

Consolidated Financial Statements for the Year Ended March 31, 2018
FY2018(April 1, 2017 - March 31, 2018) [UNAUDITED]

Company name: Takara Holdings Inc.
 Stock exchange listing: Tokyo Stock Exchange (1st section)
 Code Number: 2531
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Scheduled date of general shareholders' meeting: June 28, 2018
 Scheduled date of starting delivery of dividends: June 29, 2018

- 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 year ended March 31, 2018 (April 1, 2017 – March 31, 2018)

(1) Operating results

Note: Percentages indicated changes from the previous fiscal year.

	Year ended March 31, 2018		Year ended March 31, 2017	
	(Millions of yen)	(%)	(Millions of yen)	(%)
Net sales	268,142	14.5	234,193	3.9
Operating income	15,612	15.2	13,551	16.0
Ordinary income	16,084	12.1	14,344	11.7
Net income (loss) attributable to owners of the parent	11,029	30.0	8,480	20.2
Net income per share (Yen)	54.97		42.15	
Fully diluted net income per share (Yen)	-		-	
Return on equity		7.9		6.4
Ordinary income to total assets ratio		5.7		5.4
Operating income to net sales ratio		5.8		5.8
Note: Comprehensive income	15,706	101.8	7,784	268.7
Reference: Income (loss) from equity method investment	83		268	

(2) Financial position

	As of March 31, 2018	As of March 31, 2017
	(Millions of yen)	(Millions of yen)
Total assets	287,059	274,368
Net assets	176,217	165,920
Equity ratio (%)	50.6	49.2
Net assets per share (Yen)	726.90	671.11
Reference: Equity	145,111	135,043

(3) Cash flow

	Year ended March 31, 2018	Year ended March 31, 2017
	(Millions of yen)	(Millions of yen)
Cash flow from operating activities	16,265	12,826
Cash flow from investing activities	(19,916)	16,200
Cash flow from financing activities	(5,570)	(2,828)
Cash and cash equivalents, end of year	49,341	58,765

2. Dividends

	Dividend per share (Yen)		
	Year ended March 31, 2017	Year ended March 31, 2018	Year ending March 31, 2019(Forecast)
First quarter end	-	-	-
Second quarter end	-	-	-
Third quarter end	-	-	-
Year end	13.0	16.0	18.00
Annual	13.0	16.0	18.00
Total dividend (Millions of yen)	2,615	3,194	
Payout ratio (%)	30.8	29.1	37.4
Dividend on equity (%)	2.0	2.3	

3. Forecast for the year ending March 31, 2019 (April 1, 2018 – March 31, 2019)

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

	Six months ending		Year ending March 31, 2019	
	September 30, 2018			
	(Millions of yen)	(%)	(Millions of yen)	(%)
Net sales	135,000	4.8	282,000	5.2
Operating income	7,500	22.4	17,300	10.8
Ordinary income	7,800	25.8	17,900	11.3
Net income attributable to owners of the parent	4,200	21.8	9,600	(13.0)
Net income attributable to owners of the parent per share (Yen)	21.04		48.09	

4. Others

- (1) Changes in subsidiaries during the period (changes in specified subsidiaries resulting in change of scope) : Yes
Newly included: 3 (Name) WaferGen Bio-systems, Inc., Rubicon Genomics, Inc., Takara Shuzo International Co., Ltd.
Excluded: 2 (Name) WaferGen Bio-systems, Inc., Rubicon Genomics, Inc.
- (2) 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
- (3) Number of outstanding shares (common stock)
 - 1) Number of outstanding shares at year end (Treasury stocks are included)
As of March 31, 2018 : 201,699,743
As of March 31, 2017 : 217,699,743
 - 2) Number of treasury stocks at year end
As of March 31, 2018 : 2,069,224
As of March 31, 2017 : 16,475,731
 - 3) Average number of outstanding shares
Year ended March 31, 2018 : 200,632,472
Year ended March 31, 2017 : 201,224,223

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1. Overview of Financial Results

(1) Overview of Financial Results for the Fiscal Year under Review

In the fiscal year under review, ended March 31, 2018, although personal spending was weak, the Japanese economy maintained a moderate recovery as corporate earnings and the hiring environment improved backed by robust demand inside and outside Japan. On the other hand, overseas, while the trend of moderate recovery was expected to persist going forward, including the manufacturing industry-based expansion in the U.S. economy and the recovery in the Chinese economy, there was also continued uncertainty for the future of the global economy with the mounting concern about trade friction and the tension in East Asia and the Middle East.

Under these economic circumstances, in fiscal 2018, the Company initiated the Takara Group Medium-Term Management Plan FY2020, as the last step towards achieving its long-term Takara Group Vision 2020. By further increasing the overseas sales ratio together with having a full product line-up and many products with a competitive edge both in Japan and overseas, the Company is aiming to build up a great number of fields in which it can beat competitors and establish a balanced business foundation able to grow revenues significantly no matter what environmental changes occur.

As a result, in the fiscal year under review, ended March 31, 2018, net sales were up by 14.5% year on year to ¥268,142 million. Gross profit rose 11.3 % year on year to ¥104,612 million. Operating income increased by 15.2% year on year to ¥16,084 million while ordinary income rose 12.1% year on year to ¥15,612 million. Net income attributable to owners of the parent increased by 30.0% year on year to ¥11,029 million.

Results by business segment were as follows.

