



**Consolidated Financial Statements for the Third Quarter Ended December 31, 2018
FY2019 (April 1, 2018 - March 31, 2019) [UNAUDITED]**

January 30, 2019

Company name:	Takara Bio Inc.
Stock exchange listings:	Tokyo Stock Exchange (1st section)
Code number:	4974
URL:	http://www.takara-bio.com/
Company representative:	Koichi Nakao, President
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Quarterly statement filing date (as planned)	February 8, 2019
Scheduled date of starting delivery of dividends:	-
Supplementary documents of the financial results	Yes
Financial results information meeting:	No

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

1. Results for the nine months ended December 31, 2018 (Apr. 1, 2018 – Dec. 31, 2018)

(1) Operating results

(Percentages indicate changes from the same period of the previous fiscal year.)

	Nine months ended Dec. 31, 2018		Nine months ended Dec. 31, 2017	
	(Millions of yen)	(%)	(Millions of yen)	(%)
Net sales	25,888	14.3	22,646	9.7
Operating income	3,432	113.4	1,608	(41.0)
Ordinary income	3,549	101.4	1,762	(38.6)
Net income (loss) attributable to owners of the parent	2,088	95.4	1,068	(31.5)
Net income per share (in yen)	17.35		8.88	
Fully diluted net income per share (in yen)	-		-	
Note: Comprehensive income	1,776	(118.8%)	811	(-%)

(2) Financial position

	As of Dec. 31, 2018	As of Mar. 31, 2018
	(Millions of yen)	(Millions of yen)
Total assets	70,705	68,670
Net assets	63,193	61,959
Equity ratio (%)	89.2	90.1
Net assets per share (in yen)	523.97	513.66
(Reference) Equity	63,094	61,852

Notes: Partial revision of accounting standard related to tax effect accounting (Article 28 on corporate accounting standard, February 16, 2018) has been applied from the beginning of the year ending March 31, 2019. Accordingly, financial position for the year ended March 31, 2018 indicates the numerical value after retroactive adjustment due to this revision.

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2. Dividends

	Annual dividends per share in yen		
	Year ended Mar. 31, 2018	Year ending Mar. 31, 2019	Year ending Mar. 31, 2019 (Forecast)
First quarter end	-	-	
Second quarter end	0.00	0.00	
Third quarter end	-	-	
Year end	4.50		7.00
Annual	4.50		7.00

Note: Revision of dividend payment forecast since the most recently announced payment forecast : Yes

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

(Percentages indicated changes from the same period of the previous fiscal year.)

	Year ending Mar. 31, 2019	
	(Millions of yen)	(%)
Net sales	35,800	10.8
Operating income	5,200	46.2
Ordinary income	5,400	39.8
Net income attributable to owners of the parent	3,150	34.9
Net income per share (in yen)	26.16	

Note: Revision of financial forecast since the most recently announced financial forecast : Yes

※ Others

(1) Changes in subsidiaries during the nine months ended Dec. 31, 2018

(Changes in specified subsidiaries resulting in change of scope) : No

Newly included: - (Name)

Excluded: - (Name)

(2) Application of special accounting methods to the consolidated quarterly financial statements: No

(3) Changes in accounting policies, changes in accounting estimates, and retrospective restatement

① Changes based on revisions of accounting standard: No

② Changes other than ones based on revisions of accounting standard: No

③ Changes in accounting estimates: No

④ Restatement: No

(4) Number of outstanding shares (Common stock)

① Number of outstanding shares at year end (Treasury stocks are included)

As of December 31, 2018 120,415,600

As of March 31, 2018 120,415,600

② Number of treasury stocks at year end

As of December 31, 2018 -

As of March 31, 2018 -

③ Average number of outstanding shares (Quarterly total)

As of December 31, 2018 120,415,600

As of December 31, 2017 120,415,600

※ These quarterly financial statements are not subject to auditing.

※ Comment regarding appropriate use of earnings forecasts and other special notes

Forward-looking statements contained in this document are determined by the Takara Bio based on information currently available to the Company and include a number of uncertainties. Actual results could differ from these forecasts due to changes in conditions that occur in the future. For information regarding the above, please refer to “1. Qualitative Information for the nine months ended December 31, 2018 (4) Qualitative Information Regarding Consolidated Forecasts, on page 3 of the attached document”.

