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Consolidated Financial Statements for the Second Quarter Ended September 30, 2013 FY2014 (April 1, 2013 - March 31, 2014) [UNAUDITED]

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 Stock exchange listings: Tokyo Stock Exchange (1st section)
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 Quarterly statement filing date (as planned): November 8, 2013

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

1. Results for the six months ended September 30, 2013 (April 1, 2013 – September 30, 2013)

(1) Operating results

Note: Percentages indicated changes from the previous fiscal year.

	Six months ended September 30, 2013		Six months ended September 30, 2012	
	(Millions of yen)	(%)	(Millions of yen)	(%)
Net sales	97,561	1.9	95,711	0.2
Operating income	2,395	(17.4)	2,899	(12.8)
Ordinary income	2,564	(10.8)	2,874	(16.7)
Net income	6,609	-	405	(57.7)
Net income per share (Yen)	32.58		1.98	
Fully diluted net income per share (Yen)	32.58		-	
Note: Comprehensive income	17,559	-	241	(62.8)

(2) Financial position

	As of September 30, 2013	As of March 31, 2013
	(Millions of yen)	(Millions of yen)
Total assets	233,157	207,586
Net assets	138,609	114,318
Equity ratio (%)	49.3	48.2
(Reference) Equity	114,914	100,040

2. Dividends

	Dividend per share (Yen)		
	Year ended March 31, 2013	Year ending March 31, 2014	Year ending March 31, 2014 (Forecast)
First quarter end	-	-	-
Second quarter end	-	-	-
Third quarter end	-	-	-
Year end	9.00		9.00
Annual	9.00		9.00

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

3. Forecast for the year ending March 31, 2014 (April 1, 2013 – March 31, 2014)

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

	Year ending March 31, 2014	
	(Millions of yen)	(%)
Net sales	209,000	4.0
Operating income	9,300	1.8
Ordinary income	9,600	3.3
Net income	9,700	106.9
Net income per share (Yen)	47.82	

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

4. Others

- (1) Material changes in subsidiaries during this period
(Changes in scope of consolidations resulting from change is subsidiaries) : No
- (2) Applying of specific accounting of the consolidated quarterly financial statements : No
- (3) Changes in accounting policies, accounting estimates and retrospective restatement
 - 1) Changes based on revisions of accounting standard : No
 - 2) Changes other than ones based on revisions of accounting standard : No
 - 3) Changes in accounting estimates : No
 - 4) Restatement : No
- (4) Number of outstanding shares (common stock)
 - 1) Number of outstanding shares at year end (Treasury stocks are included)
 - As of September 30, 2013 : 217,699,743
 - As of March 31, 2013 : 217,699,743
 - 2) Number of treasury stocks at year end
 - As of September 30, 2013 : 14,850,750
 - As of March 31, 2013 : 14,833,716
 - 3) Average number of outstanding shares
 - Six months ended September 30, 2013 : 202,857,741
 - Six months ended September 30, 2012 : 204,617,043

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1. Qualitative Information for the Six Months Ended September 30, 2013

(1) Consolidated Financial Results

In the six months ended September 30, 2013, the Japanese economy saw recovery in consumer confidence stemming from the influences of yen depreciation and rising stock prices. In addition, performance of companies improved, particularly for exporters, and there was recovery in capital investment. These factors created a gradual recovery trend in the domestic economy. Nevertheless, there was cause for concern including economic slowdown in emerging countries, higher prices for general consumer goods resulted from the rise in prices for imported raw materials that accompanied yen depreciation, and projected demand trends before and after the scheduled consumption tax hike in Japan. Accordingly, the operating environment remains opaque.

In this environment, we endeavored to improve corporate value through the establishment of a balanced organizational structure that is resilient to changes in the environment by acting in accordance with the Takara Group Medium-Term Management Plan FY2014, which has “aiming to realize the Takara Group Vision2020, achieve stable growth in Japan while expanding business base in order to grow significantly overseas” as its basic policy. The Takara Group Vision 2020 embodies our long-term management vision.

In the domestic alcoholic beverages business, the Group focused its resources on developing original new products and cultivating brands in response to diversifying customer preferences. In the seasonings and raw alcohol business, the Group made concerted efforts to increase sales by proposing differentiated products that meet customer needs.

In the overseas alcoholic beverages business and the Japanese food ingredients wholesale business, the Group worked to accelerate business expansion by spreading Japanese food culture across the globe. In addition, management rights in Tazaki Foods Limited, which conducts a Japanese food ingredient wholesale business in the United Kingdom, were acquired in September 2013.