The meeting of the Company's Board of Directors held on February 16, 2017 resolved to spin off (incorporation-type company split) the overseas business of Takara Shuzo Co., Ltd., a consolidated subsidiary of the Company, and transfer it to the newly established Takara Shuzo International Co., Ltd. on July 3, 2017. As a result of reviewing its reporting segments in accordance with this, the company changed its reporting segments starting from the fiscal year under review, ended March 31, 2018, and year on year comparisons below compare the figures for the previous fiscal year reclassified into the post-change segments.

(Takara Shuzo)

The severe competitive environment is expected to continue as the decrease in total consumption of alcoholic beverages in Japan is forecast to persist in addition to the diversification of consumer preferences and an ongoing frugal mindset.

In this environment, Takara Shuzo continued to develop products differentiated by its technology in addition to strengthening its product development system in order to respond to diversifying consumer needs in a timely and prompt manner and focusing efforts on increasing competitiveness in the alcoholic beverage and seasonings categories by expanding its product range. Takara Shuzo also worked on improving its profit ratios by increasing the sales ratio of high value added products while striving to strengthen safety assurance and quality control systems for raw materials in order to supply safe and secure products as a food manufacturer.

The segment's sales and other information are as follows:

[Alcoholic beverages]

Shochu

For *ko*-type shochu, Takara Shuzo worked to expand sales of such products as *Gokujo Takara Shochu*, and *Takara Shochu for Lemon Sour*, going for a great tasting alcoholic beverage as a sour base, and *Takara Shochu Takara Modern*. For *Honkaku* shochu, Takara Shuzo worked on revitalizing the *Ikkomon* brand, which included launching *Ikkomon Akane (100% sweet-potato-base)*.

Overall shochu net sales, however, decreased 4.1% year on year to ¥55,034 million, affected by the shrinking shochu market.

Sake

For sake, Takara Shuzo worked on expanding sales of *Sho Chiku Bai Ten* for consumption at home and *Sho Chiku Bai Gokai* for the commercial market. For *Mio*, Takara Shuzo launched *Sho Chiku Bai Shirakabegura Mio WHITE Sparkling Sake*, an easy-to-drink cloudy sake which retains the great taste of Mio with a refreshing sweet and sour flavor. Takara Shuzo also strengthened its range of small and medium volume products such as *Daiginjo* and *Junmai Daiginjo* in addition to focusing on stimulating demand by through the launch of limited seasonal products such as *Tokusen Sho Chiku Bai Junmai Daiginjo Shiboritate*, featuring a freshly brewed aroma and a young juicy flavor, and *Tokusen Sho Chiku Bai Yamadanishiki Tokubetsu Junmai*.

Overall sake net sales, however, decreased 0.7% year on year to ¥22,222 million with the decline in sales of the *Sho Chiku Bai* 1.8l bottle and other products.

Light-alcohol refreshers

For light-alcohol refreshers, Takara Shuzo paid most attention to expanding sales of dry flavored chu-hi *Takara Shochu High Ball*, positioned as a flagship brand. In addition, *Takara CRAFT* launched as a new brand in the fiscal year under review is a high value added chu-hi created through the fastidious manufacturing methods that are unique to Takara Shuzo,

including the use of local materials from all over Japan and the blending of barrel-aged shochu with the base alcohol, aimed at expanding into a range of regional products that match local preferences and tastes.

Consequently, overall light-alcohol refreshers net sales increased 10.2% year on year, to ¥34,267 million.

Other alcoholic beverages

Net sales of other alcoholic beverages were down 3.8% year on year to ¥6,639 million due to a decline in sales of synthetic sake, whiskey and other products.

As a result, total alcoholic beverages net sales increased 0.3% year on year, to ¥118,163 million.

[Seasonings]

In seasonings, Takara Shuzo worked on developing and nurturing products such as those based on user needs and high value added ones differentiated by its own technology. For *Hon-Mirin*, Takara Shuzo launched *Takara Ameiro no Koku Hon Mirin* which conveniently completes Western and Chinese cuisine not to mention Japanese cuisine with a robust flavor due to its unprecedented richness and umami using proprietary manufacturing methods. Takara Shuzo also continued to focus efforts on cooking sake and worked on expanding sales of food seasonings such as fermented seasonings.

As a result, total seasonings net sales decreased 0.3% year on year to ¥23,823 million.

[Raw alcohol, etc.]

Takara Shuzo worked to expand sales of industrial alcohol and raw alcohol for alcoholic beverages. As a result, raw alcohol, etc. net sales increased 1.0% year on year to ¥7,852 million.

As a result, net sales for Takara Shuzo rose 0.3% year on year to ¥149,839 million. Cost of sales increased by 0.5% year on year to ¥89,681 million. As a result, gross profit was ¥60,158 million, the same as in the previous fiscal year. SG&A expenses declined 0.9% year on year to ¥54,589 million due to decreases in sales promotion expenses and personnel expenses. Accordingly, Takara Shuzo recorded operating income up 9.8% year on year to ¥5,569 million.

(Takara Shuzo International Group)

The Takara Shuzo International Group expanded the Overseas Alcoholic Beverages Business, which entails exports from Japan and the manufacture and sale of alcoholic beverages in overseas locations, and the Japanese Food Wholesale Business in overseas markets, through which it sells Japanese food ingredients to Japanese food restaurants and retailers outside Japan. With the global market for Japanese foods growing larger in a trend that is expected to continue, the Takara Shuzo International Group worked on business activities with the aim of establishing itself as a leading company in the global Japanese alcoholic beverages and food markets by letting the world know about the great taste of traditional Japanese alcoholic beverages such as sake and shochu in addition to Japanese food.