(Change in calendar indication)

Calendar indication has been changed from Japanese style to western style since Consolidated Financial Statements for the first quarter ended June 30, 2018.

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1. Qualitative Information for the nine months ended December 31, 2018

(1) Consolidated Financial Results

In the nine months ended December 31, 2018, although the Japanese economy continued to maintain a moderate recovery as personal consumption and corporate earnings improved, the future economy continues to be unpredictable due to the trade friction issue in the U.S. and China, influence of financial and capital markets and others.

Under this circumstances, the three-year Takara Bio's Medium-Term Management Plan FY2020 started in FY2018 aims to strengthen the three business segments: the Bioindustry Business, the Gene Therapy Business, and the AgriBio Business and business bases which support them to enhance standing of the Takara Bio Company (the Company) as a global enterprise and regenerative medical product company and, further, to achieve prodigious growth. Under this overall policy, the Company promoted initiatives to achieve the operating income of ¥6.0 billion as the target for fiscal 2020, final year of the revised Medium-Term Management Plan.

As a result, overall net sales increased 14.3% year on year to ¥25,888 million, on contributions from sales for core research reagents exceeding those of the same period of the previous fiscal year and receipt of licensing fees for co-development/exclusive sales related to NY-ESO-1 · siTCR™ and CD19 · CAR gene therapy products. Cost of sales increased 10.8% year on year to ¥10,947 million, and gross profit increased 17.0% year on year to ¥14,940 million. Selling, general and administrative (SG&A) expenses increased 3.1% year on year to ¥11,507 million due to the increase in personnel costs, but operating income increased 113.4% year on year to ¥3,432 million.

Accompanied with the increase in operating income, ordinary income increased 101.4% year on year to ¥3,549 million, income before income taxes and minority interests increased 55.2% year on year to ¥2,703 million, and net income attributable to owners of the parent increased 95.4% to ¥2,088 million.

The statuses of the Company business segments are as follows.

Bioindustry Business

Given the ever-widening activities of biotechnology R&D, the Company has positioned the Bioindustry Business as its core business, which mainly develops and provides products and services supporting such R&D activities.

In the nine months ended December 31, 2018, sales of the contracted service and the scientific instruments in addition to the core research reagents increased year on year.

As a result of the above, sales to external customers for this business increased 7.7% year on year to ¥21,984 million, and gross profit increased 7.7% year on year to ¥12,691 million due to the increase of net sales. SG&A expenses increased 5.8% year on year to ¥8,553 million, but the Company recorded operating income up 12.0% year on year to ¥4,138 million.

Gene Therapy Business

The business focuses on clinical development of gene therapies for diseases such as cancer. These therapies represent the oncolytic virus therapy utilizing canerpaturev (Abbreviated to C-REV, Former HF10) and the engineered T cell therapy utilizing the original Takara Bio technologies such as the RetroNectin® method for a high efficiency gene transduction; the RetroNectin® expansion-culture system for a high efficient expansion for lymphocytes; as well as siTCR™.

In the nine months ended December 31, 2018, the licensing fees for domestic co-development and exclusive sales related to NY-ESO-1 · siTCR™ and CD19 · CAR gene therapy products and sales of the therapeutic products based on the agreement was generated.

As a result, net sales to external customers for this business increased 360.9% year on year to ¥2,304 million, and gross profit increased 273.3% year on year to ¥1,886 million. SG&A expenses decreased 23.2% year on year to ¥1,000 million due to the decrease R&D expenses. Accordingly, operating income has been highly improved to ¥885 million, compared with operating loss of ¥802 million in the same period of previous fiscal year.

AgriBio Business

This business uses its unique leading-edge biotechnology to identify the scientific basis of foodstuffs. Based on this evidence, it develops, manufactures, and sells functional food ingredients. The AgriBio Business focuses on rolling out products related to Gagome kombu (kelp)-derived "Fucoidan," agar-derived agar-oligosaccharide, Ashitaba (Angelica herb)-derived "Chalcone," the herb (Peucedanum japonicum)-derived "Isosamidin," Yam, (Dioscorea esculenta)-derived "Yamsgenin", and mushroom.

In the nine months ended December 31, 2018, net sales of functional foods-related products and mushroom-related products declined year on year.

