TaKaRa

THE BIOTECHNOLOGY COMPANY™

Annual Report 2012

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 developed biotechnology-related businesses with a focus on genetic engineering technologies. We have three business segments: the Genetic engineering research business, the AgriBio business, and the Gene medicine business.

The Genetic engineering research business was launched with the sales of the first domestically produced restriction enzymes and has pioneered the introduction and sale of a gene amplification system known as Polymerase Chain Reaction (PCR) in Japan. This business provides research reagents, scientific instruments, and contract research services that are essential for leading-edge biotechnology research. Today, the sales network of this business boasts a global reach, encompassing North America, Europe, and emerging Asian countries. Since being the first to succeed in the large-scale production of Bunashimeji mushrooms in 1970, the AgriBio business has developed a business centered on technologies for the large-scale production of mushrooms, including producing and selling Hatakeshimeji and Honshimeji mushrooms. Also, the business provides customers with health food products whose functionality has been proven through the use of biotechnology. These include Gagome kombu (kelp) "fucoidan," agar-derived "agaro-oligosaccharide," and Ashitaba (angelica herb) "chalcone." The third business segment is the Gene medicine business, which applies technologies developed by the Genetic engineering research business to the medical field. This business develops and commercializes leading-edge medical technologies, such as cell and gene therapies for cancer and AIDS.

FORWARD-LOOKING STATEMENTS

Statements in this annual report, other than those based on historical fact, concerning the current plans, prospects, strategies, and expectations of Takara Bio Inc. ("the Company") and its consolidated subsidiaries ("the Group") represent forward-looking statements. As such statements are based on the conclusions made by management as of August 2012 based on information that includes major risks and uncertainties, actual results may vary significantly from the forecasts made 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 regulatory and government systems, pressure from competitor price and product strategies, a decline in selling power of the Company's existing and new products, disruptions to production, violations of the Company's intellectual property rights, rapid advances in technology, and unfavorable verdicts in major litigation.

CONTENTS

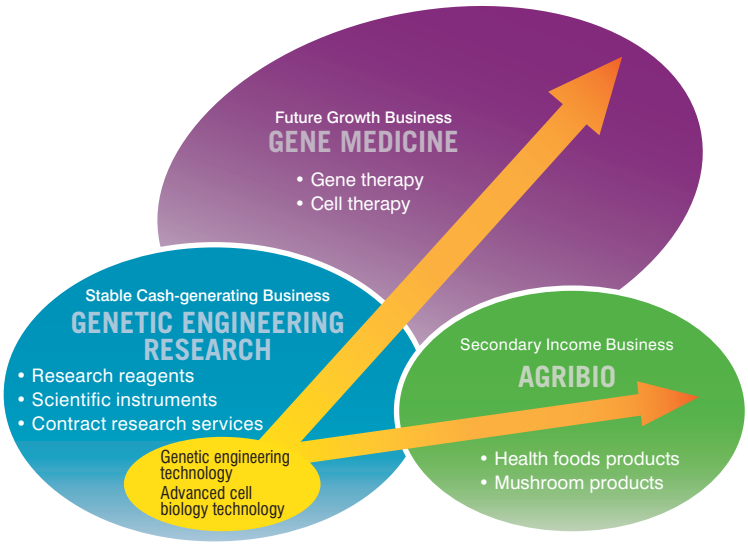
BUSINESS STRATEGY

TAKARA BIO GROUP'S BUSINESS STRATEGY

The Takara Bio Group strives to further expand its scope of business from foodstuffs to biomedicines by leveraging the core technologies developed in the Genetic engineering research business.

Our business strategy is to invest the stable income generated by the Genetic engineering research and AgriBio businesses into the Gene medicine business, which holds significant growth potential, thereby expanding our future earnings.

Going forward, Takara Bio will work to expand its GENETIC ENGINEERING RESEARCH BUSINESS, which underpins its stable earnings, to continue to nurture its AGRIBIO BUSINESS, which is positioned to become our second profitable business, and thereby to aggressively advance the R&D activities of its GENE MEDICINE BUSINESS, which is the Group's platform for future growth.



TAKARA BIO GROUP HIGHLIGHTS

Takara Shuzo Co., Ltd.
(now, Takara Holdings Inc.)
started the biomedical business.
↓
April 2002
The Company was established as a result of a corporate separation through incorporation of a new company (shinsetsu bunkatsu).
↓
December 2004
Takara Bio was listed on the Mothers section of the Tokyo Stock Exchange.

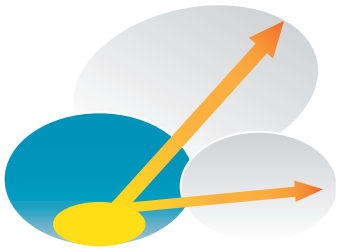
MEDIUM-TERM MANAGEMENT PLANS

NUMERICAL TARGETS (Millions of Yen)	FY 2013* Budget	FY 2014 Plans	FY2015 Plans
Net Sales	¥21,100	¥22,700	¥23,600
Genetic Engineering Research	17,522	18,467	19,110
AgriBio	2,561	2,651	2,691
Gene Medicine	1,016	1,597	1,797
Operating Income (Loss)	1,600	1,700	1,800
Genetic Engineering Research	4,694	4,947	5,283
AgriBio	0	65	112
Gene Medicine	(1,332)	(1,515)	(1,793)
Ordinary Income	1,850	1,900	2,000
Net Income	1,100	1,200	1,300
R&D Expense	3,083	3,533	4,085
R&D Expense / Net Sales Ratio (%)	14.6%	15.6%	17.3%

* Fiscal year ending March 31, 2013

Stable Cash-generating Business

GENETIC ENGINEERING RESEARCH



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.

The start of the Genetic engineering research business

1979 Commenced sales of the first Japanese-made restriction enzymes (total of six products), which are essential to genetic engineering research.

1988 Acquired an exclusive sales rights for a gene amplification system using the PCR method in Japan.

1993 Acquired non-exclusive development, production, and sales rights for PCR technology as well as commenced sales of our own PCR-related products.

Products and services

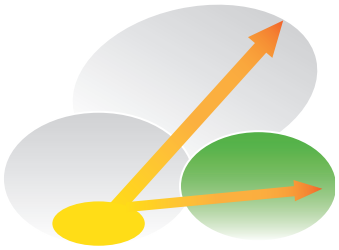
- Research reagents (including gene amplification reagents, gene expression reagents, protein expression reagents, and antibodies)
- Scientific instruments (including gene amplification instruments and mass spectrometry systems)
- Contract research services (including genome sequence analysis and DNA chip analysis, etc.)

Strengths

- In Asia, the reputation of the Takara brand; in Europe and the United States, the reputation of the Clontech brand
- An extensive lineup of Takara and Clontech branded products
- Price competitiveness (through production of research reagents in China)
- New product and service development capabilities (promotion of R&D under trilateral structure including Japan, the United States, and China)
- A worldwide sales network

Secondary Income Business

AGRIBIO



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

The start of the AgriBio business

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

1973 Out-licensed large-scale production technology for Bunashimeji mushrooms to JA ZEN-NOH (National Federation of Agricultural Cooperative Associations) Nagano.

1996 Confirmed the effectiveness of "fucoidan," derived from Gagome kombu (kelp), through experiments using biotechnology and began marketing the health food product Apoidan-U.

Products and services

- Health food products (including products related to Gagome kombu (kelp) "fucoidan," "agaro-oligosaccharide" derived from agar, and "chalcone" derived from Ashitaba (angelica herb))
- Mushroom products (including Bunashimeji, Hatakeshimeji, and Honshimeji
- Mushroom cultivation technologies, patents, and know-how licensing

Strengths

- Technologies for the large-scale production of mushrooms (including Bunashimeji, Hatakeshimeji, and Honshimeji)
- Possession of 4,000 different mushroom strains of our own
- Decades of expertise in the research and development of health-oriented foods and a wealth of evidence-based research data
- An alliance with Takara Healthcare for sales and marketing of health food products

Future Growth Business

GENE MEDICINE

This business segment actively conducts 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 of which use the RetroNectin® reagent.

The start of the Gene medicine business

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

2001 Out-licensed on a non-exclusive basis the RetroNectin® method for gene therapy to MolMed S.p.A. of Italy.

2003 Acquired from MolMed a license for HSV-TK gene therapy technologies for leukemia (subsequently commenced clinical development of gene therapies as an independent project).

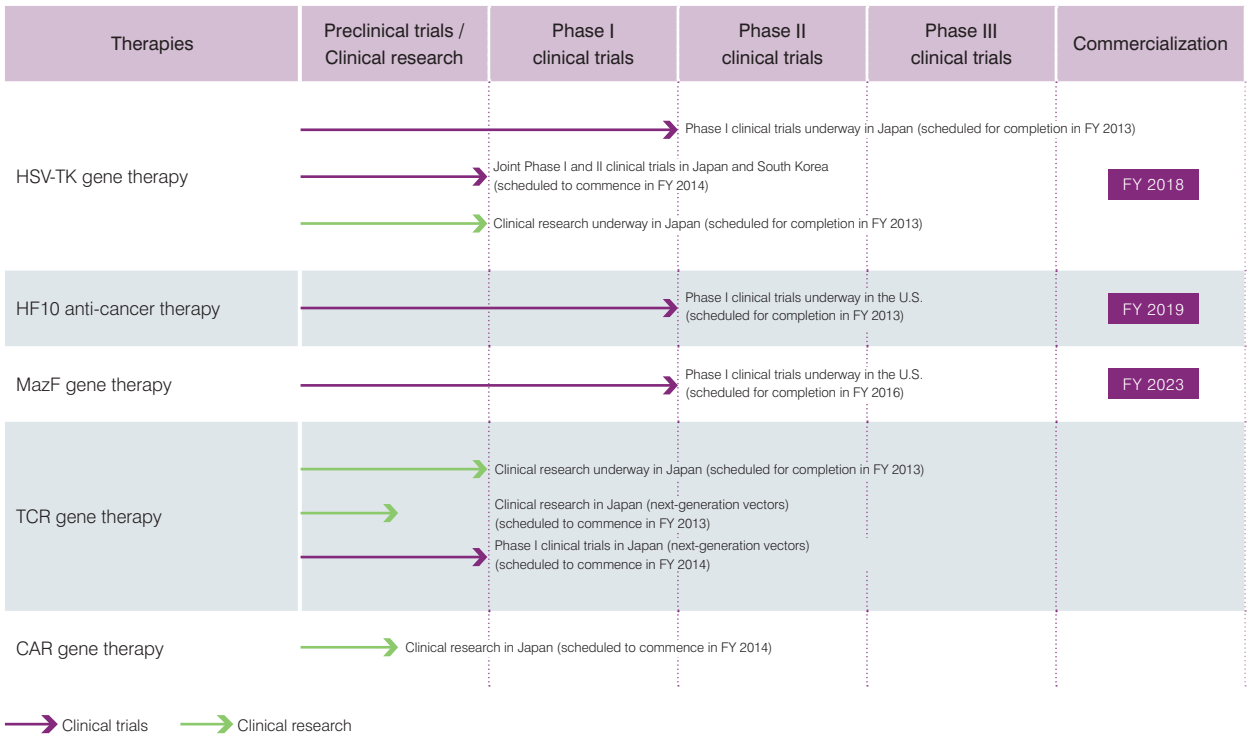
Products and services

- Cell culture media and gas-permeable bags for cell therapy
- Technical support services for cancer immunotherapy
- GMP (Good Manufacturing Practice) grade RetroNectin®
- Licensing revenues from gene medicine related technology and patents
- Technical support services for development of biopharmaceuticals (including contract production services of vectors and safety testing services)

Strengths

- The RetroNectin® method, which has become a standard technology used around the world (with more than 300 patients being treated using the RetroNectin® method)
- The RetroNectin® expansion-culture system (already commercialized for cell therapy)
- GMP-grade vector production technology
- The only company in Japan conducting clinical trials for *ex vivo* gene therapy

SCHEDULE FOR CLINICAL DEVELOPMENT OF GENE MEDICINE



EXPANDING THE GENETIC ENGINEERING RESEARCH BUSINESS GLOBALLY

Sales

We operate subsidiaries with sales functions in the United States, France, China, South Korea, and India that sell Takara Bio and Clontech products, centered on research reagents. In the fiscal year ended March 31, 2012, the Genetic engineering research business had an overseas sales ratio of 41.9%.

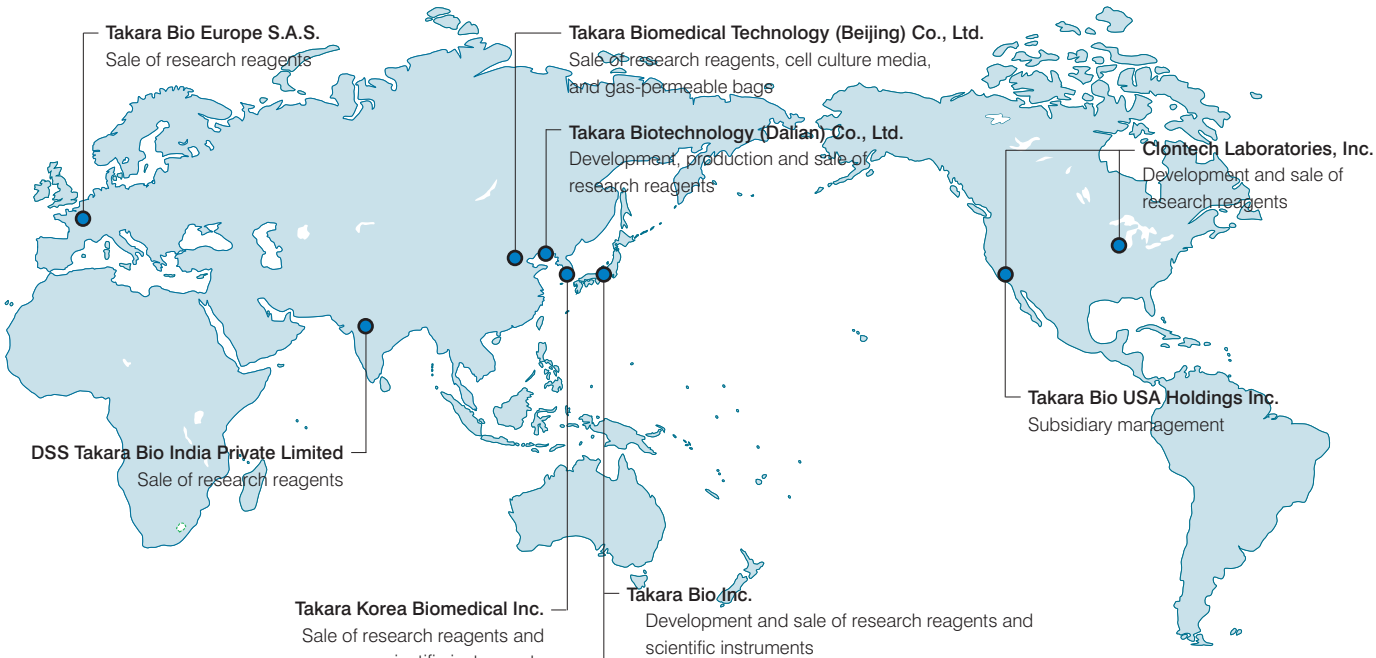
Production

The research reagents sold as Takara Bio and Clontech products are produced mainly in China. The approximately 500 employees at Takara Biotechnology (Dalian) Co., Ltd., efficiently produce several thousand different types of research reagents under a stringent quality assurance system. In May 2011, DSS Takara Bio India Private Limited was established as our affiliate in India. In addition to selling research reagents, this company is expected to manufacture research reagents for the Indian market.