Sales in the Japanese Food Wholesale Business in overseas markets increased with the contribution of sales from Mutual Trading Co., Inc. (U.S.), which became a consolidated subsidiary during the previous fiscal year, and other factors. Sales of whiskey and other products also increased in the Overseas Alcoholic Beverages Business. As a result, net sales for the Takara Shuzo International Group rose 88.4% year on year to ¥70,717 million.

Cost of sales increased 94.4% year on year to ¥49,843 million. As a result, gross profit rose by 75.4% year on year to ¥20,874 million. SG&A expenses were up 89.1% year on year to ¥16,480 million mainly due to increases in personnel expenses. Accordingly, the Takara Shuzo International Group recorded operating income up 38.0% year on year to ¥4,393 million.

(Takara Bio Group)

The Takara Bio Group promoted efforts to implement the strategies of its three business segments: the Bioindustry business, the Gene Therapy business, and the AgriBio business and strengthen the business base to support these efforts with the aim of enhancing its standing as a global enterprise and regenerative medical products company and to achieve prodigious growth.

Bioindustry business

As the Takara Bio Group's core business, the Bioindustry business mainly provides products and services that support research and development activities in biotechnology-related fields as such activities become increasingly widespread ranging from basic research to the medical field.

In the Bioindustry business, although sales of scientific instruments declined, sales of research reagents and contract research services increased in the fiscal year under review ended March 31, 2018.

As a result of the above, net sales in the Bioindustry business increased 11.3% year on year to ¥29,568 million.

Gene Therapy business

In the Gene Therapy business, the Takara Bio Group promoted the development of gene therapy for cancer and other diseases utilizing the oncolytic virus HF10; the RetroNectin® Method, a proprietary and highly-efficient gene transduction

technology; the RetroNectin® expansion-culture system, a highly efficient lymphocyte propagation technology; and a genetically engineered T-cell therapy utilizing siTCR™ technology among others.

In the fiscal year under review, ended March 31, 2018, ¥500 million in revenue was received for co-development and exclusive sales agreements related to the oncolytic virus HF10.

As a result of the above, net sales in the Gene Therapy business were flat year on year at ¥500 million.

AgriBio business

The AgriBio business utilizes the Takara Bio Group's leading-edge biotechnology to identify the scientific basis of foodstuffs. Based on this evidence, it develops, manufactures and sells functional food ingredients. The AgriBio business focuses on rolling out gagome kombu (kelp) "Fucoidan" related products, agar-derived agaro-oligosaccharide related products, ashitaba (angelica herb) "Chalcone" related products, the herb (Peucedanum japonicum) "Isosamidin" related products, yam (Dioscorea esculenta) "Yamsgenin™" related products, and mushroom-related products.

In the fiscal year under review, ended March 31, 2018, although sales of mushroom-related products increased, sales of health foods declined.

As a result of the above, net sales in the AgriBio business decreased 2.5% year on year to ¥2,243 million.

As a result, the Takara Bio Group's overall net sales increased 10.0% year on year to ¥32,312 million because sales in the contract research services business significantly exceeded the previous year in addition to the contribution of sales from a newly consolidated subsidiary. Cost of sales increased 9.9% year on year to ¥13,657 million with the increase in net sales and other factors. As a result, gross profit increased 10.0% year on year to ¥18,655 million. SG&A expenses were up 9.8% year on year to ¥15,099 million due to an increase in personnel expenses and amortization of goodwill from the newly consolidated subsidiary. Accordingly, the Takara Bio Group recorded operating income up 11.0% year on year to ¥3,555 million.

(Other)

The Other segment includes the Company's real estate leasing business and the distribution business of Group companies in Japan. Net sales of the Other segment declined 6.7% year on year to ¥36,412 million as TAKARA CHOU UN Co., Ltd. was excluded from the scope of consolidation during the fiscal year under review, ended March 31, 2018, accompanying the sale of shares in that company. Cost of sales declined by 7.7% year on year to ¥30,634 million. Consequently, gross profit decreased by 0.9% year on year to ¥5,777 million. SG&A expenses fell by 5.5% year on year to ¥3,458 million. As a result, operating income increased by 7.0% year on year to ¥2,318 million.

Breakdown of sales results by product category

Segment	Previous Fiscal Year (From April 1, 2016 to March 31, 2017)	Fiscal Year under Review (From April 1, 2017 to March 31, 2018)	YoY Comparison
Product category	Amount (Millions of yen)	Amount (Millions of yen)	(%)
Takara Shuzo			
Shochu	57,404	55,034	95.9
Sake	22,387	22,222	99.3
Light-alcohol refreshers	31,097	34,267	110.2
Other alcoholic beverages	6,901	6,639	96.2
Alcoholic beverages total	117,791	118,163	100.3
<i>Hon Mirin</i>	14,506	14,063	96.9
Other seasonings	9,383	9,760	104.0
Seasonings total	23,889	23,823	99.7
Raw alcohol, etc.	7,771	7,852	101.0
Total	149,452	149,839	100.3
Takara Shuzo International Group			
Overseas Alcoholic Beverages Business	9,402	10,483	111.5
Japanese Food Wholesales Business in overseas markets	28,963	62,079	214.3
Other	-	49	-
Elimination of intraGroup transaction on consolidation	(825)	(1,895)	-
Total	37,540	70,717	188.4
Takara Bio Group	29,375	32,312	110.0
Reported segment total	216,369	252,870	116.9
Other	39,017	36,412	93.3
Segment total	255,386	289,282	113.3
Sales not allocated to business segments and intersegment transactions	(21,193)	(21,140)	-
Total	234,193	268,142	114.5

