THE BIOTECHNOLOGY COMPANY™

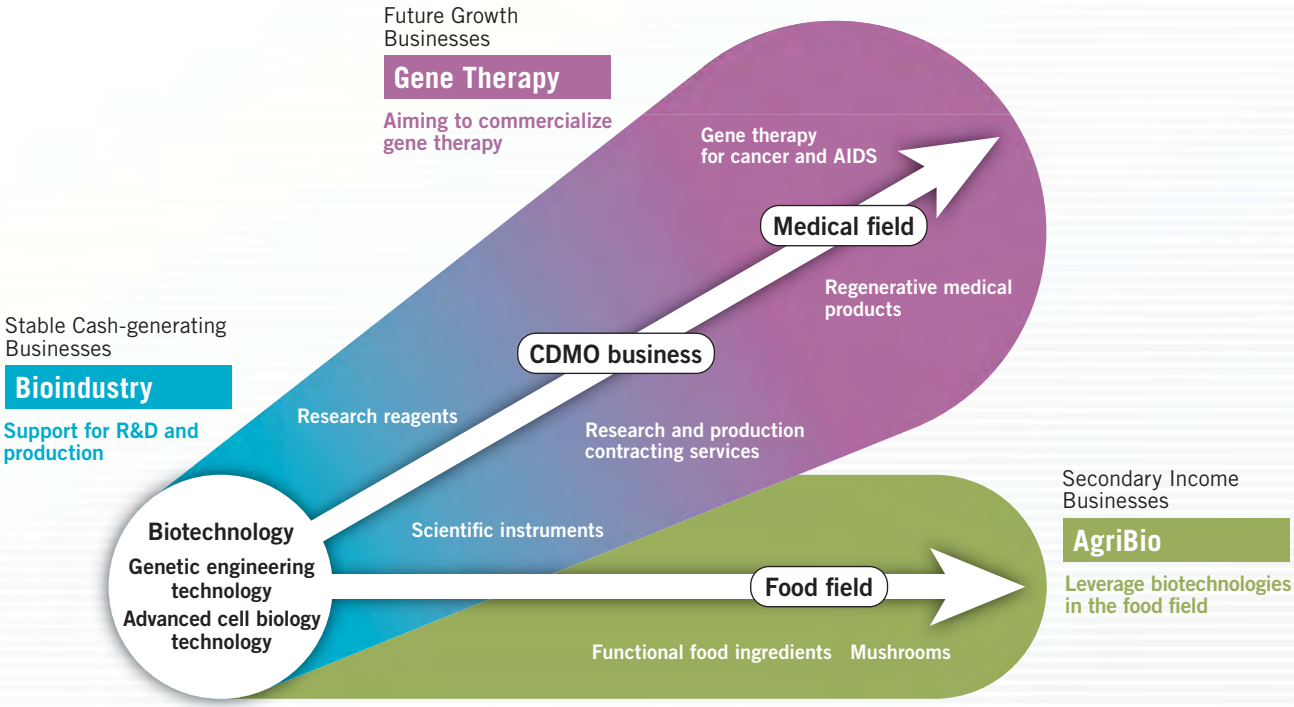
Annual Report **2015**

TAKARA BIO INC.

THE BIOTECHNOLOGY

Contributing to the health of humankind through the development

Takara Bio Group's Business Strategy



Takara Bio positions its Bioindustry Business as a stable revenue base providing research reagents, scientific instruments, and various contracted services to universities and companies around the world. The AgriBio Business is being nurtured as our secondary profit-making business, and we are investing R&D funding into our Gene Therapy Business, to encourage broader expansion in an area set to see further future growth.

History of the Takara Bio Group

Takara Shuzo Co., Ltd. (now, Takara Holdings Inc.), started the biomedical business.

↓

April 2002
Takara Bio was established as a result of corporate separation from Takara Shuzo.

↓

December 2004
Takara Bio was listed on the Mothers section of the Tokyo Stock Exchange.

CONTENTS

COMPANY™

of revolutionary biotechnologies such as gene therapy

Bioindustry Business

Bioindustry Business Products and Services

Research Reagents and Scientific Instruments

Restriction enzymes, PCR reagents, antibodies, cells, culture media, bags, real-time PCR equipment, mass spectrometry systems, etc.

Research and Manufacturing Contracting Services

Genome analysis, DNA chip analysis, iPS cell production, cell processing and preparation, vector production, safety testing, technical support services for cancer immunotherapy, etc.

History

1979 Commenced sales of the first domestically-produced restriction enzymes

1988 Acquired exclusive distribution rights in Japan for a gene amplification system using PCR technology

1993 Established Takara Biotechnology (Dalian) Co., Ltd. in China
Commenced sales of Takara Bio branded PCR products

2005 Acquired Clontech Laboratories, Inc. of the United States

2011 Established DSS Takara Bio India Private Limited in India

2014 Completed the Center for Gene and Cell Processing
Acquired Cellectis AB of Sweden

Gene Therapy Business

Clinical Development Projects in Progress

HF10

MAGE-A4 siTCR gene therapy

NY-ESO-1 siTCR gene therapy

CD19 CAR gene therapy

MazF gene therapy

History

1995 Developed a highly efficient retroviral transduction method for hematopoietic stem cells (the RetroNectin® method)

2010 Acquired oncolytic virus HF10 business from M's Science

2012 Initiated a Phase I clinical trial of MazF gene therapy for HIV infections in the United States

2014 Initiated Phase I clinical trial (investigator-initiated trial) of the MAGE-A4 siTCR gene therapy for esophageal cancer in Japan
Initiated Phase II clinical trial of HF10 for melanoma in the United States

2015 Initiated Phase I clinical trial in Japan for HF10 targeting solid cancers such as melanoma
Initiated Phase I clinical trial (investigator-initiated trial) in Japan for NY-ESO-1 siTCR gene therapy targeting solid cancers such as synovial sarcoma

AgriBio Business

AgriBio Business Products and Services

Functional Foods

"Fucoidan," from Gagome kombu (kelp); "Isosamidin," from an herb (*Peucedanum japonicum*); "Chalcone," from Ashitaba (angelica herb); "Agaphytose," from Agar; "Yamsgenin," from the lesser yam (*Dioscorea esculenta*); "Terpene," from a mushroom

Mushrooms

Honshimeji, Hatakeshimeji, Bunashimeji

History

1970 Developed the world's first large-scale production technology for Bunashimeji mushrooms

1973 Licensed mass-production technologies for Bunashimeji to JA ZEN-NOH Nagano

1996 Scientifically confirmed the effectiveness of "Fucoidan," derived from Gagome kombu (kelp), and began marketing the functional food product named Apoidan-U

2004 Commenced production of Honshimeji mushrooms

Forward-looking Statements

Statements in this annual report, other than those based on historical fact, concerning the current plans, prospects, strategies, and expectations of Takara Bio Inc. and its consolidated subsidiaries represent forward-looking statements. As such statements are based on the conclusions made by management as of August 2015 and are based on information that includes major risks and uncertainties, actual results may vary significantly from the forecasts made due to a variety of factors.

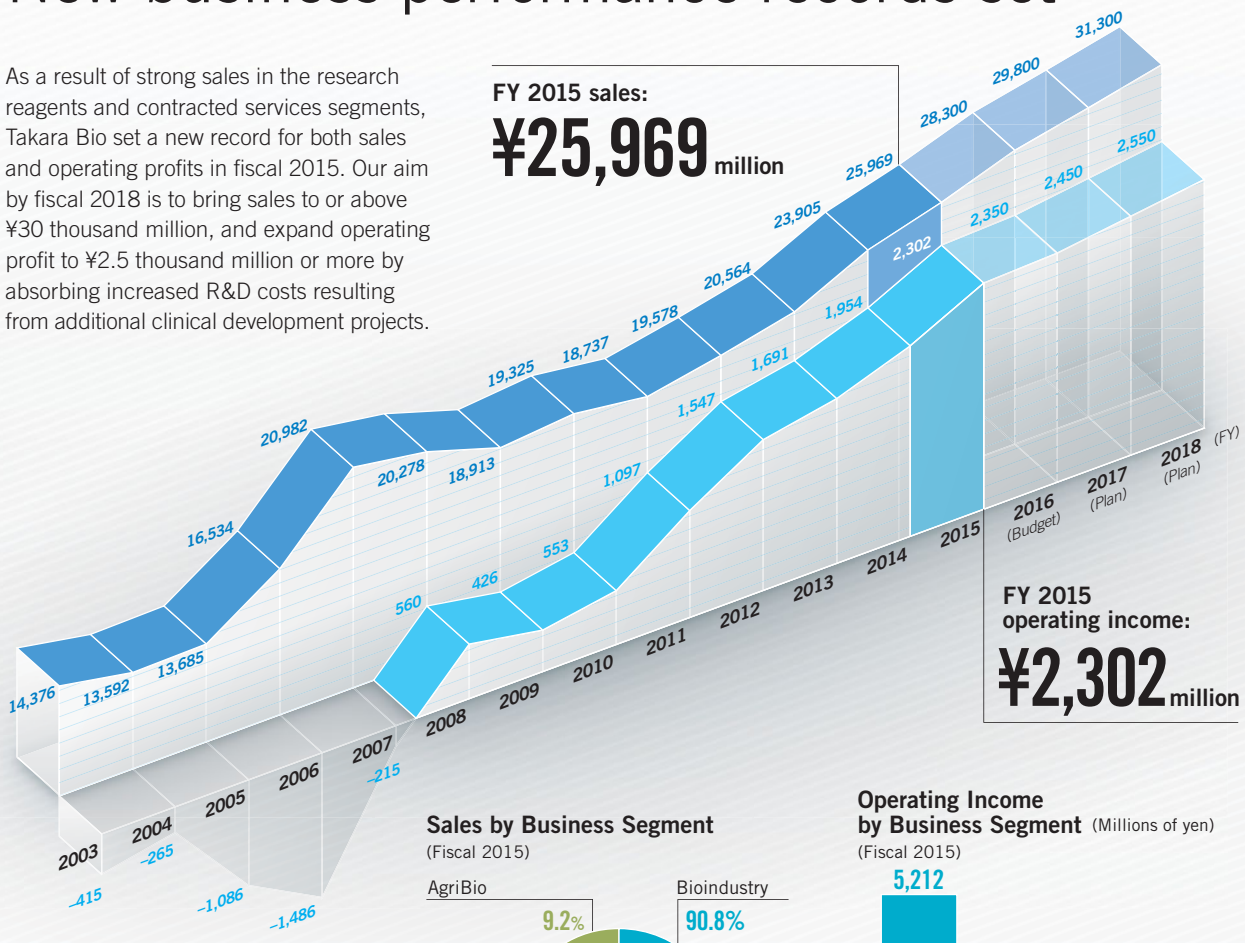
Factors that could influence actual results include, but are not limited to, economic conditions, especially trends in consumer spending, as well as exchange rate fluctuations, changes in regulatory and government systems, pressure from competitor price and product strategies, a decline in selling power of Takara Bio's existing and new products, disruptions to production, violations of Takara Bio's intellectual property rights, rapid advances in technology, and unfavorable verdicts in major litigation.

At a Glance

New business performance records set

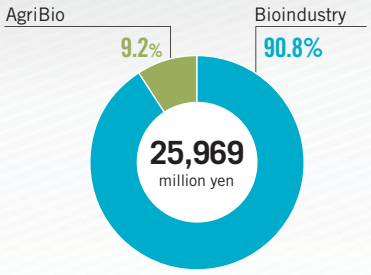
As a result of strong sales in the research reagents and contracted services segments, Takara Bio set a new record for both sales and operating profits in fiscal 2015. Our aim by fiscal 2018 is to bring sales to or above ¥30 thousand million, and expand operating profit to ¥2.5 thousand million or more by absorbing increased R&D costs resulting from additional clinical development projects.

FY 2015 sales:
¥25,969 million

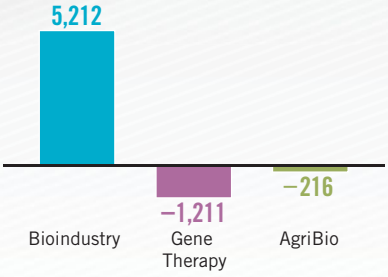


FY 2015 operating income:
¥2,302 million

Sales by Business Segment
(Fiscal 2015)

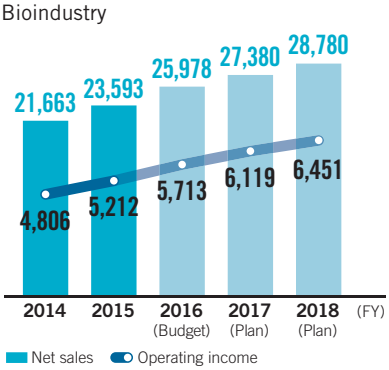


Operating Income by Business Segment (Millions of yen)
(Fiscal 2015)

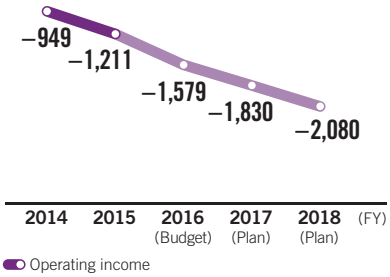


Sales and Operating Income by Business Segment (Millions of yen)

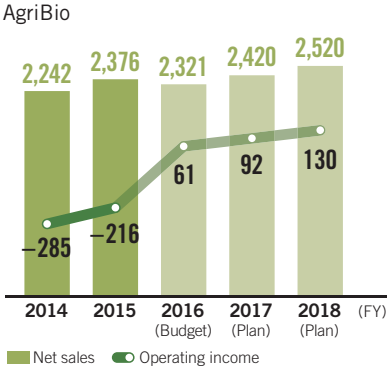
Bioindustry



Gene Therapy



AgriBio



Global Business Expansion

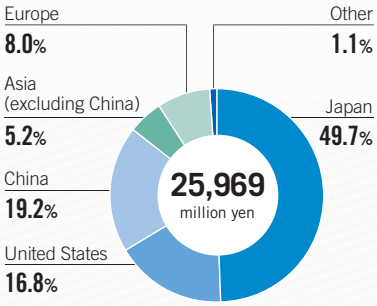
Expanding research reagent sales worldwide

Takara Bio continues to provide products and services for universities, companies, and other bioscience researchers around the world. At our four research and development regions, located in Japan, the U.S., Europe, and China, we develop new products and services with different development aims that leverage the characteristics of each region. We are strengthening collaboration among production sites in Japan, China, and India to build an efficient manufacturing framework.

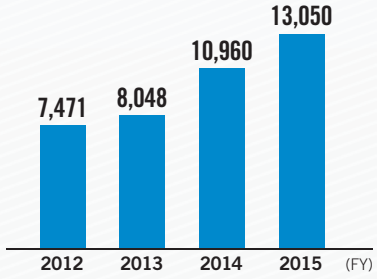
Takara Bio's sales network extends worldwide and consists of subsidiaries in the US, Europe, China, South Korea, and India. Taking advantage of the brand strength of "TaKaRa®" in Asia, of "Clontech®" in the U.S., and of "Cellartis®" for stem cell-related products, we aim to expand sales in each market.

Sales by Geographic Segment

(Fiscal 2015)



Overseas Sales (Millions of yen)



Research and Development

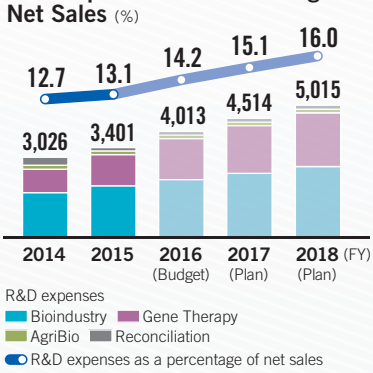
A focus on new products and services in the stem cell and regenerative medicine fields Accelerating clinical development for gene therapies

Clinical development for gene and cell therapies is underway, mainly in developed countries. In Japan, we expect that governmental policies to support regenerative medicine will encourage much greater market growth. To make the most of this market, we are committing efforts to developing new products and services for research and drug discovery fields using iPS cells and other stem cells as well as research fields including regenerative medicine and cell therapy.

We are also making active R&D investment in clinical development projects in the Gene Therapy business, with sights set on quick commercialization of projects, such as commercializing oncolytic virus HF10.

Since August 2015, we have been consolidating research sites distributed throughout Otsu and Kusatsu cities in Shiga Prefecture and Yokkaichi City in Mie Prefecture into a new facility in Kusatsu City in Shiga Prefecture. Through this effort, we seek to strengthen and streamline R&D efforts and more quickly develop new products and services.

R&D Expenses (Millions of yen)
R&D Expenses as a Percentage of Net Sales (%)



Schedule for Clinical Development of Gene Therapy Projects

			Target disease	Phase * clinical trial as regenerative medical products	Expedited approval systems in Japan	Commercialization
Oncolytic Virus	**HF10**		Solid tumor (Melanoma, Skin cancer, etc.)	Phase I (Japan)* Completion in FY 2016	• Orphan drug designation system • SAKIGAKE designation system • Conditional and time-limited approval system	FY 2019
			Melanoma	Phase II (United States) Completion in FY 2017	———	
Engineered T-Cell Therapy	**siTCR**	**MAGE-A4 siTCR gene therapy**	Solid tumor (Esophageal cancer, etc.)	Phase I (Japan)* (investigator-initiated trial) Completion in FY 2016	• Conditional and time-limited approval system	FY 2022
		NY-ESO-1 siTCR gene therapy	Solid tumor (Synovial sarcoma, etc.)	Phase I (Japan)* (investigator-initiated trial) Completion in FY 2017	• Orphan drug designation system • Conditional and time-limited approval system	
	CAR	**CD19 CAR gene therapy**	Hematological malignancy	Clinical trial commencement under preparation (Japan) Scheduled to commence in FY 2016	• Orphan drug designation system • Conditional and time-limited approval system	
	MazF gene therapy		HIV infection	Phase I (United States) Completion in FY 2016	———	FY 2023

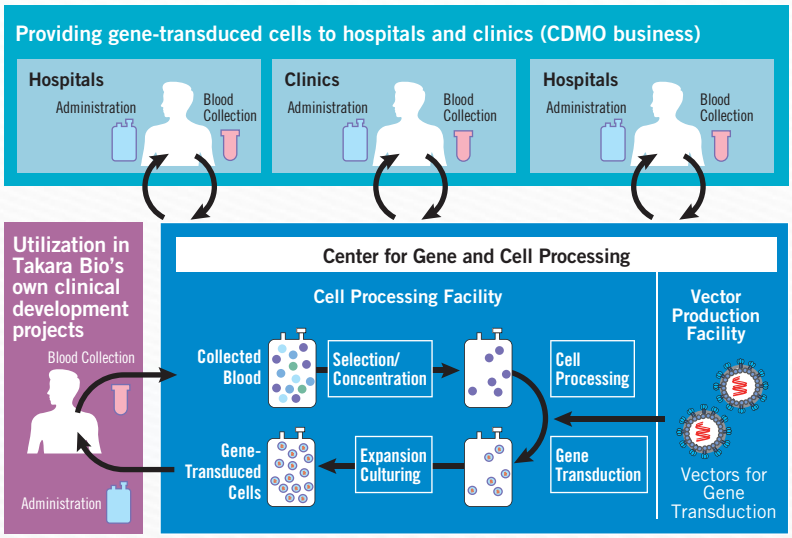
Consolidating research sites into a new facility

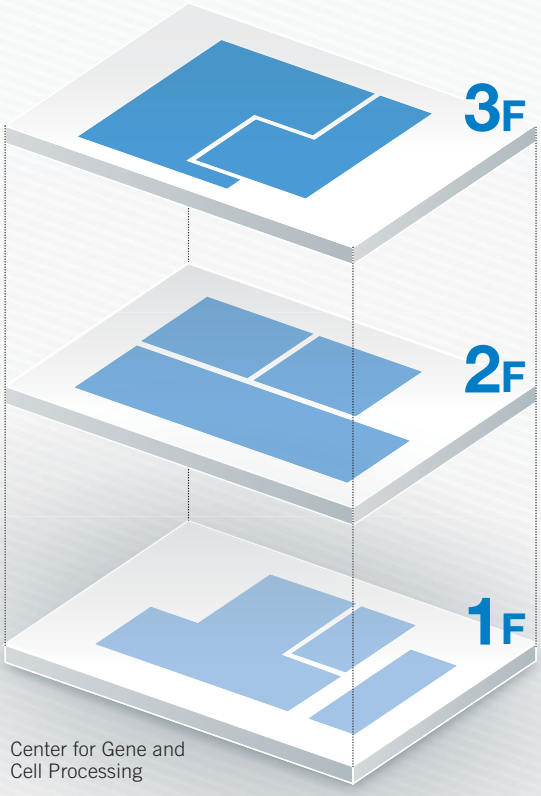
The Center for Gene and Cell Processing

A core facility for CDMO business

Put into operation in October 2014, the Center for Gene and Cell Processing (CGCP) is a core facility for CDMO business and for investigational drug manufacturing as a part of Takara Bio's own clinical development projects. The facility conducts contracted manufacturing of vectors for gene transduction, processed cells, biopharmaceuticals, and regenerative medical products: and contracted services as a partner in R&D in CDMO business.

The center acquired the accreditation of "foreign cell processor" in May 2015, enabling it to conduct cell processing for medical institutions.





Center for Gene and Cell Processing

Cell Processing and Quality Testing

Cell products used in gene therapy and cell therapy are produced in multiple independent cell preparation rooms. The center also performs safety and quality testing on cell products, including viral clearance and bacterial endotoxin tests.

