THE BIOTECHNOLOGY COMPANY™

Annual Report 2010

TaKaRa

TAKARA BIO INC.

Takara Bio Inc. contributes to the health of mankind through the development of revolutionary biotechnologies such as gene therapy.

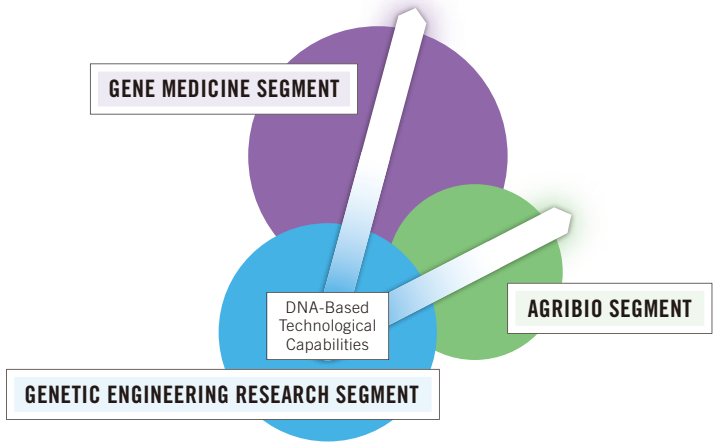
Since its beginnings as the biomedical business of Takara Shuzo Co., Ltd. (now Takara Holdings Inc.), Takara Bio has continuously expanded its gene and DNA-related businesses, which have now developed into three business segments. In 1979, the Genetic engineering research business was launched with the sale of the first domestically produced restriction enzymes. This business has now expanded to include a portfolio of genetic engineering research reagents, scientific instruments and contract research services that are essential to biotechnology researchers worldwide. In the AgriBio segment, which was the first to succeed in the large-scale production of Bunashimeji mushrooms in 1970, we promote a business centered on technologies for the large-scale production of mushrooms, including the production and sale of Hatakeshimeji and Honshimeji mushrooms. We also offer customers food materials such as Gagome kombu (kelp) "fucoidan," agar "agaro-oligosaccharide" and Ashitaba (angelica herb) "chalcone," whose functionality has been proven through the use of biotechnology. In the Gene medicine segment, we are pursuing the development and commercialization of cutting-edge medical technologies, such as cell and gene therapies for cancer and AIDS, based on technologies developed and accumulated through the activities of our Genetic engineering research segment.

CONTENTS

FORWARD-LOOKING STATEMENTS

Statements in this report, other than those based on historical fact, concerning the current plans, prospects, strategies and expectations of the Company and the Group represent forecasts of future results. While such statements are based on the conclusions of management according to information that includes major risks and uncertainties as of August 2010, actual results may vary significantly from these forecasts due to various factors.

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



TAKARA BIO GROUP'S BUSINESS STRATEGY

Takara Bio strives to expand its business areas from foods to biomedicines by leveraging the core technologies developed in the Genetic engineering research segment.

OUR BUSINESS STRATEGY: Invest the stable income generated by the Genetic engineering research and AgriBio segments into the Gene medicine segment, which holds significant growth potential, thereby expanding our future earnings. Takara Bio works to expand its **GENETIC ENGINEERING RESEARCH SEGMENT**, which underpins stable earnings, to nurture its **AGRIBIO SEGMENT**, which is positioned to become our second profitable business and thereby to aggressively advance R&D activities of **GENE MEDICINE**, which is the Group's platform for growth.

Stable cash-generating businesses

GENETIC ENGINEERING RESEARCH SEGMENT

This business segment manufactures and sells research reagents and scientific instruments used by biotechnology researchers around the world. It also provides contract research services to these researchers.

MAIN PRODUCTS AND SERVICES

- Research reagents (for genetic engineering, protein engineering and cell engineering)
- Scientific instruments
- Contract research services

Secondary income businesses

AGRIBIO SEGMENT

This business segment produces and sells health food products whose functionality has been proven through the use of biotechnology. It also conducts mushroom business based on technologies for the large-scale production of mushrooms.

MAIN PRODUCTS AND SERVICES

- Health food products (Gagome kombu "fucoidan" products, agar "agaro-oligosaccharide" products and Ashitaba "chalcone" products)
- Mushroom products (Hatakeshimeji, Honshimeji)
- Licensing revenues from mushroom cultivation technology and patents

Future growth businesses

GENE MEDICINE SEGMENT

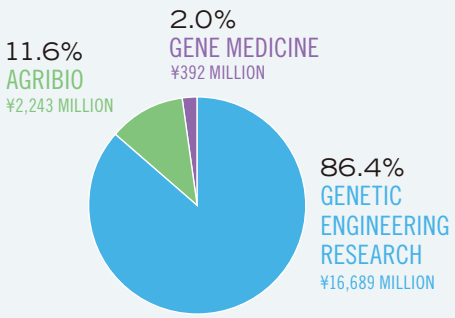
This business segment is conducting clinical development projects as it works toward commercializing cell and gene therapies centered on a highly efficient gene transduction method and a lymphocyte expansion-culture system, both using the RetroNectin® reagent.

MAIN PRODUCTS AND SERVICES

- Cell culture media for cancer immunotherapy
- Technical support services for cancer immunotherapy
- GMP grade RetroNectin®
- Licensing revenues from gene medicine-related technology and patents

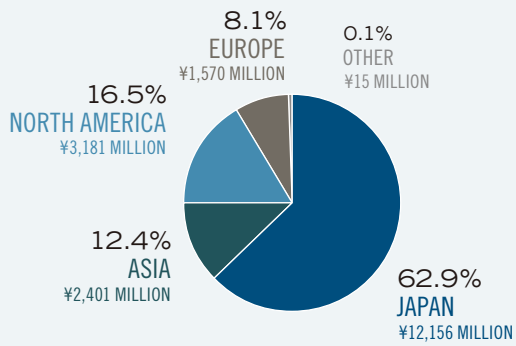
TOTAL OF TAKARA BIO GROUP

Net Sales by Business Segment (Fiscal 2010)
(Millions of Yen)



Net Sales / Operating Income (Loss) / R&D Expenses
(Millions of Yen)

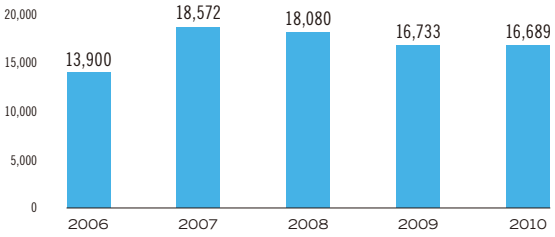
Sales by Geographic Segments (Fiscal 2010)



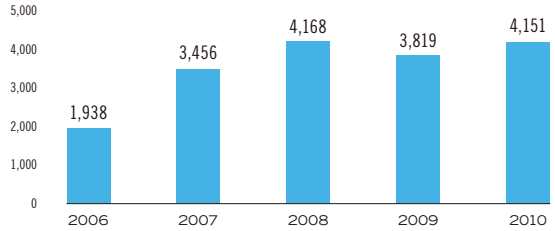
GENETIC ENGINEERING RESEARCH

Net Sales
¥16,689 million
Operating Income
¥4,151 million

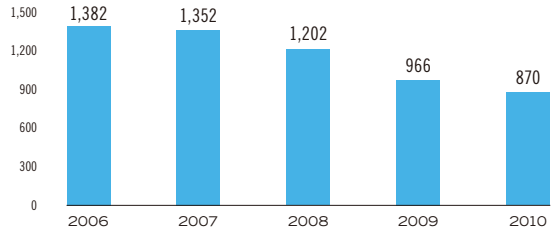
Net Sales
(Millions of Yen)



Operating Income
(Millions of Yen)



R&D Expenses
(Millions of Yen)



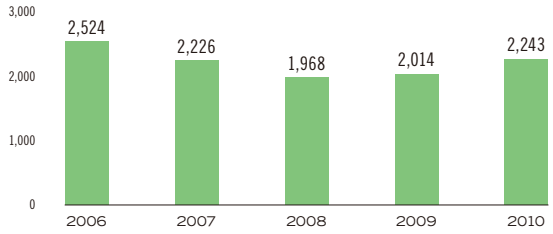
OVERVIEW OF FISCAL 2010

In Genetic engineering research, sales of mainstay research reagents declined, partly owing to the appreciation of the yen. However, sales of scientific instruments increased substantially, driven primarily by demand from Japanese government agencies. In addition revenues from contract research services increased. As a result, Genetic engineering research sales decreased 0.3%, to ¥16,689 million. Selling, general and administrative (SG&A) expenses decreased 7.8%, owing to such factors as decreases in sales promotion and shipping expenses. Consequently, segment operating income rose 8.7%, to ¥4,151 million.

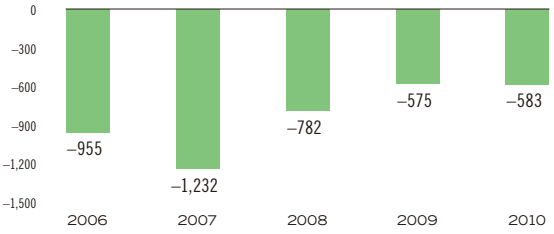
AGRIBIO

Net Sales
¥2,243 million
Operating Loss
¥583 million

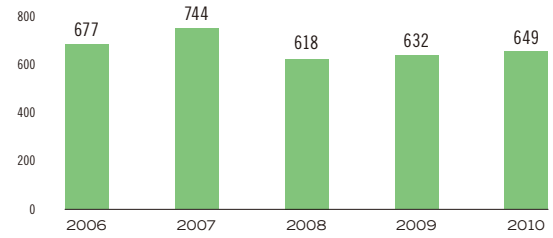
Net Sales
(Millions of Yen)



Operating Loss
(Millions of Yen)



R&D Expenses
(Millions of Yen)



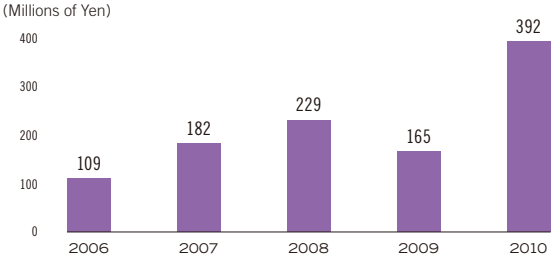
OVERVIEW OF FISCAL 2010

In AgriBio, net sales grew 11.4%, to ¥2,243 million, bolstered by increased sales of both health food products and mushroom products. Despite an increase in the gross profit ratio, higher shipping expenses and other factors contributed to a 12.9% increase in SG&A expenses. As a result, segment operating loss amounted to ¥583 million, compared with an operating loss of ¥575 million in the previous fiscal year.

GENE MEDICINE

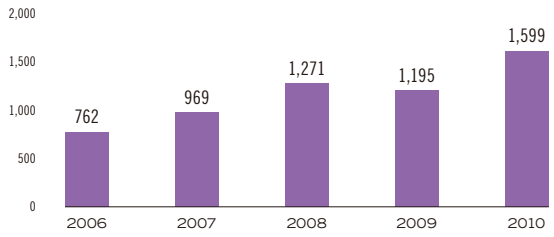
Net Sales
¥392 million
Operating Loss
¥1,565 million

Net Sales
(Millions of Yen)



Operating Loss
(Millions of Yen)

R&D Expenses
(Millions of Yen)



OVERVIEW OF FISCAL 2010

In Gene medicine, net sales increased 136.4%, to ¥392 million, particularly driven by increased sales of technical support services relating to cancer immunotherapy. However, SG&A expenses rose 32.4%, due to an increase in R&D costs. As a result, segment operating loss amounted to ¥1,565 million, compared with an operating loss of ¥1,240 million in the previous fiscal year.

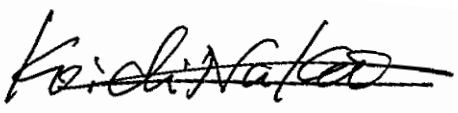
MESSAGE FROM THE PRESIDENT

Despite the impact of a stronger yen, Takara Bio Group recorded an increase in net sales in fiscal 2010, which ended March 31, 2010. Thus, the Company continued to post an operating income. The Group also achieved steady progress in its Gene medicine projects, including the commencement of several new clinical research projects.

Koichi Nakao
President & CEO

In fiscal 2010, despite a significant impact from the appreciation of the yen on sales of our mainstay research reagents, we recorded an increase in net sales compared with the previous fiscal year, and we again posted an operating income. Looking ahead, we plan to deploy our management resources with even greater efficiency, as we strengthen the earnings capabilities of the Genetic engineering research segment and work to turn the AgriBio segment into a profitable business while aggressively pursuing clinical development projects in the Gene medicine segment. By solidifying our earnings base, we aim to grow both net sales and operating income. Simultaneously, we will strive to develop new technologies, thereby steadily establishing our platform for future growth. As we work to meet these challenges, I sincerely look forward to your support in these endeavors.

August 2010
President & CEO



FINANCIAL HIGHLIGHTS

Net Sales	Operating Income	Net Income
¥19,325 million	¥553 million	¥591 million

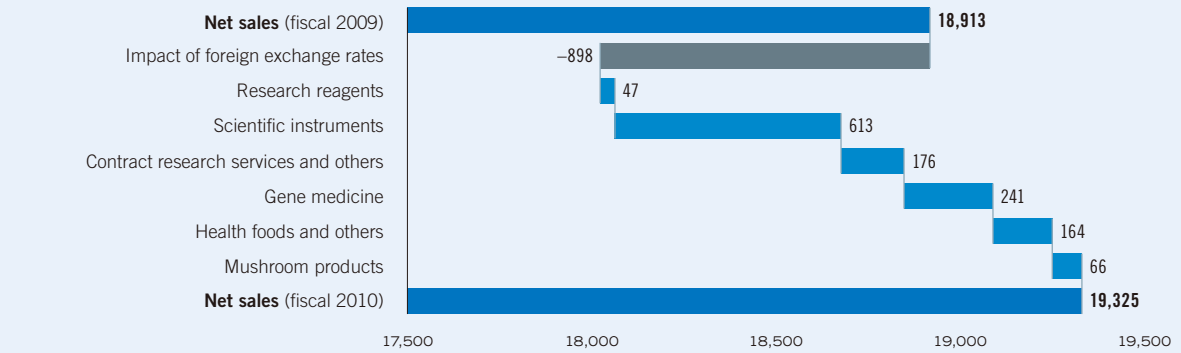
A RECAP OF FISCAL 2010

In fiscal 2010, net sales increased ¥411 million, or 2.2% compared with the previous fiscal year, to ¥19,325 million. Factors contributing to this result included increased sales of scientific instruments in the Genetic engineering research segment and higher revenues from technical support services relating to cancer immunotherapy in the Gene medicine segment. Cost of sales rose ¥312 million, or 3.5%, to ¥9,286 million, mainly reflecting higher net sales. Consequently, gross profit increased ¥98 million, or 1.0%, to ¥10,039 million. Selling, general and administrative (SG&A) expenses decreased ¥27 million, or 0.3%, to ¥9,485 million. Although R&D expenses rose, SG&A expenses declined overall owing to such factors as lower sales promotion expenses. As a result, operating income increased ¥126 million, or 29.7%, to ¥553 million. In fiscal 2010, other income netted to ¥144 million, compared to a net loss of ¥326 million in the previous fiscal year. Despite recording loss on impairment of long-lived assets, such as gain on sales of investment securities, subsidy income and improvement of foreign exchange loss contributed to this turnaround. An additional factor was the absence of litigation expenses, which were posted in the previous fiscal year. Consequently, income before income taxes and minority interests amounted to ¥697 million, compared with ¥99 million in the previous fiscal year. Owing to the recording of deferred income tax assets for prior periods, total income taxes amounted to ¥105 million, an increase of ¥651 million year on year. As a result, net income decreased ¥51 million, or 8.0%, to ¥591 million.

Analyzing the performance of our three business segments, sales in Genetic engineering research decreased 0.3%, to ¥16,689 million. Although sales of scientific instruments increased substantially, driven primarily by demand from Japanese government agencies, and by increased revenues from contract research services, sales of mainstay research reagents declined, mainly owing to the appreciation of the yen. Segment operating income rose 8.7%, to ¥4,151 million, primarily owing to a decrease in SG&A expenses. In the Gene medicine segment, although sales rose 136.4%, to ¥392 million, particularly driven by increased sales of technical support services relating to cancer immunotherapy, SG&A expenses increased due to increases in R&D expenses. Overall, this resulted in a segment operating loss of ¥1,565 million, compared with an operating loss of ¥1,240 million in the previous fiscal year. In the AgriBio segment, net sales grew 11.4%, to ¥2,243 million, bolstered by increased sales of both health food products and mushroom products. Despite an increase in the gross profit ratio, higher shipping expenses contributed to higher SG&A expenses. As a result, the AgriBio segment's operating loss amounted to ¥583 million compared with an operating loss of ¥575 million in the previous fiscal year.