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

(2) Overview of Financial Position for the Fiscal Year under Review

(Assets)

At the end of the fiscal year under review, current assets totaled ¥173,352 million, a decrease of ¥559 million compared with that at the end of the previous fiscal year. This was primarily due to a decrease in cash and deposits of ¥10,318 million, an increase in securities of ¥6,483 million and in increase in merchandise and finished goods of ¥2,679 million. Noncurrent assets were ¥113,707 million, an increase of ¥13,250 million compared with that at the end of the previous fiscal year. This was primarily because of an increase in goodwill of ¥7,139 million, an increase in other intangible assets of ¥4,873 million, an increase in investment securities of ¥3,024 million, and a decrease in property, plant and equipment of ¥1,688 million.

As a result, total assets were ¥287,059 million, an increase of ¥12,691 million compared with that at the end of the previous fiscal year.

(Liabilities)

At the end of the fiscal year under review, current liabilities totaled ¥52,712 million, a decrease of ¥12,794 million compared with that at the end of the previous fiscal year. This was mainly due to decreases in short-term loans payable of ¥3,985 million and current portion of bonds of ¥10,000 million. Noncurrent liabilities were ¥58,130 million, an increase of ¥15,188 million compared with that at the end of the previous fiscal year. This was primarily due to an increase in bonds of ¥15,000 million.

As a result, total liabilities were ¥110,842 million, an increase of ¥2,394 million compared with that at the end of the previous fiscal year

(Net Assets)

At the end of the fiscal year under review, total net assets were ¥176,217 million, an increase of ¥10,296 million compared with that at the end of the previous fiscal year. The main factor was ¥11,029 million in net income attributable to owners of the parent.

As a result, equity ratio totaled 50.6%, compared with 49.2% at the end of the previous fiscal year.

(3) Overview of Cash Flows for the Fiscal Year under Review

Net cash provided by operating activities increased ¥3,439 million year on year to ¥16,265 million primarily due to profit before income taxes of ¥18,903 million, depreciation and amortization of ¥6,430 million, gain on sales of shares of subsidiaries and associates of ¥3,312 million, an increase in inventories of ¥2,520 million, an increase in accrued alcohol tax of ¥1,685 million and income taxes paid of ¥6,017 million.

Net cash used in investment activities resulted in expenditure of ¥19,916 million compared with revenue of ¥16,200 million in the previous fiscal year primarily due to payments into time deposits of ¥13,993 million, proceeds from the withdrawal of time deposits of ¥12,160 million, the purchase of securities of ¥12,502 million, proceeds from the sale and redemption of securities of ¥8,736 million, purchase of property, plant and equipment and intangible assets of ¥6,601 million, purchase of shares of subsidiaries resulting in change in scope of consolidation of ¥12,396 million, and proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation of ¥4,150 million.

Net cash used in financing activities increased by ¥2,741 million year on year to ¥5,570 million primarily due to a decrease in short-term loans payable of ¥3,356 million, proceeds from issuance of bonds of ¥14,887 million, and expenditures of ¥10,547 million for redemption of bonds, ¥2,001 million for acquisition of treasury stock and ¥2,614 million for cash dividends paid.

As a result, cash and cash equivalents at fiscal year-end, including the effect of exchange rate change on cash and cash equivalents, stood at ¥49,341 million, down ¥9,423 million from the previous fiscal year-end.

(4) Future Outlook

The Group initiated the Takara Group Medium-Term Management Plan FY2020 (the “Medium-Term Management Plan”) in the fiscal year ended March 31, 2018, as the last step towards achieving its long-term Takara Group Vision 2020. By further increasing the overseas sales ratio together with having a full product line-up and many products with a competitive edge in Japan and overseas, the Group engaged in business activities with the aim to build up a great number of fields in which it can beat competitors and establish a balanced business foundation able to grow revenues significantly no matter what environmental changes occur.

Under the Medium-Term Management Plan, the tangible goals are as follows. Operating income in the fiscal year ended March 31, 2018, the first year of the Medium-Term Management Plan, reached the level to be achieved in the figures of the plan for the fiscal year ending March 31, 2020, the final year. Thus, all of the tangible goals have been upwardly revised from the figures in the plan.

Tangible goals (fiscal year ending March 31, 2020)

Takara Group consolidated basis

- Net sales: At least ¥295.0 billion (initial plan: at least ¥290.0 billion)
- Operating income: At least ¥18.7 billion (initial plan: at least ¥15.5 billion)
- Overseas sales ratio: At least 35% (initial plan: at least 33%)

The tangible goals for each business segment are as follows.

Takara Shuzo

Current results are progressing steadily compared with the initial plan, and the plan figures for both net sales and operating income are unchanged.

- Net sales: At least ¥160.0 billion (initial plan: at least ¥160.0 billion)
- Operating income: At least ¥6.2 billion (initial plan: at least ¥6.2 billion)

Takara Shuzo International Group

Due to the positive business environment in Europe and the U.S., current results are progressing beyond the initial plan, so the plan figures for both net sales and operating income are upwardly revised.

