

**Consolidated Financial Statements for the Year Ended March 31, 2017**  
**FY2017 (April 1, 2016 - March 31, 2017) [UNAUDITED]**

May 9, 2017

Company name: Takara Bio Inc.  
 Stock exchange listings: Tokyo Stock Exchange (1st section)  
 Code number: 4974  
 URL: <http://www.takara-bio.co.jp>  
 Company representative: Koichi Nakao, President  
 Contact: Shuichiro Matsuzaki, Senior Managing Director  
 Tel. (077) 565-6970  
 Scheduled date of general shareholders' meeting: June 23, 2017  
 Scheduled date of starting delivery of dividends: June 30, 2017

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

**1. Results for the year ended March 31, 2017 (April 1, 2016 – March 31, 2017)**

**(1) Operating results**

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

	Year ended March 31, 2017		Year ended March 31, 2016	
	(Millions of yen)	(%)	(Millions of yen)	(%)
Net sales	29,375	(1.2)	29,729	14.5
Operating income	3,202	20.1	2,667	15.8
Ordinary income	3,579	8.4	3,301	19.1
Net income (loss) attributable to owners of the parent	1,352	1.4	1,334	38.4
Net income per share (in yen)	11.24		11.08	
Fully diluted net income per share (in yen)	-		-	
Return on equity		2.3		2.2
Ordinary income to total assets ratio		5.4		5.0
Operating income to net sales ratio		10.9		9.0
Note: Comprehensive income	92	(85.8)	648	(74.8)
Reference: Income (loss) from equity method investment	-		-	

**(2) Financial position**

	As of March 31, 2017	As of March 31, 2016
	(Millions of yen)	(Millions of yen)
Total assets	67,143	66,591
Net assets	59,985	60,110
Equity ratio (%)	89.2	90.1
Net assets per share (in yen)	497.32	498.34
(Reference) Equity	59,884	60,007

**(3) Cash flow**

	Year ended March 31, 2017	Year ended March 31, 2016
	(Millions of yen)	(Millions of yen)
Cash flow from operating activities	3,584	3,021
Cash flow from investing activities	13,493	(4,177)
Cash flow from financing activities	(280)	(221)
Cash and cash equivalents, end of year	22,200	5,568

## 2. Dividends

	Annual dividends per share in yen		
	Year ended March 31, 2016	Year ended March 31, 2017	Year ending March 31, 2018(Forecast)
First quarter end	-	-	-
Second quarter end	0.00	0.00	0.00
Third quarter end	-	-	-
Year end	1.80	4.00	4.00
Annual	1.80	4.00	4.00
Total dividend (Millions of yen)	216	481	
Payout ratio (%)	16.2	35.6	26.0
Dividend on equity (%)	0.4	0.8	

## 3. Forecast for the year ending March 31, 2018 (April 1, 2017 – March 31, 2018)

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

	Six months ending September 30, 2017		Year ending March 31, 2018	
	(Millions of yen)	(%)	(Millions of yen)	(%)
Net sales	14,049	6.4	33,200	13.0
Operating income	487	(64.6)	3,300	3.0
Ordinary income	523	(63.7)	3,600	0.6
Net income attributable to owners of the parent	18	(97.2)	1,850	36.7
Net income attributable to owners of the parent per share (in yen)	0.16		15.36	

#### 4. Others

- (1) Changes in subsidiaries during the period  
(Changes in specified subsidiaries resulting in change of scope) : No
- (2) Changes in accounting policies, changes in accounting estimates, and retrospective restatement
- 1) Changes based on revisions of accounting standard: Yes
  - 2) Changes other than ones based on revisions of accounting standard: No
  - 3) Changes in accounting estimates: No
  - 4) Restatement: No

Note: for details, please see 3. Consolidated Financial Statements and Important Notes

(5) Notes to Consolidated Financial Statements (Changes in Accounting Policies) on page 10 of the attached document.

- (3) Number of outstanding shares (common stock)
- 1) Number of outstanding shares at year end (Treasury stocks are included)
 

As of March 31, 2017:	120,415,600
As of March 31, 2016:	120,415,600
  - 2) Number of treasury stocks at year end
 

As of March 31, 2017:	-
As of March 31, 2016:	-
  - 3) Average number of outstanding shares
 

As of March 31, 2017:	120,415,600
As of March 31, 2016:	120,415,600

#### (Reference) Non-consolidated financial review

##### 1. Results for the year ended March 31, 2017 (April 1, 2016 – March 31, 2017)

##### (1) Operating results

	(Percentages indicated changes from the previous fiscal year.)			
	Year ended March 31, 2017		Year ended March 31, 2016	
	(Millions of yen)	(%)	(Millions of yen)	(%)
Net sales	19,422	10.2	17,625	9.2
Operating income	229	-	(808)	-
Ordinary income	2,008	38.6	1,448	18.4
Net income	1,261	79.7	701	65.5
Net income per share (in yen)	10.47		5.83	
Fully diluted net income per share (in yen)	-		-	

##### (2) Financial position

	As of March 31, 2017		As of March 31, 2016	
	(Millions of yen)		(Millions of yen)	
Total assets	61,485		59,901	
Net assets	57,009		55,964	
Equity ratio (%)	92.7		93.4	
Net assets per share (in yen)	473.44		464.76	
(Reference) Equity	57,009		55,964	

These 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 Group based on information currently available to the Group 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. Financial Results Overview (4) Future Outlook, on page 4 of the attached document.

