



TAKARA

Established Strengths, **Sustained** Progress

Annual Report 2010

Year ended March 31, 2010

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

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.

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

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

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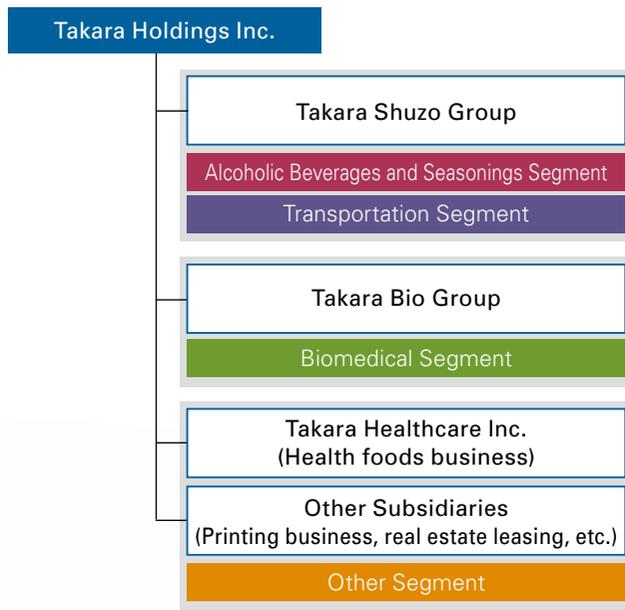
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AT A GLANCE

Supported by the twin pillars of “stability” and “growth potential,” we are striving to realize the Group’s next major advance

Group operations are divided into four business segments: Alcoholic Beverages and Seasonings, Biomedical, Transportation and Other. The stable profits generated by the alcoholic beverages and seasonings business provide the Group’s solid business base. At the same time, the biomedical and health foods businesses possess high growth potential and are playing a crucial role in driving future advances by the Group.

Takara Group’s Business Structure



ALCOHOLIC BEVERAGES AND SEASONINGS SEGMENT



BIOMEDICAL SEGMENT



TRANSPORTATION SEGMENT



OTHER SEGMENT

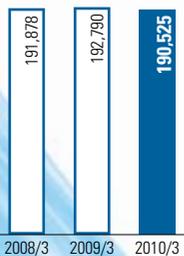


Financial Results for Fiscal 2010

Net Sales

¥190,525 million

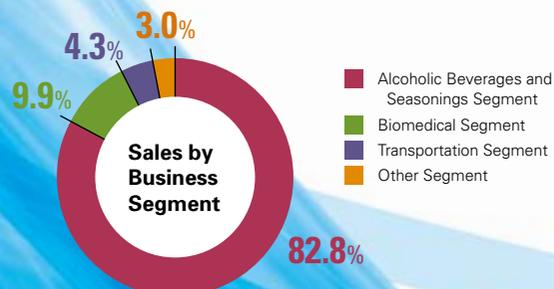
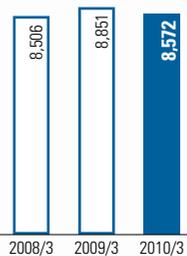
(decreased 1.2% YOY)
(Millions of Yen)



Operating Income

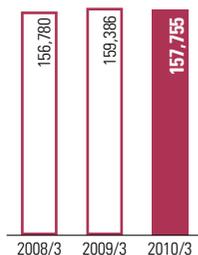
¥8,572 million

(decreased 3.1% YOY)
(Millions of Yen)



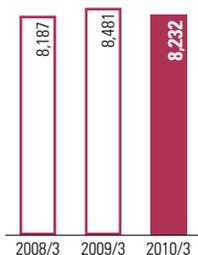
Net Sales

(Millions of Yen)



Operating Income

(Millions of Yen)



Overview of Business Segment

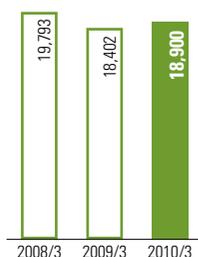
In fiscal 2010, ended March 31, 2010, the Alcoholic Beverages and Seasonings segment posted net sales amounting to ¥157,755 million, a 1.0% decrease compared with the previous fiscal year. This segment accounted for 82.8% of net sales of the Group.

Factors such as erosion in consumer confidence owing to the economic slump and a lackluster restaurant and bar market contributed to extremely harsh market conditions. Against this backdrop, the segment achieved robust performances from such high-quality brands as *Ikkomon* 100% sweet-potato-based shochu and mid-range products, such as *Gokujo Takara Shochu* and *Takara Shochu High Ball*, that respond to consumer demand for low-priced products. However, owing to such factors as sales declines for *honkaku* shochu *Yokaichi* and premium-quality wines and decreased sales at overseas subsidiaries driven by the appreciation of the yen, sales for the segment as a whole were lower than the previous fiscal year.

Operating income for the segment decreased 2.9% compared with the previous fiscal year, to ¥8,232 million. Although there was an improvement in the cost of sales ratio owing to stable raw materials prices and the implementation of cost-reduction measures, a change in the composition of the segment's product lineup led to an increase in sales promotion expenses and consequently a fall in operating income.

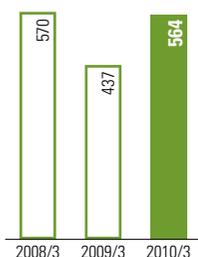
Net Sales

(Millions of Yen)



Operating Income

(Millions of Yen)



Overview of Business Segment

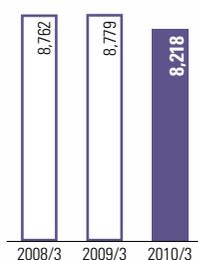
In fiscal 2010, net sales in the Biomedical segment totaled ¥18,900 million, an increase of 2.7% compared with the previous fiscal year. This segment accounted for 9.9% of net sales of the Group.

In Genetic engineering research, although sales of mainstay research reagents declined owing to the impact of a stronger Japanese yen, this decrease was offset by several positive factors for the Biomedical segment. These included an increase in sales of scientific instruments, higher sales of technical support services relating to cancer immunotherapy in Gene medicine and growth in sales of mushroom products in AgriBio.

Operating income for the Biomedical segment increased 28.9% compared with the previous fiscal year, to ¥564 million. This rise reflected such factors as higher gross profit accompanying the increase in net sales and lower selling, general and administrative (SG&A) expenses owing to a fall in sales promotion expenses.

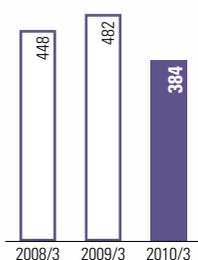
Net Sales

(Millions of Yen)



Operating Income

(Millions of Yen)



Overview of Business Segment

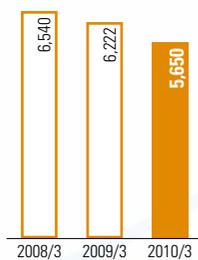
In fiscal 2010, the Transportation segment recorded net sales of ¥8,218 million, a decrease of 6.4% compared with the previous fiscal year. This segment accounted for 4.3% of net sales of the Group.

As the general logistics agent for Takara Shuzo Co., Ltd., the segment strove to reduce costs by bolstering the efficiency of its operations and also focused on expanding sales to non-Group customers, including through the development of new business relating to logistics for mail-order and sales promotion operations. However, sales for the segment fell owing to the impact of the economic recession and intensified price competition with other industry participants.

Operating income for the segment declined 20.4% compared with the previous fiscal year, to ¥384 million. This decrease reflected lower gross profit accompanying the decrease in net sales and an increase in SG&A expenses.

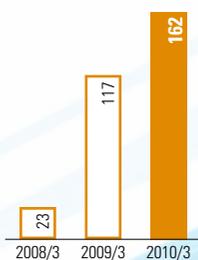
Net Sales

(Millions of Yen)



Operating Income

(Millions of Yen)



Overview of Business Segment

In fiscal 2010, net sales in the Other segment decreased 9.2% compared with the previous fiscal year, to ¥5,650 million. This segment accounted for 3.0% of net sales of the Group.

Operations in this segment include health food products, printing and real estate leasing. Although sales in the health food business increased centering on Gagome kombu (kelp) "fucoidan" products, overall segment sales declined owing to a significant decrease in sales in the printing business.

Operating income in the Other segment increased 37.7% compared with the previous fiscal year, to ¥162 million. This principally reflected a decrease in operating loss in the health foods business.

TAKARA HOLDINGS' BUSINESS STRATEGIES

“Alcoholic beverages and seasonings business creating a stable earnings foundation and the biomedical business and health foods business driving growth going forward”

—Takara Evolution-100

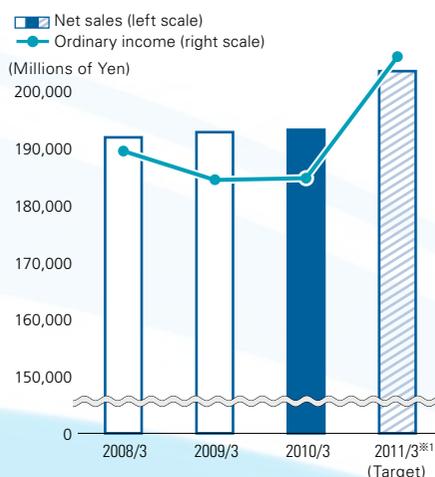
The Takara Group has been actively promoting evolution in five business areas—business results, business operations, management, corporate culture and human resources, and environmental and social responsibility—under Takara Evolution-100 (TE-100), the Group’s 10-year, long-term management concept enacted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

The Group’s medium-term management plans, which are announced every three years, function as action plans for the realization of the TE-100 vision. The Group is currently implementing its Seventh Medium-Term Management Plan, which will conclude in fiscal 2011.

The Takara Group’s Seventh Medium-Term Management Plan

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

Tangible Goals (Takara Group)



The Group has set targets for **net sales exceeding ¥200 billion and ordinary income surpassing ¥10 billion in fiscal 2011*1**. In addition to its profit goals, the Group intends to improve its net income to shareholders’ equity ratio by controlling equity capital levels.

Takara Shuzo Group
The Group targets net sales surpassing **¥175.0 billion** and ordinary income exceeding **¥8.0 billion** in fiscal 2011*1.

Takara Bio Group
The Group plans net sales amounting to **¥19.3 billion** and ordinary income of **¥1.0 billion** in fiscal 2011*2.

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

*1 These are the numerical targets set at the time the Seventh Medium-Term Management Plan was formulated and not the projections for fiscal 2011.

*2 To reflect the prevailing operating environment, the Takara Bio Group makes rolling updates of its medium-term management plans each year. In the latest plan announced in May 2010, the Takara Bio Group set numerical targets for net sales of ¥21.5 billion and ordinary income of ¥1.2 billion for fiscal 2013, the final year of this medium-term management plan.

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

Growth investments

Cumulative outlays exceeding

¥10 billion
over the three years

Total shareholder return

Generate aggregate returns of more than

¥10 billion
over the three years, doubling the previous plan’s level

Shareholder return payout

Minimum of

50%*3

*3 Calculated as follows: Shareholder return payout = $\frac{\text{Total dividends} + \text{Amount of share buybacks}}{\text{Deemed consolidated net income}*4} \geq 50\%$

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

■ Business Strategy

Alcoholic Beverages and Seasonings Business

■ Strategic Goals

Even in a difficult market environment, we will strive to maintain and improve the profitability of the domestic alcoholic beverages business. Simultaneously, we will focus efforts on business expansion in domestic and overseas growth markets.