Research and Development

In the life sciences field, cutting-edge technology development is proceeding apace at locations throughout the world, with a variety of companies creating products that employ those technologies. In addition to pursuing advanced technologies in its own right, the Takara Bio Group is developing new products incorporating technologies that universities and other organizations have developed, with a view to their early introduction. Three companies serve as research reagent R&D centers for the Takara Bio Group: Takara Bio, Clontech, and Takara Biotechnology (Dalian). This trilateral R&D structure enables us to develop new products and technologies efficiently.

TAKARA BIO GROUP COMPANIES



Takara Bio Europe S.A.S.
Sale of research reagents

Takara Biomedical Technology (Beijing) Co., Ltd.
Sale of research reagents, cell culture media, and gas-permeable bags

Takara Biotechnology (Dalian) Co., Ltd.
Development, production and sale of research reagents

Clontech Laboratories, Inc.
Development and sale of research reagents

Takara Bio USA Holdings Inc.
Subsidiary management

DSS Takara Bio India Private Limited
Sale of research reagents

Takara Korea Biomedical Inc.
Sale of research reagents and scientific instruments

Takara Bio Inc.
Development and sale of research reagents and scientific instruments
Contract research services
Production and sale of health foods and mushrooms
Commercialization of cell and gene therapies

Mizuho Nourin Co., Ltd.
Production and sale of mushrooms

Takara Bio Farming Center Inc.
Production and sale of Ashitaba and other agricultural products

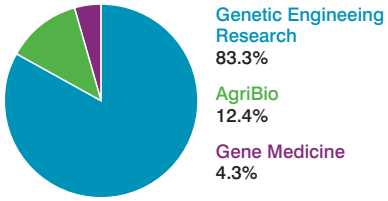
KINOKO CENTER KIN INC.
Production and sale of mushrooms

TAKARA BIO AT A GLANCE

TOTAL OF TAKARA BIO GROUP

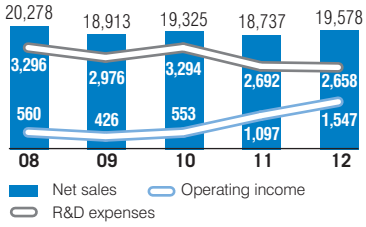
NET SALES BY BUSINESS SEGMENT

(Year ended March 31, 2012)



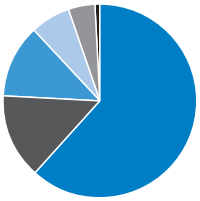
NET SALES / OPERATING INCOME / R&D EXPENSES

(Millions of Yen)



SALES BY GEOGRAPHIC SEGMENT

(Year ended March 31, 2012)



Japan	61.8%
United States	14.3%
China	12.0%
Europe	6.7%
Asia excluding China	4.5%
Other	0.7%

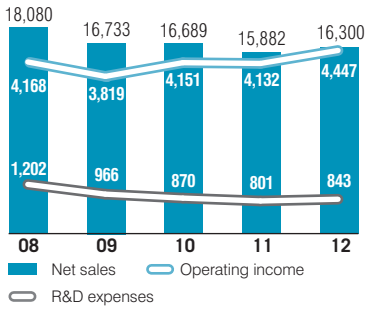
GENETIC ENGINEERING RESEARCH

NET SALES
¥16,300 million

OPERATING INCOME
¥4,447 million

NET SALES / OPERATING INCOME / R&D EXPENSES

(Millions of Yen)



Overview of fiscal 2012

In Genetic engineering research, sales of mainstay research reagents increased, despite the effects of yen appreciation. Sales of scientific instruments also increased, helped by higher sales of mass spectrometry systems. Meanwhile, sales of contract research services remained essentially flat. As a result of these factors, the business segment recorded a 2.6% increase in sales to external customers, to ¥16,300 million, and gross profit rose 3.6%, to ¥9,596 million, owing to a decrease in the cost of sales ratio. Although personnel expenses fell, selling, general and administrative expenses edged up 0.3%, to ¥5,148 million, as the result of such factors as higher shipping and R&D expenses. Operating income consequently expanded 7.6%, to ¥4,447 million.

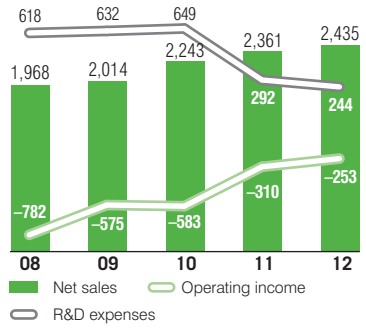
AGRIBIO

NET SALES
¥2,435 million

OPERATING INCOME
¥−253 million

NET SALES / OPERATING INCOME / R&D EXPENSES

(Millions of Yen)



Overview of fiscal 2012

Sales of health food products were essentially unchanged year-on-year, but higher sales of mushroom products contributed to a 3.1% increase in segment sales to external customers, to ¥2,435 million. Gross profit expanded 2.5%, to ¥391 million. Selling, general and administrative expenses were down 6.7%, to ¥645 million, owing to such factors as lower R&D expenses. Consequently, the segment posted an operating loss of ¥253 million, down from an operating loss of ¥310 million in the previous fiscal year.

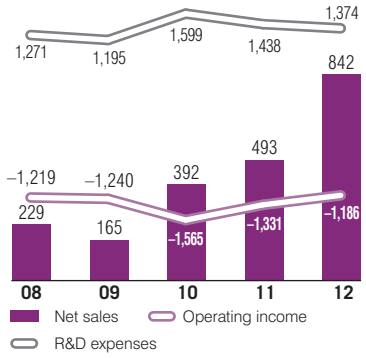
GENE MEDICINE

NET SALES
¥842 million

OPERATING INCOME
¥−1,186 million

NET SALES / OPERATING INCOME / R&D EXPENSES

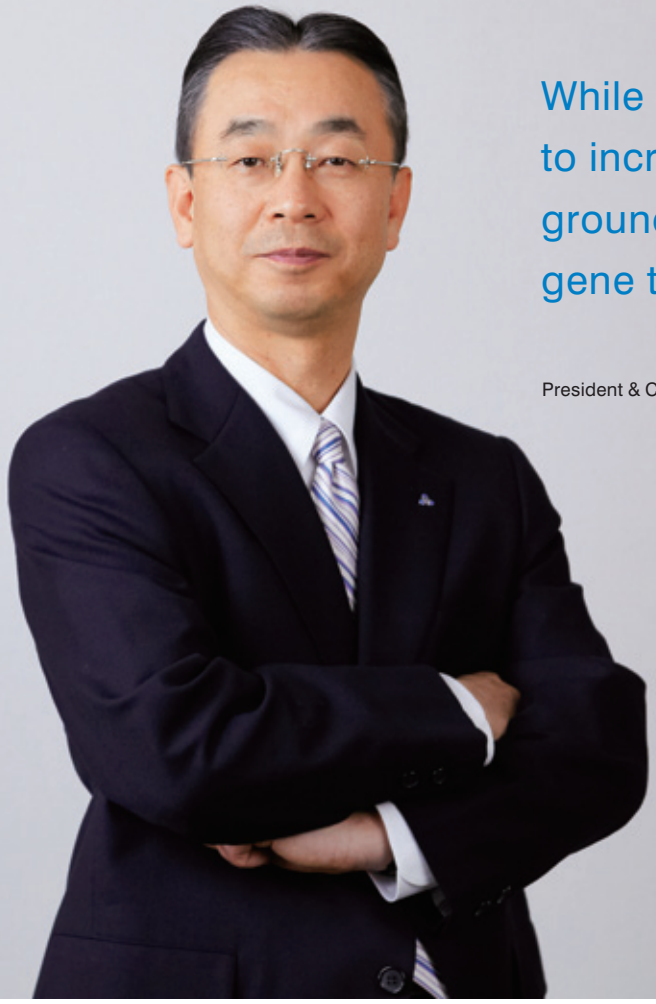
(Millions of Yen)



Overview of fiscal 2012

Sales of technical support services for cancer immunotherapy were brisk, owing to an increase in the number of hospitals to which we provide these services. Accordingly, segment sales to external customers surged 70.8%, to ¥842 million, and gross profit jumped 71.6%, to ¥396 million. Although R&D expenses declined, selling, general and administrative expenses rose 1.3%, to ¥1,582 million, affected by an increase in administrative expenses. The segment accordingly posted an operating loss of ¥1,186 million, compared with a loss of ¥1,331 million in the previous fiscal year.

AN INTERVIEW WITH THE PRESIDENT

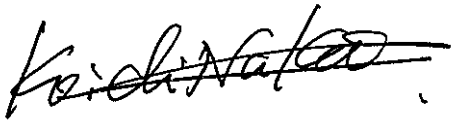


While moving forward with our strategy to increase earnings, we will break new ground in the commercialization of gene therapies.

President & CEO **Koichi Nakao**

Adhering to our corporate philosophy of “contributing to the health of mankind through the development of revolutionary biotechnologies such as gene therapy,” we will use earnings from the Genetic engineering research business and the AgriBio business to advance the Gene medicine business dramatically and thereby raise corporate value. Having businesses that generate stable earnings as well as businesses with the potential to expand rapidly is one of the Takara Bio Group’s key advantages. Utilizing such strengths, I pledge to devote my energies to realizing a high-paced and dynamic business management approach that will benefit all of our stakeholders.

August 2012
President & CEO



Q **Please describe the management environment in the Genetic engineering research business.**

A **In some parts of Europe, governments reduced their research and development budgets, and corporate research and development spending appeared to trend downward. In China, India, and other emerging markets, however, research and development investment is rising substantially in line with economic development.**

Affected by the European financial crisis, the governments of some European countries cut back their research and development budgets, and some companies reduced their research and development spending. On the flip side, emerging markets such as China and India stepped up their research and development spending significantly, in line with economic growth. Within this management environment, we are endeavoring to boost sales by developing superior new products ahead of our competitors and by reinforcing our sales activities in emerging markets. To increase sales, we are also working to expand our product lineup by forging alliances with companies where we can benefit from technological synergies.

Q **Please provide an overview of your business results for fiscal 2012.**

A **Operating income, ordinary income, and net income all reached record highs.**

In the Genetic engineering research business, sales of research reagents and scientific instruments both increased year-on-year, and our Gene medicine business performed favorably. As a result, net sales amounted to ¥19,578 million, up ¥840 million, or 4.5%, from the previous fiscal year. Benefiting from a decline in our cost of sales ratio, gross profit grew ¥505 million, or 5.1%, to ¥10,383 million. Selling, general and administrative (SG&A) expenses rose ¥55 million, or 0.6%, to ¥8,836 million, owing to increases in shipping expenses and other factors. Operating income surged ¥449 million, or 41.0%, to ¥1,547 million. Ordinary income expanded ¥553 million, or 43.4%, to ¥1,829 million, thanks to an improved revenue/expense net-out buoyed by income from research grants and higher interest income. Although total income taxes expanded ¥270 million, net income grew ¥417 million, or 68.9%, to ¥1,023 million. Thus, operating income, ordinary income, and net income all reached record highs.

FINANCIAL HIGHLIGHTS

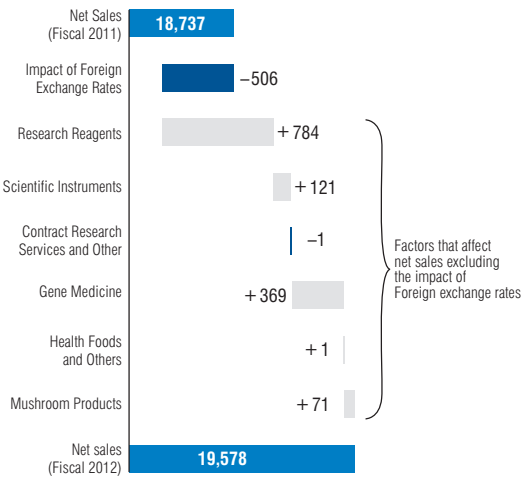
NET SALES
¥19,578 million

OPERATING INCOME
¥1,547 million

NET INCOME
¥1,023 million

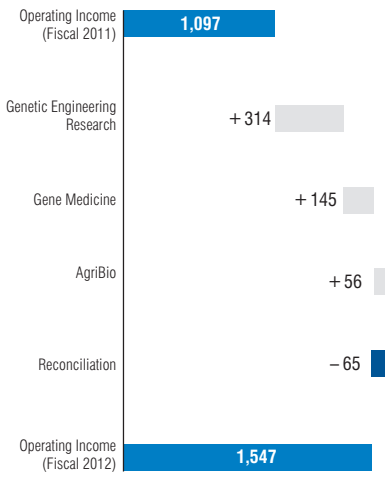
CONSOLIDATED NET SALES

(Millions of Yen)



CONSOLIDATED OPERATING INCOME

(Millions of Yen)



Looking at results by business, sales in the Genetic engineering research business amounted to ¥16,300 million, up 2.6% year-on-year, thanks to higher sales of our mainstay research reagents, particularly in China and India, as well as year-on-year increases in sales of scientific instruments, notably mass spectrometry systems. Gross profit was higher due to a lower cost of sales ratio, while operating income increased 7.6%, to ¥4,447 million, despite increased SG&A expenses due to higher shipping and research and development expenses. In the Gene medicine business, sales were robust for technical support services relating to cancer immunotherapy, as well as for cell culture media and bags for cell therapy in China, bolstering segment sales 70.8%, to ¥842 million. Similarly, gross profit expanded 71.6%, to ¥396 million, while SG&A expenses were also higher. The operating loss amounted to ¥1,186 million, down from ¥1,331 million in the previous fiscal year. In the AgriBio business, sales of mushroom products increased, raising segment sales 3.1%, to ¥2,435 million. As SG&A expenses were down year-on-year, the operating loss shrunk to ¥253 million, from ¥310 million.

Q **Please outline some of your aims for fiscal 2013.**

A **We aim to absorb increases in research and development expenses related to clinical trials and clinical research on Gene medicine, and intend to set new income records.**

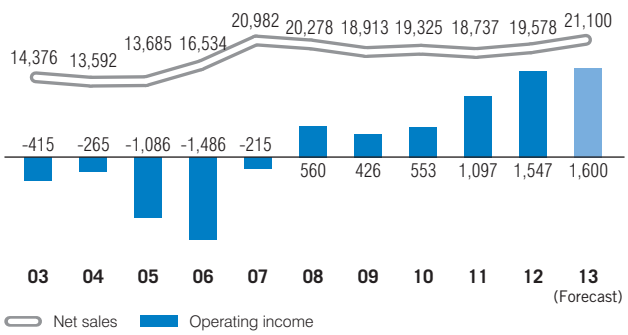
Going forward, we forecast record business results, with new highs for net sales, operating income, ordinary income, and net income.

On the sales front, we will accelerate new product development of research reagents in the Genetic engineering research business, and we aim to help expand the sales of products from business partners with which we enjoy technological synergies. We also look forward to higher demand from China, India, and other emerging markets. As a result, we anticipate a 7.5% year-on-year increase in this segment. In the Gene medicine business, we forecast a 20.6% year-on-year increase in sales, stemming from higher sales of technology support services for cancer immunotherapy in Japan, as well as of cell culture media and bags for cell therapy in China. We are also stepping up our biopharmaceutical development support services. We anticipate a 5.2% increase in sales in the AgriBio business, helped by higher sales of fucoidan-focused health foods and fresh mushrooms.

