

NEWS RELEASE

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Takara Bio Group's Formulation of Long-Term Management Plan FY2026 and Medium-Term Management Plan FY2023

Kusatsu/Shiga, Japan-May 14, 2020 – Takara Bio Inc. (Takara Bio), today announced that it has formulated “Takara Bio Long-Term Management Plan FY2026¹” (“Long-Term Plan 2026”) for the six years ending in fiscal 2026, and “Takara Bio Medium-Term Management Plan FY2023” (“Medium-Term Plan 2023”) for the three years ending in fiscal 2023.

Takara Bio Group (the Group) has continued to increase earnings for the 11th consecutive year with the expansion of our research reagents business abroad, expansion of our CDMO business, and progress in our genetic therapy project. However, the environment surrounding the Group has changed dramatically both in Japan and overseas, including the influence of the new Coronavirus disease (COVID-19) pandemic, the long-term trade friction in the U.S. and China, Brexit.

In addition, in the regenerative medicine field such as gene therapy and other products that our group is actively working on, diverse modalities (cures) are being developed and put into practical use, and competition is intensifying worldwide, irrespective of the size of the company, such as start-up companies and mega-pharmas.

Moreover, there is growing social interest in corporate efforts for sustainability, such as environmental and social issues. Companies are required not only to achieve business performance and finance, but also to make positive efforts to resolve social issues.

Against these circumstances, under our corporate philosophy of "Contributing to the health of humankind through the development of revolutionary biotechnologies such as gene therapy", the Group are promoting the development of bio-drug discovery platform technologies through the core businesses of research reagents and scientific instruments and CDMO business, and aiming to become a drug discovery company² that continuously creates new modalities. The Group will continue to create new value through proactive business activities, achieve sustainable growth, and contribute to society.

Currently, the COVID-19 spread throughout the world is having a major impact on economic activities both in Japan and overseas. However, we have formulated a plan assuming that this will not affect the direction of the both Long-Term Plan 2026 and the Medium-Term Plan 2023, although expected to be a negative impact on the Group's performance in fiscal 2021.

¹ FY2026 refers to the fiscal year ended March 2026.

² We plan to become a drug discovery company that earn profits by licensing-out the newly developed modalities, not to be ordinary pharmaceutical company which fully integrated all function of pharmaceutical R&D, manufacturing, and sales within a company.

1. Overview of Long-Term Plan 2026

(1) Overall objectives

Under our corporate philosophy of "Contributing to the health of humankind through the development of revolutionary biotechnologies such as Gene Therapy", the Group has a figure aimed in fiscal 2026 to achieve sustainable growth.

(2) Term

Fiscal 2021-Fiscal 2026 (6 years)