Viral Vector Production

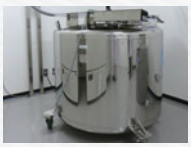
The center produces a range of viral vectors for use in clinical research into gene therapy and cell therapy, with its involvement spanning vector construction through to mass production. A number of production labs have been installed to facilitate the simultaneous production of viral vectors.

Aseptic Filling

The center carries out aseptic filling for its range of vectors and proteins with high-grade cleanliness (less than 100 particles per 1 ft^3). It can fill approximately 3,000 aseptic containers per day.

Cell Bank and Storage

Frozen cells for research and clinical applications are stored in ultra-low temperature freezers and liquid nitrogen tanks which are controlled with 24-hour temperature monitoring.



Plasmid Vector and Protein Production

The center produces GMP-grade RetroNectin® and plasmid vectors for creating iPS cells using microorganisms such as *E. coli*.

Focusing on expanding earnings in the regenerative medicine and cell therapy fields, while steadily advancing clinical development for gene therapies

With an eye to improving corporate value, Takara Bio is investing earnings from its Bioindustry and AgriBio businesses into the Gene Therapy business under its corporate philosophy of "contributing to the health of humankind through the development of revolutionary biotechnologies such as gene therapy."

We are focused on expanding our CDMO business and developing new products and services and expanding earnings in two markets with growth potential—regenerative medicine and cell therapy—while at the same time steadily advancing clinical development of gene therapies.

Koichi Nakao
President
July 2015

FY 2015 Business Performance

A new record for net sales and operating income

Net sales increased ¥2,064 million (8.6%) year-on-year to ¥25,969 million. This was due to a sharp rise in sales of research reagents in the Bioindustry business, which owed partially to a weak yen, as well as a year-on-year sales increase in contracted services and scientific instruments.

Gross profit rose ¥1,253 million, or 10.0%, year-on-year to ¥13,827 million. SG&A expenses, owing to growing R&D expenses and personnel expenses, resulted in ¥905 million, or 8.5%, increase year-on-year to ¥11,524 million and operating income increased ¥348 million, or 17.8%, to ¥2,302 million. Net income came to ¥963 million, a ¥506 million (34.4%) year-on-year decrease due primarily to impairment loss on idle assets and an increase in income tax expenses caused by a reversal of deferred tax assets.

Continuing last fiscal year's trend, Takara Bio set new records for net sales and operating income.

Investment and Shareholder Return

Takara Bio paid year-end dividends of ¥1.50 per share

Takara Bio focused closely on improving retained earnings in order to best conduct research and development in the Bioindustry, Gene Therapy, and AgriBio businesses. Shareholder return is also a top management priority, as the return of profits is a basic policy of the company carried out after comprehensive consideration of the company's business results and financial position. In light of this, Takara Bio distributes around 10% of estimated net income, excluding net extraordinary items in the consolidated financial statements.

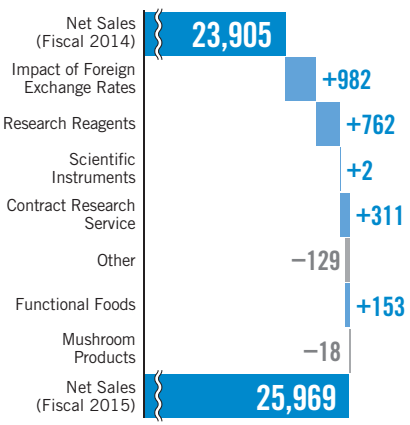
In accordance with this policy, we distributed a year-end dividend of ¥1.50 per share in fiscal 2015. We forecast a ¥1.50 per share year-end dividend for fiscal 2016.

Expanding CDMO Business

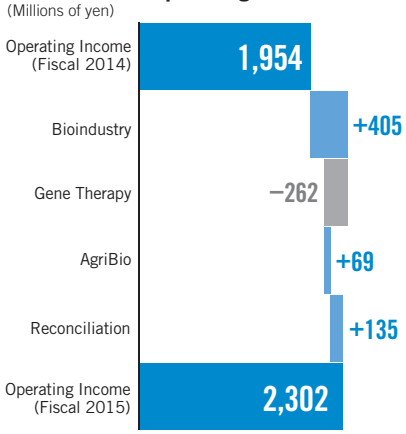
Expanding CDMO business in the regenerative medicine field, a field set for growth

Japan's central government is rolling out a range of policies aimed at advancing regenerative medicine, including providing support and developing a climate for research and development at organizations such as universities and companies. On November 25, 2014,

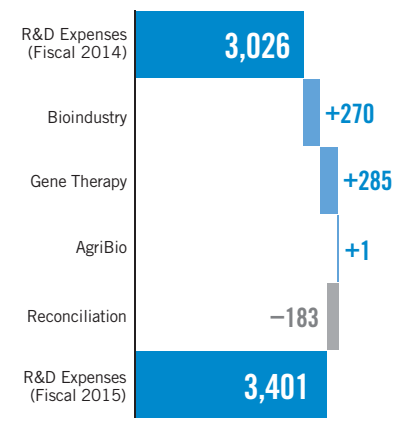
Consolidated Net Sales (Millions of yen)



Consolidated Operating Income (Millions of yen)



R&D Expenses (Millions of yen)



both the Act on Securing the Quality, Efficacy, and Safety of Pharmaceuticals, Medical Devices, Regenerative and Cellular Therapy Products, Gene Therapy Products, and Cosmetics (the Pharmaceutical and Medical Device Act) and the Act on the Safety of Regenerative Medicine went into effect. These policies have helped to develop a climate for conducting regenerative medicine research with safety and speed, and are likely to dramatically expand Japan's regenerative medicine market.

In addition to focusing on developing new products and services for regenerative medicine, a field set for growth, Takara Bio is expanding its CDMO business, providing manufacturing and development support services for products including biopharmaceuticals and regenerative medical products. Among the efforts underway in our CDMO business are expanding contracted development and manufacturing of vectors and cells based on GCTP/GMP*, contracted genetic analysis, and boosting sales of cell culture media, gas-permeable bags and RetroNectin®, a high performance gene transfer agent developed by Takara Bio and used in gene therapies. We can provide a seamless package of regenerative medicine support services at the Center for Gene and Cell Processing and genetic testing support services at the Biomedical Center. Since August 2015, we have consolidated and integrated research and contracted work facilities located in Otsu and Kusatsu Cities in Shiga Prefecture and Yokkaichi City in Mie Prefecture in order to strengthen and streamline R&D efforts and expand and improve contracted services.

* GCTP (Good Gene, Cellular, and Tissue-based Products Manufacturing Practice): A standard used in manufacturing and quality control for regenerative medical products
* GMP (Good Manufacturing Practice): A standard used in manufacturing and quality control for products including pharmaceuticals

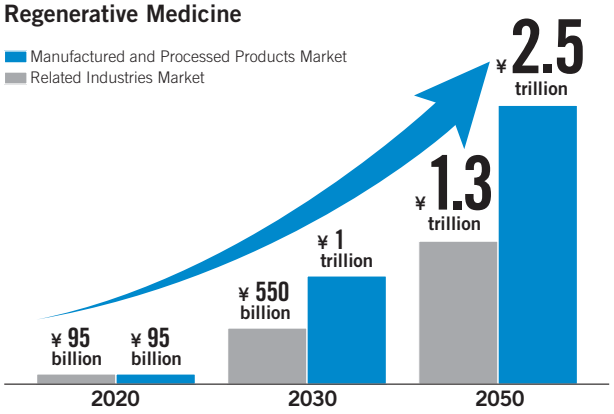
Clinical Development for Gene Therapies

Making steady progress with clinical development in Japan and the U.S.

Regarding clinical development for oncolytic virus HF10 in the U.S., in April 2014 we submitted an investigational new drug application to the U.S. Food and Drug Administration and began Phase II clinical trial targeting melanoma at facilities such as the Huntsman Cancer Institute. In Japan, January 2015 saw Takara Bio submit a clinical trial notification for a regenerative medical product to the Pharmaceuticals and Medical Devices Agency (PMDA), and begin Phase I clinical trial targeting solid cancers such as melanoma at the National Cancer Center Hospital.

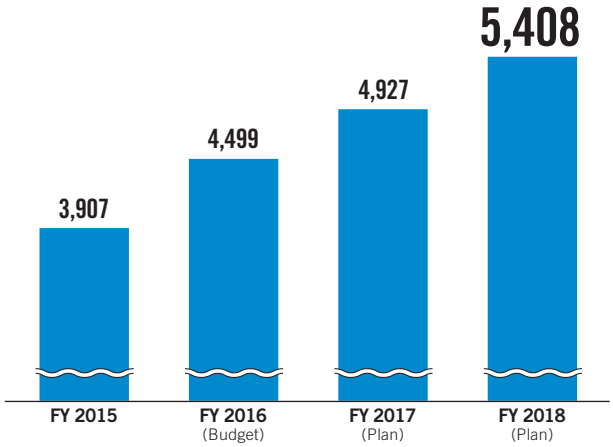
For clinical development of NY-ESO-1 siTCR gene therapy in Japan, in February 2015 Mie University submitted a clinical trial notification for a regenerative medical product to the PMDA and Phase I clinical trial (investigator initiated trial) targeting solid cancers began at organizations such as Mie University. These clinical development projects are on schedule and making steady progress.

Future Market Expectation of Regenerative Medicine



Source: "Report on the Commercialization and Industrialization of Regenerative Medicine," published in February 2013 by the Ministry of Economy, Trade and Industry

CDMO Business Sales (Millions of yen)



Medium-Term Management Plan beyond Fiscal 2016

Takara Bio aims to further clinical development projects to absorb increased R&D expenses and expand profits

In the Bioindustry business, we have built four research and development bases—one each in Japan, the U.S., Europe, and China—including Takara Bio Europe AB, formed through the acquisition of Cellectis AB, formerly Cellartis AB, in 2014. We are also accelerating development of new products and services for basic research using iPS and other stem cells and for research involving regenerative medicine and cell therapy. We are also working to expand our CDMO business, which provides production development support services for products such as biopharmaceuticals and regenerative medical products. With these policies, we aim to achieve net sales of ¥30 billion or more by fiscal 2018, the final year of our medium-term management plan.

Concerning Takara Bio's Gene Therapy business, our goal is to quickly commercialize oncolytic virus HF10, siTCR gene therapy, and MazF gene therapy—all currently in clinical trials. Meanwhile, we are considering the adoption of an expedited approval system that includes conditional and time-limited approval for regenerative medical products, while actively pursuing clinical development. In the U.S., Phase II clinical trial is currently underway for HF10, which targets melanoma, as well as Phase I clinical trial for MazF gene therapy targeting HIV infections. In Japan, we are conducting Phase I clinical trial for HF10 targeting solid cancers such as melanoma, as well as investigator-initiated Phase I clinical trial for MAGE-A4 siTCR targeting esophageal cancer and other solid tumors and NY-ESO-1 siTCR gene therapy targeting solid tumors such as synovial sarcoma. In fiscal 2016, we plan to begin a clinical trial in Japan for CD19 CAR gene therapy, which targets hematological malignancies. We aim to commercialize HF10 by fiscal 2019, siTCR gene therapy by fiscal 2022, and MazF gene therapy by fiscal 2023. With the commercialization of these gene therapies, we hope to provide new means to treat refractory cancers and AIDS.

In the AgriBio business, we will be expanding sales in the functional food business through a variety of measures. This will include promoting both in-house research and development and joint research with medical research organizations aimed at accumulating evidence-based data for functional food ingredients, improving awareness of our products through the distribution of pamphlets and the launching of a website publishing evidence-based data, and collaboration with Takara Healthcare Inc. To improve profitability in the mushrooms business, Mizuho Norin Co., Ltd. took over all mushroom production and efforts will focus on improving efficiency, growing sales of high added value Honshimeji mushrooms, and expanding sales to highly-profitable channels. Fiscal 2016 is the target year for achieving profitability for the AgriBio business as a whole.

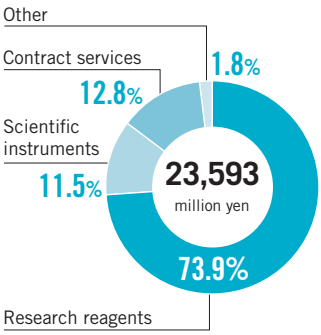
Fiscal 2015 Results and Medium-Term Management Plans

(Millions of yen)	FY 2015	FY 2016 (Budget)	FY 2017 (Plan)	FY 2018 (Plan)
Net sales	25,969	28,300	29,800	31,300
Bioindustry	23,593	25,978	27,380	28,780
Gene Therapy	–	–	–	–
AgriBio	2,376	2,321	2,420	2,520
Operating income (loss)	2,302	2,350	2,450	2,550
Bioindustry	5,212	5,713	6,119	6,451
Gene Therapy	(1,211)	(1,579)	(1,830)	(2,080)
AgriBio	(216)	61	92	130
Ordinary income	2,772	2,800	2,870	2,970
Net income	963	1,500	1,700	1,800
R&D expenses	3,401	4,013	4,514	5,015
R&D expenses as a percentage of net sales (%)	13.1%	14.2%	15.1%	16.0%

Bioindustry Business

Takara Bio develops original research reagents, scientific instruments, and contracted research services that utilize new genetic engineering and advanced cell biology technologies on a consistent basis, supporting biotechnology research and bioindustry around the world in fields that range from basic research to drug discovery and development.

Sales Composition (FY 2015)



Research reagents

Cell culture media and gas-permeable bags

Next-generation sequencing systems

Research Reagents and Scientific Instruments

Since the introduction of the first domestically-produced restriction enzymes in 1979, Takara Bio has provided research reagents and scientific instruments needed for life sciences research at universities and private companies.

In particular, Takara Bio develops and markets Polymerase Chain Reaction (PCR) related products that include high-performance PCR enzymes and real-time PCR equipment, as well as other products that meet market needs. Takara Bio enjoys an excellent reputation as one of the most well-established companies in the Asian PCR reagent market. An essential technology for biotechnology research, the PCR method enables the amplification of very small amounts of genes from biological samples.

In September 2005, Takara Bio acquired United States-based Clontech Laboratories, Inc. Whereas Takara Bio's strength lies in the field of genetic engineering, including enzymes for genetic engineering research and PCR-related technologies, Clontech is strong in the field of cell biology, including gene function analysis systems that use fluorescent proteins and protein interaction analysis systems. Combining Clontech products with Takara Bio products has greatly expanded Takara Bio's product lineup of research reagents.

In August 2014, Takara Bio acquired Cellectis AB (formerly Cellartis AB) and assumed ownership of the company's technologies to induce differentiation of iPS and other stem cells into liver and pancreatic cells, as well as products related to stem cells such as ES, iPS, and differentiated cells. Worldwide sales of these products began in October, 2014 under the Cellartis® brand.

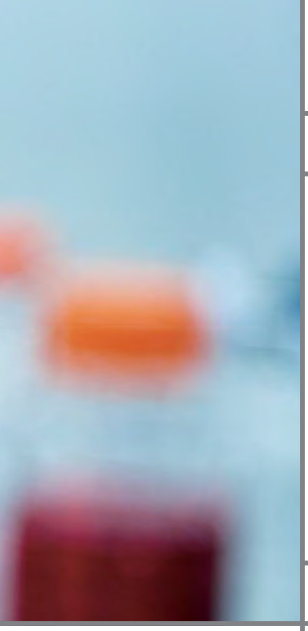
Takara Bio also markets cell culture media and gas-permeable bags used in regenerative medicine. It is especially focused on expanding this business in China, where the market for such products is rapidly growing, effecting strong sales.

On the topic of manufacturing, Takara Biotechnology (Dalian) Co., Ltd., established in 1993, produces the majority of our research reagents. The company has acquired ISO 9001 certification for the manufacture and technical service of molecular biology reagents and cell biology reagents, enabling high-quality, strongly-cost-competitive products.

Concerning development, we have completed our system of four R&D centers, located in Japan, the U.S., Europe, and China. The system allows us to market better products more quickly by having each center focus on different themes and by making the most of each one's characteristics, improving our ability to develop new products and services while speeding up the process.

Takara Bio sales initiatives involve expanding its sales network worldwide through subsidiaries in the U.S., Europe, China, South Korea, and India, with efforts focused on enhancing TaKaRa®, Clontech®, and Cellartis® brand strength and sales.

Going forward, we will concentrate on the genetic engineering and advanced cell biology, in addition to developing products in the regenerative medicine and cell therapy fields, markets that are likely to see strong growth. Among our efforts to expand sales in genetic engineering, we



Future Initiatives

- Expand the CDMO business (including the launch of contracted cell processing services) with the Center for Gene and Cell Processing at the helm.
- Develop new products and services and expand sales and support services for regenerative medicines and cell therapies that use iPS cells, etc.
- Enhance our product development capabilities by establishing different development focuses that utilize the characteristics of our four research and development bases in Japan, the U.S., Europe, and China.
- Strengthen our marketing and sales framework through initiatives that include carrying out strategies centered on our three brands—TaKaRa®, Clontech®, and Cellartis®—focusing on marketing to key accounts, and building a new contract service development department, international sales and marketing department, and customer relations center.
- Build efficient production and logistics frameworks by enhancing coordination among production facilities in Japan, China, and India.

are expanding the range of applied fields for PCR technology and developing new products related to next-generation sequencing, a growth market. For the fields of regenerative medicine and cell therapy, we are developing new products pertaining to iPS cells and genome editing, two fields of active research.

Contracted Services

Since launching the Genome Analysis Center—one of the largest such facilities in Asia—in 2000, we have undertaken a number of large-scale genome analysis projects. In addition to basic research support services that include genome sequence analysis, gene expression analysis using DNA chips, small RNA analysis, and protein expression analysis, we provide advanced research support services using cutting-edge technologies and equipment used in techniques such as next-generation sequencing, single-cell analysis, and genome editing. One factor behind our ability to provide contracted services with high added value is the Center for Gene and Cell Processing, put into operation in October of 2014. The Center provides regenerative medicine support services, including regenerative medicine production, and cell processing. Now we can provide a seamless package of regenerative medicine support services and genetic testing support services such as genetic analysis using next-generation sequencers.

1. Contracted Services for Regenerative Medicines

The Pharmaceutical and Medical Device Act and Act on the Safety of Regenerative Medicine went into effect in November 2014, paving the way for growth in the market for regenerative medicine and cell therapy, with R&D currently picking up pace alongside expanding industrial applications. With the Center for Gene and Cell Processing leading the way, Takara Bio conducts contracted services that include manufacturing and developing cells, virus vectors, and plasmid vectors for gene transduction based on Good Gene, Cellular and Tissue-based Products Manufacturing Practices (GCTP) and Good Manufacturing Practices (GMP). We also conduct quality and safety testing and produce and store cell banks as a part of the comprehensive services we provide to support R&D in regenerative medicine and cell therapy and their industrial applications. Our acquisition of accreditation of "foreign cell processor" to conduct specific processed cell manufacturing in May 2015 has enabled us to provide medical institutions with contracted cell processing services. Additionally, the CDM Center—a base for the development of regenerative medicines, biopharmaceuticals, and related products and services—acquired ISO 9001 certification and built a quality management system in June of 2015. It provides optimal services by utilizing the technologies and expertise cultivated through clinical development efforts for gene and cell therapies.

2. Contracted Gene Research Services

Leveraging its extensive gene analysis techniques and expertise, Takara Bio provides contracted services for gene research. Gene analysis has seen rapid adoption of next-generation sequencing in recent years, and we are able to handle such techniques and more—including even the latest techniques such as human genome analysis and epigenetic analysis. We are also focused on bioinformatics, providing high-added-value services such as next-generation data mining to draw out useful information from vast quantities of acquired data.

3. Technical Support Services for Cancer Immunotherapy

Cancer immunotherapy, which has extremely few side effects, is gradually spreading in use and becoming a fourth category of cancer therapy alongside surgery, chemotherapy, and radiation.

Takara Bio provides technical support services to medical institutions that are engaged in clinical research involving cancer immunotherapy or that provide cancer immunotherapy, using the RetroNectin® expansion-culture system and the highly-pure Natural Killer (NK) cell therapy method.

In collaboration with a cancer immuno cell regulation course offered by the Kyoto Prefectural University of Medicine, we have conducted clinical research into cancer immunotherapies that use these proprietary cell culture methods and have borne witness to their safety and effectiveness.

Currently, the RetroNectin® induced T-cell method (RIT) and a therapy that combines RetroNectin® induced T cells and highly-purified NK cells (NK-RIT) are being conducted at both the Iseikai Hyakumanben Clinic in Kyoto and the Takeda Hospital Group's Takeda Clinic of Immunity and Genes in Kyoto, with Takara Bio providing technological support for cell processing.

Gene Therapy Business

With the aim of commercialization, Takara Bio uses biotechnologies developed over many years to advance the clinical development of gene therapies that target diseases such as cancer and AIDS.

Cell culture

Production of vectors

Gene Therapy

Takara Bio is currently engaged in the clinical development of the following gene therapies.

Oncolytic Virus
HF10

HF10 is an attenuated strain of the herpes simplex virus 1 (HSV-1) that exhibits antitumor activity when inserted into a cancerous region. It also strengthens immunity to cancer cells, giving it promise as a means to prevent tumors from forming, even in regions where HF10 was not administered. This type of viruses is called an oncolytic virus. Takara Bio acquired its HF10 business from M's Science Corporation in November, 2010.

Oncolytic viruses selectively replicate within tumorous tissue and break it down without doing excessive damage to normal tissue. Many oncolytic viruses involve gene recombination or foreign gene insertion, but HF10 is a spontaneously-mutating virus that involves no genetic modification whatsoever.

In the U.S., Phase I clinical trial targeting solid cancers is finished, and Phase II clinical trial for melanoma is now underway at such organizations as the Huntsman Cancer Institute.

