognized actuarial gain	(448)	(370)	(5,397)
Prepaid pension cost	176	161	(2,120)
Net liability	¥ 9,644	¥ 9,445	$ 116,192

The components of net periodic benefit costs for the years ended March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Service cost	¥ 820	¥ 806	$ 9,879
Interest cost	231	221	2,783
Expected return on plan assets	(109)	(109)	(1,313)
Recognized actuarial loss	66	86	795
Net periodic benefit costs	¥ 1,009	¥ 1,005	$ 12,156

Assumptions used for the years ended March 31, 2011 and 2010 were set forth as follows:

	2011	2010
Discount rate	mainly 1.6%	mainly 1.6%
Expected rate of return on plan assets	mainly 2.5%	mainly 3.0%
Recognition period of actuarial gain/loss	mainly 10 years	mainly 13 years

10. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

11. STOCK OPTIONS

The stock options outstanding of Takara Bio Inc., the Company's consolidated subsidiary, as of March 31, 2011 were as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
The First Stock Option	8 directors of subsidiary 273 employees of subsidiary	8,500 shares	2003.9.19	¥ 200,000 ($2,409.63)	From September 20, 2005 To September 20, 2013
The Second Stock Option	8 directors of subsidiary 3 corporate auditors of subsidiary 120 employees of subsidiary	3,220 shares	2003.9.19	¥ 200,000 ($2,409.63)	From April 1, 2004 To September 20, 2013
The Third Stock Option	3 directors of subsidiary 28 employees of subsidiary	500 shares	2004.5.17	¥ 200,000 ($2,409.63)	From September 20, 2005 To September 20, 2013
The Fourth Stock Option	9 directors of subsidiary 3 corporate auditors of subsidiary 8 employees of subsidiary	780 shares	2004.5.17	¥ 200,000 ($2,409.63)	From April 1, 2004 To September 20, 2013

The stock option activity was as follows:

	Shares			
For the year ended March 31, 2011	The First Stock Option	The Second Stock Option	The Third Stock Option	The Fourth Stock Option
Vested				
March 31, 2010—Outstanding	3,830	1,440	110	390
Vested				
Exercised	(150)			
Canceled	(20)	(10)		
March 31, 2011—Outstanding	3,660	1,430	110	390
Exercise price	¥ 200,000 ($ 2,409.63)	¥ 200,000 ($ 2,409.63)	¥ 200,000 ($ 2,409.63)	¥ 200,000 ($ 2,409.63)
Average stock price at exercise	¥ 210,193 ($ 2,532.44)			

	Shares			
For the year ended March 31, 2010	The First Stock Option	The Second Stock Option	The Third Stock Option	The Fourth Stock Option
Vested				
March 31, 2009—Outstanding	3,950	1,440	120	390
Vested				
Exercised	(120)		(10)	
Canceled				
March 31, 2010—Outstanding	3,830	1,440	110	390
Exercise price	¥ 200,000	¥ 200,000	¥ 200,000	¥ 200,000
Average stock price at exercise	¥ 223,350		¥ 248,700	

12. RELATED PARTY TRANSACTIONS

Net sales and purchases representing transactions of the Group with an unconsolidated subsidiary and associated companies for the years ended March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Net sales	¥ 877	¥ 859	$ 10,566
Purchases	66	59	795

In connection with the stock option plans described in Note 11, Takara Bio Inc., the Company's consolidated subsidiary, issued to its director 60 shares of common stock upon exercise of 6 stock options at the price of ¥200,000 per share. The total transaction amount for the year ended March 31, 2010 was ¥12 million. No stock option was exercised for the year ended March 31, 2011.

13. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses charged to income were ¥3,076 million ($37,060 thousand) and ¥3,665 million for the years ended March 31, 2011 and 2010, respectively.

14. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of 41% for the years ended March 31, 2011 and 2010. Overseas subsidiaries are subject to income taxes of the countries in which they operate.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2011 and 2010 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Current deferred tax assets:			
Inventories	¥ 247	¥ 255	$ 2,975
Accrued bonuses	823	849	9,915
Accrued sales promotion expenses	646	599	7,783
Tax loss carryforwards	177	268	2,132
Enterprise tax payable	177	199	2,132
Unrealized profit on sale of inventories	214	194	2,578
Other	320	310	3,855
Less valuation allowance	(23)	(25)	(277)
Total	¥ 2,583	¥ 2,652	$ 31,120
Current deferred tax liabilities:			
Allowance for doubtful accounts	¥ 2	¥ 18	$ 24
Other	12	45	144
Total	¥ 14	¥ 64	$ 168
Net current deferred tax assets	¥ 2,568	¥ 2,589	$ 30,939
Net current deferred tax liabilities		¥ 2	
Non-current deferred tax assets:			
Retirement benefits	¥ 4,031	¥ 3,919	$ 48,566
Tax loss carryforwards	2,191	2,349	26,397
Marketable and investment securities	516	408	6,216
Depreciation	620	564	7,469
Deduction of foreign corporation tax carried forward	341	361	4,108
Other	883	516	10,638
Less valuation allowance	(2,853)	(2,521)	(34,373)
Total	¥ 5,731	¥ 5,598	$ 69,048
Non-current deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ 1,874	¥ 2,664	$ 22,578
Basis difference of acquired intangible assets	258	402	3,108
Deferred gain on fixed assets	386	434	4,650
Deferred gain on fixed assets inherited by corporate division	637	664	7,674
Other	440	343	5,301
Total	¥ 3,595	¥ 4,509	$ 43,313
Net non-current deferred tax assets	¥ 3,404	¥ 3,117	$ 41,012
Net non-current deferred tax liabilities	¥ 1,269	¥ 2,028	$ 15,289

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2011 and 2010 was as follows:

	2011	2010
Normal effective statutory tax rate in Japan	41.0%	41.0%
Expenses not deductible for income tax purposes	5.6	5.5
Increase in valuation allowance	4.7	6.8
Other—net	(5.2)	(12.9)
Actual effective tax rate	46.1%	40.4%

At March 31, 2011, the Company and certain subsidiaries have tax loss carryforwards aggregating approximately ¥5,347 million ($64,421 thousand) which are available to be offset against taxable income of such subsidiaries. These tax loss carryforwards, if not utilized, will expire as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2014	¥ 167	$ 2,012
2015	551	6,638
2016	2,962	35,686
2017	1,312	15,807
2018	353	4,253
Total	¥ 5,347	$ 64,421

15. LOSSES FROM A NATURAL DISASTER

"Losses from a natural disaster," which is presented in "Other Income (Expenses)" in the consolidated statement of income for the year ended March 31, 2011, are recorded due to the occurrence of the Great East Japan Earthquake. Provision for allowance for losses from a natural disaster, included in "Losses from a natural disaster," is estimated for restoration and other expenses related to the earthquake amounting to ¥156 million ($1,879 thousand).

16. LEASES

Lessee

The Group leases certain buildings, machinery, computer equipment and other assets.

Total rental expenses for the years ended March 31, 2011 and 2010 were ¥2,208 million ($26,602 thousand) and ¥2,129 million, respectively, including ¥342 million ($4,120 thousand) and ¥379 million of lease payments under finance leases, respectively.

Pro forma information of leased property whose lease inception was before March 31, 2008

ASBJ Statement No. 13, "Accounting Standard for Lease Transactions" requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. However, the ASBJ Statement No. 13 permits leases without ownership transfer of the leased property to the lessee and whose lease inception was before March 31, 2008 to continue to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the financial statements. The Company applied ASBJ Statement No. 13 effective April 1, 2008 and accounted for such leases as operating lease transactions.

As discussed in Note 2.o, the Company and its domestic subsidiaries account for leases which existed at March 31, 2008 ("the transition date") and which do not transfer ownership of the leased property to the lessee as operating lease transactions. Pro forma information of such leases existing at the transition date, such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense, on a "as if capitalized" basis for the years ended March 31, 2011 and 2010 was as follows:

	Millions of Yen				
	2011				
	Buildings and Structures	Machinery and Vehicles	Furniture and Fixtures	Other	Total
Acquisition cost	¥ 77	¥ 534	¥ 922	¥ 138	¥ 1,672
Accumulated depreciation	43	423	705	107	1,279
Net leased property	¥ 34	¥ 110	¥ 217	¥ 30	¥ 392

	Millions of Yen				
	2010				
	Buildings and Structures	Machinery and Vehicles	Furniture and Fixtures	Other	Total
Acquisition cost	¥ 77	¥ 550	¥ 1,042	¥ 138	¥ 1,807
Accumulated depreciation	32	338	616	79	1,066
Net leased property	¥ 45	¥ 212	¥ 425	¥ 58	¥ 741

	Thousands of U.S. Dollars				
	2011				
	Buildings and Structures	Machinery and Vehicles	Furniture and Fixtures	Other	Total
Acquisition cost	$ 927	$ 6,433	$ 11,108	$ 1,662	$ 20,144
Accumulated depreciation	518	5,096	8,493	1,289	15,409
Net leased property	$ 409	$ 1,325	$ 2,614	$ 361	$ 4,722

Obligations under finance leases as of March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Due within one year	¥ 292	¥ 355	$ 3,518
Due after one year	112	408	1,349
Total	¥ 404	¥ 763	$ 4,867

The amount of obligations under finance leases includes the imputed interest expense portion.