Consequently, net sales to external customers for this business decreased 8.1% year on year to ¥1,599 million, and gross profit decreased 25.0% to ¥361 million. SG&A expenses decreased 98.4% year on year to ¥365 million due to the decrease in promotion

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expenses, and operating loss was ¥3 million, compared with operating income of ¥110 million in the same period of previous fiscal year.

The Company's functional food business has been succeeded to Shionogi Healthcare Co., Ltd. (Shionogi Healthcare) pursuant to the simplified absorption-type company split with the effective date of January 1, 2019. For details, refer to "2. Consolidated Quarterly Financial Statements and Primary Notes and (4) Notes to Consolidated Quarterly Financial Statements (Significant Subsequent Events)".

Further, the Company resolved at the meeting of the Board of Directors pursuant to which the Company would transfer the Company's Mushroom business to Yukiguni Maitake Co., Ltd. with the effective date of March 1, 2019 (planned), and entered into an agreement relating to business transfer on December 17, 2018. For details, refer to "2. Consolidated Quarterly Financial Statements and Primary Notes and (4) Notes to Consolidated Quarterly Financial Statements (Additional Information)".

(2) Overview of Financial Position for the nine months ended December 31, 2018

In the nine months ended December 31, 2018, total assets were ¥70,705 million, an increase of ¥2,034 million compared with that at the end of the previous fiscal year. This increase primarily resulted from increases of ¥2,062 million in inventories such as merchandise and finished goods, etc. and ¥2,335 million in construction in progress despite decreases of ¥992 million in notes and accounts receivable-trade and ¥940 million in intangible assets.

Total liabilities were ¥7,511 million, an increase of ¥799 million compared with that at the end of the previous fiscal year. This increase primarily resulted from increases of ¥245 million in notes and accounts receivable-trade and ¥536 million in other advance received of current liabilities.

Total net assets stood at ¥63,193 million, an increase of ¥1,234 million compared with that at the end of the previous fiscal year. The main factors were an increase of ¥1,546 million in retained earnings despite a decrease of ¥324 million in foreign currency translation adjustment.

(3) Overview of Cash Flows for the nine months ended December 31, 2018

Net cash provided by operating activities was ¥4,174 million, up by ¥3,560 million compared with the previous fiscal year. This was primarily due to an increase of ¥961 million in income before taxes and minority interests and a decrease of ¥932 million in current liabilities.

Net cash provided by investing activities was ¥3,564 million, a decrease of ¥9,601 million compared with the previous fiscal year. This was primarily due to the elimination of ¥12,396 million from purchase of shares of subsidiaries accompanying changes in the scope of consolidation occurred in the previous fiscal year.

Net cash used in financing activities was ¥541 million, a decrease of ¥525 million compared with the previous fiscal year. This was primarily because of the elimination of ¥546 million in redemption bonds occurred in the same period of previous fiscal year.

As a result of the above, balance of cash and cash equivalents for the nine months ended December 31, 2018, including the effect of exchange rate change on cash and cash equivalents, stood at ¥10,077 million, up ¥26 million from the previous fiscal year-end.

(4) Overview of Qualitative Information Regarding Consolidated Forecasts

As for consolidated financial forecast for FY2019, the Company has revised the financial forecast and dividend forecast disclosed on November 6, 2018. For details, refer to "Notice Regarding Forecast Revisions of the Financial Results and Dividend (Dividend Increase)" disclosed today (January 30, 2019).

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2. Consolidated Quarterly Financial Statements and Primary Notes

(1) Consolidated Quarterly Balance Sheets

(Millions of yen)

	As of Mar. 31, 2018	As of Dec. 31, 2018
Assets		
Current assets		
Cash and deposits	17,537	18,183
Notes and accounts receivable-trade	8,031	7,039
Securities	2,000	2,000
Merchandise and finished goods	4,484	5,524
Work in process	334	973
Raw materials and supplies	1,192	1,575
Other	978	882
Allowance for doubtful accounts	(42)	(46)
Total current assets	34,516	36,134
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	12,825	12,355
Accumulated depreciation	(5,611)	(5,806)
Buildings and structures, net	7,214	6,549
Machinery, equipment and vehicles	7,561	7,152
Accumulated depreciation	(5,360)	(5,346)
Machinery, equipment and vehicles, net	2,201	1,805
Tools, furniture and fixtures	7,080	7,362
Accumulated depreciation	(4,613)	(5,069)
Tools, furniture and fixtures, net	2,466	2,292
Land	6,588	6,379
Lease assets	16	16
Accumulated depreciation	(16)	(16)
Lease assets, net	—	—
Construction in progress	63	2,398
Total Property, plant and equipment	18,534	19,426
Intangible assets		
Goodwill	8,259	7,910
Other	5,903	5,312
Total intangible assets	14,163	13,222
Investments and other assets		
Investments and other assets	1,456	1,920
Total investments and other assets	1,456	1,920
Total noncurrent assets	34,154	34,570
Total assets	68,670	70,705