The Group will hold a briefing for institutional investors and analysts on May 11, 2017. The material handed out at this briefing and a review of questions and answers will be posted on our website.



Contents of the attached document

1. Business Results Overview .....	2
(1) Overview of Financial Results for the Year Ended March 31, 2017 .....	2
(2) Overview of Financial Position for the Year Ended March 31, 2017 .....	4
(3) Overview of Cash Flows for the Year Ended March 31, 2017 .....	4
(4) Future Outlook .....	4
2. Basic Concept on Selection of Accounting Standards .....	4
3. Consolidated Financial Statements and Important Notes .....	4
(1) Consolidated Balance Sheets .....	4
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income .....	6
(Consolidated Statements of Income) .....	6
(Consolidated Statements of Comprehensive Income) .....	7
(3) Consolidated Statements of Changes in Net Assets .....	8
(4) Consolidated Statements of Cash Flows .....	9
(5) Notes to Consolidated Financial Statements .....	10
(Notes on Premise of Going Concern) .....	11
(Changes in Accounting Policies) .....	11
(Segment Information) .....	11
(Per Share Information) .....	12
(Significant Subsequent Events) .....	13
4. Supplementary Information .....	16
(1) Comparative Consolidated Statement of Income .....	16
(2) Comparative Statement of Income Relating to Consolidated Earnings Forecasts .....	17

## 1. Financial Results Overview

### (1) Overview of Financial Results for the Year Ended March 31, 2017

In the fiscal year under review, ended March 31, 2017, the Japanese economy experienced improvement in the employment and income environments, showing a gradual recovery. However, the global economy grew more uncertain owing to the Brexit issue in the U.K., the impact of future policies in the U.S., and other issues, and its future continues to be unpredictable.

Under these circumstances, the Takara Bio Group (the Group) worked to improve business results by utilizing its biotechnology developed over many years and concentrating management resources on three areas: the Bioindustry Business, the Gene Therapy Business, and the AgriBio Business.

As a result, net sales in the fiscal year under review, ended March 31, 2017 decreased by 1.2% year on year to ¥29,375 million despite increased sales on the local currency basis overseas, reflecting the stronger Japanese yen. As to profit, cost of sales decreased by 7.3% year on year to ¥12,422 million as the cost rate fell due to changes in the structure of sales for each product and other factors. Consequently, gross profit increased by 3.9% year on year to ¥16,952 million. Selling, general and administrative (SG&A) expenses decreased by 0.7% year on year to ¥13,749 million due to the expenses incurred in relation to the acquisition of shares of U.S. WaferGen Bio-systems, Inc. and Rubicon Genomics, Inc. However, the Group recorded operating income up 20.1% year on year to ¥3,202 million.

As regards non-operating income and expenses, the balance worsened due to a decline in subsidy income and other issues. However, ordinary income increased 8.4% year on year to ¥3,579 million.

Regarding extraordinary income and losses, an impairment loss of ¥667 was incurred resulting from assets held for sale and idle assets among others, and income before income taxes and minority interests was decreased 3.4% year on year to ¥2,805 million. However, net income attributable to owners of the parent increased by 1.4% year on year to ¥1,352 million due to the elimination of income taxes for past fiscal years recognized in the preceding fiscal year.

The statuses of Group business segments are as follows.

#### **Bioindustry Business**

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

Regarding sales by product in this business, sales of research reagents and scientific instruments, its flagship products, declined year on year in part due to the appreciation of the yen. Our contract services business, however, increased in sales year on year.

As a result of the above, sales to external customers for this business declined 2.7% year on year, to ¥26,573 million. However, due to changes in the structure of sales for each product and other factors, gross profit increased 1.4% year on year to ¥15,859 million. SG&A expenses increased by 1.4% year on year to ¥9,641 million due to expenses incurred in relation to share acquisitions and other factors. However, the Group recorded operating income up 1.3% year on year to ¥6.218 million.

#### **Gene Therapy Business**

The business focuses on the early commercialization of gene therapies for cancer. These therapies utilize original Takara Bio technologies such as the RetroNectin<sup>®</sup> Method, a high efficiency gene transduction method; the RetroNectin<sup>®</sup> expansion-culture system, a highly efficient lymphocyte propagation technology; as well as siTCR.

In the fiscal year under review, ended March 31, 2017, ¥500 million in licensing fees for development and sales related to the oncolytic virus HF10, was generated.

As a result, net sales to external customers for this business were ¥500 million (no sales in the previous fiscal year), and gross profit was also ¥500 million. SG&A expenses increased by 6.0% year on year to ¥1,880 million primarily due to R&D expenses. However, the Gene Therapy Business recorded an operating loss of ¥1,380 million (operating loss of ¥1,773 million in the previous fiscal year).

#### **AgriBio Business**

Based on the concept of “food as medicine,” 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 agaro-oligosaccharide, Ashitaba (Angelica herb)-derived “Chalcone,” the herb (Peucedanum japonicum)-derived “Isosamidin,” yam (Dioscorea esculenta)-derived “Yamsgenin<sup>TM</sup>”, and mushroom.