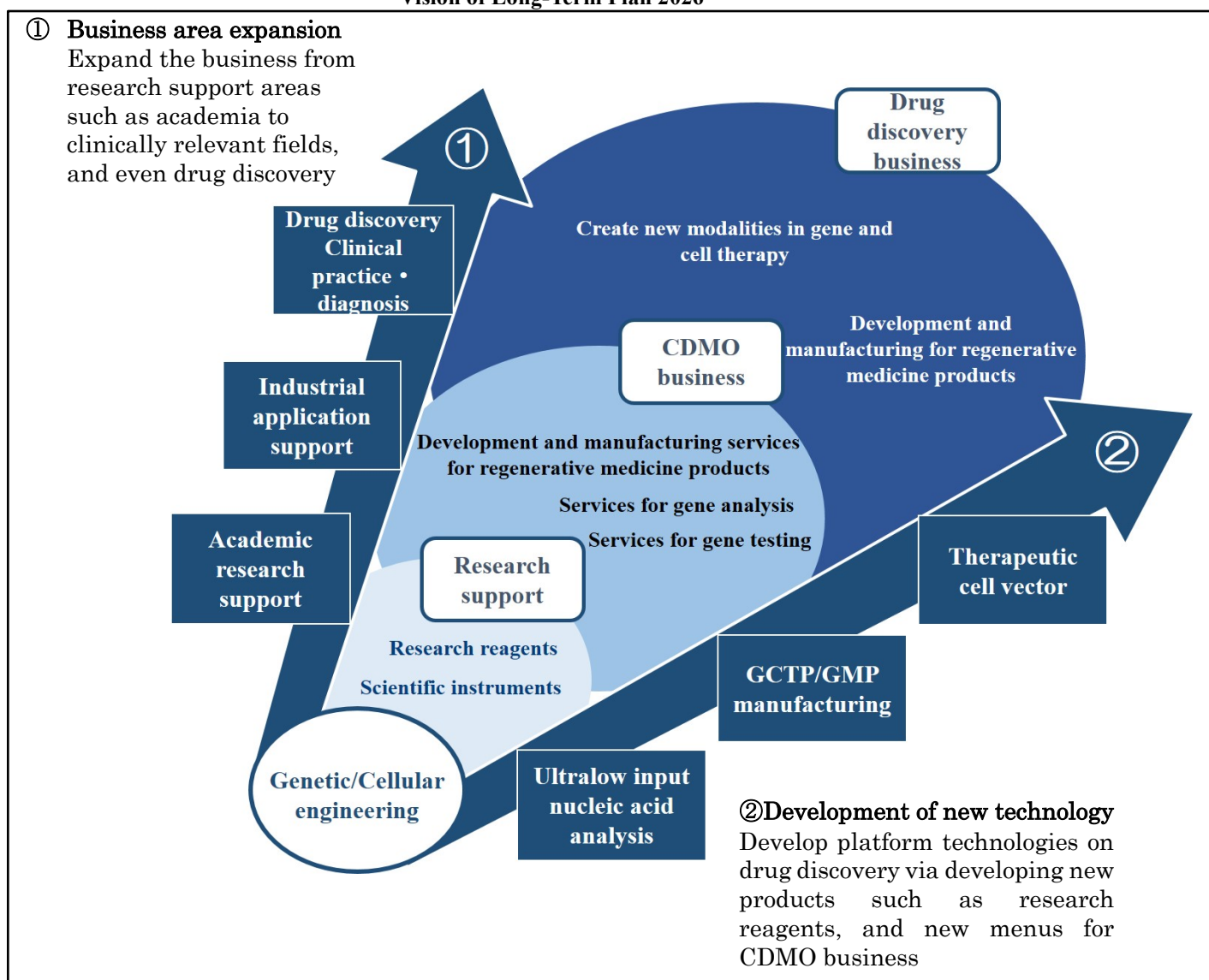
(3) Vision (ideal)

Through the "research reagents and scientific instruments business" and "CDMO business", the Group promotes the development of bio-drug discovery platform technologies and aims to be a drug discovery company that continuously creates new modalities.

(4) Quantitative targets for the final year of the plan

Operating profit: ¥10 billion, ROE:8% or more

Vision of Long-Term Plan 2026



2-1. Overview of Medium-Term Plan 2023

(1) Term

Fiscal 2021-Fiscal 2023

(2) General Policy

The Group will invest aggressively in R&D to build a foundation for growth over the next 3 years. It will promote business growth strategies and strategies to strengthen its management foundation, with aim of realizing Long-Term Plan 2026 (operating profit of ¥10 billion).

(3) Quantitative targets for the final year of the plan

Operating income: ¥6.5 billion, ROE: 6% or more

(4) Business Strategy

- Sustained growth in the core businesses of the R&D reagents and scientific instruments, and CDMO business
- Accelerate drug discovery alliance and creating new clinical projects to achieve dramatic growth in the future
- Accelerate expansion into growing global markets and expand business domains
- Abolished the business division system and reorganized into an organization to accelerate growth through the integration of divisions

(5) Strengthening our management base

- Aggressive growth investment, enhancement of shareholder returns, and improvement of ROE
- Cultivation of human resources, and creation of work environments to support growth
- Strengthen platform technology and R&D
- Build a new earnings base by improving productivity
- Create social value through the implementation of corporate philosophy

2-2 Strategies for each business and project in Medium-Term Plan 2023

(1) Research reagents business

- Aim to optimize development themes at our R&D sites in Japan, the U.S., and China, and to improve development efficiency.
- Distribute and reorganize manufacturing systems in Japan, the U.S., China, and Europe to optimize and improve efficiency throughout the Group. In addition, strive to improve competitiveness in terms of price and quality by continually reducing costs and expanding the scope of quality management system certification.
- Build a "glocal" sales strategy that takes regional characteristics into account, and aim for sales of ¥29.7 billion or more in fiscal 2023, the final year of the plan.

