

**Consolidated Financial Statements for the First Quarter Ended June 30, 2017
FY2017 (April 1, 2017 - March 31, 2018)**

July 27, 2017

Company name: Takara Bio Inc.
 Stock exchange listings: Tokyo Stock Exchange (1st section)
 Code number: 4974
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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 three months ended June 30, 2017 (April 1, 2017 – March 31, 2018)

(1) Operating results

	(Percentages indicate changes from the same period of the previous fiscal year.)			
	Three months ended June 30, 2017		Three months ended June 30, 2016	
	(Millions of yen)	(%)	(Millions of yen)	(%)
Net sales	6,355	0.8	6,306	9.5
Operating income	262	(59.2)	643	476.3
Ordinary income	287	(56.0)	653	200.2
Net income (loss) attributable to owners of the parent	22	(92.0)	285	-
Net income per share (in yen)	0.19		2.37	
Fully diluted net income per share (in yen)	-		-	
Note: Comprehensive income	(751)	-	(807)	-

(2) Financial position

	As of June 30, 2017	As of March 31, 2017
	(Millions of yen)	(Millions of yen)
Total assets	65,814	67,143
Net assets	58,752	59,985
Equity ratio (%)	89.1	89.2
Net assets per share (in yen)	487.06	497.32
(Reference) Equity	58,649	59,884

2. Dividends

	Annual dividends per share in yen		
	Year ended March 31, 2017	Year ended March 31, 2018	Year ending March 31, 2018(Forecast)
First quarter end	-	-	-
Second quarter end	-	-	-
Third quarter end	-	-	-
Year end	4.00		4.00
Annual	4.00		4.00

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) Material changes in subsidiaries during this period
(Changes in scope of consolidations resulting from change in subsidiaries) : Yes
Newly include : 2 (Name) WaferGen Bio-systems, Inc., Rubicon Genomics, Inc.
Excluded : 1 (Name) Rubicon Genomics, Inc.
- (2) Applying of specific accounting of 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 June 30, 2017:	120,415,600
As of March 31, 2017:	120,415,600
 - 2) Number of treasury stocks at year end

As of June 30, 2017:	-
As of March 31, 2017:	-
 - 3) Average number of outstanding shares

As of June 30, 2017:	120,415,600
As of March 31, 2017:	120,415,600

Contents of the attached document

1. Qualitative Information for the Three Months Ended June 30, 2017.....	2
(1) Consolidated Financial Results	2
(2) Consolidated Financial Position	3
(3) Consolidated Cash Flows	3
(4) Qualitative Information Regarding Consolidated Forecasts	3
2. Consolidated Quarterly Financial Statements and Primary Notes.....	4
(1) Consolidated Quarterly Balance Sheets	4
(2) Consolidated Quarterly Statements of Income and Consolidated Statements of Comprehensive Income.....	6
(Consolidated Quarterly Statements of Income)	
(For the Three Months Ended June 30, 2017 and 2016).....	6
(Consolidated Quarterly of Comprehensive Income)	
(For the Three Months Ended June 30, 2017 and 2016).....	7
(3) Consolidated Quarterly Cash Flow Statement	8
(4) Notes on Consolidated Quarterly Financial Statements	9
(Notes on Premise of Going Concern)	9
(Notes When There are Significant Changed in Amounts of Equity)	9
(Material Changes in Subsidiaries during the Three Months Ended June 30, 2017)	9
(Segment Information)	9
(Business Combination, Etc.)	10
(Other Notes)	12
3. Supplementary Information	13
(1) Trends in key indicators for business managements	13
(2) Consolidated company income statement	14

1. Qualitative Information for the Three Months Ended June 30, 2017

(1) Consolidated Financial Results

In the three months ended June 30, 2017, although the Japanese economy continued to maintain a moderate recovery as corporate earnings, the employment situation, and other circumstances improved, due to the upsurge in uncertainty regarding such issues as policy trends in the U.S. and global geopolitical risks, the future of the world economy continues to be unpredictable.

Under these circumstances and based on the newly established three-year Takara Bio Medium-Term Management Plan FY2020, the Takara Bio Group promoted the strategies of the Bioindustry, Gene Therapy, and AgriBio Businesses and strengthened the business base which support them to enhance the Group's standing as a global enterprise and regenerative medical products company and, further, promote initiatives aimed at achieving prodigious growth.