ANALYSIS OF CHANGES IN CONSOLIDATED NET SALES

Consolidated Net Sales
(Millions of Yen)



OVERVIEW OF PROGRESS IN EACH OF OUR GENE MEDICINE PROJECTS

In fiscal 2010, we achieved steady progress in the clinical development being carried out in the Gene medicine segment, including the commencement of several new clinical research projects for gene therapy and cell therapy.

At the National Cancer Center Hospital, we continued to conduct Phase I clinical trials as part of our joint development with the National Cancer Center of Japan of HSV-TK gene therapy (donor lymphocyte infusion (DLI)) for patients with relapsed leukemia. This is the first *ex vivo* gene therapy clinical trial conducted in Japan. In addition, clinical research on HSV-TK gene therapy (haplo add-back) for hematological malignancies, which is being conducted by the National Cancer Center in Japan in cooperation with Takara Bio, got under way in December 2009. HSV-TK gene therapy (haplo add-back) is currently in Phase III clinical trials in Italy, conducted by MolMed S.p.A.

Clinical research on T-cell receptor (TCR) gene therapy targeting esophageal cancer began in August 2009 as part of clinical development that the Company is carrying out in collaboration with the Mie University School of Medicine. Furthermore, in September 2009 a joint R&D project being conducted by Takara Bio, Mie University and Keio University on comprehensive cancer immunotherapy was selected to be part of the Translational Research Promotion Project, a program led by Japan's New Energy and Industrial Technology Development Organization (NEDO). Through participation in this clinical research project, we are pursuing the development of next-generation TCR gene therapy technologies.

In March 2010, Takara Bio entered into a collaborative research agreement with the University of Pennsylvania to conduct preparations for future ribonuclease MazF gene therapy clinical trials for HIV in the United States. At present, the Company is working toward a target for the commencement of clinical trials sometime during fiscal 2012. Together with the University of Pennsylvania, the Company is jointly conducting pre-clinical translational studies and other preparatory steps.

In the field of cell therapy, the Kyoto Prefectural University of Medicine began conducting clinical research on cancer immunotherapy using the RetroNectin® expansion-culture system (RetroNectin® induced T cell therapy) in April 2009, with the cooperation of the Company. This clinical research concluded in April 2010, having been able to demonstrate the safety of RetroNectin® induced T cell

CLINICAL DEVELOPMENT OF CELL AND GENE THERAPIES

	Target disease	Partner institution	Current status and future schedule
HSV-TK gene therapy (donor lymphocyte infusion) (Clinical trial)	Relapsed leukemia	The National Cancer Center Hospital	Commencement of Phase I clinical trials in October 2008 Scheduled to conclude in fiscal 2011
HSV-TK gene therapy (Haplo add-back) (Clinical research)	Hematological malignancies	The National Cancer Center Hospital	Commencement of clinical research in December 2009 Scheduled to conclude in fiscal 2012
TCR gene therapy: wtMA24 (Clinical research)	Esophageal cancer	Mie University School of Medicine, and others	Scheduled to commence clinical research in fiscal 2012
TCR gene therapy: siMA24(RN-T) (Clinical research)	Esophageal cancer	Mie University School of Medicine, and others	Scheduled to commence clinical research in fiscal 2012
TCR gene therapy: siWT24(RN-T) (Clinical research)	Cerebral tumors, Hematological tumors, colorectal cancer	Mie University School of Medicine, and others	Scheduled to commence clinical research in fiscal 2012
MazF gene therapy	HIV	University of Pennsylvania, Kagoshima University, National Institute of Biomedical Innovation	Scheduled to commence clinical trials in the United States in fiscal 2011
RetroNectin® induced T cell therapy (Clinical research)	Esophageal cancer, ovarian cancer, etc.	Mie University School of Medicine, and others	Commencement of clinical research in March 2008 Scheduled to conclude in fiscal 2011
	Hepatocellular carcinoma	Kyoto Prefectural University of Medicine	Scheduled to commence clinical research in July 2010 Scheduled to conclude in fiscal 2015
	Refractory cancer Hepatocellular carcinoma	Tianjin Medical University, Sun Yat-Sen University	Submitted application for fee-based therapy at Tianjin Medical University and Sun Yat-Sen University

Gene therapy Cell therapy

therapy, which was the primary endpoint of the research. Based on this result, in May 2010 the Company began providing technical support for RetroNectin® induced T cell therapy, on a fee basis, to the Iseikai Hyakumanben Clinic in Kyoto. The Company had already been providing technical support for activated lymphocyte therapy to the Iseikai Hyakumanben Clinic. In China, Tianjin Cancer Institute & Hospital, Tianjin Medical University and Sun Yat-Sen University Cancer Center, in cooperation with the Company, are also conducting clinical research on RetroNectin® induced T cell therapy.

As clinical trials for gene therapy progress around the world, the Company is also accelerating its clinical development of cell and gene therapies.

OUTLOOK FOR FISCAL 2011–2013

In May 2010, the Takara Bio Group announced its mid-term management plan through fiscal 2013. Under this plan, we have set a goal of posting continuous operating income in all years and, in fiscal 2013, we aim to achieve net sales of ¥21.5 billion and operating income amounting to ¥1.1 billion, on a consolidated basis. For fiscal 2011, the plan's initial year, we have set an operating income target of ¥0.8 billion, a record level for the Company. This target has been brought forward one year compared with the mid-term management plan announced by the Company in May 2009. We intend to implement the following measures in each business segment as we work toward achieving the goals of the mid-term management plan.

In the Genetic engineering research segment, we aim to expand the business by providing new products and services in such fields as real-time PCR (Polymerase Chain Reaction) and advanced cell biology, which have strong market growth potential. We will also target increased sales relating to technology development and contract services in such fields as iPS cells (induced Pluripotent Stem cells) and high-throughput sequencing analysis. Furthermore, we will strive to solidify our earnings base through aggressive overseas marketing activities, particularly in the Asia–Pacific region, and by bolstering our price competitiveness through the transfer of product manufacturing to our Chinese manufacturing bases.

In the AgriBio segment, we aim to achieve operating income in fiscal 2012. To realize this goal, we will strive to increase sales of health food products through the sales promotion of health food ingredients and by acquiring application data that has a direct impact on the commercialization of health food ingredients. In the mushroom business, we will work to reduce production costs through the introduction of new technology for the production of Hatakeshimeji and Honshimeji mushrooms and increase sales by strengthening in-house sales capabilities.

In the Gene medicine segment, we will continue to work aggressively on R&D related to the commercialization of cell and gene therapies. At the same time, we will aim to increase sales in such areas as comprehensive support services for RetroNectin® induced T cell therapy and cell culture media for cancer immunotherapy.

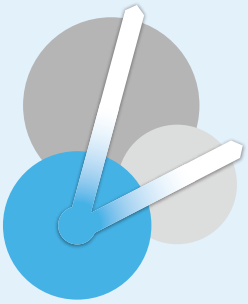
We are focusing on our three business segments as we strive to further reinforce our earnings base driven by the reform of our business structure through the efficient allocation of management resources. In addition, we will work to develop new technologies to establish a platform for future growth. We look forward to the ongoing support and understanding of our shareholders as we strive to meet these challenges.

NUMERICAL TARGETS OF THE TAKARA BIO GROUP

(Millions of Yen)

	Fiscal 2011 (estimate)	Fiscal 2012 (plan)	Fiscal 2013 (plan)
Net Sales	19,350	20,200	21,550
Operating Income	800	950	1,100
Net Income	600	720	750
R&D Expenses	3,060	3,250	3,600

GENETIC ENGINEERING RESEARCH



The Genetic engineering research business supports biotechnology research worldwide, from basic research conducted at universities to industrial companies working in fields such as drug-discovery research. Since we began sales of the first domestically produced restriction enzymes in 1979, we have continued to produce research reagents, scientific instruments and contract research services that utilize new genetic engineering technologies.

BUSINESS OUTLINE

Research Reagents
- PCR enzymes
- Restriction enzymes
- Reverse transcriptases
- Cloning systems
- iPS cell generation

Scientific Instruments
- PCR-related equipment
- Mass spectrometry systems

Contract Research Services
- Real-time PCR analysis
- DNA sequence analysis
- High-throughput sequencing analysis
- Gene expression analysis
- Genome sequence analysis


Research reagents


Experiment

Real-time PCR equipment

RESEARCH REAGENTS AND SCIENTIFIC INSTRUMENTS

R&D in biotechnology at academic institutions, such as universities, and at private enterprises, such as pharmaceutical companies, is proceeding in a variety of areas, including functional analysis of genes and the unraveling of biological phenomena and mechanisms of disease at the molecular level in living organisms. The role of our Genetic engineering research segment is to support such biotechnology research activities worldwide.

In 1988, Takara Bio became the first company in Japan to introduce a gene amplification system using the PCR method, and in 1993, we obtained a license for the PCR method and began producing and marketing PCR-related products. We continue to develop and globally supply products that meet market needs in this area, such as PCR enzymes that provide high fidelity along with superior elongation and reliability as well as reverse transcriptases that provide superior elongation for cloning and gene expression analysis.

In September 2005, we acquired Clontech Laboratories, Inc. Whereas Takara Bio's strength lies in the field of genetic engineering, including enzymes for genetic engineering and PCR-related technologies; Clontech Laboratories is strong in the field of molecular biology, including systems for the functional analysis of genes using fluorescent proteins. Merging Clontech Laboratories' products with our existing products has already greatly expanded and enhanced our lineup of research reagents.

In 1993, Takara Bio established Takara Biotechnology (Dalian) Co., Ltd., in China, as a manufacturing base for its research reagents. At present, a large portion of the Group's research reagents are manufactured in China, thereby realizing a high level of cost competitiveness. The manufacture of Clontech Laboratories' products, which was done in the United States at the time of its acquisition, have almost transferred to China to improve profit margins.

In R&D, the Company focuses on the field of Advanced Cell Biology in addition to genetic engineering by using the synergistic effect of R&D capabilities between the Company and Clontech. In the Genetic engineering segment, the Company aims for sales growth by expanding the application of PCR technology for industrial use. It is also a priority to develop new products related to real-time PCR, whose market has been growing rapidly. In Advanced Cell Biology, the Company has been developing new products relating to epigenetics and iPS cells, which are both becoming very active research fields.

The products developed by the Company and Clontech are manufactured by Takara Biotechnology (Dalian) and marketed not only in Japan but worldwide through our network of Group companies in Europe, the United States, China and South Korea. Based on this strategy, we aim to build a strong position in the global marketplace.

Clontech Laboratories' products

High-throughput sequencing equipment

CONTRACT RESEARCH SERVICES

Takara Bio operates a contract research services business in which it conducts analysis and performs research for academia and companies on a contracted basis. We began providing genome analysis services in 1994 and, since opening Asia's largest genome analysis center in 2000, we have received several major genome analysis contracts. The Dragon Genomics Center—the core of our contract research services business—offers comprehensive research services, handling not only genome sequencing analysis but also high-throughput sequencing analysis using next-generation sequencing systems, gene expression analysis using DNA chips, small RNA analysis and protein expression. The Company is also focusing on bioinformatics, which is used to process the extremely large volumes of data obtained through such research activities as high-throughput sequencing analysis, so as to provide high-value-added services. Furthermore, we are bolstering our lineup of contract services in response to needs in several rapidly advancing research fields. Newly launched services include iPS cell generation and epigenetics analysis. The Company will respond quickly to rapid technical innovation in biotechnology research by offering new services.

FUTURE MEASURES

- Strengthen new product development in the field of Advanced Cell Biology, including epigenetics and iPS cells
- Expand services in the industrial support areas through the application of technology to the food and environmental health fields and by promoting contract research services to companies
- Implement specific measures for each product through reinforcement of the Group's marketing system and carry out Web-based marketing activities
- Strengthen marketing activities in Europe, the United States and the Asia–Pacific region
- Increase the productivity of R&D by leveraging synergies among different R&D activities within the Group

AGRIBIO

In the AgriBio segment, Takara Bio offers health food products to customers by finding the functional components of traditional Asian foodstuffs through the use of biotechnology. We are also developing business operations using our large-scale cultivation technologies for the production of mushrooms.

BUSINESS OUTLINE

Health Food Business
- Gagome kombu (kelp) "fucoidan"
- Agar "agaro-oligosaccharide"
- Ashitaba (angelica herb) "chalcone"
- Mushroom "terpene"
- Yam (*Dioscorea esculenta*)
- Herb (*Peucedanum japonicum*)

Mushroom Business
- Bunashimeji mushrooms
- Hatakeshimeji mushrooms
- Honshimeji mushrooms

HEALTH FOOD BUSINESS

Takara Bio has been researching the bioactive properties of Gagome kombu (kelp) "fucoidan," agar "agaro-oligosaccharide," Ashitaba (angelica herb) "chalcone," mushroom "terpene," yam (*Dioscorea esculenta*) and herb (*Peucedanum japonicum*), and has been developing and producing health food products containing these active ingredients. These products are marketed through Takara Healthcare Inc. (a wholly owned subsidiary of Takara Holdings Inc.)

Takara Fucoidan Capsules

Nomu Kanten Zero Sugar

Ashitaba Chalcone

1. Gagome Kombu (Kelp) "Fucoidan"

Fucoidan is a polysaccharide with a thick consistency that is found mainly in various species of brown kelp, including kombu. Takara Bio was the first to identify three chemical structures in fucoidan found in Gagome kombu, a type of kelp in the Kjellmaniella family, and the Company named these F-fucoidan, U-fucoidan and G-fucoidan. It is known that fucoidan enables seaweed to self-repair when it becomes damaged. Fucoidan also provides a barrier against harmful bacteria and protects against dryness. Takara Bio has focused on the functionality of Gagome kombu "fucoidan" and is continuing its R&D.

2. Agar "Agaro-oligosaccharide"

Agar, which is made from tengusa and other types of kelp, is known as the "king of dietary fibers" and is a popular traditional Japanese food. Takara Bio is not only interested in the dietary fiber properties of agar but is also focusing its research on agaro-oligosaccharides, which are obtained by heating agar in acid. We have already developed an effective manufacturing method of agaro-oligosaccharides and are marketing these as a functional ingredient.

3. Ashitaba (Angelica Herb) "Chalcone"

Ashitaba is indigenous to Japan and grows wild on the Pacific coast, mainly in the Izu Islands. Ashitaba is known for its strong vitality as indicated by the 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 farms in Japan—where special care is taken to ensure its quality—and offers Ashitaba as health-oriented food products. Takara Bio has focused on chalcone, a polyphenol peculiar to Ashitaba, and is pursuing R&D in this area.

4. Mushroom "Terpene"

Mushroom "terpene" is one of the compounds present in Bunashimeji mushrooms (*Hypsizigus marmeoreus*). Takara Bio has carried out a wide variety of research relating to mushrooms but is particularly focusing on the properties of mushroom "terpene" in its current research.

5. Yam (*Dioscorea esculenta*)

Dioscorea esculenta is a type of yam that is cultivated in Okinawa. This dense, sweet yam is very tasty but is grown in extremely small amounts because it is vulnerable to cold and difficult to cultivate. This "phantom yam" is not widely known even among local inhabitants. Takara Bio has discovered Yamsgenin™, a substance which is found in the *Dioscorea esculenta* yam but not found in ordinary yams.

6. Herb (*Peucedanum japonicum*)

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

MUSHROOM BUSINESS

Takara Bio was the first company to succeed in the large-scale production of Bunashimeji mushrooms, which are now widely available at most supermarkets. In 1973, we licensed our large-scale production technology to JA ZEN-NOH (National Federation of Agricultural Cooperative Associations) Nagano, and succeeded in the commercialization of this mushroom. We have since licensed the technology for the large-scale production of Bunashimeji mushrooms to JA ZEN-NOH Nagano and other companies.

Takara Bio has also succeeded in the large-scale production of Honshimeji mushrooms, which are considered extremely difficult to mass produce. Honshimeji mushrooms are known for their exquisite taste—as the saying goes, "Matsutake for aroma, Shimeji for taste." We have been mass producing Honshimeji mushrooms since 2004 at our facility in Yokkaichi, Mie Prefecture, and in fiscal 2011 we forecast a production volume of approximately 120 tons.

Through Mizuho Nourin Co., Ltd., a joint venture between Takara Bio, Kyotanba-cho and the Kyotanba Forestry Association, both of which are in Kyoto Prefecture, we are involved in the mass production of Hatakeshimeji mushrooms. Mizuho Nourin anticipates production of approximately 1,500 tons of mushrooms in fiscal 2011.