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(Millions of yen)

	As of Mar. 31, 2018	As of Dec. 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,875	2,120
Accrued income taxes	431	478
Provision	333	505
Other	3,104	3,463
Total current liabilities	5,745	6,567
Noncurrent liabilities		
Net defined benefit liability	659	670
Other	307	273
Total noncurrent liabilities	966	943
Total liabilities	6,711	7,511
Net assets		
Shareholders' equity		
Common stock	14,965	14,965
Capital surplus	32,893	32,893
Retained earnings	12,285	13,832
Total shareholders' equity	60,144	61,691
Accumulated other comprehensive income		
Foreign currency translation adjustment	2,042	1,717
Remeasurements of defined benefit plans	(334)	(314)
Total accumulated other comprehensive income	1,707	1,402
Noncontrolling interests	106	99
Total net assets	61,959	63,193
Total liabilities and net assets	68,670	70,705

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

(Consolidated Quarterly Statements of Income)

(For the nine months ended June 30, 2018)

	(Millions of yen)	
	Nine months ended Dec. 31, 2017	Nine months ended Dec. 31, 2018
Net sales	22,646	25,888
Cost of sales	9,879	10,947
Gross profit	12,766	14,940
Selling, general and administrative expenses		
Employees' salaries and bonuses	2,744	3,062
Retirement benefit expenses	133	130
R&D expenses	3,417	3,164
Provision for allowances	120	250
Other	4,742	4,899
Total selling, general and administrative expenses	11,157	11,507
Operating income	1,608	3,432
Non-operating income		
Interest income	55	63
Foreign exchange gains	38	—
Subsidy income	51	52
Rent of real estate	65	67
Other	24	16
Total non-operating income	236	201
Non-operating expenses		
Interest expenses	18	—
Foreign exchange losses	—	45
Real estate leasing expense	22	28
Dormant fixed asset cost	40	7
Other	1	3
Total non-operating expenses	82	84
Ordinary income	1,762	3,549
Extraordinary income		
Gain on sales of noncurrent assets	0	0
Insurance proceeds due to disaster	0	54
Total extraordinary income	0	55
Extraordinary losses		
Loss on sales and retirement of noncurrent assets	20	72
Impairment losses	—	696
Loss due to disaster	—	131
Total extraordinary losses	20	900
Income before income taxes and minority interests	1,742	2,703
Income taxes-current	555	1,107
Income taxes-deferred	119	(494)
Total income taxes	674	612
Net income	1,067	2,091
Net income (loss) attributable to the noncontrolling interest	(1)	3
Net income attributable to owners of the parent	1,068	2,088

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(Consolidated Quarterly Statements of Comprehensive Income)

(For the nine months ended December 31, 2018)

(Millions of yen)

	Nine months ended Dec. 31, 2017	Nine months ended Dec. 31, 2018
Net income	1,067	2,091
Other comprehensive income		
Foreign currency translation adjustment	(295)	(335)
Remeasurements of defined benefit plans	39	19
Total other comprehensive income	(255)	(315)
Comprehensive income	811	1,776
Comprehensive income attributable to owners of the parent	813	1,784
Noncontrolling interest	(1)	(7)

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(3) Consolidated Quarterly Statements of Cash Flows

(Millions of Yen)