In the fiscal year under review, ended March 31, 2017, net sales of functional foods and mushroom related products declined

The original disclosure in Japanese was released on May9, 2017 at 15:00 (GMT+8)

year on year. Consequently, net sales to external customers for this business decreased 4.4% year on year to ¥2,301 million and gross profit declined 12.9% year on year to ¥593 million. SG&A expenses decreased by 14.3% year on year to ¥488 million due to decreases in R&D expenses and other factors. However, the operating income fell below that of the previous fiscal year, declining 5.9% year on year to ¥104 million.

## **(2) Overview of Financial Position for the Year Ended March 31, 2017**

At the end of the fiscal year under review, ended March 31, 2017, total assets were ¥67,143 million, an increase of ¥552 million compared with that at the end of the previous fiscal year. This increase primarily resulted from an increase of ¥625 million in notes and accounts receivable-trade.

Total liabilities were ¥7,157 million, an increase of ¥677 million compared with that at the end of the previous fiscal year. This increase primarily resulted from an increase of ¥527 million in accounts payable.

Total net assets stood at ¥59,985 million, a decrease of ¥124 million compared with that at the end of the previous fiscal year. The main factors were a decline of ¥1,086 million in foreign currency translation adjustment and a decline of ¥172 million in remeasurements of defined benefit plans, despite a ¥1,136 million increase in retained earnings.

## **(3) Overview of Cash Flows for the Year Ended March 31, 2017**

Net cash provided by operating activities was ¥3,584 million, up by ¥562 million compared with the previous fiscal year. This increase primarily resulted from a decrease of ¥490 million in payments due to the increase in notes and accounts payable-trade.

Net cash provided by investing activities was ¥13,493 million, a transition from expenditure to revenue compared with the previous fiscal year and an increase of ¥17,671 million. This was primarily due to a ¥17,070 million increase in income (payments into time deposits, proceeds from withdrawal of time deposits, purchase of securities, and proceeds from sales and redemption of securities) from management of funds.

Net cash used in financing activities was ¥280 million, a ¥58 million increase compared with the previous fiscal year. This was primarily because of a ¥36 million increase in cash dividends paid.

As a result of the above, cash and cash equivalents at fiscal year-end, including the effect of exchange rate change on cash and cash equivalents, stood at ¥22,200 million, up ¥16,631 million from the previous fiscal year-end.

## **(4) Future Outlook**

The Group established and initiated the three-year Takara Bio Medium-Term Management Plan FY2020 (“Medium-Term Management Plan”), which began in April of this year and lasts until FY2020. The Group aims to steadily implement the strategies outlined in the Medium-Term Management Plan, enhance its standing as a global enterprise and regenerative medical product company, and achieve prodigious growth.

In the year ending March 31, 2018, the initial year of the plan, the early maximization of synergistic effects from the acquisition of two U.S. companies (WaferGen Bio-systems, Inc. and Rubicon Genomics, Inc.) is a key challenge, and the Group is engaging in a variety of measures to achieve this.

As regards the outlook for results for the year ending March 31, 2018, the Group is forecasting net sales of ¥33,200 million, operating income of ¥3,300 million, ordinary income of ¥3,600 million and net income attributable to owners of the parent of ¥1,850 million.

For a comparison of results with the year ended March 31, 2017, refer to “(2) Comparative Statement of Income Relating to Consolidated Earnings Forecasts” under “4. Supplementary Information” on page 16. For details on the Medium-Term Management Plan, refer to “Formulation of Takara Bio Medium-Term Management Plan FY2020” released today, May 9, 2017.

## **2. Basic Concept on Selection of Accounting Standards**

The Group drafts consolidated financial statements based on Japanese standards taking into consideration comparability between fiscal periods as well as comparability among companies.

The Group’s policy regarding the application of International Financial Reporting Standards is to apply them as appropriate after taking into consideration domestic and international circumstances.

### 3. Consolidated Financial Statements and Important Notes

#### (1) Consolidated Balance Sheets

(Millions of yen)

	As of Mar. 31, 2016	As of Mar. 31, 2017
<b>Assets</b>		
Current assets		
Cash and deposits	19,384	28,078
Notes and accounts receivable-trade	6,830	7,455
Securities	9,721	2,000
Merchandise and finished goods	3,822	4,032
Work in process	331	459
Raw materials and supplies	946	970
Deferred tax assets	202	252
Other	961	745
Allowance for doubtful accounts	(41)	(30)
Total current assets	42,158	43,964
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	13,605	12,699
Accumulated depreciation	(5,398)	(5,032)
Buildings and structures, net	8,207	7,667
Machinery, equipment and vehicles	7,014	6,866
Accumulated depreciation	(4,553)	(4,517)
Machinery, equipment and vehicles, net	2,461	2,349
Tools, furniture and fixtures	5,766	6,174
Accumulated depreciation	(3,621)	(3,946)
Tools, furniture and fixtures, net	2,145	2,228
Land	7,696	7,297
Lease assets	28	23
Accumulated depreciation	(26)	(22)
Lease assets, net	2	0
Construction in progress	22	34
Total Property, plant and equipment	20,534	19,577
Intangible assets		
Goodwill	1,641	1,213
Other	1,054	1,087
Total intangible assets	2,695	2,301
Investments and other assets		
Long-term prepaid expenses	1,021	856
Deferred tax assets	21	26
Net defined benefit asset	73	40
Other	97	387
Allowance for doubtful accounts	(11)	(11)
Total investments and other assets	1,202	1,299
Total noncurrent assets	24,432	23,178
Total assets	66,591	67,143