Depreciation expense computed by the straight-line method was ¥342 million ($4,120 thousand) and ¥379 million for the years ended March 31, 2011 and 2010, respectively.

Obligations under operating leases as of March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Due within one year	¥ 547	¥ 564	$ 6,590
Due after one year	3,449	4,139	41,554
Total	¥ 3,996	¥ 4,704	$ 48,144

Lessor

The amounts of lease receipts under finance leases were ¥17 million ($204 thousand) and ¥25 million for the years ended March 31, 2011 and 2010, respectively.

Pro forma information of leased property whose lease inception was before March 31, 2008

ASBJ Statement No. 13, "Accounting Standard for Lease Transactions" requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. However, the ASBJ Statement No. 13 permits leases without ownership transfer of the leased property to the lessee and whose lease inception was before March 31, 2008 to continue to be accounted for as operating lease transactions if certain "as if sold" information is disclosed in the notes to the financial statements. The Company applied ASBJ Statement No. 13 effective April 1, 2008 and accounted for such leases as operating lease transactions.

As discussed in Note 2.o, one domestic subsidiary accounts for leases which existed at the transition date and which do not transfer ownership of the leased property to the lessee as operating lease transactions. Pro forma information of such leases existing at the transition date, such as acquisition cost, accumulated depreciation, lessor's receivables under finance leases and depreciation expense, on a "as if sold" basis for the years ended March 31, 2011 and 2010 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Machinery, Vehicles and Other		Machinery, Vehicles and Other
	2011	2010	2011
Acquisition cost	¥ 70	¥ 88	$ 843
Accumulated depreciation	61	62	734
Net leased property	¥ 8	¥ 25	$ 96

Lessor's receivables under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Due within one year	¥ 17	¥ 28	$ 204
Due after one year	3	20	36
Total	¥ 20	¥ 48	$ 240

The amount of lessor's receivables under finance leases includes the imputed interest income portion.

Depreciation expense was ¥16 million ($192 thousand) and ¥22 million for the years ended March 31, 2011 and 2010, respectively.

17. CONTINGENT LIABILITIES

At March 31, 2011, the Group was contingently liable for ¥187 million ($2,253 thousand) of loans guaranteed.

18. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

In March, 2008, the ASBJ revised ASBJ Statement No. 10, "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No. 19, "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." This accounting standard and the guidance was applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010. The Group applied the revised accounting standard and the guidance effective March 31, 2010.

Group policy for financial instruments

The Group invests in low risk financial assets, if it holds cash surpluses. The Group uses financial instruments, mainly bank loans and bonds, based on its capital financing plan. Derivatives are used, not for speculative or trading purposes, but to avoid risks as described below.

Nature and extent of risks arising from financial instruments and risk management for financial instruments

Credit risk and market risk

Although receivables such as notes and trade accounts are exposed to customer credit risk, the Group manages due dates and account balances for every customer to identify doubtful receivables early and to mitigate default risk.

Although marketable securities, mainly certificates of deposit and held-to-maturity securities are exposed to the credit risks of the bond issuers, the credit risk is kept extremely low by limiting funding to short maturities and high credit rating bonds. Although investment securities, mainly stock, are exposed to the risk of market price fluctuations, the Group reviews the fair values quarterly if investment securities have market prices, and manages the financial condition of issuers regularly if they do not have market prices.

Payment terms of payables, such as notes and trade accounts, are less than 3 months. Although payables in foreign currencies such as raw materials and merchandise are exposed to the market risk of fluctuation in foreign currency exchange rates, those risks are hedged by using currency options and forward foreign currency contracts.

Bank loans and bonds are utilized for financing of business transactions and capital investments. Payment terms of bank loans and bonds are a maximum of 11 years and 9 years after the balance sheet date, respectively.

Derivative transactions entered into by the Group have been made in accordance with internal policies of the Finance Department, which regulates the authorization, purpose, credit limit amount, evaluation of the counterparties and reporting procedures. Derivative transactions mainly include forward foreign currency contracts, currency options, and currency swaps for the purpose of hedging against the market risk of fluctuation in foreign currency exchange rates of transactions in foreign currencies. Although derivative transactions are exposed to the market risk of fluctuation in foreign currency exchange rates, these transactions are made only for the purpose of mitigating the risks of assets, liabilities and transactions that become a hedged item. As the Group established a limit on contract amounts, the Group also believes that the effect of market risks to its business administration is not significant. As the Group manages its exposure to credit risk by limiting its funding to high credit rating bonds, the Group recognizes that the exposure to credit risk is extremely low.