■ Three-Year Plans

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

■ Activity Themes

- **Domestic alcoholic beverages business:** Build a solid profit base by leveraging multiple strong brands.
Continue with cost-reduction measures and pursue productivity improvements.
- **Overseas business:** Formulate a global grand design based on the two main product categories of sake and seasonings.
- **Seasonings business for food processing:** By approaching product development and sales activities from a customer perspective, we aim to become a major manufacturer of seasonings for the food processing industry.

Biomedical Business

■ Strategic Goals

We will work toward an expansion and stability in Genetic engineering research, promote improved profitability in AgriBio and pursue R&D in Gene medicine even more aggressively.

■ Three-Year Plans

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

■ Activity Themes

- **Genetic engineering research:** Further strengthening of the profit base.
- **Gene medicine:** Pursue clinical development aimed at realizing early commercialization.
- **AgriBio:** Improve profitability through expanded sales of health-oriented foods and mushroom products.

Health Foods Business

■ Strategic Goals

The top strategic priority is to secure mail-order customers for products that leverage Takara Bio's technologies.

■ Three-Year Plans

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

■ Activity Themes

- Implement up-front investment in such areas as on-going advertising campaigns and sales channel expansion.
- Expand the Gagome kombu (kelp) "fucoidan" series.
- Expand the base of mail-order customers and generate increased repeat sales.

AN INTERVIEW WITH THE PRESIDENT



By generating stable earnings from our core businesses and fostering growth businesses, the Takara Group is striving to enhance corporate value.

Hisashi Ohmiya
President
Takara Holdings Inc.

The Takara Group has achieved growth and built a stable earnings base by providing distinctive products that leverage its superior technical capabilities and offering innovative technology services. The greatest strength of the Takara Group lies in its business portfolio, which combines core businesses that generate stable earnings with promising businesses that have strong potential for future growth. Even in a harsh operating environment characterized by intense change, including industry realignment, we will utilize this strength as we pursue our unique, long-term growth strategy.



Please provide an overview of the performance of the Takara Group in fiscal 2010, ended March 31, 2010.

Although the impact of the economic downturn and a stronger yen led to decreases in both net sales and operating income, we leveraged the Takara Group’s strengths to ensure that these impacts were minimized.

In fiscal 2010, on a consolidated basis, the Takara Group recorded net sales of ¥190,525 million, a decrease of 1.2% compared with the previous fiscal year due to a growing preference for low-priced products caused by the economic recession, reduced consumption of alcoholic beverages, the appreciation of the yen and other factors. Operating income declined 3.1%, to ¥8,572 million. Net income decreased 17.1%, to ¥4,677 million, compared to an increase in the previous fiscal year when total income taxes declined sharply due to an increase in deferred tax assets.

At the Takara Shuzo Group, which includes our core alcoholic beverages and seasonings business, the impact of the economic recession saw deteriorations in the operating results of Group companies in such areas as logistics operations and the importation and sale of premium wines. Although such factors led to lower sales and operating income in the business, Takara Shuzo Co., Ltd., on a non-consolidated basis, achieved operating income in line with the previous fiscal year. Even within a harsh operating environment, such premium-range products as *Ikkomon* 100% sweet-potato-based shochu and *Shirashinken honkaku* barley shochu, and such mid-range products as *Gokujo Takara Shochu* and *Takara Shochu High Ball*, maintained robust sales. I believe that this result reflects the fact that Takara Shuzo’s superior product lineup—which was realized

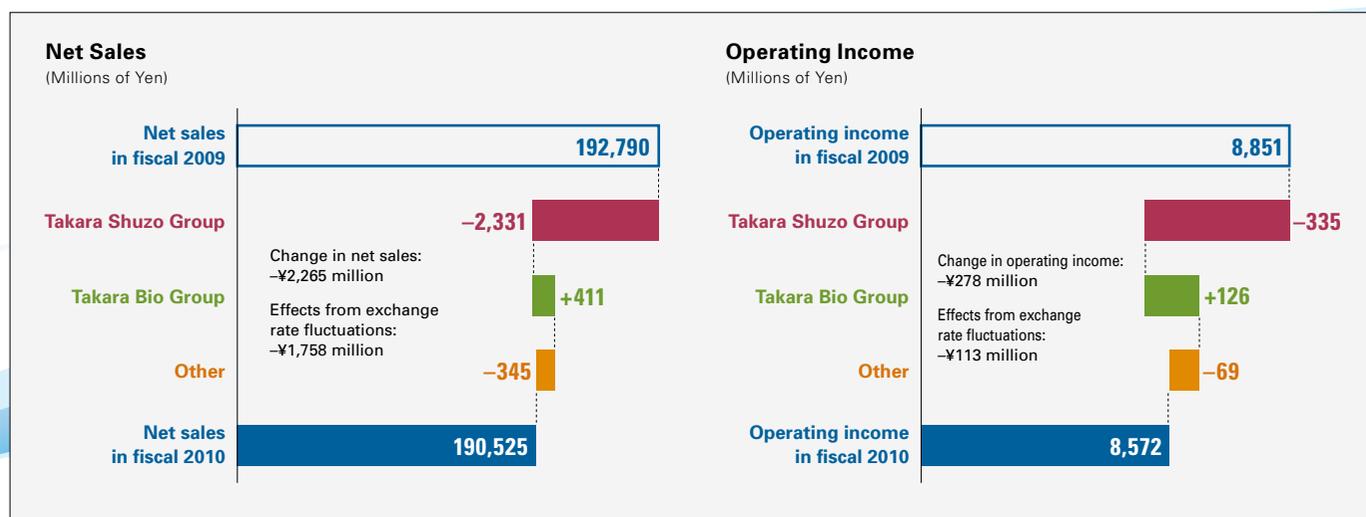
by focusing on Takara Shuzo’s technical strengths, and thereby helped to further differentiate our product offerings from those of our competitors—maintained strong loyalty from our customers, even during the adverse economic conditions.

At the Takara Bio Group, both sales and operating income increased compared with the previous fiscal year, marking the third consecutive year of operating income. Significant factors contributing to this result included sales growth in such areas as scientific instruments within Genetic engineering research and technical support services relating to cancer immunotherapy in Gene medicine, and a decline in SG&A expenses. Takara Bio has responded to the changing sales performance over time of each research reagent by introducing new products each year. This has enabled the company to expand its product lineup while at the same time contributed to stable sales.

At Takara Healthcare, by focusing on its core Gagome kombu (kelp) “fucoidan” product series the company has steadily grown sales through its mail-order marketing channel and reduced operating loss.

Overall, in fiscal 2010 I believe the Takara Group successfully minimized the impacts of a difficult operating environment by working to leverage the strengths of its business portfolios and product lineups.

■ Analysis of Changes in Consolidated Financial Results





Please outline progress made in the Seventh Medium-Term Management Plan and your evaluation of this progress.

We were able to embark on strategies that aim to build a platform for the future growth of the Takara Group, including those relating to overseas business development in the alcoholic beverages and seasonings business and clinical development of gene therapy and cell therapy in the biomedical business.

I believe that we could clarify our next growth area owing to the progress made during fiscal 2010, based on the strategies that we set out in the Seventh Medium-Term Management Plan.

In the domestic alcoholic beverages markets, the Takara Shuzo Group was faced with very defensive consumer sentiment driven by the economic slump. Responding to consumer moves toward cost-cutting and low-priced products, the company focused on bolstering sales of such mid-range products as *Gokujo Takara Shochu* and *Takara Shochu High Ball*. At the same time, anticipating signs of economic recovery, the company moved to expand market presence in the restaurant and bar channel of such premium-range products as *Ikkomon* 100% sweet-potato-based shochu, *Shirashinken honkaku* barley shochu and *Sho-Chiku-Bai Shirakabe-gura Kimoto Junmai* sake.

In the seasonings business for food processing, we have built a sales system that can accurately meet the needs of different user segments—liquor wholesalers, food ingredient wholesalers, food processors, home-meal replacement manufacturers and restaurants. In overseas business operations, in April 2010 we invested in FOODEX SAS, the largest French importer and wholesaler of Japanese food ingredients, through the acquisition of 80% of that company's outstanding shares for a total consideration of ¥3.5 billion. This acquisition provides the Takara Shuzo Group with a distribution network in Europe and was driven by two objectives. First, we saw this as an opportunity for the Takara Shuzo Group to enter the

wholesale business in Europe, through which it could expand the distribution of Japanese food ingredients and further increase the spread of Japanese food culture. Second, by leveraging synergies from this acquisition, we aim to bolster sales of sake and seasonings. In the United States, we anticipate growth in the sake market following economic recovery. As well as focusing on particular markets and channels to increase sales, we expanded production capacity at our local manufacturing base.

At the Takara Bio Group, in Genetic engineering research, we continued to transfer the manufacturing operations of Clontech Laboratories, Inc.'s products from the United States to China, thereby reinforcing the Takara Bio Group's price competitiveness.

Furthermore, in Gene medicine, the Takara Bio Group made steady progress. In the field of gene therapy, we took a progress toward commercialization, which includes clinical research commenced in August 2009 at the Mie University School of Medicine Hospital in collaboration with Takara Bio on T-cell receptor (TCR) gene therapy. In cell therapy, the RetroNectin® induced T cell therapy on a fee basis commenced at the Iseikai Hyakumanben Clinic in May 2010.

At Takara Healthcare, which pursues businesses in the health food business, the number of customers subscribing to the on-going mail-order channel increased, particularly focusing on the *Takara Fucoidan Supplement 50* product. As a result, mail-order sales grew steadily and we saw an improvement in profitability.

■ Progress of Seventh Medium-Term Management Plan (Period: April 2008–March 2010)

Theme	Progress to date	
Takara Shuzo Group	Maintaining and improving the profitability of the domestic alcoholic beverages business	
	Development and nurturing of differentiated products	Launched sales of <i>Shirashinken honkaku</i> barley shochu and <i>Sho-Chiku-Bai Shirakabe-gura Kimoto Junmai</i> . Nurtured brands for premium-quality solicitation products, centering on <i>Ikkomon</i> 100% sweet-potato-based shochu.
	Thorough profit management	Implemented measures to ensure that sales promotion expenses are utilized efficiently. Reduced losses from unshipped inventory by refining the sales forecast system.
	Seeking challenges in domestic and overseas growth markets	
	Overseas business	Increased production capacity at Takara Sake USA Inc. in anticipation of an expansion in the U.S. sake market. Expanded sales channels in Europe by taking an equity stake in French company FOODEX SAS.
	Seasonings business for food processing	Bolstered lineup of products that have functional and economic advantages. Focused on acquiring large-volume customers and pursued expansion of the range of products used by large-volume customers.
Takara Bio Group	Achieving expansion and stability in Genetic engineering research	Strengthened price competitiveness by transferring manufacturing of Clontech Laboratories' products to Dalian, China.
	Improving profitability in AgriBio	Strengthened profitability by establishing in-house system for mushroom product sales. Increased production capacity and product quality by establishing a new system for producing Honshimeji mushrooms.
	Pursuing R&D activities in Gene medicine	Commenced clinical trials for HSV-TK gene therapy and commenced clinical research on TCR gene therapy. Commenced RetroNectin® induced T cell therapy on a fee basis.
Takara Healthcare	Increasing the number of mail-order customers	Expanded sales in the mail-order channel, focusing on Gagome kombu (kelp) "fucoidan" products.



In a harsh operating environment, what kind of strategies will ensure that the Takara Group survives and prospers?

Based on our fundamental strategy of reinforcing our earnings base in the alcoholic beverages and seasonings business and nurturing the biomedical business and health foods business, we are striving to increase corporate value through the steady implementation of strategies that will drive significant future growth.

