

FY2020 Consolidated Financial Results

TAKARA BIO INC.
May 18, 2020

* This is an English translation from Japanese presentation material.

Contents

- **Consolidated Financial Results for FY2020**
- Long-Term Management Plan FY2026
- Medium-Term Management Plan 2023
- Consolidated Financial Forecast for FY2021

Consolidated Financial Results for FY2020

(million yen)	FY2020 * Actual	Y on Y	
		Change	Ratio
Net sales	34,565	▲ 1,275	▲ 3.6%
Cost of Sales	13,459	▲ 1,696	▲ 11.2%
Gross profit	21,105	420	+2.0%
SG&A expenses	14,830	▲ 390	▲ 2.6%
Operating profit	6,274	+811	+14.8%
Ordinary profit	6,347	+682	+12.1%
Net income attributable to owners of the parent	3,819	+162	+4.4 %

Net sales

Decreased due to former AgriBio business transfer, etc. despite increases in research reagents and contract service

Cost of sales • Gross profit

Gross profit increased due to improved cost ratio from composition change by items and others

SG&A expenses

R&D expenses decreased due to expenses transfer involved in Gene therapy to partner

Operating profit

Marked new record (Increased for 11 consecutive years)

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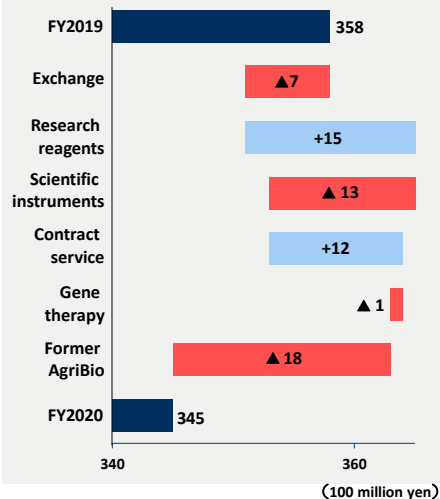
* FY2020 refers to the fiscal year ended March 2020



Consolidated Financial Results for FY2020

Net sales

(million yen)	FY2020 Actual	Y on Y ratio
Bioindustry	32,269	+2.2%
Research reagents	24,434	+3.5%
Scientific instruments	1,242	▲ 51.7%
Contract service	6,186	+24.9%
Gene therapy	2,295	▲ 6.0%
Former AgriBio	0	-
Net sales total	34,565	▲ 3.6%

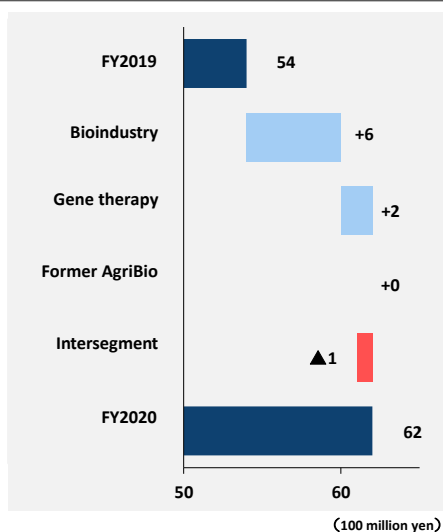


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Consolidated Financial Results for FY2020 Operating profit

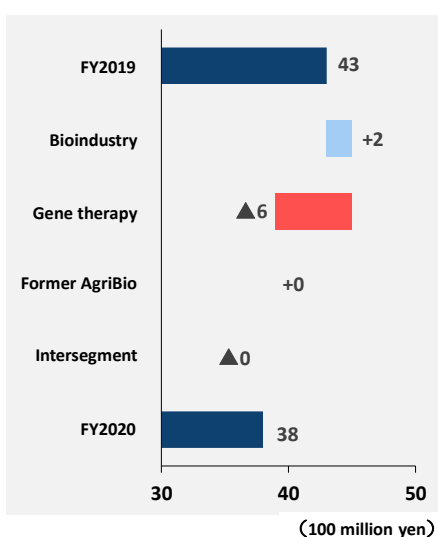
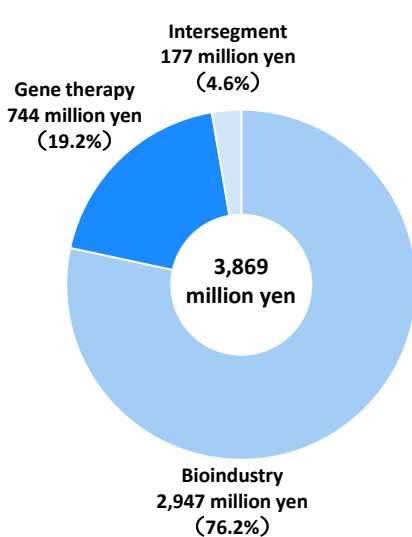
(million yen)	FY2020 Actual	Y on Y ratio
Bioindustry	7,748	+9.1%
Gene therapy	780	+54.1%
Former AgriBio	0	-
Intersegment	▲ 2,254	-
Total	6,274	+14.8%