In Japan, Phase I clinical trial targeting solid cancers such as melanoma and squamous carcinoma is being conducted at the National Cancer Center Hospital.

Taking advantage of each country's expedited approval systems, Takara Bio aims for commercialization by fiscal 2019.

Engineered T-Cell Therapy
1. siTCR Gene Therapy

TCR gene therapies involve transducing autologous lymphocytes with TCR genes capable of recognizing cancer antigens and putting them back into the patient, allowing these lymphocytes to identify and attack cancer cells, thereby eliminating them. siTCR gene therapy is a Takara Bio proprietary TCR therapy that involves the use of the siTCR vector technique. The siTCR technique minimizes the involvement of endogenous TCRs and allows for obtaining more lymphocytes that express the target TCR. This is thought to reduce the risk of side effects and improve effectiveness.

In Japan, Takara Bio is currently conducting clinical development of siTCR gene therapies in collaboration with Mie University. Phase I clinical trial (investigator-initiated trial) began in March of 2014 for the MAGE-A4 antigen-specific siTCR therapy targeting solid cancers such as esophageal cancer. This clinical trial was the first in the country for cancer immunotherapy. Then in April of 2014, investigator-initiated Phase I clinical trial began for NY-ESO-1 siTCR targeting solid cancers such as synovial sarcoma. Both clinical trials involved the use of siTCR vectors jointly developed by Takara Bio and Mie University.

Utilizing expedited approval systems such as a conditional and time-limited approval system for regenerative medical products, we are aiming for commercialization by fiscal 2022.

Future Initiatives

- Conduct clinical development for the oncolytic virus HF10 to treat melanoma (Objective: bring product to market by FY 2019)
- Conduct clinical development for MAGE-A4 and NY-ESO-1 siTCR gene therapy for solid cancers (Objective: bring product to market by FY 2022)
- Conduct clinical development in the U.S. for MazF gene therapy for HIV infections (Objective: bring product to market by FY 2023)
- Conduct clinical development for CD19 CAR gene therapy targeting hematopoietic cancer (Objective: begin clinical trial in FY 2016)

2. CAR Gene Therapy

Chimeric Antigen Receptors (CARs) are receptors that can specifically recognize cancer antigens, and are made by combining parts derived from antibodies that specifically recognize certain cancer antigens with parts with cytotoxic functions derived from T-cell receptors. CAR gene therapies involve putting autologous lymphocytes transduced with CAR genes back into the patient, allowing these lymphocytes to specify and attack cancer cells, thereby eliminating them.

Together with Jichi Medical University, Takara Bio is conducting clinical research into CD19 antigen specific CAR gene therapy targeting non-Hodgkin lymphoma, a type of malignant lymphoma. This clinical research involves the use of the RetroNectin® expansion-culture method and the RetroNectin® gene transduction technique developed by Takara Bio. We believe it is possible to efficiently prepare high-quality CAR-gene-transduced cells from the peripheral blood of non-Hodgkin lymphoma patients.

We plan to begin clinical trial in Japan for CD19 CAR gene therapy targeting B-cell hematopoietic malignancies by fiscal 2016.

3. MazF Gene Therapy

AIDS is a disease wherein the immunological function of the entire body is compromised due to HIV infecting and replicating within immune cells. MazF gene therapy involves the *ex vivo* transduction of retrovirus vectors that express MazF, an endoribonuclease derived from *E. coli*, conditionally upon HIV infection into T cells derived from the patient. Due to the function of MazF, MazF-transduced T cells put back into the patient prohibit the replication of HIV even if so infected. This allows immune cells to maintain their functionality and makes MazF gene therapy a promising solution for treating HIV infections. With this therapy, we aim to create a functional cure that will prevent symptoms of HIV-induced disorders such as AIDS from appearing in the patient's lifetime, something not achievable with current treatments that use anti-HIV medications.

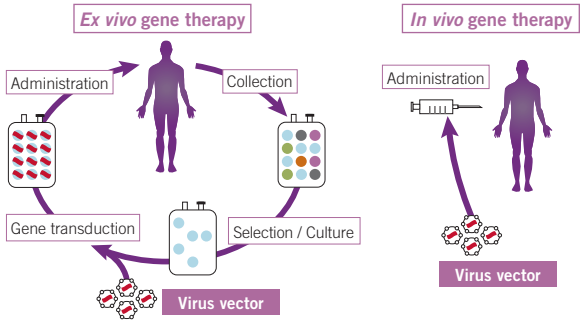
In collaboration with the University of Pennsylvania and Drexel University in the U.S., Takara Bio is currently conducting Phase I clinical trial for MazF gene therapy targeting HIV infections. We aim to achieve commercialization by fiscal 2023.

Ex vivo Gene Therapy and the RetroNectin® Method

Gene therapies are classified into two types; *ex vivo* and *in vivo*. In *ex vivo* gene therapy, a target gene is transduced into cells taken from a patient or a donor and the gene-transduced cells are subsequently infused back into the patient. In contrast, *in vivo* gene therapy involves the direct administration of therapeutic genes into patients.

Jointly developed between Takara Bio and Indiana University in the United States, the RetroNectin® method is now recognized as a standard gene transduction method for *ex vivo* gene therapy. This method uses RetroNectin® to efficiently transduce genes into hematopoietic stem cells as well as lymphocytes and other blood cells, and is utilized in clinical development for over 60 gene therapies around the world.

Takara Bio holds exclusive rights for worldwide applications of the RetroNectin® method, and licenses the method to many companies.

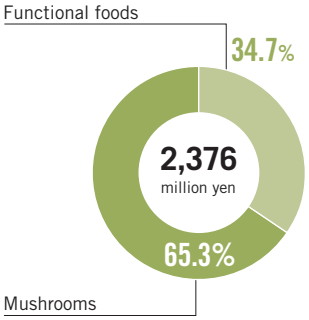


The purpose of gene therapy is to cure disease by administering specific genes or genetically-modified cells to a patient in order to correct a genetic birth defect or cure a disease (for example, cancer or AIDS).

AgriBio Business

Takara Bio works to discover the functionality of traditional Japanese food ingredients, and develops and produces functional foods that utilize these materials. It also cultivates new mushroom types and utilizes technologies for large-scale production to produce and market Honshimeji and Hatakeshimeji mushrooms.

Sales Composition (FY 2015)



Fucoidan Supplement 50

Nokogiriyashi (saw palmetto) + Isosamidin

Functional Food Business

Takara Bio conducts functional research into traditional Japanese food ingredients, while at the same time developing and producing functional foods made from these ingredients.

Functional foods developed by Takara Bio are marketed by Takara Healthcare Inc. (a wholly-owned subsidiary of Takara Holdings Inc.). We also provide functional food ingredients to food and cosmetic manufacturers to be used as raw materials for products including foods, drinks, and cosmetics.

1. Gagome Kombu (Kelp) "Fucoidan"

Fucoidan is a viscous component found in various species of seaweed, including kombu. It has been found to self-repair damaged areas and act as a barrier against desiccation and bacteria.

Takara Bio spent many years researching Gagome kombu (kelp), a particularly sticky type of kombu, and consequently three different types of chemical structures of Fucoidan in Gagome kombu (kelp) were successfully identified for the first time. Research into Fucoidan functionality continues to move forward.

2. Herb (*Peucedanum japonicum*) "Isosamidin"

Peucedanum japonicum is a perennial plant in the Apiaceae (Umbelliferae) family that grows naturally along the coast, mainly from southern Kyushu to Okinawa. It is called "Botanbofu" in Japanese. It is also often called the "herb of long life," which derives from the local folklore saying "If you eat one sprig of Botanbofu, you will live one day longer." Takara Bio has focused its research on the herb's intense vitality, particularly the properties of a constituent compound called Isosamidin.

3. Ashitaba (Angelica Herb) "Chalcone"

Indigenous to Japan, Ashitaba grows wild on the Pacific coast, mainly in the Izu Islands. Ashitaba is known for its strong vitality as indicated by the Japanese saying "If Ashitaba leaves are picked today, new leaves will be in place by tomorrow." Ashitaba is rich in vitamins, minerals, and dietary fiber, many of which are important nutrients for both health and beauty.

Takara Bio produces Ashitaba on its own farms and contracted farms in Kagoshima Prefecture. Takara Bio is pursuing R&D activities into the function of Chalcone, a polyphenol peculiar to Ashitaba.

4. Agar-derived "Agaphytose"

Known as the "king of dietary fiber," agar is made from gelidium, gracilaria, and other kinds of seaweed.

Takara Bio focuses on agaro-oligosaccharides derived from heating agar in an acidic solution, and has developed a proprietary method for producing agar-derived Agaphytose which features unique functions not found in other oligosaccharides.

Future Initiatives

- Conduct research with medical research organizations and conduct in-house research aimed at accumulating evidence-based data on functional food ingredients such as Fucoidan derived from Gagome kombu (kelp), *Peucedanum japonicum*-derived Isosamidin, angelica keiskei-derived Chalcone, agar-derived Agaphytose, *Dioscorea esculenta*-derived Yamsgenin, and Terpene from mushrooms.
- Improve awareness by establishing a promotional website featuring evidence-based data that has been gathered and by distributing relevant literature.
- Reinforce our quality control and assurance systems and cut production costs.
- Streamline Honshimeji and Hatakeshimeji mushroom production at Mizuho Norin Co., Ltd.
- Expand mushroom sales by developing highly-profitable sales channels.

5. Yam (*Dioscorea esculenta*) "Yamsgenin"

Long known as a healthy food with tonic-like properties, yams are referred to as "Sanyaku" in traditional Chinese medicine.

Takara Bio discovered a component called Yamsgenin in the lesser yam (*Dioscorea esculenta* "Togedokoro" in Japanese), which is grown in places like Okinawa. Yamsgenin is not found in common yams. Takara Bio is now conducting research into the functionality of this component.

6. Mushroom "Terpene"

Terpene is the generic name for substances with an isoprene structure, a structure found throughout nature. Lycopene, a health-promoting constituent of tomatoes, is one example.

Takara Bio's research focuses on the functions of mushroom terpenes, which are one of the compounds present in Bunashimeji mushrooms (*Hypsizigus marmoreus*).

Mushroom Business

Takara Bio is developing new species of mushrooms and new cultivation techniques, while creating mass production techniques.

We were the first to establish a technique for mass-producing the Bunashimeji mushrooms that are widely sold at supermarkets and other retail food outlets. We licensed our mass production technique with JA ZEN-NOH (National Federation of Agricultural Cooperative Associations) Nagano in 1973, and our success in commercializing mushrooms was the start of our mushroom business. We have since developed mass production techniques for a range of high-value-added mushrooms.

Currently, Takara Bio produces Honshimeji mushrooms and Hatakeshimeji mushrooms through Mizuho Norin Co., Ltd. (located in Kyotanba-cho, Kyoto) a joint venture company formed among Takara Bio, Kyotanba-cho, the Kyotanba Forestry Association, both of which are in Kyoto Prefecture. Takara Bio holds over 90% of the market for Honshimeji mushrooms, known for their exquisite taste—"matsutake smells good, shimeji tastes good (Kaori matsutake and Aji shimeji)," as the saying goes. Leveraging the brand strength of products made in Kyotanba, we are working to improve profitability here by focusing on exploring new business opportunities in the restaurant industry, which includes hotels and high-class Japanese food restaurants, in addition to supermarkets and other retailers.

Honshimeji

Hatakeshimeji

TOPICS for FY 2015

Bioindustry Business

Licensing agreement signed with iHeart Japan Corporation concerning the use of iPS-derived cardiomyocytes

On June 24, 2014, Takara Bio signed an agreement with iHeart Japan Corporation involving licensing and technology transfer. The agreement targets the manufacture and sale of research tools that use cardiomyocytes and vascular cells differentiated from stem cells such as human iPS cells, as well as contracted services that make use of these research tools. With this agreement, Takara Bio has acquired exclusive rights in Japan and Asia to licenses and technical expertise related to these businesses.

Collected cardiomyocytes will be used primarily by pharmaceutical companies as research tools for evaluating whether side effects such as arrhythmia will occur when pharmaceutical candidate substances are administered to humans. Takara Bio plans to begin the manufacture and sale of, and contracted services for, these research tools within the next two years.

Bioindustry Business

Acquisition of stem cell business firm (the former Cellartis AB) from France-based Cellectis SA

Cellectis AB (Sweden, "CAB"), a firm conducting stem cell business for Cellectis SA (France, "CSA"), was made into a Takara Bio subsidiary through a 100% share acquisition and was renamed as Takara Bio Europe AB.

CAB (which was formed following the purchase of Cellartis AB from CSA in 2011) provides technologies for inducing the differentiation of iPS and other stem cells into liver cells, pancreatic cells, and other such cells. It also provides products related to stem cells, including ES, iPS, and differentiated cells. The company's products are in wide use throughout the world in the fields of regenerative medicine research and drug discovery.

Takara Bio launched CAB's products worldwide under the Cellartis® brand on October 1, 2014.

Bioindustry Business

Acquisition of assets for stem cell-related research products from U.S.-based StemCells, Inc.

On November 10, 2014, Takara Bio signed an asset acquisition agreement with U.S.-based StemCells, Inc. ("SCI") concerning stem cell-related research products marketed by SCI. Under the agreement, Takara Bio will acquire all assets necessary to manufacture and sell these products.

SCI develops stem cell therapies primarily involving the central nervous system and manufactures and markets research products using stem cell technology.

On January 22, 2015, under the Cellartis® brand, Takara Bio began marketing a group of stem cell-related research products mainly comprising stem cell culture media and media for nerve cell differentiation acquired through the agreement.

Gene Therapy Business

Start of Phase II clinical trial for oncolytic virus HF10 in the U.S.

In regards to HF10, Takara Bio submitted an investigational new drug application to the U.S. Food and Drug Administration on April 30, 2014. We began Phase II clinical trial in the U.S. after obtaining approval from the institutional review board for the facilities where the trial would be conducted. In this trial, which target unresectable or metastatic malignant melanoma, we conduct immunological tests and evaluations that look at, among other things, the efficacy, safety and tolerability of administering Ipilimumab (product name: YERVOY®) together with HF10 manufactured at Takara Bio facilities.

Phase I clinical trial sought to evaluate the safety of administering HF10 along with its tolerability and tumor reducing effects, among other things, and the results provided conclusive evidence of HF10's safety. We also observed suppression of tumor enlargement and fluctuation among blood components that suggest HF10 has an antitumor immunotherapeutic effect.

Gene Therapy Business

Start of Phase I clinical trial for oncolytic virus HF10 in Japan

Takara Bio submitted a clinical trial plan notification (CTN) for a regenerative medical product to the PMDA on January 21, 2015, after which it began Phase I clinical trial in Japan for cancer therapies using HF10.

This trial targeted solid cancers such as melanoma and squamous carcinoma of the skin, and evaluated things such as safety when repeat doses of HF10 are administered.

Taking advantage of expedited approval systems (conditional and time-limited approval system) that apply to regenerative medical products under the Pharmaceutical and Medical Device Act that went into effect in November of 2014, we aim to achieve expedited approval for HF10, with a product on the Japanese market by fiscal 2019.

Gene Therapy Business

Submission of CTN for investigator-initiated trial involving NY-ESO-1 siTCR gene therapy

With an eye to commercializing cancer drugs that utilize siTCR gene therapies, Takara Bio is working with a group of Mie University researchers that includes Dr. Hiroshi Shiku. On February 3, 2015, the group submitted a CTN for a regenerative medical product to the PMDA, later beginning Phase I clinical trial (investigator-initiated trial) of NY-ESO-1 siTCR gene therapy.

NY-ESO-1 siTCR gene therapy targets NY-ESO-1, a cancer antigen. Takara Bio manufactures and markets NY-ESO-1 antigen specific TCR gene transduction T cells, which are used in the clinical trial. In the manufacture of this product, we use the Takara Bio-developed RetroNectin® method and retrovirus vectors for TCR gene transduction, jointly developed with Mie University.

We aim to market a siTCR gene therapy by fiscal 2022, utilizing expedited approval systems (conditional and time-limited approval system) that apply to regenerative medical products under the Pharmaceutical and Medical Device Act.

AgriBio Business

Launch of Kelfull, a supplement that combines Gagome konbu-derived Fucoidan, human hair components, and other substances

On April 8, 2014, Takara Bio launched Kelfull, a supplement made from a high-quality mixture of components including gagome-konbu-derived Fucoidan and components of human hair.

With a strong interest in the power of kelp, which has been eaten as a health food for generations, Takara Bio has researched fucoidan for 30 years. Fucoidan is the viscous component of Gagome konbu, which grows off the coast of Hakodate in Hokkaido.

Kelfull is marketed as an easy-to-swallow, soft capsule that combines nutrients such as Gagome konbu-derived Fucoidan, Yakushima-originating *Peucedanum japonicum*, human hair component L-cystine, and essential minerals (zinc, copper) and vitamins (B complex vitamins and vitamin E).

AgriBio Business

Launch of Agafit and Ginkgo leaf + Yamsgenin

On March 10, 2015, Takara Bio launched sales of Agafit supplements, which contain Agaphytose derived from agar, and Gingko leaf + Yamsgenin supplements, which combine Yamsgenin derived from *Dioscorea esculenta* (lesser yam) with ginkgo leaf extracts.

Agafit contains Agaphytose, a unique ingredient derived from agar, and is a supplement recommended for people who suffer from anxiety when their daily routine is disrupted. Ginkgo leaf + Yamsgenin combines Yamsgenin powder, a healthy ingredient derived from the yam *Dioscorea esculenta*, with ginkgo leaf extracts, and is recommended for people who want to feel refreshed every day.

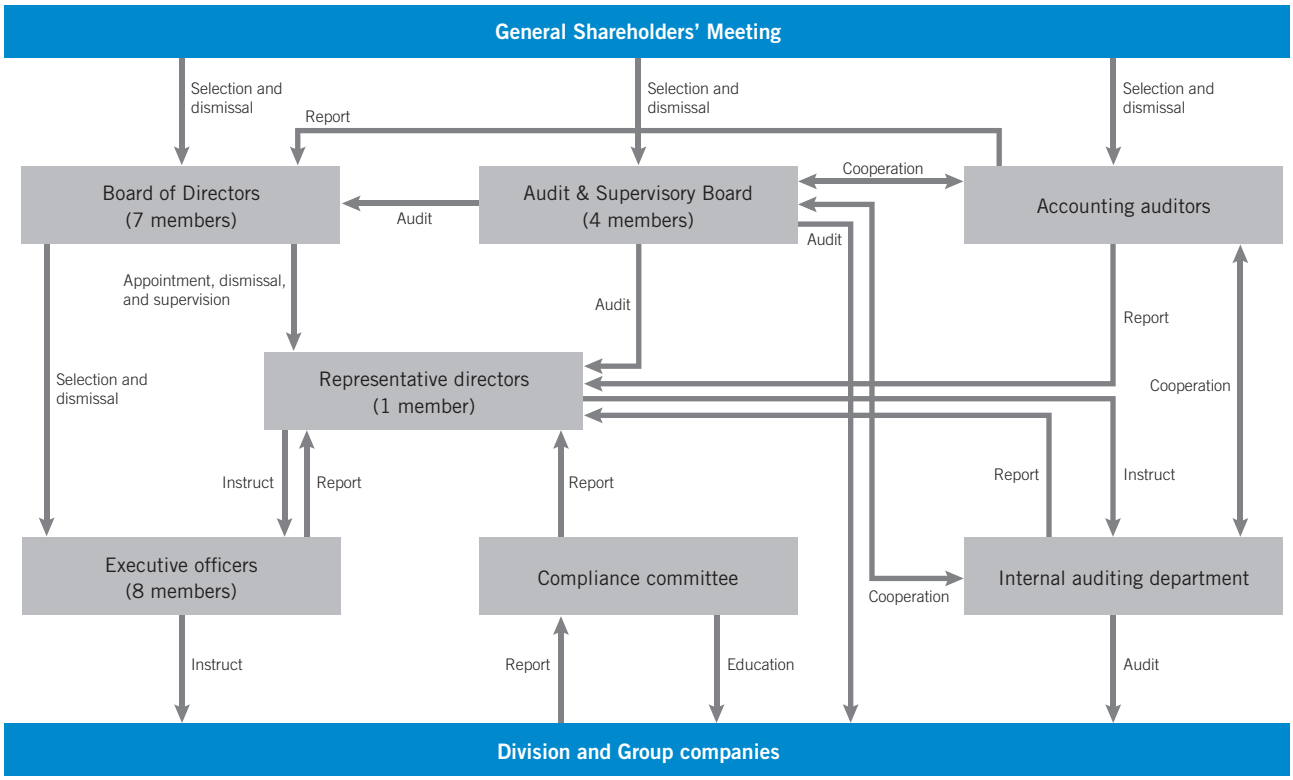
Corporate Governance

At Takara Bio, our corporate philosophy is “contributing to the health of humankind through the development of revolutionary biotechnologies such as gene therapy.” Guided by this philosophy, Takara Bio is dedicated to the development of biotechnology-related products and technologies as an R&D-oriented organization. In the biotech industry, which is dependent on constant technical innovation, our management policy is to conduct R&D aggressively while returning profits to our shareholders by increasing corporate value through improved business results. To achieve this, we are striving to expedite our decision making and to improve our business efficiency.

The Board of Directors consists of seven members (including one external director) who meet whenever necessary in addition to the regular monthly Board meetings. The Board makes decisions on important issues concerning the management of Takara Bio, its management policies, and legal matters, as well as overseeing the execution of Board member affairs. One external director has been designated as an independent director in accordance with the rules stipulated by the Tokyo Stock Exchange (TSE), and the TSE has been notified of this designation.