As a result, although sales of the Group's flagship research reagents fell year on year due to the influence of the strong yen, sales for contract services greatly exceeded those of the same period of the previous fiscal year, leading to overall net sales being almost the same year on year, increasing by 0.8% to ¥6,355 million. As to cost of sales, the cost rate decreased by 8% year on year to ¥2,245 million due to changes in the structure of sales for each product and other factors and, consequently, gross profit increased by 6.3% year on year to ¥4,109 million. Selling, general and administrative (SG&A) expenses increased by 19.4% year on year to ¥3,846 million due to increases in R&D expenses, personnel costs, and other factors. Accordingly, operating income declined 59.2% year on year to ¥262 million.

In accordance with the decline in operating income, ordinary income fell 56% to ¥287 million, income before income taxes and minority interests decreased 57.3% to ¥278 million, and net income attributable to owners of the parent dropped 92% to ¥22 million.

The statuses of Group business segments are as follows.

Bioindustry

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.

In the three months ended June 30, 2017, sales of research reagents and scientific instruments declined year on year. Sales for contract services, however, increased significantly year on year.

As a result of the above, sales to external customers increased 1.3% year on year, to ¥5,886 million, and gross profit increased 6.5% year on year to ¥4,016 million. Selling, general and administrative (SG&A) expenses increased by 23.2% year on year to ¥2,850 million due to increases in R&D expenses, personnel costs, and other factors. Accordingly, operating income declined 20% year on year to ¥1,165 million.

Gene Therapy

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

In the three months ended June 30, 2017, no sales were achieved and selling, general and administrative (SG&A) expenses increased by 12.2% year on year to ¥419 million due to increased R&D expenses. Accordingly, operating loss was ¥419 million, compared with an operating loss of ¥373 million in the same period of the previous fiscal year.

AgriBio

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 Gagome kombu (kelp) "Fucoidan" related products, agar agaro-oligosaccharide related products, Ashitaba (*Angelica keiskei*) "Chalcone" related products, the herb (*Peucedanum japonicum*) "Isosamidin" related products, yam (*Dioscorea esculenta*) "Yamsgenin™" related products, and mushroom-related products.

In the three months ended June 30, 2017, net sales of mushroom related products increased year on year. Net sales of functional foods, however, declined year on year. Consequently, net sales to external customers decreased 5.1% year on year to ¥468 million and gross profit declined 2.6% year on year to ¥93 million. Selling, general and administrative (SG&A) expenses remained virtually the same year on year, increasing by 5.7% to ¥117 million. Accordingly, an operating loss of ¥24 million, compared with an operating loss of ¥15 million in the same period of the previous fiscal year, was recorded.

(2) Consolidated Financial Position

Total assets as of June 30, 2017 stood at ¥65,814 million, a decrease of ¥1,329 million compared with that at the end of the previous fiscal year. This decrease primarily resulted from a decrease of ¥1,452 million in notes and accounts receivable-trade.

Total liabilities as of June 30, 2017 were ¥7,061 million, a decrease of ¥95 million compared with that at the end of the previous fiscal year. This was primarily due to a decline in accounts payable of ¥907 million included in other current liabilities, in spite of ¥514 million and ¥155 million increases in bonds and provisions, respectively.

Total net assets as of June 30, 2017 stood at ¥58,752 million, a decrease of ¥1,233 million compared with that at the end of the previous fiscal year. This was primarily due to a decrease of ¥789 million in foreign currency translation adjustment.

(3) Consolidated Cash Flows

Net cash used in operating activities was ¥81 million, a transition from revenue to expenditure compared with the same period of the previous fiscal year, with expenses increasing by ¥1,387 million. This was primarily due to a ¥374 million decrease in income before income taxes and minority interests and a ¥897 million increase in expenditures from a decrease in other current liabilities.

Net cash used in investing activities was ¥12,027 million, a transition from revenue to expenditure compared with the same period of the previous fiscal year, with expenses increasing by ¥12,441 million. This was primarily because of a ¥12,396 million purchase of shares of subsidiaries resulting in a change in the scope of consolidation.

Net cash used in financing activities was ¥449 million, a ¥247 million increase compared with the same period of the previous fiscal year. This was primarily because of a ¥249 million increase in cash dividends paid.

As a result of the above, cash and cash equivalents as of June 30, 2017, including the effect of exchange rate change on cash and cash equivalents, stood at ¥9,321 million, down ¥12,878 million from the previous fiscal year-end.