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Consolidated Financial Results for FY2020 R&D expenses

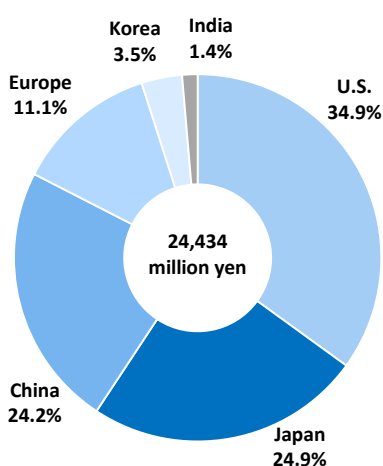


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Sales by Region for Research Reagents (Consolidated)

Overseas Sales Ratio : 75%



(million yen)	FY2020 Actual	Y on Y		
		Change	Change (exchange excluded)	Ratio (exchange excluded)
U.S.	8,532	302	413	+5.0%
Japan	6,076	361	361	+6.3%
China	5,907	437	789	+14.4%
Europe	2,703	▲ 245	▲ 60	▲ 2.1%
Korea	865	▲ 52	10	+1.1%
India	349	29	45	+14.2%

* No influence of COVID-19 in overseas subsidiaries due to FY2020 refers to the fiscal year ended December 31, 2019

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Results of Medium-Term Management Plan FY2020 ①

Net sales unachieved, but operating profit exceeded original plan

Performance of Medium-Term Plan

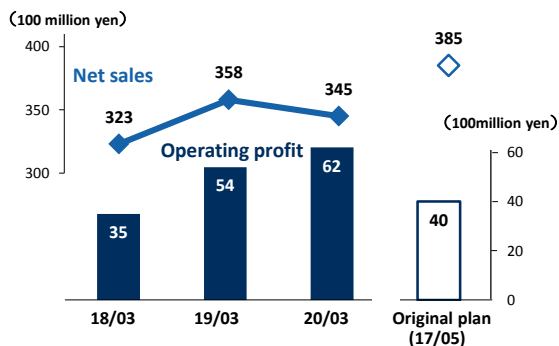
(100 million yen)	Actual (20/03)	Original plan (17/05 announced)
Net sales	345	385
Operating profit	62	40

Net sales

Unachieved due to AgriBio business transfer in 2018

Operating profit

Exceeded the original plan by sales growth of research reagents in overseas, CDMO business expansion and licensing revenue in Gene therapy business, etc.

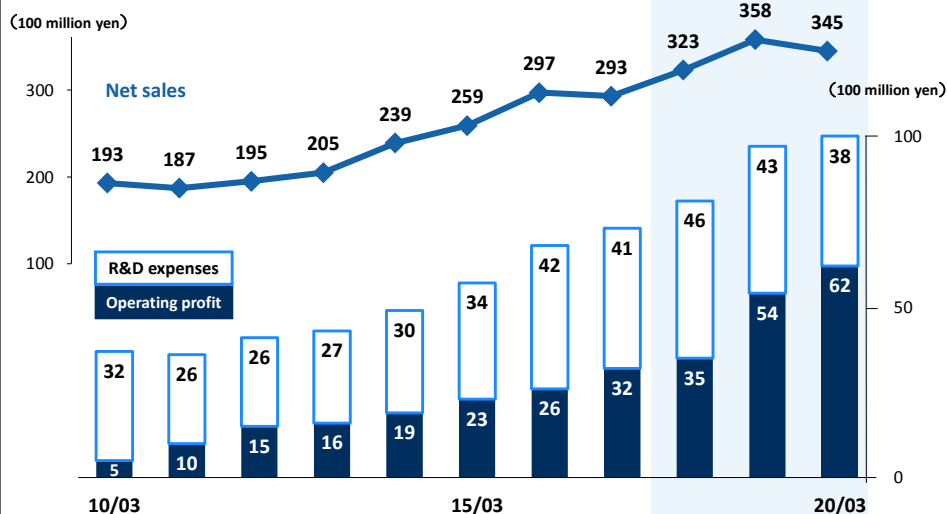


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Results of Medium-Term Management Plan FY2020 ②