Takara Bio has adopted an Audit & Supervisory Board (ASB) system, and two of our four ASB members are external. We have established an internal auditing department comprising three personnel. We endeavor to enhance internal control through a system in which the ASB members conduct audits while coordinating with the internal auditing department.

Our parent company is Takara Holdings Inc., which owns 60.92% of the voting rights as of the end of March 2015. Takara Holdings’ policy in managing its group companies is to seek to maximize the corporate value of the whole Takara Group while enabling each and every member corporation of the Takara Group to maintain its uniqueness and independence. Since our biotechnology business requires highly advanced expertise and quick decision making, we are especially unique and independent in the Takara Group. While we report the decisions made at our Board meetings and other issues to the parent company, no prior approval is required in order to execute our decisions.



Executives As of June 23, 2015

Board of Directors

Koichi Nakao

President & CEO

Apr. 1985	Joins Takara Shuzo Co., Ltd.
Apr. 2002	Director
Jun. 2003	Managing Director & Executive Officer
Jun. 2004	Senior Managing Director & Executive Officer
Jun. 2007	Vice President & Executive Officer
Jun. 2008	Vice President
May 2009	President (incumbent) President, Takara Bio USA Holdings Inc. (incumbent) Chairman, Takara Biotechnology (Dalian) Co., Ltd. (incumbent) Chairman, Takara Biomedical Technology (Beijing) Co., Ltd. (incumbent)
Jun. 2009	Director, Takara Holdings Inc. (incumbent)
Mar. 2010	Chairman, Takara Korea Biomedical Inc. (incumbent)
Aug. 2014	Director, Takara Bio Europe AB (incumbent)

Hisashi Ohmiya

Chairman

Apr. 1968	Joins Takara Shuzo Co., Ltd.
May 1974	Director, Takara Shuzo Co., Ltd.
Jun. 1982	Managing Director, Takara Shuzo Co., Ltd.
Jun. 1988	Senior Managing Director, Takara Shuzo Co., Ltd.
Jun. 1991	Vice President, Takara Shuzo Co., Ltd.
Jun. 1993	President, Takara Shuzo Co., Ltd.
Apr. 2002	Chairman (incumbent) President, Takara Shuzo Co., Ltd.
Jun. 2012	Chairman, Takara Holdings Inc. (incumbent) Chairman, Takara Shuzo Co., Ltd. (incumbent)

Kazutoh Takesako, Ph.D.

Senior Managing Director

Apr. 1976	Joins Takara Shuzo Co., Ltd.
Jun. 2003	Executive Officer
Apr. 2004	Senior Executive Officer
Jun. 2007	Director & Executive Officer
Jun. 2008	Senior Executive Officer
Jun. 2009	Senior Managing Director (incumbent)

Shuichiro Matsuzaki

Senior Managing Director

Apr. 1980	Joins Takara Shuzo Co., Ltd.
Jun. 2005	Director, Takara Holdings Inc.
Jun. 2007	Director, Takara Shuzo Co., Ltd.
Jun. 2008	Managing Director, Takara Shuzo Co., Ltd.
Jun. 2010	Senior Managing Director, Takara Shuzo Co., Ltd.
Jun. 2014	Senior Managing Director (incumbent)

Takao Okane

Managing Director

Apr. 1977	Joins Takara Shuzo Co., Ltd.
Jun. 2003	Managing Director, Japan Synthetic Alcohol Co., Ltd.
Jun. 2005	Executive Officer, Takara Shuzo Co., Ltd.
Jun. 2007	Director, Takara Holdings Inc. Director, Takara Shuzo Co., Ltd.
Jun. 2014	Managing Director (incumbent)

Junichi Mineno, Ph.D.

Managing Director

Apr. 1984	Joins Takara Shuzo Co., Ltd.
Apr. 2011	Executive Officer
Jun. 2012	Senior Executive Officer
Jun. 2014	Managing Director (incumbent)

Jawaharlal Bhatt

Director (External Director)

Apr. 1985	Director, Cooper LaserSonics, Inc.
Jun. 1990	President & CEO, Bio NovaTek International, Inc.
May 2000	President & CEO, Jay Bhatt, Inc.
Jun. 2010	Director (incumbent)

Audit & Supervisory Board Members

Susumu Sano, Ph.D.

Standing Audit & Supervisory Board Member

Apr. 1975	Joins Takara Shuzo Co., Ltd.
Apr. 2002	Executive Officer
Feb. 2003	Retires as Executive Officer
Apr. 2004	Senior Executive Officer
Jun. 2004	Director & Executive Officer
Jun. 2006	Senior Corporate Executive Officer
Jun. 2007	Standing Audit & Supervisory Board Member (incumbent)

Kiyozo Asada, Ph.D.

Standing Audit & Supervisory Board Member

Apr. 1987	Joins Takara Shuzo Co., Ltd.
Jun. 2000	Director, Takara Shuzo Co., Ltd.
Mar. 2002	Retires as Director, Takara Shuzo Co., Ltd.
Apr. 2002	Director
Jun. 2003	Managing Director & Executive Officer
Jun. 2004	Senior Managing Director & Executive Officer
Jun. 2008	Senior Managing Director
Jun. 2011	Standing Audit & Supervisory Board Member (incumbent)

Tomio Kamada

External Audit & Supervisory Board Member

Apr. 1972	Joins Takara Shuzo Co., Ltd.
Jun. 2007	Standing Audit & Supervisory Board Member, Takara Holdings Inc. (incumbent)* Audit & Supervisory Board Member, Takara Shuzo Co., Ltd. (incumbent)*
Jun. 2009	Audit & Supervisory Board Member (incumbent)

Shinji Ueda

External Audit & Supervisory Board Member

Apr. 1976	Joins Takara Shuzo Co., Ltd.
Jun. 2013	Audit & Supervisory Board Member (incumbent) Standing Audit & Supervisory Board Member, Takara Shuzo Co., Ltd. (incumbent) Audit & Supervisory Board Member, Takara Holdings Inc. (incumbent)

* Retired following the end of his tenure of office on June 26, 2015.

Executive Officers

Kazuki Yamamoto
Senior Executive Officer

Yoh Hamaoka, Ph.D.
Senior Executive Officer

Hiroyuki Mukai, Ph.D.
Senior Executive Officer

Tsuyoshi Miyamura
Senior Executive Officer

Masahide Tamaki
Executive Officer

Masanari Kitagawa, Ph.D.
Executive Officer

Masaharu Watabe
Executive Officer

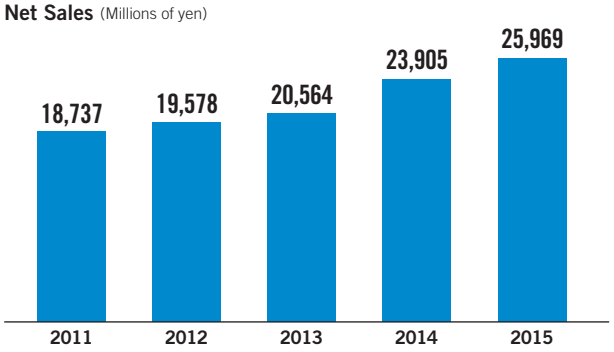
Akihiko Kita
Executive Officer

Five-Year Financial Summary

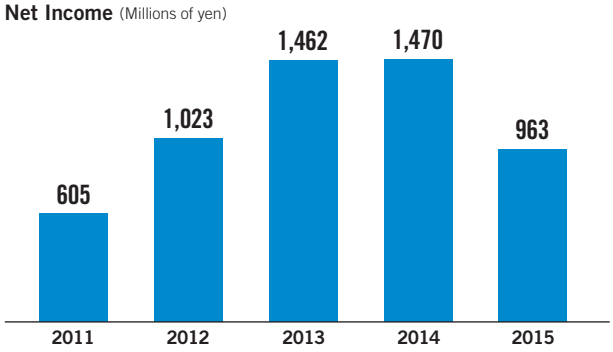
(Millions of yen)	2011	2012	2013	2014	2015
For the Years Ended March 31:					
Net sales (sales to customers)	18,737	19,578	20,564	23,905	**25,969**
Cost of sales	8,858	9,194	9,540	11,331	**12,142**
Selling, general and administrative expenses	8,781	8,836	9,332	10,619	**11,524**
Operating income	1,097	1,547	1,691	1,954	**2,302**
Income before income taxes and minority interests	978	1,662	2,268	2,185	**2,481**
Net income	605	1,023	1,462	1,470	**963**
Depreciation	1,122	1,077	1,104	1,157	**1,347**
Capital expenditures	918	926	2,397	5,538	**4,762**
R&D expenses	2,692	2,658	2,715	3,026	**3,401**
As of March 31:					
Total assets	42,594	44,032	46,649	62,500	**66,425**
Total equity	37,620	38,413	41,465	57,127	**59,642**
Per Share of Common Stock (Yen)*:					
Basic net income	5.37	9.06	12.94	12.50	**8.01**
Equity	333.07	339.73	364.65	473.93	**494.46**
Ratios (%):					
Return on assets (ROA)	1.4	2.3	3.1	2.7	**1.5**
Return on equity (ROE)	1.6	2.7	3.7	3.0	**1.7**
Equity ratio	88.3	87.1	88.8	91.3	**89.6**

Note: Figures have been rounded down to the nearest million yen.
* Indicated prices are retroactively adjusted for a 400-for-one stock split, taking April 1, 2011, as the effective date.

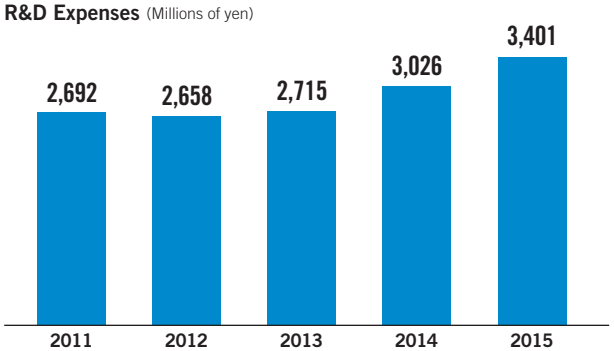
Net Sales (Millions of yen)



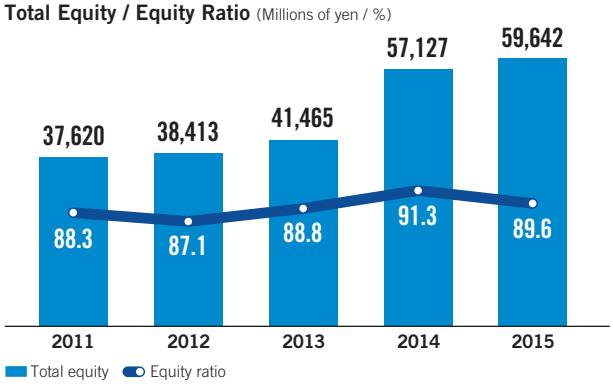
Net Income (Millions of yen)



R&D Expenses (Millions of yen)



Total Equity / Equity Ratio (Millions of yen / %)



Net Sales

Capitalizing on biotechnologies developed over many years, the Takara Bio Group ("the Group") has focused its management resources on three business segments: Bioindustry, Gene Therapy and AgriBio. For fiscal 2015, ended March 31, 2015, net sales increased 8.6% year-on-year to ¥25,969 million. Although a depreciated yen played a part, this increase owed primarily to a dramatic rise in sales of research reagents, our mainstay products, over last period and strong sales in contracted services.

Income

Cost of sales in fiscal 2015 was up 7.2%, year-on-year, to ¥12,142 million due to increased net sales. Gross profit also rose 10.0%, year-on-year, to ¥13,827 million. Selling, general and administrative (SG&A) expenses increased 8.5%, year-on-year, to ¥11,524 million, as personnel expenses and R&D expenses rose. As a result, operating income increased 17.8%, year-on-year, to ¥2,302 million.

While there was an impairment loss on idle assets of ¥247 million, other income (expenses) decreased ¥53 million year-on-year due to a rise in research subsidy income of ¥144 million and the elimination of stock issue costs of ¥63 million that were incurred for a capital increase through a public offering conducted last period.

This resulted in income before income taxes and minority interests of ¥2,481 million. A deferred tax asset reversal and other factors fueled an increase in total income taxes and resulted in net income for the period of ¥963 million.

Segment Review

Effective April 1, 2014, Takara Bio's Genetic Engineering Research business was renamed to the Bioindustry business. The R&D, production, and contracted services previously conducted by the Center for Cell and Gene Therapy in the Gene Medicine business have been consolidated into the Bioindustry business.

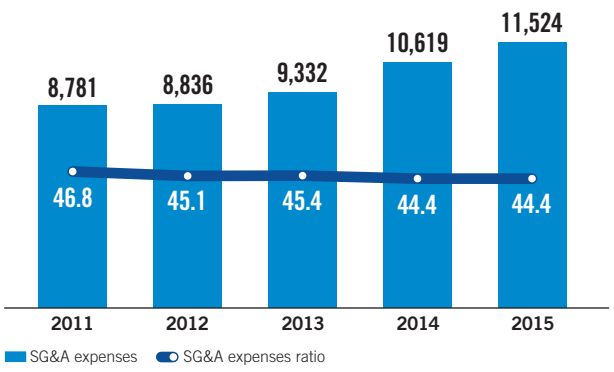
Bioindustry business

Given the ever-widening activities of our biotechnology R&D, the Group has positioned the Bioindustry business, which mainly markets products and contract research services supporting R&D activities, as its core business.

Analyzing sales by product category, sales for research reagents, the category's mainstay product, saw a dramatic increase, a fact that owes partially to yen depreciation. Year-on-year sales increased for both contract services and the scientific instruments category.

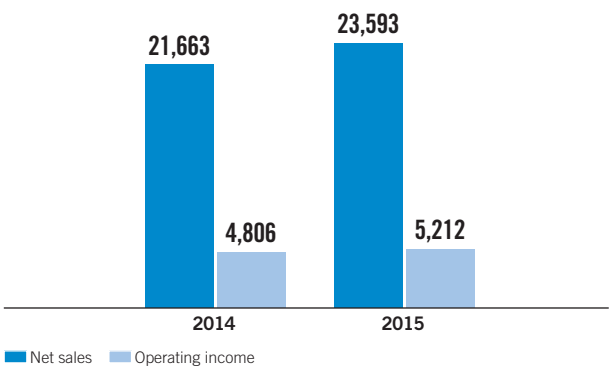
As a result, the business segment recorded a year-on-year increase of 8.9% in sales to external customers, to ¥23,593 million, and 9.8% in gross profit, to ¥13,392 million. SG&A expenses rose by 10.7%, to ¥8,180 million, owing to higher personnel expenses, R&D expenses, and other overhead. Operating income increased by 8.4% year-on-year to ¥5,212 million.

SG&A Expenses / SG&A Expenses Ratio (Millions of yen / %)



Bioindustry

Net Sales / Operating Income (Millions of yen)

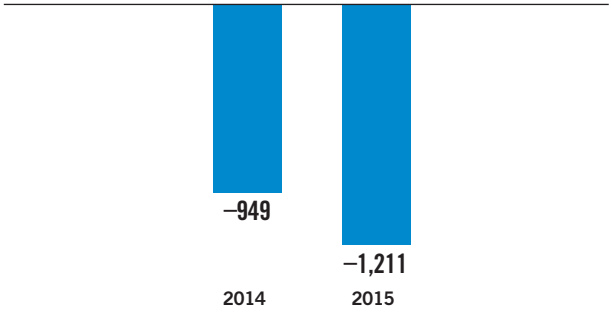


Gene Therapy business

The business focuses on the early commercialization of gene therapies for cancer and AIDS. These therapies utilize original Takara Bio technologies such as the RetroNectin® method, a high efficiency gene transduction method; the RetroNectin® expansion-culture system, a highly efficient lymphocyte propagation technology; and siTCRs and endoribonucleases.

For fiscal 2015, this segment had no sales. SG&A expenses increased 27.6% year on year to ¥1,211 million owing mainly to R&D expenses, while operating loss increased to ¥1,211 million from the previous fiscal year's ¥949 million.

Gene Therapy
Operating Loss (Millions of yen)

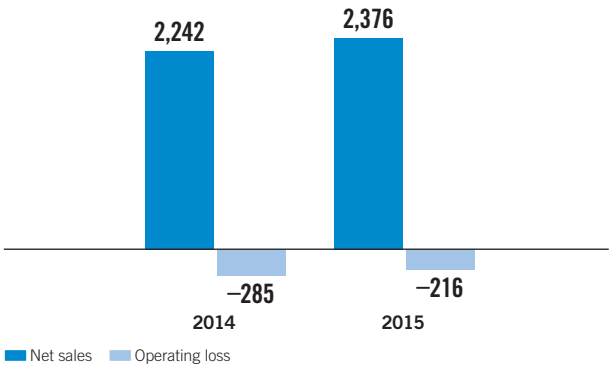


AgriBio business

In the AgriBio business, the Group uses leading-edge biotechnology to develop, produce, and market functional food ingredients based on traditional Japanese food. Moreover, the segment has established clear scientific evidence for the bioactive properties of these products. The concept that food is the primary source of health guides those efforts. The business development is centered on products related to Gagome kombu (kelp) -derived "Fucoidan," Botanbofu (*Peucedanum japonicum*) -derived "Isosamidin," Ashitaba (angelica herb) -derived "Chalcone," agar-derived "Agaphytose," yam-derived "Yamsgenin," and mushroom products.

In fiscal 2015, although mushroom sales dropped year-on-year, functional foods improved. Sales to external customers rose 6.0% to ¥2,376 million. Gross profit increased 15.1% year-on-year to ¥435 million. SG&A expenses decreased 1.9% year-on-year to ¥651 million which brought operating loss to ¥216 million from the previous fiscal year's ¥285 million.

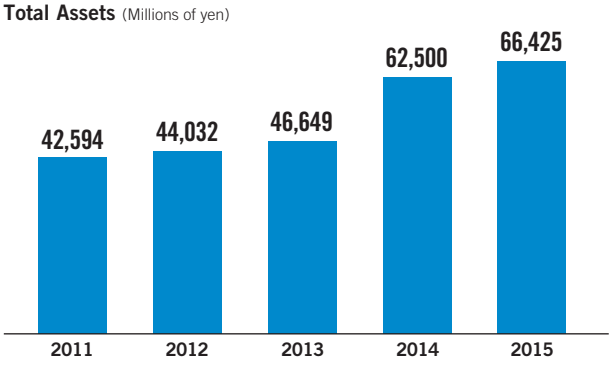
AgriBio
Net Sales / Operating Loss (Millions of yen)



Financial Condition

Total current assets as of the end of the fiscal year ended March 31, 2015 (the fiscal year-end) on a consolidated basis were ¥66,425 million, a year-on-year increase of ¥3,925 million. This owed mainly to a ¥3,572 million increase in property, plant and equipment and ¥410 million increase in intangible assets.

Total Assets (Millions of yen)

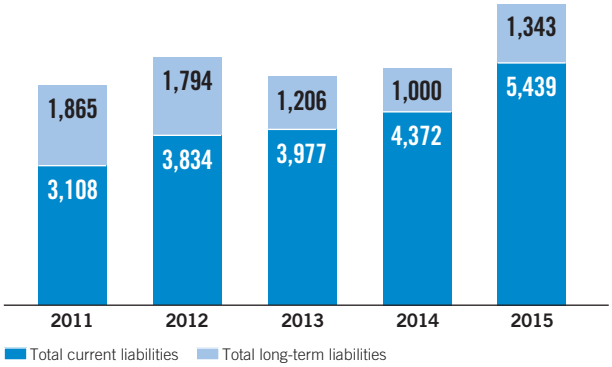


Total liabilities as of the fiscal year-end were ¥6,783 million, a year-on-year increase of ¥1,410 million. This was primarily due to a ¥393 million increase in accounts payable, a ¥388 million increase in notes and accounts payable – trade, a ¥256 million increase in deferred tax liabilities, and a ¥181 million increase in net defined benefit liability.

Total net assets as of the fiscal year-end were ¥59,642 million, a year-on-year increase of ¥2,515 million. This owed mainly to a ¥1,851 million increase in foreign currency translation adjustment and a ¥861 million increase in retained earnings.

The capital equity ratio for total assets was 89.6%, indicating a continued strength in financial conditions for the Group.

Total Liabilities (Millions of yen)



Cash Flows

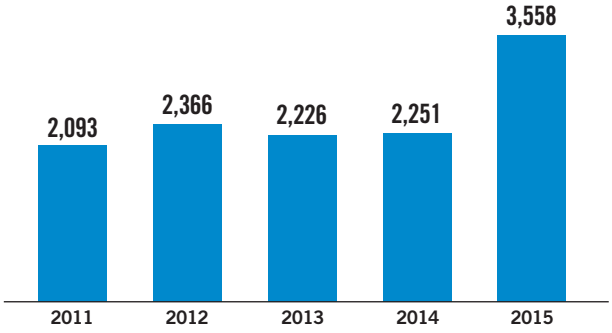
Net cash provided by operating activities was ¥3,558 million, up ¥1,306 million compared with the previous fiscal year. This was primarily due to a ¥571 million decrease in inventories and a ¥423 million increase in notes and accounts payable – trade.

Net cash used in investing activities was ¥3,168 million, down ¥11,312 million compared with the previous fiscal year. The primary factor was ¥7,096 million of proceeds from sales of securities.

Net cash from financing activities was negative ¥231 million, down ¥11,512 million compared with the previous fiscal year. This owed primarily to a ¥11,401 million drop in income due to proceeds from issuance of common shares last period.

As a result, the balance of cash and cash equivalents at the end of the consolidated fiscal year was ¥7,071 million, a year-on-year increase of ¥640 million.