Since fiscal 2010, we have been reinforcing our internal sales organization for Hatakeshimeji and Honshimeji mushrooms and are targeting further increases in sales. In the future, the Company plans to expand production volume, reduce cost and further enhance product quality. In R&D, we are working to utilize the know-how gained through the cultivation of Honshimeji and other mushrooms as well as our genome sequencing technology to develop new production technologies for high-value-added mushrooms.


Honshimeji mushrooms

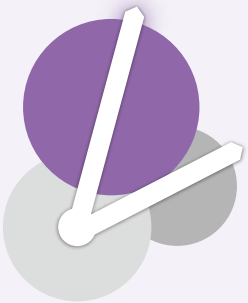

Hatakeshimeji mushrooms

FUTURE MEASURES

- Pursue sales activities for health food products through enhanced collaboration with Takara Healthcare
- Acquire application data that has a direct impact on the sales promotion and product development of health food ingredients
- Reduce costs and reinforce the internal sales organization through the introduction of new technology for the production of Hatakeshimeji and Honshimeji mushrooms
- Strengthen the Group's quality management and quality assurance systems to provide the safest, most reliable products possible

GENE MEDICINE

In the Gene medicine segment, Takara Bio is aiming to develop and commercialize core technologies that are essential to gene medicine by applying the technologies developed in the Genetic engineering research segment. In addition to licensing its core technologies, the Company is pursuing the clinical development of cell and gene therapies for AIDS, cancer and other diseases.



BUSINESS OUTLINE

Clinical Development of Gene Therapy
- RetroNectin®
- Virus vector
- HSV-TK gene therapy
- TCR gene therapy
- MazF gene therapy

Cell Therapy
- T lymphocyte expansion-culture system
- Technical support services for cancer immunotherapy

GENE THERAPY

Gene therapy's purpose is to cure disease by administering genes or cells that contain a gene to a patient so as to correct a genetic birth defect, or cure disease (e.g., cancer or AIDS).

There are two types of gene therapy: *ex vivo* and *in vivo*. In *ex vivo* gene therapy, cells are taken from patients, transduced with a target gene and infused back into the same patients.

In contrast, *in vivo* gene therapy involves the direct administration of therapeutic genes into patients.

CORE TECHNOLOGY FOR GENE MEDICINE

One of Takara Bio's core technologies for gene medicine is an efficient retroviral transduction method—the RetroNectin® method—that was developed in collaboration with Indiana University in the United States. Takara Bio holds exclusive rights for worldwide applications of this powerful technology, which is used in *ex vivo* gene therapy to enable efficient transduction of genes into hematopoietic stem cells and other blood cells. Before the advent of the RetroNectin® method, this process was considered difficult. Hematopoietic stem cells give rise to various blood cells, such as red blood cells and white blood cells.

A second core technology is a T lymphocyte expansion-culture system (culture for proliferating lymphocytes) that uses the RetroNectin® reagent. The T lymphocyte expansion-culture system can be used both in cell and gene therapies. In the RetroNectin® expansion-culture system, human lymphocytes are expanded in culture in the presence of the RetroNectin® reagent in combination with interleukin-2 and anti-CD3 monoclonal antibody. Cell populations including a high proportion of naive T cells that have a significant *in vivo* persistence and strong antigen recognition are acquired.

LICENSING THE RETRONECTIN® METHOD

Our RetroNectin® method is used by various public medical institutions conducting clinical research in gene therapy as well as by several privately funded clinical trials, and is becoming the standard for *ex vivo* gene therapy. As of the end of July 31, 2010, the RetroNectin® method was being used by public medical institutions, mainly in the United States, for over 50 clinical gene therapy studies. In addition, the RetroNectin® method is licensed out to four overseas private corporations. We plan to actively out-license the method worldwide.

CLINICAL DEVELOPMENT OF GENE THERAPIES

Not only are we licensing out the RetroNectin® method, but we also plan to commercialize gene therapies and are proceeding with clinical trials on the following.


Retrovirus vector used for gene therapy

1. HSV-TK Gene Therapy

MolMed S.p.A, of Milan, Italy, which has in-licensed the RetroNectin® method from Takara Bio, is now conducting a Phase III clinical trial of HSV-TK gene therapy for high-risk, acute hematological malignancies in Italy. Takara Bio has exclusive rights to this treatment technology in most Asian countries.

1) Clinical trial (donor lymphocyte infusion method)

Takara Bio commenced a clinical trial of HSV-TK gene therapy (donor lymphocyte infusion (DLI) method) for treatment of patients with relapsed leukemia at the National Cancer Center Hospital. This is the first *ex vivo* gene therapy clinical trial to be launched in Japan. In December 2009, the first subject received gene-transduced cells. This trial involves donor lymphocyte infusions for recurrent leukemia patients following hematopoietic stem cell transplants. Donor lymphocyte infusion has been shown to be highly effective for patients with many types of leukemia, but graft versus host disease (GVHD) can be a serious side effect. When donor lymphocytes are transduced with the HSV-TK gene, ganciclovir can be used so as to kill any donor lymphocytes that are a source of GVHD.

2) Clinical research (haplo add-back)

The National Cancer Center Hospital, in cooperation with Takara Bio, commenced clinical research on another type of HSV-TK gene therapy, known as haplo add-back therapy, in December 2009. HSV-TK gene therapy (haplo add-back) is a therapy for patients with high-risk hematological malignancies in which patients are infused with donor lymphocytes transduced with the HSV-TK gene after hematopoietic stem cell transplantation from partially compatible (haplo-identical) family donors. A substantially similar therapy is currently undergoing Phase III clinical trials by MolMed in Italy.


Center for Cell and Gene Therapy

2. TCR Gene Therapy

Mie University Hospital, in collaboration with Takara Bio, commenced clinical research on T-cell receptor (TCR) gene therapy targeting esophageal cancer in August 2009. This therapy involves the transduction of TCR genes that are capable of recognizing cancer antigens into the patient's own lymphocytes, which are then re-infused into the patient. These gene-transduced lymphocytes specifically recognize cancer cells and attack them, thereby eliminating the cancer cells. The TCR gene therapy approach has been found promising, and TCR clinical trials targeting melanoma and other cancers using our RetroNectin® method are currently being conducted at the National Cancer Institute in the United States.

In September 2009, a joint application by Takara Bio, Mie University and Keio University regarding an R&D project on comprehensive cancer immunotherapy was selected under the Translational Research Promotion Project. This project is led by Japan's New Energy and Industrial Technology Development Organization (NEDO). In addition to the aforementioned clinical research being conducted at the Mie University Hospital, this project support further development of TCR gene therapy technology using next-generation retrovirus vectors.

3. MazF Gene Therapy

The Company is engaged in R&D of gene therapy for HIV patients using the MazF endoribonuclease. In T-cells infected with HIV, HIV replication is triggered by HIV-derived trans-activator of transcription (Tat) proteins. Our strategy is to suppress HIV replication by using a MazF expression vector that expresses MazF conditionally in an HIV Tat protein-dependent manner.

In March 2010, Takara Bio entered into a collaborative research agreement with the University of Pennsylvania to conduct preparations for a future ribonuclease MazF gene therapy clinical trial for HIV in the United States. At present, the Company and the University of Pennsylvania are aiming to commence a clinical trial in fiscal 2012, and are jointly conducting pre-clinical translational studies such as animal tests and other regulatory steps required for completion of an Investigational New Drug (IND) application to the Food and Drug Administration (FDA).

CELL THERAPY

The Company is involved in the clinical development of cancer immunotherapy using the RetroNectin® expansion-culture system, which has been named "RetroNectin® induced T cell therapy." Takara Bio also provides technical support services for other cancer immunotherapies.

1. RetroNectin® Induced T-cell Therapy

Clinical research undertaken by the Kyoto Prefectural University of Medicine, in cooperation with Takara Bio, on RetroNectin® induced T cell therapy targeting gastrointestinal cancer and lung cancer concluded in May 2010. This research demonstrated the safety of this therapy. The Kyoto Prefectural University of Medicine now plans to continue clinical research with the aim of confirming the effectiveness of RetroNectin® induced T cell therapy. In addition, the Mie University Hospital, in collaboration with Takara Bio, has been conducting clinical research on RetroNectin® induced T cell therapy for intractable cancers.

In China, the Tianjin Cancer Institute & Hospital, Tianjin Medical University and Sun Yat-Sen University Cancer Center are also conducting clinical research on RetroNectin® induced T cell therapy, with the cooperation of Takara Bio.

2. Technical Support Services for Cancer Immunotherapy

Activated lymphocyte therapy, a type of cancer immunotherapy that has extremely few side effects, is gradually expanding as a fourth category of cancer therapy to complement surgical therapy, chemotherapy and radiation therapy. The Company is providing technical support, on a fee basis, for activated lymphocyte therapy to the Iseikai Hyakumanben Clinic in Kyoto. This technical support includes cell processing, such as the culture and activation of lymphocytes necessary for the therapy. In May 2010, the Company began providing technical support on a fee basis to the Iseikai Hyakumanben Clinic for RetroNectin® induced T cell therapy. The Company plans to pursue the development and commercialization of cell-processing technology effective in cancer immunotherapy.

Cell processing room

CELL THERAPY

Cell therapy entails treatment of patients with living cells. In a broad sense, blood transfusions and bone marrow transplantation are both cell therapies. In a narrower definition of the term, however, cell therapy consists of processes such as the separation of specific cells, their storage, and their amplification and processing in culture.

Cell processing in the biological safety cabinet

FUTURE MEASURES

Gene Therapy

- Pursue clinical development of HSV-TK gene therapy for patients with hematological malignancies
- Pursue clinical development of TCR gene therapy for cancer
- Pursue clinical development in the United States of HIV gene therapy using the MazF endoribonuclease
- Develop core technology for next-generation gene therapy, including new vector systems

Cell Therapy

- Pursue clinical development of RetroNectin® induced T cell therapy
- Expand revenues from comprehensive support services, including those relating to RetroNectin® induced T cell therapy
- Expand sales of cell culture media, bags and other products for cancer immunotherapy

AGRIBIO

MAY 26, 2009

Effectiveness of agaro-oligosaccharides in decreasing knee-joint pain confirmed in human interventional study

Based on results from a human interventional study, Takara Bio has confirmed that agaro-oligosaccharides, which are obtained by heating agar in acid, have properties that help to decrease knee-joint pain. These research results were presented on May 28, 2009, at the 9th Scientific Meeting of the Japanese Society of Anti-Aging Medicine (JAAM).

The study's objective was to evaluate the effectiveness of agaro-oligosaccharides in treating knee-joint pain. 42 adult subjects with knee-joint pain were divided into four groups—one group receiving agaro-oligosaccharides (200mg/day), a second group receiving agaro-oligosaccharides (500mg/day), a third group receiving glucosamine (1,500mg/day) and a fourth group receiving a placebo. The subjects received their respective intervention supplement once per day. Each subject also completed a questionnaire to assess knee-joint pain and quality of life (QOL). The results confirmed a significant decrease in the level of knee pain over the eight weeks of the trial for the subjects that received agaro-oligosaccharides. In contrast, the subjects that received a placebo or glucosamine did not exhibit any decrease in knee pain. Furthermore, the subjects that received agaro-oligosaccharides reported a decrease in the level of difficulty in coping with such daily tasks as climbing and descending stairs, standing up and squatting, dressing and housework. These results confirm that agaro-oligosaccharides are effective in decreasing pain and improving QOL for people suffering from knee-joint pain.

GENETIC ENGINEERING RESEARCH

MAY 28, 2009

Clontech Laboratories commenced sales of non-toxic, highly efficient transfection reagent

Takara Bio's wholly owned subsidiary, Clontech Laboratories, Inc., commenced worldwide sales on June 1, 2009, of two transfection reagents: Xfect™ for a broad range of cell types; and Xfect™ Stem for mouse embryonic stem (ES) cell transfections.

Xfect™ Stem

In the area of gene function research, there is increasing recognition of the need for and importance of highly efficient transfection solutions that do not have an impact on the target cell's original properties. In the past, when an experiment has involved the transfection of plasmid DNA, there was a risk that either the required serum-free culture medium or the transfection reagent itself might cause damage to the target cells, thereby nullifying the reliability of the experiment's results. In addition, for certain cell types, low transfection efficiency has also been a problem.

Clontech Laboratories has a patent license from M.I.T. based on research by scientists at M.I.T. who screened more than 2,300 candidate polymers to identify novel biodegradable nanoparticles that facilitate exceptional transfection efficiency. Under the license, Clontech Laboratories optimized two of the lead compounds from the screen to create the Xfect™ and Xfect™ Stem reagents. These reagents enable highly efficient, non-toxic transfection of plasmid DNA into cells entirely in the presence of serum.

GENE MEDICINE

JUNE 4, 2009

Takara Bio and Kohjin-bio form an alliance in the field of cell culture media

The Company and Kohjin-bio Co., Ltd., entered into a mutual agreement under which Takara Biomedical Technology (Beijing) Co., Ltd., a subsidiary of Takara Bio, will lease out space in its new factory building being constructed on its site to a local subsidiary of Kohjin-bio. Subsequently, cell culture media products manufactured by Kohjin-bio's subsidiary at the site will be exclusively marketed by the Takara Bio Group.

Cell culture media

In 2004, the Company established Takara Biomedical Technology (Beijing) within Beijing's Zhongguancun Life Science Park. Takara Biomedical Technology (Beijing) has provided support for the Company's clinical development of cancer immunotherapy in China, which is being conducted jointly with Chinese medical institutions, and has marketed Clontech Laboratories' research reagents and Takara Bio's cell culture media in China. In recent years, R&D in the field of cell therapy has become particularly active in China, and Takara Biomedical Technology (Beijing) has responded by developing the market for the Company's cell culture media (manufactured on an OEM basis by Kohjin-bio). As a result, Takara Biomedical Technology (Beijing) has succeeded in steadily increasing its sales of cell culture media.

The Company is aiming to build a solid position in the Chinese market by combining Kohjin-bio's

manufacturing technology of cell culture media with Takara Bio's sales network and R&D capabilities in cell therapy. This market is expected to expand over the coming years.

Within the new factory building at the Takara Biomedical Technology (Beijing) site, we are simultaneously installing manufacturing facilities for Takara Bio and Clontech Laboratories' products for cell engineering research, including viral vectors for gene transfection and antibodies. Production of these products will be gradually transferred from Japan and the United States to China.

GENE MEDICINE

SEPTEMBER 10, 2009

Comprehensive cancer immunotherapy R&D project selected as a Translational Research Promotion Project

A joint application by Takara Bio, Mie University and Keio University regarding an R&D project on comprehensive cancer immunotherapy was selected as a Translational Research Promotion Project under a program run by Japan's Ministry of Education, Culture, Sports, Science and Technology (MEXT), Ministry of Economy, Trade and Industry (METI) and the New Energy and Industrial Technology Development Organization (NEDO). The theme of the R&D project is "Research and development of comprehensive cancer immunotherapy utilizing adoptive transfer of tumor-specific TCR-engineered T-cells and cancer vaccines." The planned period of the project is from fiscal 2010 to fiscal 2012.

Cell processing center of Mie University

This R&D project aims to develop a new therapy combining adoptive transfer of tumor-specific T-cells (T-cell receptor (TCR) gene therapy) and a cancer peptide vaccine. Consequently, the project plans to conduct the following two clinical research studies.

The first is titled: "Gene therapy clinical research on refractory esophageal cancer utilizing adoptive transfer of MAGE-A4 antigen-specific TCR-engineered T-cells." Mie University Hospital began accepting study subjects for the clinical research on August 28, 2009, after receiving approval from the Ministry of Health, Labour and Welfare (MHLW). Takara Bio's RetroNectin® method, a highly efficient gene transduction method, will be used in this clinical research.

The second clinical research study uses the RetroNectin® lymphocyte expansion-culture system, combined with a next-generation retrovirus vector, for efficient expression of TCR genes. The plan for this research involves obtaining the basic data necessary for the commencement of clinical research, which will start in fiscal 2012 after receiving approval from MHLW. As with first study the focus will be on research on refractory esophageal cancer.

Through the selection of this project, Takara Bio will be able to utilize funds consigned under the Translational Research Promotion Project in addition to those it has already allocated itself to clinical development expenses. As a result, through collaboration with Mie University and other partners, we believe it will be possible to further accelerate the clinical development of TCR gene therapy.

GENE MEDICINE

NOVEMBER 30, 2009

Takara Bio receives patent in Japan for RetroNectin® lymphocyte expansion-culture system

A patent application covering one of Takara Bio's core technologies for gene medicine, the RetroNectin® expansion-culture system, has been allowed by the Japan Patent Office. The patent registered on this occasion is titled, "Process for producing cytotoxic lymphocytes" (Japanese patent number 4406566).