(Millions of yen)

	As of Mar. 31, 2016	As of Mar. 31, 2017
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	1,690	1,944
Short-term bank loans	63	47
Accounts payable-other	1,530	2,058
Accrued income taxes	515	375
Provision for bonuses	196	425
Other	1,433	1,174
<b>Total current liabilities</b>	<b>5,430</b>	<b>6,025</b>
Noncurrent liabilities		
Long-term debt	130	82
Deferred tax liabilities	196	210
Net defined benefit liability	488	622
Other	235	215
<b>Total noncurrent liabilities</b>	<b>1,050</b>	<b>1,131</b>
<b>Total liabilities</b>	<b>6,480</b>	<b>7,157</b>
<b>Net assets</b>		
Shareholders' equity		
Common stock	14,965	14,965
Capital surplus	32,893	32,893
Retained earnings	9,295	10,432
<b>Total shareholders' equity</b>	<b>57,155</b>	<b>58,291</b>
Accumulated other comprehensive income		
Foreign currency translation adjustment	3,109	2,023
Remeasurements of defined benefit plans	(257)	(429)
<b>Total accumulated other comprehensive income</b>	<b>2,852</b>	<b>1,593</b>
Noncontrolling interests	102	100
<b>Total net assets</b>	<b>60,110</b>	<b>59,985</b>
<b>Total liabilities and net assets</b>	<b>66,591</b>	<b>67,143</b>

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

(Millions of yen)

	FY2016 (Apr. 1, 2015 – Mar. 31, 2016)	FY2017 (Apr. 1, 2016 – Mar. 31, 2017)
Net sales	29,729	29,375
Cost of sales	13,405	12,422
Gross profit	16,323	16,952
Selling, general and administrative expenses		
Promotion expenses	971	854
Provision of allowance for doubtful accounts	18	(1)
Employees' salaries and bonuses	3,258	3,082
Provision for bonuses	90	236
Retirement benefit expenses	122	135
Research and development expenses	4,275	4,101
Other	4,918	5,341
Total selling, general and administrative expenses	13,655	13,749
Operating income	2,667	3,202
Non-operating income		
Interest income	170	108
Subsidy income	419	226
Other	52	110
Total non-operating income	642	445
Non-operating expenses		
Interest expenses	2	2
Foreign exchange losses	—	44
Other	5	22
Total non-operating expenses	8	68
Ordinary income	3,301	3,579
Extraordinary income		
Gain on sales of noncurrent assets	4	2
Total extraordinary income	4	2
Extraordinary losses		
Loss on sales and retirement of noncurrent assets	118	108
Impairment loss	281	667
Total extraordinary losses	399	775
Income before income taxes	2,905	2,805
Income taxes-current	1,473	1,492
Income taxes for prior periods	180	—
Income taxes-deferred	(88)	(43)
Total income taxes	1,565	1,449
Net income	1,340	1,356
Net income (loss) attributable to the noncontrolling interest	5	3
Net income attributable to owners of the parent	1,334	1,352

The original disclosure in Japanese was released on May9, 2017 at 15:00 (GMT+8)

**(Consolidated Statements of Comprehensive Income)**

(Millions of yen)

	FY2016 (Apr. 1, 2015 – Mar. 31, 2016)	FY2017 (Apr. 1, 2016 – Mar. 31, 2017)
Net income	1,340	1,356
Other comprehensive income		
Foreign currency translation adjustment	(672)	(1,091)
Remeasurements of defined benefit plans	(18)	(172)
Total other comprehensive income	(691)	(1,264)
Comprehensive income	648	92
Comprehensive income attributable to:		
Owners of the parent	646	94
Noncontrolling interest	1	(2)

**(3) Consolidated Statements of Changes in Net Assets**  
**FY2016 (Apr. 1, 2015 – Mar. 31, 2016)**

(Millions of Yen)

	Shareholders' equity				Accumulated other comprehensive income			Minority interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	14,965	32,893	8,142	56,001	3,777	(238)	3,539	101	59,642
Changes of items during the period									
Dividends from surplus			(180)	(180)					(180)
Net income			1,334	1,334					1,334
Net changes of items other than shareholders' equity					(668)	(18)	(687)	1	(686)
Total changes of items during the period	—	—	1,153	1,153	(668)	(18)	(687)	1	467
Balance at the end of current period	14,965	32,893	9,295	57,155	3,109	(257)	2,852	102	60,110

**FY2017 (Apr. 1, 2016 – Mar. 31, 2017)**

(Millions of Yen)