	Nine months ended Dec. 31, 2017	Nine months ended Dec. 31, 2018
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	1,742	2,703
Depreciation and amortization	1,896	2,014
Impairment loss	—	696
Depreciation and amortization on other	106	118
Amortization of goodwill	364	374
Increase (decrease) in allowance for doubtful accounts	12	4
Increase (decrease) in other provision	(382)	168
Increase (decrease) in net defined benefit liability	33	10
Interest income	(55)	(63)
Interest expenses	18	—
Loss (gain) on sales and retirement of noncurrent assets	20	71
Loss due to disaster	—	131
Decrease (increase) in notes and accounts receivable-trade	584	926
Decrease (increase) in inventories	(1,508)	(2,326)
Increase (decrease) in notes and accounts payable-trade	(133)	308
Increase (decrease) in other current liabilities	(1,029)	(97)
Other, net	(157)	(63)
Subtotal	1,512	4,978
Interest and dividend income received	74	63
Interest expenses paid	(0)	—
Income taxes paid	(999)	(894)
Net cash provided by (used in) operating activities	587	4,147
Net cash provided by (used in) investing activities		
Payments for time deposits	(7,127)	(6,930)
Proceeds from time deposits	6,596	6,173
Purchase of marketable securities	—	(2,000)
Proceeds of from sales and redemption of securities	—	2,000
Purchase of property, plant and equipment and intangible assets	(909)	(3,242)
Proceeds from sales of property, plant and equipment and intangible assets	457	6
Purchase of other depreciable assets	(48)	(84)
Proceeds from business transfer	—	525
Purchase of shares of subsidiaries accompanying changes in the scope of consolidation	(12,396)	—
Other	281	7
Net cash provided by (used in) investing activities	(13,147)	(3,546)
Net cash provided by (used in) financing activities		
Repayments of long-term debt	(13)	—
Redemption of bonds	(546)	—
Cash dividends paid	(480)	(541)
Repayments of lease obligations	(26)	—
Net cash provided by (used in) financing activities	(1,067)	(541)
Effect of exchange rate change on cash and cash equivalents	(217)	(33)
Net increase (decrease) in cash and cash equivalents	(13,845)	26
Cash and cash equivalents at beginning of period	22,200	10,051
Cash and cash equivalents at end of period	8,355	10,077

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(4) Notes to Consolidated Quarterly Financial Statements

(Notes on Premise of Going Concern)

No items to report.

(Notes in case of Changes in Marked Amount of Shareholders' Equity)

No items to report.

(Additional Information)

(Application of partial revision of accounting standard related to tax effect accounting)

Partial revision of accounting standard related to tax effect accounting (Article 28 on corporate accounting standard, February 16, 2018) has been applied at the beginning of period for the three months ended June 30, 2018, and category statement to investments and other assets for deferred tax assets and to noncurrent liabilities for deferred tax liability has been made.

(Agreement Execution Relating to Business Transfer)

The Company made a resolution at the meeting of the Board of Directors held on December 17, 2018 pursuant to which the Company would transfer the Company's Mushroom business to Yukiguni Maitake Co., Ltd. with the effective date of March 1, 2019 (planned), and entered into an agreement relating to business transfer on December 17, 2018.

The outline of agreement relating to business transfer is as follows.

- ① Reason of Business Transfer
The Company aims to fulfill "selection and concentration" in business operation and create high corporate value.
- ② Description of Business Transfer
 - All shares of Mizuho Norin Co., Ltd. owned by the Company
 - All shares of KINOKO CENTER KIN INC. owned by the Company
 - Intellectual property relating to Mushroom business owned by the Company
- ③ Name of Successor Company
Yukiguni Maitake Co., Ltd.
- ④ Transfer Date
March 1, 2019 (planned)

(Segment Information)

I. Equivalent period of previous fiscal year (From Apr. 1, 2017 to Dec. 31, 2017)

1. Net sales and income (loss) by reportable segment

(Millions of yen)

	Bioindustry	Gene Therapy	AgriBio	Total	Adjustment (Note: 1)	Amount recognized in consolidated quarterly statement of income (Note: 2)
Net sales						
External customers	20,405	500	1,740	22,646	—	22,646
Corporate	—	—	5	5	(5)	—
Total	20,405	500	1,745	22,651	(5)	22,646
Segment income (loss)	3,696	(802)	110	3,004	(1,395)	1,608

Notes: 1. The adjustment for segment income was a loss of ¥1,395 million comprising of the Company not allocated to reportable segments. Expenses of the Company primarily consist of general and administrative expenses and R&D expenses not attributed to reportable segments.

2. Segment income (loss) has been adjusted to the operating income of consolidated quarterly financial statements.

2. Noncurrent asset impairment losses and goodwill, and others of each reportable segment

(Significant impairment losses concerning noncurrent asset)

No items to report.