At the Takara Shuzo Group, we are accelerating the nurturing of brands in the domestic alcoholic beverages business. By building a lineup of strong brands that win consumer loyalty, we aim to ensure profitability. In addition to developing and nurturing distinctive brands that achieve high value added, as exemplified by *Ikkomon*, we are accelerating the nurturing of such mid-range products as *Gokujo Takara Shochu* and *Takara Shochu High Ball*, which achieve quality differentiation. These strategies enable us to build the business into one that responds flexibly to changes in the external operating environment. Furthermore, through ongoing efforts to trim costs, we are working to maintain profitability and position ourselves to offset the effects of rising raw materials prices and other factors.

In the seasonings business for food processing, which has begun to bear fruit as a growth business, we are implementing product proposals and sales activities that accurately meet user needs as we strive to realize further growth. In overseas business, in addition to accelerating business development in the United States and Europe, we are also working to foster internationally competitive human resources, and are considering the possibility of establishing new alliances in other regions. From fiscal 2011, FOODEX will be included within the Takara Shuzo Group's scope of consolidation, thereby increasing our overseas sales. However, we intend to grow other portions of our overseas operations too as we expand our overseas sales ratio, which will mean that even as the Japanese population declines, we are able to further strengthen the alcoholic beverages and seasonings business as the Takara Shuzo Group's solid

earnings base.

At the Takara Bio Group, in Genetic engineering research, in addition to accelerating the development of new products and services, by reinforcing our overseas marketing capabilities we are working to ensure the realization of stable earnings. In AgriBio, we are aiming to expand sales of health-oriented foods and mushroom products. We are also reducing costs through the introduction of new technology for mushroom cultivation and are improving profitability through effective and efficient expenditure. Consequently, we are aiming for AgriBio to achieve operating income in fiscal 2012. With Genetic engineering research and AgriBio positioned as Takara Bio's core earnings base, we will continue to aim for the early commercialization of gene therapy and cell therapy in Gene medicine through the pursuit of clinical development.

At Takara Healthcare, we are expanding sales in our mail-order channel centering on Gagome kombu (kelp) "fucoidan" products and working to improve earnings through the efficient acquisition of new customers.

With regard to investments aimed at securing the future growth of the Takara Group, decisions will focus heavily on the contribution an acquisition candidate can make to the Group's growth. Similar to the FOODEX share acquisition, our main criteria will be the potential for synergies with existing businesses and investments in fields relating to existing businesses.

Principal Strategies in Each Business for Fiscal 2011

Takara Shuzo Group
<ul style="list-style-type: none">■ In the domestic alcoholic beverages business, reinforce profitability by accelerating brand nurturing.■ Through ongoing cost-reduction initiatives, position the business to be resilient in the face of rising raw materials prices.■ Accelerate growth in the seasonings business for food processing and overseas businesses.
Takara Bio Group
<ul style="list-style-type: none">■ Expand sales in Genetic engineering research through the introduction of new products and the strengthening of overseas marketing.■ Build AgriBio into Takara Bio's second mainstay earnings base by expanding sales of health-oriented foods and mushroom products.■ Pursue clinical development aimed at realizing the early commercialization of gene therapy and cell therapy.
Takara Healthcare
<ul style="list-style-type: none">■ Expand sales in the mail-order channel centering on Gagome kombu (kelp) "fucoidan" products.■ Improve profitability through the efficient acquisition of new customers.

Q4

Please summarize your outlook for operating results in fiscal 2011 as well as forecasts for shareholder return.

Although we will not reach the original targets set for the final year of the Seventh Medium-Term Management Plan, we are undertaking measures that aim for increases in net sales and operating income as well as further growth. We intend to maintain our aggressive stance on shareholder return through dividends and share buybacks.

In fiscal 2011, on a consolidated basis, we forecast net sales of ¥195,000 million, operating income of ¥8,800 million, ordinary income of ¥8,900 million and net income of ¥4,700 million. We anticipate increased sales and operating income at both the Takara Shuzo Group and the Takara Bio Group. Although we are forecasting consolidated results that surpass those for fiscal 2010, unfortunately we do not foresee the Group reaching the Seventh Medium-Term Management Plan's financial targets announced in May 2008, which were for net sales exceeding ¥200,000 million and ordinary income of over ¥10,000 million. Main factors that have handicapped our efforts to reach these targets include the unforeseen, rapid economic recession that began in autumn 2008 following the "Lehman shock," and the foreign exchange impact of a steep rise in the strength of the yen. Despite this, we are aiming for increases in net sales and operating income in fiscal 2011 and are working aggressively to foster businesses that have strong future growth potential.

With regard to shareholder return, our basic policy is to maintain stable dividends while also taking into account operating performance when deciding on dividends each year. We are also committed to improving capital efficiency through the implementation of share buybacks. Under the Seventh Medium-Term Management Plan, we set a total shareholder return target of at least ¥10.0 billion over the three years of the plan and a shareholder return payout*1 target of at least 50%, to quantify our

aggressive stance on shareholder return.

Cash dividends applicable to fiscal 2010 were ¥8.50 per share, in line with those of the previous fiscal year. During fiscal 2010, we carried out share buybacks totaling ¥1,366 million, providing a cumulative shareholder return amounting to ¥3,155 million. Consequently, the shareholder return payout was 60.6%.

In fiscal 2011, we anticipate cash dividends to remain in line with those for fiscal 2010. Combined with share buybacks implemented in May–June 2010, which totaled 2.5million shares, we forecast total shareholder return of approximately ¥3,000 million and a shareholder return payout exceeding 50.0%. Based on these forecasts, we anticipate total shareholder return of over ¥10.0 billion over three years, which would thus meet a key financial target of the Seventh Medium-Term Management Plan.

We look forward to the ongoing support of our shareholders as we strive to meet future challenges.

Hisashi Ohmiya, President
July 2010

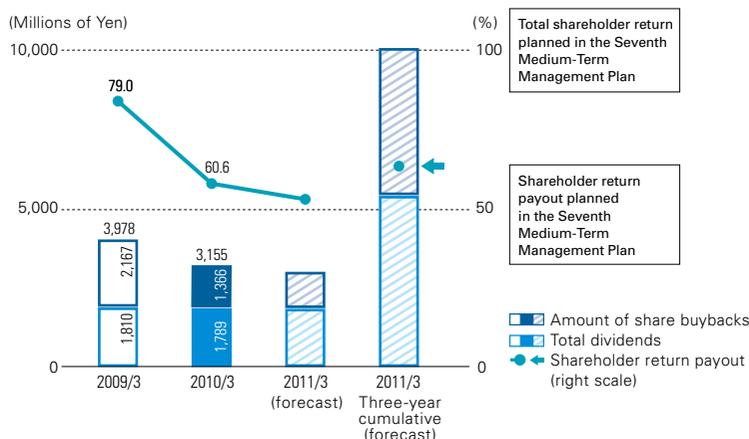


■ Projections for Fiscal 2011

(Millions of Yen)

	Fiscal 2011 (forecast)	Targets set for 3rd year of Seventh Medium-Term Management Plan	Comparison with targets for 3rd year of Seventh Medium-Term Management Plan	
			Difference (amount)	Difference (%)
Net sales	¥195,000	¥204,200	-¥9,200	-4.5%
Operating income	8,800	10,200	-1,400	-13.7
Ordinary income	8,900	10,200	-1,300	-12.7
Net income	4,700	5,100	-400	-7.8

■ Shareholder Return



*1 Shareholder return payout = (Total dividends + Amount of share buybacks) ÷ Deemed consolidated net income*2

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

Established Strengths, Sustained Progress

The Takara Group has carefully identified important trends and future prospects in its operating environment and implemented a range of strategies that leverages its strengths. In this section, we will provide an overview of the results generated by the business strategies put in place so far and outline progress achieved in strategies designed to propel the Takara Group to its next stage of growth.

Established Strengths

Established strengths underpinning our business foundations

- **Alcoholic Beverages and Seasonings Business**
Nurture of high-value-added products that respond to diverse consumer needs
- **Biomedical Business**
A significant advance toward the realization of a profitable growth business

Sustained Progress

Sustained progress toward the next stage of growth

- **Alcoholic Beverages and Seasonings Business**
Implementation of strategies to nurture growth businesses
- **Health Foods Business**
Nurture of a future earnings mainstay by leveraging synergies between Takara Shuzo and Takara Bio
- **Biomedical Business**
Steadily expanded the clinical development of gene therapy

Established Strengths

Established strengths underpinning our business foundations

Alcoholic Beverages and Seasonings Business

Nurture of high-value-added products that respond to diverse consumer needs

The domestic alcoholic beverages business is facing a frugal consumer market driven by weak economic conditions, and hence the continuation of a harsh operating environment. Despite such adverse circumstances, Takara Shuzo, on a non-consolidated basis, achieved operating income in fiscal 2010 on par with the previous fiscal year. This result reflects the enhancement of the company's product lineup, which has responded to diversifying consumer trends.

The Takara Shuzo Group's superior capabilities in creating appealing products

Takara Shuzo has created an array of top-selling products, including *Takara Shochu Jun*, which reinvigorated demand in the shochu market in the 1970's, and *Takara Can Chu-Hi*, which was a pioneer in establishing the light-alcohol refresher market in the 1980's. Hence, they have great influence on Japanese people's attitudes to alcohol. These products have successfully appealed to consumers in ways that conventional products have not, by suggesting new ways to enjoy alcohol and forging deep connections to consumer lifestyles. Ultimately, these products have won a strong level of consumer loyalty. The brand strengths of Takara Shuzo have been built up through the steady accumulation of results, through which the company has delivered novel products to consumers in tune with the changing times.

Even in today's fiercely competitive market, we have continued to create product offerings that embody high value added to nurture products that continue in the footsteps of our predecessors, who have left great accomplishments. To that end, these products focus on reinforcing brand strength as a means of winning and maintaining customer loyalty. Below, we introduce several leading examples of Takara Shuzo's high-value-added products, including *Ikkomon* 100% sweet-potato-based shochu, *Shirashinken honkaku* barley shochu and *Sho-Chiku-Bai Shirakabe-gura Kimoto Junmai* sake.

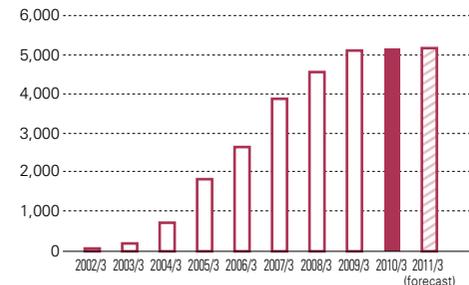
Ikkomon 100% sweet-potato-based shochu—realized through our unique technical capabilities



Ikkomon was launched in 2001 as a 100% sweet-potato-based shochu, which meant we only used sweet potato *koji* (malt) in the fermentation process. Producing sweet potato *koji* is extremely difficult, hence most sweet-potato-based shochu is made using rice *koji*. However, by utilizing the technology that Takara Shuzo has cultivated over many years, the company successfully developed a technique for manufacturing high-quality sweet potato *koji*. *Ikkomon* produced using this high-quality sweet potato *koji* has won consumer loyalty thanks to its sweet aroma that is unique to sweet potato and a sophisticated flavor. Since its launch, *Ikkomon* has achieved robust sales growth, and is now one of the company's major-selling products, boasting over ¥5.0 billion in annual sales.

Sales of *Ikkomon*

(Millions of Yen)



Shirashinken honkaku barley shochu realizes an essential barley flavor and aroma

Takara Shuzo spent four years and two months on the development of *Shirashinken*, a high-quality, *honkaku* barley shochu, which was launched onto the market in 2008. This exquisite shochu is produced from 100% Japanese-grown, two-rowed barley and a time-consuming fermentation method using an all-barley *koji* derived from black *koji*. *Shirashinken* was initially launched exclusively into the restaurant and bar distribution channel, with general distribution commencing in August 2009 after the product had won substantial consumer loyalty. The company plans to continue nurturing the *Shirashinken* brand carefully over an extended period.