By using the RetroNectin® expansion-culture system developed by Takara Bio, it is possible to efficiently increase the number of T lymphocytes. This method may be applied to cancer immunotherapy using T lymphocytes and gene therapy. Furthermore, it has been confirmed that cells cultured using this method contain a large proportion of undifferentiated naive T-cells, whose particular characteristic is sustained activity *in vivo* compared with lymphocytes produced by conventional expansion-culture. It is hoped that this property will lead to an increase in therapy effectiveness. The approval of this patent is expected to further bolster the competitiveness of the Company's Gene medicine business.

GENETIC ENGINEERING RESEARCH

DECEMBER 14, 2009

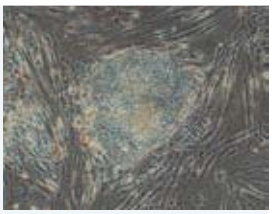
Launch of contract service for human iPS cell generation

On December 15, 2009, the Company launched a contract service for human iPS cell generation whereby it receives human cells from researchers and uses these cells to generate iPS cells, which it supplies to the researchers on a contract fee basis.

The iPS cell generation provided by this service uses several of Takara Bio's products, including RetroNectin® and the Human iPS Cell Generation® All-in-One Vector, which enable the efficient generation of iPS cells.

iPS cells are recognized as having a wide range of individual characteristics, and from a quality evaluation perspective, research relating to the characteristics and properties of iPS cells is becoming increasingly important. Takara Bio has performed ChIP-sequencing analysis and micro RNA analysis using iPS cell-derived samples provided by Professor Shinya Yamanaka of the Kyoto University Center for iPS Cell Research and Application (CiRA). These methods have been confirmed as effective for analyzing the characteristics of iPS cells, and the Company has established a system for providing contract services to analyze iPS cells using high-throughput genome sequencers.

By providing iPS cell generation contract services, iPS cell analysis contract services and marketing iPS cell-related reagents, Takara Bio is supporting research in the iPS cell field, in which demand is expected to increase over coming years.



Induced Pluripotent Stem cells (iPS cells)

AGRIBIO

DECEMBER 17, 2009

Research confirms the effectiveness of Gagome kombu (kelp) "fucoidan" in suppressing multiplication of the influenza virus

Joint research by Takara Bio and Professor Toshimitsu Hayashi of the Laboratory of Pharmacognosy, Graduate School of Medicine and Pharmaceutical Sciences for Research, University of Toyama, has confirmed the strong effectiveness of Gagome kombu (kelp) "fucoidan" in suppressing multiplication of the influenza virus.

The experiments were done using the H1N1 subtype of the human influenza virus and the weakly pathogenic H5N3 subtype of the avian influenza virus. Host cells were infected with the viruses and, after being left to culture for 24 hours, the quantity of virus proliferation was measured. In cases where Gagome kombu (kelp) "fucoidan" was added at the time the host cells were infected, virus multiplication was strongly suppressed. By further detailed investigation, it was discovered that the Gagome kombu (kelp) "fucoidan" suppressed the stage of virus penetration into the cell.

The results of this research were presented at the 130th Annual Meeting of the Pharmaceutical Society of Japan, which was held in Okayama from March 28, 2010 to March 31, 2010. We plan to carry out further research into the effects of Gagome kombu (kelp) "fucoidan" on influenza, including tests in animals.

Gagome kombu (kelp) "fucoidan"

GENE MEDICINE

MARCH 11, 2010

Takara Bio enters into a collaborative research agreement with University of Pennsylvania, aiming for a future clinical trial of HIV gene therapy

Takara Bio announced that it entered into a collaborative research agreement with the University of Pennsylvania on March 11, 2010 to support an HIV gene therapy clinical trial in the United States. Under this agreement, the partners will jointly conduct pre-clinical translational studies and regulatory steps required for completion of an Investigational New Drug (IND) application to the Food and Drug Administration (FDA).

Takara Bio has been advancing R&D activities on a novel technology for HIV gene therapy, in which MazF, an RNA cleavage enzyme from *E. coli*, is stably delivered to CD4 T-cells by a retroviral vector. We have demonstrated that human T-cells transduced with MazF can significantly inhibit replication of HIV *in vitro*. Animal experiments on the MazF HIV gene therapy using macaques have also been undertaken in collaboration with the Tsukuba Primate Research Center, which is part of Japan's National Institute of Biomedical Innovation.

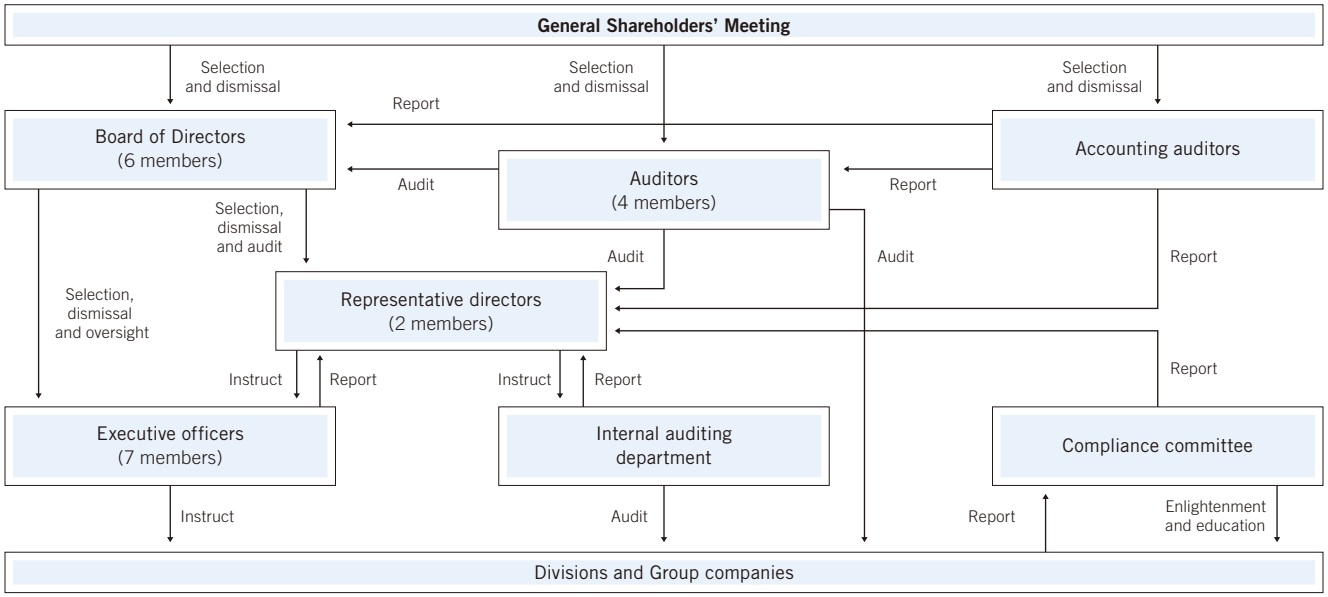
Takara Bio and the University of Pennsylvania will jointly pursue an IND application for the technology through collaboration on pre-clinical studies, including animal tests and GMP manufacturing scale-up; regulatory submission to the Recombinant DNA Advisory Committee of the National Institutes of Health (NIH RAC); pre IND meetings with the FDA; and preparation and submission of documents for the IND application. We anticipate that the IND application will be filed within two years, and a clinical trial in the United States will be launched shortly thereafter.

CORPORATE GOVERNANCE SYSTEM

As an R&D-oriented organization, Takara Bio is dedicated to the development of biotechnology-related products and technologies. In an industry dependent on constant technical innovation, our management policy is to conduct R&D aggressively, while improving our profitability and returning profits to our shareholders. To achieve this, we are striving to expedite our decision making and to improve our business efficiency.

The Board of Directors consists of six 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 the Company and its management policies as well as overseeing execution of the Company's business. The Company has adopted an auditing system, and three of our four auditors are external to the Company. One external director and one external auditor have been designated as independent officers in accordance with the rules stipulated by the Tokyo Stock Exchange (TSE).

Our parent company is Takara Holdings Inc., which owns 70.9% of voting rights as of the end of March 2010, Takara Holdings' policy in managing its Group companies is to seek to maximize the corporate value of the whole Group while enabling each and every member corporation of the Group to maintain its uniqueness and independence. Since our business of biotechnology requires highly advanced expertise and quick decision making, we are especially unique and independent in the 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.



BOARD OF DIRECTORS

(As of June 25, 2010)

Koichi Nakao
President & CEO

Hisashi Ohmiya
Chairman

Mutsumi Kimura
Executive Vice President

Kiyozo Asada, Ph.D.
Senior Managing Director

Kazutoh Takesako, Ph.D.
Senior Managing Director

Jawaharlal Bhatt
Director (External Director)

Susumu Sano, Ph.D.
Auditor (Standing Auditor)

Tsutomu Nomura
Auditor (External Auditor)

Hideo Tomomura
Auditor (External Auditor)

Tomio Kamada
Auditor (External Auditor)

Kazuki Yamamoto
Senior Executive Officer

Makoto Moriguchi
Senior Executive Officer

Yoh Hamaoka, Ph.D.
Senior Executive Officer

Hiroyuki Mukai, Ph.D.
Executive Officer

Masahide Tamaki
Executive Officer

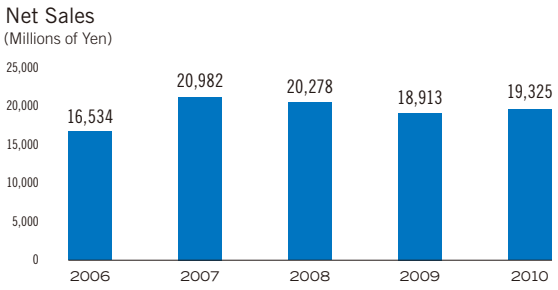
Hiroaki Miyazawa
Executive Officer

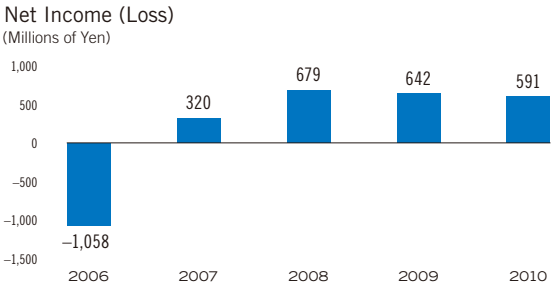
Tsuyoshi Miyamura
Executive Officer

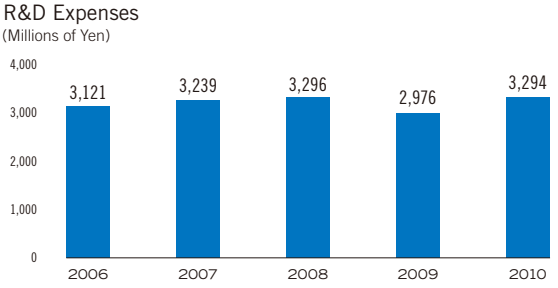
FIVE-YEAR FINANCIAL SUMMARY

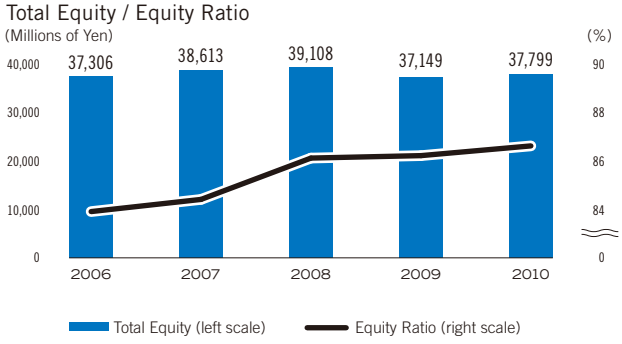
(Millions of Yen)	2006	2007	2008	2009	**2010**
For the Years Ended March 31:					
Net sales (sales to customers)	¥16,534	¥20,982	¥20,278	¥18,913	**¥19,325**
Genetic engineering research	13,900	18,572	18,080	16,733	**16,689**
Gene medicine	109	182	229	165	**392**
AgriBio	2,524	2,226	1,968	2,014	**2,243**
Cost of sales	9,375	11,160	10,055	8,973	**9,286**
Selling, general and administrative expenses	8,645	10,037	9,663	9,513	**9,485**
Operating income (loss)	(1,486)	(215)	560	426	**553**
Income before income taxes and minority interests	(1,252)	375	671	99	**697**
Net income (loss)	(1,058)	320	679	642	**591**
Depreciation	1,477	1,608	1,429	1,346	**1,230**
Capital expenditures	1,264	952	1,505	1,059	**1,069**
R&D expenses	3,121	3,239	3,296	2,976	**3,294**
As of March 31:					
Total assets	¥44,443	¥45,539	¥45,289	¥43,117	**¥43,651**
Total equity	37,306	38,613	39,108	37,149	**37,799**
Per Share of Common Stock (yen)**:**					
Basic net income	¥ (3,975.17)	¥ 1,142.96	¥ 2,412.91	¥ 2,278.57	**¥ 2,095.72**
Equity	133,714.56	136,644.85	138,373.58	131,732.45	**133,971.25**
Ratios (%)**:**					
Return on assets (ROA)	(2.6)%	0.7%	1.5%	1.5%	**1.4%**
Return on equity (ROE)	(3.1)	0.8	1.8	1.7	**1.6**
Equity ratio	83.9	84.4	86.1	86.2	**86.6**

Note: Figures have been rounded down to the nearest million yen.









NET SALES

The Takara Bio Group comprises Takara Bio Inc. and nine consolidated subsidiaries. Capitalizing on biotechnology developed over many years, the Group has focused its management resources on three segments: Genetic engineering research, AgriBio and Gene medicine. In fiscal 2010, ended March 31, 2010, net sales increased 2.2% year on year, to ¥19,325 million. This increase was mainly attributable to growth in sales of scientific instruments in the Genetic engineering research segment and increased revenues from technical support services relating to cancer immunotherapy in the Gene medicine segment.

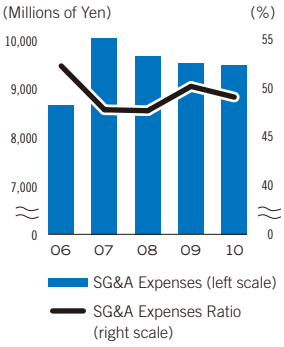
INCOME STATEMENT ANALYSIS

Cost of sales was up 3.5% year on year, to ¥9,286 million, reflecting higher net sales and other factors. Gross profit increased 1.0% year on year, to ¥10,039 million. Selling, general and administrative (SG&A) expenses decreased 0.3% year on year, to ¥9,485 million. Although R&D expenses rose, SG&A expenses declined overall owing to such factors as lower sales promotion expenses. As a result, operating income increased ¥126 million year on year, to ¥553 million.

Despite recording a loss on sales and disposals of property, plant and equipment of ¥149 million and a loss on impairment of long-lived assets of ¥122 million, other income (net) amounted to ¥144 million, mainly owing to the contributions of interest income totaling ¥116 million, subsidy income amounting to ¥125 million and gain on sales of investment securities totaling ¥105 million.

As a result, income before income taxes and minority interests amounted to ¥697 million. Owing to the recording of refundable income taxes and income taxes for prior periods, the total of current and deferred income taxes was ¥105 million. Consequently, net income amounted to ¥591 million.

SG&A Expenses
SG&A Expenses Ratio



SEGMENT INFORMATION

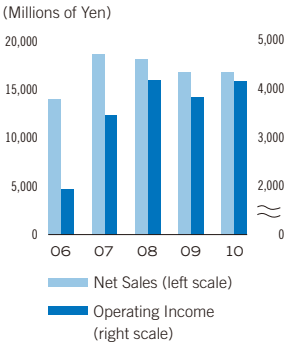
Analysis by Business Segment

Genetic Engineering Research

Given the ever-widening scope of biotechnology R&D, the Group has positioned as its core business the Genetic engineering research segment, which mainly markets products and contract research services supporting such R&D.

Analyzing sales by product category, in the fiscal year under review, net sales of mainstay research reagents declined, partly owing to the appreciation of the yen. Sales of scientific instruments increased substantially, driven primarily by demand from Japanese government agencies. Revenues from contract research services increased year on year. As a result, sales in the Genetic engineering research segment decreased 0.3% year on year, to ¥16,689 million, and gross profit declined 1.2%, to ¥9,436 million. SG&A expenses in the segment decreased 7.8% year on year, to ¥5,284 million, owing to such factors as decreases in sales promotion expenses and shipping expenses. Consequently, segment operating income rose 8.7%, to ¥4,151 million.