(Significant changes in the amount of goodwill)

In Bioindustry business, the wholly owned subsidiary Takara Bio USA Holdings Inc. acquired shares of WaferGen Bio-systems, Inc. and Rubicon Genomics, Inc., and thereby the Company allocated the goodwill. Based on this, the increased amount of goodwill was ¥7,713 million for the nine month ended December 31, 2018. This amount is based on tentative calculation due to incompleteness of distribution of acquisition costs.

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II. Nine months ended December 31, 2018 (From Apr. 1, 2018 to Dec. 31, 2018)

1. Net sales and income (loss) by reportable segment

(Millions of yen)

	Bioindustry	Gene Therapy	AgriBio	Total	Adjustment (Note: 1)	Amount recognized in consolidated financial statements (Note: 2)
Net sales						
External customers	21,984	2,304	1,599	25,888	—	25,888
Corporate	—	—	—	—	—	—
Total	21,984	2,304	1,599	25,888	—	25,888
Segment income (loss)	4,138	885	(3)	5,020	(1,587)	3,432

Notes: 1. The adjustment for segment income was a loss of ¥1,587 million comprising of the Company not allocated to reportable segments. Expenses of the Company primarily consist of general and administrative expenses and R&D expenses not attributed to reportable segments.

2. Segment income (loss) has been adjusted to the operating income of consolidated quarterly financial statements.

2. Noncurrent asset impairment losses and goodwill, and others of each reportable segment

(Significant impairment losses concerning noncurrent asset)

In the AgriBio business, impairment loss related to assets subject to the relevant business to be idled and business transfer planned has allocated as extraordinary loss. Amount allocated as impairment loss was ¥696 million for the nine month ended December 31, 2018.

(Significant changes in the amount of goodwill)

No items to report.

(Significant Subsequent Events)

(Business Divestiture of Functional Food Business)

The Company has succeeded its functional food business to Shinogi Healthcare Co., Ltd (Shionogi Healthcare) pursuant to the simplified absorption-type company split with the effective date of January 1, 2019.

1. Outline of Business Divestiture

(1) Successor Company Name and Business Description

- ① Successor company name: Shionogi Healthcare Co., Ltd
- ② Description of business divestiture: Functional food business

(2) Reason of Business Divestiture

The Company's Medium-Term Management Term Management Plan 2020 started in 2020 started in 2017 aims to promote three businesses: Bioindustry, Gene Therapy, and AgriBio businesses, to enhance the Company's standing as a global enterprise and regenerative medical product company, and to achieve prodigious growth.

Under the plan, the Company engaged in the business in line with its growth strategy. Through activities based on recent progress in the business environment, it is considerably more important in creating high corporate value, with the aim of fulfilling "selection and concentration" in business operation and achieving the plan. With this background, the Company has been seeking a company to continue the business maximizing the use of corporate resource such as research achievements, etc. accumulated in the functional food business. As a result of discussion and negotiations with Shionogi Healthcare, a group company of Shionogi & Co., Ltd. strengthening the functional food business, the Company decided to implement a business reorganization by the company split.

(3) Divestiture Date

January 1, 2019

(4) Matters related to Summary of Other Transactions with Regal Form

This is an absorption-type company split in which the Company is the splitting company and Shionogi Healthcare is the successor company. Transaction of compensation receivable is done in cash.

2. Outline of Account Processing Conducted

(1) Amount of Profit and Loss on Transfer (Planned)

Profit on business transfer 71 million yen

(2) Book Value of Assets and Liabilities for Business Transfer and Major Description (Planned)

(Millions of yen)

Current assets	400
<u>Non-current assets</u>	<u>143</u>
Total assets	544
Current liabilities	11
<u>Non-current liabilities</u>	<u>0</u>
<u>Total liabilities</u>	<u>11</u>

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(3) Account Processing

Balance between compensation received in cash based on the transfer and equivalents to shareholder's equity in the business divestiture is deducted the divestiture fees to assess the profit and loss on transfer.