Increased profit for 11 consecutive years while investing R&D expenses strategically

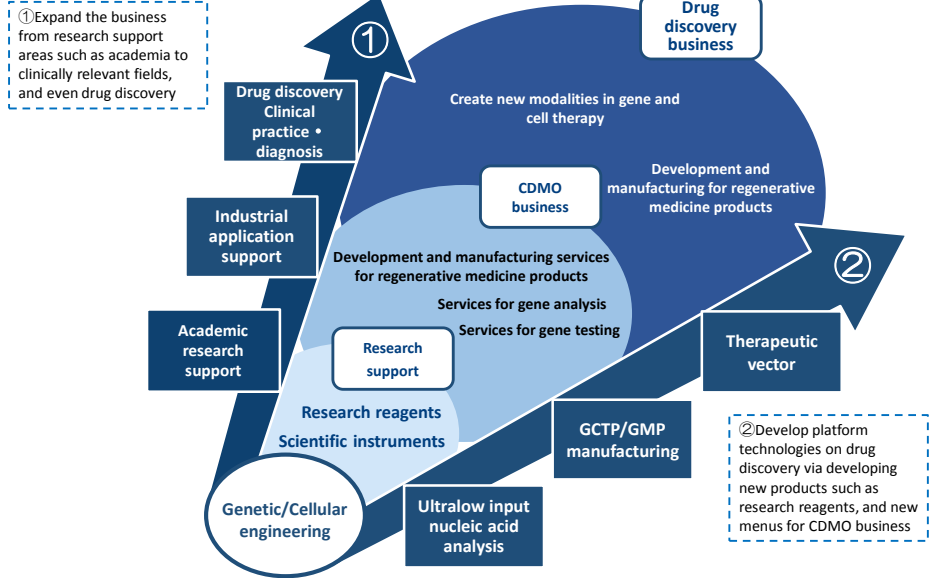


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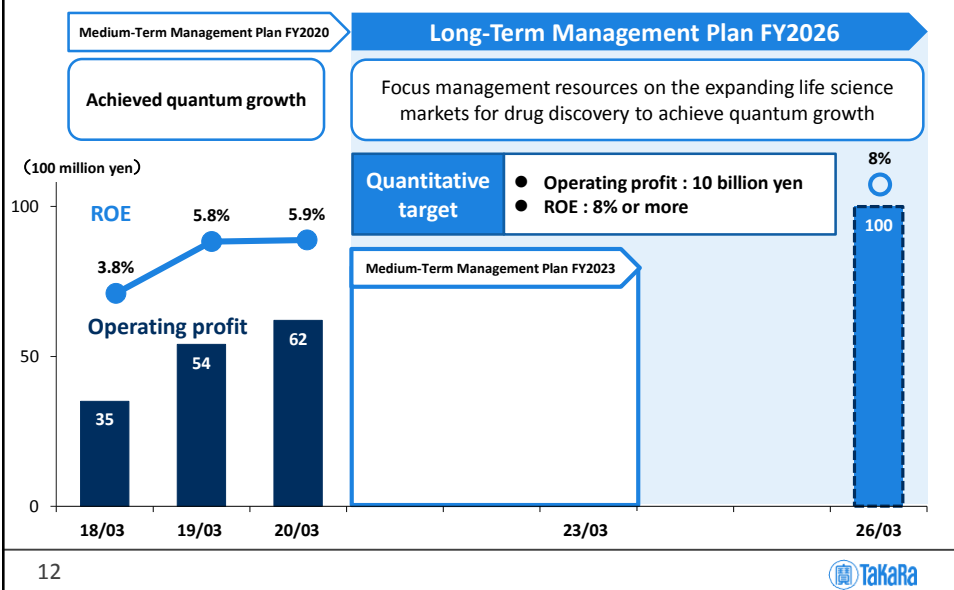
Long-Term Management Plan FY2026 ① Vision(Ideal)