	Shareholders' equity				Accumulated other comprehensive income			Minority interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	14,965	32,893	9,295	57,155	3,109	(257)	2,852	102	60,110
Changes of items during the period									
Dividends from surplus			(216)	(216)					(216)
Net income			1,352	1,352					1,352
Net changes of items other than shareholders' equity					(1,086)	(172)	(1,258)	(2)	(1,260)
Total changes of items during the period	—	—	1,136	1,136	(1,086)	(172)	(1,258)	(2)	(124)
Balance at the end of current period	14,965	32,893	10,432	58,291	2,023	(429)	1,593	100	59,985

**(4) Consolidated Statements of Cash Flows**

(Millions of Yen)

	FY2016 (Apr. 1, 2015 – Mar. 31, 2016)	FY2017 (Apr. 1, 2016 – Mar. 31, 2017)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	2,905	2,805
Depreciation and amortization	1,687	1,722
Impairment loss	281	667
Depreciation and amortization on other	199	165
Amortization of goodwill	181	162
Increase (decrease) in allowance for doubtful accounts	3	(9)
Increase (decrease) in provision for bonuses	5	218
Increase (decrease) in net defined benefit liability	13	135
Interest income	(170)	(108)
Interest expenses	2	2
Loss (gain) on sales and retirement of non-current assets	113	105
Decrease (increase) in notes and accounts receivable-trade	(165)	(720)
Decrease (increase) in inventories	(600)	(594)
Increase (decrease) in notes and accounts payable-trade	(202)	288
Other, net	51	238
Subtotal	4,308	5,079
Interest and dividend income received	176	99
Interest expenses paid	(2)	(2)
Income taxes paid	(1,460)	(1,419)
Income taxes paid for prior periods	-	(172)
Net cash provided by (used in) operating activities	3,021	3,584
Net cash provided by (used in) investing activities		
Payments for time deposits	(14,473)	(5,776)
Proceeds from time deposits	14,672	13,392
Purchases of marketable securities	(5,453)	(7,026)
Proceeds from sales and redemption of securities	3,453	14,679
Purchase of property, plant and equipment and intangible assets	(2,263)	(1,443)
Purchase of other depreciable assets	(111)	(74)
Other, net	(0)	(257)
Net cash provided by (used in) investing activities	(4,177)	13,493
Net cash provided by (used in) financing activities		
Increase (decrease) in short-term bank loans, net	7	(14)
Repayments of long-term debt	(47)	(47)
Cash dividends paid	(180)	(216)
Repayments of lease obligations	(1)	(1)
Net cash provided by (used in) financing activities	(221)	(280)
Effect of exchange rate change on cash and cash equivalents	(125)	(166)
Net increase (decrease) in cash and cash equivalents	(1,502)	16,631
Cash and cash equivalents at beginning of period	7,071	5,568
Cash and cash equivalents at end of period	5,568	22,200

**(5) Notes to Consolidated Financial Statements**

**(Notes on Premise of Going Concern)**

No items to report.

**(Changes in Accounting Policies)**

(Application of Practical Solution on a change in depreciation method due to Tax Reform 2016)

In the fiscal year under review, ended March 31, 2017, certain domestic consolidated subsidiaries applied Practical Solution on a change in depreciation method due to Tax Reform 2016 (PITF No. 32, June 17, 2016) following the revision of the Corporation Tax Act, and changed the method of depreciation for structures and facilities attached to buildings acquired on and after April 1, 2016 from the declining-balance method to the straight-line method.

The change will have no impact on the consolidated financial statements.

**(Segment Information)**

1. Outline of Reportable Segments

The Group's reportable segments are components of the Group for which separate financial information is available that is evaluated regularly by the Board of Directors to determine allocation of management resources and assess performance.

The Group has established business divisions by product and service. Each division drafts comprehensive strategies for the products and services it handles which include Japanese and overseas subsidiaries and implements them in their business activities.

Accordingly, the Group is comprised of segments by products and services based on these business divisions and has defined three reportable segments. These three reportable segments are Bioindustry, Gene Therapy, and AgriBio.

The primary products of each segment are presented in the following table.

Reportable segment	Primary products
Bioindustry	Research reagents (genetic, cellular and protein engineering reagents), scientific instruments, contracted services and compensation for gene related patents, etc.
Gene Therapy	Licensing fees for development and sales relating to the oncolytic virus HF10
AgriBio	Functional foods (products related to Gagome kombu [kelp]-derived "Fucoidan," agar-derived agaro-oligosaccharide, Ashitaba [Angelica herb]-derived "Chalcone," the herb [Peucedanum japonicum]-derived "Isosamidin," yam-derived "Yamsgenin," and products related to mushroom "Terpene"); functional food R&D contracting; compensation for patents, etc., relating to functional foods; mushroom cultivation (honshimeji mushrooms, hatakesimeji mushrooms, brown beech mushrooms, and cultivation medium activators) and compensation for patents relating to mushrooms

2. Calculation Method for Net Sales, Income or Loss, Assets, Liabilities, and Other Items of Each Reportable Segment

The accounting treatment of reportable business segments is in accordance with the accounting policies adopted for the creation of consolidated financial statements.

The figures for the income of reportable segments are based on operating income.

Intersegment income is based on the prevailing market price.