Our R&D efforts in the Genetic engineering research business will concentrate on the fields of real-time PCR and advanced cell biology, as well as new product development related to next-generation sequencing. We will also expand our field of business from supporting academic research

SALES AND OPERATING INCOME

(Millions of Yen)



(Millions of Yen)	FY 2012 (Actual)	FY 2013 (Forecast)	Change from the previous year	
Net Sales	19,578	21,100	1,521	7.8%
Cost of Sales	9,194	9,899	705	7.7%
Gross Profit	10,383	11,200	816	7.9%
Selling, General and Administrative Expenses	8,836	9,600	763	8.6%
Operating Income	1,547	1,600	52	3.4%
Ordinary Income	1,829	1,850	20	1.1%
Net Income	1,023	1,100	77	7.5%

to supporting industry, accelerating new product development in applied fields where we can apply PCR technology, such as food analysis, environmental analysis, and molecular diagnostics. We will also extend our geographic scope of applied field from Japan to include the rest of Asia, including such markets as China, South Korea, and India. With regard to Gene medicine, in April 2012 the U.S. Food and Drug Administration (FDA) allowed our investigational new drug (IND) application regarding the application of MazF gene therapy to HIV infections. This paves the way for us to begin conducting clinical trials in the United States with gene therapy using vectors that Takara Bio has developed and manufactured. Clinical trials are underway on three projects: HSV-TK gene therapy targeting recurrent leukemia, HF10 targeting solid tumors, and MazF gene therapy targeting HIV. We expect research and development expenses to increase ¥425 million in fiscal 2013, owing to these clinical trials, as well as to our efforts to pursue clinical research on TCR gene therapy and Natural Killer (NK) cell therapy.

In fiscal 2013, we expect to post record highs for operating income, ordinary income, and net income, while absorbing increases in research and development expenses.

Q **Would you explain your thoughts on investments and shareholder returns?**

A **Recognizing returning profits to shareholders as a management priority, we awarded a year-end dividend of ¥1 per share for fiscal 2012.**

Takara Bio believes that in addition to securing sufficient internal reserves to enable the aggressive pursuit of investment in research and development activities in the Genetic engineering research, Gene medicine, and AgriBio businesses, returning profits to shareholders is a management priority. Accordingly, our fundamental policy is to return profits, taking management performance and our financial condition into consideration. In concrete terms, we aim to distribute around 10% of estimated net income, excluding net extraordinary items in the consolidated financial statements.

In accordance with this policy, for fiscal 2012 we distributed a year-end dividend of ¥1 per share. We also forecast a ¥1 per share year-end dividend for fiscal 2013.

Q **Please share with us your directions and thoughts for the future.**

A **We are committed to becoming the first company in Japan to commercialize *ex vivo* gene therapy. We aim to commercialize a gene therapy drug by 2017, and we intend to move into the later stages of clinical development projects by that time.**

We believe that we have created an extremely solid structure for a company in the biotech industry: we generate stable earnings, maintain profitable operations, and invest in drug research with a view to making a significant leap forward in the future. To maintain this structure, we will continue working to improve our business results each year and to make advances in clinical development centered on gene therapy. We were the first company in Japan to conduct clinical trials involving *ex vivo* gene therapy, and we plan to be the first in Japan to commercialize *ex vivo* gene therapy. Our goal is to commercialize a gene therapy drug by 2017, as well as to move into the later stages of clinical development projects by that time.

GENETIC ENGINEERING RESEARCH

The Genetic engineering research business supports biotechnology research worldwide, from basic research conducted at academic institutions to commercial entities 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 offer research reagents, scientific instruments, and contract research services that utilize new genetic engineering technologies.

Real-time PCR equipment

Research reagents

Clontech's research reagents

RESEARCH REAGENTS AND SCIENTIFIC INSTRUMENTS

R&D activities 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 as well as the unraveling of biological phenomena and mechanisms of disease at the molecular level in living organisms. The role of our Genetic engineering research business 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 our own PCR-related products. An essential procedure for biotechnology research, the PCR method amplifies minute amounts of genetic material found in biological samples. We develop and supply products that meet market needs in this area, such as high-performance PCR enzymes, and real-time PCR equipment. In the growing real-time PCR field, we are growing sales steadily by continuing to actively market new products.

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 is strong in the field of cell biology, including systems for gene functional analysis using fluorescent proteins, as well as for the analysis of protein–protein interactions. Combining Clontech products with Takara Bio products has already greatly expanded and enhanced our lineup of research reagents.

As for production, we maintain a high level of cost competitiveness by manufacturing the majority of our research reagents in China. This production centers on Takara Biotechnology (Dalian), which Takara Bio established in China in 1993 as a manufacturing base for its research reagents.

We market products in North America and Europe through two subsidiaries, Clontech of the United States and Takara Bio Europe S.A.S. of France, respectively. At the same time, we are focusing efforts on increasing sales in emerging countries. In China, Takara Biotechnology (Dalian) primarily markets research reagents, and sales in this market continue to grow vigorously. In India, we have begun stepping up sales efforts through DSS Takara Bio India, which was established as a subsidiary for the manufacture and sale of research reagents, beginning operations in June 2011.

We will continue to distribute the products of other companies that are technologically complementary and conduct sales within Japan and overseas. We aim to expand sales by offering products from such companies as Immuno-Biological Laboratories Co., Ltd., Macherey-Nagel GmbH & Co. KG, and Morinaga Institute of Biological Science, Inc.

R&D tasks are shared efficiently among the Company, Clontech, and Takara Biotechnology (Dalian). These R&D initiatives focus on the fields of advanced cell biology, a market likely to grow going forward, and genetic engineering, a field in which we boast particular competence. In the genetic engineering field, we aim for sales growth by expanding the application of PCR-related technology for industrial use (applied fields) and by developing new products related to real-time PCR

BUSINESS LINE

Research Reagents
- PCR enzymes
- Cloning systems
- Viral vectors
- iPS cell generation
- Reagents for next-generation sequencing

Scientific Instruments
- PCR-related equipment
- Mass spectrometry systems

Contract Research Services
- Next-generation sequencing analysis
- DNA sequence analysis
- Gene expression analysis

equipment, which we consider to be a growth market. In the advanced cell biology field, we have 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, South Korea, and India. Based on this strategy, we aim to build a strong position in the global marketplace.

CONTRACT RESEARCH SERVICES

Takara Bio operates a contract research services business through which it conducts data analysis and performs research for academia and commercial entities on a contractual basis. We opened one of Asia's largest genome analysis centers in 2000 and have received several large genome analysis contracts. The Dragon Genomics Center—the core of our contract research services business—offers not only general research services, such as genome sequence analysis, gene expression analysis using DNA microarray, and small RNA analysis, and protein expression analysis, but also state-of the-art research services, such as massively parallel high-throughput sequencing analysis using next-generation sequencers and contract production services for iPS cells.

In gene analysis using next-generation sequencers, a research method that has surged in popularity in recent years, we cater to a broad range of leading-edge analysis methods, including epigenetic analysis and metagenomic analysis. Also, we are focusing on bioinformatics for data processing. We provide high-value-added services—next-generation data mining services—which extract useful information from the extremely large amounts of data produced by next-generation sequencing analysis.

We will respond quickly to rapid technological innovation in biotechnology research by continuing to offer innovative new services.

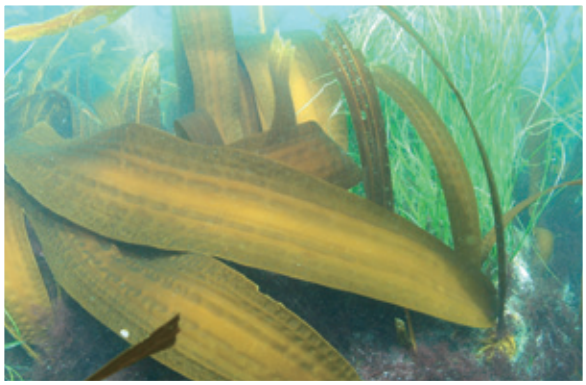
Next-generation sequencing system

FUTURE MEASURES

- Develop / increase sales of products in the fields of real-time PCR analysis and advanced cell biology
- Develop next-generation sequencing-related technologies and increase sales of contract services
- Enhance development of PCR products in the Applied fields (food product analysis, environmental analysis, and molecular diagnostics) and proactively develop our business in Asia
- Advance development of our core technologies by improving the productivity of our R&D activities, through collaboration among Takara Bio (Japan), Clontech (U.S.), and Takara Biotechnology (Dalian) (China)
- Pursue new alliances with companies that have technologically complementary products to our own

AGRIBIO

In the AgriBio business, Takara Bio uses its biotechnology to search for functional components in traditional Japanese foodstuffs. We then use the identified materials to develop and manufacture health food products. We also take advantage of our technologies to enable the breeding and large-scale cultivation of mushrooms in order to produce and sell Hatakeshimeji and Honshimeji mushrooms.



Glucosamine + Agaro-oligosaccharides

Takara Anshin Nodoame
(worry-free throat lozenges)

Ashitaba Aojiru
(Ashitaba Green Juice)

HEALTH FOOD BUSINESS

Takara Bio has been researching the functional properties of Gagome kombu (kelp) "fucoidan," agar-derived "agaro-oligosaccharide," Ashitaba (angelica herb) "chalcone," mushroom "terpene," yam (*Dioscorea esculenta*) "Yamsgenin™," and the herb (*Peucedanum japonicum*) "Isosamidin," and has been developing and producing health food products featuring these unique properties.

Takara Healthcare Inc., a wholly owned subsidiary of Takara Holdings Inc., provides these products through an online ordering and telephone sales network. The Company also provides food ingredients with these unique functional properties to food and beverage manufactures.

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. 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 spent many years researching Gagome kombu (kelp), a particularly sticky type of kombu, and consequently was the first to identify three chemical structures in the fucoidan found in Gagome kombu (kelp). Moreover, we are continuing research on the properties of Gagome kombu (kelp) "fucoidan."

2. Agar-derived "Agaro-oligosaccharide"

Agar, which is made from red algae such as tengusa and ogonori, 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 has also focused its research on agaro-oligosaccharides, which are obtained by heating agar in acid. We have already developed an original method for manufacturing agar-derived "agaro-oligosaccharides." Moreover, we are identifying the unique functional properties of agaro-oligosaccharides not found in other oligosaccharides.

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 Japanese saying, "If Ashitaba leaves are picked today, new leaves will be in place by tomorrow." Ashitaba is rich in vitamins, minerals, and dietary fiber, many of which are important nutrients for both health and beauty. Taking special care over every aspect of cultivation from soil preparation onward, Takara Bio produces Ashitaba on its own farms and contracted farms in Kagoshima Prefecture. Takara Bio has focused on chalcone, a polyphenol peculiar to Ashitaba, and is pursuing R&D activities into the function of chalcone.

4. Mushroom "Terpene"

"Terpene" is the generic name for substances based on isoprene structure that are found widely in nature. For example, lycopene, a health-promoting constituent of tomatoes, is a "terpene." Takara Bio's research focuses on the properties of mushroom "terpene," which is one of the compounds present in Bunashimeji mushrooms (*Hypsizigus marmoreus*).

5. Yam (*Dioscorea esculenta*)

Long known as a healthy food with tonic-like properties, yams are referred to as "Sanyaku" in traditional Chinese medicine. Takara Bio researched the properties of the *Dioscorea*

Health Food Business

- Gagome kombu (kelp) “fucoidan”
- Agar-derived “agaro-oligosaccharide”
- Ashitaba (angelica herb) “chalcone”
- Mushroom “terpene”
- Yam (*Dioscorea esculenta*) “Yamsgenin™”
- Herb (*Peucedanum japonicum*) “Isosamidin”

Mushroom Business

- Bunashimeji mushrooms
- Hatakeshimeji mushrooms
- Honshimeji mushrooms

esculenta, a type of yam that is cultivated in Okinawa, discovering Yamsgenin™, a substance found in the *D. esculenta* yam but not found in ordinary yams. We are continuing to conduct research on the properties of the Yamsgenin™.

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 the local folklore saying: “If you eat a sprig of botanbofu, you will live one 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

We develop new breeds of mushroom as well as methods for the cultivation and mass production of mushrooms. Takara Bio was the first company to succeed in the large-scale production of Bunashimeji mushrooms, which are widely available at most Japanese food retailers. 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 continue to license the technology for the large-scale production of Bunashimeji mushrooms to JA ZEN-NOH Nagano and other organizations. Having succeeded in the large-scale production of Honshimeji mushrooms, which are considered extremely difficult to mass produce, we now produce and sell them. Honshimeji mushrooms are known for their exquisite taste—as the Japanese 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 2013, we forecast a production volume of approximately 160 tons. Through Mizuho Nourin Co., Ltd., a joint venture between Takara Bio as well as Kyotamba-cho and the Kyotamba 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 1,600 tons of mushrooms in fiscal 2013. We have been reinforcing our internal sales organization for Hatakeshimeji and Honshimeji mushrooms and are targeting further increases in sales. By introducing new technologies, we are increasing production volume, reducing cost, and further enhancing product quality.

Fucoidan Supplement 50


Hatakeshimeji mushrooms


Honshimeji mushrooms

FUTURE MEASURES

- Increase sales in the B-to-B market by strengthening scientific evidence for health-oriented food ingredients through human interventional studies
- Strengthen quality control / quality assurance systems in order to ensure the provision of safe and reliable products
- Enhance logistics systems for and increase sales of Hatakeshimeji and Honshimeji mushrooms
- Expand business for licensing mushroom-cultivation technology and expertise

GENE MEDICINE

In the Gene medicine business, Takara Bio is developing state-of-the-art gene therapy technologies with the aim of commercialization, using the technologies and know-how accumulated through its genetic engineering research. In addition to licensing its core technologies, Takara Bio is advancing the clinical development of cell and gene therapies for AIDS, cancer, and other diseases.


Cell culture

GENE THERAPY

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

There are two types of gene therapy: *ex vivo* and *in vivo*. In *ex vivo* gene therapy, cells are taken from a patient, transduced with a target gene, and subsequently infused back into the same patient. 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 enables efficient transduction of genes into hematopoietic stem cells as well as lymphocytes and other blood cells. The technology is now becoming the standard gene transduction method in *ex vivo* gene therapy.

Another core technology is a T lymphocyte expansion-culture system (RetroNectin® expansion-culture system) that uses the RetroNectin® reagent. The T lymphocyte expansion-culture system (culture for proliferating T lymphocytes) can be used both in cell and gene therapies. In the RetroNectin® expansion-culture system, human T lymphocytes are expanded in culture in the presence of the RetroNectin® reagent in combination with interleukin-2 and anti-CD3 monoclonal antibody. In this way, 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

The RetroNectin® method is being used by various public medical institutions that are conducting clinical research in gene therapy as well as by several privately funded clinical trials. To date, the RetroNectin® method has been used for over 60 clinical gene therapy studies conducted by public medical institutions situated mainly in Europe and the United States. In addition, the RetroNectin® method has been licensed out to four overseas private corporations. Going forward, Takara Bio plans to continue to actively out-license the method worldwide.

GENE THERAPIES

Takara Bio advances clinical development of the following gene therapies.

1. HSV-TK Gene Therapy

MolMed S.p.A, of 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 Europe. Takara Bio has exclusive rights to this treatment technology in most Asian countries. In addition, Takara Bio is conducting a clinical trial of HSV-TK gene therapy (donor lymphocyte infusion; DLI) for treatment of patients with relapsed leukemia after hematopoietic stem cell transplantation at the National Cancer Center Hospital. This is the first *ex vivo* gene therapy clinical trial in Japan.