In the Biomedical business, management resources were focused on three areas—the genetic engineering research business, the gene medicine business, and the agribio business—in pursuit of improved performance.

In the six months ended September 30, 2013, net sales edged up 1.9% year on year, to ¥97,561 million, as a result of the increase in sales of overseas subsidiaries stemming from yen depreciation among other factors. Gross profit increased 1.1%, to ¥36,953 million, due to the higher net sales.

Selling, general and administrative (SG&A) expenses were up 2.7% year on year, to ¥34,558 million, following a rise in personnel expenses among other factors. Consequently, operating income decreased 17.4%, to ¥2,395 million. In regard to non-operating income and expenses, stock issuance cost was recorded in conjunction with the issuance of new shares by Takara Bio Inc., through a public stock offer. However, this was offset by the fact that the foreign exchange losses recorded in the six months ended September 30, 2012, were replaced with foreign exchange gains and the bond issuance cost recorded in the previous corresponding period was not recorded in the period under review. These factors resulted in a slight improvement in the balance of non-operating items. Nevertheless, ordinary income decreased 10.8%, to ¥2,564 million.

In regard to extraordinary income and loss, extraordinary income was recorded from the sale of a portion of the stock held by the Company in Takara Bio, which was conducted in conjunction with the issuance of new shares by this company through a public stock offer. Coupled with the absence of the loss on valuation of investment securities recorded in the six months ended September 30, 2012, this resulted in a significant improvement in the balance of these items. As a result, income before income taxes and minority interests showed a substantial increase of 636.6% year on year, to ¥11,839 million, and net income jumped 1,529.7%, to ¥6,609 million.

Results by business segment were as follows.

[Takara Shuzo Group]

In the six months ended September 30, 2013, net sales for the Takara Shuzo Group rose by a slight 0.9% year on year, to ¥85,712 million.

By product category, overall sales of mainstay shochu products decreased substantially following sluggish sales of all products, particularly standard ko-type shochu. Conversely, sales of sparkling sake Sho-Chiku-Bai Shirakabe-gura Mio were up due to the expansion of sales channels, which resulted in higher overall sales of sake. In light-alcohol refreshers, Takara Shochu High Ball maintained its popularity and contributions from new products led to sales increases. Sales of whisky by overseas subsidiaries were also strong thanks to the influences of yen depreciation among other factors. However, the decline in shochu sales weighed heavily, and overall sales of alcoholic beverages decreased as a result. In the other category, the Japanese food ingredients wholesale business experienced significant sales increases in foreign currency, which were further amplified by the influences of yen depreciation.

Cost of sales was up 1.8% year on year, to ¥55,239 million, due to rising raw material prices and a higher cost of sales ratio following changes in product mixes. As a result, gross profit was down 0.5%, to ¥30,473 million. SG&A expenses increased 1.4%, to ¥29,009 million, due to higher transportation costs and personnel expenses among other factors, and operating income for the Takara Shuzo Group declined 27.3%, to ¥1,463 million, accordingly.

[Takara Bio Group]

In the six months ended September 30, 2013, net sales for the Takara Bio Group increased 14.0% year on year, to ¥10,277 million, as a result of increases in sales of research reagents in the genetic engineering research business and the strong performance of the gene medicine business. Cost of sales was up 18.0%, to ¥4,673 million, due to differences between the cost of sales ratios of individual products. Regardless, gross profit increased 10.9%, to ¥5,603 million. Higher personnel expenses, R&D expenses, and other factors led to an 11.2% increase in SG&A expenses, to ¥5,148 million, but operating income rose 7.3%, to ¥454 million, regardless.

[Takara Healthcare]

In the six months ended September 30, 2013, net sales for Takara Healthcare took a substantial drop of 40.6% year on year, to ¥674 million, due to the end of the tea beverages PB supply business. In health care business, net sales rose 10.8% when the tea beverages PB supply business is excluded from consideration. This was because sales were up for mainstay fucoidan-related products and sales of other products were favorable. Gross profit declined in conjunction with the end of the tea beverages PB supply business, and, while we worked to reduce SG&A expenses, operating loss was relatively unchanged year on year at ¥4 million.

[Other]

Net sales of business segments other than the reported segments decreased 3.9% year on year, to ¥3,477 million, but operating income was up 94.0%, to ¥103 million.