Sho-Chiku-Bai Shirakabe-gura Kimoto Junmai draws out a rich, rice flavor utilizing the traditional *kimoto* sake-brewing method

The 2008 launch of *Sho-Chiku-Bai Shirakabe-gura Kimoto Junmai* sake was born in a quest to produce truly superb sake, which began with the building of a traditional *sakagura* brewery, the *Sho-Chiku-Bai Shirakabe-gura* Brewery in Kobe. This product was brewed using the traditional *kimoto* technique, which has been used since Japan's Edo Period (1603–1867), and it achieves a smooth, soft flavor that fully draws out the rich taste characteristics of the rice. Takara Shuzo collaborated with restaurants around Japan in organizing promotional events aimed at building a loyal fan base for this sake, and is committed to nurturing the brand as synonymous with fine sake enjoyed during meals.



Brand nurturing strategy

Responding to the separation of consumer needs in the alcoholic beverages market, the Takara Shuzo Group is strengthening its brands by focusing on two market segments—premium-range and mid-range products. We aim to realize a portfolio of brands that achieve high value added and market differentiation. In doing so, we are building a solid business foundation that is less susceptible to fluctuations in the economic cycle.

Philosophy on brand nurturing

Premium-range products

Catering to consumer needs for high-quality products, this category nurtures brands based on a meticulous, long-term strategy.

Main products

Ikkomon, a 100% sweet-potato-based shochu
Shirashinken honkaku barley shochu
Sho-Chiku-Bai Shirakabe-gura Kimoto Junmai, etc.



Mid-range products

In response to consumer economizing and trends toward low-priced products, this category is designed to ensure sales volumes, which are maintained and reinforce the company's earnings base.

Main products

Gokujo Takara Shochu
Takara Shochu High Ball
Sho-Chiku-Bai Ten, etc.



Striving to realize a portfolio of brands that achieve high value added and market differentiation

Biomedical Business

A significant advance toward the realization of a profitable growth business

Genetic engineering research solidly underpins the business of the Takara Bio Group, as it works to accelerate the commercialization of Gene medicine. The development of a strong business base was accelerated by the 2005 acquisition of Clontech Laboratories, Inc., which manufactures and markets biotechnology research reagents. In fiscal 2010, the Takara Bio Group recorded its third successive year of operating income, steadily growing into a business that possesses both earnings capabilities and growth potential.

Genetic engineering research has established a strong position in the global marketplace

The Takara Group entered the Genetic engineering research field in 1979 when it commenced sales of the first-ever commercial sales of Japanese-made restriction enzymes. Since then, this business has produced a succession of new genetic engineering technologies, which support the biotechnology research activities of universities and other public institutions as well as those undertaken by the private sector, including pharmaceutical companies.

To reinforce its earnings base, in 1988 Takara Bio Group began to focus on the key role of Polymerase Chain Reaction (PCR). It was at this time that Takara Bio acquired exclusive rights from a U.S. company to sell gene amplification equipment using the PCR method in Japan. In 1993, Takara Bio received a license relating to PCR and began in-house manufacturing and marketing of PCR-related products. Today, PCR is an essential technology used in biotechnology research. By supplying a diverse range of products created using such advanced technologies, including PCR enzymes that provide a high fidelity along with superior elongation and reliability, Takara Bio has built a strong presence in the global marketplace.

The Takara Bio Group is striving to further strengthen Genetic engineering research—its core business base—through new product development, increased overseas sales and reinforced cost competitiveness driven by the transfer of manufacturing operations to China.

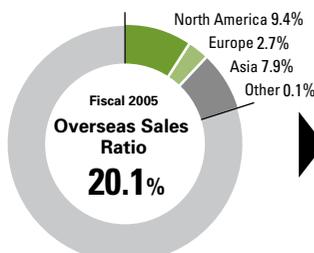


Takara Bio's real-time PCR system, one of the company's products in its PCR-related lineup

Acquisition of Clontech Laboratories bolsters overseas sales ratio

In 2005, Takara Bio acquired U.S.-based Clontech Laboratories, Inc., which possesses strengths in the molecular biology field, including systems for the functional analysis of genes using fluorescent proteins. Through this acquisition, in addition to Takara Bio's traditional strengths in such fields as enzymes used in genetic engineering research and PCR-related technology, it expanded its product lineup in the molecular biology field. This broad product lineup of research reagents greatly contributes to the expansion of Takara Bio's overseas sales.

Overseas Sales Expansion



Sales ¥13,685 million
 Overseas sales ¥2,750 million



Sales ¥19,325 million
 Overseas sales ¥7,169 million

Sustained Progress

Sustained progress toward the next stage of growth

Alcoholic Beverages and Seasonings Business

Implementation of strategies to nurture growth businesses

The Takara Shuzo Group has positioned overseas business and the seasonings business for food processing as its growth businesses and is working aggressively to expand these businesses.

Overseas business

Takara Shuzo took an equity stake in Numano Sake Co., as part of its full-fledged entry into overseas markets in 1982. The following year, Numano Sake's name was changed to Takara Sake USA Inc. and local production of *Sho-Chiku-Bai* sake was launched. At present, Takara Shuzo owns overseas manufacturing facilities in the United States and China. Its overseas business has two mainstay products categories comprising sake and seasonings, and the Takara Shuzo Group is pursuing business strategies aimed at growing global sales.

Under these circumstances, by fiscal 2010 Takara Sake USA had increased its manufacturing capacity by 20% compared with the 2007 level, and is progressing with plans to reach a production capacity in 2012 equivalent to 1.5 times its 2007 level. In addition to promoting the distribution of its *Sho-Chiku-Bai* sake products through Japanese restaurants in the United States, it is also focusing on entry into U.S.-owned supermarket chains on the West Coast. On the East Coast, key distribution targets include U.S.-owned liquor stores and up-market restaurants. Furthermore, we are implementing strategies to expand our distribution channels in Europe, where Japanese cuisine is gaining market penetration.



Sho-Chiku-Bai products displayed for sale at a supermarket in the United States

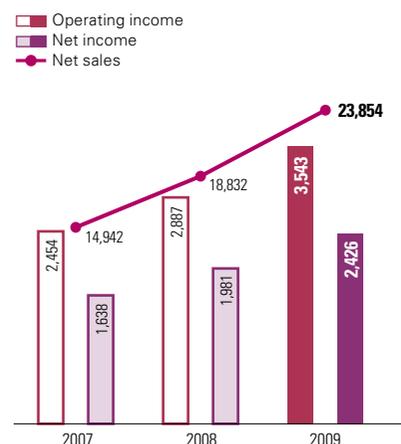
Acquisition of equity stake in French company FOODEX SAS

In April 2010, Takara Shuzo acquired 80% of the outstanding shares of FOODEX SAS, France's largest importer and wholesaler of Japanese food ingredients. This acquisition enables the Takara Shuzo Group to enter into the European wholesale sector and the group will work to expand the distribution of Japanese food ingredients and further promote interest in the culture of Japanese cuisine. By leveraging synergies from this acquisition, the Takara Shuzo Group aims to increase sales of sake and seasonings.

Outline of FOODEX SAS

- (1) Principal businesses: Importation and wholesaling of alcoholic beverages, food products, seasonings, etc.
- (2) Representative: Nicolas Mercier
- (3) Date of establishment: June 29, 1992
- (4) Subsidiaries*: FOODEX SARL (Switzerland), FOODEX SRL (Italy), FOODEX SUD SARL (southern France); *All wholly owned subsidiaries
- (5) Number of employees: Non-consolidated: 39; Consolidated: 46
- (6) Balance sheet date: December 31

Operating Results of FOODEX SAS (Thousands of Euro)



Seasonings business for food processing

As Japan's population ages and its birthrate declines, the domestic food market has entered an overall decreasing trend in line with its falling population. At the same time, the increasing prevalence of nuclear families and the rising number of households is likely to drive growth in the ready-prepared meal market. Anticipating these underlying trends, Takara Shuzo has positioned the seasonings business for food processing as one of its key growth businesses and is aggressively developing the ready-prepared meal market.

In April 2006, Takara Shuzo established the Seasoning Processing Business Division as part of efforts to accelerate sales activities in this business area. Since then, the company has built a product lineup that meets user demands in terms of both economy and functionality, and has steadily won new customers. It has also focused on acquiring large-volume customers. As a result, in fiscal 2010 it achieved a sales increase of approximately 5% compared with the previous fiscal year.

Looking ahead, the company intends to continue providing product proposals carefully matched with customer needs and to focus on solution proposals in response to specific customer requirements. In doing so, the company aims to build sound customer relationships based on trust and to expand transaction volumes.



Low-alcohol *Hon Mirin*, one of the Kyo Takara brand products, seasoning for restaurants and food manufacturers (above)

Dried bonito-based seasoning *dashi-shirube KP-1* (below)

Health Foods Business

Nurture of a future earnings mainstay by leveraging synergies between Takara Shuzo and Takara Bio

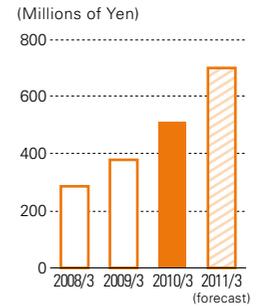
In September 2006, Takara Healthcare Inc. was established through a Group business reorganization in order to maximize the synergies between Takara Shuzo's functional foods business and Takara Bio's health-oriented foods business. By utilizing the health-oriented foods development capabilities of Takara Bio with Takara Shuzo's marketing strength and sales know-how, the Group is accelerating the growth of the Group's health foods business.

Basic strategy for health foods business

Takara Healthcare's products represent the commercialization of the functional food ingredients researched over many years by Takara Bio. Centering on our mainstay series of Gagome kombu (kelp) "fucoidan" products, we are steadily increasing our customer base in the mail-order channel.

From now on, although the business is still small, by applying marketing expenditure efficiently, we will increase the ratio of repeat buyers of *Takara Fucoidan Supplement 50*, promote shifting to premium-range products and thereby strive to further expand mail-order channel sales.

Sales through the Mail-Order Channel



Takara Fucoidan Supplement 50

Biomedical Business

Steadily expanded the clinical development of gene therapy

In October 2008, *ex vivo* gene therapy clinical trials for relapsed leukemia patients got under way at the National Cancer Center Hospital in Tokyo, the first such trials of this type to be held in Japan. The company will continue to pursue clinical development to realize an early approval of new-drug approval.

Steady progress toward commercialization

Progress in the Gene medicine field is not limited to HSV-TK gene therapy. In joint development of TCR gene therapy with the Mie University School of Medicine, we commenced clinical research in August 2009. This R&D project on comprehensive cancer immunotherapy, centering on the aforementioned clinical research, has been selected under the Translational Research Promotion Project. This project is led by Japan's Ministry of Education, Culture, Sports, Science and Technology (MEXT), Ministry of Economy, Trade and Industry (METI) and the New Energy and Industrial Technology Development Organization (NEDO), and is aimed at the practical application of leading-edge therapies. Takara Bio hopes this selection will contribute to the further acceleration of this therapy's commercialization.

In cell therapy, the clinical research of cancer immunotherapy using the RetroNectin® expansion-culture system relating to digestive system cancer and lung cancer being conducted jointly with the Kyoto Prefectural University of Medicine concluded in April 2010. The clinical research was able to demonstrate the safety of this therapy. Based on this result, this therapy has been named "RetroNectin® induced T cell therapy," and the therapy on a fee basis has commenced at the Iseikai Hyakumanben Clinic in Kyoto. We have also continued to conduct clinical research to confirm the effectiveness of this therapy.