(2) Scientific instruments business

- Strengthen the development of PCR-related products for industrial and medical fields, such as virus testing, and further develop them into veterinarians, livestock, and environmental fields. In addition to aiming to expand sales by enhancing applications such as single-cell analysis system (device), the company will also use it to develop new menus for its CDMO business.
- Reorganize manufacturing and development systems, and develop new products with high added-value by systematizing instruments and specialized reagents.
- Aim to achieve net sales of ¥2.2 billion or more in fiscal 2023, the final year of the plan, through these measures.

(3) CDMO business

- The Group aims to expand its contracted service business by taking advantage of the dramatic improvement in manufacturing capacity for products such as regenerative medicine by expanding the Center for Gene and Cell Processing.
- Strengthen the GMP manufacturing system, including scaling up virus vector manufacturing, improving the productivity of gene-transduced cells, and cutting costs, in the fields related to regenerative medicinal products.
- Make efforts to enter clinically relevant fields and to improve the ability to handle large-scale genome analysis projects, in the field of gene analysis and gene testing.
- Aim to achieve net sales of ¥9.6 billion or more in fiscal 2023, the final year of the plan, through these measures

- (4) Drug discovery alliance
 - Regarding various projects of TBI-1301(NY-ESO-1 · siTCR™), TBI-1401(C-REV) and TBI-1501(CD19 and CAR), advance clinical development with partners, aiming at early launch, and seeking new partners for overseas development.
- (5) New clinical development projects
 - Aim for early clinical trial in CEA-GITR · CAR and CD19-JAK/STAT · CAR projects, as well as the development of new gene therapy projects.
 - Develop more effective CARs and siTCR™ cures in *ex vivo* gene therapy, applicable to solid cancer other than blood cancer.
 - Develop a new viral vector that has a higher therapeutic effect *in vivo* gene therapy and can be administered with less burden on patients.

2-3 Direction for Strengthening the Management Base in Medium-Term Plan 2023

Transform into a corporate culture that will realize our Long-Term Management 2026 and establish a solid foundation for growth, by advancing 5 management foundation strategies linked to our business strategies. Implement management with consideration of ESGs and SDGs at the same time.

- (1) Finance
 - Maintain and improve shareholder returns and ROE by continuing to make aggressive growth investments while maintaining financial soundness.
- (2) Human resource and organization
 - Focus on globalization and the development of leaders for the next generation to enhance growth opportunities to raise individual abilities, and create a work environment where employees can feel a work-life balance and a sense of satisfaction.
- (3) Technology
 - Build a foundation for the creation of new technologies by strengthening R&D capabilities, which are the lifelines of sustainable growth, and actively utilizing open innovation.
- (4) Revenue
 - Work to improve the efficiency and productivity of operations by reviewing work management and processes and further developing and utilizing IT infrastructure.
- (5) Creating social value
 - Conduct business activities unique to the Takara Bio Group, including support for life science research through the development and practical application of reagents for advanced research, and fulfillment of unmet medical needs through the development of gene therapy products, based on the corporate philosophy.

<Reference 1> Response to the expansion to new Coronavirus disease (COVID-19) pandemic

Promoting currently business activities that utilize our technologies and know-how cultivated through R&D of research reagents and gene therapy products

- Supply of research reagents including reagents for PCR testing

The Group continues to supply reagents for research without the delay to universities, national research institutes, and pharmaceutical companies that conduct life science research. Make a company-wide effort to ensure without the delay in delivery in CDMO services as well.

The Group has secured sufficient supplies of reagents for PCR testing, which are used for testing new coronavirus infections, as a duty of one of the few domestic manufacturers.

On May 1, the Group has launched a new PCR testing reagent (product name: SARS-CoV-2 Direct Detection RT-qPCR Kit), enabling rapid and easy testing of new coronaviruses with less than an hour of response without requiring a pre-processing to purify viral RNAs from samples. The Group is now supporting the expansion and enhancement of the PCR testing system.