Net Cash Provided by Operating Activities (Millions of yen)



Cash Flows from Business Activities

(Millions of yen)	2011	2012	2013	2014	2015
Net cash provided by operating activities	¥ 2,093	¥ 2,366	¥ 2,266	¥ 2,251	**¥ 3,558**
Net cash provided by (used in) investing activities	(5,639)	(531)	(2,079)	(14,480)	**(3,168)**
Net cash provided by (used in) financial activities	(60)	(4)	149	11,281	**(231)**

Business Risks

The following are the major potential risks to which the Group may be exposed to in its business and other activities. In addition, from the standpoint of the positive disclosure of information significant to investor decisions, conditions that may not become risks, are also described below. Upon identifying the possibility of such risks, the Group will make the utmost effort to avoid them and will take countermeasures against them. There is, however, no guarantee that we can avoid all risks. Please note that the following descriptions do not cover all of the risk factors concerning the Group.

Unless specifically noted otherwise, all the statements in this section are as of the end of fiscal 2015, ended March 31, 2015, and any other statements with respect to future events are based on the Group's assumptions as of June 27, 2015.

In addition, the explanations of terminology are for investors to use as a reference to understand the information provided in this section. As such, they are merely a work of Takara Bio based on our judgment and understanding.

1. Research and development

A diverse range of industries are biotechnology-related, including the medical field (cell and gene therapy); the research support field, in which direct targets for the Takara Bio's business include research institutions and universities that are seeking to promote basic research and to develop new drugs; the environment and energy field (bioremediation and biomass research); the bioinformatics field; and the food field (agriculture and functional foods).

Under these circumstances, the Group conducts extensive R&D, which it considers vital to maintaining its competitive edge. In fact, the Group's R&D expenses for fiscal 2015 were ¥3,401 million, or 13.1% of net sales, which is extremely high. At the same time, there is no guarantee that R&D will proceed as planned, and, as clinical development in the Group's Gene Therapy business requires a particularly long period before commercialization, there is no guarantee that R&D will yield adequate results in a timely manner. Therefore, a delay in R&D could affect the Group's business strategy and performance. In addition, there is no guarantee that the R&D currently under way will produce the anticipated results. As a result, the Group could fail to meet its revenue projections.

2. Dependence on manufacturing

Calculated on a sales price base for fiscal 2015, Takara Biotechnology (Dalian), a Chinese subsidiary, accounted for 39.0% of the manufacturing products for the Group in the Bioindustry business, which generated 90.8% of the Group's net sales. The consolidation of production bases enables the Group to manufacture highly cost-competitive products, and the diversification of manufacturing centers is also considered to be inexpedient, given the Group's production scale. As a result, changes in earnings trends at the subsidiary or an interruption to its business activities for any reason could adversely affect the Group's business strategy and performance.

3. Long-term prepaid expenses

Due to the nature of the Group's business activities, execution of license agreements relating to patents owned by others is a key strategy. In such license agreements, the Group may make an initial payment and certain milestone payments. These expenditures are booked to assets as long-term prepaid expenses at the time of the expenditure and are treated systematically as expenses in each fiscal year, based on the terms of the agreements. In addition, the Group makes an assessment for the licensed technologies in each settlement period, taking into account use of the technology within the Group and obsolescence due to advances in biotechnology. When the asset component of a technology is in doubt, the Group treats the relevant long-term prepaid expense as a one-off expense.

Consequently, long-term prepaid expenses may increase in the future depending on the conclusion of license agreements and the occurrence of subsequent milestone payments. A high level of expense may also arise depending on the status of use of technologies within the Group and advances in biotechnology. This could affect the Group's performance.

4. Competition

The Group holds a unique position in the industry with a firm, stable revenue base, a solid presence in the Asian market, and an extensive, proprietary technological lineup. Nevertheless, the Group is in competition with a number of other companies in the same industry, not only in Japan, but also overseas.

In the Bioindustry business, the license agreement related to the Polymerase Chain Reaction Method (hereinafter, "PCR Method") is non-exclusive, and a large number of companies hold such licenses. As a result, competition is becoming increasingly severe. In addition, entry into the manufacturing and sale of scientific instruments is relatively easy as it does not require licensing and approval, unlike medical instruments, and Takara Bio has a large number of competitors in this business field as well. Additionally, cell therapies such as cancer immunotherapy show promising marketability and there is an increasing number of market entrants due to cell therapies' ability to improve patients' quality of life (QOL) as well as to treat them.

In the Gene Therapy business, a variety of gene transduction methods and effective vectors have been developed, and the applications of gene therapy are expanding from congenital genetic disorders, infectious diseases, and various types of cancer to non-fatal chronic illnesses. Thus, a potentially enormous market has opened up, which has prompted many enterprises to conduct R&D for cell and gene therapies, including large pharmaceutical companies and venture businesses in the United States and Europe.

In the AgriBio business, the functional food industry is booming and many businesses, not just food manufacturers but many pharmaceutical companies as well, are entering this rapidly growing market. Legal regulations impose restrictions on the descriptions of efficacies and effects. Moreover, the use of experimental data for differentiation in sales promotion is prohibited. As a result, it is easy to enter this market, further intensifying the competition.

Therefore, the Group strives to start new business projects and attain early commercialization of projects at their R&D stage. However, if a competitor commercializes a similar product or technology before the Group does, or commercializes a technology that is better than the Group's technology, the Group's business strategies and performance could be affected.

5. Parent company of Takara Bio

As of March 31, 2015, Takara Holdings Inc. (listed on the First Section, Tokyo Stock Exchange) is the parent company of Takara Bio, owning 60.92% of the voting rights in the Company. The relationship between Takara Bio and Takara Holdings is as follows.

(1) Position of Takara Bio in the Takara Holdings Group (Takara Holdings and its associated companies)

The extraordinary general meeting of shareholders of Takara Shuzo Co., Ltd. (now Takara Holdings), held on February 15, 2002, approved the proposal to spin off the operations of the company's alcoholic beverage and food business, and the biomedical business with the aim of making the most of the special characteristics of each respective business as well as creating an operating environment for increasing growth potential and competitiveness in both. On this basis, Takara Shuzo and Takara Bio were established on April 1, 2002, through a corporate split, with each company becoming a fully owned subsidiary of Takara Holdings. Since then, Takara Holdings decreased the ownership of voting shares in Takara Bio to 60.92% as of March 31, 2015, through a third-party allotment of new shares by private and public offering.

The Takara Holdings Group consists of Takara Holdings, which is a pure holding company, and 49 affiliated companies (46 subsidiaries and 3 associated companies). Within the Group, Takara Bio is positioned as a subsidiary specializing in the biotechnology business, and it promotes the biotechnology business along with its 11 affiliated companies (subsidiaries).

(2) The food business of the Takara Holdings Group

Takara Healthcare Inc., which specializes in marketing and sales of functional foods of Takara Holdings Group companies, was founded on September 7, 2006, as a 100%-owned subsidiary of Takara Holdings. Following the establishment of Takara Healthcare, Takara Bio appointed Takara Healthcare as its sales agent for our functional foods. The Group's functional foods are now sold to customers through Takara Healthcare. The amount of transactions with Takara Healthcare in fiscal 2015 was ¥819 million.

(3) Management of Group companies by Takara Holdings

Takara Holdings has established and operates the Takara Holdings Group Company Management Rules from the standpoint of consolidated business management. However, its objective is to maintain the independence and autonomy of Takara Holdings Group companies while seeking to maximize the corporate value of the entire Takara Holdings Group. The rules are also applicable to Takara Bio, and Takara Bio reports on the decisions made at the meetings of its Board of Directors to Takara Holdings. However, Takara Bio is not required to gain prior approval from Takara Holdings for the resolutions of its Board of Directors, and runs its operations independently.

In addition, Takara Holdings has established a variety of meetings within the Takara Holdings Group, and the ones that relate to Takara Bio are as follows.

Name of meeting	Participants	Role	Frequency of meetings
Group Strategy Meeting	Takara Holdings' directors, President & CEO of Takara Bio, President of Takara Shuzo	Confirmation of matters related to entire Group	In principle, once every two months
Biotechnology Business Report Meeting	Takara Holdings' directors, Takara Bio's directors and officers	Reporting on the status of Takara Bio's activities, etc.	In principle, once a month

These meetings above are for the purpose of reporting between Takara Holdings' Group companies and do not currently obstruct the autonomy and independence of Takara Bio.

In addition, the following officers serve concurrently at Takara Bio and Takara Holdings as of June 26, 2015.

Name	Position at Takara Bio	Position at Takara Holdings
Hisashi Ohmiya	Chairman	Chairman
Koichi Nakao	President & CEO	Director
Shinji Ueda	Audit & Supervisory Board Member	Audit & Supervisory Board Member

Hisashi Ohmiya was appointed as a chairman of the Board of Directors of Takara Bio based on its assessment that his experience and knowledge in the management of the Biomedical Group as a director of Takara Shuzo before the establishment of Takara Bio would be of use to the Company. Likewise, Shinji Ueda was appointed as Audit & Supervisory Board Member of Takara Bio based on the belief that his valuable experience and knowledge, gained in his prominent positions as General Manager of the secretarial offices of Takara Holdings and Takara Shuzo, would be beneficial to Takara Bio. Moreover, Koichi Nakao was appointed as director of Takara Holdings from the standpoint of consolidated business management within the holding company structure of Takara Holdings. These decisions were not made with the objective of giving Takara Holdings control over Takara Bio.

Takara Bio accepted one employee on temporary transfer from Takara Shuzo, a subsidiary of Takara Holdings. Takara Bio asked Takara Shuzo for this temporary transfer for the purpose of adopting know-how for its Accounting Division.

However, a change in the Group management strategy of Takara Holdings, although not currently envisaged, could affect the business and performance of Takara Bio.

(4) Transactions with the Takara Holdings Group

1) Real estate lease transactions related to sales sites

Takara Bio was established as a spin-off company of Takara Shuzo (now Takara Holdings) on April 1, 2002. As a result, the majority of Takara Shuzo's former real estate, including plants, sales offices and company housing, was newly transferred to both Takara Shuzo and Takara Bio. Whereas the alcoholic beverage and food business, and the biomedical business had previously been developed on one site, real estate lease transactions have occurred with Takara Shuzo and Takara Bio since these transfers. The real estate lease transactions relating to the lease of sales sites by Takara Bio are as follows. In the event of difficulties in the renewal of these transactions, Takara Bio revenue could be affected and relocation expenses incurred until we are able to secure an alternative site.

Property	Use	Lessor	Amount of transaction (Year ended March 31, 2015, Millions of yen)	Transaction terms, etc.
6F and basement, Takara Meiji Yasuda Building (Chuo-ku, Tokyo)	Takara Bio, Tokyo Branch	Takara Shuzo	11	Area: 140.85m^2 Type of agreement: Lease agreement Basis for computation of rental fees: Market price of land, buildings, etc.

Notes: 1. The above amounts do not include consumption tax, etc.
2. Terms of agreement and method of determining terms of agreement are decided by consultation based on appraisal by real estate appraiser.

2) Transactions related to use of trademark rights

Takara Holdings owns and controls some trademarks used by Takara Bio. Takara Bio has concluded trademark licensing agreements with Takara Holdings with regard to these trademarks and makes a fixed monthly payment per trademark, country and category based on the number of licenses. As of March 31, 2015, Takara Bio had licenses for the use of 76 registered and 38 pending trademarks in Japan and overseas. In the event that Takara Bio is unable to obtain licenses for the use of trademarks from Takara Holdings for any reason, it might affect our business strategies and performance.

Company name (Address)	Details of transaction	Amount of transaction (Year ended March 31, 2015, Millions of yen)	Terms of transaction, etc.
Takara Holdings Inc. (Shimogyo-ku, Kyoto)	License for use of trademarks	8	Type of agreement: License agreement for use of trademarks (concluded March 29, 2004) Basis for computation of license fees: Costs for application and registration of trademark rights, with inclusion of future maintenance and management expenses Monthly license fee per trademark, country and category: ¥8,500 for registered trademarks, ¥1,700 for pending trademarks (neither includes consumption tax)

3) Other

Takara Bio engages in the following agreement-based transactions with the Takara Holdings Group companies (excludes Takara Bio Group companies).

Company name (Address)	Details of transaction	Amount of transaction (Year ended March 31, 2015, Millions of yen)	Terms of transaction, etc.
Takara Shuzo Co., Ltd. (Fushimi-ku, Kyoto)	Lease of company housing	1	Type of agreement: Lease agreement Basis for computation of rental fees: Market price of land, building, etc.
	Temporary transfer of employees to Takara Bio	8	Type of agreement: Employment secondment agreement
Takara Network System Co., Ltd. (Shimogyo-ku, Kyoto)	Contracting of computer-related services, lease of equipment, etc	248	Type of agreement: Basic agreement concerning contracting of services and lease of equipment Details of services: Account-related system operation support; client-server system operation support; lease of PCs; purchasing of consumables, etc.

Notes: 1. The above amounts do not include consumption tax, etc.
2. Apart from this, Takara Bio conducts business through order placement and acceptance of orders for the production of printed material with Takara Holdings Group companies on a per order basis.
3. Takara Network System Co., Ltd. was acquired by Takara Holdings, Inc. on April 1, 2015.

6. Financing

The demand for funds, including R&D expenditure, capital expenditure, loans and investment, working funds, etc., is expected to rise due to the initiation of new businesses and expansion in business size. Thus, fundraising through a paid-in capital increase or other measures may possibly occur in the future. However, if financing does not proceed as planned, it could affect the Group's business strategies and performance.

7. Allocation of funding

In light of the dramatic changes concerning the Takara Bio Group's business environment with regards to the biotechnology industry, the Group's business may be significantly impacted by new technology innovation and new market players. There is therefore no guarantee that the expected results of capital and R&D investment—the intended target of funding received through public stock offerings—will be realized, and the Group's business strategies and performance may be affected.

8. Key operational agreements

An outline of the agreements considered crucial to the Takara Bio Group's operations is described below. If these agreements end due to the expiry of the agreement term, cancellation, or some other reason or if revisions to the agreements are disadvantageous to the Group, it could affect the business strategy and performance of the Group.

(1) Bioindustry business

a) Research reagents

Counterparty	Life Technologies Corporation
Contract	Restated and Amended Patent License Agreement
Conclusion date	September 21, 2006
Term	From September 1, 2006, until all the licensed patents have expired
Summary	F. Hoffman-La Roche Ltd. granted Takara Bio worldwide non-exclusive rights for the Polymerase Chain Reaction (PCR) Method, excluding the diagnostic area. However, F. Hoffman-La Roche granted exclusive rights for the PCR Method that it owned to Applera Corporation, through its Applied Biosystems Group, based on an agreement between F. Hoffman-La Roche and Applera Corporation. As a result, Applera assumed the license agreement that Takara Bio and F. Hoffman-La Roche concluded in 1997. Subsequently, this license agreement was amended and, in addition to rights for the PCR Method, Takara Bio was granted rights relating to the real-time PCR Method and other items in September 2006. Subsequently, Applera transferred its contractual status with Takara Bio to Life Technologies Corporation. As a result, Takara Bio pays Life Technologies Corporation a certain running royalty linked to sales.

b) Scientific instruments

Counterparty	AB SCIEX
Contract	Distributorship Agreement
Conclusion date	April 15, 2011
Term	From April 1, 2011 to March 31, 2013. If either party has not submitted a written refusal of renewal at least six months before the end of the term, the contract is automatically renewed for a further year, with the same process applying for subsequent years. However, irrespective of the period, Takara Bio can cancel this contract by providing AB SCIEX with six months prior notice in writing. Further, AB SCIEX can cancel this contract by providing Takara Bio with six months prior notice in writing.
Summary	AB SCIEX granted non-exclusive sales rights to sell its mass spectrometry systems in Japan to Takara Bio. Takara Bio is not permitted to sell competing products.

(2) Gene Therapy business

Counterparty	Indiana University Foundation
Contract	License Agreement
Conclusion date	May 26, 1995
Term	From May 26, 1995, until all the licensed patents have expired
Summary	Indiana University Foundation granted Takara Bio worldwide exclusive rights for the implementation of a highly efficient gene transduction method using retroviral vectors. In addition to paying Indiana University Foundation a certain amount as an initial license charge, Takara Bio pays Indiana University Foundation a certain running royalty linked to sales. Further, Takara Bio is obliged to pay a certain amount as a milestone payment when it files a New Drug Application (NDA) in order to receive approval for the marketing of a new drug in respective countries. In addition, Takara Bio was obliged to donate a certain amount to Indiana University Foundation for two years. Takara Bio has completed making this donation. In addition, when this contract ends, Takara Bio will transfer the patents acquired by Takara Bio based on this contract with Indiana University Foundation.

Counterparty	MolMed S.p.A.
Contract	License Agreement
Conclusion date	December 9, 2001
Term	From December 9, 2001, until all the licensed patents have expired
Summary	Takara Bio granted MolMed non-exclusive rights in the United States and Europe for the implementation of the RetroNectin® method. In addition to receiving license charges linked to development milestones, Takara Bio receives fees for providing MolMed with RetroNectin® reagent that complies with the standards of clinical trials in the respective countries.

Counterparty	MolMed S.p.A.
Contract	Master License Agreement
Conclusion date	July 10, 2003
Term	From the conclusion date of the contract to the end of the royalty term. The royalty term refers to whichever is the longest period: the period that the product in question or its manufacture is under patent protection in each country, or 10 years from the initial date of sale in the market of the product in question.
Summary	Takara Bio is conducting research relating to clinical trials of gene therapy for hematological malignancies. MolMed supports these activities and has granted Takara Bio exclusive rights to its patents in Japan and other specified countries. Takara Bio paid MolMed a certain amount in accordance with the conclusion of the contract as a license charge. Also, since then Takara Bio has paid MolMed a total of more than US$9,000,000 in milestone payments that are due each time Takara Bio files a New Drug Application (NDA) in order to sell a new drug for the first time in a country and when Takara Bio receives approval to sell a new drug for the first time in a country. Also Takara Bio pays MolMed a certain running royalty linked to sales.

Counterparty	University of Medicine and Dentistry of New Jersey
Contract	Research Collaboration and License Agreement
Conclusion date	October 1, 2005
Term	From October 1, 2005, until all the licensed patents have expired
Summary	University of Medicine and Dentistry of New Jersey (UMDNJ) researches and develops protein expression systems and technology applications for gene therapy, based on technology for RNA cleavage enzymes (ribonucleases). Takara Bio has obtained exclusive worldwide rights to the expertise relating to technology for the MazF ribonuclease that UMDNJ has obtained as well as the results, expertise, and patents obtainable from the above-mentioned research and development. Takara Bio pays UMDNJ a certain amount in accordance with conclusion of the contract and research and development progress. Also, Takara Bio pays UMDNJ a certain running royalty linked to sales.

9. Securing human resources

The Group is based on R&D, and technological innovation is steadily advancing in the biotechnology industry. Therefore, to maintain its competitive edge, the Group considers it essential to secure outstanding human resources with specialist knowledge and skills for R&D. In addition, a small number of personnel within the Group have experience in clinical development, and the Group is committed to securing these human resources and to conducting in-house training. Nevertheless, the Group cannot rule out the possibility that it may not be able to secure human resources as planned or that its personnel may leave Takara Bio. In this event, the Group's business strategy and performance could be affected.

10. Intellectual property rights

In the biotechnology industry, in which the success of business depends highly on the success of R&D, the Group regards securing intellectual property rights, including patents, as a critical factor, and the Group protects technologies developed in-house with patent rights to prevent competitors from imitating them. The Group will continue to place the highest priority on applications for patents based on R&D activities. However, not all of the applications may be successfully registered, and when a registered patent is made invalid for any reason, or expires, the Group's business strategies and performance may be affected.

In addition, the Group is aware that in the biotechnology industry, an area in which competition over R&D is continually growing, its patented technologies may be made obsolete at any time when a competitor develops superior technologies. When a competitor achieves such R&D, it could affect the Group's business strategy and performance.

Moreover, the Group intends to acquire promising patent rights held by others, or acquire licenses for the patent rights, to enable future expansion of its business. However, these strategies may incur large expenses. In addition, there is a possibility that the Group may not be able to acquire licenses for necessary patent rights held by others, and this could affect its business strategy and performance.

11. Product liability risks

All of the products that the Group handles are exposed to risks of compensation for product liability. If any defect is found in a product during its manufacture or sale, or during the clinical trial process; or if a health impairment is caused by any drug, medical device, regenerative medical products, food, or research reagent, any reagent and cell or gene therapy product used in a clinical trial, or any cell therapy product prepared under a doctor's guidance, then the Group may be subject to product liability claims, and this could affect the promotion of the Group's business strategies and performance.

In addition, it is usual practice to conduct a voluntary recall when any problem arises with these products in view of the possible physical effects and damage to human bodies, and any such recall may require time and entail huge expense.

One example of the potential for product liability risk comes from a clinical research of gene therapy for the serious genetic disease known as Severe Combined Immune Deficiency (SCID). This study was carried out at Hospital Necker-Enfants Malades in France in 2000, where the therapeutic efficacy of gene therapy using the RetroNectin® method developed by Takara Bio was confirmed. The patients with this disease have severe defects in their immune system, forcing them to live in transparent germfree capsules separated from the outside world in order to prevent infections. Nonetheless, many die around the age of 10. The disease is caused by an abnormality of a gene called gamma-C. Therefore, the gamma-C gene was transferred into the hematopoietic stem cells of patients using the RetroNectin® method. Improvement in the immune system was reported in all of the 10 or more cases. However, between 2002 and 2007, four of the patients undergoing post-treatment observation were found to have developed leukemia as a side effect. Further, it was reported in December 2007 that one of 10 patients undergoing the same treatment in the United Kingdom had developed leukemia. Nevertheless, retrovirus vectors have been used in a large number of patients (exceeding several hundred) in other diseases, and the incidence of leukemia as a side effect and other safety issues have not been reported. Additionally, Takara Bio and Hospital Necker-Enfants Malades

research scientists have concluded that RetroNectin® reagent was not the direct cause of the side effects. Gene therapy is a new and cutting-edge treatment, so it is important to promote development while carefully scrutinizing the results of clinical research. In addition, R&D may not proceed as planned in such cases, for instance, when it is necessary to obtain the informed consent of patients again after the occurrence of unexpected events, such as side effects. This could affect the Group's business strategies and performance. Furthermore, the negative image produced by these kinds of side effects could have an adverse impact on the reliability of the Group's clinical trials, and could affect the Group's business strategies and performance.