Information regarding the valuation method of hedged items and hedging instruments related to hedge accounting, hedge policies and hedge effectiveness is included in Note 2.t.

Liquidity risk management

In the Group, the Financial Department develops and updates a plan of cash management pursuant to reporting by each department, and manages its liquidity risk by maintaining adequate volumes of liquid assets. In addition, consolidated subsidiaries also manage their liquidity risks in the same manner.

Supplementary explanation about matters related to fair values of financial instruments

Fair values of financial instruments are based on market price in active markets or other rational valuation techniques if market price does not exist. Fair values of financial instruments fluctuate as a result of adopting different preconditions because the calculation of fair values include fluctuation factors. With respect to the contract amounts related to derivative transactions in Note 19, the amounts do not reflect market risks related to derivative transactions.

Fair values of financial instruments are based on quoted price in active markets. If quoted price is not available, other rational valuation techniques are used instead. Also see Note 19 for the detail of fair value for derivatives.

Fair value of financial instruments

	Millions of Yen		
March 31, 2011	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 32,782	¥ 32,782	
Notes and accounts receivable	45,023	45,023	
Marketable securities and investment securities	27,236	27,236	
Total	¥ 105,042	¥ 105,042	
Notes and accounts payable	¥ 13,489	¥ 13,489	
Short-term bank loans	5,182	5,185	¥ 2
Liquor taxes payable	8,065	8,065	
Accrued income taxes	1,785	1,785	
Bonds	25,000	25,478	478
Long-term bank loans	561	551	(10)
Total	¥ 54,085	¥ 54,555	¥ 470

March 31, 2010	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 31,500	¥ 31,500	
Notes and accounts receivable	45,718	45,718	
Marketable securities and investment securities	31,625	31,625	
Total	¥ 108,843	¥ 108,843	
Notes and accounts payable	¥ 13,972	¥ 13,972	
Short-term bank loans	10,140	10,142	¥ 2
Current portion of long-term bonds	5,000	5,028	28
Liquor taxes payable	7,939	7,939	
Accrued income taxes	1,945	1,945	
Bonds	15,000	15,436	436
Long-term bank loans	579	564	(15)
Total	¥ 54,577	¥ 55,030	¥ 452

March 31, 2011	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 394,963	$ 394,963	
Notes and accounts receivable	542,445	542,445	
Marketable securities and investment securities	328,144	328,144	
Total	$ 1,265,566	$ 1,265,566	
Notes and accounts payable	$ 162,518	$ 162,518	
Short-term bank loans	62,433	62,469	$ 24
Liquor taxes payable	97,168	97,168	
Accrued income taxes	21,506	21,506	
Bonds	301,204	306,963	5,759
Long-term bank loans	6,759	6,638	(120)
Total	$ 651,626	$ 657,289	$ 5,662

The carrying amounts or account titles do not necessarily correspond with those in the consolidated balance sheets due to the purpose of fair value information.

Cash and cash equivalents
The carrying values of cash and cash equivalents approximate fair value because of their short maturities.

Notes and accounts receivable
The carrying values of notes receivable and accounts receivable approximate fair value because of their short maturities.

Marketable securities and investment securities
Marketable securities are mainly certificates of deposit or held-to-maturity securities. The carrying values of marketable securities and investment securities approximate fair value due to their short maturities. Investment securities are mainly stock and are measured at the market price. Moreover, information regarding the classification of securities is included in Note 4.

Notes and accounts payable
The carrying values of notes and accounts payable approximate fair value because of their short maturities.

Liquor taxes payable
The carrying values of liquor taxes payable approximate fair value because of their short maturities.

Accrued income taxes
The carrying values of accrued income taxes approximate fair value because of their short maturities.

Short-term bank loans
The carrying values of short-term bank loans approximate fair value because of their short maturities. Moreover, the fair values of the current portion of long-term bank loans are determined by discounting the cash flows related to the total of principal and interest at a reasonably estimated rate according to the remaining period.

Bonds
The fair values of bonds are determined by discounting the cash flows related to the total of principal and interest at the rate in which the remaining period to maturity and credit risk are reflected.

Long-term bank loans
The fair values of long-term bank loans are determined by discounting the cash flows related to the total of principal and interest at a reasonably estimated rate according to the remaining period.

Derivatives
The information of the fair value for derivatives is included in Note 19.

Investments in equity instruments that do not have a quoted market price in an active market and securities without contractual maturities (the totals included in the consolidated balance sheets at March 31, 2011 and 2010 are ¥3,955 million ($47,650 thousand) and ¥3,731 million, respectively) do not have fair values because their fair value cannot be reliably determined. Moreover, deposits from customers do not have fair values because their fair value cannot be reliably determined.