- ◇ Launched a rapid and simple PCR kit for COVID-2019 detection (released on April 30, 2020, available only in Japanese)

https://ir.takara-bio.co.jp/ja/news_all/news_Release/newsr_202767212m006ta13941635_200430.html

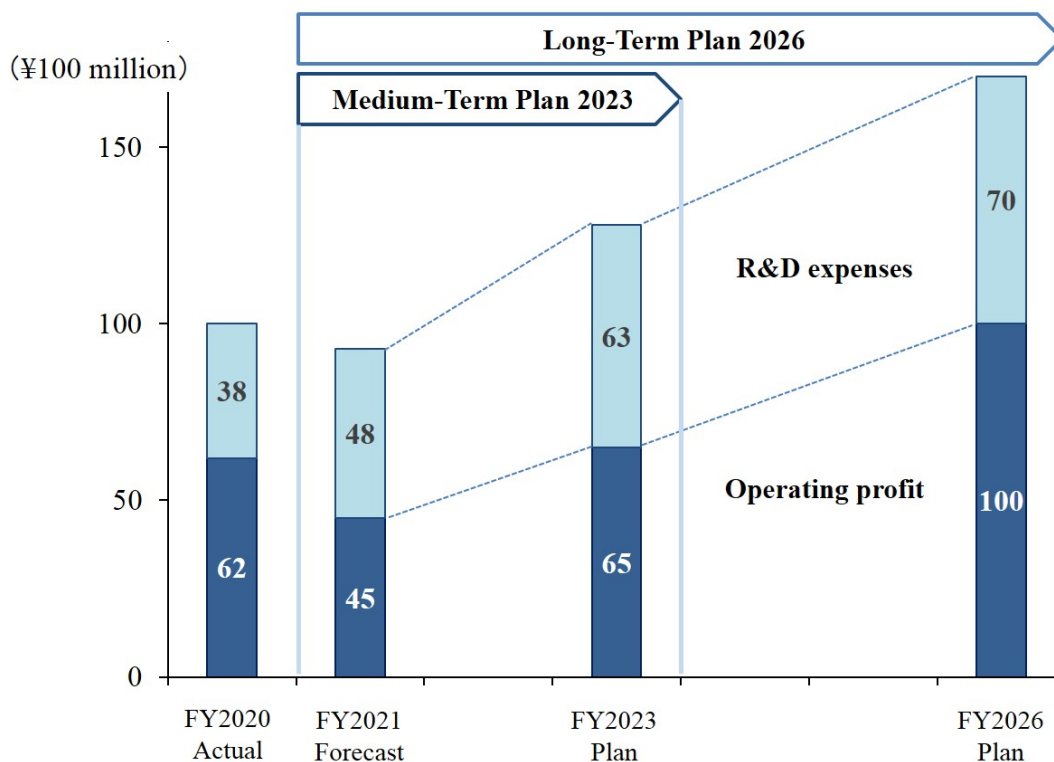
- Cooperation in the development of DNA vaccines for prevention

The Group is cooperating in the development of DNA vaccines for the COVID-19 prevention undertaken by Osaka University and Anges Co., Ltd., et. al. in a way that maximizes the technology and know-how it has developed and manufactured for the clinical development and production of gene therapy drugs.

- ◇ Takara Bio to support development of novel Coronavirus vaccine undertaken by Osaka University group (Released on March 5, 2020)

https://ir.takara-bio.co.jp/en/news_all/news_Release/news_Release201889409321505118082820200306.html

<Reference 2> Numerical Plan for the Period of Long-Term Plan 2026



(NOTE) Earnings Forecast for Fiscal 2020

In fiscal 2021, the Group forecasts sales of ¥33.8 billion (year on year ratio 95.8%) and operating profit of ¥4.5 billion (year on year ratio 71.7%), taking into account the effects of the COVID-19 spread and others as announced on May 14, 2020. Operating income is a forecast after taking into account as much risk factors as possible, such as a decline in global R&D activities.

Against this backdrop, R&D expenditures were ¥4,814 million, up to 124.4% from the previous fiscal year, and the Group plan to make active investments to build a technological foundation for future growth.

In this way, despite a temporary negative impact on our business results for fiscal 2021, the Group do not expect that the COVID-2019 issue has an impact on the direction of Long-Term Plan 2026 and Medium-Term Plan 2023, based on a rapid recovery in our business results due to positive investment in R&D and other factors.