Breakdown of sales results by product category

Segment	Equivalent Period of Previous Fiscal Year (From April 1, 2012, to September 30, 2012)	Period under Review (from April 1, 2013, to September 30, 2013)	YoY Comparison
Product category	Amount (Millions of yen)	Amount (Millions of yen)	(%)
Takara Shuzo Group			
Shochu	35,886	33,128	92.3
Sake	7,903	8,368	105.9
Light-alcohol refreshers	13,394	14,467	108.0
Other alcoholic beverages	5,415	5,986	110.5
Alcoholic beverages total	62,599	61,950	99.0
Hon Mirin	6,928	6,811	98.3
Other seasonings	3,676	3,940	107.2
Seasonings total	10,605	10,751	101.4
Raw alcohol, etc.	3,223	3,184	98.8
Transportation	5,385	5,692	105.7
Other	3,094	4,131	133.5
Total	84,909	85,712	100.9
Takara Bio Group	9,013	10,277	114.0
Takara Healthcare	1,135	674	59.4
Other	3,617	3,477	96.1
Sales not allocated to business segments and intersegment transactions	(2,964)	(2,579)	-
Total	95,711	97,561	101.9

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

(2) Consolidated Financial Position

Total assets stood at ¥233,157 million as of September 30, 2013, up ¥25,571 million from March 31, 2013, the end of the previous fiscal year. Current assets increased ¥13,792 million, to ¥147,077 million, due to factors including a rise in securities, a measure for temporarily managing the revenues resulted from the issuance of new shares by Takara Bio through a public stock offer and the sale of a portion of this company's stock held by the Company, as well as an increase in inventories. Noncurrent assets increased ¥11,778 million, to ¥86,079 million, following an increase in goodwill associated with the acquisition of new subsidiaries as well as a rise in investment securities, a measure to manage revenues from the issuance of new stock.

Total liabilities amounted to ¥94,547 million as of September 30, 2013, up ¥1,279 million from March 31, 2013. This was because of increases in income taxes payable, resulted from the recording of gain on sales of subsidiaries and affiliates' stocks, and in noncurrent assets-other, which offset the decrease resulted from the redemption of current portion of bonds.

Total net assets were ¥138,609 million as of September 30, 2013, up ¥24,291 million from March 31, 2013, due

a rise in minority interests and significantly higher retained earnings, which was the result of the change in equity in Takara Bio following its issuance of new shares through a public stock offer and the recording of gain on sales of subsidiaries and affiliates' stocks.

Net cash used in operating activities in the six months ended September 30, 2013, was ¥1,887 million, compared with net cash provided by operating activities of ¥1,315 million in the six months ended September 30, 2012. Major factors increasing cash included income before income taxes and minority income and depreciation and amortization. However, these were outweighed by factors decreasing cash such as an increase in inventories; decrease in liquor taxes payable, a result of the previous fiscal year-end being a holiday; and income taxes paid.

Net cash used in investing activities amounted to ¥1,989 million, down ¥604 million year on year. Revenues were recorded from the sale of a portion of the stock held in Takara Bio, but outflows came in the form of payments for purchase of property, plant and equipment and stock in subsidiaries as well as payments into time deposits.

Net cash provided by financing activities was ¥4,288 million, up ¥3,151 million year on year. While there were outflows in the forms of redemption of bonds and cash dividends paid, these outflows were offset by the revenues from payments from minority interests following the issuance of new shares by Takara Bio through a public stock offer.

As a result, cash and cash equivalents as of September 30, 2013, stood at ¥36,564 million, up ¥1,276 million from the previous fiscal year-end.

(3) Qualitative Information Regarding Consolidated Forecasts

Full-year consolidated net sales are expected to be ¥209.0 billion, ¥2.7 billion higher than initially forecasted. This is because the Takara Shuzo Group's net sales will likely exceed initial forecasts due to the strong performance of overseas subsidiaries and the influences of yen depreciation, and because the Takara Bio Group is anticipated to record net sales that are higher than forecasted due to the influences of yen depreciation among other factors.

Full-year consolidated operating income and ordinary income are expected to exceed initial forecasts by a slight ¥9.3 billion and ¥9.6 billion respectively. While both figures were higher than anticipated in the six months ended September 30, 2013, the Takara Shuzo Group's domestic alcoholic beverages business is expected to continue experiencing a difficult operating environment during the second half of the fiscal year, limiting income growth.

Full-year net income is projected to be ¥9.7 billion, ¥4.8 billion higher than initially forecasted, due to the recording of gain on sales of subsidiaries and affiliates' stocks.