(4) Qualitative Information Regarding Consolidated Forecasts

As regards consolidated results for the three month period ended June 30, 2017, as net sales and all income items (operating income, ordinary income, and net income attributable to owners of the parent) were recorded virtually according to plan, at this time the Group will not be revising the consolidated forecast released on May 9, 2017.

2. Consolidated Quarterly Financial Statements and Primary Notes

(1) Consolidated Quarterly Balance Sheets

(Millions of yen)

	As of Mar. 31, 2017	As of June 30, 2017
Assets		
Current assets		
Cash and deposits	28,078	14,667
Notes and accounts receivable-trade	7,455	6,003
Securities	2,000	2,000
Merchandise and finished goods	4,032	4,651
Work in process	459	552
Raw materials and supplies	970	1,109
Other	998	1,376
Deferred tax assets	△30	△65
Total current assets	43,964	30,296
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	12,699	12,673
Accumulated depreciation	△5,032	△5,125
Buildings and structures, net	7,667	7,547
Machinery, equipment and vehicles	6,866	6,906
Accumulated depreciation	△4,517	△4,618
Machinery, equipment and vehicles, net	2,349	2,287
Tools, furniture and fixtures	6,174	6,517
Accumulated depreciation	△3,946	△4,344
Tools, furniture and fixtures, net	2,228	2,173
Land	7,297	7,285
Lease assets	23	15
Accumulated depreciation	△22	△15
Lease assets, net	0	0
Construction in progress	34	64
Total Property, plant and equipment	19,577	19,358
Intangible assets		
Goodwill	1,213	8,675
Other	1,087	6,312
Total intangible assets	2,301	14,988
Investments and other assets		
Investments and other assets	1,310	1,182
Allowance for doubtful accounts	△11	△11
Total investments and other assets	1,299	1,170
Total noncurrent assets	23,178	35,517
Total assets	67,143	65,814

(Millions of yen)

	As of Mar. 31, 2017	As of June 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,944	1,824
Short-term bank loans	47	47
Accrued income taxes	375	435
Provision	425	581
Other	3,232	2,627
Total current liabilities	6,025	5,516
Noncurrent liabilities		
Long-term debt	82	82
Bonds payable	—	514
Net defined benefit liability	622	635
Other	426	312
Total noncurrent liabilities	1,131	1,545
Total liabilities	7,157	7,061
Net assets		
Shareholders' equity		
Common stock	14,965	14,965
Capital surplus	32,893	32,893
Retained earnings	10,432	9,973
Total shareholders' equity	58,291	57,832
Accumulated other comprehensive income		
Foreign currency translation adjustment	2,023	1,233
Remeasurements of defined benefit plans	△429	△416
Total accumulated other comprehensive income	1,593	816
Noncontrolling interests	100	102
Total net assets	59,985	58,752
Total liabilities and net assets	67,143	65,814

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

(Consolidated Quarterly Statements of Income)

(For the Three Months Ended June 30, 2017 and 2016)

(Millions of yen)

	FY2017 (Apr. 1, 2016 – June 30, 2016)	FY2018 (Apr. 1, 2017 – June 30, 2017)
Net sales	6,306	6,355
Cost of sales	2,439	2,245
Gross profit	3,866	4,109
Selling, general and administrative expenses		
Employees' salaries and bonuses	754	898
Retirement benefit expenses	37	43
Research and development expenses	950	1,103
Provision for allowances	86	136
Other	1,393	1,664
Total selling, general and administrative expenses	3,223	3,846
Operating income	643	262
Non-operating income		
Interest income	29	19
Subsidy income	—	4
Rent of real estate	4	21
Other	9	7
Total non-operating income	43	52
Non-operating expenses		
Interest expense	0	5
Other	28	—
Dormant fixed asset cost	2	14
Real estate leasing expense	0	7
Other	0	0
Total non-operating expenses	32	27
Extraordinary income	653	287
Gain on sales of noncurrent assets		
Total extraordinary income	2	0
Extraordinary income	2	0
Extraordinary losses		
Loss on sales and retirement of noncurrent assets	3	9
Total extraordinary losses	3	9
Income before income taxes	652	278
Income taxes-current	535	409
Income taxes-deferred	△166	△155
Total income taxes	368	253
Net income	283	24
Net income (loss) attributable to noncontrolling interests	△1	1
Net income attributable to owners of the parent	285	22