Takara Bio will pursue clinical development that aims to achieve the early commercialization of gene therapy and cell therapy.

Gene Therapy and Cell Therapy Clinical Development

	Target disease	Partner institution	Current status and future schedule
HSV-TK gene therapy (donor lymphocyte gene transfer therapy) (Clinical trial)	Relapsed leukemia	The National Cancer Center Hospital	· Commencement of Phase I clinical trials in October 2008 · Scheduled to conclude in fiscal 2012
HSV-TK gene therapy (haplo add-back) (Clinical research)	Hematological malignancies	The National Cancer Center Hospital	· Commencement of clinical research in December 2009 · Scheduled to conclude in fiscal 2013
TCR gene therapy: wtMA24 (Clinical research)	Esophageal cancer	Mie University School of Medicine	· Commencement of clinical research in August 2009 · Scheduled to conclude in fiscal 2013
TCR gene therapy: siMA24 (RN-T) (Clinical research)	Esophageal cancer	Mie University School of Medicine, and others	· Scheduled to commence clinical research in fiscal 2013
TCR gene therapy: siWT24 (RN-T) (Clinical research)	Cerebral tumors, Hematological tumors, Colorectal cancer	Mie University School of Medicine, and others	· Scheduled to commence clinical research in fiscal 2013
MazF gene therapy	HIV	University of Pennsylvania, Kagoshima University, National Institute of Biomedical Innovation	· Scheduled to commence clinical trials in the United States in fiscal 2012
RetroNectin® induced T cell therapy (Clinical research)	Esophageal cancer, Ovarian cancer, etc.	Mie University School of Medicine, and others	· Commencement of clinical research in March 2008 · Scheduled to conclude in fiscal 2012
	Hepatocellular carcinoma	Kyoto Prefectural University of Medicine	· Scheduled to commence clinical research in July 2010 · Scheduled to conclude in fiscal 2016
	Refractory cancer, Hepatocellular carcinoma	Tianjin Medical University, Sun Yat-Sen University	· Submitted application for fee-based therapy at Tianjin Medical University and Sun Yat-Sen University

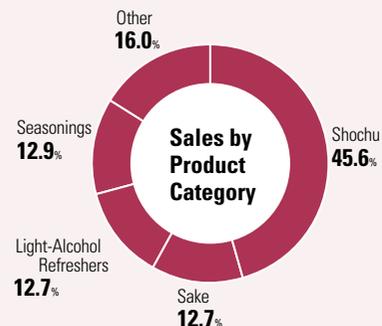
■ Gene therapy ■ Cell therapy

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 dependable 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.



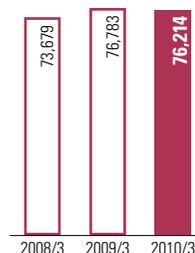
Shochu

Utilizing an extensive range of proprietary distillation and aging technologies that it has developed over many years, Takara Shuzo has helped foster the shochu market by pioneering new market segments and by striving to offer shochu products that meet the changing needs of consumers. In the *ko*-type shochu category, the company maintains the leading market share thanks to its lineup of highly differentiated, superior-quality brands. These include *Takara Shochu*, the top shochu brand in Japan in terms of popularity thanks to its consistent quality and traditional appeal, *Gokujo Takara Shochu*, a premium shochu product that is blended with 3% barrel-aged shochu, and *Takara Shochu Jun*, a long-selling shochu that has been marketed for over 30 years. Based on the company's unique technologies, in the *honkaku* shochu

market Takara Shuzo has also launched and nurtured a range of shochu products that offers superior quality, which are distilled from various ingredients. For example, *Ikkomon* is a 100% sweet-potato-based shochu, and *Shirashinken* is a *honkaku* barley shochu that accentuates a rich barley flavor.



Net Sales
(Millions of Yen)



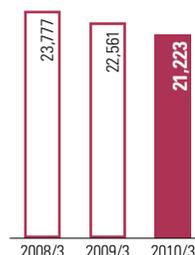
Sake

The *Sho-Chiku-Bai* brand has built its position as the leading brand in the special occasion and gift sake market segment as the "sake for celebrations." In 2001, we completed construction of the *Shirakabe-gura* Brewery, as part of our unrelenting quest to produce delicious, high-quality sake. At the *Sho-Chiku-Bai Shirakabe-gura* Brewery, located in Kobe, Hyogo Prefecture, we combine state-of-the-art facilities for recreating traditional, artisan-inspired brewing techniques and sake brewing done by hand. Here, we manufacture *Sho-Chiku-Bai Shirakabe-gura Kimoto Junmai* and other premium sake. In the market catering to consumers who wish to enjoy sake casually with their evening meal, *Sho-Chiku-Bai Ten* has gained popularity among a large number of customers for its full, refreshingly dry flavor that is created by a two-step yeast fermentation process. In the

restaurant and bar market, *Sho-Chiku-Bai Gokai* has built a strong reputation for its clear, dry taste when served hot. In the future, *Sho-Chiku-Bai* will remain faithful to the best ingredients and brewing methods as we strive to offer distinctive, superior-quality products to satisfy customers.



Net Sales
(Millions of Yen)



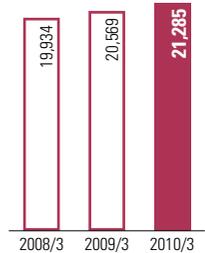
Light-Alcohol Refreshers

Takara Can Chu-Hi, Japan's first canned *chu-hi* product, made its remarkable debut in 1984. Since then, it has led the canned *chu-hi* market as an era-defining product. *Takara Can Chu-Hi* has won strong customer support thanks to superior product quality that is achieved by carefully selecting shochu, fruit juice and water and then processing these using our proven technologies. The company continues to develop and nurture a broad lineup of quality products to meet diverse consumer tastes. These include *Takara Shochu High Ball*, which provides the distinctively dry *chu-hi* flavor that has long been popular in neighborhood bars in downtown Tokyo; *Takara Can Chu-Hi Jika-Shibori*, which captures

delicious fruit flavors by using cloudy, not-from-concentrate fruit juices; and *Oishii Chu-Hi*, which features 50% fruit juice content and no added sugars.



Net Sales
(Millions of Yen)



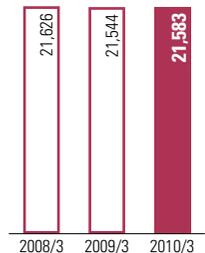
Seasonings

Takara Shuzo offers a broad array of sake-based seasonings that make dishes more delicious and enhance mealtimes based on the motto of "delicious food through products derived from traditional sake brewing techniques." These seasonings include *Takara Hon Mirin*, which has played an integral role in the evolution and development of the culture of Japanese cuisine as the leading brand of *hon mirin* and *Ryori-no-Tame-no Seishu*, which softens cooking odors and brings out rich flavors in dishes. In the food processing market, the company offers a lineup of *Kyo Takara* brand and other seasoning products aimed at commercial customers. This lineup includes sake-based seasonings and soup stocks that are tailored to the needs of ready-prepared meal manufacturers and food

processors. The company also strives to provide customers with solutions to a diverse range of issues such as through food analysis, alcohol-related cooking research and recipe development.



Net Sales
(Millions of Yen)



Overseas Activities

As a delicious and healthy cuisine, Japanese food is gaining significant attention, transforming it into a truly global cuisine. Driven by the rising popularity of Japanese food around the world, sake and *mirin* are also making strong inroads in overseas markets, with sake, *Takara Mirin* and other Takara's products now sold in more than 40 countries across Europe, the United States and Asia. We will work to expand the awareness of the culture of Japanese cuisine globally by introducing original Japanese tastes such as sake, *mirin* and shochu. In addition to these initiatives, we are also striving to distill and sell Scotch whisky and bourbon whisky. Hence, we will expand our operating base globally in the future.

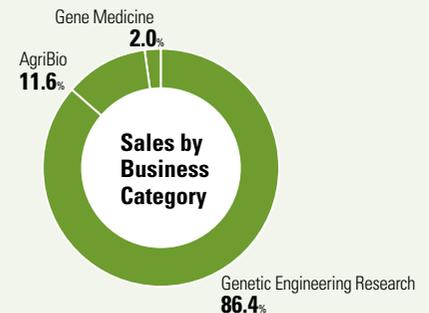


Takara Sake USA Inc.

Business Outline

Takara Bio Group

The mission of the Takara Group's biotechnology business is to contribute to the health of mankind 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 segment, which forms the core of both its technology and earnings base. It is also fostering the AgriBio segment as a second earnings source, and working to commercialize gene therapies and cell therapies by investing resources in the Gene medicine segment.



Genetic Engineering Research

The Genetic engineering research segment manufactures and sells research reagents and scientific instruments used by biotechnology researchers around the world, and also provides contract research services. This segment is the group's earnings base, generating approximately 90% of sales and all operating income of the Takara Bio Group.

In the area of research reagents and scientific instruments, Takara Bio has acquired rights to the PCR method, which is widely used as a gene amplification method, and continues to supply related products worldwide. Such core products include PCR enzymes that provide a high fidelity along with superior elongation and reliability, and reverse transcriptases with superior elongation. In September 2005, Takara Bio acquired U.S.-based research reagent manufacturer Clontech Laboratories, Inc., and thereby greatly expanded and enhanced its lineup of research reagents and enabled it to bolster overseas sales. Further, through such measures as the transfer of production of Clontech Laboratories' products from the United States to China, Takara Bio continues to implement initiatives aimed at generating earnings synergies.

In the contract research services business, focusing on the Dragon Genomics Center, the Takara Bio Group provides comprehensive contract research services. These include genome sequencing analysis, high-speed sequence analysis using next-generation technologies and gene expression analysis using DNA chips.

In R&D, while pursuing synergies with Clontech Laboratories, the Takara Bio Group is also focusing its efforts not only on the genetic engineering field, but also on several areas within the cell biology field that are expected to have high growth potential. The cell biology field includes human induced pluripotent stem (iPS) cells, which is seeing a very high level of research activity. The Takara Bio Group plans to continue rolling out new services in the future as it responds swiftly to rapid technological advancements in the biomedical research field.

Net Sales
(Millions of Yen)



Research reagents



Real-time PCR

AgriBio

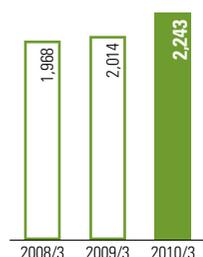
The AgriBio segment comprises the health-oriented foods business and the mushroom business. In the health-oriented foods business, Takara Bio uses biotechnology to analyze traditional Japanese food ingredients, and provides the results to consumers as health-oriented food products. In the mushroom business, Takara Bio undertakes mushroom production, marketing and licensing activities.

In the health-oriented foods business, Takara Bio is tasked with developing health foods in the Takara Group. It has been researching the bioactive properties of such materials as

Gagome kombu (kelp) "fucoidan," agar "agaro-oligosaccharide," Ashitaba (angelica herb) "chalcone," mushroom "terpene," yam (*Dioscorea esculenta*) "Yamsgenin™" and herb (*Peucedanum japonicum*) "Isosamidin." Health-oriented food products incorporating these active ingredients are marketed through Takara Healthcare Inc.

In the mushroom business, in 1973 Takara Bio was the first in the world to achieve success in the development of large-scale production technology for Bunashimeji mushrooms. The company also possesses production technology

Net Sales
(Millions of Yen)



for Hatakeshimeji and Honshimeji mushrooms. At present, Takara Bio licenses large-scale production technology to entities including JA ZEN-NOH (National Federation of Agricultural Cooperative Associations) Nagano, and is involved in production and sale operations for Hatakeshimeji and Honshimeji mushrooms. In fiscal 2011, Takara Bio will conduct Honshimeji production totaling approximately 120 tons and Hatakeshimeji production totaling approximately 1,500 tons. In addition, Takara Bio is pursuing the development of new production technology for high-value-added mushrooms,

utilizing such proprietary technologies as cultivation and genome analysis.