- Net sales: At least ¥83.0 billion (initial plan: at least ¥75.0 billion)
- Operating income: At least ¥5.2 billion (initial plan: at least ¥4.3 billion)

Takara Bio Group

Taking account of the current steady results and the impact associated with the conclusion of co-development and exclusive sales agreements related to gene therapy and other changes, the plan figure for operating income is upwardly revised.

- Net sales: At least ¥38.5 billion (initial plan: at least ¥38.5 billion)
- Operating income: At least ¥6.0 billion (initial plan: at least ¥4.0 billion)

As regards the outlook for results for the following fiscal year, the fiscal year ending March 31, 2019, which is the second year of the Medium-Term Management Plan, the Group is forecasting a net sales increase of 5.2% year on year to ¥282,000 million, an operating income increase of 10.8% year on year to ¥17,300 million and a decrease in net income attributable to owners of the parent of 13.0% year on year to ¥9,600 million.

The Medium-Term Management Plan business strategies and the outlook for results in the coming fiscal year for each segment are as follows.

The aim for Takara Shuzo is to establish a firm position as the number one maker of Japanese alcoholic beverages in the domestic alcoholic beverage and seasonings markets by expanding sales and profit ratios in every category with a focus on sake. As concerns results for the coming fiscal year, Takara Shuzo is forecasting an increase in net sales of 2.8% year on year to ¥154,000 million due to an increase in sales of alcohol and light alcohol refreshers and an increase in operating income of 9.5% year on year to ¥6,100 million.

The aim for the Takara Shuzo International Group is to dramatically expand its scope of business by enlarging its overseas Japanese food wholesaler network, together with developing its business foundation and strengthening its position with the goal of becoming a leading company in the global Japanese alcoholic beverage and foods market. As concerns results for the coming fiscal year, the Takara Shuzo International Group is forecasting an increase in net sales of 10.3% year on year to ¥78,000 million due to the expansion of the Japanese Food Wholesale Business in overseas markets and an increase in operating income of 11.5% year on year to ¥4,900 million.

The aim for the Takara Bio Group is to promote the strategies of the Bioindustry, Gene Therapy, and AgriBio businesses and strengthen the management bases which support these strategies to enhance its presence as a global company and manufacturer of regenerative medicine products. As concerns results for the coming fiscal year, the Takara Bio Group is forecasting an increase in net sales of 13.9% year on year to ¥36,800 million and an increase in operating income of 40.6% year on year to ¥5,000 million.

The above results forecast was created based on information obtainable at the time of the publication of this document and actual results may differ due to a variety of factors going forward.

2. Basic concept on selection of accounting standards

Disclosure is omitted due to the lack of any significant change from the details disclosed in the Consolidated Financial Statements for the Fiscal Year Ended March 31, 2014 (disclosed on May 8, 2014).

4. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheets

(Millions of Yen)

	As of Mar. 31, 2017	As of Mar. 31, 2018
Assets		
Current assets		
Cash and deposits	58,073	47,754
Notes and accounts receivable-trade	51,392	51,199
Electronically recorded monetary claims-operating	6,558	6,690
Securities	13,237	19,721
Merchandise and finished goods	35,300	37,979
Work in process	1,244	997
Raw materials and supplies	3,306	3,932
Deferred tax assets	2,112	2,284
Other	2,922	3,122
Allowance for doubtful accounts	(236)	(329)
Total current assets	173,912	173,352
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	53,980	53,842
Accumulated depreciation	(33,028)	(33,856)
Buildings and structures, net	20,952	19,986
Machinery, equipment and vehicles	82,563	83,143
Accumulated depreciation	(70,247)	(70,585)
Machinery, equipment and vehicles, net	12,315	12,557
Land	20,089	18,821
Lease assets	2,056	1,050
Accumulated depreciation	(959)	(494)
Lease assets, net	1,096	555
Construction in progress	262	1,064
Other	14,609	15,462
Accumulated depreciation	(10,152)	(10,962)
Other, net	4,457	4,499
Total property, plant and equipment	59,174	57,485
Intangible assets		
Goodwill	6,626	13,765
Other	3,630	8,504
Total intangible assets	10,256	22,269
Investments and other assets		
Investment securities	25,583	28,607
Net defined benefit asset	896	928
Deferred tax assets	1,496	1,783
Other	3,140	2,709
Allowance for doubtful accounts	(90)	(77)
Total investments and other assets	31,025	33,951
Total noncurrent assets	100,456	113,707
Total assets	274,368	287,059

(Millions of Yen)

	As of Mar. 31, 2017	As of Mar. 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable-trade	16,804	16,544
Short-term loans payable	9,206	5,221
Current portion of bonds	10,000	—
Accrued alcohol tax	7,593	9,278
Accrued expenses	5,562	5,639
Income taxes payable	2,468	3,126
Provision for bonuses	2,449	2,286
Other provision	1,899	1,853
Other	9,521	8,760
Total current liabilities	65,506	52,712
Noncurrent liabilities		
Bonds payable	10,000	25,000
Long-term loans payable	10,996	10,620
Deferred tax liabilities	5,564	6,293
Net defined benefit liability	8,961	8,759
Long-term deposits received	5,342	5,312
Other	2,075	2,144
Total noncurrent liabilities	42,941	58,130
Total liabilities	108,447	110,842
Net assets		
Shareholders' equity		
Capital stock	13,226	13,226
Capital surplus	1,650	2,219
Retained earnings	119,729	117,571
Treasury stock	(9,939)	(1,367)
Total shareholders' equity	124,667	131,649
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,583	11,520
Deferred gains or losses on hedges	0	(120)
Foreign currency translation adjustment	1,426	2,645
Remeasurements of defined benefit plans	(634)	(583)
Total accumulated other comprehensive income	10,375	13,461
Noncontrolling interests	30,877	31,106
Total net assets	165,920	176,217
Total liabilities and net assets	274,368	287,059