3. Net sales, Income (Loss), Assets, Liabilities, and Other Items by Reportable Segment  
Previous Fiscal Year (From April 1, 2015, to March 31, 2016)

(Millions of yen)

	Bioindustry	Gene Therapy	AgriBio	Total	Adjustment (Note: 1)	Amount recognized in consolidated financial statements (Note: 3)
Net sales						
External customers	27,320	—	2,408	29,729	—	29,729
Intersegment	—	—	7	7	(7)	—
Total	27,320	—	2,416	29,736	(7)	29,729
Segment income (loss)	6,138	(1,773)	110	4,475	(1,808)	2,667
Segment assets	37,304	3,266	2,910	43,481	23,109	66,591
Other items						
Depreciation and amortization	1,177	304	102	1,584	103	1,687
Amortization of goodwill	181	—	—	181	—	181
Increase in total fixed assets, property, plant and equipment and intangible assets	1,580	199	96	1,876	214	2,090

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

(Millions of yen)

	Bioindustry	Gene Therapy	AgriBio	Total	Adjustment (Note: 2)	Amount recognized in consolidated financial statements (Note: 3)
Net sales						
External customers	26,573	500	2,301	29,375	—	29,375
Intersegment	—	—	5	5	(5)	—
Total	26,573	500	2,307	29,380	(5)	29,375
Segment income (loss)	6,218	(1,380)	104	4,942	(1,739)	3,202
Segment assets	50,951	3,663	2,522	57,137	10,006	67,143
Other items						
Depreciation and amortization	1,165	331	101	1,598	123	1,722
Amortization of goodwill	162	—	—	162	—	162
Increase in total fixed assets, property, plant and equipment and intangible assets	1,036	562	18	1,616	32	1,648

Notes: 1. The (¥1,808 million) adjustment of segment income (loss) for the previous fiscal year comprises expenses 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. The (¥1,739 million) adjustment of segment income (loss) for the fiscal year under review comprises expenses 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.

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

**(Per Share Information)**

	Previous fiscal year (From April 1, 2015, to March 31, 2016)	Fiscal year under review (From April 1, 2016, to March 31, 2017)
Net assets per share	¥498.34	¥497.32
Net income per share	¥11.08	¥11.24

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

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

	Previous fiscal year (From April 1, 2015, to March 31, 2016)	Fiscal year under review (From April 1, 2016, to March 31, 2017)
Net income per share		
Net income attributable to owners of the parent (¥ million)	1,334	1,352
Amount not attributable to common shareholders (¥ million)	—	—
Net income attributable to owners of the parent in accordance with the common stock (¥ million)	1,334	1,352
Average number of shares outstanding during the term (1,000 shares)	120,415	120,415



**(Significant Subsequent Events)**

(Business combinations due to acquisitions)

(Acquisition of WaferGen Bio-systems, Inc.)

The Company concluded a merger agreement at the board of directors' meeting held May 13, 2016 pursuant to which its wholly owned subsidiary Takara Bio USA Holdings Inc. ("TBUSH") will acquire the shares of WaferGen Bio-systems, Inc. ("WaferGen") and make it a subsidiary. On the same day, Japan time, TBUSH concluded this agreement with WaferGen. Furthermore, acquisition procedures were concluded per this agreement on February 28, 2017 (local U.S. time).

(1) Outline of business combination

1) Name of the acquired company, name of the counterparty to the share acquisition, business contents and scale

Name of acquired company	WaferGen Bio-systems, Inc.		
Name of the counterparty to the share acquisition	Affiliates of Sabby Management, LLC and other shareholders		
Business	Manufacturing and sale of research reagents and equipment		
Operating performance and financial position of the company for the fiscal year ended December 31, 2016	Capital:	123,716	thousand U.S. dollars
	Net assets:	49	thousand U.S. dollars
	Total assets:	10,980	thousand U.S. dollars
	Net sales:	10,733	thousand U.S. dollars
	Operating income:	(16,304)	thousand U.S. dollars

2) Primary reasons for business combination

The Group provides research reagents, scientific instruments and contract services for bio researchers. Particularly as regards Clontech brand products, focus has been placed on the development of reagent kits for next generation sequencers which have been in widespread use in recent years, and reagent kits have been developed which use proprietary SMART technology to specifically and efficiently amplify genes from ultra-low inputs of RNA. Furthermore, recently the Group has also worked to develop reaction systems optimized for use with automatic analyzers with an eye towards use in the clinical domain.

Meanwhile, WaferGen offers equipment for analyzing single cells and reagent kits, as well as its proprietary massively-parallel nanoliter-qPCR device for ultra-low level sample to minute quantity multi-specimen equipment to biotechnology companies, drug manufacturers, and clinical laboratories.

Strong synergistic effects are anticipated from the combination of single cell analysis and other WaferGen technologies with the Group's molecular biology technology, including not only increased sales through equipment selling but also greater sales of reagent kits for single cell analysis among others.

3) Date of business combination

February 28, 2017 (local U.S. time)

4) Legal form of business combination

Share acquisition

5) Name after business combination

WaferGen Bio-systems, Inc.

Note that the company is scheduled to be absorbed into Takara Bio USA, Inc., a wholly owned subsidiary of TBUSH, as of May 31, 2017 (U.S. local time).