Honshimeji mushrooms

Gene Medicine

Utilizing technologies developed in the Genetic engineering research segment, Takara Bio is developing—and aims to commercialize—core technologies essential to such gene medicine fields as gene therapy and cell therapy.

One of Takara Bio's core technologies for the Gene medicine segment is the RetroNectin® Method—which was developed in collaboration with Indiana University. In *ex vivo* gene therapy, this technology enables the efficient transduction of genes into hematopoietic stem cells and other blood cells. Takara Bio holds exclusive rights for worldwide applications of this powerful technology.

Takara Bio's second core technology in the Gene medicine segment is the T lymphocyte expansion-culture system that uses RetroNectin® reagents. This technology has the advantage of making it possible to culture large volumes of cell populations that contain a high proportion of naive T-cells, which have superior antigen recognition properties. For this reason, the technology is used in gene therapy and cell

therapy. By aggressively licensing out these technologies worldwide, Takara Bio aims to bolster the spread of its technologies and expand earnings derived from them.

Takara Bio is also pursuing the clinical development of gene therapy as a proprietary project. In 2008, the company entered into a joint clinical trials agreement with the National Cancer Center of Japan and has commenced clinical trials for *ex vivo* gene therapy for relapsed leukemia at the National Cancer Center Hospital in Tokyo. These were the first such trials of this type to have been held in Japan. In cell therapy, Takara Bio is moving ahead on the clinical development of the RetroNectin® induced T cell therapy and is also developing a business involving the provision of support services for cancer immunotherapy in partnership with medical institutions in Japan and overseas.

Net Sales
(Millions of Yen)



RetroNectin®

Takara Healthcare Inc.

Takara Healthcare utilizes the Takara Group's unique ingredients and technologies to provide its customers with safe and reliable health foods through direct marketing channels, thereby helping people to live healthy and active lives. After Takara Bio has conducted R&D on ingredients and collected research data, the two companies jointly conduct product development. Takara Bio then supplies the products to Takara Healthcare, which handles marketing activities and mail-order sales. By taking advantage of synergies between the two companies, the Takara Group aims to accelerate the growth of the health foods business.



The website for Internet mail-order customers



From left to right
Takara Fucoidan Supplement 50
Ashitaba (angelica herb) Chalcone
Kuugaimo
Herb Peucedanum japonicum from
Yakushima Island

TAKARA GROUP BUSINESS CHRONICLES

As of April 1, 2010

- 1925 Takara Shuzo Co., Ltd. is established.
- 1949 Takara Shuzo is listed on the Tokyo Stock Exchange.
- 2000 The long-term management concept Takara Evolution-100 (TE-100) is launched.
- 2002 Holding company Takara Holdings Inc. is established.
- 2006 The Group's businesses are reorganized, and Takara Healthcare Inc. is established.
- 2008 The Takara Group's Seventh Medium-Term Management Plan is implemented.

Alcoholic Beverages and Seasonings Business

- 1842 Commence sake brewing business.
- 1916 Begin manufacturing shochu and *Hon Mirin* using new production methods.
- 1933 Sho-Chiku-Bai Shuzo Co., Ltd. is established and begins manufacture and sale of *Sho-Chiku-Bai* brand sake.
- 1957 Enter the beer market. (*Takara Beer* is launched.)
- 1967 Withdrawal from the beer market.
- 1970 *Ajishirube* fermented seasoning is launched.
- 1972 Begin imported sales of Chinese spirits.
- 1977 *Takara Shochu Jun* is launched.
- 1979 The "Come Back Salmon Campaign" is launched.
- 1983 Takara Sake USA Inc. is established.
- 1984 *Takara Can Chu-Hi* is launched.
- 1986 *Takara Barbican* non-alcoholic beer is launched.
- 1993 *Calcium Parlor* is approved as a food for specified health uses.
- 1994 *Honkaku* shochu *Yokaichi* is launched nationwide in Japan.
- 1995 Beijing Takara Foods Co., Ltd. (currently, Takara Shuzo Foods Co., Ltd.), a joint venture company, is established.
- 1998 Green Ink Accounting Report (currently, Green Ink Corporate Report) is issued.
Enter wine business.



Takara Shochu Jun



Takara Sake USA Inc.

- 2000 *Tokusen Takara Yuki Hon Mirin*, which acquired international certification from the Organic Crop Improvement Association (OCIA), is launched.
- 2001 Shares in Luc Corporation, Ltd. are acquired.
Ikkomon 100% sweet-potato-based shochu is launched.
Sho-Chiku-Bai Shirakabe-gura Brewery is completed at the Nada Plant as the center of Takara's premium sake business.
- FY2003
Apr. 02 Takara Shuzo Co., Ltd. is established through restructuring and establishment of the holding company.
Production network is revamped.
- Mar. 03
FY2004
Sep. 03 *Sho-Chiku-Bai Ten* is launched.
- FY2005
Aug. 04 *Takara Yuki Hon Ryoriseishu* is launched.
- FY2006
Sep. 05 Bottled *Takara Chu-Hi* is launched.
Kyo Takara Hon Mirin N is launched.
Kyo Takara established as a B-to-B brand to restaurants and food manufacturers.
Takara Shochu High Ball is launched.
Shochu JAPAN is launched.
- Mar. 06



Ikkomon, 100% sweet-potato-based shochu



Sho-Chiku-Bai Ten



Kyo Takara established as a B-to-B brand

Biomedical Business

- 1970 The Central Research Institute is completed in Otsu. Method for large-scale cultivation of Bunashimeji mushrooms is developed.
- 1979 Sale of first domestically produced restriction enzymes, research reagents for genetic engineering research starts.
- 1988 Exclusive rights to sell gene amplification equipment using the PCR method in Japan are obtained.
- 1993 Takara Biotechnology (Dalian) Co., Ltd. is established in China. The worldwide rights to PCR method are obtained.
- 1995 The RetroNectin® Method, a highly efficient gene transduction method, is developed.
- 1997 Sale of RetroNectin® reagents used in gene therapy begins worldwide.
Gene therapy clinical research using the RetroNectin® Method begins at Indiana University in the United States.
- 1998 Sale of DNA chip manufacturing instruments and analyzers begins.
- 2000 High-throughput genome sequence center Dragon Genomics Co., Ltd. is established. (Takara Bio acquires Dragon Genomics in October 2002.)
ICAN™ method, an isothermal gene-amplification method, is launched.
- 2002 Efficient protein expression system using the cold-shock vector method is developed.



Bunashimeji mushrooms



RetroNectin® reagent



DNA chip

- FY2003
Apr. 02 Takara Bio Inc. is established through restructuring and establishment of the holding company.
- Feb. 03 Takara Bio acquires exclusive rights in Asia from MolMed S.p.A. for gene therapies, including suicide gene for cancer.
- FY2004
May 03 Takara Bio licenses its RetroNectin® Method for gene therapy technology to VIRxSYS Corporation, of the United States
Takara Bio issues shares to third parties.
Takara Biomedical Technology (Beijing) Co., Ltd. is established in China.
- Oct. 03
Jan. 04
- FY2005
Nov. 04 *Nomu Kanten Calorie-Off* is launched.
Dec. 04 Takara Bio succeeds in sequencing *Matsutake* mushroom genome by using whole-shotgun sequencing method.
- Mar. 05 Takara Bio is listed on the Tokyo Stock Exchange, Mothers board.
An industry-academia-collaboration lecture series is established at the Mie University School of Medicine as part of a collaborative venture with the School of Medicine to promote the clinical development of T-cell receptor gene therapy targeting refractory cancers.
- FY2006
May 05 Takara Bio reaches an agreement with the National Cancer Center of Japan on joint research into clinical trials of gene therapies to treat leukemia.
Clontech Laboratories, Inc. is acquired from Becton, Dickinson and Company, of the United States.
Real-time PCR system is launched.
- Sep. 05
- Mar. 06



Nomu Kanten Calorie-Off

Health Foods Business

FY2007

May 06 Nagasaki Transport Co., Ltd. (currently, CHOU UN Co., Ltd.), is converted into a subsidiary.

Sep. 06 Takara Shuzo announces the end of sales of soft drink products.

Oct. 06 East Japan Cooking Laboratory (currently, East Japan Seasonings Customer Center) begins operations.

Mar. 07 *Takara Can Chu-Hi Jika Shibori* is launched.

FY2008

Sep. 07 *Ikkomon Ishigura Kame Chozo*, a 100% sweet-potato-based shochu, is launched.

Label design for *Takara Shochu Jun* is redesigned.

FY2009

Aug. 08 *Shirashinken honkaku* barley shochu is launched.

Sep. 08 *Sho-Chiku-Bai Shirakabe-gura Kimoto Junmai* sake is launched.

FY2010

Jul. 09 Sales routes for *Shirashinken honkaku* barley shochu are expanded.

Takara Can Chu-Hi Grapefruit is launched.

100% sweet-potato-based shochu *Ikkomon Choki Chozo Genshu*, a long-term fermented unprocessed shochu, is launched.



Shirashinken honkaku barley shochu



Sho-Chiku-Bai Shirakabe-gura Kimoto Junmai

FY2007

Sep. 06 Takara Healthcare Inc. is established.

FY2008

Aug. 07 *Takara Fucoidan Supplement 50* is launched.

Sep. 07 *Kuugaimo* is launched.

Jan. 08 Capital and business alliance formed with AMS Life Science Co., Ltd.

FY2009

Jun. 08 *Ashitaba (angelica herb) Chalcone* is launched.

Feb. 09 *Takara Fucoidan Capsules* is launched.

Mar. 09 *Nomu Kanten Zero Sugar* is launched.

FY2010

Jul. 09 *Mushroom Terpene* is launched.



Takara Fucoidan Supplement 50

FY2007

Jul. 06 Exclusive license for a patent concerning the detection of refractory leukemia granted to InVivoScribe Technologies, LLC in the United States.

Sep. 06 Sales function of health foods business is transferred to Takara Healthcare Inc.

FY2008

Aug. 07 Clontech Laboratories' fluorescent protein series is launched.

Jan. 08 MolMed S.p.A., a co-development partner of Takara Bio in gene therapy for acute leukemia, obtained regulatory approval to start a Phase III clinical trial in Italy.

Mar. 08 Takara Bio and the Mie University School of Medicine begin clinical research in "cancer immunity reconstruction therapy" using the RetroNectin® expansion-culture system for treating esophageal cancer, head and neck cancers, and other cancers.

FY2009

Oct. 08 Takara Bio commences HSV-TK gene therapy clinical trials for relapsed leukemia patients at the National Cancer Center Hospital in Japan.

Iseikai Medical Corporation in Kyoto commenced cancer immunotherapy based on technical support from Takara Bio on a fee basis.

Takara Bio confirmed that it is possible to confer resistance to a multi-drug-resistant HIV clinical isolate in cells transduced with the MazF ribonuclease genes.

Takara Bio commences sales of Human iPS Cell Generation™ Vector Sets.

Mar. 09

FY2010

Apr. 09 Clinical research commenced at Kyoto Prefectural University of Medicine for cancer immunotherapy based on the RetroNectin® expansion-culture system.

Jun. 09 Takara Bio entered into an agreement with Kohjin-bio Co., Ltd. relating to the cell culture media business in China.

Sep. 09 An R&D project on comprehensive cancer immunotherapy was selected as a Translational Research Promotion Project.