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

	(Millions of Yen)	
	FY2017 (Apr. 1, 2016 – Mar. 31, 2017)	FY2018 (Apr. 1, 2017 – Mar. 31, 2018)
Net sales	234,193	268,142
Cost of sales	140,182	163,529
Gross profit	94,010	104,612
Selling, general and administrative expenses	80,458	88,999
Operating income	13,551	15,612
Non-operating income		
Interest income	193	191
Dividends income	465	509
Subsidy income	288	239
Other	589	467
Total non-operating income	1,537	1,408
Non-operating expenses		
Interest expenses	481	568
Bond issuance cost	—	112
Other	262	255
Total non-operating expenses	744	936
Ordinary income	14,344	16,084
Extraordinary income		
Gain on sales of subsidiaries and affiliates' stocks	—	3,312
Gain on step acquisitions	878	—
Other	248	186
Total extraordinary income	1,126	3,499
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	264	222
Impairment loss	667	446
Other	18	11
Total extraordinary losses	950	679
Income before income taxes and minority interests	14,520	18,903
Income taxes-current	5,208	6,859
Income taxes-deferred	74	(484)
Total income taxes	5,283	6,374
Net income	9,236	12,528
Net income attributable to the noncontrolling interest	755	1,499
Net income attributable to owners of the parent	8,480	11,029

(Consolidated Quarterly Statements of Comprehensive Income)

(Millions of Yen)

	FY2017 (Apr. 1, 2016 – Mar. 31, 2017)	FY2018 (Apr. 1, 2017 – Mar. 31, 2018)
Net income	9,236	12,528
Other comprehensive income		
Valuation difference on available-for-sale securities	2,760	1,936
Deferred gains or losses on hedges	446	(115)
Foreign currency translation adjustment	(4,310)	1,262
Remeasurements of defined benefit plans	(348)	93
Total other comprehensive income	(1,451)	3,177
Comprehensive income	7,784	15,706
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	7,300	14,114
Comprehensive income attributable to noncontrolling interest	483	1,591

(3) Consolidated Statements of Change in Net Assets
FY2017 (Apr. 1, 2016– Mar. 31, 2017)

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	13,226	1,879	113,663	(9,938)	118,830
Changes of items during the period					
Dividends from surplus			(2,414)		(2,414)
Net income			8,480		8,480
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		0		0	0
Retirement of treasury shares					-
Purchase of shares of consolidated subsidiaries		(229)			(229)
Transfer to capital surplus from retained earnings					-
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	(229)	6,066	(0)	5,836
Balance at the end of current period	13,226	1,650	119,729	(9,939)	124,667

	Accumulated other comprehensive income					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	6,822	(445)	5,548	(370)	11,555	25,762	156,148
Changes of items during the period							
Dividends from surplus							(2,414)
Net income							8,480
Purchase of treasury stock							(0)
Disposal of treasury stock							0
Retirement of treasury shares							-
Purchase of shares of consolidated subsidiaries							(229)
Transfer to capital surplus from retained earnings							-
Net changes of items other than shareholders' equity	2,760	445	(4,122)	(264)	(1,179)	5,115	3,935
Total changes of items during the period	2,760	445	(4,122)	(264)	(1,179)	5,115	9,771
Balance at the end of current period	9,583	0	1,426	(634)	10,375	30,877	165,920

(Millions of Yen)

	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
Balance at the beginning of current period	13,226	1,650	119,729	(9,939)	124,667
Changes of items during the period					
Dividends from surplus			(2,615)		(2,615)
Net income			11,029		11,029
Purchase of treasury stock				(2,001)	(2,001)
Disposal of treasury stock		0		0	0
Retirement of treasury shares		(10,572)		10,572	
Purchase of shares of consolidated subsidiaries		570			570
Transfer to capital surplus from retained earnings		10,572	(10,572)		-
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	569	(2,158)	8,571	6,982
Balance at the end of current period	13,226	2,219	117,571	(1,367)	131,649

	Accumulated other comprehensive income					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	9,583	0	1,426	(634)	10,375	30,877	165,920
Changes of items during the period							
Dividends from surplus							(2,615)
Net income							11,029
Purchase of treasury stock							(2,001)
Disposal of treasury stock							0
Retirement of treasury shares							-
Purchase of shares of consolidated subsidiaries							570
Transfer to capital surplus from retained earnings							-
Net changes of items other than shareholders' equity	1,936	(121)	1,218	51	3,085	228	3,314
Total changes of items during the period	1,936	(121)	1,218	51	3,085	228	10,296
Balance at the end of current period	11,520	(120)	2,645	(583)	13,461	31,106	176,217

(4) Consolidated Statements of Cash Flows

(Millions of Yen)