Revised figures for the business results forecast for the fiscal year ending March 31, 2014 (from April 1, 2013, to March 31, 2014)

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share
Previous forecast (A) (May 9, 2013, announcement)	206,300	9,200	9,400	4,900	24.15 yen
Revised forecast (B)	209,000	9,300	9,600	9,700	47.82 yen
Difference (B – A)	2,700	100	200	4,800	—
Difference (%)	1.3	1.1	2.1	98.0	—
Reference: Previous business results (Fiscal year ended March 31, 2013)	200,989	9,133	9,296	4,687	23.01 yen

2. Consolidated Quarterly Financial Statements
(1) Consolidated Quarterly Balance Sheets

(Millions of yen)

	As of Mar. 31, 2013	As of Sep. 30, 2013
Assets		
Current assets		
Cash and deposits	36,789	38,213
Notes and accounts receivable-trade	50,630	50,103
Securities	15,260	23,946
Merchandise and finished goods	21,773	25,287
Work in process	1,090	1,580
Raw materials and supplies	2,841	2,982
Other	4,982	5,051
Allowance for doubtful accounts	(82)	(89)
Total current assets	133,285	147,077
Noncurrent assets		
Property, plant and equipment	42,639	44,056
Intangible assets		
Goodwill	3,767	6,388
Other	1,659	1,794
Total intangible assets	5,426	8,183
Investments and other assets		
Investment securities	21,080	28,521
Other	5,364	5,522
Allowance for doubtful accounts	(209)	(204)
Total investments and other assets	26,235	33,839
Total noncurrent assets	74,301	86,079
Total assets	207,586	233,157
Liabilities		
Current liabilities		
Notes and accounts payable-trade	13,028	13,582
Short-term loans payable	5,006	5,741
Current portion of bonds	5,000	—
Accrued alcohol tax	9,907	7,885
Accrued expenses	4,698	3,955
Income taxes payable	1,996	4,251
Provision for bonuses	1,980	2,327
Other provision	1,753	1,782
Other	6,023	10,410
Total current liabilities	49,394	49,936
Noncurrent liabilities		
Bonds payable	25,000	25,000
Long-term loans payable	417	294
Provision for retirement benefits	8,845	8,693
Long-term deposits received	5,626	5,616
Other	3,983	5,006
Total noncurrent liabilities	43,873	44,611
Total liabilities	93,268	94,547

(Millions of yen)

	As of Mar. 31, 2013	As of Sep. 30, 2013
Net assets		
Shareholders' equity		
Capital stock	13,226	13,226
Capital surplus	3,195	3,195
Retained earnings	90,437	101,068
Treasury stock	(8,355)	(8,371)
Total shareholders' equity	98,503	109,118
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,599	6,114
Deferred gains or losses on hedges	16	78
Foreign currency translation adjustment	(3,079)	(396)
Total accumulated other comprehensive income	1,537	5,796
Minority interests	14,277	23,694
Total net assets	114,318	138,609
Total liabilities and net assets	207,586	233,157

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

(For the Six Months Ended September 30, 2013 and 2012)

(Millions of Yen)

	FY2013_2Q (Apr. 1, 2012 - Sep. 30, 2012)	FY2014_2Q (Apr. 1, 2013 - Sep. 30, 2013)
Net sales	95,711	97,561
Cost of sales	59,163	60,608
Gross profit	36,548	36,953
Selling, general and administrative expenses	33,648	34,558
Operating income	2,899	2,395
Non-operating income		
Dividends income	195	198
Other	258	309
Total non-operating income	453	508
Non-operating expenses		
Interest expenses	278	223
Other	200	115
Total non-operating expenses	478	339
Ordinary income	2,874	2,564
Extraordinary income		
Gain on sales of subsidiaries and affiliates' stocks	—	9,261
Other	133	82
Total extraordinary income	133	9,344
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	111	43
Directors' retirement benefits	—	24
Other	1,289	0
Total extraordinary losses	1,400	68
Income before income taxes and minority interests	1,607	11,839
Income taxes-current	1,163	4,937
Income taxes-deferred	(120)	167
Total income taxes	1,042	5,104
Income before minority interests	564	6,734
Minority interests in income	158	125
Net income	405	6,609

(Consolidated Quarterly Statements of Comprehensive Income)

(For the Six Months Ended September 30, 2013 and 2012)

(Millions of Yen)