Nov. 09 Takara Bio receives patent in Japan for the RetroNectin® lymphocyte expansion-culture system (currently, RetroNectin® induced T cell therapy).

Mar. 10 Takara Bio enters into a collaborative research agreement with the University of Pennsylvania, aiming for a future clinical trial of HIV gene therapy in the United States.



Clontech Laboratories, Inc.



Cell processing room at the Mie University School of Medicine

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, 2010, the Board of Corporate Auditors comprised five 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, Biomedical Business Coordination 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.

■ The 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 70.9% of the voting rights of Takara Bio (Tokyo Stock Exchange Mothers; Securities code number: 4974) as of March 31, 2010. 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, 2010, Takara Holdings is a pure holding company comprising 33 subsidiaries and six 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, Biomedical Business 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)

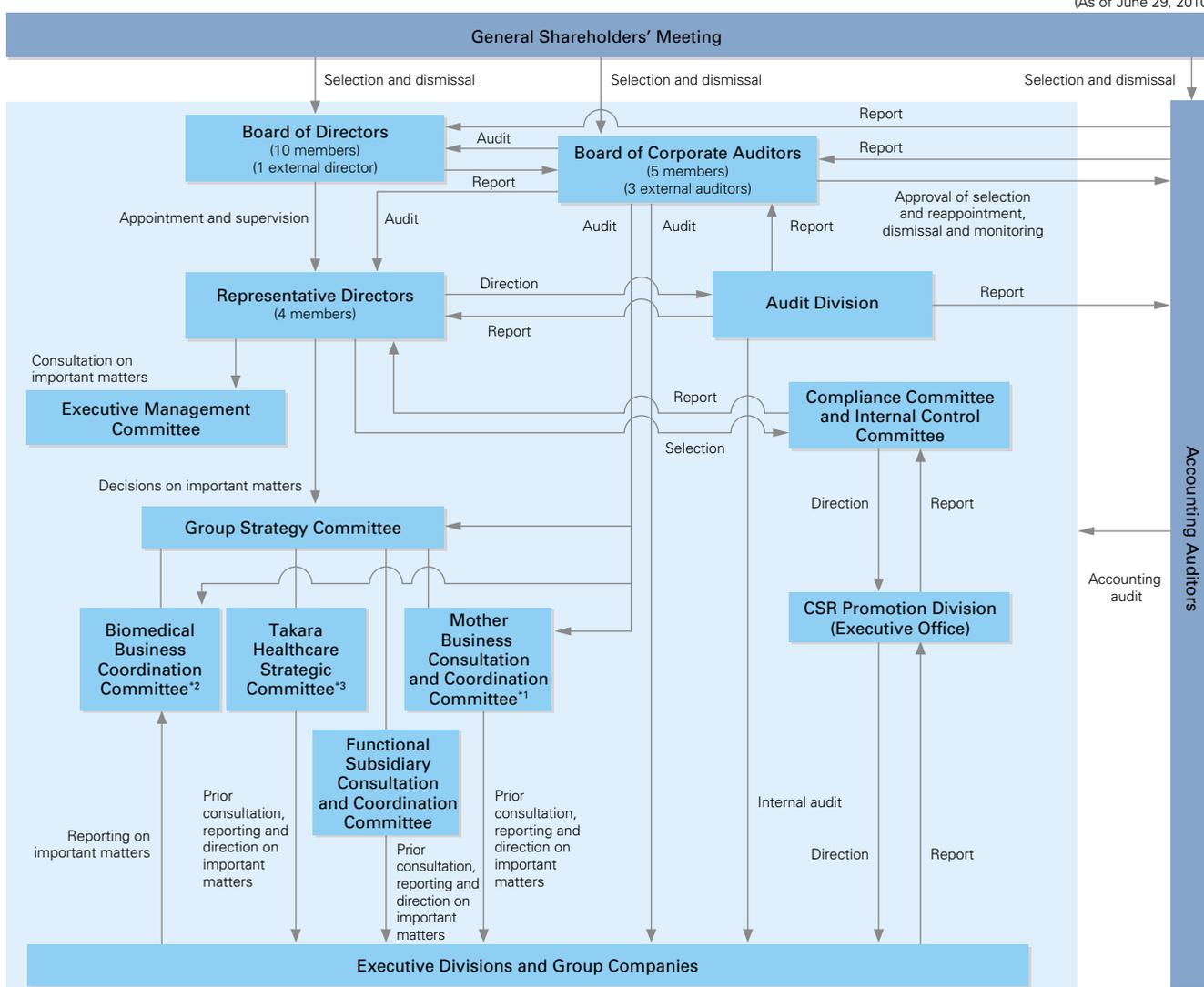
At the Board of Directors’ meeting held on May 15, 2006, the Company enacted “Policies on Response to Large-Scale Purchases of the Company’s Shares (takeover defense guidelines)” with the aim of maintaining and increasing corporate value and promoting the joint benefit of shareholders.

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/>; official company accounts (Japanese language only); and the Management’s Discussion and Analysis section of this annual report.

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, 2010)



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

BOARD OF DIRECTORS AND AUDITORS

As of June 29, 2010



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; 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)	Yoshie Ohta	
Corporate Auditor (External auditor)	Kozo Kagawa	

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

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

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

For Healthy, Proactive Customer Lifestyles

Takara Shuzo provides customers with safe and trusted products based on an assured quality management system encompassing each step from product planning through to production and shipment. Further, with the health of our customers in mind, we actively undertake public awareness campaigns on appropriate alcohol consumption and aggressively implement measures to prevent the drinking of alcohol by mistake.

Recognizing that promoting appropriate consumption of alcohol is an important responsibility of producers and marketers of alcoholic beverages, our “Say No Campaign,” which we initiated in 1985, was one of the earliest public awareness campaigns undertaken in Japan about the appropriate consumption of alcohol. We also published the *Say No Book*, which provides important information about alcohol and its responsible use. In 2009, the book was relaunched under the title, *Maintaining a Positive Relationship with Alcohol*. In addition, since 1995, our alcoholic beverage products have carried warning messages on their labels to help prevent drinking by minors and driving while under the influence of alcohol.

In 1995, the *Takara Can Chu-Hi* product series became the first of its type in Japan to provide labeling in Braille. The top of each can carries the word in Japanese for “alcoholic beverage” written in Braille. In 2002, similar Braille labeling was also applied to the top of Takara products sold in cardboard packaging—another first for Japan.



Maintaining a Positive Relationship with Alcohol, published by Takara Shuzo



Braille on can top



Braille on tetra pak cap

For a Proactive Societal Vitality

Takara Holdings established the Takara Harmonist Fund in 1985. Each year since its founding, this public trust fund has provided funding for the activities that promote environmental preservation for forests and watersheds, research and other activities in the community to protect the natural habitat.

In April 2004, Takara Shuzo began operating the Takara Rice and Sake School (relaunched as the Takara Farm School in 2008), which provides opportunities to learn about nature’s bounty and ecology by experiencing the cultivation of rice and by observing the natural world around rice farms.

We collaborated with a non-profit organization (NPO) to produce a picture book titled *Recycle Road*, which encourages the recycling of beverage containers. As part of our efforts to raise awareness among the children who represent Japan’s next generation, this book has been distributed on request to elementary schools throughout Japan free of charge.



Takara Farm School



Takara Recycle Road book



Takara Harmonist Fund booklet

For a Healthy Planet’s Ecosystem

Takara Shuzo understands, as an enterprise which has an impact on the environment as part of its business activities, it has a serious social responsibility to society to alleviate the burden on the global environment and preserve nature. We have been publicly disclosing “green accounts” that detail our efforts and achievements in reducing environmental impact since 1998. These accounting reports disclose easy-to-understand indexes, whose unit is the ECO, as a way to measure and account for overall improvement of the items selected. These items consist of a range of environmental impacts and environmental concerns in a number of areas as well as community activities that are selected by importance.

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



Green Ink Corporate Report 2009



Removable cap



Selling shochu by weight

SIX-YEAR FINANCIAL SUMMARY

Takara Holdings Inc. and Consolidated Subsidiaries
Years ended March 31

	Millions of Yen						Thousands of U.S. Dollars (Note 2)
	2010	2009	2008	2007	2006	2005	2010
For the Years Ended March 31:							
Sales to customers	¥190,525	¥192,790	¥191,878	¥198,535	¥196,119	¥195,359	\$2,048,655
Alcoholic Beverages and Seasonings segment	157,755	159,386	156,780	167,665	—	—	1,696,290
Biomedical segment	18,900	18,402	19,793	20,574	—	—	203,225
Transportation segment	8,218	8,779	8,762	5,977	—	—	88,365
Other segment	5,650	6,222	6,540	4,318	—	—	60,752
(Former) Alcoholic Beverages and Foods segment	—	—	—	173,642	176,107	178,068	—
(Former) Biomedical segment	—	—	—	20,574	16,490	13,671	—
(Former) Other segment	—	—	—	4,318	3,520	3,618	—
Cost of sales	115,805	118,849	117,864	122,325	120,132	119,114	1,245,215
Gross profit	74,719	73,941	74,014	76,210	75,986	76,244	803,430
SG&A expenses	66,146	65,090	65,507	68,550	70,062	68,841	711,247
Operating income	8,572	8,851	8,506	7,660	5,924	7,402	92,172
Income before income taxes and minority interests in net income of consolidated subsidiaries	8,208	8,193	8,321	7,660	7,876	6,813	88,258
Net income	4,677	5,639	4,658	4,208	5,320	2,614	50,290
Depreciation and amortization	5,652	5,992	6,384	6,692	6,755	6,393	60,774
Capital expenditures	3,645	3,616	3,852	3,617	5,633	6,511	39,193
R&D expenses	3,665	3,343	3,643	3,593	3,574	3,353	39,408
As of March 31:							
Total assets	¥195,495	¥190,792	¥207,843	¥213,393	¥212,466	¥190,773	\$2,102,096
Interest-bearing debt	39,162	39,092	43,717	39,083	39,330	40,347	421,096
Total equity	109,206	105,316	113,273	115,570	—	—	1,174,258
Total shareholders' equity	96,666	93,093	99,969	102,507	101,839	89,478	1,039,419
Per Share of Common Stock (Yen and U.S. Dollars):							
Basic net income	¥22.20	¥26.32	¥21.53	¥19.44	¥24.39	¥11.74	\$0.23
Cash dividends	8.50	8.50	8.50	7.50	9.00	7.50	0.09
Ratios (%):							
Return on assets (ROA)	2.4%	2.8%	2.2%	2.0%	2.6%	1.4%	—
Return on equity (ROE)	4.9	5.8	4.6	4.1	5.6	2.9	—
Equity ratio	49.4	48.8	48.1	48.0	47.9	46.9	—

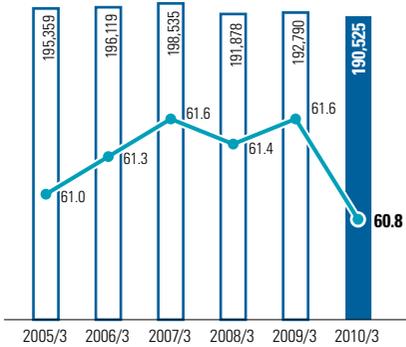
- Notes: 1. Japanese yen figures are rounded down to the nearest million yen. Per share data information is rounded to the nearest yen, and ratios to the first decimal place.
2. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥93 to U.S.\$1, the approximate rate of exchange at March 31, 2010.
3. Effective April 1, 2007, the Group changed its industry segmentation from Alcoholic Beverages and Foods, Biomedical and Other to Alcoholic Beverages and Seasonings, Biomedical, Transportation and Other, because the sales amount of the transportation business, which was previously included in the Alcoholic Beverages and Foods segment, has increased. The accounts of Nagasaki Transport Co., Ltd. (currently, CHOU UN Co., Ltd.), which was newly consolidated from fiscal 2007, were included for the 12-month period for fiscal 2008. In addition, effective April 1, 2007, the Group changed the name of the Alcoholic Beverages and Foods segment to the Alcoholic Beverages and Seasonings segment due to withdrawal from the non-alcoholic beverages business.
4. Effective fiscal 2007, the Company applied the Accounting Standard for Presentation of Net Assets in the Balance Sheet and the Implementation Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet. As a result, starting from fiscal 2007 the sum of Total shareholders' equity and Minority interests is listed as Total equity.
5. The amount listed in Total shareholders' equity at March 31, 2007 is calculated by subtracting Minority interests and Stock acquisition rights from Total equity. Please note that the balance sheets of fiscal 2006 and before list Total shareholders' equity.