Maturity analysis for financial assets and securities with contractual maturities

March 31, 2011	Millions of Yen		Thousands of U.S. Dollars	
	Due in One Year or Less	Due after One Year through Five Years	Due in One Year or Less	Due after One Year through Five Years
Cash and cash equivalents	¥ 32,782		$ 394,963	
Notes and accounts receivable	45,023		542,445	
Marketable and investment securities				
Held-to-maturity securities:				
(1) Commercial paper				
(2) Others	1,499		18,060	
Available-for-sale securities with contractual maturities:				
(1) Government bond and municipal bond	468		5,638	
(2) Corporate bond	2	¥ 30	24	$ 361
(3) Others	10,690		128,795	
Total	¥ 90,465	¥ 30	$ 1,089,939	$ 361

19. DERIVATIVES

The Group enters into foreign currency forward contracts, foreign currency option and foreign currency swap agreements to hedge foreign exchange risk associated with certain liabilities denominated in foreign currencies.

All derivative transactions are entered into to hedge foreign currency exposures incorporated within its business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies of the Finance Department which regulate the authorization, purposes, credit limit amount, evaluation of the counterparties and reporting procedures.

Derivative transactions to which hedge accounting is not applied

At March 31, 2011	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Buying Euro	¥ 17		¥ 0	¥ 0
Selling Euro	40		(0)	(0)
Selling Chinese Yuan	20		(0)	(0)
Non-deliverable forward contracts:				
Selling Korean Won	60		(1)	(1)
Total	¥ 139		¥ (1)	¥ (1)

At March 31, 2011	Thousands of U.S. Dollars			
	Contract Amount	Contract Amount after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Buying Euro	$ 204		$ 0	$ 0
Selling Euro	481		(0)	(0)
Selling Chinese Yuan	240		(0)	(0)
Non-deliverable forward contracts:				
Selling Korean Won	722		(12)	(12)
Total	$ 1,674		$ (12)	$ (12)

Derivative transaction to which hedge accounting is not applied is not applicable at March 31, 2010.

Derivative transactions to which hedge accounting is applied

At March 31, 2011	Millions of Yen			
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency options:				
Buying call option U.S.$	Payables	¥ 1,853	¥ 926	¥ (39)
Selling put option U.S.$	Payables	1,536	768	(3)
Foreign currency swaps:				
U.S.$	Advances	116	58	16
Foreign currency forward contracts:				
U.S.$	Payable	495		2
Euro	Payable	10		(0)
Euro	Advances	83		4
Total		¥ 4,095	¥ 1,753	¥ (19)

At March 31, 2010	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
	Millions of Yen			
Foreign currency options:				
Buying call option U.S.$	Payables	¥ 2,780	¥ 1,853	¥ 28
Buying put option U.S.$	Payables	2,304	1,536	7
Foreign currency swaps:				
U.S.$, £	Advances	464	116	(0)
Foreign currency forward contracts:				
U.S.$	Payable	214		(3)
Total		¥ 5,762	¥ 3,506	¥ 32

At March 31, 2011	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
	Thousands of U.S. Dollars			
Foreign currency options:				
Buying call option U.S.$	Payables	$ 22,325	$ 11,156	$ (469)
Selling put option U.S.$	Payables	18,506	9,253	(36)
Foreign currency swaps:				
U.S.$	Advances	1,397	698	192
Foreign currency forward contracts:				
U.S.$	Payable	5,963		24
Euro	Payable	120		(0)
Euro	Advances	1,000		48
Total		$ 49,337	$ 21,120	$ (228)

20. COMPREHENSIVE INCOME

For the year ended March 31, 2010

Total comprehensive income for the year ended March 31, 2010 was the following:

	Millions of Yen
Total comprehensive income attributable to:	
Owners of the parent	¥ 6,821
Minority interests	291
Total comprehensive income	¥ 7,113

Other comprehensive income for the year ended March 31, 2010 consisted of the following:

	Millions of Yen
Other comprehensive income:	
Unrealized gain on available-for-sale securities	¥ 1,646
Deferred gain on derivatives under hedge accounting	37
Foreign currency translation adjustments	545
Share of other comprehensive income in associates	(7)
Total other comprehensive income	¥ 2,222

21. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2011 and 2010 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted Average Shares	EPS	EPS
For the year ended March 31, 2011:				
Basic EPS				
Net income available to common shareholders	¥ 3,788	208,048	¥ 18.21	$ 0.21
Effect of dilutive securities				
Stock option				
Diluted EPS				
Net income for computation	¥ 3,788	208,048	¥ 18.21	$ 0.21
For the year ended March 31, 2010:				
Basic EPS				
Net income available to common shareholders	¥ 4,677	210,642	¥ 22.20	
Effect of dilutive securities				
Stock option				
Diluted EPS				
Net income for computation	¥ 4,676	210,642	¥ 22.20	

22. SUBSEQUENT EVENTS

a. Appropriations of Retained Earnings

On May 10, 2011, the Board of Directors of the Company resolved to propose a cash dividend of ¥8.5 ($0.10) per share to shareholders of record as of March 31, 2011, or a total of ¥1,767 million ($21,289 thousand), for approval at the general shareholders' meeting to be held on June 29, 2011.