6) Percentage of voting rights acquired

100%

7) Primary basis for determining acquiring company

Cash acquisition of shares

(2) Cost of acquisition of company acquired and itemization of each type of compensation

Compensation	Cash	35,908 thousand
		U.S. dollars

Cost of acquisition	35,908 thousand U.S. dollars
---------------------	------------------------------

(3) Number of shares acquired and percentage of ownership after acquisition of shares

1) Number of shares owned before acquisition

None

2) Number of shares acquired

Common stock: 3,798,112 shares (number of voting rights: 3,798,112)

3) Number of shares owned after acquisition of common stock

Common stock: 3,798,112 shares (number of voting rights: 3,798,112, ownership ratio of voting rights: 100%)

(4) Fund procurement and payment methods

The acquisition will be fully funded with the Group's own funds.

(5) Contents and amounts of main acquisition costs

Advisory remuneration and handling charges, etc.: 3,682 thousand U.S. dollars

(6) Goodwill incurred, reason for the goodwill, and method and period of amortization

Yet to be determined as of the present time.

(7) Assets acquired and liabilities assumed on the date of business combination and major itemization of the same

Yet to be determined as of the present time.

(Acquisition of Rubicon Genomics, Inc.)

The Company made the decision at the board of directors' meeting held on December 15, 2016 pursuant to which TBUSH will acquire the shares of Rubicon Genomics, Inc. ("Rubicon") and make it a subsidiary. TBUSH acquired the relevant shares on January 17, 2017 (local U.S. time).

(1) Outline of business combination

1) Name of the acquired company, name of the counterparty to the share acquisition, business contents and scale

Name of acquired company	Rubicon Genomics, Inc.	
Name of the counterparty to the share acquisition	Management and other shareholders of the company acquired	
Business	Manufacturing and sale of research reagents	
Operating performance and financial position of the company for the fiscal year ended December 31, 2016	Capital:	13,249 thousand U.S. dollars
	Net assets:	1,397 thousand U.S. dollars
	Total assets:	4,940 thousand U.S. dollars
	Net sales:	12,554 thousand U.S. dollars
	Operating income:	2,127 thousand U.S. dollars

2) Primary reasons for business combination

The Group has been focused on the development of next generation sequencing (NGS) reagent kits, which are used in a variety of fields ranging from basic research through industrial applications. By welcoming Rubicon into the Group, Rubicon's sample preparation technologies for ultra-low input DNA sequencing complement the Group's sample preparation technologies for ultra-low input RNA sequencing analysis, allowing the Group to provide a broader range of products and services in the area of ultra-low input nucleic acid analysis. Furthermore, with the addition of preparation systems (instruments) for NGS of WaferGen, the Group will expand its products and services lineup across a wide range of area from basic research through industrial applications.

3) Date of business combination

January 17, 2017 (local U.S. time)

4) Legal form of business combination

Share acquisition

5) Name after business combination

Rubicon Genomics, Inc.

Note that the company has been absorbed into Takara Bio USA, Inc., a wholly owned subsidiary of TBUSH, as of March 31, 2017 (U.S. local time)

6) Percentage of voting rights acquired

100%

7) Primary basis for determining acquiring company

Cash acquisition of shares

(2) Cost of acquisition of company acquired and itemization of each type of compensation

Compensation	Cash	75,000 thousand U.S. dollars
Cost of acquisition		75,000 thousand U.S. dollars

(3) Number of shares acquired and percentage of ownership after acquisition of shares

1) Number of shares owned before acquisition

None

2) Number of shares acquired

Common stock: 23,006,790 shares (number of voting rights: 23,006,790)

3) Number of shares owned after acquisition of common stock

Common stock: 23,006,790 shares (number of voting rights: 23,006,790, ownership ratio of voting rights: 100%)

(4) Fund procurement and payment methods

The acquisition will be fully funded with the Group's own funds.

(5) Contents and amounts of main acquisition costs

Advisory remuneration and handling charges, etc.: 2,867 thousand U.S. dollars

(6) Goodwill incurred, reason for the goodwill, and method and period of amortization

Yet to be determined as of the present time.

(7) Assets acquired and liabilities assumed on the date of business combination and major itemization of the same

Yet to be determined as of the present time.

#### 4. Supplementary Information

##### (1) Comparative Consolidated Statement of Income

(Rounded down to one million yen)