	FY2017 (Apr. 1, 2016 – Mar. 31, 2017)	FY2018 (Apr. 1, 2017 – Mar. 31, 2018)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	14,520	18,903
Depreciation and amortization	5,171	6,430
Impairment loss	667	446
Amortization of goodwill	586	843
Interest and dividends income	(659)	(700)
Interest expenses	481	568
Gain (loss) on sales of subsidiaries and affiliates' stocks	—	(3,312)
Gain (loss) on step acquisitions	(878)	—
Decrease (increase) in notes and accounts receivable-trade	(1,334)	(240)
Decrease (increase) in inventories	(1,377)	(2,520)
Increase (decrease) in notes and accounts payable-trade	208	(10)
Increase (decrease) in liquor taxes payable	(261)	1,685
Increase (decrease) in accrued consumption taxes	478	176
Other, net	220	(146)
Subtotal	17,823	22,123
Interest and dividends income received	697	719
Interest expenses paid	(475)	(560)
Income taxes paid	(5,218)	(6,017)
Net cash provided by (used in) operating activities	12,826	16,265
Net cash provided by (used in) investing activities		
Payments into time deposits	(7,510)	(13,993)
Proceeds from withdrawal of time deposits	15,959	12,160
Purchase of securities	(10,059)	(12,502)
Proceeds from sales and redemption of securities	22,028	8,736
Purchase of property, plant and equipment and intangible assets	(5,376)	(6,601)
Purchase of securities	(11)	(280)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(1,327)	(12,396)
Proceeds from acquisition in subsidiaries resulting in change in scope of consolidation	2,070	—
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	4,150
Other, net	426	811
Net cash provided by (used in) investing activities	16,200	(19,916)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	72	(3,356)
Repayments of long-term loans payable	(108)	(858)
Proceeds from issuance of bonds	—	14,887
Redemption of bonds	—	(10,547)
Purchase of treasury shares	(0)	(2,001)
Cash dividends paid	(2,413)	(2,614)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(585)
Other, net	(379)	(493)
Net cash provided by (used in) financing activities	(2,828)	(5,570)
Effect of exchange rate change on cash and cash equivalents	31	(202)
Net increase (decrease) in cash and cash equivalent	26,228	(9,423)
Cash and cash equivalents at beginning of period	32,536	58,765
Cash and cash equivalents at end of period	58,765	49,341

(5) Notes to Consolidated Financial Statements
(Notes on Premise of Going Concern)

No items to report.

(Segment Information)

1. Overview of Reported Segments

Reporting segments are the segments of the Takara Group for which financial information can be obtained. The Board of Directors, top organization for decision making on Group management, examines such information to determine the allocation of management resources and evaluate the business performance on a regular basis.

The Group consists of the corporate groups centered on the operating companies Takara Shuzo Co., Ltd., Takara Shuzo International Co., Ltd. and Takara Bio Inc.; other businesses; and the Company, which manages the whole group as the holding company. All operating companies develop comprehensive business strategies, covering both domestic and overseas operations, for the goods, products and services that they offer, and work to expand their business operations.

Accordingly, the Group has defined three reported segments based on the content of goods, products and services, while taking into consideration the scope of managerial responsibility and the capacity to evaluate business performance. These three reported segments are Takara Shuzo, the Takara Shuzo International Group, and the Takara Bio Group.

Takara Shuzo primarily engages in the manufacture and sale of alcoholic beverages and seasonings in Japan. The Takara Shuzo International Group engages in the export of alcoholic beverages from Japan, the manufacture and sale of alcoholic beverages at overseas locations, and the Japanese Food Wholesale Business in overseas markets. The Takara Bio Group engages in the manufacture and sale of products such as research reagents, scientific instruments, and mushrooms, as well as contract research services and research and development of gene and cell therapies.

The meeting of the Company's Board of Directors held on February 16, 2017 resolved to spin off (incorporation type company split) the overseas business of Takara Shuzo Co., Ltd., a consolidated subsidiary of the Company, and transfer it to the newly established Takara Shuzo International Co., Ltd. on July 3, 2017. As a result of revising its reporting segments in accordance with this, the Company changed its reporting segments to "Takara Shuzo," "Takara Shuzo International Group," and "Takara Bio Group" starting from the fiscal year under review, ended March 31, 2018.

The segment information for the previous fiscal year, ended March 31, 2017 discloses information prepared based on the post-change segments.

2. Calculation method for net sales, income or loss, assets, liabilities, and other items of each reported segment

The accounting treatment of reported business segments is generally the same as that explained in "Basis of Presentation of Consolidated Financial Statements."

The figures for the income of reported segments are based on operating income. Intersegment income is based on the prevailing market price.

3. Net sales, Income (Loss), Assets and Other items by Reported Segment

Previous Fiscal Year (From April 1, 2016, to March 31, 2017)

Information for the fiscal year ended March 31, 2017 stated based on post-change classifications.

	Reported Segment				Other (Note: 1)	Total	Adjustment (Note: 2)	Amount recognized in consolidated financial statements (Note: 3)
	Takara Shuzo	Takara Shuzo International Group	Takara Bio Group	Subtotal				
Net sales								
External customers	149,408	37,278	28,529	215,216	18,976	234,193	0	234,193
Intersegment	44	262	845	1,152	20,041	21,193	(21,193)	-
Total	149,452	37,540	29,375	216,369	39,017	255,386	(21,193)	234,193
Segment income	5,071	3,182	3,202	11,456	2,167	13,624	(72)	13,551
Segment assets	90,931	64,759	67,143	222,834	23,061	245,895	28,472	274,368
Other items								
Depreciation and amortization	2,196	623	1,722	4,542	437	4,979	191	5,171

Amortization of goodwill	-	424	162	586	-	586	-	586
Investment in equity-method affiliates	-	-	-	-	-	-	1,407	1,407
Increase in total fixed assets, property, plant and equipment and intangible assets	2,188	763	1,648	4,600	666	5,267	1,391	6,658

- 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 comprises intersegment eliminations of ¥(61) million and losses of the Company not allocated to business segments of ¥(11) million.
 - Segment assets include assets of the Company not allocated to business segments of ¥47,963 million and other adjustment (principally eliminations) of ¥(19,490) million. Assets attributed to the Company include surplus funds and long-term investment assets.
 - Depreciation and amortization comprises depreciation and amortization recognized by the Company.
 - Investment in equity-method affiliates comprises investments in equity-method affiliates not allocated to business segments.
 - Increase in total fixed assets, property, plant and equipment and intangible assets comprises increases recognized by the Company.
 - Segment income has been adjusted to the operating income of consolidated financial statements.