DLI has been shown to be effective for many types of leukemia relapse after transplantation; however, 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 to kill any donor lymphocytes that cause GVHD.

In Japan and South Korea, Takara Bio is also preparing to commence a global clinical trial (phase I / II clinical trial) in fiscal 2014 on patients with relapsed leukemia after having undergone HLA mismatched hematopoietic stem cell transplantation.

2. HF10 Anti-cancer Therapy

Takara Bio acquired the HF10 business from M's Science Corporation in November 2010 and is currently conducting a Phase I clinical trial in the United States for the treatment of head and neck

Clinical Development of Gene Therapy
- HSV-TK gene therapy
- HF10 anti-cancer therapy
- MazF gene therapy
- TCR gene therapy

Cell Therapy
- Technical support services for cancer immunotherapy
- Cell culture media and gas-permeable bags

Contract Services for Development of Biopharmaceuticals
- Production of GMP-grade vectors for gene therapy
- Safety testing services for biopharmaceuticals

cancer and other solid tumors. HF10 is a spontaneously occurring attenuated mutant of Herpes Simplex virus Type 1 that displays strong anti-tumor activity (oncolytic activity) when locally injected into tumors. Moreover, preclinical data suggests that HF10 also contributed to the acquisition of immunity against the tumors. Investigator-initiated clinical studies have been conducted in patients with breast cancer, head and neck cancer, and pancreatic cancer at Nagoya University School of Medicine. The results of these studies showed oncolytic activity and tolerability of HF10. As a result, HF10 has the potential to become a broadly active novel cancer therapy. In addition, in December 2011, Takara Bio began working with Mie University Hospital on clinical research involving HF10.

3. MazF Gene Therapy

Takara Bio, in a joint effort with both the University of Pennsylvania and Drexel University, has commenced a ribonuclease MazF based gene therapy Phase I clinical trial for HIV in the United States. This is the first time that the vector developed and manufactured by Takara Bio will be used in a clinical trial for gene therapy in the United States.

In AIDS, HIV infects a type of immune cell called helper T-cells or macrophages and subsequently multiplies, causing deficiencies in the helper T-cells and the entire immune system. MazF gene therapy uses retrovirus vector to transduce patient-derived T-cells *ex vivo* with genes that express MazF conditionally upon HIV infection. The MazF-modified T-cells that are infused back into the patients will block the replication of HIV when it infects the transduced T-cells, thereby keeping them functional. As a result, this method has the potential to become a gene therapy treatment for HIV.

4. TCR Gene Therapy

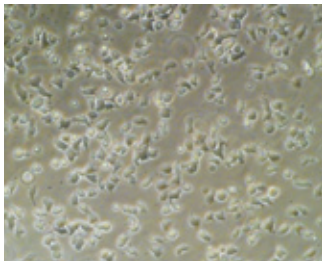
Mie University Hospital, in collaboration with Takara Bio, is conducting clinical research on T-cell receptor (TCR) gene therapy targeting esophageal cancer. TCR gene therapy involves the transduction of TCR genes that are capable of recognizing cancer antigens into the patient's own lymphocytes, which are then re-infused into the patient. These gene-transduced lymphocytes specifically recognize cancer cells and attack them, thereby eliminating the cancer cells. The results of the TCR gene therapy approach have been 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.

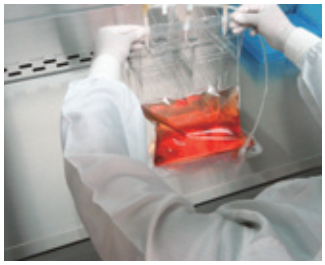
Further, Takara Bio, in cooperation with Mie University, is preparing to conduct Phase I clinical trials on TCR gene therapy using next-generation retroviral vectors developed by Takara Bio.

Cell Processing Room

FUTURE MEASURES

Gene Therapy
- Advance clinical development of HSV-TK gene therapy for patients with relapsed leukemia
- Advance clinical development of oncolytic virus HF10 in the United States
- Advance clinical development of HIV gene therapy in the United States that uses MazF
- Advance clinical development of TCR gene therapy for cancer patients


Natural Killer cells


Experiment employing culture media and bags for cell therapy

CELL THERAPY

Cell therapy entails the 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 THERAPIES

Activated lymphocyte therapy, a type of cancer immunotherapy that has extremely few side effects, is gradually spreading in use and becoming a fourth category of cancer therapy alongside surgical therapy, chemotherapy, and radiation therapy. Takara Bio is involved in the clinical development of cancer immunotherapy using the RetroNectin® expansion-culture system, which has been named "RetroNectin® induced T cell therapy," and Natural Killer (NK) cell therapy. Takara Bio also provides technical support services for cancer immunotherapies to medical institutions.

1. Clinical Development of Cancer Immunotherapy

The Kyoto Prefectural University of Medicine, in cooperation with Takara Bio, has conducted clinical research on RetroNectin® induced T cell therapy targeting gastrointestinal cancer and lung cancer. The research has demonstrated the safety and partial efficacy of this therapy.

Takara Bio has also developed technology that enables the large-scale cultivation of approximately 90%, highly pure NK cells. In April 2012, the Kyoto Prefectural University of Medicine, in collaboration with Takara Bio, began conducting clinical research using this technology on patients with gastrointestinal cancer.

2. Technical Support Services for Cancer Immunotherapy

Takara Bio provides medical institutions that conduct cancer immunotherapy with technical support services for cell processing and sells culture media and bags for cell therapy.

1) Technical support services for cell processing

Takara Bio is providing technical support, on a per fee basis, for RetroNectin® induced T cell therapy to the Iseikai Hyakumanben Clinic in Kyoto, the Takeda Hospital Group's Takeda Clinic in Kyoto, and Aino Hospital in Ibaraki city in Osaka. This technical support includes conducting the cell processing necessary for the therapy. Going forward, Takara Bio plans to continue developing and commercializing cell-processing technology that is effective in cancer immunotherapy.

2) Sales of cell culture media and gas-permeable bags for cell therapy

Takara Bio markets cell culture media and gas-permeable bags for cell therapy. In particular, it is concentrating on expanding its business in the Chinese market, where sales are expanding.

CONTRACT SERVICES FOR DEVELOPMENT OF BIOPHARMACEUTICALS

Takara Bio has facilities and systems for manufacturing vectors in accordance with Good Manufacturing Practice (GMP). As well as manufacturing vectors for the clinical trials of its own gene therapy projects, Takara Bio provides contract vector manufacturing services for the clinical research activities of institutions such as universities. Further, in collaboration with Vitrology Ltd. of the United Kingdom, Takara Bio has launched safety testing services for biopharmaceuticals in the Japanese market.

FUTURE MEASURES

Cell Therapy

- Advance clinical development of NK cell therapy
- Acquire evidential data on the clinical development of RetroNectin® induced T cell therapy (RIT) and boost sales of technical support services
- Expand revenue from cell culture media and gas-permeable bags in China

Contract Services for Development of Biopharmaceuticals

- Expand business providing biopharmaceutical development support (such as production of vectors for gene therapy and biosafety testing services)

TOPICS

GENETIC ENGINEERING RESEARCH

Entered distribution agreement with Immuno-Biological Laboratories Co., Ltd.

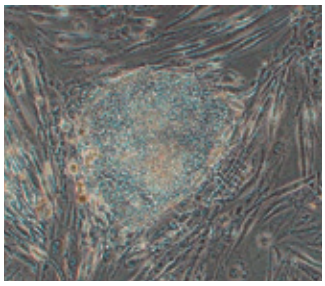
IBL products

Takara Bio has reached an exclusive distribution agreement in Japan with Immuno-Biological Laboratories Co., Ltd. (IBL), to sell IBL's research reagents and provide contract services, which we began offering on February 1, 2012. We will also provide IBL products and contract services on a non-exclusive basis outside Japan.

This alliance will enable Takara Bio to enhance its product lineup, combining its own strengths in genetic engineering research products with IBL's product strength in antibodies. We will utilize the sales network that we have established, and expand sales of IBL products and services in Japan and overseas.

GENE MEDICINE

Production and supply of plasmid vectors for induction of iPS (induced Pluripotent Stem) cells to be used in clinical research



iPS cells

On March 1, 2011, we initiated a joint research project with Kyoto University's Center for iPS Cell Research and Application (CiRA) to determine the quality control procedures required for the production of plasmid vectors to be used in iPS cell generation, with the aim of using this technology in clinical research. Applying our vector production technology, expertise, and experience to this joint work with CiRA, we have verified the quality control procedures and specifications needed for the production of the plasmid vectors developed by Kyoto University.

On July 29, 2011, Takara Bio and CiRA entered into an agreement under which the Company will produce and supply CiRA with plasmid vectors that can be used in the production of iPS cells for use in clinical research of regenerative medicine. CiRA paid for vectors produced during the year on a fee-for-service basis. CiRA plans to use these plasmid vectors to produce iPS cells and aims to use them in regenerative medicine applications.

Submitted an investigational new drug application for HIV gene therapy to the U.S. FDA

On March 17, 2012, Takara Bio submitted an investigational new drug (IND) application to the U.S. Food and Drug Administration (FDA) to conduct a phase I clinical trial for MazF gene therapy, developed in collaboration with the University of Pennsylvania in the United States.

MazF gene therapy, which uses MazF—an endoribonuclease from *Escherichia coli*—is a gene therapy treatment for HIV infections.

As the FDA has approved the IND application, we plan to commence a phase I clinical trial on MazF gene therapy following review and approval of the protocol by the Institutional Review Board (IRB).

CORPORATE GOVERNANCE

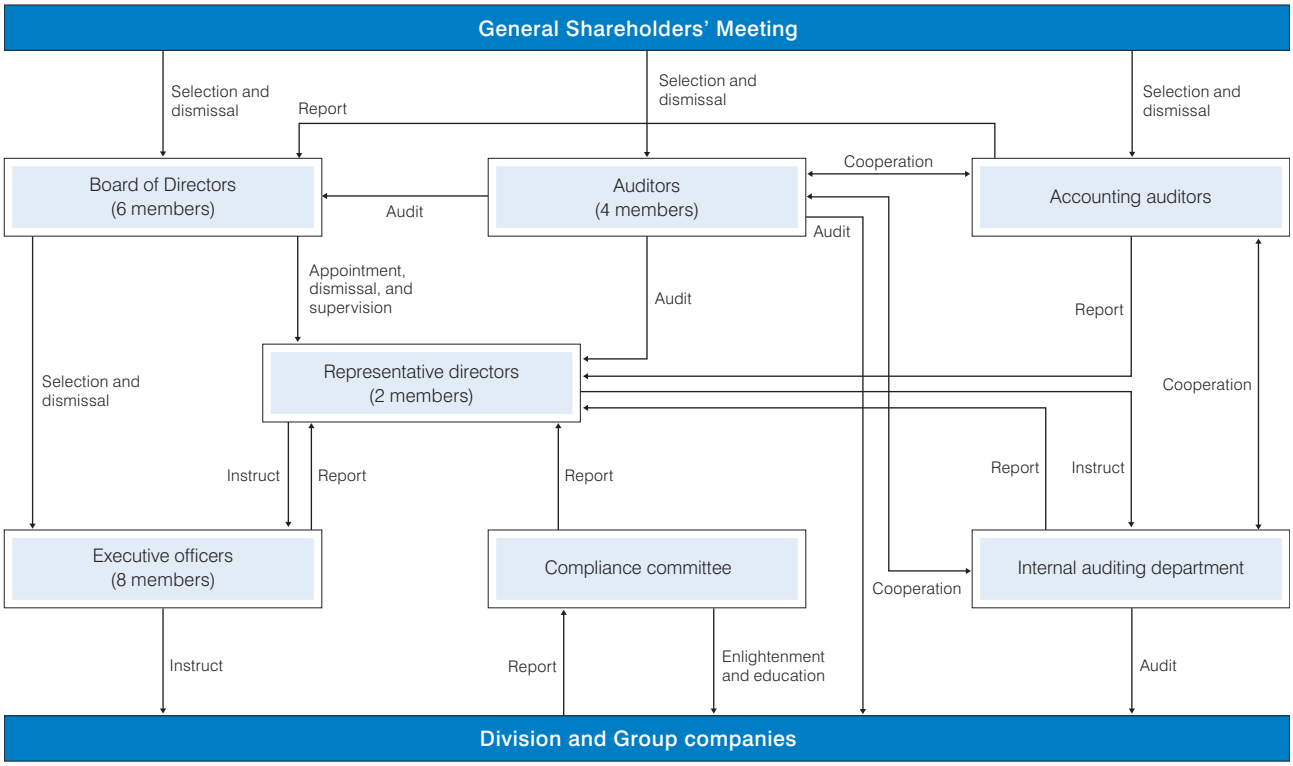
Corporate Governance System

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

The Board of Directors consists of 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. One external director has been designated as an independent director in accordance with the rules stipulated by the Tokyo Stock Exchange (TSE), and TSE has been notified of this designation.

The Company has adopted an auditing system, and two of our four auditors are external to the Company. The Company has established an internal auditing department comprising three personnel. The Company endeavors to enhance internal control through a system in which the auditors conduct audits while coordinating with the internal auditing department as required.

Our parent company is Takara Holdings Inc., which owns 70.85% of the voting rights as of the end of March 2012. Takara Holdings’ policy in managing its group companies is to seek to maximize the corporate value of the whole Takara Group while enabling each and every member corporation of the Takara Group to maintain its uniqueness and independence. Since our business of biotechnology requires highly advanced expertise and quick decision making, we are especially unique and independent in the Takara Group. While we report the decisions made at our Board meetings and other issues to the parent company, no prior approval is required in order to execute our decisions.



