



September 28, 2018

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Notice Regarding Business Reorganization by Simplified Absorption-type Company Split

Kusatsu/Shiga, Japan-September 20, 2018 – Takara Bio Inc. (Takara Bio), today announced that a resolution has been made at meeting of the Board of Directors, to transfer Takara Bio Group’s functional food business to Shionogi Healthcare Co., Ltd (Shionogi Healthcare) pursuant to the company split with the effective date of January 1, 2019 (scheduled).

The company split is that the change in total assets is less than 10% of net assets as of the last day of the latest fiscal year, and the change in net sales is less than 3% of net sales as of the last day of the latest fiscal year. Accordingly, the disclosure items and contents are partially omitted.

1. Purpose of Company Split

The functional food business in Takara Bio Group has focused on the healthy foods with eating experience in Japan from a long time and has attained the development, manufacture and sales of the functional foods utilizing the advanced biotechnology. Fucoidan involved in Gagome kombu (kelp) has been developed as a functional food material based on scientific clarification of its functionality and chemical structure with our proprietary biotechnology in the past. It has applied to commercialization of functional food series “Fucoidan” by mail-order service through Takara Healthcare Inc. as a wholly-owned subsidiary of our parent Takara Holdings Inc. In addition, the business was developed to commercial reality based on functional characteristics of food ingredients such as agar-derived “Agaro-oligosaccharide”, Ashitaba (Angelica Herb) “Chalcone”, herb (Peucedanum japonicum) “Isosamidin”, Yam (Dioscorea esculenta) “Yamsgenin”, Mushroom “Terpene” and to evidence acquisition in human intervention study, and so on.

Takara Bio’s Medium-Term Management Plan 2020 started in 2017 aims to promote three businesses: Bioindustry, Gene Therapy, and AgriBio businesses, enhance Takara Bio’s standing as a global industrial company for regenerative medicine products, and to achieve prodigious growth.

Under the plan, Takara Bio Group 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, Takara Bio 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, Takara Bio has decided to implement a business reorganization by the company split.

2. Summary of Company Split

(1) Schedule of Company Split

Execution Date of Agreement between Takara Bio and Shionogi Healthcare	September 20, 2018
Effective Date between Takara Bio and Shionogi Healthcare	January 1, 2019 (Scheduled)
Delivery Date of Money between Takara Bio and Shionogi Healthcare	December 28, 2018 (Scheduled)

Note: Because the company split is a simplified absorption-type split, as specified in Article 784, Paragraph 2 of the Companies Act, for Takara Bio, it will be implemented without obtaining the approval of a general meeting of shareholders.

(2) Method of Company Split

Due to the absorption-type split method with Takara Bio as the splitting company, the functional food business in Takara Bio's AgriBio business will be transferred to Shionogi Healthcare.

(3) Details of allotments related to Company Split

The compensation amount for this split receiving from Shionogi Healthcare will be 534.8 million yen in cash.

Note: Compensation may be adjusted afterward due to changes of assets and liabilities succeeded.

(4) Handling of Stock Acquisition Rights and Bonds with Stock Acquisition Rights Accompanying Company Split

Not specified.

(5) Changes in Capital due to Company Split

There are no changes in capital related to the company split.

(6) Rights and Obligations to be Assumed by Successor Company

Takara Bio will transfer in accordance with "Agreement concerning Transfer of Share and Absorption-type Split" and "Absorption-type Split Agreement" executed between Takara Bio and Shionogi Healthcare.

(7) Prospect of Fulfillment of Obligations

Takara Bio recognizes there to be no problem relating to the prospect of fulfillment of obligation to be borne by Takara Bio for the purpose of the company split.

3. Reason of Detail allotments related to Company Split

(1) Reason of Detail allotments

For the purpose of validity assessment of compensation in the relevant business, Takara Bio selected Value Advisory LLC (Value) as a third-party advisory institution and requested Value to assess the business value. Value made an assessment using Discounted Cash Flow method (DCF method). To determine the compensation in the relevant business, Takara Bio has discussed with Shionogi Healthcare based on the circumstances such as financial status in business, assets condition, future outlook, etc. and reference to assessment results from Value, reaching agreement on the compensation amount in stated Article 2. (3).