Genetic Engineering Reseach
Net Sales
Operating Income

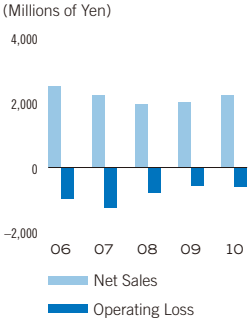


AgriBio

In the AgriBio segment, the Group uses leading-edge biotechnology to develop, produce and market health food products based on traditional Japanese food. Moreover, the segment has established clear scientific evidence for the bioactive properties of those products. The concept that food is the primary source of health guides those efforts. Business development centers on products related to Gagome kombu (kelp) "fucoidan," agar "agaro-oligosaccharide," Ashitaba (angelica herb) "chalcone" and mushroom "terpene" derivatives.

In the fiscal year under review, segment net sales grew 11.4% year on year, to ¥2,243 million, bolstered by increased sales of both the health food business and the mushroom business. Owing to a decrease in the cost of sales ratio, gross profit rose 33.1% year on year, to ¥438 million. Higher shipping expenses contributed to a 12.9% increase in segment SG&A expenses, to ¥1,021 million. As a result, segment operating loss amounted to ¥583 million compared with an operating loss of ¥575 million in the previous fiscal year.

AgriBio
Net Sales
Operating Loss

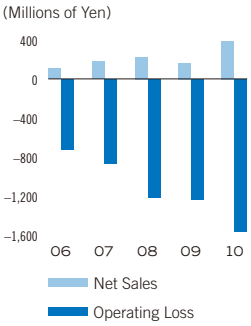


Gene Medicine

Recently, the cell and gene therapy field has seen rapid advances in cell biology. As a result, lead times from basic research to clinical application are shortening, thereby accelerating progress toward practical applications for regenerative medicine. In response, the Gene medicine segment is focusing on the early commercialization of cell and gene therapies. The segment has been promoting the clinical development of cancer and AIDS gene therapies based on the Group's original technologies, such as the RetroNectin® method, a highly efficient gene transduction system; the highly efficient RetroNectin® lymphocyte expansion-culture system; and the endoribonuclease MazF.

In the fiscal year under review, the Gene medicine segment recorded a 136.4% increase in net sales, to ¥392 million, particularly driven by increased sales of technical support services relating to cancer immunotherapy. Gross profit increased 148.1% year on year, to ¥165 million. However, centering on R&D expenses, segment SG&A expenses rose 32.4%, to ¥1,730 million. As a result, segment operating loss amounted to ¥1,565 million, compared with an operating loss of ¥1,240 million in the previous fiscal year.

Gene Medicine
Net Sales
Operating Loss



Analysis by Region

Japan

In Japan, net sales grew 3.8% year on year, to ¥14,421 million. Operating income declined 5.6%, to ¥1,539 million.

Asia

Owing to robust sales at Takara Biotechnology (Dalian) Co., Ltd., and Takara Biomedical Technology (Beijing) Co., Ltd., net sales in Asia grew 9.7% year on year, to ¥3,300 million. Operating income increased 13.6%, to ¥726 million.

North America

Net sales in North America declined 11.3% year on year, to ¥4,298 million, partially owing to lower sales at Clontech Laboratories, Inc. Operating loss amounted to ¥465 million, compared with an operating loss of ¥328 million in the previous fiscal year.

Europe

Sales at Takara Bio Europe S.A.S. were affected by the appreciation of the yen, leading to a 14.8% decrease in net sales year on year, to ¥1,546 million. However, operating income increased 12.6%, to ¥203 million.

FINANCIAL POSITION

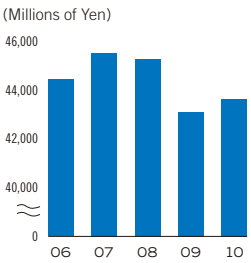
As of March 31, 2010, total assets stood at ¥43,651 million, up ¥533 million compared with the previous fiscal year-end.

Total current assets amounted to ¥27,232 million, up ¥1,556 million compared with the previous fiscal year-end. Principal changes within current assets included an increase of ¥4,831 million in cash and cash equivalents, a decrease of ¥2,907 million in marketable securities, a decrease of ¥210 million in inventories and a decrease of ¥153 million in notes and accounts receivable trade.

Net property, plant and equipment at fiscal year-end stood at ¥11,457 million, down ¥297 million compared with the previous fiscal year-end. That decline was primarily attributable to the decline in property, plant and equipment of ¥1,092 million due to factors such as depreciation, and to decline in total investments and other assets of ¥503 million due to factors such as the decline in investment securities and long-term prepaid expenses.

Total current liabilities at fiscal year-end amounted to ¥3,856 million, up ¥67 million compared with the previous fiscal year-end. Principal changes within current liabilities included an increase of ¥216 million in accrued income taxes, an increase of ¥119 million in other current liabilities, an

Total Assets



increase of ¥37 million in allowance for bonuses to employees, a decrease of ¥209 million in accrued expenses and a decrease of ¥96 million in notes and accounts payable.

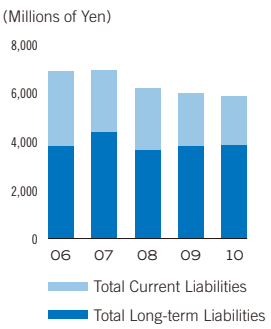
Total long-term liabilities at the end of the fiscal year stood at ¥1,994 million, a reduction of ¥183 million compared with the previous fiscal year-end. Principal changes in long-term liabilities included a ¥45 million decrease in long-term debt owing to repayments, a ¥143 million decrease in deferred tax liabilities, an ¥83 million increase in liability for retirement benefits and a ¥77 million decrease in other long-term liabilities.

As a result, total liabilities at fiscal year-end amounted to ¥5,851 million, a decrease of ¥116 million compared with the previous fiscal year-end.

Total equity as of March 31, 2010, amounted to ¥37,799 million, an increase of ¥649 million compared with the previous fiscal year-end. Principal changes within equity included a ¥26 million increase in common stock from newly issued shares, a ¥591 million increase in retained earnings from the posting of net income, a ¥109 million decrease in unrealized gain on available-for-sale securities and a ¥141 million increase in foreign currency translation adjustments.

The equity ratio—total equity as a percentage of total assets—increased 0.4 percentage point, to 86.6%, maintaining the Company's high level of financial stability.

Total Liabilities



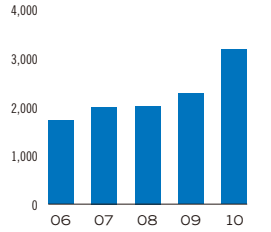
CASH FLOWS

Net cash provided by operating activities amounted to ¥3,174 million, up ¥908 million year on year. Significant items within operating activities included decrease in trade payables amounting to ¥110 million; gain on sales of investment securities totaling ¥105 million. On the other hand, income before income taxes and minority interests amounted to ¥697 million; depreciation and amortization totaled ¥1,709 million (which includes depreciation of other assets); decrease in inventories amounted to ¥216 million; and decrease in trade receivables totaled ¥178 million.

Net cash used in investing activities totaled ¥7,060 million, an increase of ¥1,549 million compared with the previous fiscal year. Significant items within investing activities included proceeds from time deposits totaling ¥12,289 million; proceeds from sales of marketable securities amounting to ¥472 million; payments for time deposits totaling ¥18,546 million; and purchases of property, plant and equipment and purchases of other property totaling ¥1,346 million.

Net cash used in financing activities amounted to ¥57 million, an increase of ¥111 million compared with the previous fiscal year. This comprised proceeds from issuance of common stock of ¥25 million, which was attributable to the exercise of stock options; repayments of long-term debt of ¥45 million; and repayments of lease obligations amounted to ¥37 million.

Net Cash Provided by Operating Activities



Cash Flows from Business Activities

(Millions of Yen)	2006	2007	2008	2009	**2010**
Net Cash provided by Operating Activities	¥1,726	¥ 1,998	¥2,018	¥ 2,265	**¥ 3,174**
Net Cash provided by (used in) Investing Activities	5,524	(4,011)	678	(5,511)	**(7,060)**
Net Cash provided by (used in) Financial Activities	1,102	335	344	(168)	**(57)**

BUSINESS RISKS

The following are the major potential risks to which the Group may be exposed to in business and other activities. In addition, conditions that may not become risks, from the standpoint of the positive disclosure of information significant to investor decisions, 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 of the risk occurrences. Please note that the following descriptions do not cover all of the risk factors concerning the Group.

Unless specifically noted otherwise, this section refers to the end of fiscal 2010, and any information related to future occurrences are based on the Group's assessments as of the end of fiscal 2010.

In addition, the text contains explanations of terminology when appropriate. Such explanations are for investors to use as reference to understand the information in this section. As such, they are a work of Takara Bio based on the Company's judgment and understanding.

1. Research and development

A diverse range of industries are biotechnology-related. A list would include the medical field, which includes cell and gene therapy; the research supporting field, which has a direct target market among research institutions and universities that are seeking to promote basic research and to develop new drugs; the environment and energy field, which includes bioremediation and biomass; the bioinformatics field; and the food field, which includes agriculture and functional food.

Under these circumstances, the Group conducts extensive R&D, which the Group considers to be vital to maintaining its competitive edge. In fact, the Group's R&D expenses for the current consolidated fiscal year were ¥3,294 million, or 17.0% 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 medicine segment requires a particularly long period, 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 the current consolidated fiscal year, Takara Biotechnology (Dalian), a Chinese subsidiary, accounted for 24.5% of manufacturing in the Genetic engineering research segment, which represented 86.4% of the Group's net sales for the current consolidated fiscal year. Further, production for Group subsidiary Clontech Laboratories is being transferred to Takara Biotechnology (Dalian), and the Group acknowledges the increasingly high level of dependence on that segment. At the same time, the consolidation of production bases enables the Group to manufacture products that are highly cost-competitive, and the diversification of manufacturing centers is also considered to be inexpedient on the Group's production scale. As a result, changes in earnings trends at a 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, to execute license agreements relating to patents owned by others is positioned as a key strategy. In such license agreements, in some cases the Group makes 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 term of the agreement. In addition, the Group reviews the asset component of technologies it uses under license 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 subsequent milestone payments. A high level of expenses may 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 Genetic engineering research segment, 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, new technologies are emerging that could be alternatives to the LA PCR Method and the ICAN method, for which Takara Bio holds the patent rights and which it has positioned as its core technologies. Furthermore, 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 the Gene medicine segment, 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. Also, cell therapy is not only used to cure the diseases themselves, but also to improve patients' quality of life (QOL). Thus, a potentially enormous market has opened up, which has resulted in many enterprises investing in the R&D of cell and gene therapies, including European and U.S. venture businesses.

In the AgriBio segment, the health 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, and 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 for the start up of new business projects and the early commercialization of projects in their R&D stage. However, if a competitor commercializes a similar product or technology before the Group, or commercializes a technology that is better than the Group's technology, the Group could fail to meet its earnings plans.

5. Parent company of Takara Bio

As of March 31, 2010, Takara Holdings Inc. (listed on the First Section, Tokyo Stock Exchange and Osaka Stock Exchange) is the parent company of Takara Bio, owning 70.9% 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. Takara Holdings decreased the ownership of voting shares in Takara Bio to 70.9% through 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 39 affiliated companies (33 subsidiaries and 6 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 9 affiliated companies (subsidiaries).

(2) The food business of the Takara Holdings Group

Takara Healthcare Inc., which specializes in marketing and sales of health 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 the Company's health foods. The Group's health foods are now sold to customers through Takara Healthcare. The amount of transactions with Takara Healthcare in fiscal 2010 was ¥412 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 and Executive Vice President 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 29, 2010.

Name	Position at Takara Bio	Position at Takara Holdings
Hisashi Ohmiya	Chairman	President
Koichi Nakao	President & CEO	Director
Hideo Tomomura	Corporate Auditor	Corporate Auditor
Tomio Kamada	Corporate Auditor	Standing Auditor

Hisashi Ohmiya was appointed as a chairman of the Board of Directors of the Company 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 the Company would be of use to the Company. Similarly, Hideo Tomomura was appointed as corporate auditor of the Company, as it was decided it would benefit from the knowledge and experience he gained in senior positions in the Group, including as the Head of the General Affairs, Personnel, and Labor Division at Takara

Shuzo and Takara Holdings and as a corporate officer at Takara Shuzo. Tomio Kamada was appointed as corporate auditor of the Company based on his valuable experience and knowledge, gained in the Accounting Division of Takara Shuzo and through his concurrent appointments as standing auditor at Takara Holdings and corporate auditor at Takara Shuzo. 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 the Company.

The Company accepted three employees on temporary transfer from Takara Shuzo, a subsidiary of Takara Holdings. The Company asked Takara Shuzo for this temporary transfer for the purpose of adopting know-how for its AgriBio business, General Affairs and Accounting Division. Of the temporarily transferred employees, one holds an administrative position.

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 and manufacturing 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 the Company. 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 the Company since these transfers. The real estate lease transactions relating to the lease of manufacturing and sales sites by the Company are as follows. In the event of difficulties in the renewal of these transactions, the performance of the Company could be affected with regard to revenue until the Company is able to secure an alternative site and relocation expenses.

Property	Use	Lessor	Amount of transaction (Year ended March 31, 2010, Millions of Yen)	Transaction terms, etc.
Takara Shuzo Kusu Factory site (Yokkaichi-shi, Mie Prefecture)	Takara Bio, Kusu Factory	Takara Shuzo	8	Site area: 7,728.32m^2 Land category classification: Residential Type of agreement: Ordinary fixed-term leasing rights Basis for computation of rental fees: Market price of land, etc.
6F, Takara Meiji Yasuda Building (Chuo-ku, Tokyo)	Takara Bio, East Japan Sales Department	Takara Shuzo	11	Area: 113.55m^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

The trademarks used by Takara Bio were purchased from Takara Holdings. Apart from these trademarks, Takara Holdings owns and controls some trademarks used by the Company. The Company 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, 2010, the Company had licenses for the use of 90 registered

and 47 unregistered trademarks in Japan and overseas. In the event that the Company is unable to obtain licenses for the use of trademarks from Takara Holdings for any reason, it might affect the Company's performance.

Company name (Address)	Details of transaction	Amount of transaction (Year ended March 31, 2010, Millions of Yen)	Terms of transaction, etc.
Takara Holdings Inc. (Shimogyo-ku, Kyoto)	License for use of trademarks	10	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 unregistered 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, 2010, 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	16	Type of agreement: Employment secondment agreement
Takara Network System Co., Ltd. (Shimogyo-ku, Kyoto)	Contracting of computer-related services and lease of equipment	361	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.

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 start up of new businesses and the expansion in business size. Thus, the procurement of funds through a paid-in capital increase or other measures will be possible in the future. However, if financing does not proceed according to plan, it could affect the development of the Group's business.

7. Key operational agreements

An outline of the agreements considered crucial to the Takara Bio Group's operations is described in "Section 5: Key Operational Agreements" of the separate Japanese financial statements report. 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.

8. Organizational structure of the Takara Bio Group

(1) Dependence on a certain group of personnel

Koichi Nakao, the president & CEO, plays an important role as the chief executive officer in formulating management strategy and promoting R&D and business development. In order to reduce the dependence of the Group on the president & CEO and to provide him with assistance, the following officers play an important part in promoting the respective operations. Mutsumi Kimura (Executive Vice President) is responsible for business execution as a whole. Kiyozo Asada (Senior Managing Director) is responsible for the Genetic engineering research business, and Kazutoh Takesako (Senior Managing Director) is responsible for the Gene medicine business.

In order to build a management structure that is not overly dependent on these directors, the Group has strengthened its management organization by introducing an executive officer system, for example. However, the Group is likely to remain highly dependent on these directors for the time being. In these circumstances, if for any reason there were difficulties concerning the running of the Company's operations by these directors, it could affect the Group's business strategy and performance.

(2) 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 in-house training. Nevertheless, the Group cannot rule out the possibility that it may not be able to secure human resources according to plan or that its personnel may leave the Company. In this event, the Group's business strategy and performance could be affected.

9. 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 the 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 in R&D activities. However, not all of the applications are 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 in which competition over R&D is continually growing, its patented technologies may be overridden at any time by a competitor's development that is better than its own. 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, in the future expansion of its business. However, these strategies may incur huge 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.

10. Product liability risks

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

In addition, due to the nature of drugs and medical devices, it is usual practice to conduct a voluntary recall when any problem arises with them in view of the physical effects and damage, and any such recall may require time and entail huge expense.