BOARD OF DIRECTORS

As of June 22, 2012

KOICHI NAKAO
President & CEO

HISASHI OHMIYA
Chairman

MUTSUMI KIMURA
Executive Vice President

KAZUTOH TAKESAKO, Ph.D.
Senior Managing Director

MAKOTO MORIGUCHI
Senior Managing Director

JAWAHARLAL BHATT
Director (External Director)

SUSUMU SANO, Ph.D.
Auditor (Standing Auditor)

KIYOZO ASADA, Ph.D.
Auditor (Standing Auditor)

HIDEO TOMOMURA
Auditor (External Auditor)

TOMIO KAMADA
Auditor (External Auditor)

KAZUKI YAMAMOTO
Senior Executive Officer

YOH HAMAOKA, Ph.D.
Senior Executive Officer

HIROYUKI MUKAI, Ph.D.
Senior Executive Officer

JUNICHI MINENO, Ph.D.
Senior Executive Officer

MASAHIDE TAMAKI
Executive Officer

HIROAKI MIYAZAWA
Executive Officer

TSUYOSHI MIYAMURA
Executive Officer

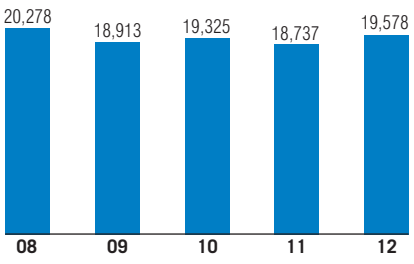
MASANARI KITAGAWA, Ph.D.
Executive Officer

FIVE-YEAR FINANCIAL SUMMARY

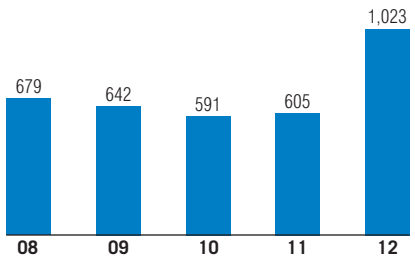
(Millions of Yen)	2008	2009	2010	2011	2012
For the Years Ended March 31:					
Net sales (sales to customers)	20,278	18,913	19,325	18,737	**19,578**
Genetic engineering research	18,080	16,733	16,689	15,882	**16,300**
Gene medicine	229	165	392	493	**842**
AgriBio	1,968	2,014	2,243	2,361	**2,435**
Cost of sales	10,055	8,973	9,286	8,858	**9,194**
Selling, general and administrative expenses	9,663	9,513	9,485	8,781	**8,836**
Operating income	560	426	553	1,097	**1,547**
Income before income taxes and minority interests	671	99	697	978	**1,662**
Net income	679	642	591	605	**1,023**
Depreciation	1,429	1,346	1,230	1,122	**1,077**
Capital expenditures	1,505	1,059	1,069	918	**926**
R&D expenses	3,296	2,976	3,294	2,692	**2,658**
As of March 31:					
Total assets	45,289	43,117	43,651	42,594	**44,032**
Total equity	39,108	37,149	37,799	37,620	**38,413**
Per Share of Common Stock (Yen)*:					
Basic net income	6.03	5.70	5.24	5.37	**9.06**
Equity	345.93	329.33	334.93	333.07	**339.73**
Ratios (%):					
Return on assets (ROA)	1.5	1.5	1.4	1.4	**2.3**
Return on equity (ROE)	1.8	1.7	1.6	1.6	**2.7**
Equity ratio	86.1	86.2	86.6	88.3	**87.1**

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

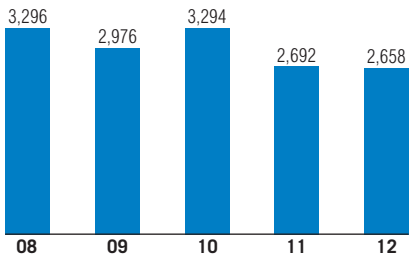
NET SALES
(Millions of Yen)



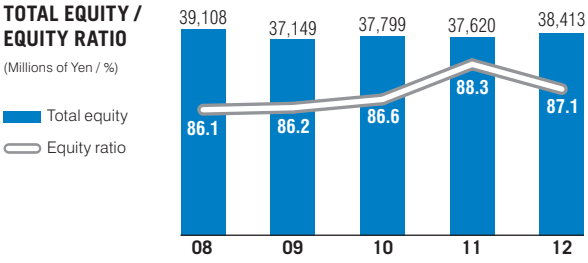
NET INCOME
(Millions of Yen)



R&D EXPENSES
(Millions of Yen)



TOTAL EQUITY / EQUITY RATIO
(Millions of Yen / %)



Net Sales

Capitalizing on biotechnology developed over many years, the Takara Bio Group has focused its management resources on three businesses: Genetic engineering research, AgriBio, and Gene medicine. For fiscal 2012, ended March 31, 2012, net sales rose 4.5%, or ¥840 million, year-on-year, to ¥19,578 million, due to an increase in sales of research reagents and scientific instruments in the Genetic engineering research business, as well as, favorable performance in the Gene medicine business.

Income Statement Analysis

Cost of sales was up 3.8%, or ¥335 million, year-on-year, to ¥9,194 million, due to an increase in net sales. Gross profit also rose 5.1%, or ¥505 million, year-on-year, to ¥10,383 million. Selling, general and administrative (SG&A) expenses increased 0.6%, or ¥55 million, year-on-year, to ¥8,836 million, as shipping expenses rose, although personnel and R&D expenses fell. As a result, operating income rose 41.0%, or ¥449 million, year-on-year, to ¥1,547 million.

Although losses on the disposal of fixed assets of ¥188 million was recorded, this was offset against the absence of the previous year's litigation settlement of ¥113 million, while interest income of ¥106 million and research grant income of ¥185 million was also recorded. As a result, other income, net was ¥114 million.

Income before income taxes and minority interests amounted to ¥1,662 million. Due to the increase in income before income taxes and minority interests, the total of income taxes was up ¥270 million. Consequently, net income was ¥1,023 million.

Segment Information

Analysis by Business Segment

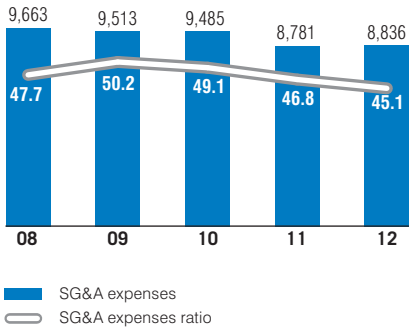
Genetic Engineering Research

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

Analyzing sales by product category, net sales of mainstay research reagents rose year-on-year, despite the effect of yen appreciation. Higher sales of mass spectrometry systems led to an increase in scientific instruments sales. Further, contract research services sales were approximately unchanged year-on-year. As a result, the business segment recorded year-on-year increases of 2.6% in sales to external customers, to ¥16,300 million, and 3.6% in gross profit, to ¥9,596 million. SG&A expenses edged up 0.3%, to ¥5,148 million, owing to higher shipping costs, but operating income improved 7.6% year-on-year, to ¥4,447 million.

SG&A EXPENSES / SG&A EXPENSES RATIO

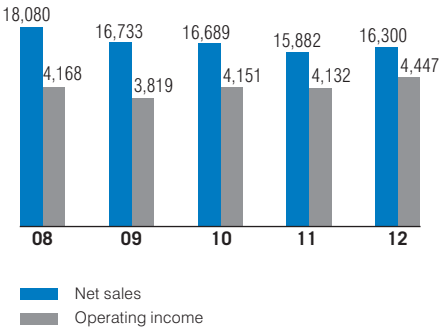
(Millions of Yen / %)



Genetic Engineering Research

NET SALES / OPERATING INCOME

(Millions of Yen)



AgriBio

In the AgriBio business, 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 is centered on products related to Gagome kombu (kelp) “fucoidan,” agar-derived “agaro-oligosaccharide,” Ashitaba (angelica herb) “chalcone,” and mushroom “terpene” derivatives.

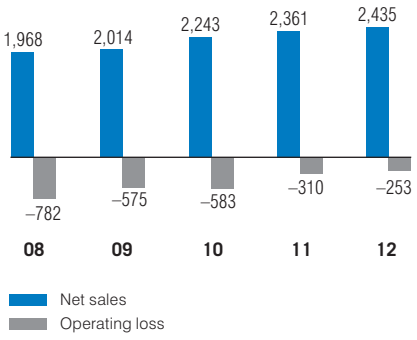
In the fiscal year under review, the business segment posted a 3.1% year-on-year increase in sales to external customers, to ¥2,435 million. Revenues from mushroom products increased, while sales of health food products were on a par with the previous year. Gross profit increased 2.5% year-on-year, to ¥391 million. As lower research and development expenses led to a 6.7% year-on-year reduction in SG&A expenses, to ¥645 million, operating loss improved from the previous fiscal year’s ¥310 million to ¥253 million.

Gene Medicine

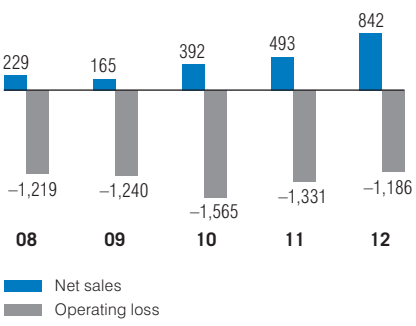
Recently, the cell and gene therapy field has seen rapid advances. As a result, lead times from basic research to clinical application are shortening, thereby accelerating progress toward practical applications for regenerative medicine. Against this backdrop, the Gene medicine business is marketing cell culture media and gas-permeable bags as well as providing technical support services for hospitals that conduct cancer immunotherapy. In addition, this business 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 method; the highly efficient RetroNectin® lymphocyte expansion-culture system; and the MazF endoribonuclease.

Reflecting brisk sales of cell culture media and gas-permeable bags for cell therapy in China, as well as technical support services in Japan for cancer immunotherapy, the business segment’s sales to external customers surged 70.8%, to ¥842 million, and gross profit grew 71.6%, to ¥396 million. Mainly due to higher administrative expenses, SG&A expenses increased 1.3% year-on-year, to ¥1,582 million. As a result, operating loss improved from the previous fiscal year’s ¥1,331 million to ¥1,186 million.

AgriBio
NET SALES / OPERATING LOSS
(Millions of Yen)



Gene Medicine
NET SALES / OPERATING LOSS
(Millions of Yen)



Financial Position

Total current assets as of the fiscal year-end March 31, 2012, amounted to ¥29,857 million, up ¥2,435 million compared with the previous fiscal year-end. This rise resulted from a ¥450 million increase in cash and cash equivalents and a ¥816 million rise in notes and accounts receivable, as well as a ¥928 million rise in marketable securities. Total noncurrent assets at the fiscal year-end stood at ¥14,175 million, down ¥997 million compared with the previous fiscal year-end. This decline was due in part to a decrease of ¥609 million in net property, plant and equipment and intangible noncurrent assets resulting from depreciation. The decline was also the result of a ¥388 million decrease in total investments and other assets due to amortization of long-term prepaid expenses.

As a result, total assets at the fiscal year-end stood at ¥44,032 million, up ¥1,437 million compared with the previous fiscal year-end.

Total current liabilities at fiscal year-end amounted to ¥3,834 million, up ¥726 million compared with the previous fiscal year-end. This growth was principally attributable to a ¥493 million increase in notes and accounts payable-trade- and a ¥193 million rise in notes and accounts payable-construction and other-. Total long-term liabilities at the fiscal year-end stood at ¥1,784 million, down ¥81 million compared with the previous fiscal year-end. This decline was the result of a ¥29 million decrease in long-term debt, a ¥45 million increase in deferred tax liabilities, and a ¥93 million decrease in other long-term liabilities.

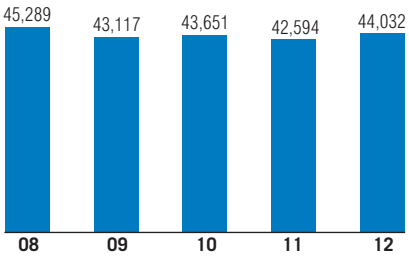
As a result, total liabilities at the fiscal year-end amounted to ¥5,618 million, an increase of ¥644 million compared with the previous fiscal year-end.

Total equity as of March 31, 2012, amounted to ¥38,413 million, an increase of ¥792 million compared with the previous fiscal year-end. This was due to increases of ¥1,023 million in retained earnings reflecting the increase in net income and ¥39 million in minority interests, which offset a ¥271 million decrease in foreign currency translation adjustments.

The equity ratio—total equity as a percentage of total assets—was 87.1%, maintaining the Company's high level of financial stability.

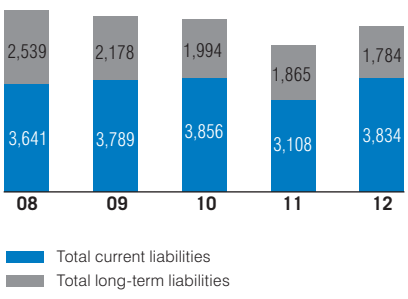
TOTAL ASSETS

(Millions of Yen)



TOTAL LIABILITIES

(Millions of Yen)



Cash Flows

Cash and cash equivalents at the fiscal year-end stood at ¥5,803 million, up ¥1,756 million compared with the previous fiscal year-end. Despite increased trade receivables and inventories, payments for time deposits, payments for the acquisition of tangible and intangible assets and other depreciable assets, income before income taxes and minority interests were posted, depreciation and amortization (including other depreciation) and trade payables increased, and proceeds from withdrawal of time deposits were also posted.

Net cash provided by operating activities amounted to ¥2,366 million. Major uses of cash included a ¥861 million increase in trade receivables and income taxes paid of ¥369 million, while income before income taxes and minority interests provided ¥1,662 million and depreciation and amortization (including other depreciation) provided ¥1,421 million. The ¥272 million year-on-year increase in net cash provided by operating activities was attributable to a ¥683 million increase in income before income taxes and minority interests, a ¥677 million increase in trade receivables, and a ¥636 million decrease in trade payables.

Net cash used in investing activities totaled ¥531 million, reflecting payments for time deposits of ¥7,636 million, purchases of tangible and intangible fixed assets and other property of ¥1,011 million, which counteracted proceeds from time deposits of ¥7,977 million. The ¥5,107 million year-on-year decrease in net cash used in investing activities mainly resulted from a ¥11,559 million decrease in payments for time deposits, a ¥957 million increase in proceeds from the sale and redemption of marketable securities, which offset a ¥7,289 million decrease in proceeds from time deposits, and a ¥430 million increase in purchases of marketable securities.

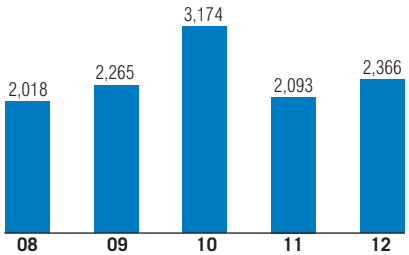
Net cash used in financing activities amounted to ¥4 million, resulting from repayments of long-term debt of ¥45 million, which offset proceeds from minority shareholders of ¥40 million. The ¥56 million year-on-year increase in net cash used in financing activities was due to proceeds from minority shareholders of ¥40 million and a ¥33 million rise in proceeds from long-term debt.

CASH FLOWS FROM BUSINESS ACTIVITIES

(Millions of Yen)	2008	2009	2010	2011	2012
Net cash provided by operating activities	¥2,018	¥ 2,265	¥ 3,174	¥ 2,093	**¥ 2,366**
Net cash provided by (used in) investing activities	678	(5,511)	(7,060)	(5,639)	**(531)**
Net cash provided by (used in) financial activities	344	(168)	(57)	(60)	**(4)**

NET CASH PROVIDED BY OPERATING ACTIVITIES

(Millions of Yen)



Business Risks

The following are the major potential risks to which the Group may be exposed to in its business and other activities. In addition, 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 risks. 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 2012, and any information related to future occurrences are based on the Group's assessments as of the end of fiscal 2012.

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 research and development; the bioinformatics field; and the food field, which includes agriculture and health foods.

Under these circumstances, the Group conducts extensive R&D, which it considers vital to maintaining its competitive edge. In fact, the Group's R&D expenses for fiscal 2012 were ¥2,658 million, or 13.6% 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 business 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 fiscal 2012, Takara Biotechnology (Dalian), a Chinese subsidiary, accounted for 31.0% of manufacturing products in the Group. Takara Biotechnology (Dalian) manufactures products in the Genetic engineering research business, which represented 83.3% of the Group's net sales. 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, execution of license agreements relating to patents owned by others is positioned as a key strategy. In such license agreements, the Group may make an initial payment and certain milestone payments. These expenditures are booked to assets as long-term prepaid expenses at the time of the expenditure and are treated systematically as expenses in each fiscal year, based on the term of the agreement. In addition, the Group reviews the asset component of the 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 occurrence of subsequent milestone payments. A high level of expense may also arise depending on the status of use of technologies within the Group and advances in biotechnology. This could affect the Group's performance.

4. Competition

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

In the Genetic engineering research business, the license agreement related to the Polymerase Chain Reaction Method (hereinafter "PCR Method") is non-exclusive, and a large number of companies hold such licenses. As a result, competition is becoming increasingly severe. In addition, 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 this space also.