3. Reportable Segment involved in business divestiture

Functional food business

4. Estimated Amount of Profit and Loss on Business Divestiture on Consolidated Quarterly Financial Statements for the nine months ended December 31, 2018

Net sales 409 million yen

Operating income 9 million yen

3. Supplementary Information

(1) Trends in Key Management Indicators

①Cash Flow

(Millions of yen)

Term	Nine months ended Dec. 31, 2017 (Apr. 1, 2017 - Dec. 31, 2017)	Nine months ended Dec. 31, 2018 (Apr. 1, 2018 - Dec. 31, 2018)	Year ended Mar. 31, 2018 (Apr. 1, 2017 - Mar. 31, 2018)
Net cash provided by (used in) operating activities	587	4,147	3,935
Net cash provided by (used in) investing activities	(13,147)	(3,546)	(14,755)
Net cash provided by (used in) financing activities	(1,067)	(541)	(1,205)

②Net Sales by Region

(Millions of yen)

	Nine months ended Dec. 31, 2017 (Apr. 1, 2017 - Dec. 31, 2017)	Nine months ended Dec. 31, 2018 (Apr. 1, 2018 - Dec. 31, 2018)	Year ended Mar. 31, 2018 (Apr. 1, 2017 - Mar. 31, 2018)
Japan	9,674	11,303	14,266
U.S.	5,354	6,033	7,240
China	3,922	4,547	5,524
Asia excluding Japan and China	1,313	1,469	1,754
Europe	2,203	2,351	3,257
Other	178	181	268
Total	22,646	25,888	32,312

③R&D Expenses by Reportable Segment

(Millions of yen)

	Nine months ended Dec. 31, 2017 (Apr. 1, 2017 - Dec. 31, 2017)	Nine months ended Dec. 31, 2018 (Apr. 1, 2018 - Dec. 31, 2018)	Year ended Mar. 31, 2018 (Apr. 1, 2017 - Mar. 31, 2018)
Bioindustry	2,015	2,021	2,693
Gene therapy	1,287	988	1,804
AgriBio	5	—	6
Corporate	108	155	148
Total	3,417	3,164	4,653

The original disclosure in Japanese was released on January 30, 2019 at 15:00 (GMT+8)

(2) Comparative Consolidated Statement of Income

(Rounded down to one million yen)

	Nine months ended Dec. 31, 2017	Nine months ended Dec. 31, 2018	Year on year Change	Year on year Ratio
(Net Sales)				
Research reagents	15,663	17,093	1,430	109.1%
Scientific instruments	1,890	1,907	17	100.9%
Contracted services	2,441	2,647	206	108.5%
Other	411	335	(75)	81.7%
Bioindustry Total	20,405	21,984	1,578	107.7%
Gene therapy	500	2,304	1,804	460.9%
Functional foods	533	409	(124)	76.7%
Mushrooms	1,206	1,189	(17)	98.6%
AgriBio total	1,740	1,599	(141)	91.9%
Total Net Sales	22,646	25,888	3,242	114.3%
(Operating Income and Loss)				
Net Sales	22,646	25,888	3,242	114.3%
Cost of sales	9,879	10,947	1,068	110.8%
Gross profits	12,766	14,940	2,174	117.0%
SG&A expenses	11,157	11,507	350	103.1%
Transportation expenses	469	514	45	109.6%
Advertising expenses	59	38	(20)	65.2%
Promotion expenses	581	544	(37)	93.6%
R&D expenses	3,417	3,164	(252)	92.6%
Administrative expenses, other	6,466	7,019	552	108.5%
Enterprise taxes (external standards taxation)	162	225	63	138.7%
Operating income	1,608	3,432	1,823	213.4%
(Non-operating Income and Expenses)				
Non-operating income	236	201	(34)	85.3%
Non-operating expenses	82	84	2	102.7%
Ordinary income	1,762	3,549	1,786	201.4%
(Extraordinary Income & Losses)				
Extraordinary income	0	55	54	19,486.6%
Extraordinary losses	20	900	880	4,347.3%
Income before income taxes and minority interests	1,742	2,703	961	155.2%
Income taxes	674	612	(62)	90.7%
Net Income	1,067	2,091	1,024	196.0%
Net income (loss) attributable to noncontrolling interests	(1)	3	4	—
Net income attributable to owners of the parent	1,068	2,088	1,019	195.4%
Depreciation and amortization (Property, plant and equipment and intangible assets)	1,896	2,014	117	106.2%
Amortization of goodwill	364	374	9	102.7%

Profit and loss by business segment (Operating income)

	Nine months ended Dec. 31, 2017	Nine months ended Dec. 31, 2018	Year on year Change	Year on year Ratio
Bioindustry	3,696	4,138	442	112.0%
Gene therapy	(802)	885	1,688	—
AgriBio	110	(3)	(114)	—
Corporate	(1,395)	(1,587)	(192)	—
Total	1,608	3,432	1,823	213.4%