Clinical research of gene therapy for a serious genetic disease called Severe Combined Immune Deficiency (SCID) carried out at Hospital Necker-Enfants Malades in France in 2000 is an example in which the therapeutic efficacy of gene therapy using the RetroNectin® method developed by the Company was confirmed. The patients with this disease have severe defects in their immune system, forcing them to live in transparent germ-free capsules separated from the outside world in order to prevent infections, and many die around the age of ten. 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 ten 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 ten patients undergoing the same treatment in the U.K. 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, the Company and Hospital Necker-Enfants Malades research scientists have concluded that RetroNectin® is 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 promotion of operations and its business 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 promotion of the Group's operations and its performance.

11. Legal regulations

(1) Genetic engineering research segment

R&D in the Genetic engineering research segment 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 and sale of research reagents, the Company is required to follow relevant legislation, such as the Poisonous and Deleterious Substance Control Law. However, research reagents are not drugs as defined by the Pharmaceutical Affairs Law, and therefore are not regulated by that law. Nevertheless, if these regulations are tightened or new regulations are introduced following expansion of the biotechnology industry, it could affect the Group's business.

(2) Gene medicine segment

The relevant laws and regulations such as the Pharmaceutical Affairs Law 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 the Company is aiming to accomplish, and the Group intends to comply with such laws and regulations. The relevant laws and regulations, such as the Pharmaceutical Affairs Law, are targeted at securing the quality, effectiveness and safety of drugs, quasi-drugs, cosmetics and medical devices, and the trading of these products require approval or permission from the relevant authorities. At present, it is uncertain whether or not the Group will be able to obtain permission or approval based on the Pharmaceutical Affairs Law for each individual project in which it is carrying out R&D in the Gene medicine segment.

In addition, it is possible that the requirement for approval under the Pharmaceutical Affairs Law and the Medical Practitioners Law will extend to new treatments such as adaptive cell immunotherapy. Such a tightening of the regulations, or the introduction of new regulations, could affect the Company's business strategy.

(3) AgriBio segment

In its health 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 performance of the Group could be affected.

Beginning in October 2006, Takara Bio has been marketing and selling all its health foods through Takara Healthcare, a 100%-owned subsidiary of Takara Holdings. In selling health foods and functional food materials in bulk, the Company and Takara Healthcare are making every effort to comply with the sales methods based on the Specified Commercial Transaction Law, the Pharmaceutical Affairs Law, the Health Promotion Law and the Law for Preventing Unjustifiable Extra or Unexpected Benefit and Misleading Representation. The Group must also handle labeling and advertising in compliance with all the relevant laws. However, due to the nature of health foods in general, the Group cannot completely rule out a possibility of violating a provision on mandatory labeling requirements. If any violation occurs, the reliability of the Group could deteriorate, which may adversely affect the Group's business performance.

12. Risks of lawsuits, etc.

The Company received notice that Yoshiharu Omura (hereinafter "Mr. Omura") of Hamamatsu Kenkoudo had filed a suit against the Company at the Hamamatsu Branch, Shizuoka District Court, on October 23, 2008. Mr. Omura claims that the Company's actions in selling the health food "*Kanten Origotou*" from September 2004 constituted unfair competition, as specified in Article 2-1 of the Unfair Competition Prevention Law. The Hamamatsu Branch, Shizuoka District Court, handed down a decision on August 28, 2009, dismissing Mr. Omura's claim. Unsatisfied with this decision, Mr. Omura appealed to the Tokyo High Court, where the claim was heard by the Intellectual Property High Court, which on April 13, 2010, handed down a decision that the original decision was rightful. As Mr. Omura did not refer the allegation to a higher court following that decision, the Company was the prevailing party.

GE Healthcare (hereinafter "GE"), a U.S.-based company, filed a suit against the Company's subsidiary, Clontech Laboratories, Inc. (hereinafter "Clontech"), in the State of California Superior Court—County of Santa Clara, in the United States on May 22, 2009, local time. Clontech and Life Technologies, Inc. (formerly Invitrogen Corporation), of the United States, reached a settlement in May 2007 of their patent litigation relating to reverse transcriptase (RT) products. Life Technologies also filed a suit against GE in March 2008 claiming infringement of patents by certain GE products. These claims related to patents involved in the litigation between Life Technologies and Clontech as well as other patents. Subsequently, Life Technologies and GE reached a settlement of this litigation. The GE products at the center of this litigation contained Clontech's RT. Based on this fact and in line with the settlement reached between GE and Life Technologies, GE has litigated against Clontech based on the assertion that Clontech has liability to indemnify GE for the settlement losses incurred by GE in its settlement with Life Technologies. In response, Clontech is defending the suit by asserting that the indemnification conditions stipulated in its supply contract with GE do not apply to losses incurred by GE in its settlement with Life Technologies. The Company believes that Clontech's position with regard to this suit is favorable. However, in the event that Clontech were to lose this lawsuit, Clontech may be required to pay compensation for losses to GE. If such a result were to occur, it may affect the Group's business activities relating to these products and have impacts on the Group's business strategy and performance.

As of June 29, 2010, there were no ongoing lawsuits with third parties relating to the Company's business, other than the case described above. However, the Group carries out wide-ranging R&D activities and business expansion. Therefore, there is no guarantee that the same kind of lawsuit as that described above will not arise again in the future. The Group is striving to enhance its internal control and strengthen the compliance system as it carries out business activities. 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/or the results of such a lawsuit may seriously affect the Group's business 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 the 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 of this, 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 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.

13. Dividend policy

As the consistent implementation of R&D activities in each business segment will continue to be important well into the future, the Group has a basic policy for the time being of endeavoring to enhance the retained earnings required to perform these activities. On the other hand, the Company recognizes the return of profits to shareholders as an important management issue, and it is considering the distribution of profits taking into account the business performance and financial position. The Company will make effective use of internal reserves in investment in R&D and capital expenditures at each Group company, in consideration of strengthening its financial structure and future expansion.

14. Application of funds

The business environment that surrounds the Group in the biotechnology industry is undergoing intense change, and the operating environment for the Group could be affected significantly by factors such as new technological innovation and new entrants into the industry. Therefore, there is no guarantee that the investment of the funds financed by public offering, etc., in capital expenditures and R&D currently being planned will produce the anticipated results. Consequently, the Group may fail to meet its revenue projections.

15. Stock option system

The Company operates a stock option system. The extraordinary general meeting of shareholders on September 19, 2003, approved a resolution on the grant of stock options based on the provisions in Articles 280-20, 280-21 and 280-27 of the Commercial Code of Japan. The Company believes that this system is effective in providing the Company's executives and employees with an incentive to improve business performance. However, when the stock options are exercised, there is a possibility that the value per share of the Company's stock will be diluted. Moreover, the Company is discussing to continue similar incentive plans in the future in order to secure highly talented human resources. Consequently, when new stock options are granted and exercised in the future, there is a possibility that the value per share of the Company's stock will be diluted.

16. Intangible fixed assets related to Clontech Laboratories

Observing the U.S. Financial Accounting Standards Board's Standard Statement No. 142, "Goodwill and Other Intangible Assets," the Company did not amortize the trademark rights obtained by Clontech Laboratories, a subsidiary of the Company. Looking ahead, the Company 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 29, 2010, the Company has not incurred any impairment losses. However, if the Company determines that an impairment loss has been incurred, such an incurrence could adversely affect the Group's business performance. With regard to goodwill recognized by Clontech Laboratories, from fiscal 2009, the Company 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, the Company is amortizing this goodwill amount using the straight-line method over a 20-year period.

CONSOLIDATED BALANCE SHEETS

Takara Bio Inc. and Subsidiaries
March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2010**	2009	**2010**
CURRENT ASSETS:			
Cash and cash equivalents (Note 15)	**¥ 7,819**	¥ 11,715	**$ 84,075**
Marketable securities (Notes 3 and 15)		459	
Time deposits	**10,591**	4,312	**113,881**
Notes and accounts receivable:			
Trade (Note 15)	**4,661**	4,814	**50,118**
Other	**236**	179	**2,537**
Allowance for doubtful accounts (Note 15)	**(24)**	(46)	**(258)**
Inventories (Note 4)	**3,076**	3,287	**33,075**
Deferred tax assets (Note 13)	**689**	663	**7,408**
Prepaid expenses and other current assets	**181**	289	**1,946**
Total current assets	**27,232**	25,676	**292,817**
PROPERTY, PLANT AND EQUIPMENT (Note 7)**:**			
Land	**4,493**	4,613	**48,311**
Buildings and structures	**8,060**	8,149	**86,666**
Machinery, equipment and vehicles	**6,909**	6,936	**74,290**
Tools, furniture and fixtures	**4,594**	4,751	**49,397**
Lease assets	**100**	100	**1,075**
Construction in progress	**196**	40	**2,107**
Total	**24,355**	24,593	**261,881**
Accumulated depreciation	**(12,898)**	(12,838)	**(138,688)**
Net property, plant and equipment	**11,457**	11,754	**123,193**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	**2**	164	**21**
Goodwill (Note 6)	**1,830**	1,950	**19,677**
Long-term prepaid expenses	**1,167**	1,448	**12,548**
Customer contracts and related relationships	**522**	710	**5,612**
Deferred tax assets (Note 13)	**410**	317	**4,408**
Other assets	**1,027**	1,095	**11,043**
Total investments and other assets	**4,961**	5,686	**53,344**
TOTAL	**¥ 43,651**	¥ 43,117	**$ 469,365**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2010	2009	Thousands of U.S. Dollars (Note 1) 2010
CURRENT LIABILITIES:			
Current portion of long-term debt (Notes 7 and 15)	**¥ 91**	¥ 82	**$ 978**
Notes and accounts payable (Note 15):			
Trade	**1,335**	1,432	**14,354**
Construction and other	**956**	1,166	**10,279**
Accrued income taxes (Note 15)	**363**	146	**3,903**
Accrued expenses	**725**	684	**7,795**
Other current liabilities	**383**	276	**4,118**
Total current liabilities	**3,856**	3,789	**41,462**
LONG-TERM LIABILITIES:			
Long-term debt (Notes 7 and 15)	**481**	571	**5,172**
Liability for retirement benefits (Note 8)	**1,077**	993	**11,580**
Deferred tax liabilities (Note 13)	**212**	356	**2,279**
Other long-term liabilities	**223**	256	**2,397**
Total long-term liabilities	**1,994**	2,178	**21,440**
COMMITMENTS AND CONTINGENT LIABILITIES (Note 14)			
EQUITY (Note 9)**:**			
Common stock, authorized, 1,000,000 shares; issued, 282,139 shares in 2010 and 282,009 shares in 2009	**9,053**	9,040	**97,344**
Capital surplus	**26,980**	26,967	**290,107**
Retained earnings	**2,956**	2,364	**31,784**
Unrealized gain on available-for-sale securities		109	
Foreign currency translation adjustments	**(1,191)**	(1,332)	**(12,806)**
Total equity	**37,799**	37,149	**406,440**
TOTAL	**¥43,651**	¥43,117	**$469,365**

CONSOLIDATED STATEMENTS OF INCOME

Takara Bio Inc. and Subsidiaries
Years Ended March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	**2010**
NET SALES (Note 18)	**¥19,325**	¥18,913	**$207,795**
COST OF SALES (Notes 8, 14 and 18)	**9,286**	8,973	**99,849**
Gross profit	**10,039**	9,940	**107,946**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 8, 12, 14 and 18)	**9,485**	9,513	**101,989**
Operating income	**553**	426	**5,946**
OTHER INCOME (EXPENSES):			
Interest income	**116**	190	**1,247**
Transportation expenses reimbursed from third parties		56	
Subsidy income	**125**	19	**1,344**
Gain on sales of investments in an associated company	**105**	7	**1,129**
Foreign exchange gain	**54**		**580**
Interest expense	**(9)**	(11)	**(96)**
Loss on sales and disposals of property, plant and equipment	**(149)**	(62)	**(1,602)**
Loss on impairment of long-lived assets (Note 5)	**(122)**		**(1,311)**
Equity in losses of associated companies		(19)	
Loss on valuation of inventories		(64)	
Foreign exchange loss		(333)	
Litigation expenses		(128)	
Other, net	**23**	18	**247**
Other income (expenses), net	**144**	(326)	**1,548**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**697**	99	**7,494**
INCOME TAXES (Note 13)**:**			
Current	**451**	310	**4,849**
Refund	**(70)**		**(752)**
Prior periods	**(63)**		**(677)**
Deferred	**(211)**	(856)	**(2,268)**
Total income taxes	**105**	(545)	**1,129**
MINORITY INTERESTS IN NET INCOME		3	
NET INCOME	**¥ 591**	¥ 642	**$ 6,354**

	Yen		U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Notes 2.q and 17)**:**			
Basic net income	**¥2,095.72**	¥2,278.57	**$22.53**
Diluted net income	**2,092.98**	2,273.96	**22.50**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Takara Bio Inc. and Subsidiaries
Years Ended March 31, 2010 and 2009

	Thousands	Millions of Yen							
	Issued Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2008	282	¥9,022	¥26,949	¥2,035	¥ 289	¥ 700	¥38,997	¥ 110	¥39,108
Adjustment of retained earnings due to an adoption of PITF No. 18 (Note 2.b)				(313)			(313)		(313)
Net income				642			642		642
Exercise of stock options (Notes 9 and 10)		18	18				36		36
Net change in the year					(179)	(2,033)	(2,213)	(110)	(2,323)
BALANCE, MARCH 31, 2009	282	9,040	26,967	2,364	109	(1,332)	37,149	Nil	37,149
Net income				**591**			**591**		**591**
Exercise of stock options (Notes 9 and 10)		**13**	**13**				**26**		**26**
Net change in the year					**(109)**	**141**	**31**		**32**
BALANCE, MARCH 31, 2010	**282**	**¥9,053**	**¥26,980**	**¥2,956**	**¥ Nil**	**¥(1,191)**	**¥37,798**	**¥ Nil**	**¥37,799**

	Thousands of U.S. Dollars (Note 1)							
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2009	$97,204	$289,967	$25,419	$ 1,172	$(14,322)	$399,451	$Nil	$399,451
Net income			**6,354**			**6,354**		**6,354**
Exercise of stock options (Notes 9 and 10)	**139**	**139**				**279**		**279**
Net change in the year				**(1,172)**	**1,516**	**333**		**344**
BALANCE, MARCH 31, 2010	**$97,344**	**$290,107**	**$31,784**	**$ Nil**	**$(12,806)**	**$406,430**	**$Nil**	**$406,440**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Takara Bio Inc. and Subsidiaries
Years Ended March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	**2010**
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥ 697**	¥ 99	**$ 7,494**
Adjustments for:			
Income taxes paid	**(83)**	(369)	**(892)**
Depreciation and amortization	**1,852**	2,075	**19,913**
Provision for retirement benefits	**83**	67	**892**
Reversal of allowance for doubtful accounts	**(23)**	(44)	**(247)**
Increase in accrued bonuses	**37**	18	**397**
Gain on sales of investment securities	**(105)**		**(1,129)**
Loss on impairment of long-lived assets	**122**		**1,311**
Loss on sales and disposals of property, plant and equipment	**149**	62	**1,602**
Equity in losses of associated companies		19	
Changes in assets and liabilities:			
Decrease in trade receivables	**178**	500	**1,913**
Decrease (increase) in inventories	**216**	(383)	**2,322**
(Decrease) increase in trade payables	**(110)**	402	**(1,182)**
Other, net	**158**	(181)	**1,698**
Total adjustments	**2,476**	2,166	**26,623**
Net cash provided by operating activities	**3,174**	2,265	**34,129**
INVESTING ACTIVITIES:			
Payments for time deposits	**(18,546)**	(4,469)	**(199,419)**
Proceeds from sales of marketable securities	**577**	364	**6,204**
Proceeds from sales of investments in associated companies		75	
Purchases of property, plant and equipment	**(1,123)**	(874)	**(12,075)**
Proceeds from time deposits	**12,289**	459	**132,139**
Purchases of investments in subsidiaries and associated companies		(23)	
Purchases of other property	**(223)**	(179)	**(2,397)**
Purchases of marketable securities		(886)	
Other, net	**(35)**	23	**(376)**
Net cash used in investing activities	**(7,060)**	(5,511)	**(75,913)**
FINANCING ACTIVITIES:			
Repayments of long-term debt	**(83)**	(70)	**(892)**
Proceeds from issuance of common stock	**25**	35	**268**
Proceeds from sale and leaseback transaction		18	
Purchase of treasury stock of consolidated subsidiaries		(151)	
Net cash used in financing activities	**(57)**	(168)	**(612)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**48**	(339)	**516**
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(3,895)**	(3,753)	**(41,881)**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**11,715**	15,469	**125,967**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 7,819**	¥11,715	**$ 84,075**

See notes to consolidated financial statements.