In the Gene medicine business, a variety of gene transduction methods and effective vectors have been developed, and the applications of gene therapy are expanding from congenital genetic disorders, infectious diseases, and various types of cancer to non-fatal chronic illnesses. 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 R&D resources in cell and gene therapies, including European and U.S. venture businesses.

In the AgriBio business, 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. Moreover, the use of experimental data for differentiation in sales promotion is prohibited. As a result, it is easy to enter this market, further intensifying the competition.

Therefore, the Group strives to start new business projects and attain early commercialization of projects 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, 2012, Takara Holdings Inc. (listed on the First Section, Tokyo Stock Exchange and Osaka Stock Exchange) is the parent company of Takara Bio, owning 70.85% 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 70.85% 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 42 affiliated companies (37 subsidiaries and 5 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 10 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 2012 was ¥637 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 28, 2012.

Name	Position at Takara Bio	Position at Takara Holdings
Hisashi Ohmiya	Chairman	Chairman and Representative Director
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 two 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 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, 2012, Millions of Yen)	Transaction terms, etc.
Takara Shuzo Kusu Factory site (Yokkaichi-shi, Mie Prefecture)	Takara Bio, Kusu Factory (Note 3)	Takara Shuzo	4	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 and basement, Takara Meiji Yasuda Building (Chuo-ku, Tokyo)	Takara Bio, East Japan Branch	Takara Shuzo	10	Area: 123.55m^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.
3. The real estate lease transaction was concluded September 30, 2011.

2) Transactions related to use of trademark rights

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, 2012, the Company had licenses for the use of 86 registered and 43 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, 2012, Millions of Yen)	Terms of transaction, etc.
Takara Holdings Inc. (Shimogyo-ku, Kyoto)	License for use of trademarks	9	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, 2012, Millions of Yen)	Terms of transaction, etc.
Takara Shuzo Co., Ltd. (Fushimi-ku, Kyoto)	Lease of company housing	0	Type of agreement: Lease agreement Basis for computation of rental fees: Market price of land, building, etc.
	Temporary transfer of employees to Takara Bio	19	Type of agreement: Employment secondment agreement
Takara Network System Co., Ltd. (Shimogyo-ku, Kyoto)	Contracting of computer-related services and lease of equipment	256	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 initiation of new businesses and 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 below. If these agreements end due to the expiry of the agreement term, cancellation, or some other reason, or if revisions to the agreements are disadvantageous to the Group, it could affect the business strategy and performance of the Group.

1) Genetic engineering research business

a) Research reagents

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

Counterparty	Wayne M. Barnes
Contract	Assignment and License of Patent Agreement
Conclusion date	April 9, 1996
Term	Not specified
Summary	Takara Bio assumed the patent rights and the status of licensor for license contracts covering the LA PCR Method owned by Wayne M. Barnes. In addition to paying Wayne M. Barnes a certain amount at the time of assuming the above-mentioned rights, Takara Bio pays Wayne M. Barnes half of the royalties it receives.

b) Scientific instruments

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

2) Gene medicine business

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

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

Counterparty	VIRxSYS Corporation
Contract	License Agreement
Conclusion date	May 26, 2003
Term	From May 26, 2003, until completion of clinical trials of AIDS gene therapy using lentivirus vectors
Summary	Takara Bio granted VIRxSYS non-exclusive rights in the United States and Europe (excluding Russia) for the use of RetroNectin® in clinical trials of AIDS gene therapy. In addition to receiving a one-time contract payment and license charges linked to development milestones, during the period of clinical trials, Takara Bio also receives fees for providing VIRxSYS with RetroNectin® that complies with the standards of clinical trials in the respective countries.

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

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

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. Kazutoh Takesako (Senior Managing Director) is responsible for the Gene medicine business. Makoto Moriguchi (Senior Managing Director) is responsible for the AgriBio 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 conducting 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 a critical factor, and the Group protects technologies developed in-house with patent rights to prevent competitors from imitating them. The Group will continue to place the highest priority on applications for patents based on R&D activities. However, not all of the applications may result in granted patents, and when a granted patent is made invalid for any reason, or expires, the Group's business strategies and performance may be affected.

In addition, the Group is aware that in the biotechnology industry, an area in which competition over R&D is continually growing, its patented technologies may be 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, to enable future expansion of its business. However, these strategies may incur large expenses. In addition, there is a possibility that the Group may not be able to acquire licenses for necessary patent rights held by others, and this could affect its business strategy and performance.

10. Product liability risks

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

One example of the potential for product liability risk comes from a clinical research of gene therapy for the serious genetic disease known as Severe Combined Immune Deficiency (SCID). This study was carried out at Hospital Necker-Enfants Malades in France in 2000 and is an example of where 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. Nonetheless, 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. had developed leukemia. Nevertheless, retrovirus vectors have been used in a large number of patients (exceeding several hundred) in other diseases, and the incidence of leukemia as a side effect and other safety issues have not been reported. Additionally, the Company and Hospital Necker-Enfants Malades research scientists have concluded that RetroNectin® was not the direct cause of the side effects. Gene therapy is a new and cutting-edge treatment, so it is important to promote development while carefully scrutinizing the results of clinical research. In addition, R&D may not proceed as planned in such cases, for instance, when it is necessary to obtain the informed consent of patients again after the occurrence of unexpected events, such as side effects. This could affect the Group's 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 business

R&D in the Genetic engineering research business is regulated by relevant legislation, such as the Law Concerning the Prevention of Radiation Hazards due to Radioisotopes, etc, and the Law Concerning the Conservation and Sustainable Use of Biological Diversity through Regulations on the Use of Living Modified Organisms; and the Group is committed to observing these laws and regulations. In addition, in the production and sale of research reagents, the Company is required to follow relevant legislation, such as the Poisonous and Deleterious Substances 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 supporting research industry, it could affect the Group's business.

(2) Gene medicine business

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 requires 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 business.

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 cancer immunotherapy. Such a tightening of the regulations, or the introduction of new regulations, could affect the Company's business strategy.

(3) AgriBio business

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, Act on Standardization and Proper Labelling of Agricultural and Forest Products, the Health Promotion Law, and the Act against Unjustifiable Premiums and Misleading Representation. The Group must also handle labeling and advertising in compliance with all the relevant laws. However, due to the nature of 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.

As of June 28, 2012, there are no major ongoing lawsuits with third parties relating to the Company's business. However, the Group carries out wide-ranging R&D activities and business expansion. Therefore, there is no guarantee that lawsuits will not arise again in the future. The Group is striving to enhance its internal control and strengthen its compliance system as it carries out its 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.

Troll Busters LLC of the United States filed a lawsuit against 13 U.S. companies, including the Company's subsidiary Clontech Laboratories, Inc. The lawsuit sought damages from the companies for their alleged intent to deceive the U.S. public by marking their products with various U.S. patents on their web sites and elsewhere, despite the fact that the effective periods of the patents—mainly PCR-related patents—had expired. This lawsuit was filed in the Superior Court of California-County of San Diego, in the United States on January 10, 2011, local time. The lawsuit by Troll Busters was dismissed on September 30, 2011, local time, and the action was concluded.

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 itself become involved in lawsuits. In such cases, the resolution of the problem could take a long time and may incur huge expenses, and the Group's business strategy and performance could be affected depending on the circumstances.

13. 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.

14. 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 whether 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.

15. Intangible fixed assets related to Clontech Laboratories

Observing the U.S. Financial Accounting Standards Board (FASB) Codification Topic 350 "Intangibles—Goodwill and Other" (formerly FASB 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 28, 2012, the Company has not incurred any impairment losses. However, if the Company determines that an impairment loss has been incurred, such an event could adversely affect the Group's business performance. With regard to goodwill recognized by Clontech Laboratories, 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 SHEET

Takara Bio Inc. and Subsidiaries
March 31, 2012

ASSETS	Millions of Yen 2012	2011	Thousands of U.S. Dollars (Note 1) 2012
CURRENT ASSETS:			
Cash and cash equivalents (Note 15)	**¥ 5,803**	¥ 4,047	**$ 70,768**
Marketable securities (Notes 3 and 15)	**466**	488	**5,682**
Time deposits (Note 15)	**14,137**	14,492	**172,402**
Notes and accounts receivable:			
Trade (Note 15)	**5,548**	4,732	**67,658**
Other	**103**	143	**1,256**
Allowance for doubtful accounts (Note 15)	**(29)**	(27)	**(353)**
Inventories (Note 4)	**3,094**	2,882	**37,731**
Deferred tax assets (Note 13)	**470**	453	**5,731**
Prepaid expenses and other current assets	**260**	209	**3,170**
Total current assets	**29,857**	27,422	**364,109**
PROPERTY, PLANT AND EQUIPMENT (Note 6):			
Land	**4,491**	4,492	**54,768**
Buildings and structures	**7,930**	8,300	**96,707**
Machinery, equipment and vehicles	**5,170**	6,167	**63,048**
Tools, furniture and fixtures	**4,114**	4,186	**50,170**
Lease assets	**111**	97	**1,353**
Construction in progress	**53**	51	**646**
Total property, plant and equipment	**21,872**	23,297	**266,731**
Accumulated depreciation	**(11,329)**	(12,407)	**(138,158)**
Net property, plant and equipment	**10,542**	10,889	**128,560**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	**2**	2	**24**
Goodwill (Note 5)	**1,313**	1,501	**16,012**
Long-term prepaid expenses	**908**	926	**11,073**
Customer contracts and related relationships	**110**	288	**1,341**
Trademarks	**426**	450	**5,195**
Deferred tax assets (Note 13)	**281**	466	**3,426**
Allowance for doubtful accounts		(26)	
Other assets	**589**	674	**7,182**
Total investments and other assets	**3,632**	4,283	**44,292**
TOTAL	**¥ 44,032**	¥ 42,594	**$ 536,975**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2012	2011	Thousands of U.S. Dollars (Note 1) 2012
CURRENT LIABILITIES:			
Current portion of long-term debt (Notes 6 and 15)	**¥ 81**	¥ 79	**$ 987**
Notes and accounts payable (Note 15):			
Trade	**1,662**	1,168	**20,268**
Construction and other	**1,172**	978	**14,292**
Accrued income taxes (Note 15)	**121**	117	**1,475**
Accrued expenses	**555**	540	**6,768**
Other current liabilities (Notes 15 and 16)	**240**	223	**2,926**
Total current liabilities	**3,834**	3,108	**46,756**
LONG-TERM LIABILITIES:			
Long-term debt (Notes 6 and 15)	**361**	399	**4,402**
Liability for retirement benefits (Note 7)	**1,127**	1,131	**13,743**
Deferred tax liabilities (Note 13)	**90**	44	**1,097**
Other long-term liabilities (Note 8)	**205**	290	**2,500**
Total long-term liabilities	**1,784**	1,865	**21,756**
COMMITMENTS AND CONTINGENT LIABILITIES (Note 14)			
EQUITY (Note 9):			
Common stock, authorized, 400,000,000 shares;			
issued, 112,919,600 shares in 2012 and 282,289 shares in 2011	**9,069**	9,068	**110,597**
Capital surplus	**26,996**	26,995	**329,219**
Retained earnings	**4,584**	3,561	**55,902**
Accumulated other comprehensive income–			
Foreign currency translation adjustments	**(2,288)**	(2,017)	**(27,902)**
Subtotal	**38,362**	37,608	**467,829**
Minority interests	**51**	11	**621**
Total equity	**38,413**	37,620	**468,451**
TOTAL	**¥44,032**	¥42,594	**$536,975**

CONSOLIDATED STATEMENT OF INCOME

Takara Bio Inc. and Subsidiaries
Year ended March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	**2012**
NET SALES (Note 20)	**¥19,578**	¥18,737	**$238,756**
COST OF SALES (Notes 7 and 14)	**9,194**	8,858	**112,121**
Gross profit	**10,383**	9,878	**126,621**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 7, 12 and 14)	**8,836**	8,781	**107,756**
Operating income (Note 20)	**1,547**	1,097	**18,865**
OTHER INCOME (EXPENSES):			
Interest income	**106**	87	**1,292**
Subsidy income	**185**	97	**2,256**
Foreign exchange loss	**(39)**	(29)	**(475)**
Interest expense	**(4)**	(7)	**(48)**
Loss on sales and disposals of property, plant and equipment	**(167)**	(107)	**(2,036)**
Litigation settlement		(113)	
Other, net	**34**	(45)	**414**
Other income (expenses), net	**114**	(119)	**1,390**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**1,662**	978	**20,268**
INCOME TAXES (Note 13):			
Current	**422**	361	**5,146**
Deferred	**209**		**2,548**
Total income taxes	**631**	361	**7,695**
NET INCOME BEFORE MINORITY INTERESTS	**1,030**	616	**12,560**
MINORITY INTERESTS IN NET INCOME	**7**	11	**85**
NET INCOME	**¥ 1,023**	¥ 605	**$ 12,475**

	Yen		U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Notes 2.s and 18):			
Basic net income	**¥9.06**	¥5.37	**$0.11**
Diluted net income		5.37	
Cash dividends applicable to the year	**1.00**		**0.01**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Takara Bio Inc. and Subsidiaries
Year ended March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
NET INCOME BEFORE MINORITY INTERESTS	**¥1,030**	¥ 616	**$12,560**
OTHER COMPREHENSIVE INCOME (Note 17):			
Foreign currency translation adjustments	**(279)**	(825)	**(3,402)**
COMPREHENSIVE INCOME (Note 17)	**¥ 750**	¥(208)	**$ 9,146**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO (Note 17):			
Owners of the parent	**¥ 751**	¥(219)	**$ 9,158**
Minority interests	**(1)**	11	**(12)**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Takara Bio Inc. and Subsidiaries
Year ended March 31, 2012

	Thousands	Millions of Yen						
					Accumulated Other Comprehensive Income			
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2010	282	¥9,053	¥26,980	¥2,956	¥(1,191)	¥37,798	¥ Nil	¥37,799
Net income				605		605		605
Exercise of stock options (Notes 9 and 10)		15	15			30		30
Net change in the year					(825)	(825)	11	(814)
BALANCE, MARCH 31, 2011	282	9,068	26,995	3,561	(2,017)	37,608	11	37,620
Stock splits (Note 9)	**112,633**							
Net income				**1,023**		**1,023**		**1,023**
Exercise of stock options (Notes 9 and 10)	**4**	**1**	**1**			**2**		**2**
Net change in the year					**(271)**	**(271)**	**39**	**(232)**
BALANCE, MARCH 31, 2012	**112,919**	**¥9,069**	**¥26,996**	**¥4,584**	**¥(2,288)**	**¥38,362**	**¥ 51**	**¥38,413**

	Thousands of U.S. Dollars (Note 1)						
				Accumulated Other Comprehensive Income			
	Common Stock	Capital Surplus	Retained Earnings	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2011	$110,585	$329,207	$43,426	$(24,597)	$458,634	$134	$458,780
Net income			**12,475**		**12,475**		**12,475**
Exercise of stock options (Notes 9 and 10)	**12**	**12**			**24**		**24**
Net change in the year				**(3,304)**	**(3,304)**	**475**	**(2,829)**
BALANCE, MARCH 31, 2012	**$110,597**	**$329,219**	**$55,902**	**$(27,902)**	**$467,829**	**$621**	**$468,451**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Takara Bio Inc. and Subsidiaries
Year ended March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	**2012**
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥ 1,662**	¥ 978	**$ 20,268**
Adjustments for:			
Income taxes paid	**(369)**	(578)	**(4,500)**
Depreciation and amortization	**1,545**	1,668	**18,841**
Provision for retirement benefits	**(4)**	54	**(48)**
(Decrease) increase in allowance for doubtful accounts	**(24)**	32	**(292)**
Increase in allowance for bonuses to employees	**(3)**	(119)	**(36)**
Loss on sales and disposals of property, plant and equipment	**167**	107	**2,036**
Changes in assets and liabilities:			
Increase in trade receivables	**(861)**	(183)	**(10,500)**
(Increase) decrease in inventories	**(259)**	103	**(3,158)**
Increase (decrease) in trade payables	**515**	(121)	**6,280**
Other, net	**(2)**	151	**(24)**
Total adjustments	**704**	1,115	**8,585**
Net cash provided by operating activities	**2,366**	2,093	**28,853**
INVESTING ACTIVITIES:			
Payments for time deposits	**(7,636)**	(19,196)	**(93,121)**
Proceeds from time deposits	**7,977**	15,267	**97,280**
Purchases of short-term investments	**(957)**	(526)	**(11,670)**
Proceeds from sales of marketable securities	**957**		**11,670**
Purchases of property, plant and equipment	**(862)**	(962)	**(10,512)**
Proceeds from sales of property, plant and equipment	**147**	5	**1,792**
Purchases of other property	**(149)**	(219)	**(1,817)**
Other, net	**(8)**	(6)	**(97)**
Net cash used in investing activities	**(531)**	(5,639)	**(6,475)**
FINANCING ACTIVITIES:			
Proceeds from long-term debt	**33**		**402**
Repayments of long-term debt	**(79)**	(89)	**(963)**
Proceeds from issuance of subsidiaries' stock to minority shareholders	**40**		**487**
Other, net	**1**	29	**12**
Net cash used in financing activities	**(4)**	(60)	**(48)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**(74)**	(166)	**(902)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,756**	(3,772)	**21,414**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**4,047**	7,819	**49,353**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 5,803**	¥ 4,047	**$ 70,768**

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Takara Bio Inc. and Subsidiaries
Year ended March 31, 2012

01 BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2011 consolidated financial statements to conform to the classifications used in 2012.