Appropriations of retained earnings as of March 31, 2011:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends, ¥8.5 ($0.10) per share	¥ 1,767	$ 21,289

b. The Revision of Retirement and Pension Plans

In conjunction with the enactment of the Defined Benefit Corporation Pension Act, the Company and its consolidated subsidiaries Takara Shuzo Co., Ltd. and Takara Bio Inc. plan to review and revise part of their retirement benefit regulations effective on April 1, 2011. The companies plan to transfer from the current lump-sum payment plans and tax-qualified pension plans to new lump-sum payment plans and defined benefit corporate pension plans and apply ASBJ Guidance No. 1, "Accounting for Transfer between Retirement Benefit Plans."

As a result, reduction in prior service costs is calculated to be ¥3,159 million ($38,060 thousand). It is planned to credit such amount to net periodic benefit costs over the period of 10 years from the incurrence of the reduction in the amount by the straight-line method. This allocation period is within the average remaining service period of employees at the time of incurrence.

23. SEGMENT INFORMATION

For the years ended March 31, 2011 and 2010

In March 2008, the ASBJ revised ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures." Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

The segment information for the year ended March 31, 2010 under the revised accounting standard is also disclosed hereunder as required.

1. Description of reportable segments

The Group consists of two major corporate groups centered on the operating companies, Takara Shuzo Co., Ltd. and Takara Bio Inc., both of which were formed when the Company became a holding company. The other corporate groups consist of the health food business, which is managed by Takara Healthcare Inc., the Company, which manages the whole group as the holding company, and the remaining business not attributable above. All operating companies develop comprehensive business strategies, covering both domestic and overseas operations, for the products and services that they offer, and work to expand their business operations.

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

The Group's reportable segments are those for which separate financial information is available and such information is evaluated regularly by the Company's management in deciding how to allocate resources and in assessing performance.

The Takara Shuzo Group primarily engages in the manufacturing and sales of alcoholic beverages and seasonings. It also engages in logistics and other related businesses. The Takara Bio Group primarily engages in the manufacturing and sales of products such as research reagents, scientific instruments, and mushrooms. It also conducts contract research services. Takara Healthcare primarily engages in the sales of products such as health foods.

2. Methods of measurement for the amounts of sales, profit (loss), assets and other items for each reportable segment

The accounting policies of each reportable segment are consistent to those disclosed in Note 2, "Summary of Significant Accounting Policies."

3. Information about sales, profit (loss), assets and other items is as follows.

	Millions of Yen						
	2011						
	Reportable Segment						
	Takara Shuzo Group	Takara Bio Group	Takara Healthcare	Total	Other	Reconciliations	Consolidated
Sales:							
Sales to external customers	¥ 165,872	¥ 18,197	¥ 2,563	¥ 186,633	¥ 2,790	¥ 345	¥ 189,769
Intersegment sales or transfers	918	540	4	1,462	5,418	(6,880)	
Total	166,790	18,737	2,567	188,095	8,208	(6,535)	189,769
Segment profit	6,568	1,097	(252)	7,413	219	702	8,335
Segment assets	118,314	42,594	646	161,555	6,359	24,533	192,448
Other:							
Depreciation	3,284	1,122	10	4,416	117	17	4,551
Amortization of goodwill	64	136		201		38	239
Investment in equity method affiliate	304			304	20	2,440	2,776
Increase in property, plant and equipment and intangible assets	2,735	928		3,663	70	1	3,735

	Millions of Yen						
	2010						
	Reportable Segment						
	Takara Shuzo Group	Takara Bio Group	Takara Healthcare	Total	Other	Reconciliations	Consolidated
Sales:							
Sales to external customers	¥ 165,974	¥ 18,900	¥ 2,482	¥ 187,356	¥ 2,820	¥ 347	¥ 190,525
Intersegment sales or transfers	995	425	4	1,425	5,689	(7,114)	
Total	166,969	19,325	2,486	188,781	8,509	(6,766)	190,525
Segment profit	7,129	553	(316)	7,366	285	921	8,572
Segment assets	116,043	43,651	609	160,303	8,811	26,380	195,495
Other:							
Depreciation	3,461	1,230	9	4,701	116	20	4,839
Amortization of goodwill		143		143		(11)	131
Investment in equity method affiliate	346			346	20	2,387	2,754
Increase in property, plant and equipment and intangible assets	2,436	1,069	24	3,530	111	2	3,645