12. Legal regulations

(1) Bioindustry business and Gene Therapy business

R&D in the Bioindustry business is regulated by relevant legislation, such as the Law Concerning the Prevention of Radiation Hazards due to Radioisotopes, etc, and the Law Concerning the Conservation and Sustainable Use of Biological Diversity through Regulations on the Use of Living Modified Organisms; and the Group is committed to observing these laws and regulations. In addition, in the production, sale, and trade of research reagents, Takara Bio is required to follow relevant legislation, such as the Poisonous and Deleterious Substances Control Law and the Quarantine Act. However, research reagents are not drugs or regenerative medical products as defined by the Act on Securing Quality, Efficacy and Safety of Pharmaceuticals, Medical Devices, Regenerative and Cellular Therapy Products, Gene Therapy Products, and Cosmetics (hereinafter "Pharmaceuticals and Medical Devices Act"), and therefore are not regulated by that law.

Nevertheless, if these regulations are tightened or new regulations are introduced following expansion of the supporting research industry, it could affect the Group's business strategies and performance.

The relevant laws and regulations such as the Pharmaceuticals and Medical Devices Act, the Act on the Safety of Regenerative Medicine, and the Law Concerning the Conservation and Sustainable Use of Biological Diversity through Regulations on the Use of Living Modified Organisms regulate commercialization of the cell and gene therapies that Takara Bio is aiming to accomplish, and the Group intends to comply with such laws and regulations. The relevant laws and regulations are targeted at securing the quality, effectiveness, and safety of drugs, regenerative medical products, quasi-drugs, specific processed cells, cosmetics, and medical devices, and the trading of these products requires approval or permission from the relevant authorities. If the Group is unable to obtain permission to continue conducting research projects as part of its Gene Therapy business, the Group's business strategies and performance could be affected.

(2) AgriBio business

In its functional food business, the Group maintains business facilities; manages tools, containers, and packages; and controls production processes and sales activities in accordance with the provisions of the Food Sanitation Law. The Group observes the Food Sanitation Law and takes extra care to manage food hygiene. Food hygiene matters are an unavoidable issue for a company that handles food, and the Group is committed to strengthening its system for the management of food hygiene in the future. However, if any problem should arise related to this issue, the business strategies and performance of the Group could be affected.

Beginning in October 2006, Takara Bio has been marketing and selling all its functional foods through Takara Healthcare, a 100%-owned subsidiary of Takara Holdings. In selling functional foods and materials in bulk, Takara Bio and Takara Healthcare are making every effort to comply with the sales methods based on the Specified Commercial Transaction Law, the Food Labeling Act, the Act on Standardization and Proper Quality Labeling of Agricultural and Forestry Products, the Pharmaceuticals and Medical Devices Act, the Health Promotion Law, and the Act against Unjustifiable Premiums and Misleading Representation. The Group must also handle labeling and advertising in compliance with all the relevant laws. However, due to the nature of functional foods in general, the Group cannot completely rule out the possibility of violating a provision on mandatory labeling requirements. If any violation occurs, trust in the Group could deteriorate, which may adversely affect the Group's business strategies and performance.

13. Risks of lawsuits, etc.

As of June 26, 2015, there are no major ongoing lawsuits with third parties relating to the Takara Bio's business. However, the Group carries out wide-ranging R&D activities and business expansion. Therefore, there is no guarantee that lawsuits will not arise again in the future. The Group is striving to enhance its internal control and strengthen its compliance system when it carries out its business operations. However, in spite of all these efforts, there still remains a possibility of lawsuits being brought against the Group. The very fact that a lawsuit is brought against the Group and the results of such a lawsuit may seriously affect the Group's business strategies and performance.

In order to prevent the Group from being sued concerning intellectual property rights, the Group has been conducting patent investigations through patent offices, etc., and the Group is not aware that any of its products are in conflict with the patent rights of others. However, it is difficult for an R&D-based company such as Takara Bio Group to completely avoid the occurrence of such issues involving the infringement of intellectual property rights. When such problems with the infringement of intellectual property rights do arise, the Group could be subject to demands for compensation for damages, sales injunctions, and payment of royalties. As a result, the expansion of the relevant business and the Group's business strategy and performance could be affected.

In addition, if the Group's business partners or licensors are involved in disputes, the Group may no longer be able to sell the relevant products or may itself become involved in lawsuits. In such cases, the resolution of the problem could take a long time and may incur huge expenses, and the Group's business strategy and performance could be affected depending on the circumstances.

14. Intangible fixed assets related to Clontech Laboratories, Inc.

Observing the U.S. Financial Accounting Standards Board (FASB) Codification Topic 350 "Intangibles—Goodwill and Other," Takara Bio did not amortize the trademark rights obtained by Clontech Laboratories, Inc., a subsidiary of Takara Bio. Looking ahead, Takara Bio intends to determine whether any impairment loss is incurred once every year, as well as whenever an event takes place that suggests the possibility of an impairment loss.

As of June 26, 2015, Takara Bio has not incurred any impairment losses. However, if Takara Bio determines that an impairment loss has been incurred, such an event could adversely affect the Group's business performance.

With regard to goodwill recognized by Clontech Laboratories, Inc., Takara Bio has applied "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force No. 18, May 17, 2006). Consequently, Takara Bio is amortizing this goodwill amount using the straight-line method over a 20-year period.

15. Exchange rate fluctuation

The translation into yen of costs, income, and trade receivables and payables associated with business undertaken by the Group denominated in foreign currencies is exposed to currency exchange rate fluctuation risk. The Group takes such measures as conducting forward foreign-exchange contracts to minimize the negative impact of exchange rate fluctuation, but such risks cannot be completely avoided.

Additionally, sales, expenses, assets, and other such line items on the foreign currency financial statements of overseas consolidated subsidiaries are converted into yen for the purpose of creating consolidated financial statements. Consequently, exchange rate fluctuations may affect the Group's business performance.

16. Overseas business expansion

The Group conducts business operations that include research and development, manufacturing, and sales in regions that include North America, Europe, and Asia (mainly China). Significant changes concerning the economic, political, or social climate in these countries and regions, or the occurrence of natural disasters such as earthquakes may result in decreased consumer demand, the need to discontinue manufacturing operations, or other such scenarios which may affect the Group's business strategies and performance.

17. Natural disasters

The Group's business activities may be impeded by natural disasters such as storms, earthquakes, lightning strikes, and floods, by fires or other accidents, or by worldwide pandemics of infectious diseases. To minimize damage suffered in such cases, we conduct inspections and training, and create communication systems and business continuity plans. Nevertheless, damage caused to people or things as a result of such incidents may affect the Group's business strategies and performance.

Consolidated Financial Statements

Consolidated Balance Sheet

Takara Bio Inc. and Subsidiaries
March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2015**	**2014**	**2015**
CURRENT ASSETS:			
Cash and cash equivalents (Note 16)	**¥ 7,071**	¥ 6,430	**$ 58,925**
Marketable securities (Notes 4 and 16)	**2,723**	7,632	**22,691**
Time deposits (Note 16)	**14,089**	15,871	**117,408**
Notes and accounts receivable:			
Trade (Note 16)	**6,741**	6,271	**56,175**
Other	**521**	289	**4,341**
Allowance for doubtful accounts (Note 16)	**(50)**	(37)	**(416)**
Inventories (Note 5)	**4,639**	4,421	**38,658**
Deferred tax assets (Note 14)	**375**	638	**3,125**
Prepaid expenses and other current assets	**336**	299	**2,800**
Total current assets	**36,447**	41,817	**303,725**
PROPERTY, PLANT AND EQUIPMENT (Notes 6 and 8):			
Land	**7,698**	7,673	**64,150**
Buildings and structures	**11,823**	9,148	**98,525**
Machinery, equipment and vehicles	**7,075**	5,936	**58,958**
Tools, furniture and fixtures	**5,845**	4,751	**48,708**
Lease assets	**41**	40	**341**
Construction in progress	**2,005**	2,447	**16,708**
Total property, plant and equipment	**34,489**	29,998	**287,408**
Accumulated depreciation	**(13,956)**	(13,037)	**(116,300)**
Net property, plant and equipment	**20,532**	16,960	**171,100**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 16)	**4,998**	2	**41,650**
Goodwill (Note 7)	**1,840**	1,477	**15,333**
Long-term prepaid expenses	**1,174**	977	**9,783**
Trademarks	**662**	569	**5,516**
Asset for retirement benefits (Note 9)	**72**	29	**600**
Deferred tax assets (Note 14)	**4**	44	**33**
Other assets	**692**	655	**5,766**
Allowance for doubtful accounts	**(0)**	(34)	**(0)**
Total investments and other assets	**9,445**	3,722	**78,708**
TOTAL	**¥ 66,425**	¥ 62,500	**$ 553,541**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2015	2014	Thousands of U.S. Dollars (Note 1) 2015
CURRENT LIABILITIES:			
Short-term bank loans (Notes 8 and 16)	**¥ 9**	¥ 88	**$ 75**
Current portion of long-term debt (Notes 8 and 16)	**48**	48	**400**
Notes and accounts payable (Notes 8 and 16):			
Trade	**1,939**	1,551	**16,158**
Construction and other	**1,714**	1,322	**14,283**
Accrued income taxes (Notes 14 and 16)	**258**	243	**2,150**
Accrued expenses	**997**	867	**8,308**
Other current liabilities (Note 17)	**470**	250	**3,916**
Total current liabilities	**5,439**	4,372	**45,325**
LONG-TERM LIABILITIES:			
Long-term debt (Notes 8 and 16)	**179**	228	**1,491**
Liability for retirement benefits (Note 9)	**475**	294	**3,958**
Deferred tax liabilities (Note 14)	**439**	183	**3,658**
Other long-term liabilities (Note 10)	**248**	293	**2,066**
Total long-term liabilities	**1,343**	1,000	**11,191**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 15 and 17)			
EQUITY (Notes 11, 12 and 20):			
Common stock, authorized, 400,000,000 shares; issued, 120,415,600 shares in 2015 and 2014	**14,965**	14,965	**124,708**
Capital surplus	**32,893**	32,893	**274,108**
Retained earnings	**8,142**	7,280	**67,850**
Accumulated other comprehensive income:			
Foreign currency translation adjustments	**3,777**	1,926	**31,475**
Defined retirement benefit plans (Note 9)	**(238)**	2	**(1,983)**
Subtotal	**59,541**	57,068	**496,175**
Minority interests	**101**	58	**841**
Total equity	**59,642**	57,127	**497,016**
TOTAL	**¥ 66,425**	¥ 62,500	**$ 553,541**

See notes to consolidated financial statements.

Consolidated Statement of Income

Takara Bio Inc. and Subsidiaries
Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
NET SALES (Note 21)	**¥ 25,969**	¥ 23,905	**$ 216,408**
COST OF SALES (Notes 9 and 15)	**12,142**	11,331	**101,183**
Gross profit	**13,827**	12,574	**115,225**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 9, 13 and 15)	**11,524**	10,619	**96,033**
Operating income (Note 21)	**2,302**	1,954	**19,183**
OTHER INCOME (EXPENSES):			
Interest income	**146**	124	**1,216**
Subsidy income	**288**	144	**2,400**
Foreign exchange gain (loss)	**(5)**	44	**(41)**
Interest expense	**(11)**	(7)	**(91)**
Loss on sales and disposals of property, plant and equipment	**(43)**	(54)	**(358)**
Stock issue costs		(63)	
Impairment loss (Note 6)	**(247)**		**(2,058)**
Other, net	**51**	43	**425**
Other income, net	**178**	231	**1,483**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**2,481**	2,185	**20,675**
INCOME TAXES (Note 14):			
Current	**978**	756	**8,150**
Deferred	**543**	(30)	**4,525**
Total income taxes	**1,521**	726	**12,675**
NET INCOME BEFORE MINORITY INTERESTS	**959**	1,458	**7,991**
MINORITY INTERESTS IN NET INCOME	**(4)**	(11)	**(33)**
NET INCOME	**¥ 963**	¥ 1,470	**$ 8,025**

	Yen		U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Notes 2.s and 19):			
Basic net income	**¥ 8.01**	¥ 12.50	**$ 0.06**
Diluted net income		12.45	
Cash dividends applicable to the year	**1.50**	1.20	**0.01**

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Takara Bio Inc. and Subsidiaries
Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
NET INCOME BEFORE MINORITY INTERESTS	**¥ 959**	¥ 1,458	**$ 7,991**
OTHER COMPREHENSIVE INCOME (Note 18):			
Foreign currency translation adjustments	**1,856**	2,842	**15,466**
Defined retirement benefit plans	**(240)**		**(2,000)**
Total other comprehensive income	**1,615**	2,842	**13,458**
COMPREHENSIVE INCOME	**¥ 2,574**	¥ 4,301	**$ 21,450**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	**¥ 2,574**	¥ 4,310	**$ 21,450**
Minority interests	**0**	(9)	**0**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Takara Bio Inc. and Subsidiaries
Year Ended March 31, 2015

	Thousands	Millions of Yen							
					Accumulated Other Comprehensive Income				
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2013	113,575	¥ 9,233	¥27,160	¥5,934	¥ (914)		¥41,414	¥ 50	¥41,465
Net income				1,470			1,470		1,470
Issuance of common stock by public offering	6,000	5,522	5,522				11,045		11,045
Exercise of stock options	840	210	210				420		420
Cash dividends, ¥1.2 per share				(124)			(124)		(124)
Net change in the year					2,840	¥ 2	2,843	8	2,851
BALANCE, MARCH 31, 2014 (APRIL 1, 2014, as previously reported)	120,415	14,965	32,893	7,280	1,926	2	57,068	58	57,127
Cumulative effect of accounting change (Note 2.j)				42			42		42
BALANCE, APRIL 1, 2014 (as restated)		14,965	32,893	7,322	1,926	2	57,110	58	57,169
Net income				**963**			**963**		**963**
Cash dividends, ¥1.5 per share				**(144)**			**(144)**		**(144)**
Net change in the year					**1,851**	**(240)**	**1,610**	**43**	**1,653**
BALANCE, MARCH 31, 2015	**120,415**	**¥14,965**	**¥32,893**	**¥8,142**	**¥3,777**	**¥(238)**	**¥59,541**	**¥101**	**¥59,642**

	Thousands of U.S. Dollars (Note 1)							
				Accumulated Other Comprehensive Income				
	Common Stock	Capital Surplus	Retained Earnings	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2014 (APRIL 1, 2014, as previously reported)	$124,708	$274,108	$60,666	$16,050	$ 16	$475,566	$483	$476,058
Cumulative effect of accounting change (Note 2.j)			350			350		350
BALANCE, APRIL 1, 2014 (as restated)	124,708	274,108	61,016	16,050	16	475,916	483	476,408
Net income			**8,025**			**8,025**		**8,025**
Cash dividends, $0.01 per share			**(1,200)**			**(1,200)**		**(1,200)**
Net change in the year				**15,425**	**(2,000)**	**13,416**	**358**	**13,775**
BALANCE, MARCH 31, 2015	**$124,708**	**$274,108**	**$67,850**	**$31,475**	**$(1,983)**	**$496,175**	**$841**	**$497,016**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Takara Bio Inc. and Subsidiaries
Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥ 2,481**	¥ 2,185	**$ 20,675**
Adjustments for:			
Income taxes paid	**(979)**	(755)	**(8,158)**
Depreciation and amortization	**1,483**	1,288	**12,358**
Loss on sales and disposals of property, plant and equipment	**43**	54	**358**
Impairment loss	**247**		**2,058**
Changes in assets and liabilities:			
Decrease (increase) in trade notes and accounts receivables	**(264)**	4	**(2,200)**
Decrease (increase) in inventories	**110**	(461)	**916**
Increase (decrease) in trade notes and accounts payables	**255**	(168)	**2,125**
Increase (decrease) in liability for retirement benefits	**166**	(123)	**1,383**
Other, net	**13**	226	**108**
Total adjustments	**1,077**	66	**8,975**
Net cash provided by operating activities	**3,558**	2,251	**29,650**
INVESTING ACTIVITIES:			
Payments for time deposits	**(20,380)**	(27,444)	**(169,833)**
Proceeds from time deposits	**22,376**	25,546	**186,466**
Purchases of marketable securities	**(3,269)**	(3,172)	**(27,241)**
Proceeds from sales of marketable securities	**8,269**	1,172	**68,908**
Purchases of investment securities	**(4,996)**	(5,000)	**(41,633)**
Purchases of property, plant and equipment	**(4,587)**	(5,644)	**(38,225)**
Purchases of other property, plant and equipment	**(304)**	(69)	**(2,533)**
Payment for purchase of Takara Bio Europe AB net of cash acquired (Note 3)	**(276)**		**(2,300)**
Other, net	**0**	131	**0**
Net cash used in investing activities	**(3,168)**	(14,480)	**(26,400)**
FINANCING ACTIVITIES:			
Increase (decrease) in short-term bank loans, net	**(81)**	67	**(675)**
Repayments of long-term debt	**(48)**	(81)	**(400)**
Proceeds from issuance of common stock		11,401	
Cash dividends paid	**(143)**	(123)	**(1,191)**
Other, net	**42**	17	**350**
Net cash provided by (used in) financing activities	**(231)**	11,281	**(1,925)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**481**	839	**4,008**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**640**	(107)	**5,333**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**6,430**	6,538	**53,583**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 7,071**	¥ 6,430	**$ 58,925**

See notes to consolidated financial statements.

1 BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2014 consolidated financial statements to conform them to the classifications used in 2015.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Takara Bio Inc. (the "Company") is incorporated and operates. Japanese yen figures of less than a million yen are rounded down to the nearest million yen, except for per share data. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥120 to $1, the approximate rate of exchange at March 31, 2015. U.S. dollar figures of less than a thousand dollars are rounded down to the nearest thousand dollars, except for per share data. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation — The consolidated financial statements as of March 31, 2015, include the accounts of the Company and all 11 (10 in 2014) subsidiaries (collectively, the "Group").

Under the control or influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is recorded as goodwill and amortized on a straight-line basis over a certain period, not exceeding 20 years. Goodwill recorded by Clontech Laboratories, Inc., the Company's consolidated subsidiary, is amortized on a straight-line basis over a period of 20 years in accordance with Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements" issued by the Accounting Standards Board of Japan ("ASBJ") as described in Note 2.b.

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

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements — In May 2006, the ASBJ issued PITF No. 18. PITF No. 18 prescribes that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances that should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; (c) expensing capitalized development costs of research and development (R&D); (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) exclusion of minority interests from net income, if included in net income.

c. Business Combinations — In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." The accounting standard for business combinations allowed companies to apply the pooling-of-interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling-of-interests method of accounting is no longer allowed. (2) The previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs acquired in the business combination are capitalized as an intangible

asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. This revised standard was applicable to business combinations undertaken on or after April 1, 2010.

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

e. Marketable and Investment Securities — The Group's investment securities consist of marketable and nonmarketable available-for-sale securities. Marketable available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of securities sold is determined by the moving-average method. Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method.

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

f. Inventories — Inventories are stated at the lower of cost, determined by the weighted-average method, or net selling value.

g. Property, Plant and Equipment — Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company is computed principally by the straight-line method. Subsidiaries compute depreciation principally by the straight-line method. The range of useful lives is principally from 3 to 60 years for buildings and structures, from 4 to 10 years for machinery, equipment and vehicles, and from 2 to 20 years for tools, furniture and fixtures.

Change in the depreciation method

Effective from the fiscal year beginning April 1, 2014, the Company changed the depreciation method for property, plant and equipment (excluding leased assets and property, plant and equipment located in Yokkaichi Office (formerly the Dragon Genomics Center)) from the declining-balance method to the straight-line method.

The Company's facilities have been operating for 12 years and the Center for Gene and Cell Processing started operation from this fiscal year.

Therefore, the Company expects stable operation of tangible assets in R&D and production activities.

In this situation, the Company decided to switch to the straight-line method of depreciation for the above mentioned assets after reconsidering the reasonableness of its depreciation method.

As a result of this change, operating income and income before income taxes and minority interests both increased by ¥309 million ($2,577 thousand).

h. Goodwill — Clontech Laboratories, Inc., the Company's consolidated subsidiary located in the United States of America, records goodwill according to Financial Accounting Standards Board ("FASB") Accounting Standards Codification 350 "Intangibles - Goodwill and Other" (formerly FASB Statement No. 142 "Goodwill and Other Intangible Assets"). Goodwill is tested for impairment at least annually (see Note 2.a.).

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

j. Retirement and Pension Plans — The employees' retirement benefits programs of the Company and certain subsidiaries consist of an unfunded lump-sum severance payment plan, a defined benefit pension plan and a defined contribution pension plan as described in Note 9.

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

The Company implemented a defined contribution pension plan in October 2012, by which the former severance lump-sum payment plan was partly terminated. The Company applied ASBJ Guidance No. 1 "Accounting Standard for Transfer between Retirement Benefit Plans."