(Consolidated Quarterly Statement of Comprehensive Income)
(For the Three Months Ended June 30, 2017 and 2016)

(Millions of yen)

	FY2017 (Apr. 1, 2016 – June 30, 2016)	FY2018 (Apr. 1, 2017 – June 30, 2017)
Net income	283	24
Other comprehensive income		
Foreign currency translation adjustment	Δ1,100	Δ789
Remeasurements of defined benefit plans	9	13
Total other comprehensive income	Δ1,091	Δ775
Comprehensive income	Δ807	Δ751
Comprehensive income attributable to:		
Owners of the parent	Δ800	Δ753
Noncontrolling interests	Δ7	2

(3) Consolidated Quarterly Cash Flow Statement

(Millions of Yen)

	FY2017 (Apr. 1, 2016– Jun. 30, 2016)	FY2017 (Apr. 1, 2017 – Jun. 30, 2017)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	652	278
Depreciation and amortization	436	580
Depreciation and amortization on other	39	32
Amortization of goodwill	43	109
Increase (decrease) in allowance for doubtful accounts	Δ11	36
Increase (decrease) in other provision	180	Δ26
Increase (decrease) in net defined benefit liability	5	12
Interest income	Δ29	Δ19
Interest expenses	0	5
Loss (gain) on sales and retirement of non-current assets	1	9
Decrease (increase) in notes and accounts receivable-trade	1,615	1,663
Decrease (increase) in inventories	Δ326	Δ700
Increase (decrease) in notes and accounts payable-trade	Δ199	Δ282
Increase (decrease) in other current liabilities	Δ156	Δ1,054
Other, net	Δ361	Δ498
Subtotal	1,891	147
Interest and dividend income received	18	11
Interest expenses paid	Δ0	Δ0
Income taxes paid	Δ428	Δ240
Income taxes paid for prior periods	Δ174	—
Net cash provided by (used in) operating activities	1,305	Δ81
Net cash provided by (used in) investing activities		
Payments for time deposits	Δ1,028	Δ1,082
Proceeds from time deposits	1,823	1,545
Purchases of marketable securities	Δ1,545	—
Proceeds from sales and redemption of securities	1,345	—
Purchase of property, plant and equipment and intangible assets	Δ176	Δ403
Purchase of other depreciable assets	Δ8	Δ18
Purchase of shares of subsidiaries accompanying changes in the scope of consolidation	—	Δ12,396
Other, net	4	328
Net cash provided by (used in) investing activities	414	Δ12,027
Net cash provided by (used in) financing activities		
Increase (decrease) in short-term bank loans, net	Δ5	—
Cash dividends paid	Δ195	Δ445
Repayments of lease obligations	Δ0	Δ3
Net cash provided by (used in) financing activities	Δ201	Δ449
Effect of exchange rate change on cash and cash equivalents	Δ378	Δ320
Net increase (decrease) in cash and cash equivalents	1,140	Δ12,878
Cash and cash equivalents at beginning of period	5,568	22,200
Cash and cash equivalents at end of period	6,708	9,321

(4) Notes on Consolidated Quarterly Financial Statements

(Notes on Premise of Going Concern)

No items to report

(Notes When There are Significant Changes in Amounts of Equity)

No items to report

(Material Changes in Subsidiaries during the Three Months Ended June 30, 2017)

Due to the wholly owned subsidiary Takara Bio USA Holdings Inc. acquiring shares of WaferGen Bio-systems, Inc., WaferGen Bio-systems, Inc. and its subsidiaries WaferGen BioSystems Europe S.a.r.l. and WaferGen, Inc. are included in the scope of consolidation for the three months ended June 30, 2017. Note that during this period WaferGen Bio-systems, Inc. qualifies as a specified subsidiary of the Company.

In addition, due to the acquisition of shares of Rubicon Genomics, Inc., this company had been included in the scope of consolidation as a specified subsidiary for the three months ended June 30, 2017. However, as Rubicon Genomics, Inc. was extinguished due to an absorption-type merger in which consolidated subsidiary Takara Bio USA, Inc. was the surviving company, Rubicon Genomics, Inc. has been excluded from the scope of consolidation for the three months ended June 30, 2017.