1. BASIS OF PRESENTING 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 conformity with accounting principles generally accepted in Japan, which are different in certain respects as to 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 2009 consolidated financial statements to conform to the classifications used in 2010.

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 less than a million yen are rounded down to the nearest million yen, except for per share data and stock option exercise price and stock price in Note 10. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥93 to $1, the approximate rate of exchange at March 31, 2010. U.S. dollar figures less than a thousand dollars are rounded down to the nearest thousand dollars, except for per share data and stock option exercise price and stock price in Note 10. 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, 2010 include the accounts of the Company and all nine (nine in 2009) subsidiaries (together, the "Group"). Takara Bio Cancer Immunotherapy Inc. was under liquidation proceedings at March 31, 2009. Because distribution of residual property was completed on March 12, 2009, Takara Bio Cancer Immunotherapy Inc. was removed from the scope of consolidation at March 31, 2009; however, the results of its operation were included in the consolidated statement of income for the year ended March 31, 2009.

Under the control or influence concept, those companies in which the Group, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investment in an associated company, Pulmuone-Takara Agri Co., Ltd., was accounted for by the equity method for the year ended March 31, 2008. The Company sold all of its shares of Pulmuone-Takara Agri Co., Ltd. during the year ended March 31, 2009. Pulmuone-Takara Agri Co., Ltd. was accounted for by the equity method while it was an associated company.

The difference of the cost of 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 principally over a period of five 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 (the "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 eliminated.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements—In May 2006, the ASBJ issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model of accounting for property, plant, and equipment and investment properties and incorporation of the cost model of accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to

financial statements have been incorporated; and 6) exclusion of minority interests from net income, if included. PITF No. 18 was effective for fiscal years beginning on or after April 1, 2008.

The Company applied this accounting standard effective April 1, 2008. In addition, the Company adjusted the beginning balance of retained earnings at April 1, 2008 as if this accounting standard had been retrospectively applied.

c. 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, certificate 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.

d. Marketable and Investment Securities—The Group's investment securities consist of marketable and non-marketable 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. Non-marketable 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.

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

f. 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 declining-balance method at rates based on the estimated useful lives of the assets, except that the straight-line method is applied to property, plant and equipment located in Dragon Genomics Center. 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.

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

h. 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 would be 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.

i. Retirement and Pension Plans—The employees' retirement benefits programs of the Company and certain subsidiaries consist of an unfunded lump-sum severance payment plan and a non-contributory trusteed pension plan as described in Note 8.

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

j. 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.

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

l. 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 is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee 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 leased periods as their useful lives and with no residual value. In addition, the Company continues to account for leases which 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.

m. Income Taxes—The provision for income taxes is computed based on the pretax income included in the consolidated statements 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.

n. 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 balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts.

o. 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 less those attributable to minority interests were shown as "Foreign currency translation adjustments" in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rate.

p. Derivative Financial Instruments and Hedging Activities—The Group uses derivative financial instruments, such as foreign currency forward contracts as a means of hedging exposure to foreign currency risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) 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 statements of income, and b) for derivatives used for hedging purposes, if 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.

The 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.

q. 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.

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 conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

r. New Accounting Pronouncements

Asset Retirement Obligations—On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations, 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 increase or a decrease in the carrying amount of the liability

and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

Accounting Changes and Error Corrections—In December 2009, 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 with revision of accounting standards, a new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) Changes in Presentations

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.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

Segment Information Disclosures—In March 2008, the ASBJ revised ASBJ Statement No. 17 "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No. 20 "Guidance on Accounting Standard for Segment Information Disclosures." Under the standard and guidance, 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. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

s. Additional Information

Previously, transportation expenses reimbursed from third parties were recorded as "Transportation expenses reimbursed from third parties," which was included in other income.

Effective April 1, 2009, the accounting treatment was changed to record the amounts arising from offsetting transportation expenses reimbursed from third parties with transportation expenses paid to the carrier as transportation expenses, which is included in selling, general and administrative expenses. The effect of this change was to increase operating income by ¥44 million ($473 thousand) for the year ended March 31, 2010. The effect of this change to segment information is disclosed in Note 18.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Current—			
Certificate of deposits		¥459	
Non-current:			
Marketable equity securities		¥162	
Non-marketable equity securities	**¥2**	2	**$21**
Total	**¥2**	¥164	**$21**

The costs and aggregate fair values of investment securities at March 31, 2009 were as follows:

	Millions of Yen		
March 31, 2009	Cost	Unrealized Gains	Fair Value
Securities classified as—			
Available-for-sale—			
Equity securities	¥Nil	¥162	¥162

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2010 and 2009 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Available-for-sale:			
Certificate of deposits		¥459	
Equity securities	**¥2**	2	**$21**
Total	**¥2**	¥461	**$21**

The information of available-for-sale securities which were sold during the year ended March 31, 2010 was as follows:

	Millions of Yen		
March 31, 2010	Proceeds	Realized Gains	Realized Loss
Available-for-sale—			
Equity securities	**¥105**	**¥105**	

	Thousands of U.S. Dollars		
March 31, 2010	Proceeds	Realized Gains	Realized Loss
Available-for-sale—			
Equity securities	**$1,129**	**$1,129**	

4. INVENTORIES

Inventories at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Finished products and merchandise	**¥2,095**	¥2,255	**$22,526**
Work in process	**246**	274	**2,645**
Raw materials and supplies	**734**	757	**7,892**
Total	**¥3,076**	¥3,287	**$33,075**

5. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of March 31, 2010. As a result, the Group recognized an impairment loss of ¥122 million ($1,311 thousand) for land as other expense. The land located in Yakushima-cho, Kagoshima-prefecture was purchased by the Group's AgriBio segment to grow ashitaba (a unique celery-like vegetable of the Angelica family), but only a portion of the land was utilized and the rest of the property remained unused. As there were no plans for utilization of such idle property, the land was written down to the recoverable amount for the year ended March 31, 2010. The recoverable amount of that asset group was measured at its net selling price determined by quotation from a real-estate appraiser. No impairment loss was recognized in 2009.

6. GOODWILL

Goodwill at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Goodwill on purchase of a specific business	**¥1,733**	¥1,822	**$18,634**
Consolidation goodwill	**96**	127	**1,032**
Total	**¥1,830**	¥1,950	**$19,677**

7. LONG-TERM DEBT

Long-term debt at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Loans principally from banks and the local government, due serially to January 2022 with interest rates ranging from 0% to 1.75% in 2010 and 2009:			
Collateralized	**¥232**	¥249	**$2,494**
Unsecured	**223**	251	**2,397**
Obligation under finance leases	**116**	152	**1,247**
Total	**571**	654	**6,139**
Less current portion	**91**	82	**978**
Long-term debt, less current portion	**¥481**	¥571	**$5,172**

Annual maturities of long-term debt as of March 31, 2010 for the next five years and thereafter were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2011	¥ 91	$ 978
2012	81	870
2013	61	655
2014	65	698
2015	46	494
2016 and thereafter	225	2,419
Total	¥571	$6,139

At March 31, 2010, buildings and structures of ¥414 million ($4,451 thousand) and land of ¥250 million ($2,688 thousand) were pledged as collateral for long-term debt (including current portion of long-term debt) of ¥232 million ($2,494 thousand).

8. RETIREMENT AND PENSION PLANS

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

Under most circumstances, 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 non-contributory 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.

The liability for employees' retirement benefits at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Projected benefit obligation	**¥1,526**	¥1,446	**$16,408**
Fair value of plan assets	**(354)**	(349)	**(3,806)**
Unrecognized actuarial loss	**(160)**	(157)	**(1,720)**
Prepaid pension cost	**65**	54	**698**
Net liability	**¥1,077**	¥ 993	**$11,580**

The components of net periodic benefit costs were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Service cost	**¥137**	¥126	**$1,473**
Interest cost	**23**	19	**247**
Expected return on plan assets	**(10)**	(11)	**(107)**
Recognized actuarial loss	**19**	1	**204**
Net periodic benefit costs	**¥169**	¥136	**$1,817**

Assumptions used for the years ended March 31, 2010 and 2009 were set forth as follows:

	2010	2009
Discount rate	**1.6%**	1.6%
Expected rate of return on plan assets	**3.0%**	3.0%
Recognition period of actuarial gain/loss	**10 years**	10 years

9. 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 such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal 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 (non-cash 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 total of 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 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.

For the year ended March 31, 2010, the Company issued 130 shares of common stock upon exercise of 13 stock options at the price of ¥200,000 ($2,150.53) per share. The amount of ¥13 million ($139 thousand) was credited to common stock and the remaining amount of ¥13 million ($139 thousand) was credited to additional paid-in capital.

For the year ended March 31, 2009, the Company issued 180 shares of common stock upon exercise of 18 stock options at the price of ¥200,000 per share. The amount of ¥18 million was credited to common stock and the remaining amount of ¥18 million was credited to additional paid-in capital.

10. STOCK OPTIONS

The stock options outstanding at March 31, 2010 were as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
The First Stock Option	8 directors 273 employees	8,500 shares	2003.9.19	¥200,000 ($2,150.53)	From September 20, 2005 To September 20, 2013
The Second Stock Option	8 directors 3 corporate auditors 120 employees	3,220 shares	2003.9.19	¥200,000 ($2,150.53)	From April 1, 2004 To September 20, 2013
The Third Stock Option	3 directors 28 employees	500 shares	2004.5.17	¥200,000 ($2,150.53)	From September 20, 2005 To September 20, 2013
The Fourth Stock Option	9 directors 3 corporate auditors 8 employees	780 shares	2004.5.17	¥200,000 ($2,150.53)	From April 1, 2004 To September 20, 2013

The stock option activity is as follows:

	Shares			
	The First Stock Option	The Second Stock Option	The Third Stock Option	The Fourth Stock Option
For the year ended March 31, 2009				
Non-vested				
March 31, 2008—Outstanding				
Granted				
Canceled				
Vested				
March 31, 2009—Outstanding				
Vested				
March 31, 2008—Outstanding	4,130	1,460	130	390
Vested				
Exercised	(170)		(10)	
Canceled	(10)	(20)		
March 31, 2009—Outstanding	3,950	1,440	120	390
Exercise price	¥200,000	¥200,000	¥200,000	¥200,000
Average stock price at exercise	¥258,920		¥268,000	

	Shares			
	The First Stock Option	The Second Stock Option	The Third Stock Option	The Fourth Stock Option
For the year ended March 31, 2010				
Non-vested				
March 31, 2009—Outstanding				
Granted				
Canceled				
Vested				
March 31, 2010—Outstanding				
Vested				
March 31, 2009—Outstanding	**3,950**	**1,440**	**120**	**390**
Vested				
Exercised	**(120)**		**(10)**	
Canceled				
March 31, 2010—Outstanding	**3,830**	**1,440**	**110**	**390**
Exercise price	**¥200,000**	**¥200,000**	**¥200,000**	**¥200,000**
	($2,150.53)	**($2,150.53)**	**($2,150.53)**	**($2,150.53)**
Average stock price at exercise	**¥223,350**		**¥248,700**	
	($2,401.61)		**($2,674.19)**	

11. RELATED PARTY DISCLOSURES

(1) The Company is majority-owned by Takara Holdings Inc., which is listed on the first section of the Tokyo Securities Exchange and the Osaka Securities Exchange.

(2) In connection with the stock option plans as described in Note 10, the Company issued to its director 60 shares (60 shares to its directors in 2009) of common stock upon exercise of 6 (6 in 2009) stock options at the price of ¥200,000 ($2,150) per share. The total transaction amounts for the years ended March 31, 2010 and 2009 were ¥12 million ($129 thousand) and ¥12 million, respectively.

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥3,294 million ($35,419 thousand) and ¥2,976 million for the years ended March 31, 2010 and 2009, respectively.

13. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40% for the years ended March 31, 2010 and 2009. 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, 2010 and 2009 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Current deferred tax assets:			
Inventories	**¥235**	¥285	**$2,526**
Accrued bonuses	**118**	140	**1,268**
Unrealized profit on sales of inventories	**125**	159	**1,344**
Other	**246**	130	**2,645**
Less valuation allowance	**(20)**	(39)	**(215)**
Total	**¥705**	¥677	**$7,580**
Current deferred tax liabilities	**¥ 16**	¥ 14	**$ 172**
Net current deferred tax assets	**¥689**	¥663	**$7,408**

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Non-current deferred tax assets:			
Retirement benefits	**¥ 431**	¥ 396	**$ 4,634**
Depreciation	**66**	241	**709**
Impairment loss	**49**		**526**
Foreign tax carryforwards	**361**	559	**3,881**
Tax loss carryforwards	**346**	115	**3,720**
Loss on disposals of long-term prepaid expenses	**70**		**752**
Other	**61**	92	**655**
Less valuation allowance	**(598)**	(731)	**(6,430)**
Total	**¥ 788**	¥ 674	**$ 8,473**
Non-current deferred tax liabilities:			
Goodwill	**¥ 402**	¥ 571	**$ 4,322**
Undistributed profit of foreign subsidiary	**125**		**1,344**
Other	**62**	141	**666**
Total	**¥ 589**	¥ 713	**$ 6,333**
Net non-current deferred tax assets	**¥ 410**	¥ 317	**$ 4,408**
Net non-current deferred tax liabilities	**¥ 212**	¥ 356	**$ 2,279**

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2010 and 2009 was as follows:

	2010	2009
Normal effective statutory tax rate in Japan	**40.4%**	40.0%
Expenses not deductible for income tax purposes	**1.4**	8.4
Permanently non-taxable income, such as dividend income	**(3.7)**	
Valuation allowance	**15.0**	(695.6)
Per capita rate of local tax	**2.2**	15.5
Tax rate difference of subsidiaries	**(26.9)**	(143.0)
Elimination in consolidation	**22.9**	108.8
Tax credit	**(33.6)**	
Amortization of goodwill		60.1
Undistributed profit of foreign subsidiary		72.2
Other, net	**(2.2)**	(14.1)
Actual effective tax rate	**15.1%**	(547.7)%

At March 31, 2010, certain subsidiaries have tax loss carryforwards aggregating approximately ¥371 million ($3,989 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
2014	¥ 64	$ 688
2015	3	32
2016	197	2,118
2017	106	1,139
Total	¥371	$3,989

14. LEASES

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

Total rental expense for the years ended March 31, 2010 and 2009 was ¥254 million ($2,731 thousand) and ¥275 million, respectively, including ¥4 million ($43 thousand) and ¥12 million of lease payments under finance leases, respectively.

ASBJ Statement No. 13, "Accounting Standard for Lease Transactions" requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. However, the 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 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 the 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 such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance leases, depreciation expense, interest expense and other information of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis was as follows:

	Millions of Yen	
	2010	
	Machinery and Vehicles	Total
Acquisition cost	**¥24**	**¥24**
Accumulated depreciation	**11**	**11**
Net leased property	**¥12**	**¥12**

	Millions of Yen		
	2009		
	Machinery and Vehicles	Furniture and Fixtures	Total
Acquisition cost	¥24	¥45	¥70
Accumulated depreciation	8	40	48
Net leased property	¥16	¥ 5	¥21

	Thousands of U.S. Dollars	
	2010	
	Machinery and Vehicles	Total
Acquisition cost	**$258**	**$258**
Accumulated depreciation	**118**	**118**
Net leased property	**$129**	**$129**

Obligations under finance leases as of March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Due within one year	**¥ 3**	¥ 8	**$ 32**
Due after one year	**9**	12	**96**
Total	**¥12**	¥21	**$129**

The amount of obligations under finance leases includes the imputed interest expense portion.

Depreciation expense was ¥4 million ($43 thousand) and ¥12 million for the years ended March 31, 2010 and 2009, respectively.

The minimum rental commitments under noncancellable operating leases at March 31, 2010 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 133	$ 1,430
Due after one year	1,289	13,860
Total	¥1,422	$15,290

15. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

On March 10, 2008, the ASBJ revised ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No. 19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." This accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010 with early adoption permitted from the beginning of the fiscal years ending before March 31, 2010. The Group applied the revised accounting standard and the new guidance effective March 31, 2010.

(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 are exposed to the issuer's credit risk.

Payment terms of payables, such as trade notes and trade accounts, are almost less than 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 is hedged by foreign currency contracts as noted above.

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

Derivatives mainly include forward foreign currency contracts, which are used to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. Please see Note 16 for more detail 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 term and balances of major customers by each business administration department to identify the default risk of customers in early stage.

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 risks 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 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 price in active markets. If quoted price is not available, other rational valuation techniques are used instead. Also please see Note 16 for the detail of fair value for derivatives.