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and in March 2015, the ASBJ also issued Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

(a) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are

included in other comprehensive income, and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods, the discount rate, and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, all with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard and guidance for retirement benefits for (a), (b) and (c) above, effective March 31, 2014. As a result, asset for retirement benefits of ¥29 million and liability for retirement benefits of ¥294 million were recorded as of March 31, 2014, and accumulated other comprehensive income for the year ended March 31, 2014, increased by ¥2 million. The impact on per share information is not disclosed because it is immaterial.

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

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

m. Research and Development Costs — Research and development costs are charged to income as incurred.

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

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the consolidated balance sheet.

In addition, the revised accounting standard permits leases that existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

The Company and domestic subsidiaries applied the revised accounting standard effective April 1, 2008. Lease assets related to finance lease transactions without title transfer are depreciated on a straight-line basis over the lease periods as their useful lives and no residual value. In addition, the Company continues to account for leases that existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

All other leases are accounted for as operating leases.

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

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

q. Foreign Currency Financial Statements — The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate.

Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rate.

r. Derivative and Hedging Activities — The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

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

Foreign currency forward contracts are utilized to hedge foreign currency exposures in collection of purchases and payments of royalties. Payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

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

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

t. Accounting Changes and Error Corrections — In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows: (1) Changes in Accounting Policies - When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation - When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates - A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors - When an error in prior-period financial statements is discovered, those statements are restated.

u. New Accounting Pronouncements

Accounting Standards for Business Combinations and Consolidated Financial Statements — In September, 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements."

Major changes are as follows:

(a) Transactions with noncontrolling interest

A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of minority interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the current accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the minority interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference shall be accounted for as capital surplus as long as the parent retains control over its subsidiary.

(b) Presentation of the consolidated balance sheet

In the consolidated balance sheet, "minority interest" under the current accounting standard will be changed to "noncontrolling interest" under the revised accounting standard.

(c) Presentation of the consolidated statement of income

In the consolidated statement of income, "income before minority interest" under the current accounting standard will be changed to "net income" under the revised accounting standard, and "net income" under the current accounting standard will be changed to "net income attributable to owners of the parent" under the revised accounting standard.

(d) Provisional accounting treatments for a business combination

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. Under the current accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

(e) Acquisition-related costs

Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the current accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income. In the case of earlier application, all accounting standards and guidance above, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, should be applied simultaneously.

Either retrospective or prospective application of the revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs is permitted. In retrospective application of the revised standards and guidance, the accumulated effects of retrospective adjustments for all (a) transactions with noncontrolling interest and (e) acquisition-related costs which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application. In prospective application, the new standards and guidance shall be applied prospectively from the beginning of the year of the first-time application.

The revised accounting standards and guidance for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for (d) provisional accounting treatments for a business combination are effective for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2014.

The Company expects to apply the revised accounting standards and guidance for (a), (b), (c) and (e) above from April 1, 2015, and for (d) above for a business combination which will occur on or after April 1, 2015, and is in the process of measuring the effects of applying the revised accounting standards and guidance in future applicable periods.

3 BUSINESS COMBINATION

1. Overview of the Business Combination by Means of Acquisition

(1) Acquired firm and description of business

Acquired firm: Cellectis AB

Description of business: Manufacturing and sales of stem cell products

(2) Purpose of acquisition

Cellectis AB are improving the Company's technology by acquiring technology of Cellectis AB (differentiation-inducting techniques, differentiating Hepatocyte cell or Pancreatic cell from iPS cell), and improving the Company's business performance by acquiring stem cell related products (ES cell, iPS cell, and Differentiating cell) and expanding product line up of Bioindustry Segment.

(3) Date of completion of business combination

August 29, 2014 (acquisition date)

(4) Legal form of business combination

Acquisition of stock by cash

(5) Name of acquired company after business combination

At the time of acquisition the company's name was Cellectis AB, but on September 1, 2014, the Company changed its company name to Takara Bio Europe AB.

(6) Percentage of total shares

100%

(7) Main reason for the acquired company to decide to be acquired

The acquired company was determined to be acquired as the Company paid cash and acquired all the stock of Cellectis AB.

2. Included performance period of the Company in consolidated financial statements

From October 1, 2014 to December 31, 2014

3. Acquisition cost of acquired company and breakdown

		Millions of Yen	Thousands of U.S. Dollars
		2015	2015
Direct cost	Cash	¥ 234	$ 1,951
Incidental expenses	Advisory cost etc.	107	892
Acquired cost		¥ 341	$ 2,844

4. Recognized goodwill, cause of occurrence, method of amortization and period of amortization

(1) Amount of goodwill recognized

¥304 million ($2,537 thousand)

(2) Cause of occurrence

The Company recognized excess earning power from expected future business development.

(3) Amortization method and period

8 years and straight-line method

5. Acquired assets and liabilities at acquisition date and breakdown

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 164	$ 1,369
Fixed assets	43	366
Total assets	¥ 208	$ 1,735
Current liabilities	¥ 170	$ 1,423
Total liabilities	¥ 170	$ 1,423

6. Estimated impact on consolidated income statement and method of calculation assuming that business combination was completed at the beginning of the fiscal year

(1) Impact on consolidated income statement

	Millions of Yen	Thousands of U.S. Dollars
Sales	¥ 360	$ 3,000
Operating (loss)	(252)	(2,101)
Ordinary (loss)	(147)	(1,229)
Net (loss)	(147)	(1,229)

(2) Method of calculation

The Company calculated the amount of the impact by comparing the difference between the amount of sales and income assuming that the business combination was completed at the beginning of fiscal year and amount of sales and income information from the current consolidated fiscal year.

Additionally, the Company calculated amortization amount of goodwill by assuming the business combination was completed at the beginning of fiscal year.

Please note that the Company did not receive an audit certificate for the above note.

4 MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Current:			
Certificates of deposit	¥ 2,723	¥ 632	$ 22,691
Corporate bonds		7,000	
Noncurrent:			
Nonmarketable equity securities	¥ 2	¥ 2	$ 16
Corporate bonds	4,996		41,638

	Millions of Yen				Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2015								
Securities classified as:								
Trading								
Available-for-sale:								
Equity securities								
Debt securities								
Held-to-maturity	**¥ 4,996**		**¥ 5**	**¥ 4,990**	**$ 41,633**		**$ 41**	**$ 41,583**
March 31, 2014								
Securities classified as:								
Trading								
Available-for-sale:								
Equity securities								
Debt securities								
Held-to-maturity	¥ 7,000		¥ 5	¥ 6,994				

5 INVENTORIES

Inventories at March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Finished products and merchandise	**¥ 3,560**	¥ 3,309	**$ 29,666**
Work in process	**217**	203	**1,808**
Raw materials and supplies	**860**	908	**7,166**
Total	**¥ 4,639**	¥ 4,421	**$ 38,658**

6 LONG-LIVED ASSETS

Impairment Loss

The Group reviewed its long-lived assets for impairment as of March 31, 2015. As a result, the Group recognized an impairment loss of ¥247 million ($2,058 thousand) as other expense for idle property group which was written down to the recoverable amounts for the year ended March 31, 2015. No impairment loss was recognized in 2014.

		Millions of Yen				
		Asset Type and Impairment Loss				
Utilization	Location	Building and Structures	Machinery, Equipment and Vehicles	Tools, Furniture and Fixtures	Land	Total
Idle property	Yokkaichi City, Mie Pref.	**¥ 9**	**¥ 39**	**¥ 0**	**¥ 150**	**¥ 199**
Idle property	Kusatsu City, Shiga Pref.	**4**	**7**	**3**		**15**
Idle property	Kyotanba City, Kyoto Pref.				**31**	**31**
Total		**¥ 14**	**¥ 47**	**¥ 3**	**¥ 181**	**¥ 247**

		Thousands of U.S. Dollars				
		Asset Type and Impairment Loss				
Utilization	Location	Building and Structures	Machinery, Equipment and Vehicles	Tools, Furniture and Fixtures	Land	Total
Idle property	Yokkaichi City, Mie Pref.	**$ 81**	**$ 332**	**$ 0**	**$ 1,252**	**$ 1,666**
Idle property	Kusatsu City, Shiga Pref.	**40**	**64**	**28**		**133**
Idle property	Kyotanba City, Kyoto Pref.				**263**	**263**
Total		**$ 121**	**$ 396**	**$ 29**	**$ 1,515**	**$ 2,063**

① Background of recognizing impairment loss

Followed by mushroom business reconstruction (production stoppage of Honshimeji in Kusu Factory), the Company recognized impairment loss of unutilized assets.

② Method of calculating recoverable amount

Recoverable amounts were measured by fair value less cost of disposal based on real estate appraisal values.

7 GOODWILL

Goodwill at March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Goodwill on purchase of a specific business	**¥ 1,840**	¥ 1,477	**$ 15,333**
Total	**¥ 1,840**	¥ 1,477	**$ 15,333**

8 SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans consisted of term loans with interest at annual rates ranging from 0% to 9.55% at March 31, 2015.
Long-term debt at March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Loans principally from banks and the local government, due serially to January 2022 with interest rates ranging from 0% to 11.00% in 2015 and 2014:			
Collateralized	**¥ 142**	¥ 161	**$ 1,183**
Unsecured	**83**	111	**691**
Obligation under finance leases	**2**	4	**16**
Total	**228**	277	**1,900**
Less current portion	**48**	48	**400**
Long-term debt, less current portion	**¥ 179**	¥ 228	**$ 1,491**

Annual maturities of long-term debt as of March 31, 2015, for the next five years and thereafter were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2016	¥ 48	$ 400
2017	48	400
2018	48	400
2019	20	166
2020	20	166
2021 and thereafter	42	350
Total	¥ 228	$ 1,900

At March 31, 2015, buildings and structures of ¥336 million ($2,800 thousand); machinery, equipment and vehicles of ¥1 million ($8 thousand); and land of ¥250 million ($2,083 thousand) were pledged as collateral for long-term debt (including current portion of long-term debt) of ¥142 million ($1,183 thousand).

9 RETIREMENT AND PENSION PLANS

The Company and certain overseas subsidiaries have severance payment plans for employees.

The Company and its subsidiaries have lump-sum payment plans and defined benefit corporate pension plans. The Company implemented a defined contribution pension plan in October 2012, by which the former severance lump-sum payment plan was partly terminated, and applied ASBJ Guidance No. 1 “Accounting Standard for Transfer between Retirement Benefit Plans.” As a result of this transfer, the Company has lump-sum payment plans, defined benefit corporate pension plans and defined contribution pension plans. Under the lump-sum payment plans and defined benefit corporate pension plans, employees terminating their employment are entitled to certain lump-sum severance payments based on their rate of pay at the time of termination, length of service and certain other factors. In most circumstances, if the termination is involuntary, caused by retirement at the mandatory retirement age or caused by death, employees are entitled to greater payments than in the case of voluntary termination.

In addition, the Company has noncontributory trusteed pension plans covering all employees. Under the plans, employees terminating their employment are, in most circumstances, entitled to pension payments based on their rates of pay at the time of termination and length of service.

Year Ended March 31, 2015

(1) The changes in defined benefit obligation for the year ended March 31, 2015, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year (as previously reported)	¥ 788	$ 6,566
Cumulative effect of accounting change	(64)	(533)
Balance at beginning of year (as restated)	723	6,025
Current service cost	66	550
Interest cost	6	50
Actuarial losses	189	1,575
Benefits paid	(33)	(275)
Others	6	50
Balance at end of year	¥ 958	$ 7,983

(2) The changes in plan assets for the year ended March 31, 2015, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥ 524	$ 4,366
Expected return on plan assets	9	75
Actuarial losses	(47)	(391)
Contributions from the employer	90	750
Benefits paid	(27)	(225)
Others	4	33
Balance at end of year	¥ 554	$ 4,616

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets for the year ended March 31, 2015, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Funded defined benefit obligation	¥ 482	$ 4,016
Plan assets	(554)	(4,616)
	(71)	(591)
Unfunded defined benefit obligation	475	3,958
Net liability arising from defined benefit obligation	¥ 403	$ 3,358
Liability for retirement benefits	¥ 475	$ 3,958
Asset for retirement benefits	(72)	(600)
Net liability arising from defined benefit obligation	¥ 403	$ 3,358

(4) The components of net periodic benefit costs for the year ended March 31, 2015, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Service cost	¥ 66	$ 550
Interest cost	6	50
Expected return on plan assets	(9)	(75)
Recognized actuarial losses	21	175
Amortization of transitional obligation	(26)	(216)
Net periodic benefit costs	¥ 57	$ 475

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the year ended March 31, 2015, was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Prior service cost	¥ (26)	$ (216)
Actuarial losses	(215)	(1,791)
Total	¥ (242)	$ (2,016)

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2015, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Unrecognized prior service cost	¥ 160	$ 1,333
Unrecognized actuarial losses	(398)	(3,316)
Total	¥ (238)	$ (1,983)

(7) Plan assets for the year ended March 31, 2015, were as follows:

a. Components of plan assets

Plan assets consisted of the following:

Debt investments	**51%**
General account of insurance company	**28**
Equity investments	**17**
Cash and cash equivalents	**1**
Others	**3**
Total	**100%**

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the year ended March 31, 2015, were set forth as follows:

Discount rate:	
Defined benefit	**0.9%**
Lump sum pension distribution	**1.0%**
Expected rate of return on plan assets	**2.0%**

The Company uses the compensation increase index determined in accordance with the Company's human resources and wage policy as the compensation increase for the calculation of projected benefit obligation. The Company uses the indexes as of March 31, 2014 and 2010 for it as of March 31, 2015 and 2014, respectively.

(9) Contributions paid to the defined contribution pension plan were ¥67 million ($558 thousand) for the year ended March 31, 2015.

Year Ended March 31, 2014

(1) The changes in defined benefit obligation for the year ended March 31, 2014, were as follows:

	Millions of Yen
Balance at beginning of year	¥ 681
Current service cost	54
Interest cost	10
Actuarial losses	24
Benefits paid	(22)
Others	39
Balance at end of year	¥ 788

(2) The changes in plan assets for the year ended March 31, 2014, were as follows:

	Millions of Yen
Balance at beginning of year	¥ 431
Expected return on plan assets	8
Actuarial losses	(9)
Contributions from the employer	67
Benefits paid	(12)
Others	38
Balance at end of year	¥ 524

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets for the year ended March 31, 2014, were as follows:

	Millions of Yen
Funded defined benefit obligation	¥ 494
Plan assets	(524)
	(29)
Unfunded defined benefit obligation	294
Net liability arising from defined benefit obligation	¥ 264
Liability for retirement benefits	¥ 294
Asset for retirement benefits	(29)
Net liability arising from defined benefit obligation	¥ 264

(4) The components of net periodic benefit costs for the year ended March 31, 2014, were as follows:

	Millions of Yen
Service cost	¥ 54
Interest cost	10
Expected return on plan assets	(8)
Recognized actuarial losses	11
Amortization of transitional obligation	(26)
Net periodic benefit costs	¥ 41

(5) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2014, were as follows:

	Millions of Yen
Unrecognized prior service cost	¥ 187
Unrecognized actuarial losses	(183)
Total	¥ 4

(6) Plan assets for the year ended March 31, 2014, were as follows:

a. Components of plan assets

Plan assets consisted of the following:

Debt investments	49%
General account of insurance company	29
Equity investments	18
Cash and cash equivalents	1
Others	3
Total	100%

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(7) Assumptions used for the year ended March 31, 2014, were set forth as follows:

Discount rate	**1.6%**
Expected rate of return on plan assets	**2.0%**

(8) Contributions paid to the defined contribution pension plan were ¥54 million for the year ended March 31, 2014.

10 ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Balance at beginning of year	**¥ 35**	¥ 34	**$ 291**
Reconciliation associated with passage of time	**0**	0	**0**
Balance at end of year	**¥ 35**	¥ 35	**$ 291**

11 EQUITY

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

(a) Dividends

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

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

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

(b) Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

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

(c) Treasury Stock and Treasury Stock Acquisition Rights

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

12 RELATED-PARTY DISCLOSURES

The Company is majority-owned by Takara Holdings Inc., which is listed on the first section of the Tokyo Stock Exchange.

13 RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥3,401 million ($28,341 thousand) and ¥3,026 million for the years ended March 31, 2015 and 2014, respectively.

14 INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in normal effective statutory tax rates of approximately 35% and 38% for the years ended March 31, 2015 and 2014, respectively. Overseas subsidiaries are subject to income taxes of the countries where they operate.

The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities at March 31, 2015 and 2014, is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Current deferred tax assets:			
Inventories	**¥ 190**	¥ 197	**$ 1,583**
Accrued bonuses	**60**	66	**500**
Unrealized profit on sales of inventories	**104**	176	**866**
Other	**221**	228	**1,841**
Less valuation allowance	**(189)**	(13)	**(1,575)**
Total	**¥ 387**	¥ 654	**$ 3,225**
Current deferred tax liabilities	**¥ 11**	¥ 16	**$ 91**
Net current deferred tax assets	**¥ 375**	¥ 638	**$ 3,125**
Noncurrent deferred tax assets:			
Retirement benefits	**¥ 53**	¥ 151	**$ 441**
Reconciliation related to retirement benefits	**76**		**633**
Depreciation	**51**	51	**425**
Impairment loss	**118**	43	**983**
Tax loss carryforwards	**441**	282	**3,675**
Loss on disposals of long-term prepaid expenses	**14**	30	**116**
Other	**88**	67	**733**
Less valuation allowance	**(741)**	(317)	**(6,175)**
Total	**¥ 102**	¥ 309	**$ 850**
Noncurrent deferred tax liabilities:			
Goodwill	**¥ 249**	¥ 217	**$ 2,075**
Undistributed profit of foreign subsidiaries	**213**	169	**1,775**
Other	**73**	61	**608**
Total	**¥ 536**	¥ 448	**$ 4,466**
Net noncurrent deferred tax assets	**¥ 4**	¥ 44	**$ 33**
Net noncurrent deferred tax liabilities	**¥ 439**	¥ 183	**$ 3,658**

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2015 and 2014, is as follows:

	2015	2014
Normal effective statutory tax rate in Japan	**35.0%**	38.0%
Expenses not deductible for income tax purposes	**0.4**	0.5
Valuation allowance	**19.6**	2.6
Per capita rate of local tax	**0.6**	0.7
Tax rate difference of subsidiaries	**(8.2)**	(10.8)
Elimination in consolidation	**4.0**	0.6
Tax credit	**(0.8)**	(3.4)
Goodwill depreciation	**1.9**	2.3
Undistributed profit of foreign subsidiaries	**1.9**	(3.4)
Effect of tax rate reduction	**(0.1)**	0.8
Foreign withholding tax	**5.5**	6.2
Other - net	**1.5**	(0.9)
Actual effective tax rate	**61.3%**	33.2%

New tax reform laws enacted in 2014 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2014, from approximately 38% to 35%. The effect of this change was to decrease deferred tax assets in the consolidated balance sheet as of March 31, 2014, by ¥17 million and to increase income taxes - deferred in the consolidated statement of income for the year then ended by ¥17 million.

On March 31, 2015, new tax reform laws were enacted in Japan, which changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2015.

The effect of this change was to decrease normal statutory tax rate as follows,

Beginning of April 1, 2015 statutory tax rate will be from 35% to 33%.
Beginning of April 1, 2016 statutory tax rate will be from 35% to 32%.

At March 31, 2015, certain subsidiaries have tax loss carryforwards aggregating approximately ¥1,326 million ($11,050 thousand), which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2018	¥ 196	**$ 1,633**
2019	106	**883**
2020	86	**716**
2022	56	**466**
2023	228	**1,900**
2024	652	**5,433**
Total	¥ 1,326	**$ 11,050**

15 LEASES

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

Total rental expense for the years ended March 31, 2015 and 2014, was ¥362 million ($3,016 thousand) and ¥317 million, respectively, including ¥2 million (2014 only) of lease payments under finance leases, respectively.

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

	Machinery and Vehicles		
	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Acquisition cost	**¥**	¥ 24	**$**
Accumulated depreciation		24	
Net leased property	**¥**	¥	**$**

Obligations under finance leases as of March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Due within one year	**¥**	¥	**$**
Due after one year			
Total	**¥**	¥	**$**

The amount of obligations under finance leases includes the imputed interest expense portion.
Depreciation expense was ¥2 million for the year ended March 31, 2014, respectively.
The minimum rental commitments under noncancelable operating leases at March 31, 2015, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 203	$ 1,691
Due after one year	793	6,608
Total	¥ 996	$ 8,300

16 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

Cash surpluses, if any, are invested in low-risk financial assets. Derivatives are used, not for speculative purposes, but to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies.

(2) Nature and Extent of Risks Arising from Financial Instruments

Receivables such as trade notes and trade accounts are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position, net of payables in foreign currencies, is hedged by using forward foreign currency contracts.

Marketable and investment securities, mainly held-to-maturity securities, are exposed to the issuer's credit risk.

Payment terms of payables, such as trade notes and trade accounts, are generally within three months. Although payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, those risks are netted against the balance of receivables denominated in the same foreign currency and are hedged by foreign currency contracts as noted above.

Maturities of bank loans are less than 10 years after the balance sheet date.

Derivatives, mainly include forward foreign currency contracts and nondeliverable forwards, which are used to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. Please see Note 17 for more details about derivatives.

(3) Risk Management for Financial Instruments

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers at an early stage. With respect to held-to-maturity financial investments, the Group manages exposure to credit risk by limiting investments to high credit rated bonds in accordance with its internal guidelines.

Because the counterparties to derivative transactions are limited to major international financial institutions, the Company does not anticipate any losses arising from credit risk.

Market risk management
(foreign exchange risk and interest rate risk)

Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk is hedged principally by forward foreign currency contracts.

Since interest rates for loans are fixed, there is no market risk from changes in interest rates.