Develop bio-drug discovery platform technologies via core businesses of research reagents and scientific instruments and CDMO business, aimed at **becoming a drug discovery company creating new modalities continuously**



Long-Term Management Plan FY2026 ②

Aim for growing into a company with **¥10 billion operating income in FY2026**



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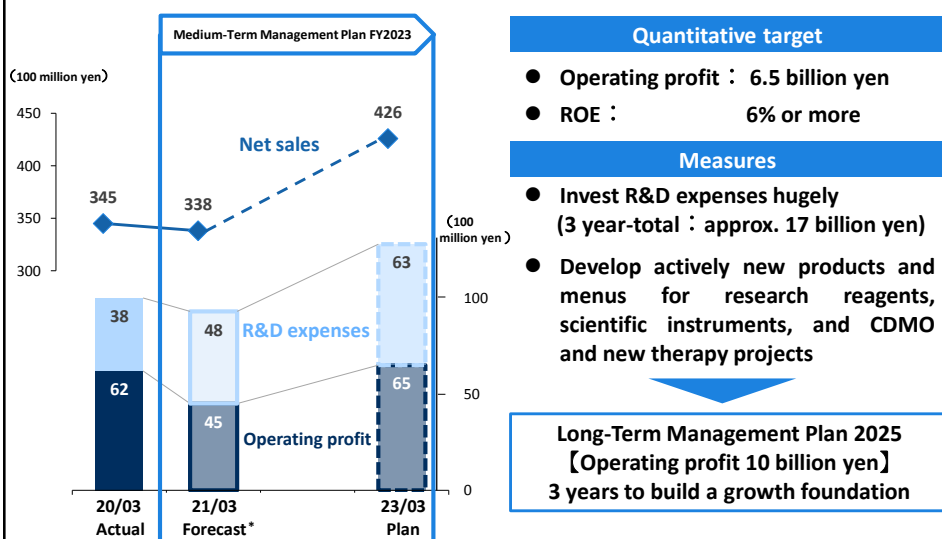
- Consolidated Financial Results for FY2020
- Long-Term Management Plan FY2026
- **Medium-Term Management Plan 2023**
- Consolidated Financial Forecast for FY2021

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Medium-Term Management Plan 2023 ①

Build a growth foundation by aggressively investing R&D expenses



Quantitative target

- Operating profit : 6.5 billion yen
- ROE : 6% or more

Measures

- Invest R&D expenses hugely (3 year-total : approx. 17 billion yen)
- Develop actively new products and menus for research reagents, scientific instruments, and CDMO and new therapy projects

Long-Term Management Plan 2025
 【Operating profit 10 billion yen】
 3 years to build a growth foundation

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* The FY2021 forecast takes into account the negative impact of COVID-19

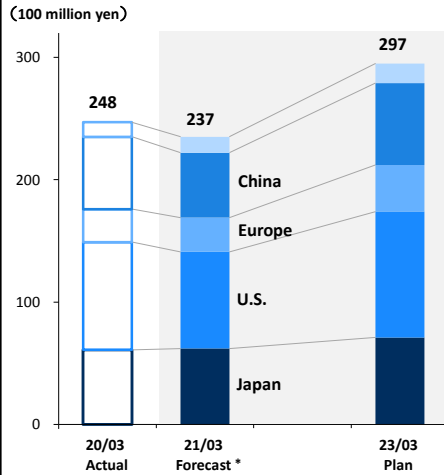


Medium-Term Management Plan 2023 ②

Research Reagents Business - Part 1

Build a global and multipolar R&D and manufacturing system

Sales plan for research reagents



Measures

R&D

- Optimize development sharing and maximize synergies according to technological domains at 3 sites in Japan, the U.S., and China
- Strengthen the R&D base further by establishing new facilities in the U.S. Completion of relocation scheduled in July 2021, capital investment of approx. ¥8 billion

Manufacturing

- Reorganize the manufacturing system based on the balance between improving efficiency and reducing risk.
- Strengthen competitiveness by continually reducing costs and expanding the scope of certification under the Quality Management System

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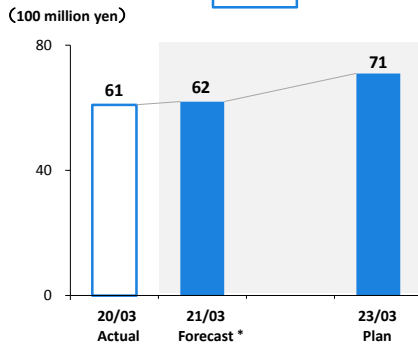