<Reference 3> The Result of Medium-Term Plan 2020

(1) Term

Fiscal 2018-Fiscal 2020 (three years)

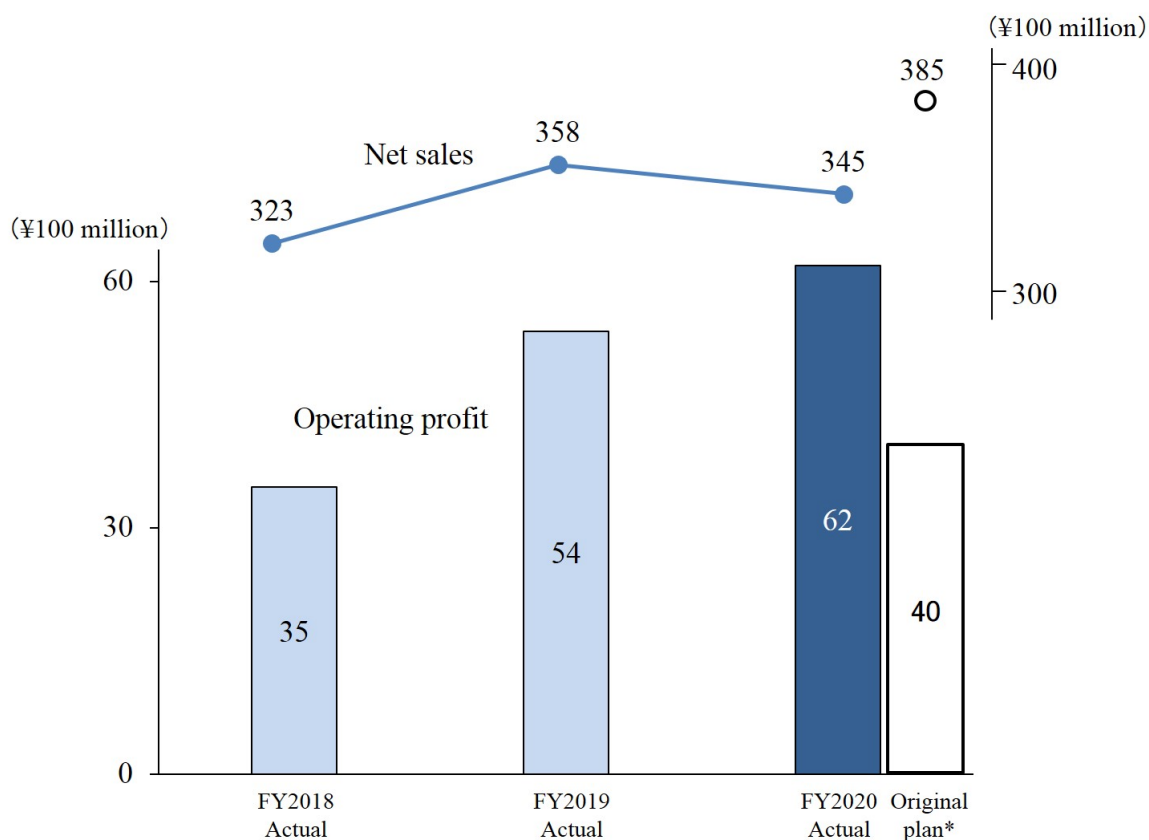
(2) Overall policy

To strengthen the three business segments, "Bioindustry business", "Gene Therapy business", and "AgriBio business", and the business supports these efforts, enhance our presence as a global enterprise and regenerative medical product company, and achieve prodigious growth.

(3) Achievement of quantitative targets

- Net sales fell short of the forecast due to the transfer of the "AgriBio business" in order to select and concentrate on businesses during the period.
- The operating profit greatly surpassed the original plan due to the growth of research reagents abroad, expansion of domestic CDMO business, and compensation revenue from a partnership with a pharmaceutical company in the Gene Therapy business.

Results during Medium-Term Plan 2020



*Announced in May 2017

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This article is translated from press release in Japanese for your convenience.

Forward-Looking Statements

Statements in this news release, other than those based on historical fact, concerning the current plans, prospects, strategies and expectations of the Company and its Group represent forecasts of future results. While such statements are based on the conclusions of management according to information available at the time of writing, they reflect many assumptions and opinions derived from information that includes major risks and uncertainties. Actual results may vary significantly from these forecasts due to various factors. Factors that could influence actual results include, but are not limited to, economic conditions, especially trends in consumer spending, as well as exchange rate fluctuations, changes in laws and government systems, pressure from competitors' prices and product strategies, decline in selling power of the Company's existing and new products, disruptions to production, violations of our intellectual property rights, rapid advances in technology and unfavorable verdicts in major litigation.