

**Consolidated Financial Statements for the First Quarter Ended June 30, 2016
FY2017 (April 1, 2016 - March 31, 2017) [UNAUDITED]**

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 Stock exchange listings: Tokyo Stock Exchange (1st section)
 Code number: 2531
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 Quarterly statement filing date (as planned): August 8, 2016

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

1. Results for the three months ended June 30, 2016 (April 1, 2016 - June 30, 2016)

(1) Operating results

Note: Percentages indicated changes from the previous fiscal year.

	Three months ended June 30, 2016		Three months ended June 30, 2015	
	(Millions of yen)	(%)	(Millions of yen)	(%)
Net sales	52,311	2.7	50,938	1.8
Operating income (loss)	1,630	151.0	649	(45.1)
Ordinary income (loss)	1,998	88.3	1,061	(28.6)
Net income (loss) attributable to owners of the parent	1,084	63.7	662	(18.4)
Net income (loss) per share (Yen)	5.39		3.29	
Fully diluted net income per share (Yen)	-		-	
Note: Comprehensive income	(3,242)	-	(357)	-

(2) Financial position

	As of June 30, 2016	As of March 31, 2016
	(Millions of yen)	(Millions of yen)
Total assets	245,681	253,253
Net assets	150,398	156,148
Equity ratio (%)	50.9	51.5
(Reference) Equity	125,170	130,386

2. Dividends

	Dividend per share (Yen)		
	Year ended March 31, 2016	Year ending March 31, 2017	Year ending March 31, 2017 (Forecast)
First quarter end	-	-	-
Second quarter end	-	-	-
Third quarter end	-	-	-
Year end	12.00		12.00
Annual	12.00		12.00

Note: Correction of dividend forecast from the most recent dividend forecast : No
 The year-end dividend for FY2016 include a commemorative dividend of ¥1.00

3. Forecast for the year ending March 31, 2017 (April 1, 2016 - March 31, 2017)

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

	Six months ending September 30, 2016		Year ending March 31, 2017	
	(Millions of yen)	(%)	(Millions of yen)	(%)
Net sales	107,900	0.9	232,000	2.9
Operating income (loss)	3,800	(2.1)	12,000	2.7
Ordinary income (loss)	4,000	(7.6)	12,850	0.1
Net income (loss) attributable to owners of the parent	2,000	(20.8)	7,080	0.3
Net income per share (Yen)	9.94		35.18	

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

4. Others

- (1) Material changes in subsidiaries during this period
(Changes in scope of consolidations resulting from change in subsidiaries) : No
- (2) Applying of specific accounting of the consolidated quarterly financial statements : No
- (3) Changes in accounting policies, accounting estimates and retrospective restatement
 - 1) Changes based on revisions of accounting standard : Yes
 - 2) Changes other than ones based on revisions of accounting standard : No
 - 3) Changes in accounting estimates : No
 - 4) Restatement : No
- (4) Number of outstanding shares (common stock)
 - 1) Number of outstanding shares at year end (Treasury stocks are included)
 - As of June 30, 2016 : 217,699,743
 - As of March 31, 2016 : 217,699,743
 - 2) Number of treasury stocks at year end
 - As of June 30, 2016 : 16,475,431
 - As of March 31, 2016 : 16,475,391
 - 3) Average number of outstanding shares
 - Three months ended June 30, 2016 : 201,224,342
 - Three months ended June 30, 2015 : 201,225,603

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Supplement for the Consolidated Quarterly Financial Statements

1. Qualitative Information for the Three Months Ended June 30, 2016

(1) Consolidated Financial Results

In the three months ended June 30, 2016, although the Japanese economy maintained a moderate recovery as the hiring and income environment improved, personal spending remained weak.

On the other hand, overseas, while the American economy continued on a recovery path, there was continued uncertainty for the future of the global economy caused by the slowdown in emerging country economies, the Brexit issue in the U.K. and other issues.