(2) Related to assessment

① Relationship between advisory institution, Takara Bio and Shionogi Healthcare

Value, a third-party advisory institution is independent of Takara Bio and Shionogi Healthcare, and is not specified to those involved in Takara Bio and Shionogi Healthcare. There are also no noteworthy relationships related to this company split.

② Assessment Overview

For the purpose of validity assessment, Value made an assessment using DCF method to make a business value from present discounted value of future cash flow produced by the business. The business value assessed by DCF method ranged between 490 million and 722 million yen.

Value adopted any information received or disclosed directly on basis of the premise that all of those are accurate and complete, and thereby had no independent verification of accuracy and completeness. As for assets or liabilities (including contingent liabilities) from Takara Bio and its subsidiary, Value had no evaluation, appraisal or assessment independently. The Value's assessment reflects information and economic condition until September 19, 2018. It is based on the premise that the financial forecast in the relevant business was made and reviewed under the best forecast and judgment at present.

There are no fiscal years anticipating significant change in profit planning of the relevant business on basis of Value's assessment by DCF method. Also, the relevant business plan is not based on fulfillment of the company split.

4. Outlines of Companies Involved in Company Split

	Splitting Company	Successor Company
(1) Company Name	Takara Bio Inc.	Shionogi Healthcare Co., Ltd
(2) Head Office	Nojihigashi 7-4-38, Kusatsu, Shiga 525-0058, Japan	7 th Floor, Yodoyabashi Square, 6- 18, Kitahama 2-chome, Chuo-ku, Osaka 541-0041, Japan
(3) Representative	Koichi Nakao President and CEO	Itaru Hirano President and CEO
(4) Business Description	Bioindustry Business Gene Therapy Business AgriBio Business	Development, manufacture and sales of healthcare products such as OTC pharmaceuticals, quasi- pharmaceuticals, medical device, etc.
(5) Paid-in Capital	14,965,828,496 yen	10,000,000 yen
(6) Establishment	April 1, 2002	January 15, 2016
(7) Number of Issued Stock	120,415,600 shares	1,000 shares
(8) Book Closing Date	March 31	March 31
(9) Major shareholder and Shareholding Ratio	Takara Holdings Inc. 60.9%	Shionogi & Co., Ltd. 85.0% Rohto Pharmaceutical Co., Ltd. 15.0%

(10) Business Results and Financial Status in the latest fiscal year

	Splitting Company	Successor Company
Accounting Term	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2018
Net assets	61,959	4,090
Total assets	68,854	5,463
Net assets per share (in yen)	514.54	4,090,524.99
Net sales	32,312	7,246
Operating income	3,555	347
Ordinary income	3,861	348
Net income (Net income attributable to owners of the parent)	2,335	226
Net income per share (in yen)	19.39	226,046.01

(millions of yen unless it is specified)

Overview of Split Business Section

(1) Business Description of Split Section

Functional food business.

(2) Business Results of Split Division (As of March 31, 2018)

	Split Division (a)	Splitting Company (Consolidated) (b)	Ratio (a/b)
Net Sales	693	32,312	2.1%
Operating income	73	3,555	2.0%

(millions of yen)

(3) Assets and Liabilities allocated and Book Value (As of March 31, 2018)

Assets		Liabilities	
Current assets	356	Current liabilities	50
Non-current assets	150	Non-current liabilities	-
Total assets	506	Total liabilities	50

(millions of yen)

Note: The above amount will be finalized by considering the changes of financial position until the effective date. Upon the company split, the ratio of transferred assets of 506 million yen to net assets of 61,959 million yen (as of March 31, 2018) is 0.8%.

5. Status of Company Split

(1) Status of Split Company

There will be no changes in name, location, title and name of company representative, business description, capital and accounting term of Splitting company (Takara Bio) due to the company split.

(2) Status of Successor Company

There will be no changes in name, location, title and name of company representative, business description, capital and accounting term of Successor company (Shionogi Healthcare) due to the company split.

6. Future Outlook

The influence by the company split is immaterial to the current and next fiscal year's financial forecast.

(Reference)

Financial Forecast for the fiscal year ending March 31, 2019 compared with previous fiscal year (announced on May 11, 2018)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent
FY2019 Forecast	36,800	5,000	5,200	3,100
FY2018 Actual	32,312	3,555	3,861	2,335

(millions of yen)