Medium-Term Management Plan 2023 ③

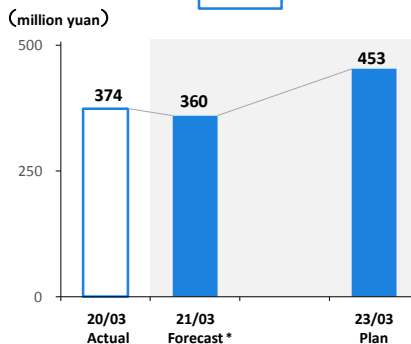
Research Reagents Business - Part 2

Growth through Glocal Sales Strategies Tailored to Regional Needs

Japan



China



- Develop BtoB business by PCR products
- Strengthen sales to single cell and ultra-low nucleic acid analysis market

- Strengthen sales distributor system
- Strengthen sales to NGS-related markets

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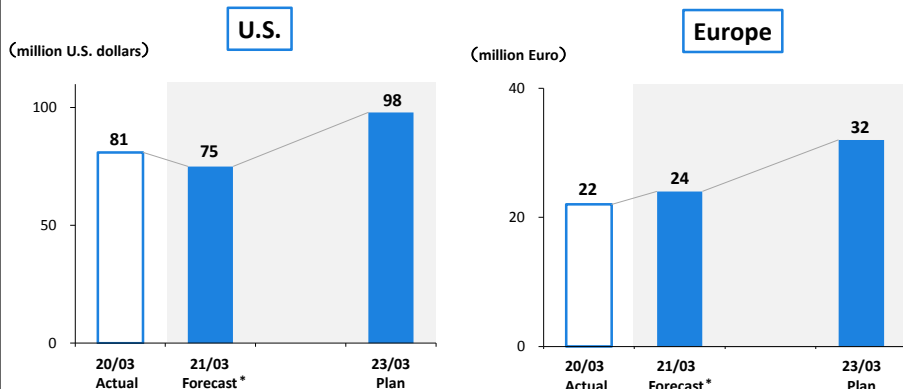
* The FY2021 forecast takes into account the negative impact of COVID-19



Medium-Term Management Plan 2023 ④

Research Reagents Business - Part 3

Growth through Glocal Sales Strategies Tailored to Regional Needs



- Expand NGS-related reagents through developing new product
- Strengthen the sales distributor system
- Expand our share of the reproductive diagnostic market
- Strengthen sales to NGS-related markets
- Enter the clinical-related market
- Launch new products in the field of cells and antibodies

* The FY2021 forecast takes into account the negative impact of COVID-19

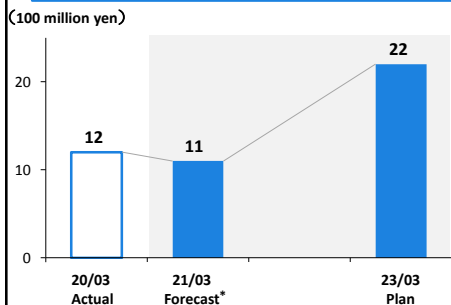


Medium-Term Management Plan 2023 ⑤

Scientific Instruments Business

Reorganize manufacturing and R&D structure and accelerate developing systematization

Sales plan for Scientific instruments



Single-cell analysis system
ICELL8^{cx}



Portable qPCR instrument
CronoSTAR[™] Portable

Measures

Single-cell analysis system

- Expand sales, particularly in Europe and the U.S.
- Enhance applications to differentiate from competitors
- Expand application to contract service business mainly in Japan and China

PCR instrument

- Develop high-performance Clontech brand new products and expand sales mainly in Asia
- Development of specialized reagents optimized for various devices
- Strengthen expansion into application fields

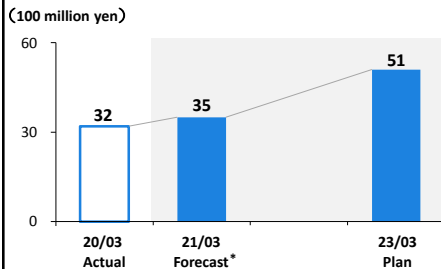
* The FY2021 forecast takes into account the negative impact of COVID-19



Medium-Term Management Plan 2023 ⑥ CDMO Business - Part 1

Utilize expanded manufacturing facilities and promote technological development

Sales plan for Regenerative medicine product



Center for Gene and Cell Processing II
(Launched in Jan. 2020)