	Thousands of U.S. Dollars						
	2011						
	Reportable Segment						
	Takara Shuzo Group	Takara Bio Group	Takara Healthcare	Total	Other	Reconciliations	Consolidated
Sales:							
Sales to external customers	$ 1,998,457	$ 219,240	$ 30,879	$ 2,248,590	$ 33,614	$ 4,156	$ 2,286,373
Intersegment sales or transfers	11,060	6,506	48	17,614	65,277	(82,891)	
Total	2,009,518	225,746	30,927	2,266,204	98,891	(78,734)	2,286,373
Segment profit	79,132	13,216	(3,036)	89,313	2,638	8,457	100,421
Segment assets	1,425,469	513,180	7,783	1,946,445	76,614	295,578	2,318,650
Other:							
Depreciation	39,566	13,518	120	53,204	1,409	204	54,831
Amortization of goodwill	771	1,638		2,421		457	2,879
Investment in equity method affiliate	3,662			3,662	240	29,397	33,325
Increase in property, plant and equipment and intangible assets	32,951	11,180		44,132	843	12	45,000

Notes: 1. "Other" represents operating segments that are not included in the reportable segments. In "Other," subsidiaries in the Functions Management Companies segment are included.

2. Details of "Reconciliations" are as follows.

(1) Sales to external customers are income from real estate rent recognized by the Company.

(2) Segment profit includes eliminations of intersegment transactions of ¥103 million ($1,240 thousand) and ¥96 million, amortization of goodwill of ¥(38) million ($(457) thousand) and ¥11 million, and income of the Company not allocated to operating segments of ¥637 million ($7,674 thousand) and ¥813 million as of March 31, 2011 and 2010, respectively.

(3) Segment assets include assets of the Company not allocated to operating segments of ¥29,882 million ($360,024 thousand) and ¥32,268 million and other adjustment (principally eliminations of intersegment transactions) of ¥(5,348) million ($(64,433) thousand) and ¥(5,888) million as of March 31, 2011 and 2010, respectively. Assets attributed to the Company include surplus funds and long-term investment assets.

3. Segment profit has been adjusted to the operating income in the consolidated statements of income.

For the year ended March 31, 2010

Information about industry segments, geographical segments and sales to foreign customers of the Group for the year ended March 31, 2010 is as follows:

(1) Industry Segments

a. Sales and Operating Income

	Millions of Yen					
	Alcoholic Beverages and Seasonings	Biomedical	Transportation	Other	Eliminations/ Corporate	Consolidated
Sales to customers	¥ 157,755	¥ 18,900	¥ 8,218	¥ 5,650		¥ 190,525
Intersegment sales	622	425	8,083	5,693	¥ (14,825)	
Total sales	158,378	19,325	16,302	11,343	(14,825)	190,525
Operating expenses	150,146	18,761	15,917	11,181	(14,055)	181,952
Operating income	¥ 8,232	¥ 564	¥ 384	¥ 162	¥ (770)	¥ 8,572

b. Total assets, Depreciation, Impairment loss and Capital Expenditures

	Millions of Yen					
	Alcoholic Beverages and Seasonings	Biomedical	Transportation	Other	Eliminations/ Corporate	Consolidated
Assets	¥ 111,087	¥ 43,651	¥ 6,244	¥ 10,671	¥ 23,841	¥ 195,495
Depreciation	3,155	1,230	304	129	19	4,839
Impairment loss		122			4	127
Capital expenditures	1,976	1,069	453	136	9	3,645

Notes: 1. Eliminations/Corporate include unallocated operating expenses of ¥970 million for the year ended March 31, 2010, consisting principally of expenses incurred by the Company, which is the holding company.

2. Eliminations/Corporate include corporate assets of ¥33,264 million for the year ended March 31, 2010, consisting principally of working funds and investing funds held by the Company and assets attributed to the Company's administration headquarters.