The original disclosure in Japanese was released on January 30, 2019 at 15:00 (GMT+8)

(3) Comparative Statement of Income Relating to Consolidated Earnings Forecasts

(Rounded down to one million yen)

	Year ended Mar. 31, 2018 Actual	Year ending Mar. 31, 2019 Previous forecast	Year ending Mar. 31, 2019 Current forecast	Year on year Change	Year on year Ratio	Previous forecast Change	Previous forecast Ratio
(Net Sales)							
Research reagents	22,207	23,509	23,703	1,495	106.7%	193	100.8%
Scientific instruments	2,635	2,680	2,587	(47)	98.2%	(92)	96.5%
Contracted services	4,210	4,558	4,727	516	112.3%	169	103.7%
Other	514	500	462	(52)	89.9%	(38)	92.4%
Bioindustry Total	29,568	31,249	31,481	1,912	106.5%	231	100.7%
Gene therapy	500	2,590	2,438	1,938	487.8%	(151)	94.1%
Functional foods	693	398	409	(283)	59.1%	10	102.7%
Mushrooms	1,550	1,560	1,469	(80)	94.8%	(90)	94.2%
AgriBio total	2,243	1,959	1,879	(364)	83.7%	(80)	95.9%
Total Net Sales	32,312	35,800	35,800	3,487	110.8%	—	100.0%
(Operating Income and Loss)							
Net Sales	32,312	35,800	35,800	3,487	110.8%	—	100.0%
Cost of sales	13,657	14,890	14,934	1,277	109.4%	44	100.3%
Gross profits	18,655	20,909	20,865	2,209	111.8%	(44)	99.8%
SG&A expenses	15,099	15,909	15,665	565	103.7%	(244)	98.5%
Transportation expenses	643	734	692	49	107.7%	(42)	94.2%
Advertising expenses	83	55	56	(26)	67.9%	0	101.0%
Promotion expenses	729	735	713	(15)	97.9%	(21)	97.1%
R&D expenses	4,653	4,555	4,472	(81)	96.1%	(83)	98.2%
Administrative expenses, other	8,750	9,533	9,444	693	107.9%	(89)	99.1%
Enterprise taxes (external standards taxation)	239	294	285	46	119.4%	(8)	97.0%
Operating income	3,555	5,000	5,200	1,644	146.2%	200	104.0%
(Non-operating Income and Expenses)							
Non-operating income	402	331	297	(104)	74.1%	(33)	89.8%
Non-operating expenses	96	131	97	1	102.0%	(33)	74.3%
Ordinary income	3,861	5,200	5,400	1,538	139.8%	200	103.8%
(Extraordinary Income & Losses)							
Extraordinary income	0	69	125	125	16,289.7%	56	181.1%
Extraordinary losses	501	751	912	410	181.9%	160	121.4%
Income before income taxes and minority interests	3,361	4,518	4,613	1,252	137.3%	95	102.1%
Income taxes	1,023	1,410	1,441	418	140.9%	31	102.2%
Net Income	2,338	3,108	3,172	833	135.7%	63	102.1%
Net income (loss) attributable to noncontrolling interests	3	8	22	19	723.2%	13	269.4%
Net income attributable to owners of the parent	2,335	3,100	3,150	814	134.9%	50	101.6%
Depreciation and amortization (Property, plant and equipment and intangible assets)	2,568	2,724	2,703	134	105.2%	(21)	99.2%
Amortization of goodwill	489	500	502	13	102.7%	2	100.4%

Profit and loss by business segment (Operating income)

	Year ended Mar. 31, 2018 Actual	Year ending Mar. 31, 2019 Previous forecast	Year ending Mar. 31, 2019 Current forecast	Year on year Change	Year on year Ratio	Previous forecast Change	Previous forecast Ratio
Bioindustry	6,683	6,778	6,959	276	104.1%	180	102.7%
Gene therapy	(1,322)	442	398	1,721	—	(43)	90.1%
AgriBio	107	25	26	(80)	24.6%	0	103.7%
Corporate	(1,912)	(2,247)	(2,185)	(272)	—	62	—
Total	3,555	5,000	5,200	1,644	146.2%	200	104.0%