Measures

Development of manufacturing and technology

- Establish technologies such as cell preparation methods to shorten production time
- Further strengthen GMP/GCTP manufacturing control system
- Establish technology to scale up production of various vectors
- Strengthen Quality Test Management by introducing Sample Management System
- Establish quality test methods by NGS

Marketing and sales

- Cultivate new customers for overseas pharmaceutical companies
- Approaches to academia and start-up companies from the early stages of development

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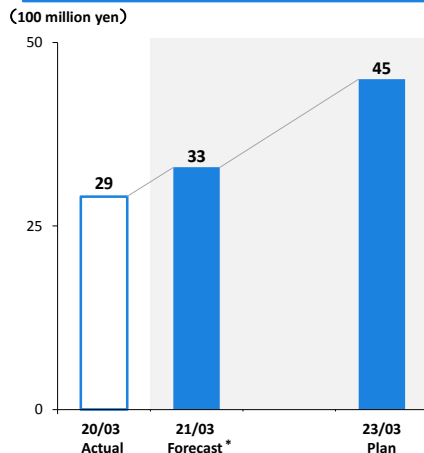
* The FY2021 forecast takes into account the negative impact of COVID-19



Medium-Term Management Plan 2023 ⑦ CDMO Business - Part 2

Acceleration of entry into clinical field for contracted gene analysis and testing

Sales plan in gene analysis and testing fields



Measures

Development of manufacturing and technology

- Strengthen large-scale contract work for whole genome analysis, etc.
- Develop new NGS-related service menu utilizing in-house technologies and products
- Strengthen the bioinformatics analysis system

Marketing and sales

- Strengthen development in the clinical-related market
- Active approaches to national projects related to genome analysis
- Strengthen marketing strategies that emphasize the superiority of analytical technologies and speed of analysis

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* The FY2021 forecast takes into account the negative impact of COVID-19



Medium-Term Management Plan 2023 ⑧

Drug Discovery Alliance Business

Steady promotion of tie-up projects, focusing on overseas tie-up activities

Steady promotion of domestic alliance projects and strengthening of post-launch manufacturing and supply system

- **TBI-1301 (NY-ESO-1 • siTCR™)**
In the domestic clinical trial (Phase I/II) for synovial sarcoma, administration of all patients was completed, and follow-up is in progress. Planned for submission of an application for approval in 2020, while strengthening our post-marketing manufacturing and supply system
Preparation underway in expand indication
- **TBI-1401 (C-REV)**
Completed administration and monitored for all cases in the Japanese (Phase I) pancreatic cancer trial
- **TBI-1501 (CD19 • CAR)**
A national study (Phase I/II) of adult acute-lymphocytic leukemias (ALLs) is ongoing.
Preparation underway in expand indication

Strengthen overseas licensing out activities

- Exclusively licensed TBI-1401(C-REV) exclusive rights to develop, manufacture, and sell product in China to China-based Tasly Biopharmaceuticals
- Continue to strengthen activities aimed at forming alliances, such as out-licensing agreements with the U.S., European, and Asian companies for each gene therapy project

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Medium-Term Management Plan 2023 ⑨

New Clinical Development Projects

Planning to start multiple genetic therapy projects

Ex-vivo gene therapy

- **Focus on the development of platform technologies to solve technical problems of prototypic CAR and TCR**
 - Develop and improve new receptor sites targeted at solid cancer and search for targeted antibodies
 - Selection and introduction of new signaling domains
 - Advancement of cell selection, cell processing, and culture technologies
- **Plans to begin clinical trials of 2 new CAR-T projects early**
 - CEA-GITR • CAR-T (Japan)
 - CD19-JAK/STAT • CAR-T (Canada)

In vivo gene therapy

- Development of new vectors with high efficacy and safety, and creation of new clinical development projects utilizing these vectors

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FY2021 Consolidated Profit or Loss (Forecast)

(million yen)	FY2021 Forecast	Y on Y	
		Change	Ratio
Net sales	33,800	▲ 765	▲ 2.2%
Cost of sales	12,999	▲ 459	▲ 3.4%
Gross profit	20,800	▲ 305	▲ 1.4%
SG&A expenses	16,300	+1,469	+9.9%
Operating profit	4,500	▲1,774	▲ 28.3%
Ordinary profit	4,600	▲1,747	▲ 27.5%
Net income attributable to owners of the parent	2,600	▲1,219	▲ 31.9%
R&D expenses	4,814	945	24.4%