(2) Geographical Segments

The geographical segments of the Company and its subsidiaries for the year ended March 31, 2010 are summarized as follows:

	Millions of Yen			
	Japan	Other	Eliminations/ Corporate	Consolidated
Sales to customers	¥ 178,790	¥ 11,734		¥ 190,525
Intersegment sales	2,170	2,390	¥ (4,561)	
Total sales	180,961	14,124	(4,561)	190,525
Operating expenses	172,374	13,260	(3,681)	181,952
Operating income	¥ 8,587	¥ 864	¥ (879)	¥ 8,572
Assets	¥ 148,963	¥ 21,513	¥ 25,018	¥ 195,495

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Takara Holdings Inc.:

We have audited the accompanying consolidated balance sheets of Takara Holdings Inc. (the "Company") and consolidated subsidiaries (together, the "Group") as of March 31, 2011 and 2010, and the related consolidated statements of income for the years then ended, the consolidated statement of comprehensive income for the year ended March 31, 2011, and the related consolidated statements of changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Takara Holdings Inc. and consolidated subsidiaries as of March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 14, 2011

Member of
Deloitte Touche Tohmatsu Limited

Investor Information

As of March 31, 2011

Trade Name	Takara Holdings Inc.
Business	Holding company
Head Office	20 Naginataboko-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
Website	http://www.takara.co.jp/english/

Stock and Investor Information

Common Stock	
Authorized	870,000,000 shares
Issued and Outstanding	217,699,743 shares
Number of Shareholders	30,770
Stock Listings (Common Stock)	Tokyo, Osaka
Securities Code Number	2531
Shareholder Registry Administrator	Mizuho Trust & Banking Co., Ltd. 2-1, Yaesu 1-chome, Chuo-ku, Tokyo
Inquiries to Shareholder Registry Administrator	Mizuho Trust & Banking Co., Ltd. Stock Agency Transfer Department 8-4, Izumi 2-chome, Suginami-ku, Tokyo 168-8507, Japan Telephone: 0120-288-324 (toll free, within Japan only)
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.
Independent Auditor	Deloitte Touche Tohmatsu LLC

Principal Shareholders

Name	Number of Shares Held (Thousands)	Percentage of Shares Held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	9,890	4.54
Mizuho Corporate Bank, Ltd.	9,738	4.47
Japan Trustee Services Bank, Ltd. (Trust Account)	9,518	4.37
The Norinchukin Bank	9,500	4.36
Meiji Yasuda Life Insurance Company	5,370	2.47
Bank of Kyoto, Ltd.	5,000	2.30
JPMorgan Securities Japan Co., Ltd.	3,779	1.74
KOKUBU & CO., LTD.	3,489	1.60
Japan Alcohol Trading Co., Ltd.	3,000	1.38
Takara Group Employees' Shareholding Association	2,765	1.27

Notes: (1) Number of shares is rounded down to the nearest thousand.
(2) In addition to the shareholdings listed above, the Company held treasury stock totaling 9,777,206 shares (equivalent to 4.49% of voting rights).

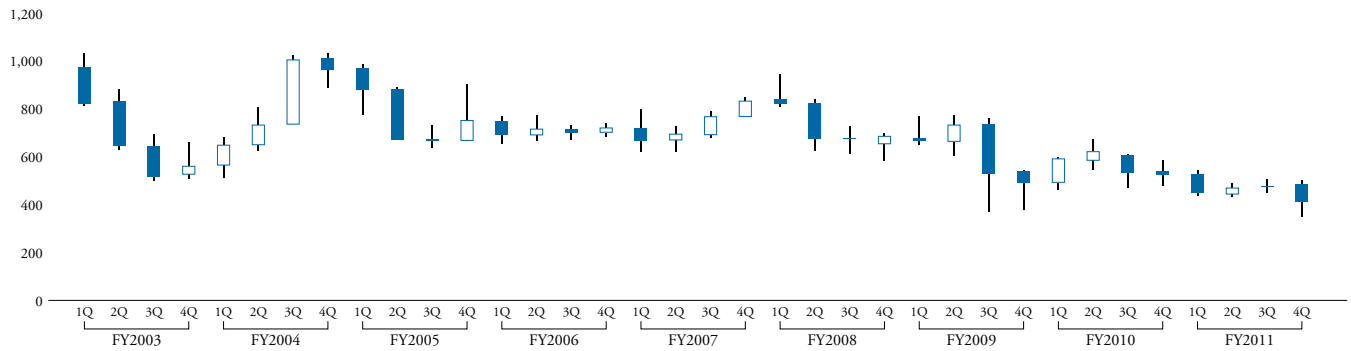
Distribution of Ownership among Shareholders

Financial Institutions	38.03%
Securities Companies	3.61%
Other Domestic Companies	16.96%
Foreign Investors	8.64%
Individual and Others	28.27%
Others	4.50%

Bond Ratings

Rating Institution	Long-Term Rating	Short-Term Rating
Rating and Investment Information, Inc. (R&I)	A/Stable	a-1
Japan Credit Rating Agency, Ltd. (JCR)	A/Stable	J-1

Stock Price Range on the Tokyo Stock Exchange (Yen)



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A portion of the printing costs for this printing paper is donated to the "Japanese Red Cross Society."
The method of printing for this annual report was chosen to reduce environmental impact.
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