Fiscal Year under Review (From April 1, 2017, to March 31, 2018)

(Millions of yen)

	Reported Segment				Other (Note: 1)	Total	Adjustment (Note: 2)	Amount recognized in consolidated financial statements (Note: 3)
	Takara Shuzo	Takara Shuzo International Group	Takara Bio Group	Subtotal				
Net sales								
External customers	149,426	70,456	31,617	251,500	16,633	268,133	8	268,142
Intersegment	413	261	694	1,369	19,778	21,148	(21,148)	-
Total	149,839	70,717	32,312	252,870	36,412	289,282	(21,140)	268,142
Segment income (loss)	5,569	4,393	3,555	13,518	2,318	15,836	(224)	15,612
Segment assets	95,131	68,239	68,854	232,225	19,587	251,812	35,246	287,059
Other items								
Depreciation and amortization	2,225	938	2,568	5,733	309	6,042	387	6,430
Amortization of goodwill	-	353	489	843	-	843	-	843
Investment in equity-method affiliates	-	-	-	-	-	-	1,490	1,490
Increase in total fixed assets, property, plant and equipment and intangible assets	2,696	1,677	1,539	5,913	252	6,165	249	6,414

- 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 comprises intersegment eliminations of ¥79 million and losses of the Company not allocated to business segments of ¥(303) million.
 - Segment assets include assets of the Company not allocated to business segments of ¥55,784 million and other adjustment (principally eliminations) of ¥(20,537) million. Assets attributed to the Company include surplus funds and long-term investment assets.
 - Depreciation and amortization comprises depreciation and amortization recognized by the Company.
 - Investment in equity-method affiliates comprises investments in equity-method affiliates not allocated to business segments.
 - Increase in total fixed assets, property, plant and equipment and intangible assets comprises increases recognized by the Company.
 - Segment income has been adjusted to the operating income of consolidated financial statements.

(Per Share Information)

	Previous Fiscal Year (From April 1, 2016, to March 31, 2017)	Fiscal Year under Review (From April 1, 2017, to March 31, 2018)
Net assets per share	¥671.11	¥726.90
Profit per share	¥42.15	¥54.97

Notes: 1. Fully diluted profit per share is not presented since there were no potential shares.

2. The basis of calculation of net assets per share is as follows.

	Previous Fiscal Year (As of March 31, 2017)	Fiscal Year under Review (As of March 31, 2018)
Total net assets (¥ million)	165,920	176,217
Amount deducted from total net assets (¥ million)	30,877	31,106
(of which minority interests) (¥ million)	(30,877)	(31,106)
Net assets at term-end related to shares of common stock (¥ million)	135,043	145,111
Shares of common stock at term-end used to calculate net assets per share (1,000 shares)	201,224	199,630

3. The basis of calculation of net income per share and fully diluted net income per share is as follows.

	Previous Fiscal Year (From April 1, 2016, to March 31, 2017)	Fiscal Year under Review (From April 1, 2017, to March 31, 2018)
Net income attributable to owners of the parent (¥ million)	8,480	11,029
Amount not belonging to common shareholders (¥ million)	-	-
Net income related to shares of common stock (¥ million)	8,480	11,029
Average number of shares outstanding during the term (1,000 shares)	201,224	200,632

(Significant Subsequent Events)**(Conclusion of Important Agreement)**

Takara Bio Inc (Takara Bio), a consolidated subsidiary of the Company, entered into an agreement with Otsuka Pharmaceutical Co., Ltd. (Otsuka) for co-development and exclusive sales in Japan of NY-ESO-1 siTCRTM gene therapy product (TBI-1301 and TBI-1301-A) and CD19 CAR gene therapy product (TBI 1501) as of April 9, 2018.

Under the agreement, both companies will aim cooperatively for the early manufacture and sales approval of the two therapeutic products in Japan. Specifically, Takara Bio is responsible for examining manufacturing methods for the two therapeutic products and manufacturing and quality control of the investigational products, while Otsuka is responsible for clinical trials, other clinical studies, regulatory submissions for manufacturing and sales approval, and safety data collection for both the products. After acquisition of manufacturing and sales approval, Takara Bio and Otsuka are exclusively responsible for manufacturing and selling in Japan respectively. There are no limitations on the target indications in the agreement. Otsuka also holds a right of first refusal for nine Asian countries outside Japan.

Takara Bio will receive certain upfront and milestone payments from Otsuka depending on the achievement of certain stages of development based on the execution of the agreement. Takara Bio will supply Otsuka with the products for a financial consideration after the market launch of the products. As for NY-ESO-1 siTCRTM gene therapy products, Takara Bio will receive milestone payments upon the achievement of target sales in addition to the running royalties on net sales.