	Year ended March 31, 2016 actual	Year ended March 31, actual	Year on year Change	Year on year Ratio
(Net Sales)				
Research reagents	20,488	19,436	(1,051)	94.9%
Scientific instruments	3,087	2,911	(176)	94.3%
Contracted services	3,309	3,800	491	114.8%
Other	434	424	(10)	97.6%
Bioindustry Total	27,320	26,573	(747)	97.3%
Gene therapy	-	500	500	-
Functional foods	910	842	(68)	92.4%
Mushrooms	1,497	1,459	(37)	97.5%
AgriBio total	2,408	2,301	(106)	95.6%
<b>Total Net Sales</b>	<b>29,729</b>	<b>29,375</b>	<b>(353)</b>	<b>98.8%</b>
(Operating Income and Loss)				
Net Sales	29,729	29,375	(353)	98.8%
Cost of sales	13,405	12,422	(983)	92.7%
Gross profits	16,323	16,952	629	103.9%
SG&A expenses	13,655	13,749	93	100.7%
Transportation expenses	632	594	(37)	94.1%
Advertising expenses	122	89	(33)	72.6%
Promotion expenses	971	854	(117)	87.9%
R&D expenses	4,275	4,101	(174)	95.9%
Trademark license fees to Takara Ltd.	8	8	(0)	99.2%
Administrative expenses, other	7,509	7,909	399	105.3%
Enterprise taxes (external standards taxation)	136	192	56	141.5%
<b>Operating income</b>	<b>2,667</b>	<b>3,202</b>	<b>535</b>	<b>120.1%</b>
(Non-operating Income and Expenses)				
Non-operating income	642	445	(196)	69.4%
Non-operating expenses	8	68	60	852.4%
<b>Ordinary income</b>	<b>3,301</b>	<b>3,579</b>	<b>277</b>	<b>108.4%</b>
(Extraordinary Income & Losses)				
Extraordinary income	4	2	(1)	62.5%
Extraordinary losses	399	775	376	194.2%
Income before income taxes and minority interests	2,905	2,805	(99)	96.6%
Income taxes	1,565	1,449	(116)	92.6%
Net Income	1,340	1,356	16	101.2%
Net income (loss) attributable to noncontrolling interests	5	3	(2)	59.4%
<b>Net income attributable to owners of the parent</b>	<b>1,334</b>	<b>1,352</b>	<b>18</b>	<b>101.4%</b>

Depreciation and amortization (Property, plant and equipment and intangible assets)	1,687	1,722	34	102.0%
R&D expenses	4,275	4,101	(174)	95.9%

##### Profit and loss by business segment (Operating income)

	Year ended March 31, 2016 actual	Year ended March 31, actual	Year on year Change	Year on year Ratio
Bioindustry	6,138	6,218	79	101.3%
Gene therapy	(1,773)	(1,380)	393	-
AgriBio	110	104	(6)	94.1%
Intersegment	(1,808)	(1,739)	69	-
Total	2,667	3,202	535	120.1%

## (2)Comparative Statement of Income Relating to Consolidated Earnings Forecasts

(Rounded down to one million yen)

	Year ended March 31, 2017 actual	Year ending March 31, forecast	Year on year Change	Year on year Ratio
(Net Sales)				
Research reagents	19,436	22,506	3,069	115.8%
Scientific instruments	2,911	3,350	439	115.1%
Contracted services	3,800	4,146	345	109.1%
Other	424	382	(42)	90.1%
<b>Bioindustry Total</b>	<b>26,573</b>	<b>30,386</b>	<b>3,812</b>	<b>114.3%</b>
Gene therapy	500	500	-	100.0%
Functional foods	842	731	(110)	86.9%
Mushrooms	1,459	1,581	121	108.3%
AgriBio total	2,301	2,313	11	100.5%
<b>Total Net Sales</b>	<b>29,375</b>	<b>33,200</b>	<b>3,824</b>	<b>113.0%</b>
(Operating Income and Loss)				
Net Sales	29,375	33,200	3,824	113.0%
Cost of sales	12,422	13,726	1,303	110.5%
<b>Gross profits</b>	<b>16,952</b>	<b>19,473</b>	<b>2,520</b>	<b>114.9%</b>
SG&A expenses	13,749	16,173	2,423	117.6%
Transportation expenses	594	601	6	101.0%
Advertising expenses	89	74	(14)	84.0%
Promotion expenses	854	846	(8)	99.0%
R&D expenses	4,101	4,868	767	118.7%
Trademark license fees to Takara Ltd.	8	8	0	103.1%
Administrative expenses, other	7,909	9,554	1,644	120.8%
Enterprise taxes (external standards taxation)	192	220	27	114.3%
<b>Operating income</b>	<b>3,202</b>	<b>3,300</b>	<b>97</b>	<b>103.0%</b>
(Non-operating Income and Expenses)				
Non-operating income	445	356	(89)	80.0%
Non-operating expenses	68	56	(12)	81.4%
<b>Ordinary income</b>	<b>3,579</b>	<b>3,600</b>	<b>20</b>	<b>100.6%</b>
(Extraordinary Income & Losses)				
Extraordinary income	2	-	(2)	-
Extraordinary losses	775	309	(466)	39.9%
Income before income taxes and minority interests	2,805	3,290	484	117.3%
Income taxes	1,449	1,429	(20)	98.6%
<b>Net Income</b>	<b>1,356</b>	<b>1,861</b>	<b>505</b>	<b>137.2%</b>
Net income (loss) attributable to noncontrolling interests	3	11	8	341.9%
<b>Net income attributable to owners of the parent</b>	<b>1,352</b>	<b>1,850</b>	<b>497</b>	<b>136.7%</b>

Depreciation and amortization (Property, plant and equipment and intangible assets)	1,722	2,473	751	143.6%
R&D expenses	4,101	4,868	767	118.7%

## Profit and loss by business segment (operating income)

	Year ended March 31, 2017 actual	Year ending March 31, forecast	Year on year Change	Year on year Ratio
Bioindustry	6,218	6,594	376	106.1%
Gene therapy	(1,380)	(1,472)	(92)	-
AgriBio	104	121	16	115.9%
Intersegment	(1,739)	(1,943)	(203)	-
<b>Total</b>	<b>3,202</b>	<b>3,300</b>	<b>97</b>	<b>103.0%</b>