【 Assumptions for financial Forecast 】

Net sales • Operating profit

- Incorporated negative impact of new COVID-19
- For positive impacts, assess the situation and disclose timely

R&D expenses

- Continue proactive R&D investment to build a foundation for future growth

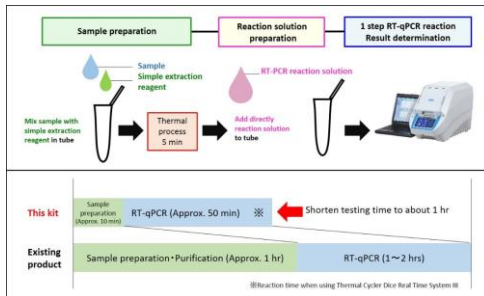
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Development and Sale of “SARS-CoV-2 Direct Detection RT-qPCR Kit”

Feature of new direct PCR kit

- Direct-type reagents/detection kit that do not require an RNA extraction and purification kit
- Simple operation within 1 hour from sample pretreatment to completion of PCR
- Confirmation of the accuracy of testing data and posting it on the website by the National Institute of Infectious Diseases
- Applicable to administrative inspection and Public Health Insurance
- Production and shipment systems equivalent to 2 million reactions monthly are secured.



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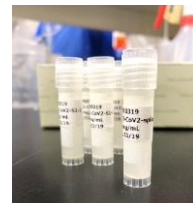


Support Developing Prophylactic DNA Vaccine against SARS-CoV-2

- Support developing prophylactic DNA vaccine undertaken by Osaka Uni. and Angen, Inc.
- Takara Bio who has a proven track record in Gene therapy project in our dedicated facility is responsible for constructing and manufacturing DNA vaccine.
- Being currently manufactured DNA vaccine for pre-clinical trial.

Feature of DNA vaccine

- ◆ DNA vaccine, produced based on virus genetic information, shows no pathogenicity, suggesting a safe modality to prevent infection and different approach from attenuated vaccine.
- ◆ Manufactured safely using E.coli culture system in a short period
- ◆ Once administered, pathogenic protein is expressed in the body, leading to stimulate immune response to pathogenic antigen.



DNA vaccine for animal experiment
(Provided by Osaka Uni.)

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[Reference]

Reference information

- FY2020 Consolidated Financial Results
- FY2021 Consolidated Financial Forecast
- FY2020 Net Sales by Segment
- FY2021 Net Sales Forecast by Category
- FY2020 Profit and Loss by Segment
- FY2020 Net Sales for Research Reagents by Region
- FY2021 Net Sales Forecast for Research Reagents by Region
- Results by Subsidiary (FY2020 Actual vs FY2021 Forecast)
- Exchange Rates

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[Reference]

FY2020 Consolidated Financial Results

(million yen)

	FY2020 Actual	Y on Y		Compared with Previous forecast	
		Change	Ratio	Change	Ratio
Net sales	34,565	▲ 1,275	▲ 3.6%	+265	+0.8%
Cost of sales	13,459	▲ 1,696	▲ 11.2%	+290	+2.2%
Gross profit	21,105	+420	+2.0%	▲25	▲0.1%
SG&A expenses	14,830	▲ 390	▲ 2.6%	▲ 100	▲ 0.7%
Operating profit	6,274	+811	+14.8%	+74	+1.2%
Ordinary profit	6,347	+682	+12.1%	+47	+0.8%
Net income attributable to owners of the parent	3,819	+162	+4.4 %	+119	+3.2%

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【Reference】

FY2021 Consolidated Financial Forecast

(million yen)

	FY2021 Forecast	Y on Y	
		Change	Ratio
Net sales	33,800	▲ 765	▲ 2.2%
Cost of sales	12,999	▲ 459	▲ 3.4%
Gross profit	20,800	▲ 305	▲ 1.4%
SG&A expenses	16,300	+1,469	+9.9%
Operating profit	4,500	▲ 1,774	▲ 28.3%
Ordinary profit	4,600	▲ 1,747	▲ 27.5%
Net income attributable to owners of the parent	2,600	▲ 1,219	▲ 31.9 %

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【Reference】

FY2020 Net Sales by Segment

(million yen)