(Segment Information)

Segment Information

- Equivalent Period of Previous Fiscal Year (From April 1, 2016, to June 30, 2016)

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 statements of income (Note: 2)
Net sales						
External customer	5,813	—	493	6,306	—	6,306
Intersegment	—	—	—	—	—	—
Total	5,813	—	493	6,306	—	6,306
Segment income (loss)	1,456	Δ373	Δ15	1,067	Δ424	643

Notes: 1. The (¥424 million) adjustment of segment income (loss) 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. Information on Impairment Loss on Noncurrent Assets, Goodwill, etc. by Reportable Segment

No items to report

2. Fixed Asset Impairment Losses and Goodwill, and Other Items of Each Reportable Segment

(Significant Impairment Losses Concerning Fixed Assets)

No items to report.

- Equivalent Period of Previous Fiscal Year (From April 1, 2017, to June 30, 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 statements of income (Note: 2)
Net sales						
External customers	5,886	—	468	6,355	—	6,355
Intersegment	—	—	—	—	—	—

Total	5,886	—	468	6,355	—	6,355
Segment income (loss)	1,165	Δ419	Δ24	722	Δ459	262

Notes: 1. The (¥1,307 million) adjustment of segment income (loss) 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. Segment income (loss) has been adjusted to the operating income of consolidated quarterly statements of income

2. Fixed Asset Impairment Losses and Goodwill, and Other Items of Each Reportable Segment

(Significant Impairment Losses Concerning Fixed Assets)

No items to report.

(Significant Changes to the Amount of Goodwill)

In the Bioindustry segment, goodwill was recorded due to the acquisition of shares in WaferGen Bio-systems, Inc. and Rubicon Genomics, Inc. by the wholly owned subsidiary Takara Bio USA Holdings Inc. The increase in goodwill due to this event in the three months ended June 30, 2017 was ¥7,615 million. Note that as the allocation of the acquisition cost has not been completed, this is a tentatively calculated amount.

(Business Combinations, Etc.)

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, and business contents

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

(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 input of RNA. Furthermore, recently the Takara Bio 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 has been 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. Period of earnings of acquired company included in consolidated quarterly statements of income concerning the three months ended June 30, 2017

From March 1, 2017 to March 31, 2017

3. Cost of acquisition of company acquired and itemization of each type of compensation

Compensation	Cash	37,545 thousand U.S. dollars
Cost of acquisition		37,545 thousand U.S. dollars

4. Goodwill incurred, reason for the goodwill, and method and period of amortization

(1) Goodwill incurred

¥2,545 million (22,641 thousand U.S. dollars)

Note that as the allocation of the acquisition cost has not been completed, goodwill incurred is a tentatively calculated amount.

(2) Cause

Incurred based on future excess earning capacity anticipated due to future business development.

(3) Method and period of amortization

Equal amortization over a 20 year period

(Acquisition of Rubicon Genomics, Inc.)

The Company made the decision at the board of directors' meeting held December 15, 2016 pursuant to which TBUSH would 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, and business contents

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

(2) Primary reasons for business combination

The Takara Bio 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. Period of earnings of acquired company included in consolidated quarterly statements of income concerning the three months ended June 30, 2017

From January 17, 2017 to March 31, 201

3. Cost of acquisition of company acquired and itemization of each type of compensation

Compensation	Cash	74,426 thousand U.S. dollars
Cost of acquisition		74,426 thousand U.S. dollars

4. Goodwill incurred, reason for the goodwill, and method and period of amortization

(1) Goodwill incurred

¥5,163 million (45,228 thousand U.S. dollars)

Note that as the allocation of the acquisition cost has not been completed, goodwill incurred is a tentatively calculated amount.

(2) Cause

Incurred based on future excess earning capacity anticipated due to future business development.

(3) Method and period of amortization

Equal amortization over a 20 year period

(Other Notes)

(Consolidated Quarterly Statements of Income)

Three months ended Jun 30, 2017 (From April 1, 2017 to June 30, 2017)

Breakdown of R&D expense

Total R&D expenses ¥1,103million

Main components of which are as follows.