Derivative transactions are performed and managed with the approval of the prescribed authority based on the internal guidelines.

Liquidity risk management

Liquidity risk comprises the risk that the Company cannot meet its contractual obligations in full on their maturity dates. The Group manages its liquidity risk by holding adequate volumes of liquid assets, along with adequate financial planning by the corporate treasury department.

(4) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, another rational valuation technique is used instead.

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2015	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥ 7,071	¥ 7,071	
Time deposits	14,089	14,089	
Notes and accounts receivable - trade	6,741	6,741	
Allowance for doubtful accounts	(50)	(50)	
Marketable securities	2,723	2,723	
Investment securities	4,996	4,990	¥ (5)
Total	¥ 35,570	¥ 35,564	¥ (5)
Short-term bank loans	¥ 9	¥ 9	
Notes and accounts payable - trade	1,939	1,939	
Current portion of long-term debt	47	47	
Notes and accounts payable - Construction and other	1,714	1,714	
Accrued income taxes	258	258	
Long-term debt	178	180	(2)
Total	¥ 4,147	¥ 4,150	¥ (2)
Derivatives (*)	¥ 0	¥ 0	

Note: *Assets and liabilities arising from derivative transactions are shown at net value with amounts in parentheses representing the net liability position.

March 31, 2014	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥ 6,430	¥ 6,430	
Time deposits	15,871	15,871	
Notes and accounts receivable - trade	6,271	6,271	
Allowance for doubtful accounts	(37)	(37)	
Marketable securities	7,632	7,627	¥ (5)
Total	¥ 36,168	¥ 36,163	¥ (5)
Short-term bank loans	¥ 88	¥ 88	
Notes and accounts payable - trade	1,551	1,551	
Current portion of long-term debt	47	47	¥ 0
Notes and accounts payable - Construction and other	1,322	1,322	
Accrued income taxes	243	243	
Long-term debt	225	227	(1)
Total	¥ 3,479	¥ 3,480	¥ (1)
Derivatives (*)	¥ (2)	¥ (2)	

March 31, 2015	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	**$ 58,925**	**$ 58,925**	
Time deposits	**117,408**	**117,408**	
Notes and accounts receivable - trade	**56,175**	**56,175**	
Allowance for doubtful accounts	**(416)**	**(416)**	
Marketable securities	**22,691**	**22,691**	
Investment securities	**41,633**	**41,583**	**$ (41)**
Total	**$ 296,416**	**$ 296,366**	**$ (41)**
Short-term bank loans	**$ 75**	**$ 75**	
Notes and accounts payable - trade	**16,158**	**16,158**	
Current portion of long-term debt	**391**	**391**	
Notes and accounts payable - Construction and other	**14,283**	**14,283**	
Accrued income taxes	**2,150**	**2,150**	
Long-term debt	**1,483**	**1,500**	**$ (16)**
Total	**$ 34,558**	**$ 34,583**	**$ (16)**
Derivatives (*)	**$ 0**	**$ 0**	

Note: *Assets and liabilities arising from derivative transactions are shown at net value with amounts in parentheses representing the net liability position.

Cash and cash equivalent, time deposits, and notes and accounts receivables - trade

The carrying values of cash and cash equivalents, time deposits, and notes and accounts receivable - trade approximate fair value because of their short maturities.

Marketable and investment securities

The fair values of marketable and investment securities are measured at the quoted price obtained from the financial institution for certain debt instruments. The carrying values of certificates of deposit approximate fair value because of their short maturities. Fair value information for marketable and investment securities by classification is included in Note 4.

Notes and accounts payable (trade and construction and other) and accrued income taxes

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

Short-term bank loans, current portion of long-term debt and long-term debt

The fair values of short-term bank loans, current portion of long-term debt and long-term debt are determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate.

Derivatives

Fair value information for derivatives is included in Note 17.

(b) Carrying amount of financial instruments whose fair value cannot be reliably determined

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Nonmarketable equity securities	**¥ 2**	¥ 2	**$ 16**
Total	**¥ 2**	¥ 2	**$ 16**

Since nonmarketable equity securities do not have a quoted market price in an active market and their fair value cannot be reliably determined, they are excluded from disclosure of fair value.

(5) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Due in One Year or Less		
	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Cash and cash equivalents	**¥ 7,071**	¥ 6,430	**$ 58,925**
Time deposits	**14,089**	15,871	**117,408**
Notes and accounts receivable - trade	**6,741**	6,271	**56,175**
Marketable securities	**2,723**	7,632	**22,691**
Total	**¥ 30,625**	¥ 36,205	**$ 255,208**

Please see Note 6 for annual maturities of long-term debt.

17 DERIVATIVES

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

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

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

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

Foreign currency forward contracts that qualify for hedge accounting are excluded from the disclosure of market value information.

Derivative Transactions to Which Hedge Accounting is Not Applied

	Millions of Yen			
At March 31, 2015	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign currency forward contracts:				
Buying USD	**¥ 184**		**¥ 0**	**¥ 0**
GBP	**9**		**(0)**	**(0)**
AUD	**0**		**(0)**	**(0)**
CNY	**46**		**1**	**1**
Selling EUR	**57**		**0**	**0**
CNY	**134**		**(0)**	**(0)**
Nondeliverable forward:				
Buying WON	**¥ 0**		**¥ (0)**	**¥ (0)**
Selling WON	**55**		**(0)**	**(0)**
INR	**0**		**(0)**	**(0)**

	Millions of Yen			
At March 31, 2014	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign currency forward contracts:				
Buying EUR	¥ 14		¥ (0)	¥ (0)
USD	182		0	0
CND	9		0	0
CNY	142		(1)	(1)
Selling EUR	55		(0)	(0)
USD	50		(0)	(0)
Nondeliverable forward:				
Buying INR	¥ 1		¥ 0	¥ 0
Selling WON	58		(0)	(0)
INR	8		(0)	(0)

At March 31, 2015	Thousands of U.S. Dollars			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign currency forward contracts:				
Buying USD	**$ 1,533**		**$ 0**	**$ 0**
GBP	**75**		**(0)**	**(0)**
AUD	**0**		**(0)**	**(0)**
CNY	**383**		**8**	**8**
Selling EUR	**475**		**0**	**0**
CNY	**1,116**		**(0)**	**(0)**
Nondeliverable forward:				
Buying WON	**$ 0**		**$ (0)**	**$ (0)**
Selling WON	**458**		**(0)**	**(0)**
INR	**0**		**(0)**	**(0)**

Derivative Transactions to Which Hedge Accounting is Applied

At March 31, 2015	Millions of Yen			
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Buying EUR	**Payables**	**¥ 3**		**¥ (0)**
USD	**Payables**	**60**		**(0)**

At March 31, 2014	Millions of Yen			
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Buying EUR	Payables	¥ 15		¥ (0)
USD	Payables	72		(0)

At March 31, 2015	Thousands of U.S. Dollars			
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Buying EUR	**Payables**	**$ 25**		**$ (0)**
USD	**Payables**	**500**		**(0)**

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

18 OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Foreign currency translation adjustments:			
Adjustments arising during the year	**¥ 1,856**	¥ 2,842	**$ 15,466**
Total	**¥ 1,856**	¥ 2,842	**$ 15,466**
Defined retirement benefits plans:			
Adjustments arising during the year	**¥ (236)**	¥	**$ 1,966**
Reclassification adjustments to profit	**(5)**		**(41)**
Amount before income tax effect	**(242)**		**(2,016)**
Income tax effect	**1**		**8**
Total	**¥ (240)**	¥	**$ (2,000)**
Total other comprehensive income	**¥ 1,615**	¥ 2,842	**$ 13,458**

19 NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2015 and 2014, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
For the year ended March 31, 2015:	Net Income	Weighted-Average Shares	EPS	
Basic EPS				
Net income available to common shareholders	**¥ 963**	**120,415**	**¥ 8.01**	**$ 0.06**
For the year ended March 31, 2014:				
Basic EPS				
Net income available to common shareholders	¥ 1,470	117,631	¥ 12.50	
Diluted EPS				
Net income for computation	¥ 1,470	118,098	¥ 12.45	

Diluted net income per share is not disclosed because no dilutive securities are outstanding for the year ended March 31, 2015.

20 SUBSEQUENT EVENT

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2015, was approved at the Company's shareholders' meeting held on June 23, 2015:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥1.50 ($0.01) per share	**¥ 180**	**$ 1,500**

21 SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of Reportable Segments

The Group's reportable segments are those for which separate financial information is available, and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group's reportable segments consist of Bioindustry, Gene Therapy and AgriBio segments.

The Bioindustry segment consists of the businesses for research reagents (for genetic engineering research, protein engineering research, cell biology research and glycobiology research), research instruments and service business.

The Gene Therapy segment consists of the businesses for medical devices, gene therapy-related products and service business.

The AgriBio segment consists of the businesses for mushrooms, technical training of mushroom cultivation, ashitaba (a unique celery-like vegetable of the Angelica family), Agar, health food and cosmetics.

(2) Methods of Measurement for the Amounts of Sales, Profit (Loss), Assets, Liabilities and Other Items for Each Reportable Segment

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

(3) Information about Sales, Profit (Loss), Assets, Liabilities and Other Items

Millions of Yen

	2015					
	Bioindustry	Gene Therapy	AgriBio	Total	Reconciliations	Consolidated
Sales:						
Sales to external customers	**¥ 23,593**	**¥**	**¥ 2,376**	**¥ 25,969**		**¥ 25,969**
Intersegment sales or transfers			**4**	**4**	**¥ (4)**	
Total	**¥ 23,593**	**¥**	**¥ 2,381**	**¥ 25,974**	**(4)**	**¥ 25,969**
Segment profit (loss)	**¥ 5,212**	**¥ (1,211)**	**¥ (216)**	**¥ 3,784**	**¥ (1,481)**	**¥ 2,302**
Segment assets	**33,800**	**4,080**	**3,588**	**41,469**	**24,956**	**66,425**
Other:						
Depreciation	**1,047**	**128**	**110**	**1,286**	**60**	**1,347**
Amortization of goodwill	**136**			**136**		**136**
Increase in property, plant and equipment and intangible assets	**1,195**	**1,284**	**61**	**2,541**	**2,220**	**4,762**

Millions of Yen

	2014					
	Bioindustry	Gene Therapye	AgriBio	Total	Reconciliations	Consolidated
Sales:						
Sales to external customers	¥ 21,663	¥	¥ 2,242	¥ 23,905		¥ 23,905
Intersegment sales or transfers			6	6	¥ (6)	
Total	¥ 21,663	¥	¥ 2,249	¥ 23,912	¥ (6)	¥ 23,905
Segment profit (loss)	¥ 4,806	¥ (949)	¥ (285)	¥ 3,571	¥ (1,617)	¥ 1,954
Segment assets	28,035	430	4,249	32,715	29,784	62,500
Other:						
Depreciation	867	38	223	1,128	29	1,157
Amortization of goodwill	131			131		131
Increase in property, plant and equipment and intangible assets	902	55	104	1,063	4,475	5,538

Thousands of U.S. Dollars

	2015					
	Bioindustry	Gene Therapy	AgriBio	Total	Reconciliations	Consolidated
Sales:						
Sales to external customers	**$ 196,608**	**$**	**$ 19,800**	**$ 216,408**		**$ 216,408**
Intersegment sales or transfers			**33**	**33**	**$ (33)**	
Total	**$ 196,608**	**$**	**$ 19,841**	**$ 216,450**	**$ (33)**	**$ 216,408**
Segment profit (loss)	**$ 43,433**	**$ (10,091)**	**$ (1,800)**	**$ 31,533**	**$ (12,341)**	**$ 19,183**
Segment assets	**281,666**	**34,000**	**29,900**	**345,575**	**207,966**	**553,541**
Other:						
Depreciation	**8,725**	**1,066**	**916**	**10,716**	**500**	**11,225**
Amortization of goodwill	**1,133**			**1,133**		**1,133**
Increase in property, plant and equipment and intangible assets	**9,958**	**10,700**	**508**	**21,175**	**18,500**	**39,683**

Note: 1. Reconciliations of segment profit include unallocated operating expenses of ¥1,481 million ($12,341 thousand) and ¥1,617 million for the years ended March 31, 2015 and 2014, respectively, consisting principally of fundamental research and development expenses and administrative expenses incurred by the administrative and accounting departments of the Company.

(4) Information about products and services is as follows.

	Millions of Yen				Thousands of U.S. Dollars			
	2015							
	Bioindustry	Gene Therapy	AgriBio	Total	Bioindustry	Gene Therapy	AgriBio	Total
Sales to external customers	**¥ 23,593**	**¥**	**¥ 2,376**	**¥ 25,969**	**$ 196,608**	**$**	**$ 19,800**	**$ 216,408**

Millions of Yen

	2014			
	Bioindustry	Gene Therapy	AgriBio	Total
Sales to external customers	¥ 21,663	¥	¥ 2,242	¥ 23,905

(5) Information about geographical areas is as follows.

(a) Sales

Millions of Yen

2015						
Japan	USA	China	Asia (except for China)	Europe	Other	Total
¥ 12,919	**¥ 4,362**	**¥ 4,994**	**¥ 1,338**	**¥ 2,068**	**¥ 286**	**¥ 25,969**

Millions of Yen

2014						
Japan	USA	China	Asia (except for China)	Europe	Other	Total
¥ 12,944	¥ 3,844	¥ 4,022	¥ 1,234	¥ 1,662	¥ 197	¥ 23,905

Thousands of U.S. Dollars

2015						
Japan	USA	China	Asia (except for China)	Europe	Other	Total
$ 107,658	**$ 36,350**	**$ 41,616**	**$ 11,150**	**$ 17,233**	**$ 2,383**	**$ 216,408**

(b) Property, plant and equipment

Millions of Yen

2015					
Japan	USA	China	Asia (except for China)	Europe	Total
¥ 17,095	**¥ 304**	**¥ 2,809**	**¥ 273**	**¥ 50**	**¥ 20,532**

Millions of Yen

2014					
Japan	USA	China	Asia (except for China)	Europe	Total
¥ 13,699	¥ 281	¥ 2,710	¥ 258	¥ 9	¥ 16,960

Thousands of U.S. Dollars

2015					
Japan	USA	China	Asia (except for China)	Europe	Total
$ 142,458	**$ 2,533**	**$ 23,408**	**$ 2,275**	**$ 416**	**$ 171,100**

(6) Information about impairment losses

Previous consolidated fiscal year (from April 1, 2013 to March 31, 2014)

No applicable information

This consolidated fiscal year (from April 1, 2014 to March 31, 2015)

Millions of Yen

	Bioindustry	Gene Therapy	AgriBio	Reconciliations	Consolidated
Impairment loss				**¥ 247**	**¥ 247**

Thousands of U.S. Dollars

	Bioindustry	Gene Therapy	AgriBio	Reconciliations	Consolidated
Impairment loss				**$ 2,063**	**$ 2,063**

Note: Amount of "Reconciliations" are impairment loss of corporate assets which does not belong to reportable segments.

(7) Information about amortization of goodwill and goodwill at March 31, 2015 and 2014, is as follows.

Millions of Yen

	2015					
	Bioindustry	Gene Therapy	AgriBio	Total	Reconciliations	Consolidated
Amortization of goodwill	**¥ 136**			**¥ 136**		**¥ 136**
Goodwill at March 31, 2015	**1,840**			**1,840**		**1,840**

Millions of Yen

	2014					
	Bioindustry	Gene Therapy	AgriBio	Total	Reconciliations	Consolidated
Amortization of goodwill	¥ 131			¥ 131		¥ 131
Goodwill at March 31, 2014	1,477			1,477		1,477

Thousands of U.S. Dollars

	2015					
	Bioindustry	Gene Therapy	AgriBio	Total	Reconciliations	Consolidated
Amortization of goodwill	**$ 1,133**			**$ 1,133**		**$ 1,133**
Goodwill at March 31, 2015	**15,333**			**15,333**		**15,333**

Deloitte.

Deloitte Touche Tohmatsu LLC
Shijokarasuma FT Square
20, Naginataboko-cho
Karasuma-higashiiru, Shijo-dori
Shimogyo-ku, Kyoto 600-8008
Japan

Tel: +81 (75) 222 0181
Fax: +81 (75) 231 2703
www.deloitte.com/jp

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of Takara Bio Inc. and its subsidiaries as of March 31, 2015, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Takara Bio Inc. and its subsidiaries as of March 31, 2015, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

As discussed in Note 2.g to the consolidated financial statements, effective April 1, 2014 Takara Bio Inc. have adopted the straight-line method of depreciation for property, plant and equipment (excluding leased assets and property, plant and equipment located in Yokkaichi Office (formerly the Dragon Genomics Center)), which had previously been depreciated by the declining-balance method. Our opinion is not qualified in respect of this matter.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 5, 2015

(June 23, 2015 as to Note 20)

Member of
Deloitte Touche Tohmatsu Limited

Investor Information

Corporate Data

Trade Name
Takara Bio Inc.

Head Office
Nojihigashi 7-4-38, Kusatsu, Shiga 525-0058, Japan
Telephone: +81-77-565-6920

Established
April 1, 2002

Issued Capital
¥14,965,828,496

Number of Employees of Takara Bio Group
1,236

URL
www.takara-bio.com

Main Offices

Headquarters and Research Laboratory
Nojihigashi 7-4-38, Kusatsu, Shiga 525-0058, Japan

Kusatsu Office
Nojihigashi 7-2-62, Kusatsu, Shiga 525-0058, Japan

Yokkaichi Office
Sakura-cho 7870-15, Yokkaichi, Mie 512-1211, Japan

Eastern Japan Sales
Nihonbashi 2-15-10, Chuo-ku, Tokyo 103-8232, Japan

Consolidated Subsidiaries	Location	Issued Capital and Subscription	Line of Business
Takara Biotechnology (Dalian) Co., Ltd.	Dalian, People's Republic of China	¥2,350 million	Production and sale of research reagents, and related contracted services
Takara Korea Biomedical Inc.	Seoul, Korea	₩3,860 million	Sale of research reagents and scientific instruments
Takara Biomedical Technology (Beijing) Co., Ltd.	Beijing, People's Republic of China	¥1,030 million	Sale of research reagents
DSS Takara Bio India Pvt. Ltd.	New Delhi, India	Rs.110 million	Production and sale of research reagents
Takara Bio USA Holdings Inc.	Mountain View, U.S.A.	US$70,857 thousand	Subsidiary management
Clontech Laboratories, Inc.	Mountain View, U.S.A.	US$83 thousand	Development and sale of research reagents
Takara Bio Europe S.A.S.	Saint-Germain-en-Laye, France	EUR600 thousand	Sale of research reagents
Takara Bio Europe AB	Gothenburg, Sweden	2,222 thousand Swedish kronas	Development, production, and sale of research reagents
Mizuho Norin Co., Ltd.	Kyotamba-cho, Funai-gun, Kyoto, Japan	¥10 million	Production and sale of mushrooms
Takara Bio Farming Center Inc.	Yakushima-cho, Kumage-gun, Kagoshima, Japan	¥3 million	Production of Ashitaba and other agricultural products
KINOKO CENTER KIN INC.	Okinawa, Japan	¥5 million	Production and sale of mushrooms

Investor Information

As of March 31, 2015

Common Stock

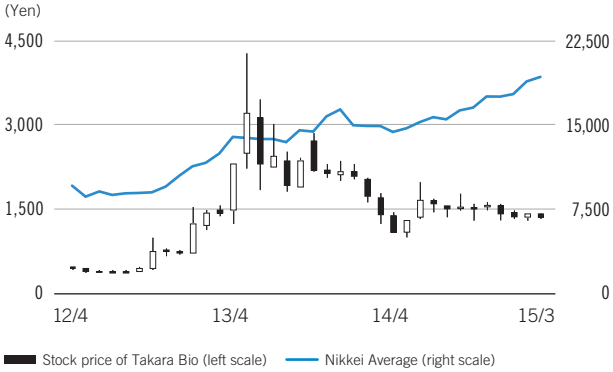
Authorized Shares	400,000,000 shares
Issued and Outstanding	120,415,600 shares
Number of Shareholders	64,403
Major Shareholder	Takara Holdings Inc. (60.91% equity owned)
Stock Listing	Tokyo Stock Exchange Mothers (securities code number: 4974)
Fiscal year	From April 1 to March 31 of the following year
Annual Meeting of Shareholders	Every June
Record Date	The vote March 31 Dividends March 31 Interim dividends September 30 Other record date will be posted in advance if necessary
Share Unit Number	100 shares
Transfer Agent and Registrar	Mizuho Trust & Banking Co., Ltd. Yaesu 1-2-1, Chuo-ku, Tokyo, Japan
Transfer Agent Office	Mizuho Trust & Banking Co., Ltd., Stock Transfer Agency Department of the Head Office Yaesu 1-2-1, Chuo-ku, Tokyo, Japan

Inquiries to Transfer Agent and Registrar

(If investor does not hold an account at a securities company)
Mizuho Trust & Banking Co., Ltd., Stock Transfer Agency Department
Izumi 2-8-4, Suginami-ku, Tokyo 168-8507, Japan,
Telephone: 0120-288-324 (toll free, within Japan only)

(If investor holds an account at a securities company)
The securities company with which the investor conducts transactions

Stock Price Range



TAKARA BIO INC.

Nojihigashi 7-4-38, Kusatsu, Shiga 525-0058, Japan
Telephone: +81-77-565-6920
www.takara-bio.com

Inquiries
Corporate Communications, Takara Bio Inc.
Telephone +81-77-565-6970
E-mail bio-ir@takara-bio.co.jp

MIX
Paper from responsible sources
FSC® C013238
FSC www.fsc.org

VEGETABLE OIL INK

Printed in Japan