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, 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 ¥82 to $1, the approximate rate of exchange at March 31, 2012. 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.

02 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements as of March 31, 2012 include the accounts of the Company and all ten (nine in 2011) subsidiaries (together, the "Group").

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

The difference of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is recorded as goodwill and amortized on a straight-line basis 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 also eliminated.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements—In May 2006, the ASBJ issued PITF No. 18. PITF No. 18 prescribes: (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: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant, and equipment and investment properties and incorporation of the cost model of accounting; and (e) exclusion of minority interests from net income, if included in net income.

c. Business Combinations—In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a

uniting-of-interests. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling of interests method of accounting is no longer allowed. (2) The previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR&D) acquired in the business combination is capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase allocation. This revised standard was applicable to business combinations undertaken on or after April 1, 2010.

d. Cash Equivalents—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, 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.

e. 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.

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

g. Property, Plant and Equipment—Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company is computed principally by the 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.

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

i. Long-Lived Assets—The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss 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.

j. Retirement and Pension Plans—The employees' retirement benefits programs of the Company and certain subsidiaries consist of an unfunded lump-sum severance payment plan and a non-contributory trusteed pension plan as described in Note 7.

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

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

l. Asset Retirement Obligations—In March 2008, the ASBJ published 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.

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

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

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

The Company and domestic subsidiaries applied the revised accounting standard effective April 1, 2008. Lease assets related to finance lease transactions without title transfer are depreciated on a straight-line basis over the 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.

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

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

q. Foreign Currency Financial Statements—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rate.

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

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.

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

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

t. Accounting Changes and Error Corrections—In December 2009, the ASBJ issued ASBJ Statement No. 24 "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24 "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

(1) Changes in Accounting Policies
When a new accounting policy is applied with revision of accounting standards, the 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.

u. New Accounting Pronouncements

Accounting Standard for Retirement Benefits—On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits", which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with effective date of April 1, 2000 and the other related practical guidances, being followed by partial amendments from time to time through 2009.

Major changes are as follows:

(a) Treatment in the balance sheet
Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, are recognized as a liability or asset.

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

(b) Treatment in the statement of income and the statement of comprehensive income (or the statement of income and comprehensive income)
The revised accounting standard would not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining working lives of the employees. However, actuarial gains and losses and past service costs that arose in the current period and yet to be recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

This accounting standard and the guidance are effective for the end of annual periods beginning on or after April 1, 2013 with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company expects to apply the revised accounting standard from the end of the annual period beginning on April 1, 2013 and is in the process of measuring the effects of applying the revised accounting standard for the year ending March 31, 2014.

03 MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Current—			
Certificate of deposits	**¥466**	¥488	**$5,682**
Non-current—			
Non-marketable equity securities	**¥ 2**	¥ 2	**$ 24**

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2012 and 2011 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Available-for-sale—			
Equity securities	**¥2**	¥2	**$24**

04 INVENTORIES

Inventories at March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Finished products and merchandise	**¥2,209**	¥1,931	**$26,939**
Work in process	**157**	234	**1,914**
Raw materials and supplies	**727**	716	**8,865**
Total	**¥3,094**	¥2,882	**$37,731**

05 GOODWILL

Goodwill at March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Goodwill on purchase of a specific business	**¥1,276**	¥1,435	**$15,560**
Consolidation goodwill	**37**	65	**451**
Total	**¥1,313**	¥1,501	**$16,012**

06 LONG-TERM DEBT

Long-term debt at March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Loans principally from banks and the local government, due serially to January 2022 with interest rates ranging from 0% to 9.500% in 2012 and 2011:			
Collateralized	**¥197**	¥215	**$2,402**
Unsecured	**196**	195	**2,390**
Obligation under finance leases	**49**	68	**597**
Total	**443**	478	**5,402**
Less current portion	**81**	79	**987**
Long-term debt, less current portion	**¥361**	¥399	**$4,402**

Annual maturities of long-term debt as of March 31, 2012 for the next five years and thereafter were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2013	¥ 81	$ 987
2014	89	1,085
2015	46	560
2016	47	573
2017	47	573
2018 and thereafter	130	1,585
Total	¥443	$5,402

At March 31, 2012, buildings and structures of ¥372 million ($4,536 thousand) and land of ¥250 million ($3,048 thousand) were pledged as collateral for long-term debt (including current portion of long-term debt) of ¥197 million ($2,402 thousand).

07 RETIREMENT AND PENSION PLANS

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

In conjunction with the enactment of the Defined Benefit Corporation Pension Act, the Company reviewed and revised part of its retirement benefit regulations effective from April 1, 2011. The Company transferred from the current lump-sum payment plans and tax-qualified pension plans to new lump-sum payment plans and defined benefit corporate pension plans and applied ASBJ Guidance No. 1 "Accounting for Transfer between Retirement Benefit Plans". Under the new lump-sum payment plans and defined benefit corporate pension plans, employees terminating their employment are entitled to certain lump-sum severance payments based on their rate of pay at the time of termination, length of service and certain other factors. In most circumstances, if the termination is involuntary, caused by retirement at the mandatory retirement age or caused by death, employees are entitled to greater payments than in the case of voluntary termination.

In addition, the Company has 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, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Projected benefit obligation	**¥1,038**	¥1,590	**$12,658**
Fair value of plan assets	**(367)**	(366)	**(4,475)**
Unrecognized actuarial loss	**(236)**	(159)	**(2,878)**
Unrecognized prior service cost	**599**		**7,304**
Prepaid pension cost	**93**	67	**1,134**
Net liability	**¥1,127**	¥1,131	**$13,743**

The components of net periodic benefit costs were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Service cost	**¥ 95**	¥138	**$1,158**
Interest cost	**14**	24	**170**
Expected return on plan assets	**(7)**	(8)	**(85)**
Recognized actuarial loss	**20**	22	**243**
Amortization of prior service cost	**(66)**		**(804)**
Net periodic benefit costs	**¥ 57**	¥176	**$ 695**

Assumptions used for the years ended March 31, 2012 and 2011 were set forth as follows:

	2012	2011
Discount rate	**1.6%**	1.6%
Expected rate of return on plan assets	**2.0%**	2.5%
Recognition period of actuarial gain/loss	**10 years**	10 years
Amortization period of prior service cost	**10 years**	

08 ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the year ended March 31, 2012 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Balance at beginning of year	**¥ 93**	¥92	**$ 1,134**
Reduction associated with settlement of asset retirement obligations	**(82)**		**(1,000)**
Revisions in estimated timing and cash flows	**20**		**243**
Balance at end of year	**¥ 32**	¥93	**$ 390**

Revisions in estimated timing and cash flows were due to changes in estimated timing and amount of the asset retirement obligations, which result from a return of rented land.

09 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 a 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 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.

On April 1, 2011, the Company made a four hundred-for-one stock split of the Company's common stock and issued 112,633,311 shares to the shareholders of record on March 31, 2011, based on the resolution of the Board of Directors meeting held on February 15, 2011.

For the year ended March 31, 2012, the Company issued 4,000 shares of common stock upon exercise of stock options at the price of ¥500 ($6) per share. The amount of ¥1 million ($12 thousand) was credited to common stock and the remaining amount of ¥1 million ($12 thousand) was credited to additional paid-in capital.

10 STOCK OPTION

The stock options outstanding at March 31, 2012 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	3,400,000 shares	September 19, 2003	¥500 ($6)	From September 20, 2005 to September 20, 2013
The Second Stock Option	8 directors 3 corporate auditors 120 employees	1,288,000 shares	September 19, 2003	¥500 ($6)	From April 1, 2004 to September 20, 2013
The Third Stock Option	3 directors 28 employees	200,000 shares	May 17, 2004	¥500 ($6)	From September 20, 2005 to September 20, 2013
The Fourth Stock Option	9 directors 3 corporate auditors 8 employees	312,000 shares	May 17, 2004	¥500 ($6)	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, 2012				
Non-vested				
March 31, 2011—Outstanding				
Granted				
Canceled				
Vested				
March 31, 2012—Outstanding				
Vested				
March 31, 2011—Outstanding	**1,464,000**	**572,000**	**44,000**	**156,000**
Vested				
Exercised	**4,000**			
Canceled	**48,000**			
March 31, 2012—Outstanding	**1,412,000**	**572,000**	**44,000**	**156,000**
Exercise price	**¥500** **($6.09)**	**¥500** **($6.09)**	**¥500** **($6.09)**	**¥500** **($6.09)**
Average stock price at exercise	**¥469** **($5.71)**			

11 RELATED PARTY DISCLOSURES

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

12 RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥2,658 million ($32,414 thousand) and ¥2,692 million for the years ended March 31, 2012 and 2011, 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, 2012 and 2011. 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, 2012 and 2011 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Current deferred tax assets:			
Inventories	**¥158**	¥163	**$1,926**
Accrued bonuses	**67**	71	**817**
Unrealized profit on sales of inventories	**139**	138	**1,695**
Other	**118**	109	**1,439**
Less valuation allowance	**(9)**	(17)	**(109)**
Total	**¥473**	¥465	**$5,768**
Current deferred tax liabilities	**¥ 3**	¥ 11	**$ 36**
Net current deferred tax assets	**¥470**	¥453	**$5,731**

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Non-current deferred tax assets:			
Retirement benefits	**¥ 397**	¥ 454	**$ 4,841**
Depreciation	**61**	68	**743**
Impairment loss	**43**	49	**524**
Foreign tax carryforwards		341	
Tax loss carryforwards	**234**	362	**2,853**
Loss on disposals of long-term prepaid expenses	**75**	109	**914**
Other	**74**	152	**902**
Less valuation allowance	**(242)**	(644)	**(2,951)**
Total	**¥ 643**	¥ 893	**$ 7,841**
Non-current deferred tax liabilities:			
Goodwill	**¥ 196**	¥ 258	**$2,390**
Undistributed profit of foreign subsidiary	**218**	160	**2,658**
Other	**38**	52	**463**
Total	**¥ 453**	¥ 471	**$ 5,524**
Net non-current deferred tax assets	**¥ 281**	¥ 466	**$ 3,426**
Net non-current deferred tax liabilities	**¥ 90**	¥ 44	**$ 1,097**

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, 2012 and 2011 was as follows:

	2012	2011
Normal effective statutory tax rate in Japan	**40.0%**	40.0%
Expenses not deductible for income tax purposes	**0.5**	1.0
Valuation allowance	**(1.1)**	5.0
Per capita rate of local tax	**0.8**	1.4
Tax rate difference of subsidiaries	**(13.1)**	(17.4)
Elimination in consolidation	**0.9**	13.1
Tax credit	**(2.2)**	(18.0)
Goodwill depreciation	**3.0**	5.7
Undistributed profit of foreign subsidiary	**3.4**	3.6
Effect of tax rate change	**6.4**	
Other–net	**(0.6)**	2.5
Actual effective tax rate	**38.0%**	36.9%

On December 2, 2011, new tax reform laws were enacted in Japan, which changed the normal effective statutory tax rate from approximately 40% to 38% effective for the fiscal years beginning on or after April 1, 2012 through March 31, 2015, and to 35% afterwards. The effect of this change was to decrease current deferred tax assets by ¥7 million ($85 thousand), and non-current deferred tax assets by ¥59 million ($719 thousand) in the consolidated balance sheet as of March 31, 2012 and to increase income taxes - deferred in the consolidated statement of income for the year then ended by ¥67 million ($817 thousand).

At March 31, 2012, certain subsidiaries have tax loss carryforwards aggregating approximately ¥460 million ($5,609 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:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2014	¥ 63	$ 768
2015	3	36
2018	197	2,402
2019	106	1,292
2020	89	1,085
Total	¥460	$5,609

14 LEASES

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

Total rental expense for the years ended March 31, 2012 and 2011 was ¥283 million ($3,451 thousand) and ¥342 million, respectively, including ¥3 million ($36 thousand) and ¥3 million of lease payments under finance leases, respectively.

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

	Machinery and Vehicles		
	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Acquisition cost	**¥24**	¥24	**$292**
Accumulated depreciation	**18**	15	**219**
Net leased property	**¥ 5**	¥ 9	**$ 60**

Obligations under finance leases as of March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Due within one year	**¥3**	¥3	**$36**
Due after one year	**2**	5	**24**
Total	**¥5**	¥9	**$60**

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

Depreciation expense was ¥3 million ($36 thousand) and ¥3 million for the years ended March 31, 2012 and 2011, respectively.

The minimum rental commitments under noncancellable operating leases at March 31, 2012 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥119	$ 1,451
Due after one year	851	10,378
Total	¥971	$11,841

15 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

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

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

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

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

Payment terms of payables, such as trade notes and trade accounts, are 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 ten years after the balance sheet date.

Derivatives mainly include forward foreign currency contracts and non-deliverable forward, 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 at an early stage.

With respect to held-to-maturity securities, the Group manages exposure to credit risk by limiting investments to high credit rated bonds in accordance with its internal guidelines.