Under these economic circumstances, moving into the final fiscal year of the Takara Group Medium-Term Management Plan FY2017, which is the second step of efforts toward achieving the Takara Group Vision 2020, our long-term vision, the Group continued to make efforts to improve domestic business profitability and to expand and grow our overseas business while working on steady business activities with aim of transforming into a well-balanced business structure that can hold up well to business environment changes by accelerating growth in our Biomedical Business.

As a result, in the three months ended June 30, 2016, net sales were up by 2.7% year on year to ¥52,311 million. Gross profit rose 6.6% year on year to ¥20,919 million. Operating income increased by 151.0% year on year to ¥1,630 million while ordinary income rose 88.3% year on year to ¥1,998 million. Net income attributable to owners of the parent increased by 63.7% year on year to ¥1,084 million.

Results by business segment were as follows.

[Takara Shuzo Group]

For alcoholic beverages, in the three months ended June 30, 2016, while sales of shochu declined, sales of sake were in line with the same period of the previous fiscal year, and sales of light-alcohol refreshers increased as sales of Takara Shochu High Ball remained robust.

As sales of other alcoholic beverages such as whiskey also rose, sales of alcoholic beverages overall increased.

In the Seasonings Business, sales increased due to healthy sales of mirin and cooking sake while sales of raw alcohol, etc. and transportation sales declined.

In the Japanese Food Wholesale Business in overseas markets, sales at FOODEX S.A.S. (France), Cominport Distribución S.L. (Spain), and Tazaki Foods Ltd (U.K.) increased.

As a result, net sales for the Takara Shuzo Group rose 2.0% year on year to ¥45,124 million. Cost of sales increased by 0.5% to ¥28,622 million. As a result, gross profit rose 4.7% year on year to ¥16,501 million. SG&A expenses were up by 1.8% year on year to ¥15,658 million due to an increase in promotion expenses and transportation expenses. Accordingly, the Takara Shuzo Group recorded operating income up 121.8% year on year to ¥843 million in the three months ended June 30, 2016.

[Takara Bio Group]

Net sales for the three months ended June 30, 2016 increased by 9.5% year on year to ¥6,306 million because sales of mainstay research reagents significantly outperformed the same period of the previous fiscal year. Cost of sale was unchanged year on year at ¥2,439 million as the cost rate fell due to changes in the structure of sales for each product and other factors. Consequently, gross profit increased by 16.4% year on year to ¥3,866 million. SG&A expenses were roughly in line with the previous fiscal year up 0.4% year on year to ¥3,223 million as personnel expenses rose although research and development expenses declined. As a result, the Takara Bio Group recorded operating income up 476.3% year on year to ¥643 million in the three months ended June 30, 2016.

[Takara Healthcare]

Net sales for the three months ended June 30, 2016 fell by 4.2% year on year to ¥457 million due to falling sales of OEM cosmetics. Cost of sales was down by 15.5% year on year to ¥204 million. Consequently, gross profit increased by 7.2% year on year to ¥253 million. SG&A expenses were up by 18.7% year on year to ¥277 million, mainly due the increase in advertising expenses. As a result, Takara Healthcare recorded an operating loss of ¥24 million, compared to operating income of ¥2 million recorded in the same period of the previous fiscal year.

[Other]

Net sales of business segments other than the reported segments for the three months ended June 30, 2016 increased by 1.4% year on year to ¥1,304 million. Cost of sales fell by 1.6% year on year to ¥1,120 million. Consequently, gross profit increased by 23.7% year on year to ¥183 million. SG&A expenses were down by 6.7% year on year to ¥157 million. As a result, operating income of ¥25 million was recorded, compared to a ¥20 million operating loss recorded in the same period of the previous fiscal year.