	FY2020 Actual	Y on Y		Compared with pervious forecast	
		Change	Ratio	Change	Ratio
Bioindustry	32,269	+693	+2.2%	+251	+0.8%
Research Reagents	24,434	+833	+3.5%	+76	+0.3%
Scientific instruments	1,242	▲ 1,328	▲ 51.7%	+77	+6.6%
Contract service	6,186	+1,232	+24.9%	+103	+1.7%
Other	405	▲ 43	▲ 9.8%	▲ 5	▲ 1.4%
Gene therapy*	2,295	▲ 147	▲ 6.0%	+14	+0.6%
other	-	▲ 1,822	-	0	-
Net sales total	34,565	▲ 1,275	▲ 3.6%	+265	+0.8%

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*Former AgriBio



[Reference]

FY2021 Net Sales Forecast by Category

(million yen)

	FY2020 Actual	FY2021 Forecast	Y on Y	
			Change	Ratio
Research reagents	24,840	23,788	▲1,051	▲4.2%
Scientific instruments	1,242	1,178	▲64	▲5.2%
Contract service	6,186	7,201	1,014	+16.4%
Gene therapy	2,295	1,631	▲663	▲28.9%
Net sales total	34,565	33,800	▲765	▲2.2%

(Note) It has changed to a single segment since the year ending 31 March, 2021. Sales of "Other" support for the Bioindustry in the previous fiscal year were included in " Research reagents " from the fiscal year ending March 2021. The results for the fiscal year ended March 2020 have been reclassified to reflect these changes.

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[Reference]

FY2020 Profit and Loss by Segment

(million yen)


<FY2020 Actual>	Bioindustry	Gene therapy	AgriBio	Intersegment	Total
Net sales	32,269	2,295	0	0	34,565
Gross profit	19,514	1,590	0	0	21,105
SG&A expenses	11,766	810	0	2,254	14,830
R&D expenses from above	2,947	744	0	177	3,869
Operating profit	7,748	780	0	▲2,254	6,274

* With the change to a single segment since FY2021, profit and loss by segment has been omitted since this time


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[Reference]				
FY2020 Net Sales for Research Reagents by Region				
(million yen)				
	FY2020 Actual	Y on Y	Exchange (Y on Y)	Y on Y (Exchange excluded)
U.S.	8,532	+302	▲ 111	+413
Japan	6,076	+361	-	+361
China	5,907	+437	▲ 352	+789
Europe	2,703	▲ 245	▲ 184	▲ 60
Korea	865	▲ 52	▲ 62	+10
India	349	+29	▲ 15	+45
Research reagents total	24,434	+833	▲ 726	+1,560

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[Reference]				
FY2021 Net Sales Forecast for Research Reagents by Region				
(million yen)				
	FY2021 Forecast	Y on Y	Exchange (Y on Y)	Y on Y (Exchange excluded)
U.S.	7,923	▲ 928	▲ 304	▲ 624
Japan	6,274	+137	-	+137
China	5,338	▲ 570	▲ 349	▲ 220
Europe	2,898	+180	▲ 71	+252
Korea	897	+22	▲ 57	+79
India	455	+106	▲ 15	+121
Research reagents total	23,788	▲ 1,051	▲ 798	▲ 253

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[Reference]

Results by Subsidiary (FY2020 Actual vs FY2021 Forecast) (million yen)

	FY2020 Actual		FY2021 Forecast	
	Net sales	Operating profit	Net sales	Operating profit
Takara Bio	21,984	2,645	22,277	1,787
Takara Bio Europe	3,090	144	3,316	238
Takara Biotechnology (Dalian)	3,477	1,062	4,087	1,409
Takara Biomedical Technology (Beijing)	6,378	1,223	6,022	925
Takara Korea Biomedical	1,014	159	1,010	155
DSS Takara India Pvt. Ltd.	365	30	469	25
Takara Bio USA Inc.	11,221	1,625	10,175	360

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[Reference]

Exchange Rates

(Unit : yen)	FY2019	FY2020	FY2020	FY2021
	Actual	Previous Forecast	Actual	Forecast
US dollar	110.45	109.03	109.03	105.00
Euro	130.35	122.03	122.03	119.00
Yuan	16.71	15.77	15.77	14.80
100 Won	10.04	9.36	9.36	8.80
Rupee	1.62	1.55	1.55	1.50
Sweden Krona	12.71	11.53	11.53	11.90

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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.

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