	FY2013_2Q (Apr. 1, 2012 - Sep. 30, 2012)	FY2014_2Q (Apr. 1, 2013 - Sep. 30, 2013)
Income before minority interests	564	6,734
Other comprehensive income		
Valuation difference on available-for-sale securities	(657)	1,514
Deferred gains or losses on hedges	(9)	64
Foreign currency translation adjustment	337	3,149
Share of other comprehensive income of associates accounted for using equity method	6	249
Gain or loss on change in equity	—	5,847
Total other comprehensive income	(323)	10,825
Comprehensive income	241	17,559
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	(1)	16,715
Comprehensive income attributable to minority interests	242	844

(3) Consolidated Quarterly Statements of Cash Flows

(Millions of Yen)

	FY2013_2Q (Apr. 1, 2012 - Sep. 30, 2012)	FY2014_2Q (Apr. 1, 2013 - Sep. 30, 2013)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	1,607	11,839
Depreciation and amortization	2,052	2,028
Interest and dividends income	(281)	(272)
Interest expenses	278	223
Loss (gain) on sales of stocks of subsidiaries and affiliates	—	(9,261)
Decrease (increase) in notes and accounts receivable-trade	279	1,560
Decrease (increase) in inventories	(1,199)	(2,907)
Increase (decrease) in notes and accounts payable-trade	(1,616)	122
Decrease increase in liquor taxes payable	1,069	(2,023)
Other, net	1,451	(773)
Subtotal	3,640	536
Interest and dividends income received	329	311
Interest expenses paid	(245)	(242)
Income taxes paid	(2,410)	(2,493)
Net cash provided by (used in) operating activities	1,315	(1,887)
Net cash provided by (used in) investing activities		
Payments into time deposits	(13,825)	(18,363)
Proceeds from withdrawal of time deposits	14,202	10,935
Purchase of securities	(571)	(1,695)
Proceeds from sales and redemption of securities	612	701
Purchase of property, plant and equipment and intangible assets	(3,021)	(3,085)
Proceeds from sales of stocks of subsidiaries and affiliates	—	12,241
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(48)	(2,666)
Other, net	57	(56)
Net cash provided by (used in) investing activities	(2,594)	(1,989)
Net cash provided by (used in) financing activities		
Proceeds from issuance of bonds	9,923	—
Redemption of bonds	(5,000)	(5,000)
Proceeds from stock issuance to minority shareholders	—	11,420
Cash dividends paid	(1,847)	(1,823)
Other, net	(1,938)	(308)
Net cash provided by (used in) financing activities	1,137	4,288
Effect of exchange rate change on cash and cash equivalents	79	865
Net increase (decrease) in cash and cash equivalents	(62)	1,276
Cash and cash equivalents at beginning of period	29,165	35,287
Cash and cash equivalents at end of period	29,102	36,564

(4) 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, 2012, to September 30, 2012)

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

(Millions of yen)

	Reported Segment				Other (Note: 1)	Total	Adjustment (Note: 2)	Amount recognized in consolidated quarterly statements of income (Note: 3)
	Takara Shuzo Group	Takara Bio Group	Takara Healthcare	Subtotal				
Net sales								
External customers	84,457	8,708	1,133	94,299	1,193	95,492	219	95,711
Intersegment	451	305	2	759	2,424	3,183	(3,183)	-
Total	84,909	9,013	1,135	95,058	3,617	98,676	(2,964)	95,711
Segment income (loss)	2,014	423	(3)	2,434	53	2,488	411	2,899

- 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 ¥30 million and income of the Company not allocated to business segments of ¥380 million.
 - Segment income (loss) has been adjusted to the operating income of consolidated quarterly statements of income.

2. Information on Impairment Loss on Noncurrent Assets, Goodwill, etc. by Reportable Segment

No significant items requiring inclusion.

II. Period under Review (From April 1, 2013, to September 30, 2013)

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	85,540	9,986	673	96,200	1,147	97,347	213	97,561
Intersegment	172	290	1	463	2,329	2,793	(2,793)	-
Total	85,712	10,277	674	96,663	3,477	100,141	(2,579)	97,561
Segment income (loss)	1,463	454	(4)	1,913	103	2,017	377	2,395

- 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 ¥39 million and income of the Company not allocated to business segments of ¥338 million.
 - Segment income (loss) has been adjusted to the operating income of consolidated quarterly statements of income.

2. Information on Impairment Loss on Noncurrent Assets, Goodwill, etc. by Reportable Segment

(Material impairment losses on noncurrent assets)

No items to report.

(Material changes in the amount of goodwill)

In the Takara Shuzo Group segment, goodwill increased ¥2,506 million in the six months ended September 31, 2013, due to factors including the acquisition of stock in newly consolidated T. Tazaki & Company Limited.