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

Market risk management

(foreign exchange risk and interest rate risk)

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

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

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

Liquidity risk management

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

(4) Fair Values of Financial Instruments

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

(a) Fair value of financial instruments

March 31, 2012	Millions of Yen Carrying Amount	Fair Value	Unrealized Gain/ Loss
Cash and cash equivalents	**¥ 5,803**	**¥ 5,803**	
Time deposits	**14,137**	**14,137**	
Notes and accounts receivable–trade	**5,548**	**5,548**	
Allowance for doubtful accounts	**(29)**	**(29)**	
Marketable securities	**466**	**466**	
Total	**¥25,927**	**¥25,927**	
Notes and accounts payable–trade	**¥ 1,662**	**¥ 1,662**	
Current portion of long-term borrowings	**58**	**58**	
Notes and accounts payable–construction and other	**1,172**	**1,172**	
Accrued income taxes	**121**	**121**	
Long-term borrowings	**335**	**333**	**¥1**
Total	**¥ 3,350**	**¥ 3,348**	**¥1**
Derivatives (*)	**¥ (3)**	**¥ (3)**	

March 31, 2011	Millions of Yen Carrying Amount	Fair Value	Unrealized Gain/ Loss
Cash and cash equivalents	¥ 4,047	¥ 4,047	
Time deposits	14,492	14,492	
Notes and accounts receivable–trade	4,732	4,732	
Allowance for doubtful accounts	(26)	(26)	
Marketable securities	488	488	
Total	¥23,733	¥23,733	
Notes and accounts payable–trade	¥ 1,168	¥ 1,168	
Current portion of long-term borrowings	45	45	
Notes and accounts payable–construction and other	978	978	
Accrued income taxes	117	117	
Long-term borrowings	364	352	¥11
Total	¥ 2,675	¥ 2,663	¥11
Derivatives (*)	¥ (1)	¥ (1)	

March 31, 2012	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain/ Loss
Cash and cash equivalents	**$ 70,768**	**$ 70,768**	
Time deposits	**172,402**	**172,402**	
Notes and accounts receivable–trade	**67,658**	**67,658**	
Allowance for doubtful accounts	**(353)**	**(353)**	
Marketable securities	**5,682**	**5,682**	
Total	**$316,182**	**$316,182**	
Notes and accounts payable–trade	**$ 20,268**	**$ 20,268**	
Current portion of long-term borrowings	**707**	**707**	
Notes and accounts payable–Construction and other	**14,292**	**14,292**	
Accrued income taxes	**1,475**	**1,475**	
Long-term borrowings	**4,085**	**4,060**	**$12**
Total	**$ 40,853**	**$ 40,829**	**$12**
Derivatives (*)	**$ (36)**	**$ (36)**	

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

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

The carrying values of cash and cash equivalents, time deposits, 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

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Non-marketable equity securities	**¥2**	¥2	**$24**
Total	**¥2**	¥2	**$24**

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

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

	Due in One Year or Less		
	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Cash and cash equivalents	**¥ 5,803**	¥ 4,047	**$ 70,768**
Time deposits	**14,137**	14,492	**172,402**
Notes and accounts receivables – trade	**5,548**	4,732	**67,658**
Marketable securities	**466**	488	**5,682**
Total	**¥25,954**	¥23,760	**$316,512**

Please see Note 6 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.

Derivative Transactions to Which Hedge Accounting Is Not Applied

At March 31, 2012	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Buying EUR	**¥ 39**			
USD	**264**			
STG	**2**			
CNY	**167**			
Selling EUR	**99**		**¥(1)**	**¥(1)**
Non deliverable forward				
Buying WON	**¥ 4**			
Selling WON	**40**			

At March 31, 2011	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Buying EUR	¥17			
Selling EUR	40			
CNY	20			
Non deliverable forward				
Selling WON	¥60		¥(1)	¥(1)

At March 31, 2012	Thousands of U.S. Dollars			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Buying EUR	**$ 475**			
USD	**3,219**			
STG	**24**			
CNY	**2,036**			
Selling EUR	**1,207**		**$(12)**	**$(12)**
Non deliverable forward				
Buying WON	**$ 48**			
Selling WON	**487**			

Derivative Transactions to Which Hedge Accounting Is Applied

At March 31, 2012	Millions of Yen			
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Buying USD	**Payables**	**¥116**		
EUR	**Payables**	**9**		

At March 31, 2011	Millions of Yen			
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Buying USD	Payables	¥151		
EUR	Payables	10		

At March 31, 2012	Thousands of U.S. Dollars			
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Buying USD	**Payables**	**$1,414**		
EUR	**Payables**	**109**		

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

17 COMPREHENSIVE INCOME

The components of other comprehensive income for the year ended March 31, 2012 were as follows;

	Millions of Yen	Thousands of U.S. Dollars
Other comprehensive income:		
Foreign currency translation adjustments	¥(279)	$(3,402)
Total other comprehensive income	¥(279)	$(3,402)

The corresponding information for the year ended March 31, 2011 was not required under the accounting standard for presentation of comprehensive income as an exemption for the first year of adopting that standard and not disclosed herein.

18 NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2012 and 2011 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
For the year ended March 31, 2012:	Net Income	Weighted Average Shares	EPS	
Basic EPS				
Net income available to common shareholders	**¥1,023**	**112,915**	**¥9.06**	**$0.11**
For the year ended March 31, 2011:				
Basic EPS				
Net income available to common shareholders	¥605	112,869	¥5.37	
Diluted EPS				
Net income for computation	¥605	112,894	¥5.37	

Diluted EPS for the year ended March 31, 2012 is not disclosed because the stock option's exercise price was greater than the average market price of the common shares. The stock options were still outstanding at March 31, 2012.

19 SUBSEQUENT EVENT

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2012 was approved at the Company's shareholders meeting held on June 22, 2012:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥1.00 ($0.01) per share	¥112	$1,365

20 SEGMENT INFORMATION

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

(1) Description of Reportable Segments

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

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

The segment 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) Methods of Measurement for the Amounts of Sales, Profit (loss), Assets, Liabilities and Other Items for Each Reportable Segment

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

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

Millions of Yen

	2012					
	Genetic Engineering Research	Gene Medicine	AgriBio	Total	Reconciliations	Consolidated
Sales:						
Sales to external customers	**¥16,300**	**¥ 842**	**¥2,435**	**¥19,578**		**¥19,578**
Intersegment sales or transfers			**1**	**1**	**¥ (1)**	
Total	**16,300**	**842**	**2,436**	**19,579**	**(1)**	**19,578**
Segment profit (loss)	**4,447**	**(1,186)**	**(253)**	**3,007**	**(1,459)**	**1,547**
Segment assets	**19,901**	**2,010**	**4,751**	**26,663**	**17,369**	**44,032**
Other:						
Depreciation	**548**	**153**	**301**	**1,003**	**74**	**1,077**
Amortization of goodwill	**124**			**124**		**124**
Increase in property, plant and equipment and intangible assets	**574**	**260**	**72**	**906**	**19**	**926**

	Millions of Yen					
	2011					
	Genetic Engineering Research	Gene Medicine	AgriBio	Total	Reconciliations	Consolidated
Sales:						
Sales to external customers	¥15,882	¥ 493	¥2,361	¥18,737		¥18,737
Segment profit (loss)	4,132	(1,331)	(310)	2,491	¥ (1,393)	1,097
Segment assets	18,931	1,825	5,068	25,825	16,769	42,594
Other:						
Depreciation	595	97	342	1,035	86	1,122
Amortization of goodwill	136			136		136
Increase in property, plant and equipment and intangible assets	485	348	72	906	11	918

	Thousands of U.S. Dollars					
	2012					
	Genetic Engineering Research	Gene Medicine	AgriBio	Total	Reconciliations	Consolidated
Sales:						
Sales to external customers	**$198,780**	**$ 10,268**	**$29,695**	**$238,756**		
Intersegment sales or transfers			**12**	**12**	**$ (12)**	**$238,756**
Total	**198,780**	**10,268**	**29,707**	**238,768**	**(12)**	**238,756**
Segment profit (loss)	**54,231**	**(14,463)**	**(3,085)**	**36,670**	**(17,792)**	**18,865**
Segment assets	**242,695**	**24,512**	**57,939**	**325,158**	**211,817**	**536,975**
Other:						
Depreciation	**6,682**	**1,865**	**3,670**	**12,231**	**902**	**13,134**
Amortization of goodwill	**1,512**			**1,512**		**1,512**
Increase in property, plant and equipment and intangible assets	**7,000**	**3,170**	**878**	**11,048**	**231**	**11,292**

Notes: 1. Reconciliations of segment profit include unallocated operating expenses of ¥1,459 million ($17,792 thousand) and ¥1,393 million for the years ended March 31, 2012 and 2011, respectively, consisting principally of fundamental research and development expenses and administrative expenses incurred by the administrative and accounting departments of the Company.

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

	Millions of Yen				Thousands of U.S. Dollars			
	2012							
	Genetic Engineering Research	Gene Medicine	AgriBio	Total	Genetic Engineering Research	Gene Medicine	AgriBio	Total
Sales to external customers	**¥16,300**	**¥842**	**¥2,435**	**¥19,578**	**$198,780**	**$10,268**	**$29,695**	**$238,756**

(5) Information about geographical areas is as follows.

(a) Sales

Millions of Yen

2012						
Japan	U.S.A.	China	Asia (except for China)	Europe	Other	Total
¥12,107	**¥2,806**	**¥2,349**	**¥869**	**¥1,301**	**¥143**	**¥19,578**

Thousands of U.S. Dollars

2012						
Japan	U.S.A.	China	Asia (except for China)	Europe	Other	Total
$147,646	**$34,219**	**$28,646**	**$10,597**	**$15,865**	**$1,743**	**$238,756**

(b) Property, plant and equipment

Millions of Yen

2012					
Japan	U.S.A.	China	Asia (except for China)	Europe	Total
¥8,198	**¥184**	**¥2,008**	**¥142**	**¥8**	**¥10,542**

Thousands of U.S. Dollars

2012					
Japan	U.S.A.	China	Asia (except for China)	Europe	Total
$99,975	**$2,243**	**$24,487**	**$1,731**	**$97**	**$128,560**

(6) Information about amortization of goodwill and goodwill at March 31, 2012 is as follows.

Millions of Yen

	2012					
	Genetic Engineering Research	Gene Medicine	AgriBio	Total	Reconciliations	Consolidated
Amortization of goodwill	**¥ 124**			**¥ 124**		**¥ 124**
Goodwill at March 31, 2012	**1,313**			**1,313**		**1,313**

Thousands of U.S. Dollars

	2012					
	Genetic Engineering Research	Gene Medicine	AgriBio	Total	Reconciliations	Consolidated
Amortization of goodwill	**$ 1,512**			**$ 1,512**		**$ 1,512**
Goodwill at March 31, 2012	**16,012**			**16,012**		**16,012**

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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. and consolidated subsidiaries as of March 31, 2012, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Takara Bio Inc. and consolidated subsidiaries as of March 31, 2012, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in 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 8, 2012

(June 22, 2012 as to Note 19)

Member of
Deloitte Touche Tohmatsu Limited

INVESTOR INFORMATION

Corporate Data (As of March 31, 2012)

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	¥9,069 million
Number of Employees of Takara Bio Group	1,128
URL	www.takara-bio.co.jp

Inquiries

Takara Bio Inc., Corporate Communications
Telephone +81-77-543-7212
E-mail bio-ir@takara-bio.co.jp

Main Offices	Location
Headquarters and Research Laboratory	Seta 3-4-1, Otsu, Shiga 520-2193, Japan
Kusatsu Office	Noji-Higashi 7-2-62, Kusatsu, Shiga 525-0058, Japan
Dragon Genomics Center	Sakura-cho 7870-15, Yokkaichi, Mie 512-1211, Japan
Eastern Japan Sales	Nihonbashi 2-15-10, Chuo-ku, Tokyo 103-8232, Japan
Kusu Factory	Minamigomizuka 1350-2, Kusu-cho, Yokkaichi, Mie 510-0104, Japan

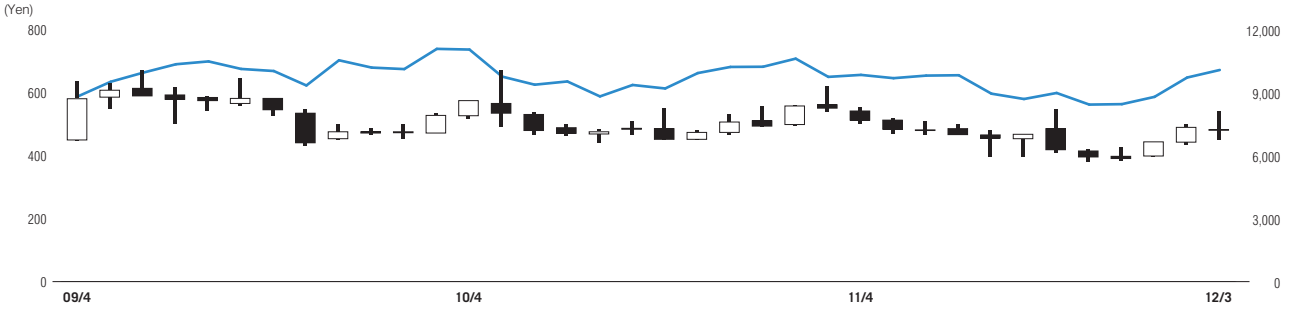
Consolidated Subsidiaries	Location	Issued Capital and Subscription	Line of Business
Takara Biotechnology (Dalian) Co., Ltd.	Dalian, People's Republic of China	¥2,350 million	Development, production and sale of research reagents
Takara Korea Biomedical Inc.	Seoul, Korea	W3,860 million	Sale of research reagents and scientific instruments
Takara Bio USA Holdings Inc.	Mountain View, U.S.A.	US$70,857 thousand	Subsidiary management
Clontech Laboratories, Inc.	Mountain View, U.S.A.	US$83 thousand	Development and sale of research reagents
Takara Bio Europe S.A.S.	Saint-Germain-en-Laye, France	EUR600 thousand	Sale of research reagents
DSS Takara Bio India Pvt. Ltd.*	New Delhi, India	RP45 million	Sale of research reagents
Takara Biomedical Technology (Beijing) Co., Ltd.	Beijing, People's Republic of China	¥1,030 million	Sale of research reagents, cell culture media and gas-permeable bags
Mizuho Nourin Co., Ltd.	Kyotamba-cho, Funai-gun, Kyoto, Japan	¥10 million	Production and sale of mushrooms
Takara Bio Farming Center Inc.	Osaki-cho, Soh-gun, Kagoshima, Japan	¥3 million	Production and sale of Ashitaba and other agricultural products
KINOKO CENTER KIN INC.	Okinawa, Japan	¥5 million	Production and sale of mushrooms

* Became a subsidiary of Takara Bio Inc., in May 2011.

Investor Information (As of March 31, 2012)

Common Stock		
Authorized Shares	400,000,000 shares	
Issued and Outstanding	112,919,600 shares	
Number of Shareholders	17,453	
Major Shareholder	Takara Holdings Inc. (70.85% equity owned)	
Stock Listing	Tokyo Stock Exchange Mothers (securities code number: 4974)	
Fiscal year	From April 1 to March 31 of the following year	
Annual Meeting of Shareholders	Every June	
Record Date	• 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
Share Unit Number	100 shares	
Transfer Agent and Registrar	Mizuho Trust & Banking Co., Ltd. Yaesu 1-2-1, Chuo-ku, Tokyo, Japan	
Transfer Agent Office	Mizuho Trust & Banking Co., Ltd., Osaka Branch, Stock Agency Transfer Department, Sonezaki 2-11-16, Kita-ku, Osaka, Japan	
Inquiries to Transfer Agent and Registrar	(If investor does not hold an account at a securities company) Mizuho Trust & Banking Co., Ltd., Stock Agency Transfer Department, Izumi 2-8-4, Suginami-ku, Tokyo 168-8507, Japan, Telephone: 0120-288-324 (toll free, within Japan only) (If investor holds an account at a securities company) The securities company with which the investor conducts transactions	

STOCK PRICE RANGE



Note: Indicated prices are retroactively adjusted for a 400-for-one stock split, taking April 1, 2011 as the effective date.

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