Breakdown of sales results by product category

Segment	Equivalent Period of Previous Fiscal Year (From April 1, 2015, to June 30, 2015)	Period under Review (from April 1, 2016, to June 30, 2016)	YoY Comparison
Product category	Amount (Millions of yen)	Amount (Millions of yen)	(%)
Takara Shuzo Group			
Shochu	14,323	14,128	98.6
Sake	4,503	4,516	100.3
Light-alcohol refreshers	6,876	7,300	106.2
Other alcoholic beverages	3,173	3,381	106.5
Alcoholic beverages total	28,877	29,327	101.6
<i>Hon Mirin</i>	3,332	3,464	104.0
Other seasonings	2,103	2,259	107.4
Seasonings total	5,435	5,724	105.3
Raw alcohol, etc.	1,902	1,769	93.0
Transportation	3,012	2,662	88.4
Japanese Food Wholesales Business in overseas markets	4,646	5,300	114.1
Other	357	340	95.3
Total	44,231	45,124	102.0
Takara Bio Group	5,761	6,306	109.5
Takara Healthcare	478	457	95.8
Other	1,286	1,304	101.4
Sales not allocated to business segments and intersegment transactions	(818)	(881)	-
Total	50,938	52,311	102.7

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

(2) Consolidated Financial Position

Total assets stood at ¥245,681 million as of June 30, 2016, down by ¥7,571 million from March 31, 2016. Current assets stood at ¥153,679 million, down by ¥5,394 million. This decrease primarily resulted from a decline of ¥1,939 million in notes and accounts receivable- trade and a decline of ¥3,328 million in securities.

Non-current assets decreased by ¥2,177 million from the end of the previous fiscal year to ¥92,002 million. The main factors were decreases of ¥806 million in property, plant and equipment, ¥815 million in intangible assets, and ¥446 million in investment securities.

Total liabilities amounted to ¥95,283 million as of June 30, 2016, down by ¥1,820 million from March 31, 2016. Current liabilities rose ¥3,565 million from the end of the previous fiscal year to ¥51,213 million. This was primarily due to a ¥5,000 million increase in current portion of bonds and a ¥1,150 million decrease in notes and accounts payable – trade.

Non-current liabilities declined ¥5,386 million from the end of the previous fiscal year to ¥44,069 million. This was primarily due to a ¥5,000 million decrease resulting from the transfer of bonds to current liabilities.

Net assets stood at ¥150,398 million as of June 30, 2016, down ¥5,750 million from the end of the previous fiscal year. The main factors were declines of ¥1,330 million in retained earnings and ¥3,101 million in foreign currency translation adjustment.

(3) Qualitative Information Regarding Consolidated Forecasts

The consolidated performance for the three months ended June 30, 2016 exceeded initial forecasts. Nevertheless, the Company has not revised the consolidated forecasts for the six months ending September 30, 2016 or for the fiscal year ending March 31, 2017 that were released on May 9, 2016 because the proportion of the Group's annual income accounted for by income in the first quarter of the fiscal year is relatively low.

2. Summary Information (Notes)

(1) Change in Accounting Policy and Retrospective Restatement of Accounting Estimates

(Change in Accounting Policy)

(Application of Practical Solution on a change in depreciation method due to Tax Reform 2016)

In the three month period ended June 30, 2016, the Company applied Practical Solution on a change in depreciation method due to Tax Reform 2016 (PITF No. 32, June 17, 2016) following the revision of the Corporation Tax Act, and changed the method of depreciation for structures and facilities attached to buildings acquired on and after April 1, 2016 from the declining-balance method to the straight-line method.

The impact of this change on operating income, ordinary income, and profit before income taxes and minority interests for the three month period ended June 30, 2016 is immaterial.

(2) Additional Information

(Application of Revised Implementation Guidance on Recoverability of Deferred Tax Assets)

The Company has been applying the Revised Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26 of March 28, 2016) from the beginning of the three month period ended June 30, 2016.

3. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheets

(Millions of Yen)

	As of Mar. 31, 2016	As of June 30, 2016
Assets		
Current assets		
Cash and deposits	38,386	37,676
Notes and accounts receivable-trade	53,602	51,662
Securities	28,238	24,909
Merchandise and finished goods	29,739	29,085
Work in process	1,077	1,207
Raw materials and supplies	3,401	2,996
Other	4,859	6,365
Allowance for doubtful accounts	(231)	(224)
Total current assets	159,073	153,679
Noncurrent assets		
Property, plant and equipment	53,065	52,258
Intangible assets		
Goodwill	6,975	6,504
Other	4,035	3,691
Total intangible assets	11,010	10,195
Investments and other assets		
Investment securities	24,747	24,301
Other	5,468	5,339
Allowance for doubtful accounts	(112)	(91)
Total investments and other assets	30,103	29,549
Total noncurrent assets	94,179	92,002
Total assets	253,253	245,681

(Millions of Yen)

	As of Mar. 31, 2016	As of June 30, 2016
Liabilities		
Current liabilities		
Notes and accounts payable-trade	15,201	14,051
Short-term loans payable	4,994	4,806
Current portion of bonds	-	5,000
Accrued alcohol tax	7,855	7,308
Accrued expenses	4,965	4,065
Income taxes payable	2,307	992
Provision for bonuses	2,235	3,405
Other provision	1,954	2,195
Other	8,133	9,387
Total current liabilities	47,648	51,213
Noncurrent liabilities		
Bonds payable	20,000	15,000
Long-term loans payable	10,255	10,247
Net defined benefit liability	8,544	8,580
Long-term deposits received	5,379	5,362
Other	5,277	4,878
Total noncurrent liabilities	49,456	44,069
Total liabilities	97,104	95,283
Net assets		
Shareholders' equity		
Capital stock	13,226	13,226
Capital surplus	1,879	1,879
Retained earnings	113,663	112,333
Treasury stock	(9,938)	(9,938)
Total shareholders' equity	118,830	117,500
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,822	6,548
Deferred gains or losses on hedges	(445)	(949)
Foreign currency translation adjustment	5,548	2,446
Remeasurements of defined benefit plans	(370)	(376)
Total accumulated other comprehensive income	11,555	7,670
Noncontrolling interests	25,762	25,227
Total net assets	156,148	150,398
Total liabilities and net assets	253,253	245,681

(2) Consolidated Quarterly Statements of Income and Consolidated Quarterly Statements of Comprehensive Income**(Consolidated Statements of Income)****(For the Three Months Ended June 30, 2016 and 2015)**

(Millions of Yen)

	FY2016 (Apr. 1, 2015 – June 30, 2015)	FY2017 (Apr. 1, 2016 – June 30, 2016)
Net sales	50,938	52,311
Cost of sales	31,323	31,391
Gross profit	19,615	20,919
Selling, general and administrative expenses	18,966	19,289
Operating income	649	1,630
Non-operating income		
Dividends income	231	232
Equity in earnings of affiliates	100	140
Other	236	169
Total non-operating income	569	542
Non-operating expenses		
Interest expenses	115	107
Foreign exchange loss	-	42
Other	41	25
Total non-operating expenses	156	174
Ordinary income	1,061	1,998
Extraordinary income		
Gain on sales of noncurrent assets	4	6
Gain on sales of investment securities	260	-
Other	-	0
Total extraordinary income	264	7
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	12	14
Loss on valuation of investment securities	23	-
Other	-	1
Total extraordinary losses	36	16
Income before income taxes and minority interests	1,289	1,989
Income taxes-current	1,224	1,234
Income taxes-deferred	(667)	(463)
Total income taxes	556	770
Net income	732	1,218
Net income attributable to the noncontrolling interest	70	134
Net income attributable to owners of the parent	662	1,084

(Consolidated Quarterly Statements of Comprehensive Income)
(For the Three Months Ended June 30, 2016 and 2015)

(Millions of Yen)