(a) Fair value of financial instruments

March 31, 2010	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 7,819	¥ 7,819	
Time deposits	10,591	10,591	
Notes and accounts receivable – trade	4,661	4,661	
Allowance for doubtful accounts	(24)	(24)	
Total	¥23,048	¥23,048	
Notes and accounts payable – trade	¥ 1,335	¥ 1,335	
Current portion of long-term borrowings	45	45	
Notes and accounts payable – Construction and other	956	956	
Accrued income taxes	363	363	
Long-term borrowings	410	395	¥15
Total	¥ 3,112	¥ 3,096	¥15

March 31, 2010	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 84,075	$ 84,075	
Time deposits	113,881	113,881	
Notes and accounts receivable – trade	50,118	50,118	
Allowance for doubtful accounts	(258)	(258)	
Total	$247,827	$247,827	
Notes and accounts payable – trade	$ 14,354	$ 14,354	
Current portion of long-term borrowings	483	483	
Notes and accounts payable – Construction and other	10,279	10,279	
Accrued income taxes	3,903	3,903	
Long-term borrowings	4,408	4,247	$161
Total	$ 33,462	$ 33,290	$161

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.

Notes and accounts payable (trade and construction and other) and other current liabilities

The carrying values of notes and accounts payable and other current liabilities approximate fair value because of their short maturities.

Current portion of long-term borrowings and long-term borrowings

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

Derivatives

The information of the fair value for derivatives is included in Note 16.

(b) Financial instruments whose fair value cannot be reliably determined

Since unlisted stocks (carrying amount ¥2 million ($21 thousand) at March 31, 2010) 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	
March 31, 2010	Millions of Yen	Thousands of U.S. Dollars
Cash and cash equivalents	**¥ 7,819**	**$ 84,075**
Time deposits	**10,591**	**113,881**
Notes and accounts receivables – trade	**4,661**	**50,118**
Total	**¥23,072**	**$248,086**

Please see Note 7 for annual maturities of long-term debt and Note 14 for obligations under finance leases, respectively.

16. 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 which qualify for hedge accounting are excluded from the disclosure of market value information.

As noted in Note 15, the Group applied ASBJ Statement No. 10 “Accounting Standard for Financial Instruments” and ASBJ Guidance No. 19 “Guidance on Accounting Standard for Financial Instruments and Related Disclosures.” The accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010; therefore, the required information is disclosed only for 2010.

Derivative transactions to which hedge accounting is applied at March 31, 2010

	Millions of Yen		
At March 31, 2010	Hedged Item	Contract Amount	Fair Value
Foreign currency forward contracts under the deferral hedging accounting:			
Buying U.S.$	Notes and accounts payable	**¥152**	**¥2**

	Thousands of U.S. Dollars		
At March 31, 2010	Hedged Item	Contract Amount	Fair Value
Foreign currency forward contracts under the deferral hedging accounting:			
Buying U.S.$	Notes and accounts payable	**$1,634**	**$21**

17. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2010 and 2009 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted Average Shares	EPS	
For the year ended March 31, 2010:				
Basic EPS				
Net income available to common shareholders	**¥591**	**282**	**¥2,095.72**	**$22.53**
Effect of dilutive securities				
Warrants		**0**		
Diluted EPS				
Net income for computation	**¥591**	**282**	**¥2,092.98**	**$22.50**
For the year ended March 31, 2009:				
Basic EPS				
Net income available to common shareholders	¥642	281	¥2,278.57	
Effect of dilutive securities				
Warrants		0		
Diluted EPS				
Net income for computation	¥642	282	¥2,273.96	

18. SEGMENT INFORMATION

Information about industry segments, geographical segments and sales to foreign customers of the Group for the years ended March 31, 2010 and 2009 is as follows:

(1) Industry Segments

a. Sales and Operating Income

	Millions of Yen				
	2010				
	Genetic Engineering Research	Gene Medicine	AgriBio	Eliminations/ Corporate	Consolidated
Sales to customers	**¥16,689**	**¥ 392**	**¥2,243**		**¥19,325**
Intersegment sales	**0**		**1**	**¥ (1)**	
Total sales	**16,689**	**392**	**2,245**	**(1)**	**19,325**
Operating expenses	**12,538**	**1,958**	**2,828**	**1,447**	**18,772**
Operating income (loss)	**¥ 4,151**	**¥(1,565)**	**¥ (583)**	**¥(1,449)**	**¥ 553**

	Millions of Yen				
	2009				
	Genetic Engineering Research	Gene Medicine	AgriBio	Eliminations/ Corporate	Consolidated
Sales to customers	¥16,733	¥ 165	¥2,014		¥18,913
Intersegment sales	4		0	¥ (4)	
Total sales	16,737	165	2,015	(4)	18,913
Operating expenses	12,918	1,406	2,590	1,571	18,487
Operating income (loss)	¥ 3,819	¥(1,240)	¥ (575)	¥(1,576)	¥ 426

	Thousands of U.S. Dollars				
	2010				
	Genetic Engineering Research	Gene Medicine	AgriBio	Eliminations/ Corporate	Consolidated
Sales to customers	**$179,451**	**$ 4,215**	**$24,118**		**$207,795**
Intersegment sales			**10**	**$ (10)**	
Total sales	**179,451**	**4,215**	**24,139**	**(10)**	**207,795**
Operating expenses	**134,817**	**21,053**	**30,408**	**15,559**	**201,849**
Operating income (loss)	**$ 44,634**	**$(16,827)**	**$ (6,268)**	**$(15,580)**	**$ 5,946**

b. Assets, Depreciation and Capital Expenditures

	Millions of Yen				
	2010				
	Genetic Engineering Research	Gene Medicine	AgriBio	Eliminations/ Corporate	Consolidated
Assets	**¥19,643**	**¥1,924**	**¥5,413**	**¥16,670**	**¥43,651**
Depreciation	**661**	**115**	**374**	**79**	**1,230**
Capital expenditures	**670**	**168**	**147**	**83**	**1,069**

	Millions of Yen				
	2009				
	Genetic Engineering Research	Gene Medicine	AgriBio	Eliminations/ Corporate	Consolidated
Assets	¥20,776	¥1,975	¥5,611	¥14,754	¥43,117
Depreciation	765	110	381	88	1,346
Capital expenditures	678	171	172	37	1,059

	Thousands of U.S. Dollars				
	2010				
	Genetic Engineering Research	Gene Medicine	AgriBio	Eliminations/ Corporate	Consolidated
Assets	**$211,215**	**$20,688**	**$58,204**	**$179,247**	**$469,365**
Depreciation	**7,107**	**1,236**	**4,021**	**849**	**13,225**
Capital expenditures	**7,204**	**1,806**	**1,580**	**892**	**11,494**

Notes:

1. The Company operates in the following industries:
   The industry of Genetic Engineering Research consists of the businesses of research reagents (for genetic engineering research, protein engineering research, cell biology research and glycobiology research), research instruments and service business.
   The industry of Gene Medicine consists of the businesses of medical devices, gene therapy related products and service business.
   The industry of AgriBio consists of the businesses of mushrooms, technical training of mushroom cultivation, ashitaba (a unique celery-like vegetable of the Angelica family), Agar, health food and cosmetics.
2. Eliminations/Corporate includes unallocated operating expenses of ¥1,449 million ($15,580 thousand) and ¥1,576 million for the years ended March 31, 2010 and 2009, respectively, consisting principally of fundamental research and development expenses and administrative expenses incurred by the administrative and accounting departments of the Company.
3. Eliminations/Corporate includes corporate assets of ¥16,670 million ($179,247 thousand) and ¥14,754 million for the years ended March 31, 2010 and 2009, respectively, consisting principally of assets attributed to fundamental research and development, surplus funds held by the Company and assets attributed to the Company's administration departments.
4. As discussed in Note 2.s, previously, transportation expenses reimbursed from third parties were recorded as "Transportation expenses reimbursed from third parties," which was included in other income. Effective April 1, 2009, the accounting treatment was changed to record the amounts arising from offsetting transportation expenses reimbursed from third parties with transportation expenses paid to the carrier as transportation expenses, which is included in selling, general and administrative expenses. The effect of this change was to increase operating income of "Genetic Engineering Research" by ¥44 million ($473 thousand) for the year ended March 31, 2010.

(2) Geographical Segments

	Millions of Yen					
	2010					
	Japan	Asia	North America	Europe	Eliminations/ Corporate	Consolidated
Sales to customers	**¥12,411**	**¥2,088**	**¥3,279**	**¥1,546**		**¥19,325**
Intersegment sales	**2,010**	**1,211**	**1,019**		**¥ (4,241)**	
Total sales	**14,421**	**3,300**	**4,298**	**1,546**	**(4,241)**	**19,325**
Operating expenses	**12,881**	**2,573**	**4,763**	**1,343**	**(2,790)**	**18,772**
Operating income (loss)	**¥ 1,539**	**¥ 726**	**¥ (465)**	**¥ 203**	**¥ (1,450)**	**¥ 553**
Assets	**¥15,498**	**¥5,648**	**¥5,952**	**¥ 723**	**¥15,828**	**¥43,651**

	Millions of Yen					
	2009					
	Japan	Asia	North America	Europe	Eliminations/ Corporate	Consolidated
Sales to customers	¥11,797	¥1,774	¥3,526	¥1,816		¥18,913
Intersegment sales	2,090	1,233	1,319		¥ (4,643)	
Total sales	13,887	3,007	4,845	1,816	(4,643)	18,913
Operating expenses	12,257	2,368	5,174	1,635	(2,949)	18,487
Operating income (loss)	¥ 1,630	¥ 639	¥ (328)	¥ 180	¥ (1,694)	¥ 426
Assets	¥16,901	¥5,057	¥6,523	¥ 893	¥13,742	¥43,117

	Thousands of U.S. Dollars					
	2010					
	Japan	Asia	North America	Europe	Eliminations/ Corporate	Consolidated
Sales to customers	**$133,451**	**$22,451**	**$35,258**	**$16,623**		**$207,795**
Intersegment sales	**21,612**	**13,021**	**10,956**		**$ (45,602)**	
Total sales	**155,064**	**35,483**	**46,215**	**16,623**	**(45,602)**	**207,795**
Operating expenses	**138,505**	**27,666**	**51,215**	**14,440**	**(30,000)**	**201,849**
Operating income (loss)	**$ 16,548**	**$ 7,806**	**$ (5,000)**	**$ 2,182**	**$ (15,591)**	**$ 5,946**
Assets	**$166,645**	**$60,731**	**$64,000**	**$ 7,774**	**$170,193**	**$469,365**

Notes:
1. The countries belonging to those other than Japan are as follows:
   Asia ..... China and South Korea
   North America..... United States of America
   Europe..... France
2. Eliminations/Corporate includes unallocated operating expenses of ¥1,449 million ($15,580 thousand) and ¥1,576 million for the years ended March 31, 2010 and 2009, respectively, consisting principally of fundamental research and development expenses and administrative expenses incurred by the administrative and accounting departments of the Company.
3. Eliminations/Corporate includes corporate assets of ¥16,670 million ($179,247 thousand) and ¥14,754 million for the years ended March 31, 2010 and 2009, respectively, consisting principally of assets attributed to fundamental research and development, surplus funds held by the Company and assets attributed to the Company's administrative departments.
4. As discussed in Note 2.s, previously, transportation expenses reimbursed from third parties were recorded as "Transportation expenses reimbursed from third parties," which was included in other income. Effective April 1, 2009, the accounting treatment was changed to record the amounts arising from offsetting transportation expenses reimbursed from third parties with transportation expenses paid to the carrier as transportation expenses, which is included in selling, general and administrative expenses. The effect of this change was to increase operating income of "Europe" by ¥44 million ($473 thousand).

(3) Sales to Foreign Customers

	Millions of Yen				
	Asia	North America	Europe	Other	Total
2010	**¥2,401**	**¥3,181**	**¥1,570**	**¥15**	**¥7,169**
2009	2,126	3,707	1,850	20	7,705

	Thousands of U.S. Dollars				
	Asia	North America	Europe	Other	Total
2010	**$25,817**	**$34,204**	**$16,881**	**$161**	**$77,086**

Note:
The countries belonging to the classifications above are as follows:
   Asia..... China, South Korea, Taiwan, etc.
   North America..... United States of America and Canada
   Europe ..... France, Germany, United Kingdom, etc.
   Other..... Countries in Oceania, Africa and South America

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Takara Bio Inc. (the "Company") and subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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 subsidiaries as of March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity 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 11, 2010

Member of
Deloitte Touche Tohmatsu

CORPORATE DATA (AS OF MARCH 31, 2010)

Trade Name	Takara Bio Inc.
Head Office	Seta 3-4-1, Otsu, Shiga 520-2193, Japan Telephone: +81-77-543-7212
Established	April 1, 2002
Issued Capital	¥9,053 million
Number of Employees of Takara Bio Group	1,039
URL	http://www.takara-bio.com

Main Offices

	Location
Head Office	Seta 3-4-1, Otsu, Shiga 520-2193, Japan
Kusatsu Office	Noji-Higashi Nanachome 2-62, Kusatsu, Shiga 525-0058, Japan
Dragon Genomics Center	Sakura-cho 7870-15, Yokkaichi, Mie 512-1211, Japan
Sales Department	Nihonbashi 2-15-10, Chuo-ku, Tokyo 103-8232, Japan
Kusu Factory	Minamigomizuka 1350-2, Kusu-cho, Yokkaichi, Mie 510-0104, Japan

Consolidated Subsidiaries

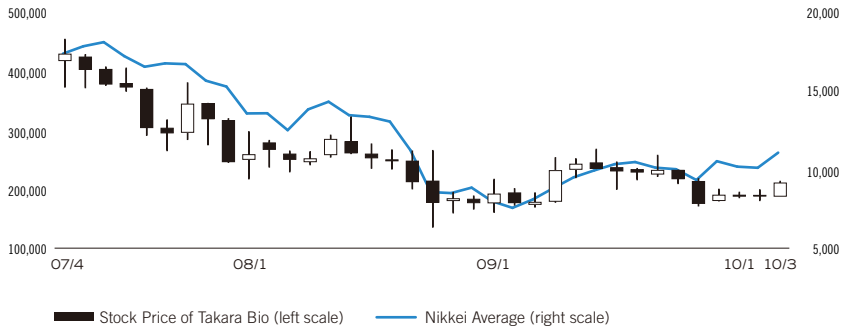
Name	Location	Issued Capital and Subscription	Line of Business
Takara Biotechnology (Dalian) Co., Ltd.	Dalian, People's Republic of China	¥2,350 million	Genetic engineering research
Takara Korea Biomedical Inc.	Seoul, Korea	W3,860 million	Genetic engineering research
Takara Bio USA Holdings Inc.	Mountain View, U.S.A.	US$70,857 thousand	Genetic engineering research
Clontech Laboratories, Inc.	Mountain View, U.S.A.	US$83 thousand	Genetic engineering research
Takara Bio Europe S.A.S.	Saint-Germain-en-Laye, France	EUR600 thousand	Genetic engineering research
Takara Biomedical Technology (Beijing) Co., Ltd.	Beijing, People's Republic of China	¥1,030 million	Gene medicine
Mizuho Nourin Co., Ltd.	Kyotanba-cho, Funai-gun, Kyoto, Japan	¥10 million	AgriBio
Takara Bio Farming Center Inc.	Osaki-cho, Soh-gun, Kagoshima, Japan	¥3 million	AgriBio
KINOKO CENTER KIN INC.	Okinawa, Japan	¥5 million	AgriBio

INVESTOR INFORMATION (AS OF MARCH 31, 2010)

Common Stock		
Authorized Shares	1,000,000 shares	
Issued and Outstanding	282,139 shares	
Number of Shareholders	17,799	
Major Shareholder	Takara Holdings Inc. (70.9% equity owned)	
Stock Listing	Tokyo Stock Exchange Mothers (securities code number: 4974)	
Annual Meeting of Shareholders	Every June	
Record Date	• Record date for shareholders entitled to vote	March 31
	• Record date for shareholders entitled to receive payment of dividends	March 31
	• Record date for shareholders entitled to receive payment of interim dividends	September 30
	• Other record date (if necessary)	A date posted in advance
Transfer Agent and Registrar	Mizuho Trust & Banking Co., Ltd. 2-1, Yaesu 1-chome, Chuo-ku, Tokyo, Japan	
Transfer Agent Office	Mizuho Trust & Banking Co., Ltd., Osaka Branch, Stock Agency Transfer Department, 11-16, Sonezaki 2-chome, Kita-ku, Osaka, Japan	
Inquiries to Transfer Agent and Registrar	Mizuho Trust & Banking Co., Ltd., Stock Agency Transfer Department, 8-4, Izumi 2-chome, Suginami-ku, Tokyo 168-8507, Japan, Telephone: 0120-288-324 (toll free, within Japan only)	

Stock Price Range

(Yen)



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