Employees' salaries and bonuses 326

Retirement benefit expenses 13

Provision for allowances 40

(Consolidated Quarterly Statements of Cash Flows)

Nine months ended December 31, 2016 (From April 1, 2016 to December 31, 2016)

Relationship between balance of cash and cash equivalents at December 31, 2016 and amounts stated on the Consolidated (As of June 30, 2017)

Cash and deposits ¥14,667million

Time deposits with deposit period exceeding three months Δ5,345

Short-term investment (securities) with maturity date within three months from acquisition date —

Cash and Cash equivalents 9,321

3. Supplementary Information

(1) Trends in Key Management Indications

① Cash Flow

(Millions of yen)

Term	15 th Business Year Three months ended June 30	16 th Business Year Three months ended June 30	15 th Business Year
Accounting Period	From April 1, 2016 to June 30, 2016	From April 1, 2017 to June 30, 2017	From April 1, 2016 to March 31, 2017
Net cash provided by (used in) operating activities	1,305	Δ81	3,584
Net cash provided by (used in) investing activities	414	Δ12,027	13,493
Net cash provided by (used in) financing activities	Δ201	Δ449	Δ280

② Net Sales by Region

Equivalent Period of Previous Fiscal Year (from April 1, 2016 to June 30, 2016)

(Millions of yen)

Japan	U.S.	China	Asia, excluding China	Europe	Other	Total
2,337	1,701	1,226	356	625	59	6,306

Period under Review (from April 1, 2017 to June 30, 2017)

(Millions of yen)

Japan	U.S.	China	Asia, excluding China	Europe	Other	Total
2,414	1,776	1,075	432	591	64	6,355

③ R&D Expenses by Reportable Segment

(Millions of yen)

Term	15 th Business Year Three months ended June 30	16 th Business Year Three months ended June 30	15 th Business Year
Accounting period	From April 1, 2016 to June 30, 2016	From April 1, 2017 to June 30, 2017	From April 1, 2016 to March 31, 2017
Bioindustry	547	650	2,094
Gene therapy	369	415	1,860
AgriBio	7	1	29
Corporate	26	36	116
Total	950	1,103	4,101

(2) Consolidated company income statement

Rounded down to one million yen)

	FY2017 (Apr. 1, 2016 – June 30, 2016)	FY2018 (Apr. 1, 2017 – June 30, 2017)	Year on year Change	Year on year Ratio
(Net Sales)				
Research reagents	4,737	4,660	(77)	98.4%
Scientific instruments	509	472	(36)	92.8%
Contracted services	436	633	197	145.3%
Other	130	119	(10)	92.2%
Bioindustry Total	5,813	5,886	73	101.3%
Gene therapy	-	-	-	-
Functional foods	227	179	(48)	78.7%
Mushrooms	265	288	23	108.8%
AgriBio total	493	468	(24)	94.9%
Total Net Sales	6,306	6,355	48	100.8%
(Operating Income and Loss)				
Net Sales	6,306	6,355	48	100.8%
Cost of sales	2,439	2,245	(194)	92.0%
Gross profits	3,866	4,109	243	106.3%
SG&A expenses	3,223	3,846	623	119.4%
Transportation expenses	146	143	(3)	97.8%
Advertising expenses	24	19	(5)	79.4%
Promotion expenses	214	222	7	103.7%
R&D expenses	950	1,103	153	116.1%
Trademark license fees to Takara HD	1	2	0	109.8%
Administrative expenses, other	1,841	2,302	460	125.0%
Enterprise taxes (external standards taxation)	43	53	10	122.9%
Operating income	643	262	(380)	40.8%
(Non-operating Income and Expenses)				
Non-operating income	43	52	9	121.3%
Non-operating expenses	32	27	(5)	84.1%
Ordinary income	653	287	(366)	44.0%
(Extraordinary Income & Losses)				
Extraordinary income	2	0	(2)	9.0%
Extraordinary losses	3	9	5	246.2%
Income before income taxes and minority interests	652	278	(374)	42.7%
Income taxes	368	253	(114)	68.9%
Net Income	283	24	(259)	8.5%
Net income (loss) attributable to noncontrolling interests	(1)	1	2	-
Net income attributable to owners of the parent	285	22	(262)	8.0%

Depreciation and amortization (Property, plant and equipment and intangible assets)	436	580	143	132.9%
R&D expenses	950	1,103	153	116.1%

Profit and loss by business segment (Operating income)

	FY2017 (Apr. 1, 2016 – June 30, 2016)	FY2018 (Apr. 1, 2017 – June 30, 2017)	Year on year Change	Year on year Ratio
Bioindustry	1,456	1,165	(290)	80.0%
Gene therapy	(373)	(419)	(45)	-
AgriBio	(15)	(24)	(8)	-
Intersegment	(424)	(459)	(35)	-
Total	643	262	(380)	40.8%