	FY2016 (Apr. 1, 2015 – June 30, 2015)	FY2017 (Apr. 1, 2016 – June 30, 2016)
Net income	732	1,218
Other comprehensive income		
Valuation difference on available-for-sale securities	992	(273)
Deferred gains or losses on hedges	(32)	(505)
Foreign currency translation adjustment	(2,032)	(3,485)
Remeasurements of defined benefit plans	(12)	(2)
Share of other comprehensive income of associates accounted for using equity method	(4)	(193)
Total other comprehensive income	(1,090)	(4,461)
Comprehensive income	(357)	(3,242)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	(219)	(2,800)
Comprehensive income attributable to noncontrolling interest	(138)	(441)

**(3) Notes on Consolidated Quarterly Financial Statements
(Notes on Premise of Going Concern)**

No items to report.

(Notes on Material Changes in Shareholders' Equity)

No items to report.

(Segment Information)

I. Equivalent Period of Previous Fiscal Year (From April 1, 2015, to June 30, 2015)

1. Net sales and Income (Loss) by Reported Segment

(Millions of yen)

	Reported Segment				Other (Note: 1)	Total	Adjustment (Note: 2)	Amount recognized in consolidated quarterly statements of income (Note: 3)
	Takara Shuzo Group	Takara Bio Group	Takara Healthcare	Subtotal				
Net sales								
External customers	44,170	5,565	477	50,212	610	50,823	115	50,938
Intersegment	61	196	0	258	675	934	(934)	-
Total	44,231	5,761	478	50,471	1,286	51,757	(818)	50,938
Segment income (loss)	380	111	2	494	(20)	473	175	649

- Notes:
1. Other includes business segments that are not part of reported segments, such as the printing business and other subsidiaries.
 2. Details of adjustment amounts are as follows.
 - (1) Net sales to external customers are income from real estate rent recognized by the Company.
 - (2) Segment income (loss) comprises intersegment eliminations of ¥55 million and income of the Company not allocated to business segments of ¥119 million.
 3. Segment income (loss) has been adjusted to the operating income of consolidated quarterly statements of income.

2. Information on Impairment Loss on Non-current Assets, Goodwill, etc. by Reportable Segment

No items to report.

II. Period under Review (From April 1, 2016, to June 30, 2016)

1. Net sales and Income (Loss) by Reported Segment

(Millions of yen)

	Reported Segment				Other (Note: 1)	Total	Adjustment (Note: 2)	Amount recognized in consolidated quarterly statements of income (Note: 3)
	Takara Shuzo Group	Takara Bio Group	Takara Healthcare	Subtotal				
Net sales								
External customers	45,060	6,077	457	51,595	599	52,195	116	52,311
Intersegment	64	228	0	293	704	997	(997)	-
Total	45,124	6,306	457	51,888	1,304	53,192	(881)	52,311
Segment income	843	643	(24)	1,462	25	1,488	141	1,630

- Notes:
- Other includes business segments that are not part of reported segments, such as the printing business and other subsidiaries.
 - Details of adjustment amounts are as follows.
 - Net sales to external customers are income from real estate rent recognized by the Company.
 - Segment income (loss) comprises intersegment eliminations of ¥58 million and income of the Company not allocated to business segments of ¥82 million.
 - Segment income (loss) has been adjusted to the operating loss of consolidated quarterly statements of income.

2. Matters concerning Changes to Reporting Segments

(Application of Practical Solution on a change in depreciation method due to Tax Reform 2016)

As stated in Change in Accounting Policy, in the three month period ended June 30, 2016, the Company applied Practical Solution on a change in depreciation method due to Tax Reform 2016, and changed the method of depreciation for structures and facilities attached to buildings acquired on and after April 1, 2016 from the declining-balance method to the straight-line method.

The impact of this change on segment income for the three month period ended June 30, 2016 is immaterial.

3. Information on Impairment Loss on Non-current Assets, Goodwill, etc. by Reportable Segment

No items to report.