FACT SHEET

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 / %)

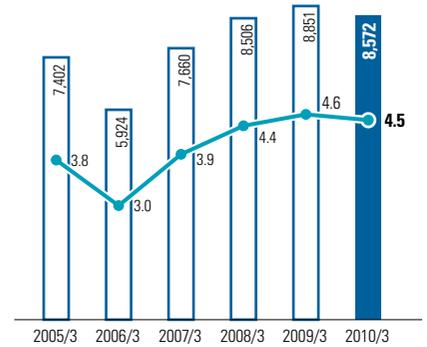
■ SG&A expenses
● SG&A expenses ratio



Operating Income Operating Income to Net Sales Ratio

(Millions of Yen / %)

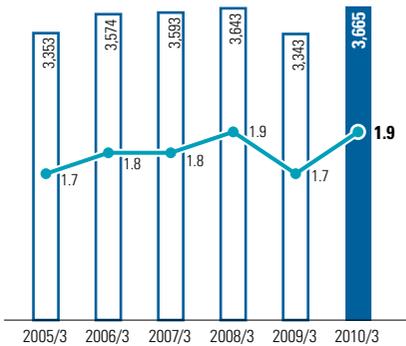
■ Operating income
● Operating income to net sales ratio



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 / %)

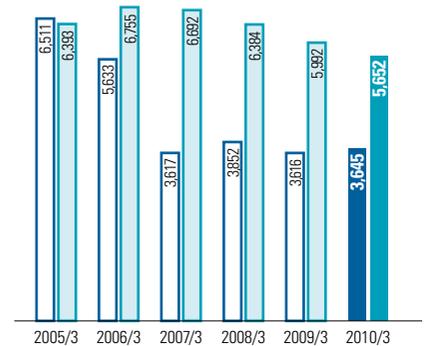
■ Net income
● Net income to net sales ratio



Capital Expenditures Depreciation and Amortization

(Millions of Yen)

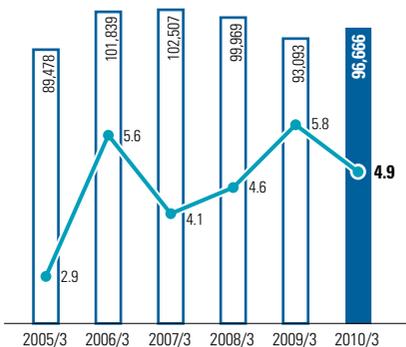
■ Capital expenditures
● Depreciation and amortization



Total Shareholders' Equity ROE

(Millions of Yen / %)

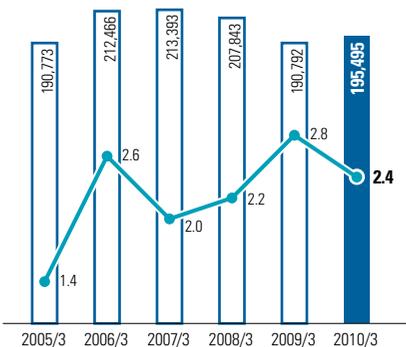
■ Total shareholders' equity
● ROE



Total Assets ROA

(Millions of Yen / %)

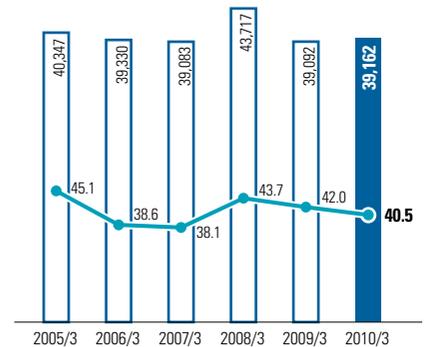
■ Total assets
● ROA



Interest-Bearing Debt D/E Ratio

(Millions of Yen / %)

■ Interest-bearing debt
● D/E ratio



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

MAJOR CONSOLIDATED SUBSIDIARIES

As of June 29, 2010

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
<i>Subsidiaries of Takara Shuzo Co., Ltd.</i>				
Takara Butsuryu System Co., Ltd.	55-13 Osumihama, Kyotanabe, Kyoto 610-0343, Japan TEL 0774-68-1720	¥50 million	(100.0%)	Transportation, warehousing, automobile service, non-life insurance agent, travel agent, etc.
TB Co., Ltd.	55-13 Osumihama, Kyotanabe, Kyoto 610-0343, Japan TEL 0774-65-3840	¥10 million	(100.0%)	Transportation, warehousing
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
USA Takara Holding Company	708 Addison St., Berkeley, CA 94710, U.S.A. TEL 510-540-8250	US\$4,094 thousand	(100.0%)	Holding company
Takara Sake USA Inc.	708 Addison St., Berkeley, CA 94710, U.S.A. TEL 510-540-8250	US\$3,000 thousand	(90.0%)	Manufacture and sale of alcoholic beverages
AADC Holding Company, Inc.	229 W. Main St., Frankfort, KY 40602, U.S.A. TEL 502-223-9874	US\$30	(100.0%)	Holding company
Age International, Inc.	229 W. Main St., Frankfort, KY 40602, U.S.A. TEL 502-223-9874	US\$250 thousand	(100.0%)	Sale of bourbon whisky
The Tomatin Distillery Co., Ltd.	Tomatin, Inverness-shire, IV13 7YT Scotland, U.K. TEL 1463-248-148	STG£3,297 thousand	(80.6%)	Manufacture and sale of Scotch whisky
J&W Hardie Ltd.	Tomatin, Inverness-shire, IV13 7YT Scotland, U.K. TEL 1463-248-148	STG£250 thousand	(100.0%)	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
LB FOOD SYSTEM CO., LTD.	18/F, Yue Hai Building No.472, Huan Shi Dong Road, Guangzhou, China 510075 TEL 020-8761-1100	RMB6,800 thousand	(51.0%)	Operation of Japanese restaurants in Guangzhou
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 SAS	4, impasse des Carrières, 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	¥9,053 million	70.9%	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
<i>Subsidiaries of Takara Bio Inc.</i>				
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	W3,860 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 Holding 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
<i>Subsidiaries of Takara Holdings Inc.</i>				
Takara Healthcare Inc.	85-1 Mikuracho, 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.

CORPORATE DATA

As of March 31, 2010

Takara Holdings Inc.

Trade Name	Takara Holdings Inc.
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
URL	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	31,918
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

Inquires 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)

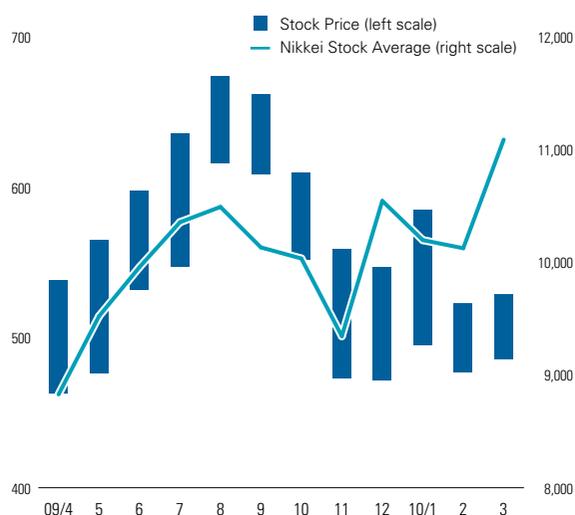
Annual Meeting of Shareholders
The annual meeting of shareholders of the Company is normally held in June each year in Kyoto, Japan. In addition, the Company may hold a special meeting of shareholders whenever necessary by giving at least two weeks advance notice to shareholders.

Principal Shareholders

Name	Number of Shares Held (thousands)	Percentage of Shares Held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	10,407	4.78
Mizuho Corporate Bank, Ltd.	9,738	4.47
The Norinchukin Bank	9,500	4.36
Japan Trustee Services Bank, Ltd. (Trust Account)	8,999	4.13
Meiji Yasuda Life Insurance Company	5,370	2.47
Bank of Kyoto, Ltd.	5,000	2.30
KOKUBU & CO., LTD.	3,489	1.60
JPMorgan Securities Japan Co., Ltd.	3,275	1.50
The Sumitomo Trust and Banking Co., Ltd.	2,753	1.26
Takara Group Employees' Shareholding Association	2,519	1.16

Notes: (1) Any amount that is less than 1,000 shares is disregarded.
(2) In addition to the shareholdings listed above, the Company held treasury stock totaling 7,227,677 shares (equivalent to 3.32% of voting rights).
(3) The number of shares indicated as held by The Sumitomo Trust and Banking Co., Ltd. does not include shares held as part of trust banking services.

Stock Price Range on the Tokyo Stock Exchange (Yen)



Takara Shuzo Co., Ltd.

Trade Name	Takara Shuzo Co., Ltd.
Head Office	20 Naginataboko-cho, Shijo-dori Karasuma Higashi-iru, Shimogyo-ku, Kyoto 600-8688, Japan
Telephone	075-241-5110
Established	April 1, 2002
Issued Capital	¥1,000 million

Common Stock Issued and Outstanding	20,000 shares
Major Shareholder	Takara Holdings Inc. (100% equity owned)
Company Representative	Hisashi Ohmiya, President
URL	http://www.takarashuzo.co.jp/english/

Takara Bio Inc.

Trade Name	Takara Bio Inc.
Head Office	3-4-1, Seta, Otsu-shi, Shiga 520-2193, Japan
Telephone	077-543-7212
Established	April 1, 2002
Issued Capital	¥9,053 million
Common Stock Issued and Outstanding	282,139 shares

Stock Listing (Common Stock)	Tokyo Stock Exchange, Mothers board
Securities Code Number	4974
Major Shareholder	Takara Holdings Inc. (70.9% equity owned)
Company Representative	Koichi Nakao, President & CEO
URL	http://www.takara-bio.com/

Takara Healthcare Inc.

Trade Name	Takara Healthcare Inc.
Head Office	85-1 Mikuracho, Sanjo-dori Karasuma Nishi-iru, Nakagyo-ku, Kyoto 604-8166, Japan
Telephone	075-229-6901
Established	September 7, 2006
Issued Capital	¥90 million

Common Stock Issued and Outstanding	3,600 shares
Major Shareholder	Takara Holdings Inc. (100% equity owned)
Company Representative	Tetsuya Kamon, President
URL (Japanese language only)	http://www.takara-healthcare.co.jp/



TAKARA HOLDINGS INC.

20 Naginataboko-cho, Shijo-dori Karasuma Higashi-iru,
Shimogyo-ku, Kyoto 600-8688, Japan
Telephone: 075-241-5130
www.takara.co.jp/english/



The method of printing for this annual report was chosen to reduce environmental impact. It is printed by offset printing using soy ink without the use of water and is printed on paper certified by the Forest Stewardship Council (FSC).

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